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Top News - Oil

PREVIEW-US fuelmaker profits to fall from last year's records

U.S. refining profits are expected to fall from last year's records but remain strong as domestic refining outages and increased foreign competition pose challenges.
Refiners have come off a wave of favorable pricing and strong demand after pandemic-era plant closings and Russia's invasion of Ukraine boosted margins. Slowing economic activity and an increase in global refining capacity has brought the market down from last year's highs.
"Earnings will not be weak by any stretch, but should be more normal," said TD Cowen analyst Jason Gabelman.
Oil production cuts from OPEC+ in the second quarter took heavy, sour barrels from the market that US refiners buy cheaply to make a higher profit off fuel sales.
A winter shortage of distillate fuels that allowed refiners to fetch a much higher price for jet fuel compared with diesel earlier in the year has also eased. Crude differentials and jet premiums to diesel are back near historical levels, Gabelman said.
Refiners such as Marathon and Phillips 66 also had problems with large fuel producing units in major facilities in Texas and New Jersey, preventing them from fully realizing potential profits.
Unplanned outages averaged near 550,000 bpd in June, 2023, compared to near 290,000 bpd in June 2022, according to data from refining intelligence firm IIR Energy.
Valero Energy, the second-largest U.S. refiner by capacity, kicks off earnings on Thursday with per share profit expected to fall by more than half at $5.07, based on the mean estimate of 17 analysts compiled by Refinitiv, compared to a whopping $11.36 per share a year ago.
Top U.S. refiner by volume Marathon Petroleum is forecast to show a per share profit of $4.60 compared to $10.61 a year ago, while Phillips 66 could deliver a $3.58 per share, compared to $6.77 a year ago, according to Refinitiv. Both are scheduled to report in early August.
Earlier this month, Exxon signaled that refining margins also reduced operating results at its gasoline and diesel business by $2.1 billion.
Going forward, refiners should benefit from a sustained, high crack spread - a proxy for refining margins - which is hovering around $37.50 per barrel, Refinitiv data showed.
But refiners could face challenges with new refining capacity coming online in Asia and the Middle East and weaker demand for diesel due to slowing in trucking and freight markets, Gabelman said.
"There's not a lot of conviction in the outlook," he added.

Russia plans to lower oil export discount to $20/bbl - finance minister

Russia's finance ministry plans to cut the discount it uses to set taxes on the country's crude oil exports to $20 per barrel from $25 currently, Finance Minister Anton Siluanov said in remarks published on Tuesday.
Western sanctions over Russia's invasion of Ukraine, including the $60 a barrel price cap on Russian crude exports and the European Union's import ban, have forced the Kremlin to change the way it taxes oil sales.
Russian President Vladimir Putin in February signed a law fixing the discount on Russia's dominant Urals blend of crude oil for tax calculations.
"Now the discount is $25 per barrel to Brent crude," Siluanov told the news site Argumenty i Fakty in an interview published on Tuesday.
"We plan to reduce it to $20 per barrel. We are considering further measures to improve the calculation of taxes on oil exports."
Siluanov did not elaborate what measures are being considered, but added that at the current price of about $80 a barrel of Brent crude, the ministry will collect 8 trillion roubles ($88.5 billion) in oil and gas revenues in 2023.
Russia's crucial oil and gas revenues were 47% lower year-on-year in the first six months, which the finance ministry put down to lower Urals crude prices and reduced natural gas exports.
Siluanov also said that by the end of the year, the budget deficit will be around 2%-2.5% of the gross domestic product.
"We have enough of resources to meet the planned expenses, and additional ones that arise," Siluanov said.
Combined with Western sanctions and the closure of many financial markets to Russia, significant outlays to support Moscow's military campaign in Ukraine have been depleting government coffers.

Top News - Agriculture

Russia-Africa summit to discuss Moscow's grain and fertiliser exports – RIA

Russia and nations taking part in this week's Russia-Africa summit will discuss Moscow's grain and fertilisers exports, Oleg Ozerov, ambassador at large at the Russian foreign ministry, told the state RIA news agency in remarks published on Tuesday.

Last week, Russia withdrew from the year-long Black Sea grain deal that ensured the safe export of Ukrainian grains, saying that Russia's conditions for the extension of the deal had been ignored.

The second Russia-Africa summit will take place in St. Petersburg on July 27-29, as Moscow and the West compete for influence in Africa.

