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Top News - Oil

China's big refineries crowd out teapots for discounted Russian oil

Chinese state oil giants and major private refiners are sweeping up more Russian crude, supporting prices and forcing smaller independents to seek out cheap alternatives such as Iranian oil, according to trade sources and shipping data.

The demand from China's biggest buyers, which had shied away from Russian crude in the immediate aftermath of Western sanctions on Moscow over its invasion of Ukraine, shows growing confidence in the trade after state refiners PetroChina and Sinopec resumed imports in February.

Large private oil refiners Hengli Petrochemical and Jiangsu Eastern Shenghong Co started receiving Russian crude from March, attracted by wide discounts for the oil, according to traders and shiptracking data from Refinitiv, Kpler and Vortexa.

Four cargoes of about 740,000 barrels each of low-sulphur ESPO crude discharged at Hengli's Dalian berth in March while another two arrived in April, the Kpler data showed. Shenghong imported a Urals crude cargo of about 720,000 barrels in March and 1 million barrels in April, Kpler showed.

In April, PetroChina received a Urals crude cargo of 1 million barrels via Myanmar's Made Island port, which is linked by pipeline to its Yunnan refinery, the Kpler data showed.

PetroChina, Hengli and Shenghong did not reply to requests for comment.

China's overall Russian crude imports, including pipeline and ships, rose to a record 9.61 million tonnes, or 2.26 million barrels per day (bpd) in March, customs data showed on Friday.

"China's imports of Russian Urals are on track to break March's record (in April) as more refiners start to tap on the discounted crude from Russia's Baltics," said Vortexa analyst Emma Li.

Around 700,000 bpd of Urals may reach China in April, up from 600,000 bpd in March, she said.

Russia's oil exports from western ports will rise to the highest since 2019, despite Moscow's pledge to cut output.

Discounts for Urals crude arriving to China in July have narrowed to about $9-$10 a barrel to ICE Brent futures on a delivered ex-ship (DES) basis, from around $14 a barrel for March arrivals, traders said.

Similarly, ESPO for June delivery has traded at discounts of about $5.50 a barrel to ICE Brent futures, they added, up from discounts of $6 and $8.50 a barrel for cargoes arriving in May and March, respectively.

TEAPOTS

Smaller Chinese independent refineries, known as teapots, snapped up almost all of the ESPO supplies between November and January when others steered clear of Russian oil around the start of the European Union ban on Dec. 5.

With the return of big buyers, price-sensitive teapots are looking for alternatives such as Russian Arctic grades, Iranian and Venezuelan oil.

Shandong province, home to most of the teapots, imported a record 4.2 million barrels of Varandey crude from the Russian Arctic in March, Kpler data showed, as Europe shut the oil out.

China's customs data showed no crude imports from Iran and Venezuela in March as these cargoes are often rebranded as oil from other countries to evade sanctions.

But 1.07 million bpd of crude were shipped from oil transfer hub Malaysia to China last month, up 64% from the average during the January-February period.

China imported about 409,000 bpd of Iranian crude in March, more than double January's volume, Kpler data showed. Vortexa has a higher estimate for March at about 800,000 bpd and expects volumes to increase in coming months.

Iranian oil for June-arrival is priced at a discount of about $11 a barrel against ICE Brent futures, slightly cheaper than Urals, traders said.

Prices of diluted bitumen, a catch-all phrase for what is typically Venezuelan crude mixed with other oils that is claimed as exported from Malaysia to avoid sanctions, have also strengthened on robust demand from teapots, the traders said.

Discounts for the oil for May delivery have narrowed to about $17 a barrel against ICE Brent futures, versus about $27 a barrel for February delivery, according to traders.

EXCLUSIVE-Pakistan makes its first purchase of discounted Russian oil

Pakistan has placed its first order for discounted Russian crude oil under a deal struck between Islamabad and Moscow, the country's petroleum minister said, with one cargo to dock at the port of Karachi in May.

