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Top News - Oil

EXCLUSIVE-China's Iranian crude imports find new market in northeast

Imports of Iranian crude have been flowing into the port and refining city of Dalian since late last year, tanker tracking firms and trading sources said, helping sustain the country's purchases of the oil at near record levels.
The shift has happened as demand for Iranian crude from small buyers in the independent refining hub of Shandong province has waned in the face of deteriorating refining margins, squeezed by higher crude prices but weaker-than-expected fuel demand, traders said. They have been Iran's main buyers in China since 2019.
Iran, including its oil, is subject to U.S. sanctions, reinstated in 2018 over concerns about its nuclear program. But China did not stop buying Iranian oil, with margin-driven independent plants filling a vacuum left by sanctions-wary state firms, Reuters has reported.
Vortexa, a consultancy that tracks tanker flows, said 23 cargoes, or a total of 45 million barrels, of Iranian oil was discharged at Dalian between October 2023 and June 2024.
It said this included 28 million barrels discharged at Changxing island, about 85 km (53 miles) northwest of central Dalian.
Another consultancy, Kpler, estimated China imported 34 million barrels into Dalian during the same period.
The figures equate to 124,000-164,000 barrels per day, roughly 13% of China's total Iranian oil imports during the first half of 2024.
Analysts estimate China imported 1.2-1.4 million bpd of Iranian crude during the period. Vortexa said the imports hit a record 1.52 million bpd last October.
When asked about the Dalian imports, China's foreign ministry told Reuters that China and Iran "have always maintained normal and legitimate trade under the international legal framework."
China says it opposes unilateral sanctions. Still, tanker trackers and dealers say that traders rebrand Iranian oil destined for China as originating from elsewhere, such as Malaysia, Oman or the United Arab Emirates.
Officially, Chinese customs have not reported any imports of Iranian oil since June 2022.
There are four possible destinations for the Dalian shipments - Hengli Petrochemical's 400,000-bpd refinery complex and 44 million-barrel storage farm, two refineries run by state-giant PetroChina and a 30 million-barrel storage base operated by the Liaoning Port Authority at Changxing island.
There is no pipeline connecting the storage facility to refineries outside Dalian, traders said.
Three senior trading sources close to Hengli said the company bought at least some of the shipments.
One of the sources estimated Hengli 600346.SS had bought 4 million barrels a month during the first few months of 2024. Another said the purchases were 4-6 million barrels a month.
Vortexa said Hengli was a buyer of Iranian crude shipments, based on its tanker tracking information and analysis.
A Hengli spokesperson said the company had not bought Iranian oil.
PetroChina, like China's other big state crude buyers, stopped buying Iranian oil around 2018/2019, traders and other industry experts have said.
PetroChina, Asia's largest oil-and-gas producer, did not respond to a request for comment.
The Liaoning Port Group and its unit Liaoning Port Co Ltd did not respond to emailed requests seeking comment.
Before last October, Dalian, which accounts for 6% of China's crude processing capacity, had received only sporadic Iranian oil shipments in recent years, according to Vortexa and Kpler.
Iranian oil is attractive to refiners due to steep discounts relative to similar Middle Eastern grades, such as Oman or Murban, or Russia's main export grade ESPO Blend.