"The creation of logistics corridors, hubs not only for food and fertilizers, but also for any other products that the Russian Federation produces - this will be one of the topics of discussion," Ozerov told RIA.

"It seems to me that the idea of such logistics corridors and the creation of grain hubs is promising and feasible."

The U.N-brokered grain deal had allowed Ukraine to export grain from its Black Sea ports, despite the war, to alleviate a global food crisis. This week, President Vladimir Putin said Moscow can replace Ukrainian grain both commercially and free of charge. On Monday, UN Secretary-General Antonio Guterres called on Russia on Monday to return to the Black Sea grain deal.

EU crop monitor further trims 2023 yields after dry weather

The European Union's crop monitoring service on Monday further reduced its crop yield forecasts for this year's harvest in the bloc, including grains, oilseeds and sugar beet, citing dry and hot weather conditions.

Crop prospects in the EU have taken on extra significance since Russia's invasion of Ukraine - a major wheat, corn and sunflower exporter - has disrupted Black Sea exports and raised uncertainty over Ukraine's harvest.

But scorching temperatures in many parts of the bloc and excessive rains elsewhere have reduced hopes of a bumper crop.

In its monthly outlook, the MARS service cut its yield forecast for soft wheat, the largest crop grown in the EU, to 5.80 tonnes per hectare (t/ha) from 5.92 t/ha projected last month, now in line with the five-year average.

For grain maize, which is due to be harvested later this year, MARS cut its yield forecast to 7.53 t/ha from 7.61 t/ha last month. That would still be 1% above average and 28% above the drought-ravaged 2022 harvest.

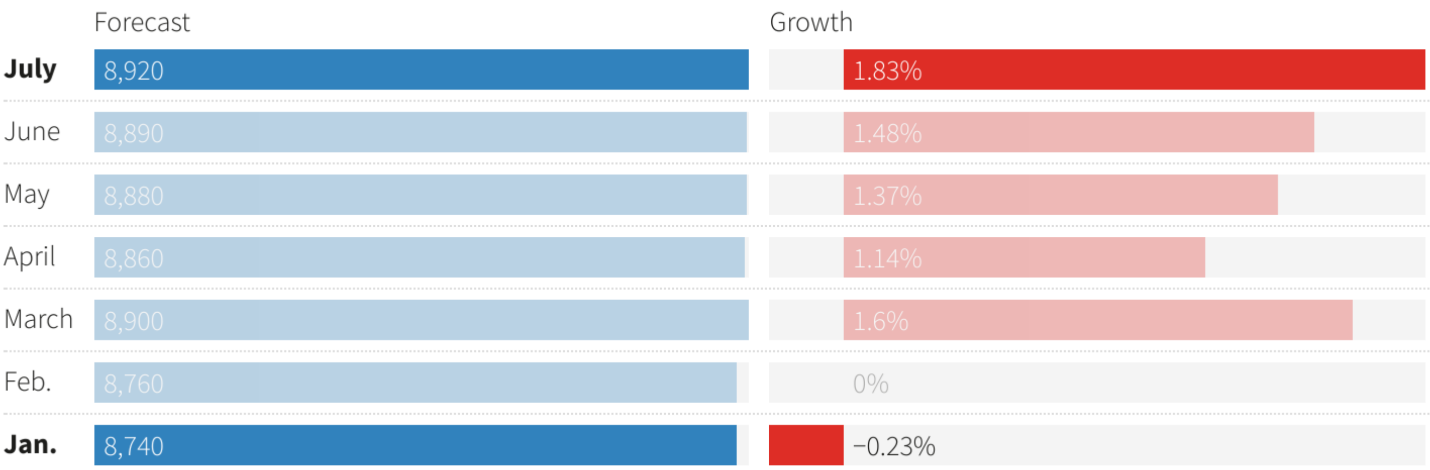
MARS had already reduced nearly all its average yield forecasts for this year's crops last month.