Pakistan's purchase gives Russia a new outlet, adding to Moscow's growing sales to India and China, as it redirects oil from western markets because of the Ukraine conflict.

As a long-standing Western ally and the arch-rival of neighbouring India, which historically is closer to Moscow, analysts say the crude deal would have been difficult for Pakistan to accept, but its financing needs are great.

Discounted crude offers respite as Pakistan faces an acute balance of payments crisis, risking a default on its debt obligations. The foreign exchange reserves held by the central bank are scarcely enough to cover four weeks of controlled imports.

Energy imports make up the majority of the country's external payments.

Under the deal, Pakistan will buy only crude, not refined fuels, Minister Musadik Malik told Reuters late on Wednesday. Imports are expected to reach 100,000 barrels per day (bpd) if the first transaction goes through smoothly, he said.

"Our orders are in, we have placed that already," he said, confirming source-based information that the country would not buy refined products.

A source in Moscow who is familiar with the negotiations told Reuters that the final deal was reached in recent days.

The Russian government did not respond to a request for comment.

Major Russian oil companies have discussed the possible supply of oil to Pakistan over recent months, two trading sources familiar with the talks said, but declined to disclose the names of possible suppliers. One of the sources, speaking on condition of anonymity, said Russia plans to supply Urals crude to Pakistan.

Islamabad imported 154,000 bpd of oil in 2022, around steady with the previous year, data from analytics firm Kpler showed.

The crude was predominantly supplied by the world's top exporter Saudi Arabia followed by the United Arab Emirates. The 100,000 bpd from Russia in theory greatly reduces Pakistan's need for Middle Eastern fuel.

Asked about the impact of the Russian imports on local pricing, Malik said that would be apparent once the crude had been refined and was ready to sell.

The U.S. dollar historically has been the currency of oil trade, but the Ukraine war has eroded its dominance as Russia avoids receiving a currency it has been largely blocked from using by Western sanctions.

Pakistan's economic crisis meanwhile means it is desperately short of hard currency.

Malik declined to say whether Chinese yuan and the UAE dirham would be used for transactions. He also did not comment on the rate of imports.

"I will not disclose anything about the commercial side of the deal," he said.

Pakistan's Refinery Limited (PRL) will initially refine the Russian crude in a trial run, followed by Pak-Arab Refinery Limited (PARCO) and other refineries, Malik said.

As part of sanctions on Moscow, Western nations have imposed a $60 a barrel price cap on purchases of Russian oil to try to limit Russia's revenues for fighting in Ukraine.

