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Top News - Oil

EXCLUSIVE- G7 coalition to keep Russian oil price cap at $60 per barrel -source

The Group of Seven (G7) coalition will keep a $60 per barrel price cap on seaborne Russian oil, a coalition official said, despite rising global crude prices and calls by some countries for a lower price cap to restrict Moscow's revenues.

The G7 and Australia made the decision to maintain the cap over the past few weeks after a review of the $60 price - set in December with an aim to reduce Moscow's ability to finance its war in Ukraine, the official said on condition of anonymity.

It comes after four weeks of gains in benchmark oil prices helped by an output cut announced by OPEC+, which groups the Organization of the Petroleum Exporting Countries and allies led by Russia, as well as a recovery in Chinese consumption.

The market was consolidating on Monday with Brent and U.S. crude futures holding above $80 per barrel.Russian crude has been selling at a discount of around $30 to Brent, the official said.

Coalition officials concluded the price cap was working to both limit Russian revenue while maintaining energy market stability, but said they would continue coordinating to ensure effective monitoring and enforcement, the official added.

COMBATING EVASION

The coalition will also intensify efforts to combat evasion of the price cap and sanctions imposed on Russia, including the use of deceptive practices to access insurance and other coalition services for oil traded above the cap.

Coalition members plan to provide guidance to help service providers identify red flags for evasion, such as manipulation of ships' location tracking or failure to itemize shipping, freight, customs, and insurance costs separately from the oil itself, the official said.

Later on Monday, the U.S. Treasury issued a warning to U.S. companies of possible evasions of the price cap on oil exported through the Eastern Siberia Pacific Ocean (ESPO) pipeline and ports in eastern Russia. It recommended that traders retain documents showing that Russian oil and oil products were bought at or below the cap. The oil price cap bans G7 and European Union companies from providing transportation, insurance and financing services for Russian oil and oil products if they are sold above the cap.

The U.S. and Britain have also imposed restrictions on Russian oil imports. The official noted that a recent International Energy Administration (IEA) report concluded that the G7 sanctions regime had been effective "in not restricting global crude and product supplies, while simultaneously curtailing Russia's ability to generate export revenue."

The IEA said on Friday that Russian's March oil revenue rose by $1 billion month on month to $12.7 billion, but was still 43% lower than a year earlier.

Russian crude exports have been consistent at over 3 million barrels per day and global markets have been steady, the G7 official said.

China's oil refinery throughput surges to record in March

Chinese oil refinery throughput surged to a record in March, data showed on Tuesday, as refiners stepped up runs to capture strong export demand and build up inventories ahead of planned maintenance.

Total refinery throughput reached 63.9 million tonnes, data from the National Bureau of Statistics (NBS) showed, equivalent to 14.9 million barrels per day (bpd). That was up 8.8% from a year earlier.

Throughout was 13.8 million bpd in March 2022 and 14.36 million bpd for the January-February period this year. Total first-quarter throughput was 179.3 million tonnes, 5.2% higher than the 171.4 million tonnes in the same period last year.

Recovering export demand for gasoline and aviation fuel as more people travelled following the scrapping of COVID-19 controls has supported higher refinery runs.

China's refined fuels exports in March surged by 35.1% from a year earlier, customs data showed last week. Gasoline margins in Asian trade rose to two-month highs in late March, supported by tighter supplies from Indian refiners.

Cheaper crude imports from Russia, which sells oil to China at steep discounts because of a scarcity of other willing buyers, also enhanced refining margins and encouraged greater production.

Major private refiners, such as Zhejiang Petrochemical (ZPC) and Hengli Petrochemical have reportedly been operating at or above their official capacity as they look to profit from these strong margins.

Refiners are also expected to increase stockpiles of refined oil products ahead of upcoming maintenance at large state-owned refineries to ensure security of domestic supply.

Sinopec's Luoyang refinery will shutdown its whole plant for 54-days from mid-May, while PetroChina's Changqing refinery began a 55-day overhaul at the start of April.

