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Top News - Oil

China's crude imports from Russia surge to record 2.29 mln bpd in May

China's oil imports from Russia jumped to a record high in May, Chinese government data showed on Tuesday, as private refiners continue to snap up sanctioned ESPO and Urals crude shipments at discounts.

Arrivals from Russia totalled 9.71 million metric tons in May, or 2.29 million barrels per day (bpd). Shipments were up 15.3% from 1.50 million bpd in the same month last year, according to data from the General Administration of Customs. This represented the highest level on record, and a 32.4% increase on April's figure of 1.73 million bpd. Imports of Saudi crude totalled 7.32 million tons in May, equivalent to 1.72 million bpd, down 16.0% from last month's 2.05 million bpd. Saudi Arabia had been China's largest source of crude in April.

In early April, Saudi Arabia and other OPEC+ members announced surprise further output cuts of 1.16 million bpd, to take effect from May. Saudi Arabia cut 430,000 bpd of output in May, according to a Reuters survey published at the end of the month.

Much of the uptick in demand for Russian crude has come from China's private refiners, including major players such as Hengli Petrochemical. Hengli's 400,000-barrel-per-day refinery in northeast Dalian received its first Urals shipment of 730,000 barrels in early May, alongside a total of 3.71 million barrels of ESPO over the month, according to shiptracking data. Smaller private refiners in coastal Shandong province, known as teapots, also saw their margins enhanced by buying sanctioned cargoes from Russia, Iran and Venezuela. Chinese refiners use intermediary traders to handle shipping and insurance of Russian crude to avoid violating Western sanctions.

Customs data also showed that imports from Malaysia were 1.34 million bpd in May, up 158.6% from the same period last year. Malaysia is often used as an intermediary point for sanctioned cargoes from Iran and Venezuela.

Imports from the United States more than tripled year-on-year to 2.22 million tons despite deepening geopolitical tensions, due to a brief pricing advantage over OPEC producers following the OPEC+ supply cuts.

More talks needed to resume Iraq's northern oil exports

Further talks will be needed in order to resume Iraq's northern oil exports, two officials told Reuters today following a meeting between a Turkish energy technical delegation and Iraqi oil officials in Baghdad on Monday.

"We are discussing all technical aspects regarding the restarting of oil exports.

A decision to resume flows will not happen today and more meetings are expected," an oil official familiar with the meeting said on condition of anonymity. Turkey halted Iraq's 450,000 barrels per day (bpd) of northern exports through the Iraq-Turkey pipeline on March 25 after an arbitration ruling by the International Chamber of Commerce (ICC).

Turkey wants to negotiate the size of damages it was ordered to pay in the arbitration ruling and also seeks clarification on other open arbitration cases, said another oil official. Turkey's decision to suspend exports followed an arbitration ruling by the International Chamber of Commerce (ICC), which ordered Turkey to pay Baghdad damages of $1.5 billion for unauthorised exports by the KRG between 2014 and 2018. "A decision to restart oil flow needs political talks on higher levels. Issues blocking the resumption of oil exports are more political than technical," said a second oil official.

Attempts to restart the pipeline were delayed by Turkey's presidential elections last month and discussions between state-owned marketer SOMO and the KRG over an export deal, which has now been reached. Hopes of a restart increased when Turkey's President Tayyip Erdogan named Alparslan Bayraktar as energy minister on June 3 as part of his cabinet for his new five-year term.

Reuters estimates that the Iraqi Kurdish region has lost more than $2.2 billion over the 87 days of the pipeline outage, based on exports of 375,000 barrels per day and the KRG's historical discount against Brent crude.

Baghdad has now approved its 2023 budget, in which the Kurdistan region will receive 12.67% of the 198.9 trillion-dinar ($153 billion) allocation.

But the region needs to hand its oil to state-owned marketer SOMO in order to receive its allocation and the pipeline halt has shut in almost of its oil output. The KRG has been dependent on financial transfers from Baghdad, which have so far reached around 1.6 trillion Iraqi dinars ($1.22 billion), according to four Iraqi government officials.

U.S. congress members have urged U.S. secretary of state Antony Blinken to continue pressing Turkey and Iraq to resume oil exports, according to a letter dated June 15 seen by Reuters. The letter states that the pipeline halt has cut off the Kurdistan region from over 80% of its revenue, raising concerns over the region's economic stability and the risk of a "significant humanitarian crisis."