EXCLUSIVE-Nigeria's Dangote refinery is reselling crude, sources say

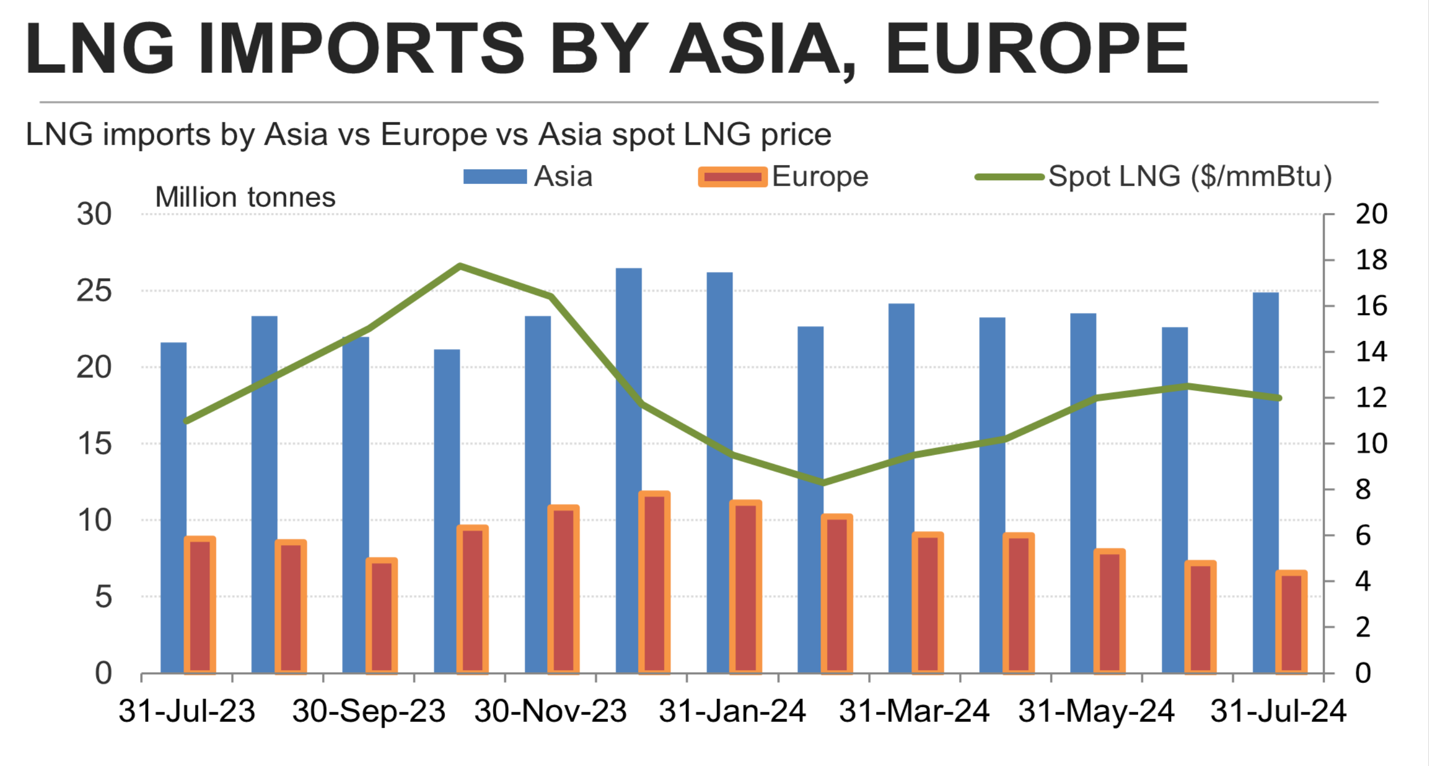
Nigeria's major Dangote oil refinery is reselling cargoes of U.S. and Nigerian crude, four trade sources familiar with the matter said on Friday.
Three of the sources said the reoffer was linked to technical problems at the refinery. A Dangote executive, asked about the offers and talk in the market that the refinery is having operational issues affecting the crude distillation unit, said the CDU is in operation.
A spokesman for the refinery denied that Dangote was offering to sell Nigerian crude.
The refinery started production in January and will be the largest in Africa and Europe when it reaches full capacity.
It could upend what has been a highly lucrative Europe-to-Africa fuel trade and transform Nigeria into an exporter of fuels.
Cargoes of Nigerian Escravos and Forcados crude were

among the grades being offered, as well as U.S. WTI Midland crude, the sources said. The plant has been importing several crude cargoes a month, traders have said.
Such resales by refineries are quite rare but not unknown, traders said. Crude prices added to an earlier decline after the news on Friday. Brent crude fell as much as 2.5% towards $80 a barrel, and had recovered to above $81 by 1700 GMT.
The 650,000 barrel-per-day refinery was built at a cost of $20 billion by Africa's richest man Aliko Dangote.
Dangote aims to reverse Nigeria's reliance on imports for fuel which have continued even though the country is Africa's biggest oil producer.

Top News - Agriculture

Only half of French soft wheat crop in good condition, FranceAgriMer says
Ratings of French soft wheat fell again last week to hit another eight-year low with now only half of the crop in good condition, while harvesting remained well behind average as wet weather throughout the cycle continued to weigh on crops.
An estimated 50% of soft wheat was in good or excellent condition by July 22, down from 52% a week earlier and 78% a year ago, farm office FranceAgriMer said in cereal crop data.
This is below the score at the same point in 2020, another year marked by heavy rain, and the weakest reading since 2016 when France reaped its smallest wheat crop since the 1980s and ratings stood at 40% by the same time of the year.
Months of heavy rain and below-average sunshine have disrupted planting and crop development in the European Union's biggest grain producer.
"We're experiencing another 2016, with yields well below the five-year average," said Francois Pignolet, head of crop procurement at Soufflet Agriculture, part of agri-food group InVivo, said in a harvest update on Friday.
He did not give specific indications on soft wheat yields for Soufflet's supply network.
Regarding wheat quality, the company was observing low average test weights of around 75 kilos per hectolitre, which could post problems for delivery against Euronext futures that have a requirement of 76 kg/hl minimum, he said.
Protein content was running at 11-11.5% while the crop was showing an absence of mycotoxins, he added.
In terms of harvesting, 41% of the soft wheat area had been cut by Monday, compared with 14% a week earlier and 76% the previous year, FranceAgriMer said.
The winter barley harvest was coming to an end with 93%