NBS data also showed China's crude oil production in March was up 2.4% from a year earlier to 18.2 million tonnes, about 4.28 million bpd.Natural gas production grew 4% to 20.5 billion cubic metres (bcm) from last year's 19.7 bcm.

Top News - Agriculture

Ukraine grain import bans mount as Kyiv seeks transit deal

Slovakia on Monday joined Poland and Hungary in banning grain imports from Ukraine as even Kyiv's staunchest allies come under domestic pressure to shield their agriculture markets.

The heat is mounting on Brussels to work out a European Union wide solution after Warsaw and Budapest announced bans on some imports from Ukraine at the weekend, with other countries in eastern Europe saying they are also considering action.

Farmers say imports from Ukraine have lowered prices and reduced their sales. In Poland, the issue has created a problem in an election year for the ruling nationalist Law and Justice (PiS) party that relies on rural areas for much of its support.

"Ukraine needs help, but the costs of this help should be spread over all European countries, not just the frontline countries, especially Poland. We do not agree to this, because it harms our farmers," Polish agriculture minister Robert Telus said after talks that began in Warsaw on Monday.

Kyiv said it aims to re-open food and grain transit via Poland as "a first step" to ending import bans, but Telus said that no solution had so far been found to guarantee that the grain in transit would not end up on the local market.

Some Black Sea ports were blocked after Russia's invasion of Ukraine began last year and logistical bottlenecks trapped large quantities of Ukrainian grain, which is cheaper than that produced in the EU, in Central European countries.

The Polish, Hungarian and Slovakian export and transit bans come as a deal to allow the export of millions of tonnes of Ukrainian grain via the Black Sea, despite the Ukraine war, nears its May 18 expiry. Meanwhile, Russian demands have left the prospect of an extension of this deal uncertain.

The combined impact of the bans and failure to agree an extension would strand millions of tonnes of grain inside Ukraine, a major agricultural producer that makes a substantial part of its gross domestic product from food sales.

"The first step ... should be the opening of transit, because it is quite important and it is the thing that should be done unconditionally and after that we will talk about other things," Ukrainian Agriculture Minister Mykola Solsky said before the talks in Warsaw.