"With global supplies of oil and gas facing a continuing threat from Russia's invasion of Ukraine, it's more important than ever to have harmony within Iraq's oil sector," the letter signed by Michael Waltz, Don Bacon and Seth Moulton said.

Top News - Agriculture

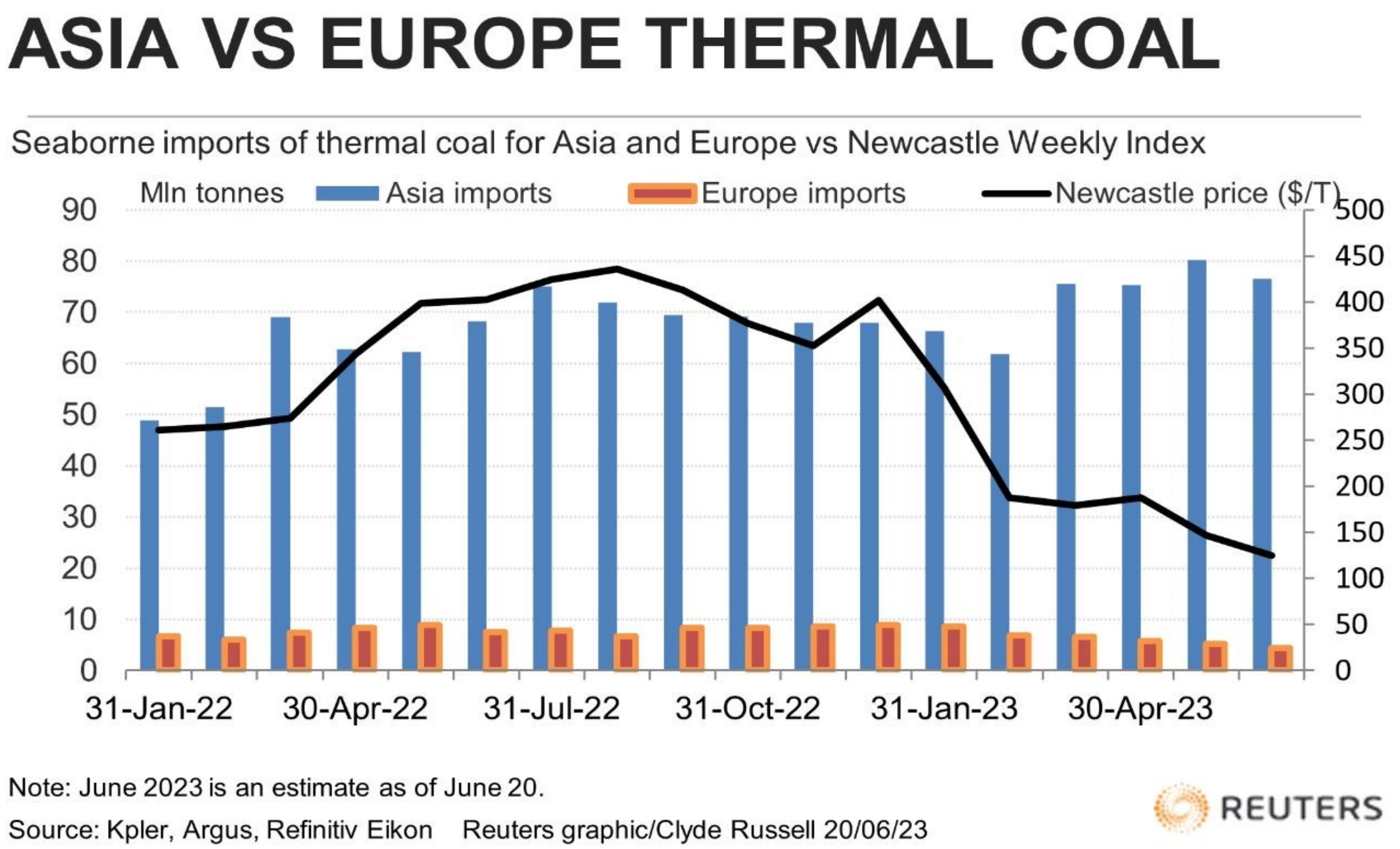
If grain deal ends, UN pledge on Russian exports will go on - Russian official

