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Top News - Oil

China's daily oil throughput rises in June as refineries resume after overhauls

China's daily oil refinery throughput in June rose 1.6% from a month ago, official data showed on Monday, as refiners resumed operations after completing spring maintenance and ramped up production to meet summer travel demand.

Total refinery throughput in the world's second-largest oil consumer was 60.95 million metric tons last month, equivalent to 14.83 million barrels per day (bpd), data from the National Bureau of Statistics (NBS) showed.

June's figures represent a marginal increase on the 14.6 million bpd rate seen in the prior month, although they surged by 10.2% from a low base in the same period last year.

For the first half of 2023, China processed a total of 363.6 million metric tons of crude oil, or 14.66 million bpd, up 9.9% year-on-year, according to the data.

June saw the completion of almost all planned refinery maintenance for the spring season. Only four major state-backed refineries are undergoing or will shut down for overhauls in July and August.

Independent 'teapot' refiners in China's oil hub of Shandong province also stepped up runs in late June as customs eased curbs on the import of diluted bitumen, enabling the release of stranded oil and lowering inventory pressure at Shandong ports.

High refinery runs came even against an uncertain macroeconomic backdrop, which continues to weigh on demand for refined fuels, most notably diesel, as well as higher margin petrochemicals.

Still, demand for gasoline is likely to rise ahead of the summer travel season, while jet fuel demand continues to recover.

Analysts at JPMorgan noted that international flight volumes in and out of China in late June reached their 2023 highs, at 62% of 2019 levels. Refinery runs are expected to rise further in July, supported by the resumption of activity in Shandong, and a continued step up in jet fuel demand and greater fuel exports.

China-based consultancy JLC estimated planned oil throughput from the country's four major state-owned refiners would reach 42.54 million metric tons in July, which would be up 5.2% from June and 17.6% higher than last year.

NBS data on Monday also showed China's crude oil production in June was 17.52 million metric tons, or about 4.26 million bpd, versus 17.2 million tonnes in the same month of 2022.

For the first six months of 2023, China's oil output reached 105.05 million metric tons, the highest level since 2015. Natural gas production was up 5.5% to 18.3 billion cubic metres (bcm) from the year-ago period's 17.3 bcm.

EXCLUSIVE-Russia sets plans for oil export cuts in August – sources

Russian oil exports from western ports are set to fall by some 100,000-200,000 barrels per day next month from July levels, a sign Moscow is making good on its pledge for fresh supply cuts in tandem with OPEC leader Saudi Arabia, two sources said on Friday, citing export plans.

OPEC and major producers including Russia, together known as OPEC+, have been cutting supply since November to support prices. Moscow this month pledged to cut exports by 500,000 bpd in August, while Saudi Arabia extended its 1 million bpd output cuts.

As Russia did not reveal the baseline for its cut, analysts and traders had said it would be difficult to monitor. But according to trading sources and Refinitiv Eikon data, the August cuts will deepen export reductions between May and July that already total 500,000 barrels per day.

July oil loadings from western ports, such as Primorsk and Ust-Luga in the Baltic Sea and Novorossiisk in the Black Sea, are set to fall to 1.9 million bpd this month compared to 2.3 million bpd in June and 2.4 million bpd in May.

Russia exports oil and products via the Pacific and a direct pipeline to China as well as its European ports. Its export plans via eastern export routes are not yet available.

Three sources familiar with the matter told Reuters that Russia had instructed oil companies to reduce supply plans for the next month.

Its energy authorities held a meeting with the companies' top managers earlier this week, asking them to make more efforts to guarantee lower exports in August.

A spokesperson for Russian Deputy Prime Minister Alexander Novak, who is in charge of Moscow's relations with OPEC+, did not reply to requests for comment.

Novak said on Thursday that Russian companies themselves would decide whether to cut oil production in August, but that Russia's task was to reduce supplies to world markets. Russia's total crude and products exports are estimated at up to 7 million bpd, but data has been secret since the country's actions in Ukraine, which Moscow calls special military operation.