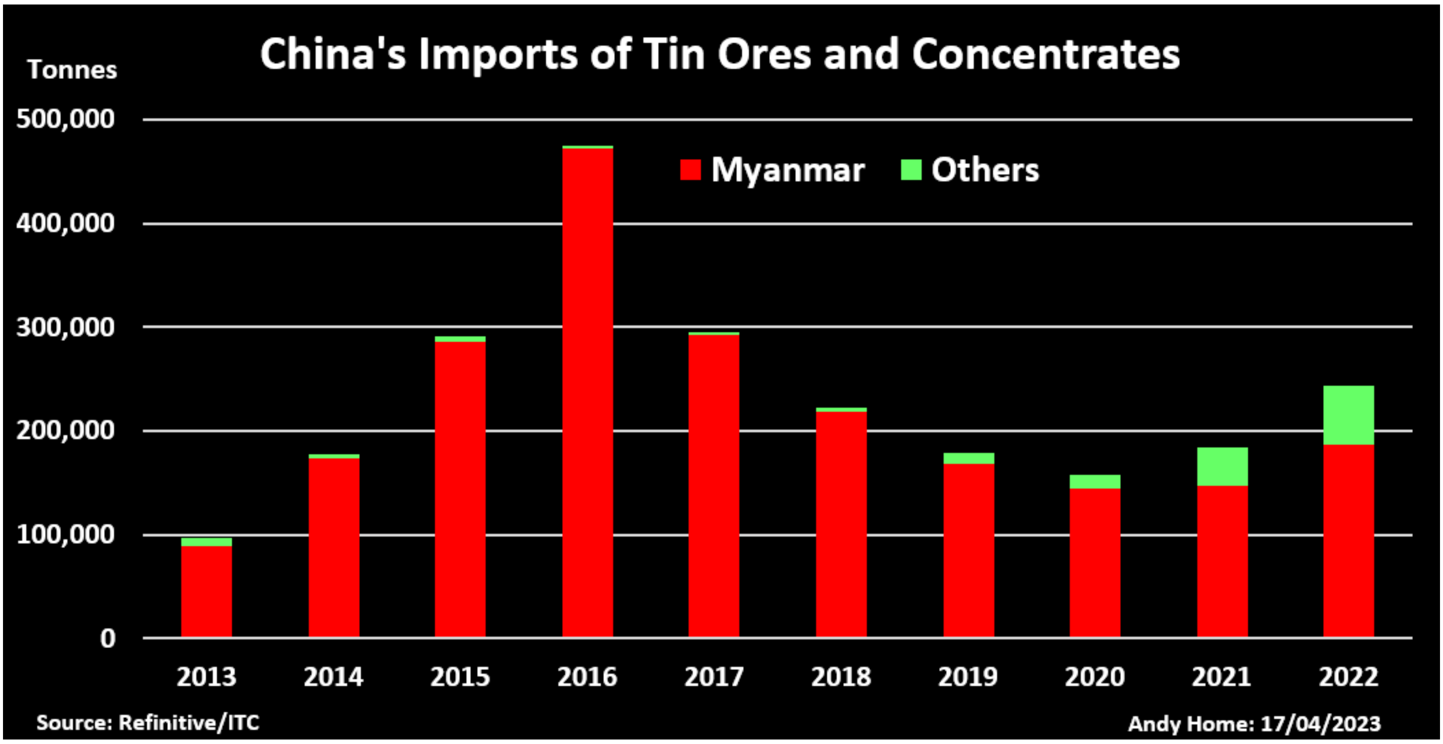
To prevent any grain entering its market, Poland's ban also covered transit through the country, which imported 2.45 million tonnes of grain, or three quarters of total imports, from Ukraine in 2022, Polish Agriculture Ministry data showed.

The bans have left truck drivers stranded for several days in long traffic jams on the border baffled.

"We can't go in either direction. Yes, the Poles reached out to us, I'm very thankful to them. I'm immensely grateful, the whole of Ukraine is, the whole world even. But now, Poland doesn't let (us) in for some reason," Mykola Bervin, a driver from Zhytomyr in Ukraine, told Reuters.

Bervin said he had been stuck for three days and the tailback was more than 25 kilometres long.

Chart of the Day



EU ACTION 'INEVITABLE'
Slovakia approved halting imports indefinitely following Poland's move, although it maintained transit, while the BTA news agency reported that Bulgaria's agriculture minister also said the country could limit imports.
Istvan Nagy, Hungary's farm minister, said a solution was needed beyond the national level, calling eventual EU measures inevitable. The Czech Republic also urged an EU-wide solution while saying it would not introduce a ban itself for now.
Bulgaria, Hungary, Poland, Romania and Slovakia raised the issue with the European Commission last month, saying tariffs on Ukrainian imports should be considered, while states have also pushed for an EU purchase mechanism to buy up cheap grain.
Telus said that six countries would like to meet with the EU commissioner responsible for trade to find a solution.
A senior EU official said EU envoys would discuss Poland and Hungary's bans on Wednesday - after the bloc's executive said on Sunday that unilateral action was unacceptable.
The official said low global prices and demand meant grain was staying in the bloc rather than being sold on.