Russia's deputy foreign minister said on Monday that even if a deal allowing shipments of Ukrainian grain via the Black Sea ends, Russia's agreement with the United Nations to ease its own exports will stay in force, Russian state news agency RIA reported on Monday.
Moscow has repeatedly said it sees little chance of agreeing an extension of the Black Sea Grain Initiative beyond July 18, because it says Western sanctions are thwarting its own U.N.-backed attempts to export both grain and fertiliser.
Asked by RIA if the collapse of the grain deal would invalidate its memorandum with the U.N., Deputy Foreign Minister Alexander Grushko said: "No, it will not."
After invading leading grain exporter Ukraine last year, Russia blockaded its Black Sea ports, contributing to a global surge in food prices.
To help persuade Russia to allow grain ships safe passage under the Black Sea initiative last July, a separate three-year agreement was also struck in which the U.N. agreed to help Russia with its food and fertilizer exports.
But Moscow has repeatedly complained that Western sanctions imposed in response to the invasion continue to create financial, logistical and insurance obstacles to its shipments.
It has been extending the grain deal grudgingly, two months at a time, despite failing to secure concessions on six specific demands, but has begun signalling that its patience is now at an end.
"If Western countries are interested in ensuring food security, they should really take the path of lifting any restrictions and illegal sanctions regarding Russian grain and fertilisers," Grushko was quoted as saying.
Two weeks ago a section of the Togliatti-Odesa pipeline which before the war had carried Russian ammonia, a key ingredient in the manufacture of some fertiliser, to Ukraine for onward export was blown up near the front line of fighting.
That put an end to Russia's demands that Kyiv allow it to be reactivated.

EU crop monitor cuts nearly all 2023 grain yield forecasts

The European Union's crop monitoring service on Monday reduced nearly all its average yield forecasts for this year's grain and oilseed crops in the bloc, citing adverse weather conditions.

Chart of the Day



In its monthly outlook the MARS service cut its yield projection for soft wheat, the most cultivated cereal in the EU, to 5.92 tonnes per hectare (t/ha) from 6.01 t/ha seen last month. That is still above the 5.79 t/ha average last year.
It also lowered its forecast for the EU's total barley (winter + spring) yield in 2023 to 4.76 t/ha from 4.89 t/ha last month, with a strong cut to the spring barley yield, now seen at 3.73 t/ha, down from 3.90 t/ha in May and 4.21 t/ha in 2022.
For grain maize, MARS cut its 2023 yield forecast to 7.61 t/ha from 7.64 t/ha in May, though that was still well above last year's drought-affected yield of 5.90 t/ha.
"Sunny and dry conditions in large parts of north-western, northern and northern-central Europe resulted in rapid depletion of soil moisture reserves, negatively affecting the yield potential of winter, spring, and summer crops," it said in the report.
In the Iberian Peninsula including Spain, recent rainfall arrived too late for spring and winter crops, it also said.
In Italy, Hungary, Croatia and Slovenia, excessive rains resulted in waterlogged conditions, flooded areas and increased pest pressure, with a negative impact on winter crops.
Meanwhile cold temperatures caused delays to sowing and the early emergence of summer crops in the Danube River valley in northern Bulgaria and southern Romania, it added.
In oilseeds, MARS cut its yield forecast for this year's rapeseed harvest to 3.29 t/ha from 3.34 t/ha seen in May and 3.33 t/ha last year.
MARS cut its sugar beet yield projection to 75.9 t/ha versus 76.7 t/ha last month, citing late sowings due to excessive rainfall. The yield remained well above the five-year average of 72.8 t/ha.

Top News - Metals

LME readies for court showdown over voided nickel trades
The London Metal Exchange will face two financial institutions in court on Tuesday over market chaos that resulted in billions of dollars of cancelled trades, in a case that could affect the reputation of Britain's capital as a financial centre.
The world's largest metals market enraged some investors in March last year when it annulled around $12 billion in nickel deals after prices erupted in a record-breaking surge, its first suspension of trading since 1988.
Britain's Financial Conduct Authority (FCA) in March launched an investigation into the trading halt, its first ever probe of a UK exchange for potential misconduct.
Hedge fund Elliott Associates and market maker Jane Street Global Trading are suing for a combined $472 million, alleging the 146-year old LME woefully failed in its responsibilities.
Elliott and Jane Street allege the LME failed to properly investigate chaotic nickel prices, whether the market was behaving rationally and what harm the decision to cancel trades would cause some market participants.
The LME has argued it had both the power and duty to close the market and cancel trades because $19.7 billion of margin calls would otherwise have led to the bankruptcy of multiple clearing members and created systemic market risk.
"The LME maintains that Elliott's and Jane Street's grounds for complaint have no merit and are based on a fundamental misunderstanding of the situation," the exchange said in a statement.
"All the actions taken on 8 March were lawful and made in the interest of the market as a whole."
The judicial review of the LME's decision brought by Elliott and Jane Street will take place over three days beginning on Tuesday. If the exchange were found to be at fault, a second trial would be held to decide on compensation.
Other lawsuits have been filed by other hedge funds, but since those revolve around the same issues, they have agreed to wait until a decision is made in the Elliott and Jane Street case before proceeding.
The impact of the case goes beyond the LME and will delve into when a financial exchange has the right to void trades that were legitimately placed, lawyers said.
"The cancelled trades are really embarrassing for London," said a lawyer specialising in regulatory issues, who declined to be identified. "This case could be really important for the City's reputation as a financial centre."