Prior to Russia's announcement of plans to reduce overseas supplies, OPEC+ was only managing oil production, not exports. Igor Sechin, a powerful head of Russia's largest oil producer Rosneft, first hinted at the need to reduce exports as well as output last month.

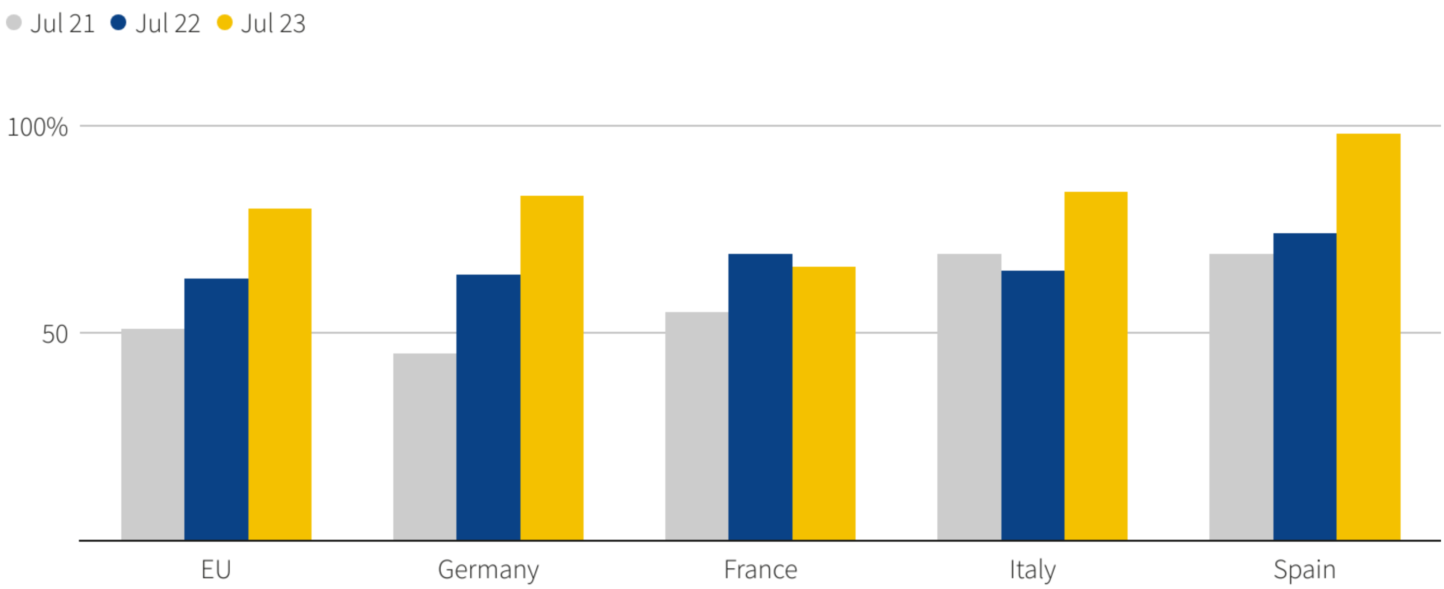
Russian offline primary oil refining capacity is seen rising by 40% in August from July, making additional oil export cuts next month even tougher for many. If Russia wants to cut oil exports in August from July, companies may postpone some planned works to autumn months to increase domestic oil consumption, or cut oil production, traders said.