NOPA March soybean crush at 185.810 million bushels, second highest ever
The U.S. soybean crush jumped to a 15-month high and the second highest level for any month on record in March, according to National Oilseed Processors Association (NOPA) data released on Monday.
NOPA members, which account for around 95% of soybeans crushed in the United States, processed 185.810 million bushels of soybeans last month, up 12.3% from the 165.414 million bushels processed in February.
It was the largest monthly crush since a record-setting 186.438 million bushels were processed by NOPA members in December 2021, the group's data showed.
The daily U.S. crush pace accelerated in February and expanded further in March as soy processors recovered from weather- and maintenance-related downtime earlier in the winter, analysts said.
The March 2023 crush topped the average trade estimate of 183.411 million bushels in a Reuters survey of 10 analysts.
Estimates ranged from 180.700 million to 188.500 million bushels, with a median of 182.938 million bushels.
Soyoil supplies among NOPA members as of March 31 rose to 1.851 billion pounds, up from the 1.809 billion pounds in NOPA stocks at the end of February.
Soyoil supplies at the end of March had been expected to climb to 1.867 billion pounds, according to the average of estimates gathered from seven analysts. Estimates ranged from 1.800 billion to 1.950 billion pounds, with a median of 1.868 billion pounds.

Top News - Metals

China's March steel output hits 9-month high on better margins, demand outlook
China's crude steel output in March rose 6.9% from a year earlier to a nine-month high, official data showed, as mills ramped up output on improved margins and expectations of robust downstream demand during the peak construction activity season.
The world's top steel producer churned out 95.73 million tonnes of the metal last month, the highest since June 2022 and up from 88.3 million tonnes over the same period in 2022, data from the National Bureau of Statistics (NBS) showed on Tuesday.
Production in March 2022 was capped by stringent COVID-19 restrictions and environmental controls. Beijing abruptly ended some of the world's toughest COVID-19 curbs in December.
"The rising pace is totally in line with our expectation and we expect output in April to see both year-on-year and month-on-month growth given the remaining quite high operating rate among mills within the month," said Pei Hao, a Shanghai-based senior analyst at the international brokerage firm FIS.
The average daily steel output in March stood at 3.09 million tonnes, the highest monthly average since June 2022, according to Reuters calculations based on the NBS data. That was up from 2.85 million tonnes for the same period in 2022, and was also higher than 2.86 million tonnes over January-February.
Profitability among the surveyed 247 Chinese steelmakers rose to 58.87% in late March, up from 38.96% by the end of February, data from consultancy Mysteel showed.
However, some analysts expect maintenance and production cuts to hurt steel output this month.
"The crude steel output will likely drop in April when some mills either implemented equipment maintenance or reduced their production," said Xu Xiangchun, a Beijing-based director of content at consultancy Mysteel.
Output of the metal over the first quarter of 2023 was 261.56 million tonnes, up 6.1% on year, NBS data showed. The total volume is the highest for the period since 2021.

Myanmar's Wa militia to suspend mining in its zone from Aug, tin prices jump
Myanmar's ethnic minority Wa militia will suspend all work at mines in areas it controls from August, an information official from the militia force, the United Wa State Army (UWSA), said on Monday, driving up tin prices about 12% across markets.
Most of Myanmar's tin concentrate comes from mines in the Wa state areas, according to the International Tin Association.
Tin prices surged 12% in neighbouring China, the world's biggest refined tin producer, to their highest in nearly two months after news of the ban. Myanmar accounted for 77% of China's tin ore imports in 2022.
"From Aug. 1, 2023, work at mines, including exploration, mining and processing will be suspended," Myanmar's Wa State Central Economic Planning Committee said in a document issued on April 15 and seen by Reuters.

The move is to protect the remaining mining resources, while companies whose contracts are still ongoing can still work on exploration for another three months, the document said.

Nyi Rang, an official from the external relations department of the UWSA confirmed the authenticity of the document.

The UWSA controls significant stretches of territory in northeastern Myanmar's Shan State, mostly along the border with China but also near the Thai border.

On the Shanghai Futures Exchange, the most-traded May refined tin contract jumped 12% to 218,700 yuan ($31,825.26) a tonne, the highest since Feb. 23 and the biggest daily gain since March last year.

On the London Metal Exchange, benchmark three-month refined tin jumped as much as 11.5% to $27,705 a tonne by 0828 GMT, its highest since Feb. 21.