Australia taps global partners in landmark critical minerals strategy
Australia, one of the world's biggest suppliers of raw minerals, unfurled a landmark strategy on Tuesday that outlines how it will work with investors and international partners to build a critical minerals processing industry for the energy transition.
The Labor government strategy aims to see Australia as a significant producer by 2030 of raw and processed critical minerals that are key to the energy transition, on its path to becoming a renewable superpower.
Supplier of nearly half of the world's lithium, Australia is a significant producer of rare earths, cobalt, copper, graphite, manganese and other minerals key to the global energy transition.
However those minerals are largely processed in China, including into materials essential in batteries and magnets for products from electric vehicles to missiles.
Western nations want to ease China's grip after supply was disrupted during the COVID-19 pandemic and given tensions over Taiwan.

"The Strategy makes it clear our natural minerals endowment provides a foot in the door, but we must do more to create Australian jobs and capitalise on this unique opportunity," Resources Minister Madeleine King said in a statement.
The Grattan Institute, a think tank, estimates the critical minerals industry could add more than $400 billion to Australia's economy by 2050, a bigger contribution than the coal industry, Australia's no.2 export, today.
The government will set up a new international program to attract investment and development partnerships to help local projects link to emerging markets in the United States, the United Kingdom, Japan, Korea, India and the European Union.
As part of Australia's national reconstruction fund, value added resources projects will have access to A$1 billion and A$3 billion for renewables and low emissions technologies.
It will also earmark A$500 million more in support for projects that align with its development policies.
It will push to conquer a skills shortage in mining, automotive and manufacturing that could include skilled migration as well as investing in national discovery of more critical minerals since 80% of the country is under developed.

SOVEREIGN CAPABILITY
Australia will track and monitor foreign investment in critical minerals projects to ensure it is not counter to the country's national interest as it builds up sovereign capability for key technologies.
The government is considering policies that would enable domestic supply of Australian critical minerals for Australian projects, it said, although any future approach must be tailored to the needs of Australia and the global context.
This comes as international companies secure ownership and supply of Australian minerals, particularly lithium and rare earth elements, meaning Australian processors and manufacturers may struggle to access supplies of Australian minerals in future.

MARKET MONITOR as of 06:34 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.76 / bbl	-1.42%	-11.84%
NYMEX RBOB Gasoline	$2.55 / gallon	-1.39%	2.99%
ICE Gas Oil	$725.75 / tonne	-0.79%	-21.20%
NYMEX Natural Gas	$2.67 / mmBtu	1.60%	-40.25%
Spot Gold	$1,951.39 / ounce	0.07%	6.96%
TRPC coal API 2 / Dec, 23	$109 / tonne	-4.18%	-41.00%
Carbon ECX EUA / Dec, 23	€93.54 / tonne	1.51%	11.40%
Dutch gas day-ahead (Pre. close)	€36.20 / Mwh	8.71%	-52.10%
CBOT Corn	$5.97 / bushel	0.55%	-11.91%
CBOT Wheat	$6.97 / bushel	-0.64%	-12.18%
Malaysia Palm Oil (3M)	RM3,774 / tonne	0.45%	-9.58%
Index (Total Return)	**Close 16 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	300.66	1.51%	-0.22%
Rogers International	26.87	0.58%	-6.28%
U.S. Stocks - Dow	34,299.12	-0.32%	3.48%
U.S. Dollar Index	102.52	0.27%	-0.97%
U.S. Bond Index (DJ)	408.00	-0.05%	3.96%

Top News - Carbon & Power

Qatar set to strike second big LNG supply deal with China

Qatar is set to secure its second large gas supply deal with a Chinese state-controlled company in less than a year, sources familiar with the deal told Reuters on Tuesday.