Top News - Agriculture

Black Sea grain deal to expire Monday if Russia quits
A pact that has allowed the safe Black Sea export of grain from Ukraine for the past year will expire at the end of Monday if Russia does not agree to extend the agreement brokered by the United Nations and Turkey to combat a global food crisis worsened by Russia's invasion of its neighbor.
The last ship left Ukraine under the deal on Sunday.
Russia's February 2022 invasion and blockade of Ukraine's Black Sea ports sent global grain prices soaring. Ukraine and Russia are among the world's top grain exporters.
Nearly 33 million metric tons of corn, wheat and other grains have been exported by Ukraine under the arrangement.
Russia has threatened to quit the pact because it has said its demands to improve its own grain and fertilizer exports have not been met. Russia also has complained that not enough grain has reached poor countries. The United Nations has argued that the arrangement has benefited those states by helping lower food prices more than 20% globally.
Foreign Minister Sergei Lavrov said on Thursday that Russia had already begun talking to Turkey about a plan to ensure that Russian wheat - possibly processed by Turkey - reaches countries in need regardless of the Black Sea deal's fate.
The U.N. Security Council is due to discuss Ukraine at a meeting on Monday chaired by British Foreign Secretary James Cleverly. Britain is president of the 15-member council for July. Several other European foreign ministers are also expected to attend the meeting.
The United Nations has said its World Food Program has procured 80% of its wheat so far in 2023 from Ukraine - up from 50% in 2021 and 2022. The World Food Program has shipped about 725,000 metric tons of Ukrainian wheat to Afghanistan, Sudan, Djibouti, Ethiopia, Kenya, Somalia and Yemen to fight hunger.
The world body has said the deal so far has supplied grain to 45 countries in three continents - 46% to Asia, 40% to Western Europe, 12% to Africa and 1% to Eastern Europe.
Russia has agreed three times in the past year to extend the Black Sea deal, but also briefly suspended its participation at the end of October in response to a drone attack on its fleet in Crimea.
To convince Russia to agree to the Black Sea deal, a three-year deal was also struck in July 2022 under which U.N. officials agreed to help Russia get its food and fertilizer exports to foreign markets. While Russian exports of food and fertilizer are not subject to Western sanctions imposed after Russia's invasion, Moscow has said restrictions on payments, logistics and insurance have amounted to a barrier to shipments.
A key Russian demand has been for the Russian Agricultural Bank (Rosselkhozbank) to be reconnected to the SWIFT international payments system. The bank was cut off from SWIFT by the European Union in June 2022 over Russia's invasion.
U.N. Secretary-General Antonio Guterres made a final

Chart of the Day

Gas storage levels in Europe



Note: Levels of gas storage as a percentage of total capacity
Source: Gas Infrastructure Europe | L. Jucca | Breakingviews | July 14, 2023

effort on Tuesday to convince Russian President Vladimir Putin to extend the Black Sea grain deal for several months in exchange for the EU connecting a subsidiary of Rosselkhozbank to SWIFT for grain and fertilizer transactions, sources said.
Guterres is still waiting for a response from Putin, according to a U.N. spokesperson.
As a workaround to the lack of access to SWIFT, U.N. officials already have gotten U.S. bank JPMorgan Chase & Co to start processing some Russian grain export payments with reassurances from the U.S. government.
The United Nations is also working with the African Export -Import Bank to create a platform to help process transactions for Russian exports of grain and fertilizer to Africa, a U.N. trade official told Reuters last month.

China wheat output falls 0.9% after rain damage ahead of harvest

China's summer wheat output fell 0.9% this year, official data showed on Saturday, the first decline in seven years after heavy rain hit key growing areas just ahead of the harvest.
Output in the world's top grower of the grain fell to 134.53 million metric tons, the National Bureau of Statistics said, although it added that this year still brought a bumper harvest. Wheat acreage increased by 0.4% but yields were down 1.3%, the statistics bureau said.
The output drop is expected to have at most a minor impact on China's plentiful state stocks, said Huang Tian, an analyst at SDIC Essence Futures.
The stocks would also likely forestall any significant impact on domestic food prices, although lower production could drive up imports by one of the world's top buyers at a time of uncertain global supplies.
The global wheat market is closely watching dry weather in key exporters Canada and the United States, and the looming expiry of Ukraine's wartime shipping deal on Monday.
The decline was largely attributed to weeks of heavy rain that battered mature wheat in the country's top growing province of Henan and surrounding areas just before the harvest.
"Large-scale rainfall occurred in the northern wheat region in late May, which lasted for a long time, had a large volume, and affected a wide range of areas, resulting in insufficient sunlight during the grain filling period and a decrease in grain weight," the statistics bureau said in a statement.
In Henan, which produces about one-third of the country's wheat, the rain caused wheat to germinate in some areas, and the yield "dropped significantly", it added.
Beijing has urged local reserves to buy up some of the damaged grain but purchases have been slow so far, and wheat prices have fallen significantly in recent weeks in Henan.
Drought during the latest winter and spring in Southwest China has also reduced summer grain yields in Yunnan and Guizhou provinces and other areas, the bureau said.