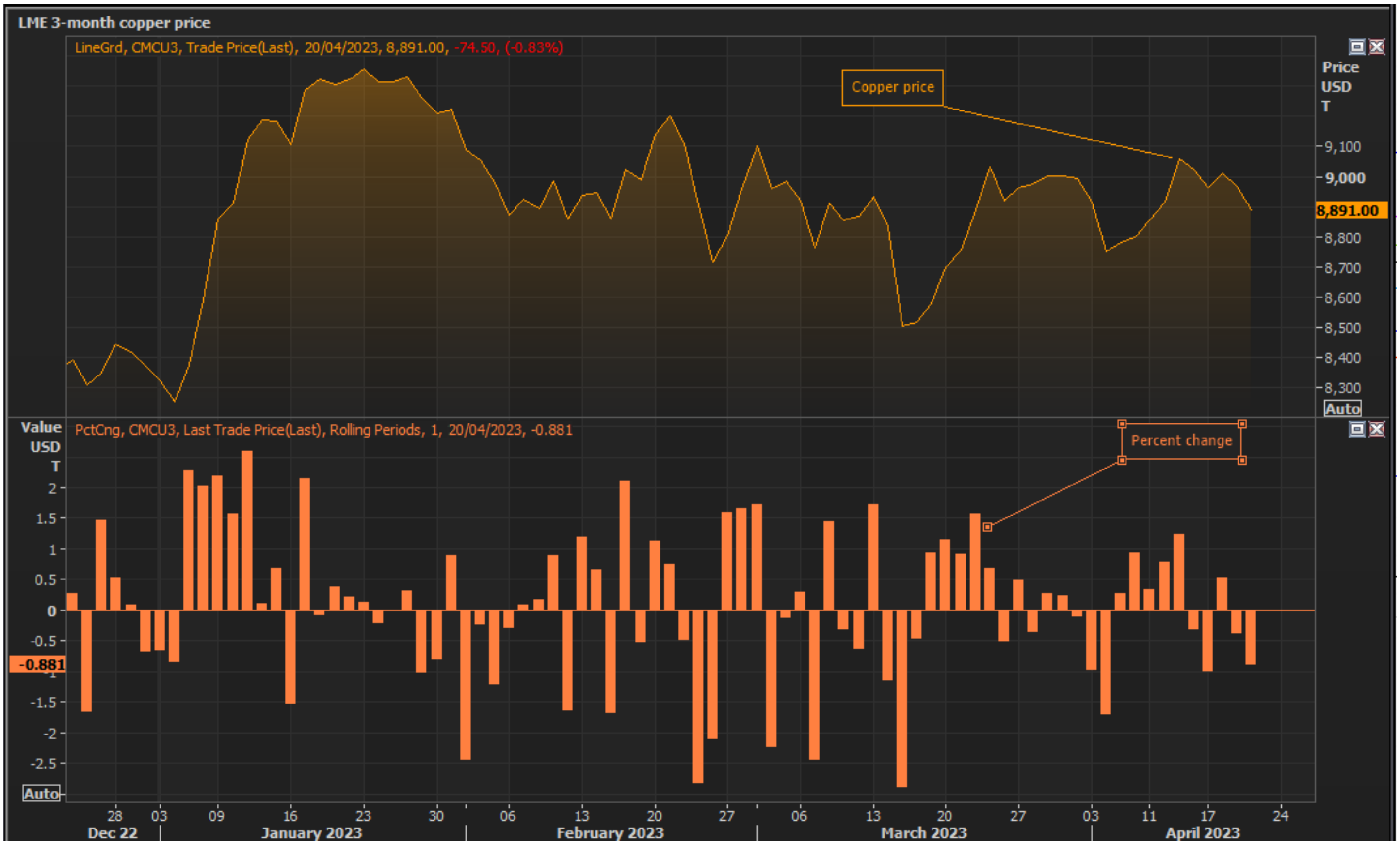
India and China, however, have paid prices above the cap, according to traders and Reuters calculations.

Russian Energy Minister Nikolay Shulginov led a delegation to Islamabad in January, after which he said oil exports to Pakistan could begin after March.

Malik in turn took a delegation to Moscow to negotiate the deal late last year.

Pakistan and the International Monetary Fund (IMF) have been locked in negotiations since early February for the release of a$1.1 billion tranche of a $6.5 billion bailout agreed in 2019.

Chart of the Day



Top News - Agriculture

Brazil soy premiums nosedive amid super crop, weaker Chinese demand

Brazilian soybean port premiums have fallen to historical lows in recent days amid lukewarm Chinese demand while the country reaps a record crop, analysts and traders said.

The premiums' fell to their lowest point in 19 years, according to data from Cepea/Esalq, a research center at the University of Sao Paulo, going as low as -200 basis points per bushel this week in ports like Paranagua for May shipments, surprising some by the magnitude of the decline.

"I had bet at the beginning that the soybean premium would reach -50, -60 basis points, due to the size of the crop," said Eduardo Vanin, an analyst with Agrinvest.

But as the season progressed and premiums kept sliding, he said fewer Chinese purchases were to blame.

Vanin estimated premiums at -200 for May and -160 for June shipments amid Brazil's super crop, which at above 153 million tonnes is 22% more than last year's drought-affected harvest.