Chart of the Day



Note: July 2024 imports are an estimate as of July 29, price is as of July 26.
Source: Kpler, LSEG Reuters graphic/Clyde Russell 29/07/24

of the area gathered by July 22, it said.
Soufflet had recorded a 25% drop in winter barley yields compared with last year, while yields in the less-advanced spring barley harvest were also very disappointing, Pignolet said.

US court rejects EPA denials of 2022 small refinery biofuel waivers
A federal appeals court said on Friday it rejected the Environmental Protection Agency’s decision in 2022 to deny small oil refineries temporary waivers from the nation’s biofuels blending program, and sent the matter back to the agency for review.
The decision by the U.S. Court of Appeals for the District of Columbia is a win for the refining industry, which has long opposed federal requirements under the Renewable Fuel Standard that they add biofuels such as corn-based ethanol into the nation’s fuel.
The court’s opinion, and details of the decision, were sealed.
The RFS was designed to help farmers and to reduce U.S. petroleum imports, but oil refiners – particularly smaller independent ones – say the program imposes costs that put their businesses at risk. The EPA can award exemptions to small refiners if they prove the obligations cause them undue harm.
In 2022, the agency rejected a slew of such requests, triggering the legal battle that was spearheaded by refiner Sinclair Wyoming Refining Company and joined by others.
The biofuel industry, including producers of corn-based ethanol, have long fought the small refinery waiver program, arguing that it has been overused in a way that helps the oil industry but hurts American farmers.
Sinclair did not immediately respond to a request for comment.
Biofuels groups said they were "extremely disappointed."
"We will evaluate our next steps, which may include seeking further review of today’s decision. Our coalition remains resolute and committed to protecting and defending the proper implementation of the RFS," the Renewable Fuels Association, Growth Energy and the American Coalition for Ethanol said in a statement on Friday.
The EPA said it was reviewing the decision.
In a separate but related case last year, a U.S. appeals court struck down the EPA’s 2023 blanket denials of small refinery exemptions.

Top News - Metals

Vale on track to hit top end of iron ore guidance, upbeat on China
Brazilian miner Vale is confident it will manage to meet the top end of its outlook for iron ore production in 2024, which stands between 310 million and 320 million metric tons, chief executive Eduardo Bartolomeo said on Friday.
His remarks come after Vale's net profit tripled in the second quarter from a year earlier, with iron ore sales up 7% in the period, and as the company tries to soothe market concerns about demand from top consumer China.
Bartolomeo, who will leave his role at the end of this year, said the company is making progress in the stability of its iron ore production and believes that costs are also expected to fall within expectations for this year.
"Our costs were seasonally higher in the second quarter, but are on track to reach our guidance for the year, especially as our product mix and fixed cost dilution improve in the second half," the executive told a call with analysts.
"Our sales reflect our strong performance," Bartolomeo said. "And the best is yet to come. We are really confident on delivering on our strategic guidance."
Vale believes there is support for global iron ore prices to remain above $100 per ton, as falling below that level would keep some producers away from the market.
Dalian iron ore futures on Friday snapped a three-session slide buoyed by fresh stimulus from China to close at $107.45 per ton, but posted a weekly loss amid concerns about demand from the ailing property sector.
"We have a positive eye on China," Vale's head of iron ore solutions Marcello Spinelli said, adding the Chinese economy is resilient and while the property sector faces a decline, infrastructure is playing an important role.
"For 2024 and 2025 we are in a good shape and a balanced market," Pimenta said.
Sao Paulo-traded shares of Vale rose 1.8% on Friday, while local benchmark stock index Bovespa added 1.4%.