"The main reason for the worsened yield expectations are the distinctly drier-than-usual conditions that occurred for more than one month in large parts of western, central

Chart of the Day

EIA's revisions to U.S. gasoline demand forecasts

EIA has made revisions to its U.S. gasoline demand forecasts for 2023 in every month so far, reversing its annual decline outlook to a growth outlook between January and March



Note: Forecast in thousands of barrels per day
Source: EIA short-term energy outlook archives

and northern Europe, as well as in eastern Romania," it said in its report.
"In several of these regions, the resulting negative impacts of limited soil-water supply for crops were exacerbated by distinctly warmer-than-usual temperatures and high radiation," it added.
Intense heatwaves in the southern parts of the Iberian Peninsula and northern Italy could cause sterility for flowering summer crops, with potentially irreversible impacts on yields, it said.
In contrast, a surplus of rainfall delayed harvesting, and potentially reduced grain quality, in western parts of Bulgaria and Romania, Slovenia, Croatia, and Hungary.
MARS' biggest cut was for sunflower, for which yields were cut by 4% from last month to 2.12 t/ha and were now expected to be 5% below average.
It also sharply cut its spring barley yield forecast, to 3.62 t/ha from 3.73 t/ha, now 14% below 2022.
For sugar beets, MARS cut its yield projection by 3% from last month to 73.3 t/ha, still 2% above average, and its rapeseed yield forecast to 3.20 t/ha from 3.29 t/ha last month, still 3% above average.

Top News - Metals

FOCUS-Smaller miners' hunger for cash grows as copper prices fall, sparking M&A bets
A fall in copper prices is having an outsized impact on small and mid-sized miners, forcing many to cut output, and some are now open to raising funds from new investors to ride out the current downtrend, several company executives told Reuters.
Copper is set to play a crucial role in the transition to a greener economy and cashed-up bigger miners are seeking assets with longer mine life and high-quality grade ore to meet the growing demand for the red metal.
Depressed prices for the red metal due to global economic growth concerns, however, are forcing some small-to-mid sized companies to cut back exploration budgets and other expenses. But that may not be sufficient for them to survive and the current scenario may pave the way for more M&A in the sector, company executives and analysts say.
So far this year, some $22 billion worth of copper M&A has been launched, according to Reuters calculations, including Toronto-based Hudbay Minerals' $439 million bid for Copper Mountain, Lundin Mining's purchase of Japan's JX Nippon Mining and Metals stake in Caserone mines in Chile, and Newmont Corp's planned acquisition of gold and copper miner Newcrest for $18 billion.
Copper M&A more than doubled in 2002 to $14.24 billion from the previous year, according to an S&P Intelligence report. The M&A theme is expected to continue as it is extremely difficult to develop new copper mines, Stuart McDonald, CEO of Vancouver-based Taseko Mines, told Reuters in June.
Taseko is exploring funding proposals to bring in additional liquidity to expand its copper project in Arizona, McDonald said, adding there are significant challenges to permitting new mines across the world.
"So the large miners are saying it is difficult to build new supply, so let's just buy companies," McDonald said.
Copper prices have been gradually losing steam since hitting their strongest levels in over seven months in January when optimism abounded about the reopening of China.
On Friday, the three-month copper on the London Metal Exchange dropped by 0.6% to $8,436 per metric ton.

DEARTH OF LARGE MINES
Chinese research firm Antaike has predicted that global copper prices are set to fall to $7,000 per tonne or $3.18 per pound in the second half of this year due to lack of solid demand growth in the world's second biggest economy. "There are high cost companies that would go out of business if the copper prices fall below $3.50," Hudbay Minerals CEO Peter Kukielski told Reuters earlier this month.
The lower copper price presents M&A opportunities for Hudbay, Kukielski said, but it will also get "squeezed" if the price of copper falls below $3.50.
With lack of large mines up for grabs, he is expecting that large miners will be looking to expand their production by acquiring smaller mines. Hudbay is also open to entertaining M&A offers at a right price.
In Canada, mines of junior producer Minto Metals also presents an M&A opportunity. Backed by investors such as Japan's Sumitomo Corp 8053.T, Minto Metals ceased operations abruptly in May over increased costs in running its mine in the Yukon, according to the company filings.
The Yukon government, which has taken control of the mine, told Reuters there are still significant copper reserves associated with the claims held by the company.
"It is possible that a creditor will make an application to court for the appointment of a receiver to manage Minto's assets, which could potentially include a sale of the mine," it added.
An analyst report by Royal Bank of Canada published in June has identified potential acquisition targets, which include Hudbay, First Quantum Minerals, Ivanhoe Mines, and Capstone Copper. First Quantum, Ivanhoe, Capstone did not offer an immediate comment.
First Quantum rejected an informal takeover offer from Barrick Gold, Bloomberg News reported last month.
Barrick at that time said, it does not comment on market speculation.
In Australia, Queensland-based copper miner AIC Mines has cut back on some spending given current copper prices, which are now below its March production costs, Managing Director Aaron Colleran said.
"The recent weakness in the copper price has meant that