"The Wa state is the largest tin mine producing area in Myanmar, and most of its output is sent to China. The ban on mining will undoubtedly make the already tight supply of tin mines even tighter", broker Xinhu Futures was quoted by state-run Shanghai Securities News as saying.

However, it is unclear whether the ban will be implemented as "this is not the first time such notifications have been made" and "the main functional departments of Wa state have not received such specific notifications", Xinhu was quoted as saying, citing sources.

Shares of Yunnan Tin Co Ltd, the world's biggest refined tin producer in 2022, jumped 10% to a nine-month high of 16.85 yuan.

"The supposed announcement context seems to be the need to properly formalise and structure the Wa State mining industry. Wa represents about 70% of Myanmar production," said Jeremy Pearce of the International Tin Association.

Pearce added that rising refined tin inventories in China should provide some buffer. SHFE tin stockpiles hit 9,211 tonnes on April 7, the highest since November 2017, before easing slightly to 9,056 tonnes by the end of last week.

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.06 / bbl	0.28%	1.00%
NYMEX RBOB Gasoline	$2.74 / gallon	0.25%	10.45%
ICE Gas Oil	$759.75 / tonne	0.33%	-17.51%
NYMEX Natural Gas	$2.26 / mmBtu	-0.62%	-49.47%
Spot Gold	$1,998.61 / ounce	0.19%	9.55%
TRPC coal API 2 / Dec, 23	$123.5 / tonne	-0.60%	-33.15%
Carbon ECX EUA / Dec, 24	€97.62 / tonne	-0.02%	10.93%
Dutch gas day-ahead (Pre. close)	€42.45 / Mwh	1.92%	-43.83%
CBOT Corn	$6.80 / bushel	0.48%	0.18%
CBOT Wheat	$7.10 / bushel	0.35%	-11.46%
Malaysia Palm Oil (3M)	RM3,759 / tonne	3.33%	-9.94%
Index (Total Return)	**Close 17 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	304.57	0.26%	1.07%
Rogers International	27.47	0.57%	-4.17%
U.S. Stocks - Dow	33,987.18	0.30%	2.53%
U.S. Dollar Index	102.1	0.54%	-1.37%
U.S. Bond Index (DJ)	408.19	-0.49%	4.52%

Top News - Carbon & Power

China's March coal output hits record ahead of railway maintenance

China's coal production hit a record high in March, official data showed, as consumers dashed to replenish stocks before a major coal transporting railway partially shut for maintenance.

Miners churned out 417.22 million tonnes of coal last month, data from the National Bureau of Statistics showed on Tuesday. That was equivalent to 13.46 million tonnes per day, an all-time high, Reuters calculations show.

The daily output was higher than the 12.44 million tonnes per day produced in the January-February period, despite safety inspections at mines following a fatal accident in late February, and was up 4.3% compared with March 2022.

Output in the first quarter of 2023 was 1.15 billion tonnes, up 5.5% on year, data showed.

Miners ramped up operations amid rising demand from users, such as cement and chemical producers, as China's economic activity resumed after it abandoned its zero-COVID policy.

Some utilities in coastal regions also rushed to get stocks before Daqin railway partially shut for spring maintenance.

Daqin railway connects the coal mining hub of Shanxi and the key coal port of Qinhuangdao. The railway kicked off a 30-day maintenance overhaul on April 6 that is expected to reduce daily cargo transport by more than 10%.

However, rising inventories at ports and utilities will cap coal production in the short term, analysts and traders said.

Coal stocks at four major northern ports were at 14.61 million tonnes as of Friday, down from 14.94 million tonnes at end-March due to the Daqin railway maintenance, but still significantly higher than the same period in the prior two years, data compiled by provider Wind showed.

Reserves at eight coastal utilities reached about 31.4 million tonnes last week, sufficient for 18 days of use, Wind data showed, giving fewer incentives for power plants to step up procurement.