Sol Arcidiacono, an analyst at HedgePoint Global, noted China's demand had waned as soy crushing margins there fell, affecting immediate purchases from Brazil.

Anec, a trade group representing global grain exporters in Brazil, said Chinese imports from the South American nation fell by an annual 9.8% to 13.297 million tonnes in the first quarter.

Sergio Mendes, Anec director, noted also that logistical bottlenecks affected premiums, apart from the huge crop and frail Chinese demand.

"When you predict a crop as big as ours and that forecast is confirmed, evidently there's a price to be paid," Mendes said. Soy premiums reflect supply and demand dynamics against benchmark contracts traded in Chicago, resulting in the "free on board" price for a given month of shipment out of a country.

Two analysts said China is unlikely to import a forecast 96 million tonnes of soy as predicted by the USDA. One lowered his estimate to around 90 million tonnes.

Abiove, a Brazilian oilseeds crusher group, predicted Brazilian soybean exports would reach 93.7 million tonnes in 2023, 1.4 million tonnes above its forecast in March. It declined to comment on market movements.

Hungary calls for EU aid to help Ukrainian grain transit

Hungary called on Thursday for "progressive" aid from the EU to help move Ukraine's grain through central European countries whose farmers are having to compete with its cheaper imports. Agriculture Minister Istvan Nagy met his Ukrainian counterpart after Hungary banned imports of honey and certain meat products from Ukraine, in addition to grains, until June 30, adding to pressure to broaden proposed EU-wide measures.

Nagy did not say what was meant by "progressive" in terms of what aid Hungary considered was required from the EU. The European Commission said on Wednesday it would take emergency "preventive measures" for wheat, maize, sunflower seeds and rapeseed after some central European countries took unilateral steps to ban imports of food products from Ukraine.

However, Bulgaria, Hungary, Poland, Romania and Slovakia, whose ministers took part in talks with European Trade Commissioner Valdis Dombrovskis on Wednesday, want the list to be longer, including products such as milk, poultry and honey. The countries became transit routes for Ukrainian grain that could not be exported through the country's Black Sea ports because of Russia's invasion in February last year.

Bottlenecks then trapped millions of tons of grains in countries bordering Ukraine, forcing local farmers to compete with an influx of cheap Ukrainian imports.

Hungary's ban "includes a total of 25 products, the most important of which are cereals, rapeseed and sunflower seeds, flour, oil, honey and certain meat products", the prime minister's chief of staff Gergely Gulyas told a news briefing. Polish Agriculture Minister Robert Telus also said on Thursday that the proposed EU list should be longer.

"They proposed four cereals, the five of us propose more of these products," Telus said during a news briefing.

Nagy had said on Wednesday that Budapest will continue to allow the transit of Ukrainian grain through Hungary, ensuring the departure of shipments "in a controlled manner".

An EU official said the bloc's proposals would only allow grain to enter the five countries from Ukraine if they were set for export to other EU members or to the rest of the world. This measure would last until the end of June.

Top News - Metals

Chile plans to nationalize its vast lithium industry

Chile's President Gabriel Boric said on Thursday he would nationalize the country's lithium industry, the world's second largest producer of the metal essential in electric vehicle batteries, to boost its economy and protect its environment.

The shock move in the country with the world's largest lithium reserves would in time transfer control of Chile's vast lithium operations from industry giants SQM and Albemarle to a separate state-owned company.

It poses a fresh challenge to electric vehicle (EV) manufacturers scrambling to secure battery materials, as more countries look to protect their natural resources. Mexico nationalized its lithium deposits last year and Indonesia banned exports of nickel ore, a key battery material, in 2020.

"This is an opportunity for economic growth that will be difficult to beat in the short term," Boric said in an address televised nationwide.

Future lithium contracts would only be issued as public-private partnerships with state control, he said.

"This is the best chance we have at transitioning to a sustainable and developed economy. We can't afford to waste it."