Citi expects copper to recover to $9,500/t within three months
Copper prices will likely struggle for direction in the coming weeks, before recovering to $9,500 per ton within three months and touching $11,000 by early 2025, Citi Research said in a note on Friday.
This compares to previous 0-3 month and 6-12 month price forecasts of $10,000 and $12,000, respectively.
The bank attributed the expected rally to a recovery in global manufacturing sentiment driven by anticipated Fed rate cuts and expected inventory draws and deficits in the second half of 2024.
"We believe strong growth in China’s refined copper output and visible inventories... for the most part reflect unsustainable scrap market and consumer destocking in response to earlier price highs and arbitrage dynamics that will reverse at these lower ~$9,000/ton price levels," Citi said.
The bank has moderated its bullish average price forecasts for 2025/2026 to reflect "growing confidence that the market can avoid forecast deficits through substitution and increased scrap recoveries with a less substantial and sustained rally in price," analysts said.
Copper prices were trading below $9,100 per ton level on Friday, as concerns over demand in top consumer China weighed.

Top News - Carbon & Power

COLUMN-Asia's LNG imports shift higher as Europe's fades: Russell

Asia continues to draw liquefied natural gas (LNG) from Europe with imports in July rising to the most in six months, even as spot prices stayed near seven-month highs.

The top-importing region is on track for arrivals of 24.85 million metric tons of the super-chilled fuel, up from 22.60 million in June and the highest since January's 26.19 million, according to data compiled by commodity analysts Kpler.

In contrast, Europe's imports are tracking at 6.56 million tons for July, the lowest since September 2021 and down from 7.21 million in June.

Europe's LNG imports have declined every month since December, when they were 11.75 million tons, or almost double the level expected for July.

Much of the reason for the shift in global LNG flows can be attributed to Asia's higher price, with spot cargoes for delivery to North Asia being assessed at $12.00 per million British thermal units (mmBtu) in the week to July 26.

This was down from the previous week's $12.20 per mmBtu, but still close to the $12.60 for the week to June 21, which was the highest price since mid-December.

The benchmark Dutch contract ended at 32.60 euros per megawatt hour on July 26, which is equivalent to $10.30 per mmBtu, or a discount of 14.2% to the Asian spot price.

The Asian spot price is currently close to the sweet spot of being high enough to draw cargoes to the region, but not quite at levels to start crimping demand in price-sensitive buyers such as China and India.

China, the world's biggest LNG buyer, is on track for imports of 6.41 million tons in July, up from 5.80 million in June and the highest since April, according to Kpler.

India, Asia's fourth-biggest LNG importer, is forecast to see arrivals of 2.61 million tons in July, up from 2.60 million in June and the most since October 2020.

In some ways the ongoing strength in India's LNG imports are surprising, as the South Asian country tends to cut back in the face of higher prices.

The spot price has been rallying since its 2024 low of $8.30 per mmBtu in early March, and has been above $10 since mid-April, a level that has in the past seen India, and even China, cut back on spot purchases as LNG becomes uncompetitive in their domestic markets.

It's likely that India's strong economic growth is keeping LNG demand robust, especially since the fuel is generally used in industrial processes rather than for electricity generation.

Similarly, China's appetite for LNG is being boosted by its use as a transport fuel, with research from consultants Wood Mackenzie showing sales of LNG-powered heavy vehicles rose from below 10% of the market to as much as 30% by the end of 2023.

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.59 / bbl	0.56%	8.29%
NYMEX RBOB Gasoline	$2.43 / gallon	0.41%	15.22%
ICE Gas Oil	$749.50 / tonne	1.77%	-0.17%
NYMEX Natural Gas	$2.03 / mmBtu	1.30%	-19.17%
Spot Gold	$2,392.00 / ounce	0.27%	15.97%
TRPC coal API 2 / Dec, 24	$114.75 / tonne	2.50%	18.30%
Carbon ECX EUA	€67.27 / tonne	-0.88%	-16.30%
Dutch gas day-ahead (Pre. close)	€32.20 / Mwh	1.58%	1.10%
CBOT Corn	$4.08 / bushel	-0.43%	-15.65%
CBOT Wheat	$5.46 / bushel	-0.50%	-99.15%
Malaysia Palm Oil (3M)	RM3,918 / tonne	-0.61%	5.29%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	326.80	-0.81%	8.43%
Rogers International	27.14	-0.70%	3.08%
U.S. Stocks - Dow	40,589.34	1.64%	7.69%
U.S. Dollar Index	104.24	-0.07%	2.87%
U.S. Bond Index (DJ)	430.70	0.41%	0.00%

JAPAN PEAKING?