Meanwhile, China's mining safety watchdog said in March that it would extend inspections to the end of 2023, targeting all coal mines in the country. The move is expected to crack down on illegal overproduction, putting a lid on output.

ANALYSIS-G7 puts focus on push for global fossil fuel phaseout deal

A commitment from the Group of Seven wealthy countries to phase out fossil fuels faster has been welcomed as a potential step towards a global deal for all countries to do the same, but is facing criticism for not matching the pledge with firm action.

G7 countries' climate ministers on Sunday agreed - for the first time - to speed up their phaseout of the fossil fuel consumption causing climate change, although they did not set a firm date for doing this.

In a joint statement at their meeting in Sapporo, Japan, the ministers agreed "to accelerate the phase-out of unabated fossil fuels so as to achieve net zero in energy systems by 2050 at the latest".

"This is an important step forward, after the failure of COP27 on this point at the end of last year," said French Energy Transition Minister Agnès Pannier-Runacher.

At last year's COP27 U.N. climate summit, countries failed to agree a deal on phasing down fossil fuel energy. A proposal by India to do this won support from more than 80 governments, but was opposed by Saudi Arabia and other oil- and gas-rich countries.

Some, including the 27-country European Union, are hoping to revive the idea ahead of this year's U.N. climate summit, which begins on Nov. 30 in Dubai.

While not legally binding, the idea behind a global deal to gradually quit fossil fuels would be to create a powerful "north star" to guide future climate negotiations, government policies and investments towards clean energy and industries.

"If you could get a consensus decision that this is the direction of travel, that would be huge," Alden Meyer, senior associate at climate think-tank E3G, told Reuters.

But Meyer, who has attended U.N. climate negotiations since they began in 1991, warned of significant hurdles to clinching the pledge. It took more than two decades of U.N. climate negotiations before countries even mentioned fossil fuels in a summit statement - which was in 2021 - amid pushback from fossil fuel-producing countries and industries.

FINANCE GAP

Insufficient financial support from wealthy countries to help developing countries switch to clean energy could also weaken the G7's leverage in bringing other countries on board with a commitment to eventually quit oil and gas.

Wealthy countries have still not met a promise to deliver $100 billion per year, starting in 2020, to help poorer countries cut emissions and cope with climate change. That amount falls far short of their actual needs, but has become symbolic of wealthy countries' failure to deliver promised climate funds.

Meyer said a G7 leaders meeting next month could offer an opportunity to back up their call for a fossil fuel phaseout with strong commitments to financially help developing nations to transition.

"That could go a long way to greasing the skids for a political deal on a managed transition away from fossil fuels," he said.

The need to back the fossil fuel phaseout pledge with cash was echoed by Gillian Nelson, policy director at the non-profit We Mean Business coalition, which works with companies and investors on climate action.

Nelson said G7 governments spent roughly $33 billion a year on fossil fuel subsidies that could be redirected to help unleash private cash for clean energy.

"The most efficient way to ensure a smooth and just transition to a clean energy system is to redirect these subsidies now," she said.

STEPPING STONES
Stepping stones that could be used to build momentum for a fossil fuel commitment ahead of COP28 include a June summit hosted by France, aimed at scaling up finance for developing countries, and a September G20 leaders meeting hosted by India - author of the proposal at last year's climate summit to phase down fossil fuels.
Egypt's Foreign Minister Sameh Shoukry, president of last year's U.N. climate summit, has said consultations will continue ahead of COP28 on whether to call for a phaseout of fossil fuels.
"I think there's a general recognition of the importance of reducing reliance on fossil fuels," Shoukry said last month after a meeting of ministers in Copenhagen, where attendees included the United Arab Emirates' incoming COP28 summit president, Sultan Al-Jaber.
Pushing through a deal on phasing out fossil fuels would depend on the UAE rallying political support - including among other oil and gas producing nations like Saudi Arabia, which opposed the proposal at last year's summit, said Luca Bergamaschi, co-founder of Italian climate think tank ECCO.
But Bergamaschi said that widespread support was unlikely to be won without the G7 - since the most developed economies must offer developing countries a map to achieving the goal by offering financial support and scaling up clean energy.
"Where the G7 should show much more leadership is how, in practice, you are going to do that?" he said.