The government would not terminate current contracts, but hoped companies would be open to state participation before they expire, he said, without naming Albemarle and SQM, the world's No.1 and No.2 lithium producers respectively. SQM's contract is set to expire in 2030 and Albemarle's in 2043.
SQM, formally called Sociedad Quimica Y Minera de Chile, and Albemarle supply Tesla Inc, LG Energy Solution Ltd and other EV and battery manufacturers.
Albemarle said the announcement would have "no material impact on our business" and said it would continue talks on investing in further growth and using new technologies in Chile.
SQM was not immediately available for comment. South Korean battery maker SK On, which has a long-term supply contract with SQM, said it would monitor the development and respond with a long term view.
The announcement by Chile did not trigger a reversal in lithium prices, which have plunged more than 70% since November due to weakening EV demand in China, the world's biggest auto market. T
he most-traded lithium carbonate futures on the Wuxi Stainless Steel Exchange in China fell 6.2% as of 0313 GMT on Friday.
"When or if battery makers renew their contracts with lithium firms in Chile, contract conditions would likely become more difficult than what they saw in the past when there was no state involvement," said Cho Hyunryul, an analyst at Samsung Securities.

CODELCO ROLE
Boric said he would start a dialogue with communities, companies and lawmakers to create a lithium company owned completely by the state and would seek approval of the plan from Congress in the second half of the year. Congress has been a check on many of Boric's more ambitious proposals and shelved a proposed tax reform bill in early March. State-owned Codelco, the world's largest copper producer, will be tasked to find the best way forward for government participation in extracting lithium.
"If a public-private company is created to exploit lithium in the Atacama salt flats, it will be controlled by the state through Codelco," Boric said. Codelco and state miner Enami will be given exploration and extraction contracts in areas where there are now private projects before the national lithium company is formed.
There will be a division dedicated to advancing technology to minimize environmental impacts, including favoring direct lithium extraction over evaporation ponds. Privately held Summit Nanotech Corp, which is developing direct lithium extraction technology, welcomed the announcement.
Boric said the country would look to protect biodiversity and share mining benefits with indigenous and surrounding communities. "Today we present a national lithium strategy that's technically solid and ambitious," the president said, adding it would build "a Chile that distributes wealth we all generate in a more just way".

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.06 / bbl	-0.30%	-3.99%
NYMEX RBOB Gasoline	$2.56 / gallon	-0.06%	3.23%
ICE Gas Oil	$718.50 / tonne	-0.03%	-21.99%
NYMEX Natural Gas	$2.21 / mmBtu	-1.65%	-50.57%
Spot Gold	$1,984.99 / ounce	-0.97%	8.80%
TRPC coal API 2 / Dec, 23	$125 / tonne	1.21%	-32.34%
Carbon ECX EUA / Dec, 24	€96.48 / tonne	0.20%	9.64%
Dutch gas day-ahead (Pre. close)	€41.50 / Mwh	3.75%	-45.08%
CBOT Corn	$6.63 / bushel	-0.15%	-2.32%
CBOT Wheat	$6.80 / bushel	0.04%	-14.87%
Malaysia Palm Oil (3M)	RM3,705 / tonne	-0.80%	-11.24%
Index (Total Return)	**Close 20 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.30	-1.12%	-0.67%
Rogers International	26.85	-2.03%	-6.33%
U.S. Stocks - Dow	33,786.62	-0.33%	1.93%
U.S. Dollar Index	101.84	-0.13%	-1.62%
U.S. Bond Index (DJ)	409.93	0.30%	4.14%

Copper industry warns of looming supply gap without more mines

The world's appetite for copper to build most electronic devices will exceed supply over the next decade and imperil climate targets unless dozens of new mines are built, executives and analysts said this week at a key industry conference.

The forecast lays bare the growing tension over where and how the world can procure metals for the green energy transition, including copper, one of the best electrical-conducting metals that is widely used in motors, batteries and wiring.

"If we don't have enough copper, it could seriously short circuit the energy transition," Jeremy Weir, CEO of metals trader Trafigura AG, said at the World Copper Conference, the industry's largest gathering since 2019.