we have curtailed some small discretionary capital spend but it has not impacted our longer term goals in any way," Colleran added.
AIC had raised A$30 million equity in February to expand its copper production.
David Lennox, a mining analyst with Sydney-based private wealth management Fat Prophets, said it will be a problem if the copper price falls further and stays down for longer. "Then it's a matter of how much cash have you got."
"For a little pure play producer, they generally don't have the financial or balance sheet strength to last very long."

Vietnam aims to raise raw rare earths output to 2 mln t/yr by 2030
Vietnam aims to raise its rare earths production to 2.02 million tonnes a year by 2030, according to a government plan reviewed by Reuters, as it seeks to tap one of the world's largest reserves of key industrial metals.
The Southeast Asian country has the world's second-largest reserves of rare earths - an estimated 22 million tonnes - second only to China, according to the United States Geological Survey. Its rare earths production jumped to 4,300 tonnes last year from 400 tonnes in 2021, the USGS said.
Higher output will be helped by extraction from nine mines in the northern provinces of Lai Chau, Lao Cai and Yen Bai, according to the plan signed by Deputy Prime Minister Tran Hong Ha on July 18. Vietnam will develop three to four new mines after 2030, aiming to raise its raw rare earths output to 2.11 million tonnes by 2050, the document showed. "The objective of the plan is for the country to develop a synchronised and sustainable industry of rare earths mining and processing," it said.
Under the plan, Vietnam will consider exporting part of the refined output. Only mining companies with modern and environmental-friendly technologies will be licensed for mining and processing, it said, without elaborating.
Rare earths are a group of elements that have applications in electronics manufacturing and batteries, making them important for the global transition towards cleaner sources of energy and in defence.
Apart from mining, the country said it will also seek to invest in rare earth refining facilities, with a target of annually producing 20,000-60,000 tonnes of rare-earth oxides by 2030. The plan aims to raise the annual REO output to 40,000-80,000 tonnes by 2050.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.04 / bbl	0.38%	-1.52%
NYMEX RBOB Gasoline	$2.85 / gallon	0.23%	14.82%
ICE Gas Oil	$817.00 / tonne	-0.82%	-11.29%
NYMEX Natural Gas	$2.72 / mmBtu	1.27%	-39.24%
Spot Gold	$1,962.49 / ounce	0.41%	7.57%
TRPC coal API 2 / Dec, 23	$125.75 / tonne	6.34%	-31.94%
Carbon ECX EUA / Dec, 23	€91.36 / tonne	0.27%	8.80%
Dutch gas day-ahead (Pre. close)	€29.80 / Mwh	4.56%	-60.57%
CBOT Corn	$5.65 / bushel	-0.66%	-16.74%
CBOT Wheat	$7.73 / bushel	-0.58%	-2.66%
Malaysia Palm Oil (3M)	RM4,142 / tonne	-0.53%	-0.77%
Index (Total Return)	**Close 24 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	312.63	1.37%	3.75%
Rogers International	27.71	2.44%	-3.35%
U.S. Stocks - Dow	35,411.24	0.52%	6.83%
U.S. Dollar Index	101.35	0.27%	-2.10%
U.S. Bond Index (DJ)	410.68	-0.07%	4.64%