Top News - Dry Freight

Argentina port strikes stall grains shipments, more protests planned
Argentina grains inspectors have launched a 24-hour strike that is halting shipments at key river ports in farm transport hub Rosario, the ports chamber CAPyM said on Monday.
The Urgara grains inspectors' union said they are protesting rules that limit the number of terminals operating at a port in the city of Buenos Aires and high taxes applied to workers' salaries.
The strike "is affecting absolutely all the ports (in Rosario). They are all stopped as a result of the Urgara strike," Guillermo Wade, head of Argentina's Chamber of Port and Maritime Activities (CAPyM), told Reuters, adding that the measure was preventing ships being loaded.
Argentina is the world's top exporter of soybean oil and meal, the third largest in corn, and a key supplier of wheat.
The calls to lower taxes deducted from workers' wages come as the country battles annual inflation over 104%, straining Argentines' wallets.
"The strike will last all day, and more stoppages will take place throughout the week," the Argentine Maritime, Port and Shipbuilding Federation, another union involved in coordinating strike action, said in a statement.
Planned strikes will halt operations at the Buenos Aires and Dock Sud ports and the Zarate-Campana corridor on Wednesday, and shutter the Rio Santiago shipyard on Friday, the group added. It also said other impromptu union actions would occur.
The pause in shipments could hamper the flow of foreign currency into the country, which it needs to rebuild depleted foreign reserves as part of a $44 billion loan agreement with the International Monetary Fund (IMF).
A union source, who requested anonymity, said conflicts will escalate if the government does not respond to union requests on the taxes. Mandatory conciliation is also not an option, the source added, as the labor ministry has exhausted negotiation options.

Export prices of Russian wheat down slightly, volumes remain high
Export prices of Russian wheat fell slightly last week amid a sell-off in Chicago, despite renewed concerns about the fate of the Black Sea grain deal, analysts said.
The Kremlin said on Monday prospects for a renewal of the Black Sea deal, whereby Russia allows Ukraine to ship agricultural exports from its Black Sea ports via Turkey, were "not so bright".
Prices for Russian wheat with 12.5% protein content, delivered free on board (FOB) from Black Sea ports in the first part of May, were $271 a tonne, down $2 from last week, the IKAR agriculture consultancy said.
"Large traders' outstanding wheat sales fell to 1.9 mmt (million tonnes) from 2.3 mmt a week ago. This is the lowest volume since mid-January and it's not matching well with optimism about Russian exports until the end of the season. Perhaps it's driven by the fact that in some cases Russian exporters can't compete as they don't offer prices below $275, as suggested earlier unofficially by the AgMin (agriculture ministry)," the SovEcon consultancy said in a weekly note.
Last month, Reuters cited two sources as saying the government wanted exporters to ensure prices paid to farmers were high enough to cover average production costs, which would mean keeping export prices for wheat at or above $275-$280.
"It's too early to make a conclusion about the Russian 22/23 export after one week of rapidly declining outstanding sales. However, if this trend continues, we may consider revising our export estimate for the current season lower", SovEcon analysts wrote. Russia exported 1.16 million tonnes of grains during the week ended April 14, of which 950,000 tonnes were wheat, SovEcon said. That was compared with 1.1 million tonnes of grain and 930,000 tonnes of wheat the previous week.
SovEcon estimates wheat exports in April at 4.3 million tonnes, which is not far from an all-time high of 4.9 million tonnes, it said.
Overall weather conditions remain favourable for the new crop, analysts noted.

Picture of the Day

Staff work on screw production at Chyuan Lian metal industrial company in Chiayi, Taiwan March 30. REUTERS/Ann Wang

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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