Top News - Metals

Trade body considers calling for EU ban on Russian aluminium, but not Rusal

Europe's aluminium industry group has considered lobbying for European Union sanctions on Russian aluminium, but would oppose specifically targeting the country's largest producer Rusal, according to a document sent to members.
The head of trade group European Aluminium said it prepared the internal memorandum for planning purposes and had no information about any imminent EU sanctions. The European Commission declined to comment.
The document, dated July 2023 and seen by Reuters, said members of European Aluminium had discussed the possibility of "actively calling for EU sanctions on Russian aluminium."
But while substituting other supply for Russian ingots would be feasible in Europe, the wide global spread of Rusal's operations makes sanctions on that company more problematic, the memorandum said.
"European Aluminium (therefore) recommends avoiding that EU sanctions would target Rusal as a company," the association said.
Rusal, which did not reply to a request for comment, produced 4 million metric tons of primary aluminium last year, about 6% of global supply.
The document noted that Rusal owns Ireland's Aughinish, the EU's largest refinery of raw material alumina, as well as the Kubal smelter in Sweden.
The benchmark aluminium price on the London Metal Exchange CMAL3 was up 0.2% at $2,282.50 a metric ton in afternoon trading, having declined by 4% so far this year. The U.S.-based Aluminum Association trade group said it had watched Russia's aggression in Ukraine with "growing alarm", and had been in touch with European Aluminium.
The industry supported any efforts by the U.S. government and allies to address the ongoing crisis, "including new tariffs on aluminum imports from Russia announced earlier this year," it said in a statement.
Russia accounts for less than 3% of U.S. aluminium imports.

SANCTIONS LIMITED SO FAR

The EU has so far restricted imports of only a limited number of specific aluminium products from Russia - aluminium plates, sheets or strip with thickness exceeding 0.2 mm.
Its latest sanctions package was adopted in June and active discussion on another package are not expected in the near term.
In February the United States announced plans to impose a 200% tariff on aluminium and derivatives produced in

Russia while in May, Britain published plans to ban imports of Russian aluminium along with diamonds, copper and nickel. "Our members asked us to consider the issue and this is purely an internal exercise," European Aluminium Director General Paul Voss told Reuters. "There is no suggestion at all as far as I'm aware that the Commission is planning any new sanctions at this stage."
The document says the EU's dependence on Russian aluminium has fallen since 2018, when the United States slapped sweeping sanctions on Rusal, which froze the bulk of the company's exports as well as paralysing global supply chains.
Last year, Russian aluminium ingots made up 12% of EU imports, down from 25% in 2018, it said.
Due to the widespread disruption of the aluminium industry by the 2018 U.S. sanctions, Washington scrapped them in 2019.
If the EU imposed sanctions on Russia, it also must make sure that supply does not evade the measures through third countries, the document said.
"Specific attention should be given to Turkey and China which are seen by several analysts as current and future alternative destinations for Russian metal."
The industry group said any sanctions would need a "reasonable transition period" so alternative sources could be found.