Top News - Carbon & Power

Pertamina, Petronas to pay up to $650 mln for Shell's Masela gas stake

Indonesia's Pertamina and Malaysia's Petronas signed an agreement with Shell on Tuesday to buy its 35% stake in the Masela natural gas block for up to $650 million, moving the project forward after years of delay.
Pertamina Hulu Energi (PHE) will take 20% and Petronas Masela Sdn Bhd will take a 15% stake in the Indonesian gas block, the companies said at a signing ceremony at the Indonesia Petroleum Association conference.
The base consideration for the sale is $325 million with a contingent amount of $325 million to be paid when the final investment decision is taken on the Abadi liquefied natural gas (LNG) project, Shell said in a statement.
Abadi LNG, led by Japan's Inpex Corp, will use gas from the Masela block, located 150 km (93 miles) offshore of Saumlaki in Maluku province, to produce 9.5 million metric tons per year of LNG at its peak which will be exported from the proposed terminal.
The transaction should be completed in the third quarter, subject to several conditions, including regulatory approval from Indonesia's Ministry of Energy and Mineral Resources, Shell added.
"The decision to sell our participation in the Masela PSC is in line with our focus on disciplined capital allocation," said Zoe Yujnovich, Shell's integrated gas and upstream director.
Pertamina CEO Nicke Widyawati said in a statement that purchase of the stake was intended to ensure adequate oil and gas supply for national energy needs.
She touted the experience of upstream unit PHE in the exploration, development and production of gas fields, including its operation of the Badak LNG plant.
Petronas group CEO Tan Sri Tengku Muhammad Taufik said the deal marked an significant milestone for its portfolio expansion in Indonesia.
"Our participation underscores the commitment in supporting Indonesia's production target to achieve one million barrels of oil per day and 12 billion standard cubic feet per day of gas by 2030," he said.
Indonesia's oil and gas production has declined in recent years as reserves are depleting, and as some major new projects, such as Masela and Indonesia Deepwater Development (IDD), are facing delays as majors such as Shell and Chevron Corp exit projects to reflect changes to their global strategy.
"Indonesia still has a huge potential of natural gas source, so we are in the race to explore, exploit, to make it as a big bridge to support our energy transition," Indonesian Energy Minister Arifin Tasrif said in his opening remarks at the conference.
Nicke said Pertamina aims for the final investment decision (FID) to be concluded in 2026, but said authorities wanted the timeline to be moved ahead.
SKK Migas chief Dwi Soetjipto told Reuters on the sidelines that the revised development plan for the Masela block is expected to be approved in the second half, and targeted the FID to be reached by the end of 2024.
Arifin told Reuters last month that Petronas and Pertamina had planned to take over Shell's Masela stake.

Chinese petchem firms betting big on energy transition products

Chinese oil refiners and petrochemical companies are investing tens of billions of dollars to produce high-end chemicals for solar panels and lithium-ion batteries to profit from growing demand for energy transition technologies.
The investments illustrate China's drive to reduce its import dependence and further cement its dominance of renewable energy and electric vehicle supply chains. The move pits the Chinese companies against Dow Chemical, Exxon Mobil and BASF in making key materials.
Companies including Wanhua Chemical, Zhejiang Petrochemical Corp (ZPC) and Hengli Petrochemical and state oil giant Sinopec Corp are leading the shift, industry executives and analysts said.
They are moving from making more basic petrochemicals for polyester fabrics and plastic packaging to manufacturing higher value products such as polyolefin elastomers (POE) used to protect the cells on solar panels, ultra-high-molecular-weight polyethylene for lithium-ion battery separators and carbon fibre for wind turbine blades.
"Overcapacity and weak demand for commodity chemicals, and China's rapidly growing industries like solar, electric vehicles are the key drivers for companies to extend into high-end, high performing materials," said Kelly Cui, Shanghai-based principal analyst with consultancy Wood Mackenzie.
China's glutted market in polyethylene and polyesters after years of rapid petrochemical capacity expansion is prompting some of the shift.
The drive also aligns with Beijing's push for companies to break through technological bottlenecks for producing key new materials and strengthen domestic supply chains, and builds off China's status as the world's biggest manufacturer of electric vehicles, EV batteries and solar panels.
"Companies are moving towards serving the new energy sectors where China is already leading in manufacturing," said Zhao Tongyang, deputy chief engineer at the China National Petroleum and Chemical Planning Institute (NPCPI).
ZPC, Hengli, and smaller refiner Shandong Chambroad Petrochemical are each building multi-billion-dollar complexes to make the new materials, with production due to come online around 2025, officials at the three

companies told Reuters. Sinopec Corp, the country's top refiner and basic chemicals producer, is shifting investment to high-end chemicals such as ethylene vinyl acetate (EVA) for solar panels and large-tow carbon fibre used in aircraft and lighter, stronger wind turbine shafts.
"China is no longer short of bulk commodity chemicals and has entered a phase of cost competition," said a representative at Hengli Petrochemical, which is adding a 20 billion yuan ($2.77 billion) chemical park next to its petrochemical complex in Dalian, in northeastern China.
Engineering plastics, raw materials for bio-degradable plastics and electrolytes for lithium batteries, as well as plastics for the battery separators, are among the new plant's main planned products, said the Hengli representative, who declined to be identified.
Having set up a specialised battery technology unit in late 2022, Wanhua Chemical said in May it will spend 3.4 billion yuan this year on raw materials for anodes, cathodes, and electrolytes used in lithium batteries, China Chemical News reported in June.