China National Petroleum Corporation(CNPC) and QatarEnergy are expected to sign a 27-year agreement later on Tuesday, under which China will purchase 4 million metric tons of LNG a year from the Gulf Arab state, two sources briefed on the matter told Reuters.

CNPC also will take an equity stake in the eastern expansion of Qatar's North Field liquefied natural gas (LNG) project, the sources said. The stake is the equivalent of 5% of one LNG train with the capacity of 8 million tonnes per year, one of the sources said.

Asia, with an appetite for long-term sales and purchase agreements, has been ahead so far in securing gas from Qatar's massive production expansion project.

Tuesday's deal, first reported by the Financial Times, will be QatarEnergy's third deal to supply LNG from the expansion to an Asian buyer.

Qatar is the world's top LNG exporter and competition for LNG has ramped up since the start of the Ukraine war, with Europe in particular needing vast amounts to help replace Russian pipeline gas that used to make up almost 40% of the continent's imports.

Reuters had earlier reported that CNPC was close to finalising a deal to buy LNG from QatarEnergy over nearly 30 years from the North Field expansion project.

QatarEnergy had previously said that it could give up to 5% stakes in the gas trains linked to its North Field expansion to what Saad al-Kaabi, the Gulf state's energy minister and CEO of QatarEnergy, described as "value-added partners". In April, China's Sinopec became the first Asian energy company to become a "value-added" partner in the project. QatarEnergy has also signed equity partnerships on the project to international oil companies, but has said it plans to retain a 75% stake in the North Field expansion, which will cost at least $30 billion including construction of liquefaction export facilities.

As Beijing's ties with the United States and Australia, Qatar's two biggest LNG export rivals, are strained, Chinese national energy firms increasingly see Qatar as a safer target for resource investment.

CNPC and QatarEnergy didn't immediately respond to Reuters requests for comment.

Eastern Germany's brown coal belt tries to go green

Eastern Germany's historic mining belt could get a new lease of life thanks to plans to build the country's largest battery park at the site of Boxberg, a communist-era coal-fired power plant on the Polish border.

The project, unveiled by the Czech-owned mining and power company LEAG last week, involves building a 200 million euro ($218 million) facility to store for wind and solar energy that will gradually replace the sprawling coal pits of the Lusatia region. It follows on from plans announced last year by LEAG to build solar and wind plants with a capacity of up to 7 gigawatts, which the company expects to involve more than 1,000 employees directly or indirectly.

They are to be built on some of the 33,000 ectares (330 square km) of former coal mines in Lusatia by 2030.

The plans are emblematic of the drive by Chancellor Olaf Scholz's government to accelerate the phase-out of coal power towards a carbon neutral economy by as early as 2030 versus the agreed target of 2038. But the transition, and efforts to accelerate it, gets a mixed welcome in a region that remains sceptical about its social and ecological impact and the technical challenges to be overcome.

The mood in Lusatia reflects a broader unease with green policies in Germany that is fuelling support for the anti-establishment AfD party to record highs, especially in the east where it is on track to win three state votes next year. Ute Liebsch, the head of Lusatia's IG BCE workers union, fears a rapid coal exit without enough other industries to hire workers will prompt more young people to leave, comparing it to the ructions that followed Germany's reunification in 1990. "That hurt then, this would hurt twice as much. We want to keep people here," Liebsch said.

A campaign using the slogan "Awesome Lusatia" has been launched in a bid to attract young professionals to the region, which spreads across the states of Brandenburg and Saxony and where incomes are typically lower than the national average. "We need to work on Lusatia's image massively ... We have to contend with extreme prejudices of the rest of Germany," said Knut Abraham, a conservative politician from the region, citing negative stereotypes of unemployment and substance abuse. "The probability that the AfD will win this constituency is 93% ... Any uncertainty among people helps the AfD," Abraham said, adding he felt the AfD's anti-immigration, Eurosceptic agenda could hurt the region's ability to attract the investors, students and specialists it so desperately needs.

JOBS AND TRAINING

What happens to the thousands of mining jobs that will eventually disappear is also a concern. Many of LEAG's 8,000 coal workers are expected to retire by 2030 or retrain in renewable energy.

But that retraining is not happening fast enough, Liebsch said. Only 18% of locals believe politicians are doing enough to counteract the consequences of the coal phase-out, a survey published in May by broadcaster rbb showed, while 70% worry electricity could become expensive.