COLUMN-Critical minerals supply improves but many risks remain: Andy Home
First the good news. The supply of minerals critical to the green energy transition could move close to levels needed to support climate pledges by 2030, according to the first annual review of the sector by the International Energy Agency (IEA).
Investment in the critical minerals pipeline grew by 20% in 2021 and by 30% in 2022, led by lithium, copper and nickel. Exploration spending was up by 20% last year with Canada and Australia both registering year-on-year growth of over 40%, notably in hard-rock lithium plays, according to the IEA.
The less good news is that the sector needs to do more if it is to match the level of demand required to achieve net zero emissions by 2050. Moreover, "the adequacy of future supply is far from assured", the IEA said.
The IEA highlighted potential problems with project delivery times, a continued lack of geographical diversification and "mixed progress" on improving sustainable and responsible practices in minerals and metals production.

MARKET MONITOR as of 06:33 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$74.44 / bbl	-1.30%	-7.25%
NYMEX RBOB Gasoline	$2.55 / gallon	-1.18%	2.97%
ICE Gas Oil	$747.75 / tonne	-1.09%	-18.81%
NYMEX Natural Gas	$2.55 / mmBtu	0.51%	-42.97%
Spot Gold	$1,954.57 / ounce	-0.02%	7.14%
TRPC coal API 2 / Dec, 23	$104.5 / tonne	3.47%	-43.44%
Carbon ECX EUA / Dec, 23	€85.48 / tonne	-0.42%	1.80%
Dutch gas day-ahead (Pre. close)	€25.70 / Mwh	-1.53%	-65.99%
CBOT Corn	$5.18 / bushel	2.22%	-23.64%
CBOT Wheat	$6.92 / bushel	4.57%	-14.77%
Malaysia Palm Oil (3M)	RM3,902 / tonne	0.54%	-6.52%
Index (Total Return)	**Close 14 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.76	0.03%	0.14%
Rogers International	26.33	-0.13%	-8.15%
U.S. Stocks - Dow	34,509.03	0.33%	4.11%
U.S. Dollar Index	99.91	0.14%	-3.49%
U.S. Bond Index (DJ)	410.43	-0.37%	4.97%

TIMING AND COST

The extended time-lag between a new mining or processing project being announced and delivered is a well-known issue in the metals sector.

Risks of schedule delays and cost overruns have been "prevalent in the past" and "cannot be ignored" when projecting future supply, the IEA said.

Copper mines are a good example, major new greenfield projects typically taking at least five years to enter production. The problem is compounded in the case of lithium, a metal that is core to current battery technology, by the need to generate a high-purity product.

There is a significant step-up from producing technology-grade to achieving consistent battery-grade lithium. "This means that even with an overall balance of supply and demand, the supply of battery-grade products may still be constrained," the IEA said.

In addition, new projects often come with higher costs, exerting upwards pressure on pricing.

Although prices of some critical minerals such as copper have eased over the last year due to recession in the "old economy", prices for most critical minerals remain well above historical averages as supply struggles to catch up with demand.

The IEA's clean energy equipment index, tracking costs of solar panels, wind turbines and batteries, fell consistently between 2014 and 2020 but has since broken that downtrend as raw material inputs push up overall manufacturing costs.

LIMITED DIVERSIFICATION

There has been only limited success in diversifying the geographical sourcing of critical minerals in recent years, the IEA said. What progress has been made has come largely at the mining stage of the production chain.

The processing segment of the chain has actually become more concentrated as incumbent players consolidate their dominant position. "Compared with the situation three years ago, the share of the top three producers in 2022 either remains unchanged or has increased further, especially for nickel and cobalt," the IEA noted.

China, which already dominates lithium processing, accounts for half of the world's planned new lithium chemical plants. Indonesia, which has emerged as the world's largest nickel producer over the last decade, will host nearly 90% of planned nickel refining projects.

"The world has not yet successfully connected the dots to build diversified midstream supply chains," the IEA said.

Moreover, China's move to control exports of gallium and germanium underlines the concentration of supply in a host of smaller, esoteric metals that feed into the critical minerals landscape. Other minerals such as magnesium, manganese, phosphorus and silicon are all niche products but vulnerable to disruption due to a high reliance on a limited number of suppliers.