PUSHING POLYOLEFIN ELASTOMERS
Chinese production capacity for POE, a material used for solar panel encapsulation that resists ultraviolet light and is more durable than EVA, will surge to 1 million metric tons per year by 2025 from zero at a cost of about 20 billion yuan, to meet demand that is set to expand at double-digit rates, industry officials estimated.
About a dozen companies, including units of Sinopec and PetroChina, are building or planning POE capacity.
The domestic supply would partly replace China's POE imports, which have grown by an average of 23% a year over the past five years to a record 690,000 tonnes worth 13.7 billion yuan in 2022, according to Chinese customs.
"China controls 80%-90% of global solar capacity and is home to 90% of photovoltaic encapsulant film manufacturing, but has zero local production of POE pellets," said NPCPI's Zhao.
Wanhua and Sinopec are expected to be China's first commercial POE producers, according to Zhao and Woodmac's Cui.
In April, Sinopec announced trial output at its Maoming refinery.
ZPC expects to bring online a POE facility that can produce 400,000 metric tonnes per year by 2025/2026, said an official from Zhejiang's parent Rongsheng Petrochemical.
"Whoever moves faster will win as there could be a surplus, as many are planning (POE plants)," said Woodmac's Cui.

Top News - Dry Freight

Nearly 30 ships stop around Ukraine's Izmail gateway after Russian Danube strikes
Almost 30 ships dropped anchor near Ukraine's crucial Izmail port terminal after Russia destroyed grain warehouses on the Danube river on Monday, data showed, although it was unclear exactly what had caused them to stop.
Monday's pre-dawn Russian air strikes wounded seven people and hit infrastructure along the Danube, a vital alternative route for Ukrainian grain since the demise last week of a year-old deal allowing safe exports via the Black Sea. Kyiv said the attack was an expansion of an air campaign Russia launched last week after pulling out of the grain deal.
According to Reuters calculations, based on ship tracking data from analytics company MarineTraffic, some 29 vessels, which also included chemical tankers, had stopped around Izmail.
A further three vessels had also dropped anchor along the waterway leading to the terminal of Reni-Odesa, the data showed.
There was no immediate comment from Ukrainian authorities.
Insurance industry sources have said war risk cover for Ukraine's ports that were part of the previous grain deal had been suspended. On Monday, three sources said some providers were also reviewing whether to continue to provide cover for Danube ports.
"The premiums for those that are still quoting is going to go up," one source said.
Since the collapse of the grain corridor deal and the increased targeting of ports and infrastructure by Russia, war risk underwriters were "forming their own independent views and deciding what is it is they are prepared to underwrite," David Smith, head of hull and marine liabilities at insurance broker McGill, told Reuters.
"The difficulty here is that unlike a rateable commodity, insurance costs for Ukraine right now are un-modellable."

Taiwan tenders for 108,000 metric tons wheat of U.S.-origin
The Taiwan Flour Millers' Association has issued an international tender to purchase an estimated 108,000 metric tons of grade 1 milling wheat to be sourced from the United States, European traders said on Friday.
The deadline for submission of price offers in the tender is July 27.
The tender seeks two consignments both involving a range of different wheat types for shipment from the U.S. Pacific Northwest coast. The first consignment of 56,000 metric tons is sought for shipment for Sept. 6-20 and the second of 52,000 metric tons for Sept. 22-Oct. 6.
Wheat types sought include dark northern spring, hard red winter and soft white wheat. The association’s tenders traditionally provide an accurate snapshot of U.S. wheat export prices in Asian markets.

Picture of the Day

Barley is seen inside a warehouse damaged by a Russian missile strike, amid Russia's attack on Ukraine, at a compound of an agricultural company in the village of Pavlivka, in Odesa region, Ukraine July 21, 2023. REUTERS/Nina Liashonok

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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