So while Green activists have held regular protests in Lusatia demanding an exit from coal, and advocates urge a 2030 phaseout citing rising global temperatures, local politicians are pushing back against the pace of change.
"It is fundamentally unrealistic that the coal phase-out can be achieved in 2030," Christine Herntier, mayor of the town of Spremberg, told Reuters.
Herntier and dozens of other Lusatian mayors have formed an alliance to press further demands in case of a rapid coal exit.

TECHNICAL CHALLENGES
LEAG argues the battery project is a blueprint for a green transition.
"The Gigawatt Factory is designed to replace coal-fired power generation in the future and with the project we want to show that this transformation from coal to renewables is technically possible," Rainer Schiller, head of large-scale energy storage for LEAG, told Reuters.
However, technical challenges remain and Schiller called the start of the battery project "more or less an experiment" to ensure that energy loads are kept stable while switching from coal to renewable energy.
Another hurdle in phasing out coal production involves water supply, with the move set to reduce the amount of groundwater pumped in the area, which would hit supply to a budding green hydrogen industry and flows to Berlin via the Spree river.
In Lusatia's Schwarze Industrial Park, engineers are working on a pilot project for a green hydrogen plant with a planned annual output of 1,000 tonnes that will depend on reliable water supply. "The question is how quickly do you shut down the pumps so that the Spree is still sufficiently supplied," Ben Schueppel, head of the Reflau hydrogen project, told Reuters.
In the worst case scenario, the coal exit could reduce water supplies to Berlin by 75%, according to a report by the federal environment agency published in June.
"In long periods of drought, the Spree could become a trickle in sections, with serious consequences for the ecology, the Spreewald and Berlin's drinking water supply," said Ingolf Arnold, head of management association Lusatia Water Cluster.

Top News - Dry Freight

Low water hampers Rhine river shipping in Germany
Low water levels after dry weather are preventing cargo vessels from sailing fully loaded on the Rhine river in Germany and meaning surcharges are added to the usual freight rates, commodity traders said on Monday. Low water has hampered shipping on most of the river south of Duisburg and Cologne, including the chokepoint of Kaub, traders said.
The Rhine is an important shipping route for commodities such as grains, minerals, coal and oil products, including heating oil. German companies faced supply bottlenecks and production problems in summer 2022 after a drought and heat-wave led to unusually low water levels on the Rhine.
Shallow water means vessel operators impose surcharges on freight rates to compensate for vessels not sailing fully loaded, increasing costs for cargo owners.
Water levels at Kaub are around 135 cm, down from around 350 cm in May. Last June, water levels fell below 120 cm and depleted to a critically low 32 cm in August 2022. Deutsche Bank said in a note water levels below 135 cm mean a large container ship might have to reduce its load to around 50%.
In the years 2018-2020, water levels in mid-June were around 220-320 cm, Refinitiv Eikon data showed.
"A look at the current development of the Rhine's water levels brings back memories of the previous year, when there were massive problems for Rhine navigation during summer," Deutsche Bank economist Marc Schattenberg said in a note.
Rain forecast in river catchment areas in Germany this week could raise water levels, traders said, although shipping data provider Riverlake said the rain might not be enough to restore water levels to average depths.

Algeria buys milling wheat, expected largely Russian origin
Algeria’s state grains agency OAIC has bought milling wheat in an international tender which closed on Monday with supplies expected to be sourced largely from Russia, European traders said in initial assessments. Tonnage bought was initially estimated at around 400,000 tonnes.
Traders suspected Russian wheat would be used to supply much of the purchase although technically Algeria’s purchases are optional origin.
Traders said around 300,000 metric tons was bought at around $261.50 a metric ton cost and freight (c&f) included, they said. Traders also reported purchases of about 100,000 metric tons mostly in a range of about $1 to $2 a metric ton above this level with the highest price spoken of at $264.50.
Results reflect assessments from traders and further estimates of prices and volumes are still possible later.
The wheat was sought for shipment in two periods from the main supply regions including Europe: Aug. 1-15 and Aug. 16-31. If sourced from South America or Australia, shipment is one month earlier. Algeria does not release results of its tenders and reports are based on trade estimates. Algeria is a vital customer for EU wheat, especially from France, but Russian grain has been aggressively expanding its presence in the Algerian market recently.

Picture of the Day

A file photo shows ingots of 99.99 percent pure gold are placed in a workroom at Krastsvetmet precious metals plant in the Siberian city of Krasnoyarsk, Russia, January 31, 2023. REUTERS/Alexander Manzyuk

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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