Despite increasingly strenuous efforts by the United States and Europe to diversify supply chains, "all countries rely on a functioning global market for critical materials and related technologies," according to the International Renewable Energy Agency (IRENA). "Each critical material has a unique geography of trade which, on an aggregate level, entangles countries in a broader web of interdependence," IRENA noted in a just-released report titled "Geopolitics of the Energy Transition".

ESG CHALLENGE

The IEA's assessment of progress on environmental, social and governance (ESG) measures across 20 key companies shows headway being made on community investment, health and safety, and gender equality.

However, "environmental indicators are not improving at the same rate," it warned.

The sector's greenhouse gas emissions remain high while water withdrawals almost doubled from 2018 to 2021. ESG issues have become a key determinant of new supply in the form of local push-back against both mining and processing projects.

IRENA estimates that 54% of energy transition minerals are located on or near Indigenous peoples' land, the percentage rising to over 80% in the case of lithium projects.

Around half of the world's copper and lithium production is concentrated in high water-stress areas, including the lithium triangle in South America, according to IRENA.

Potential conflicts over both land and water rights feed back into the new supply equation in the form of delays at the permitting stage of any project.

COULD DO BETTER

This is the IEA's first major update on green transition metals and, like the IRENA report, it is an attempt to understand the three-way challenge of producing enough of them to meet carbon reduction targets, simultaneously diversifying supply and doing it all in an environmentally friendly way.

There's quite a lot of good news on the first part but considerably less on the second and the third, particularly when it comes to Western countries' ability to scale up their own supply chains in the face of environmental opposition. Indeed, the risk of minerals conflict appears to have moved up a notch after China flexed its critical metal muscles in the niche gallium and germanium markets.

There is potential for many more clashes in areas such as deep-sea and Arctic mining. Both are new frontiers for metals production but each is heavily disputed, both geopolitically and environmentally.

If it were a school report, the IEA's first annual assessment of the critical minerals sector would be headlined: "Has made solid progress this year but still much room for improvement."

(The opinions expressed here are those of the author, a columnist for Reuters)

Top News - Carbon & Power

Iraq-Iran gas-for-oil barter would likely violate US sanctions

A barter of Iranian natural gas for Iraqi oil as described by the Iraqi prime minister this week would likely violate U.S. sanctions on Tehran unless the U.S. issued a waiver permitting it, three former U.S. officials said on Thursday.

Iraqi Prime Minister Mohammed Shia al-Sudani on Tuesday said Iraq would begin trading crude oil for Iranian gas to end recurring payment delays to Tehran due to required U.S. approval for such transactions.

Sudani said Iran had cut gas exports to Iraq by more than half as of July 1 after Baghdad failed to secure U.S. approval to disburse owed funds, but Tehran had now agreed to resume gas exports in exchange for crude oil.

There are few details available about the potential barter, which could help defuse a political problem for Sudani since power cuts are unpopular during the sweltering Iraqi summer when temperatures can top 50 Celsius (122 Fahrenheit).

However, three former U.S. officials said a barter would likely run afoul of U.S. sanctions.

"It would be a violation of U.S. sanctions to conduct this kind of a barter transaction with Iran absent a U.S. national security waiver being issued," said Richard Goldberg of the Foundation for Defense of Democracies think tank.

"This would be prohibited under the Iran Freedom and Counter-Proliferation Act, which prohibits any transaction related to energy with Iran," added Goldberg, who served on the Trump administration national security council staff.

Secretary of State Antony Blinken issued a 120-day waiver on March 21, a State Department official said, allowing Iraq to pay Iran only for electricity imports, not for natural gas to fuel Iraqi domestic power generation.

"The March 2023 waiver, granted by the Secretary, allows Iraq to purchase electricity from Iran. Nothing else," said the official on condition of anonymity. That waiver was announced by the State Department on March 31.

There has been speculation the waiver might be amended to allow barter, an issue the official declined to address. "We are not in a position to preview any future decisions related to the waiver. We have no comment at this time regarding reports of a barter arrangement between Iraq and Iran," the official said.