While global supply is expected to jump 26% to 38.5 million tonnes annually by 2035, it will likely fall 1.7% short of demand, even with increased recycling, according to data released this week by the International Copper Association (ICA), an industry trade group.

"There is no way for the world to meet the terms of the Paris climate agreement if we don't have an increase in the supply of copper and other metals," Joshua Meyer of mining equipment maker FLSmidth, referring to the climate accord that aims to limit greenhouse gas emissions by keeping the global temperature rise "well below" 2.0 degrees Celsius (3.6 Fahrenheit) this century.

Regulatory approval for new copper mines has fallen to the lowest in a decade, according to Goldman Sachs, an ominous harbinger as mines often take 10 to 20 years to permit and build. Goldman expects surging copper demand to push prices to $15,000 a tonne by 2025, 67% above current levels.

Much of the new demand is expected to come from electric vehicles, which are built with far more copper than internal combustion engines. But without enough copper, EV manufacturers could use less than expected or even turn to aluminum, analysts warned.

Aluminum is lighter and cheaper than copper but more corrosive and brittle and only about 60% as conductive. It could be an acceptable alternative in some applications, including wiring for offshore wind turbines and some EVs, the ICA said.

"Demand (for copper) is there. What I think potentially impacts it, is lack of supply," said Rag Udd of BHP Group Ltd, which operates the world's largest copper mine in the Atacama Desert in Chile. "In the absence of supply, we will see substitution."

Charles Johnson, CEO of the Aluminum Association trade group, told Reuters the aluminum industry now "has a tremendous opportunity to grow in this market."

RECYCLING

Copper executives acknowledged that mining has a poor reputation due in part to past safety failures, putting the onus on companies to work harder for acceptance.

"We have an industry that has to win the trust of society," said André Sougarret, CEO of Codelco, the world's largest copper producer.

And while copper recycling rates are rising, industry executives said a truly "circular economy" where it is almost entirely recycled is likely not imminent. Aurubis AG says nearly half of its copper cathodes are made with recycled material but that it will take decades to reach 100%. "Recycling materials, even if everything could be collected, would be in no way sufficient for demand," said Aurubis CEO Roland Harings. "We need more mining activity, because the demand for copper is just going up in the years to come."

Top News - Carbon & Power

EU, Norway plan cooperation on carbon capture, hydrogen, draft shows

The European Union and Norway aim to work together to develop infrastructure to capture and store CO2 emissions and scale up renewable hydrogen production in Europe, according to a draft "alliance" plan.

The plan is set to be announced at a summit of European country leaders and energy ministers in Ostend, Belgium, on Monday, which will focus on making the North Sea an engine of offshore renewable energy and clean industrial technologies.

A draft, seen by Reuters, said the 27-country EU and Norway plan to develop European market rules and infrastructure to capture, transport, use and store CO2 emissions.

"Both sides intend to work together to bring this key technology to markets to foster the decarbonisation of hard-to-abate industrial sectors," the draft said.

It signalled a similar intent to team up on hydrogen produced from renewable energy - another green technology the EU is betting on to decarbonise heavy industries like steel and cement making.

"Both sides intend to intensify their cooperation to foster renewable hydrogen production in Europe," the document said. Efforts to capture CO2 emissions from industry and store them underground in the North Sea have gathered pace in recent years as countries race to meet climate goals, with Norwegian firms behind some of the main projects.

Norway's state-owned Equinor has been capturing and storing CO2 emissions from the Sleipner gas field since the 1990s. Its upcoming projects include Northern Lights, a joint venture to capture CO2 emissions from industrial facilities and inject up to 1.5 million tonnes per year of CO2 into undersea storage near the Troll gas field from next year. The draft statement, which could still change before it is adopted, said Norway and the EU would also intensify their cooperation to protect the Arctic.