Japan, the world's second-biggest LNG buyer, also saw solid imports in July, with Kpler tracking 5.62 million tons, up from 4.75 million in June and the highest since March.
However, Japan's imports may ease in coming months as the summer demand peak passes and inventories remain elevated, with stocks held by major utilities rising to 2.35 million tons by July 21, which is 21% higher than a year earlier, and 7% above the five-year average of 2.19 million.
The strength in Asia's demand can be readily seen in the import data from the United States and Qatar, the world's top and third biggest LNG shippers, and also swing suppliers to both Europe and Asia.
Asia's imports from the United Stares are expected at 3.41 million tons in July, second only to the record high of 3.75 million from February 2021 and up from 2.71 million in June.
In contrast, Europe's imports from the United States are forecast at 2.25 million tons, down from 2.85 million in June and the lowest since November 2021.
Asia's imports from Qatar are forecast at 6.09 million tons, up from 5.23 million in June and the highest since January.
Europe's imports from Qatar are estimated at 740,000 tons in July, down from June's 1.05 million and the weakest since September.
The opinions expressed here are those of the author, a columnist for Reuters.

COLUMN-Natural gas shows its staying power as US wind output slumps: Maguire

Power producers in the United States are becoming increasingly reliant on natural gas for generation, even as the country builds out renewable energy capacity at a record pace.
Renewable energy sources have been grabbing a steadily growing share of the power mix for years, which has allowed power firms to cut coal-fired power and reduce emissions.
But due to the volatile nature of renewable energy flows, power firms have needed to increase the use of natural gas within power systems and remain heavily dependent on gas whenever renewable energy supplies drop off.
That high gas dependency was highlighted again this month as wind generation slumped just as overall power use climbed due to high temperatures and strong demand for air conditioning.

ON THE HOOK

Power firms must ensure supply meets demand by adjusting fuel mixes as necessary, and this month they had to offset a steep drop in output from wind farms while also accommodating a climb in total power demand due to greater use of cooling systems across much of the country.
From July 1 to July 23, power generation from U.S. wind farms dropped by 78% from 57,274 megawatt hours (MWh) to 12,608 MWh, data from LSEG shows.
Wind generation levels often slump during the summer due to lower wind speeds at turbine level, but on July 23 the production levels were the lowest for that date in more than least three years.
To offset such a notable dip in clean power supply, power firms boosted natural gas-fired generation by 27% over the same period, from 217,617 MWh on July 1 to 276,453 MWh on July 23, according to LSEG.
This steep climb in gas-fired generation pushed natural gas's share of the national power generation mix to 46.3% so far in July, from an average of 40% for the opening half of 2024.
But the higher gas-fired output also helped lift total generation levels by 3.4% on July 23 from July 1, ensuring the national power system was able to meet elevated demand needs.

KEY POWER PILLAR

The ability of natural gas to speedily plug supply shortfalls from other sources means the fuel will remain a critical pillar of the U.S. power system for years to come, despite continued rapid growth in renewable energy sources.
Natural gas supplied just over 42% of U.S. electricity in 2023, according to energy think tank Ember.
That was by far the largest single power source in the country and compared to 15.61% from combined wind and solar sources, 16% from coal plants, 18.25% from nuclear plants and around 6% from hydro dams.
With power firms committed to reducing emissions, renewables look set to grow their share of the national generation mix while coal's share will decline further.
But natural gas will remain the primary fuel source in a majority of key power systems across the U.S., and will likely continue to expand its share of the overall generation pie before being gradually reduced in generation systems over the coming decades.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

Ukraine's grain exports jump to 3 mln T so far in 2024/25, ministry says

Ukraine's grain exports in the 2024/25 July-June season stood at over 3 million metric tons by July 26, up sharply from 1.9 million at the same date a season earlier, agriculture ministry data showed on Friday. The volume included 1.16 million tons of wheat, 1.44 million tons of corn and 418,000 tons of barley. The ministry has said that the 2024 combined grain and oilseed crop could fall to 77 million tons, including 56 million tons of grain.
Ukraine's grain exports in the 2023/24 marketing season rose to about 51 million tons from 49.2 million a year earlier. Producers have said the combined export of grain and oilseed is seen at around 60 million tons for 2024/25, almost the same as the country exported in 2023/24.

South Korea's MFG buys about 60,000 T soymeal, traders say

South Korea's Major Feedmill Group (MFG) purchased an estimated 60,000 metric tons of soymeal expected to be sourced from South America on Friday, European traders said. It was bought at an estimated $430.97 a ton cost and freight (c&f)including a surcharge for additional port unloading. Trading house Bunge was believed to be the seller.
It was for shipment from South America between Dec. 1-31, 2024, with arrival in South Korea around Jan. 28, 2025.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

Vendor Luis Sanches sells vegetables at a market ahead of Venezuela's presidential election, in Caracas, Venezuela July 27. REUTERS/Alexandre Meneghini

(Inside Commodities is compiled by Mohammed Nihaal T S in Bengaluru)

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