The Iraqi embassy in Washington did not immediately respond to a request for comment.

Former U.S. officials said the Treasury Department, which oversees most U.S. sanctions against Iran, defines the term "transaction" so broadly that it would cover a barter exchange.

"The test is whether it's a 'significant' transaction. The test is not whether it's denominated in one currency or another or whether ... it's a barter," said a former senior Treasury official on condition of anonymity.

The former official said that could provide "enough wiggle room ... for the U.S. to look the other way, but that is a political decision, that's not a legal question.

"As far as a strictly legal question, it absolutely does violate U.S. sanctions," he added.

U.S. launches $20 bln in 'green bank' programs to curb climate change

The U.S. Environmental Protection Agency on Friday launched two competitive grant programs with $20 billion in funding that aim to spark clean energy investments across the country especially in low-income communities.

The programs, part of the overall $27 billion Greenhouse Gas Reduction Fund established by President Joe Biden's Inflation Reduction Act (IRA) last year, are the latest move by his administration to support projects that reduce planet warming emissions.

U.S. Vice President Kamala Harris said at an event in Baltimore that the investments would lower power bills for working families by making heating and cooling systems efficient. "We lower the cost of electricity, which means lower energy bills for working parents, so they have more money for groceries, and home repairs, and school supplies," Harris said.

The $14 billion National Clean Investment Fund will provide grants to two or three national clean financial institutions, enabling them to partner with the private sector to provide financing to tens of thousands of clean technology projects nationwide, the White House said.

A $6 billion Clean Communities Investment Accelerator competition will provide grants to support up to seven nonprofit groups that will deliver funding and technical assistance to build the clean financing capacity of local lenders working in lower-income and disadvantaged communities. The $27 billion fund was proposed as a way to scale up the model of more than 20 green banks in states, including Michigan and Maryland, that invest in programs such as residential solar and installation of

efficient heat pumps and electric vehicle chargers.
The non-profit green banks help reduce risk of projects in lower-income communities by providing a financial backstop and help attract private sector investment.
Michael Regan, the EPA administrator, said Biden's fund will spur private investment into clean technology and "expand economic opportunity for communities that have been left behind".
No Republicans voted for the IRA legislation's $369 billion in incentives for fighting climate change.
U.S. Republican Representative Gary Palmer, who has launched legislation to repeal the fund, has said that more than 20 million Americans are struggling with utility bills and "are not begging for more electric vehicles or solar panels, they are asking for their energy bills to be more affordable."
In June, the administration launched a $7 billion grant program to give low-income communities access to residential solar panels. The deadline for applying to the programs launched on Friday is Oct. 12.

Top News - Dry Freight

Buyer in Thailand purchased about 60,000 metric tons feed wheat

An importer group in Thailand is believed to have purchased about 60,000 metric tons of animal feed wheat expected to be sourced from the European Union in a deal on Thursday, European traders said on Friday.
One consignment for shipment in September was bought, with an estimated price range between $265 to $267 a metric ton c&f liner out. Seller was believed to be trading house ADM.
Romania or Bulgaria were tipped as likely origins in the EU, traders said.

South Korea tenders to buy about 43,000 metric tonnes rice – traders

South Korea’s state-backed Agro-Fisheries & Food Trade Corp. has issued an international tender to purchase an estimated 43,000 metric tonnes of rice, European traders said on Monday.
Around 42,000 metric tonnes should be sourced from the United States and the rest from Vietnam, they said.
For the United States-origin rice, the tender seeks non-glutinous brown medium grade rice for arrival in South Korea in 2023 by Dec. 31, they said. The deadline for submissions of price offers in the tender is July 10.

Picture of the Day

Saint-Kitts-and-Nevis-flagged bulker TK Majestic, carrying grain under the UN's Black Sea Grain Initiative, waits in the southern anchorage of the Bosphorus in Istanbul, Turkey July 15, 2023. REUTERS/Mehmet Emin Caliskan

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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