It did not mention planned cooperation between the two sides on fossil fuels. Norway piped 117 billion cubic metres of gas to the EU and Britain in 2022, making it Europe's largest gas supplier after Russia slashed deliveries last year.

Learn by doing, German renewables companies bid to beat labour shortage

German wind power developer SL Naturenergie has been looking for a senior project developer for two years now without success. The company, in the west German town of Gladbeck, needs to expand its workforce of 50 by a fifth to ensure it can keep up with growing orders, but is struggling to fill all 10 job vacancies.

SL Naturenergie's predicament is common in the renewables sector where companies, from startups to medium sized and blue-chip firms, are competing for a limited pool of labour with appropriate skills.

Germany aims for 80% of its gross electricity consumption to be covered by renewables by 2030, almost double its share in 2021 and one of the most ambitious targets in the world. But meeting that goal will largely depend on whether Europe's biggest economy can adapt its workforce in time.

Currently it faces a shortage of around 216,000 skilled workers needed for the expansion of the solar and wind energy sectors, a study by German organisation KOFA, or the Competence Centre for securing skilled labour, showed.

"We can keep up with orders, but the shortage of workers is a problem because we have to hire basically anyone," Wolfgang Gruendinger, spokesperson for Berlin-based solar company Enpal told Reuters.

Last year, Enpal opened its own centre south of Berlin to train up installers of residential solar panels over two weeks before they join experienced installers on the job.

“You can really learn the job quickly without any previous qualifications,” Gruendinger said, adding that Enpal has trained more than a thousand people who were eventually hired and is booked out for the next six months.

Not all companies can afford to invest in training schemes. Those that do, however, will help ease a wider labour problem across the German economy where a shortage of general skilled workers rose by 30% last year, with 1.3 million jobs unfilled, a study by KOFA published on Monday showed.

Going forward, the labour market faces a transformation. A study by the German Institute for Employment Research (IAB) estimates there will be an additional 544,000 jobs in the German economy by 2025, while 132,000 jobs are expected to disappear as automakers move away from combustion engines to electric vehicles and energy suppliers phase out fossil fuels.

"The ecological transition will create jobs, but it will also generate a structural change in the labour market," said Markus Janser, senior researcher at IAB.

SL Naturenergie took on Jakob Kasperidus, 35, a supermarket branch manager before joining the company, as a junior project developer.

The first few months on the job were not easy, Kasperidus said, but working in tandem with senior project developers for two and half years he has adapted to the job. "It was an absolute stroke of luck for me," Kasperidus says of the career switch.

PAY PREMIUM

Younger generations show a preference for jobs with a green impact, over occupations in industries that don't seek to improve the environment, Janser said.

Furthermore, the shortage of qualified workers means wages are usually higher.

“The idea that green jobs aren’t well paid is a myth,” Janser said. In many jobs in the renewable energy sector, pay is above average, he said, citing a renewable energy wage premium of more than 10% in construction and installation activities, as well as architectural and engineering services.

Tapping new engineering graduates is another way to find staff, but while younger people like the idea of green industries they seem less keen on studying for degrees in mechanical engineering, electrical engineering or renewable energies. Volker Quaschning, a professor of renewable energy systems at HTW university in Berlin, says a third of places on these courses at HTW are unfilled.

"There are relatively good job prospects in all economic sectors, so the younger generation might study more in line with their interests and perhaps avoid technical studies," he said.

Trained craftsmen are also highly sought after. "When you need solar panels on the roof or you need to change the heating system, who does that? It's done by craftsmen, it's not done by academics," said Jan Strohschein, CEO of greenjobs.de, a website advertising jobs in the sector.

The German government is trying to encourage vocational training, a spokesperson from the economics and climate protection ministry said, including a new programme from this month offering 90% subsidies for people training as heat pump specialists.

Last month Germany also unveiled draft reforms on skills training accreditation and promoting immigration in a bid to plug labour shortages in the economy. They include more recognition of foreign training certificates and allowing people to come to Germany to do internships before finding a job.

Lydia Malin, a researcher at the German Economic Institute in Cologne, said the reforms should make it easier for craftsmen to work in Germany although a still lengthy bureaucratic visa process and competition from other European countries for skilled workers remain hurdles. If wind and photovoltaic projects take longer than planned to complete due to labour shortages, Berlin’s 2030 deadline to be 80% reliant on renewables for power generation will be in jeopardy.

"I can't estimate at all how fast we'll make progress in the next five to 10 years. Personally, I still see a big question mark as to whether we can do it. But I also don't want to say it's impossible," Malin said. “I haven't given up hope yet."

Top News - Dry Freight

Russian grain quotas may be shared in bid to maximise exports

Russian grain suppliers may be able to waive a part of their export quotas so they can be redistributed to other companies, a draft regulation shows, as Moscow seeks to maximise exports and avoid domestic oversupply.

Russia started setting export limits in 2020 to ensure it had enough grain for its domestic needs, distributing quotas among companies each season in proportion to the amount of grain they have exported in the past.

According to the draft, which was opened to input from the industry on Wednesday before being finalised, exporters who have already used up their quotas will be able to claim more from companies that do not use theirs. They will not be allowed to top up their initial quota by more than 45%, however, the document says.

Russia and Ukraine are among the world's largest agricultural producers, and are major players in the wheat, barley, maize, rapeseed, rapeseed oil, sunflower seed and sunflower oil markets.

Both countries agreed to a United Nations-brokered deal last July to facilitate grain exports from Black Sea ports blockaded by Russia's invasion, but Russia has indicated that it is unhappy with the deal and may try to prevent it operating beyond May 18. The agriculture minister said on Wednesday that Russia's grain harvest was likely to be about 123 million tonnes this year, some 20% down on last year's record.

China's coal imports from Australia hit 15-mth high as trade hurdles removed

China's coal imports from Australia rose to the highest level since Dec. 2021 in March after Beijing removed barriers on coal trade with the country and Chinese traders rushed to make profits off falling overseas prices.

China brought in 2.22 million tonnes of Australian coal last month, data from the General Administration of Customs showed on Friday, comprising 1.93 million tonnes of thermal coal and 284,990 tonnes of coking coal. That compared with 207,236 tonnes in February but was significantly lower than the monthly average of 7 million tonnes before China introduced the unofficial ban in late 2020.

Chinese utilities and traders have stepped up purchases since late February with Australian coal costing less than local supply. China's consumption is expected to pick up following the reopening of its economy from strict zero-COVID measures. Some 5 million tonnes of Australian coal are expected to reach China in April, shiptracking data from Refinitiv and Kpler showed.

But as China's domestic coal prices have weakened due to growing output and high inventories, the price advantage of Australian coal in China is diminishing.

Australian coal with energy content of 5,500 kilocalories (kcal) is priced at about 1,096 yuan ($159) a tonne in southern China and the domestic coal of similar quality is about 1,140 yuan a tonne, according to trading sources.

Customs data on Friday also showed coal imports from Russia reached 8.84 million tonnes last month, higher than the average of 7.4 million tonnes in the first two months of this year.

Beijing has extended zero tariffs on coal imports from all countries until the end of 2023, which would help supplies from countries such as Russia and Mongolia to compete in China.

Arrivals of Indonesian coal in March more than doubled from a low-base a year earlier to 21.98 million tonnes, customs data showed, as traders stepped up purchases ahead of the Muslim fasting month when coal production and transport typically slow.

China's coal import growth could lose momentum amid a rapid increase in domestic output. Khoo Pat See, Senior Analyst, Global Power and Renewables at S&P Global Commodity Insights, estimated 300 million tonnes of coal mining capacity was added in China in 2022 and 250 million tonnes more is expected to be added in 2023.

Picture of the Day

Workers walk in a refinery, in Kerbala, Iraq, April 16. REUTERS/Alaa Al-Marjani

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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