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Top News - Oil

US oil refiners to defy heat, run plants at mid-90% of capacity
Top U.S. oil refiners will run their plants this quarter at up to 95% of their combined 17.9 million barrel-per-day capacity, according to executives and analysts, defying this summer's extreme heat to pump out more fuels.
The refining industry has been running at above 90% of capacity for more than a year on strong gasoline and diesel demand - and high profit margins.
The new forecasts will be challenged by extreme heat that has blanketed the main U.S. refining hub on the Gulf Coast this summer, contributing to scattered outages, analysts said.
Marathon Petroleum, the largest refiner with 13 processing plants that provide 16% of U.S. refining throughput, aims to run at 94% of its combined 2.9 million barrels per day (bpd) capacity in the third quarter, executives said last week.
The second-largest U.S. refiner, Valero Energy, aims to process at up to 95% of its 3 million-bpd capacity.
Among smaller refiners, Par Pacific Paims to operate at 92% of its capacity, and HF Sinclair is targeting 94% of crude oil throughput, officials said.
“We continue to hear calls for higher refining utilization and see a market supported by low inventories and sustained consumer demand,” PBF Energy Chairman Thomas Nibley told investors on its second-quarter earnings call.
U.S. refinery rates rose last week to just under 94% of total capacity, and averaged around 93.6% in the quarter so far, compared with 92.8% between July and September last year, according to government data.
Meanwhile, stockpiles of gasoline and distillates, which include heating oil and diesel, fell sharply last week and were respectively 7% and 17% below the five-year average for this time of year.

HEAT, HURRICANE RISKS
PBF did not disclose its goal, but Nibley said demand is "continuing the call for high utilization."
Phillips 66 laid out plans to run its U.S. refineries this quarter in the "mid-90s%" rates.
Neither oil majors Chevron nor Exxon Mobil disclose run rates.
This summer's extreme heat and the move deeper into peak hurricane season could cut into production targets, said Andrew Lipow, president of refinery operations experts Lipow Oil Associates.
“I would expect the refiners plan to run full out to the extent it’s possible to do so,” Lipow said.
The hurricane-prone Gulf Coast region will carry much of the processing load this quarter as refineries in the upper Midwest and Rocky Mountain regions will cut back production for planned overhauls, said John Auers, managing director of refined fuels analytics.

Oil output inches up at top US shale firms, with faster growth elusive
Top U.S. shale oil producers are raising output by pulling more from each well but lack the level of activity to add significant new volumes, a Reuters analysis of investor forecasts showed.
The companies that a decade ago upended global oil and gas markets and turned the U.S. into an oil-export powerhouse in recent years have been less of a factor because of a shift to maintain, but not significantly expand, their production.
Favoring earnings over higher production has helped U.S. companies deliver strong profits with modest volume increases. The OPEC producer group's cuts have helped keep prices above $70 a barrel for most of the year.
U.S. producers expect to inch production higher for the rest of the year, according to second-quarter forecasts, by squeezing more oil and gas from each well. The gains will add 850,000 barrels per day (bpd) to production, according to U.S. estimates.
Executives at top shale producers say they have fine-tuned their production techniques to push volumes 2% higher in the next six months with little effort.
"We've got a very efficient machine running ... we will see growth, we anticipate, even at maintaining flat activity levels," said Dominic Macklon, an executive at the third-largest Permian shale producer ConocoPhillips.
Since January, ConocoPhillips has upped its full-year production outlook by about 30,000 bpd to up to 1.81 million bpd. Hess Corp, which drills in the Bakken shale in North Dakota, has raised its 2023 Bakken output target by 10,000 bpd, or about 6%.
Pioneer Natural Resources, the second-largest shale producer, also raised its estimate of full-year output by about 3% despite cutting one drilling rig and paring its budget.

LONGER WELLS, LOWER COSTS
Pioneer's average well productivity is running about 12% higher than 2022 levels, it said, crediting longer wells and lower costs for fracking.
Top Permian shale producer Chevron expects its production in the Texas/New Mexico basin to jump 10% this year on better well placement and applying more frac sand to ooze oil out faster from each well.
Most analysts remain skeptical shale gains can outrun

the well decline rates over the long term without a sharp boost in drilling activity. Shale output typically declines by 50% in the first three years, and active U.S. drilling rigs are down to 659, the lowest since March 2022.
"We expect pretty moderate growth due to operator discipline and constraints on the oilfield service side," said Chetan Sharma, a senior associate with energy technology firm Enverus.
Significant growth will require a reversal of rig count declines and a stronger response to upticks in oil prices, Sharma added.
U.S. oil futures traded this week above $82 a barrel, helped by OPEC's cuts, after starting the year at about $80 a barrel.
Smaller shale producers this year have pushed up their production in the hopes of attracting suitors, but that may have reached its limit with a surge in mergers and acquisitions last quarter, Enverus said.

Top News - Agriculture

French soft wheat may see some quality loss after rain -FranceAgriMer
Rain delays to the end of the soft wheat harvest in France may affect milling quality, though crop gathered before the wet spell was generally showing satisfactory readings, farm office FranceAgriMer said on Wednesday.
Frequent showers and cool temperatures since late July in northern France and a swathe of northern Europe have raised concern about quality loss. That has added to doubts about global milling wheat supply as war in Ukraine threatens Black Sea trade and drought hurts North American crops.
In France, the European Union's biggest grain producing country, repeated showers that have hindered harvesting in the northwest will reduce test weights and will require monitoring of Hagberg falling numbers, FranceAgriMer said in a joint statement with crop institutes Arvalis and Terres Inovia.
Test weights and falling numbers are among common measures of milling quality, along with protein content. Wheat that does not meet milling standards can be sold for livestock feed. Soft wheat harvested before the prolonged rainy spell was showing satisfactory falling numbers and protein content, with average protein estimated at around 11.5%, FranceAgriMer said.
But test weights in the earlier-harvested crop were also varied and some sorting was expected by grain handlers to improve readings, it added.
FranceAgriMer will publish detailed results on 2023 wheat quality in the coming weeks. A drier, warmer spell forecast from the middle of this week is expected to help French farmers round off wheat harvesting.

Chart of the Day

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Volume in the harvest is expected to be larger than last year. The farm ministry last week estimated the soft wheat crop at 35.6 million metric tons, up 5.6% from last year.

Almost 2% of sown area in China's grain belt hit by typhoon Doksuri

Continuous rain caused by the remnants of Typhoon Doksuri has affected 3.87 million mu (258,000 hectares) of the sown area in China's largest grain producing province Heilongjiang by midday on Wednesday, state broadcaster CCTV said.

The affected areas, in northeast China's Heilongjiang, known as the nation's "great northern granary", account for around 1.77% of the province's total of 219 million mu of sown area in 2023, according to data from a state-backed information website.

Flood waters, which had deluged farms and cities in northeast China into the past weekend, and left the country's disaster relief system struggling in the aftermath of one of the strongest storms in years, have gradually receded in the rice planting areas Lianhua village in Wuchang, a city in southern Heilongjiang and known for its rice production. Efforts have been made to drain water from farmland, with two drainage trucks set up at the same time to forcefully discharge water from the low-lying lands, in order to minimize the impact of flood on the agriculture, it said, citing Zhang Hongyuan, a party branch secretary of Lianhua village.

The Department of Agriculture and Rural Affairs of Heilongjiang province has set up a group for disaster prevention, mitigation, and relief in nine key cities and counties including Wuchang, Shangzhi, Linan and Hailin.

China announced on Tuesday the allocation of another 732 million yuan of disaster relief to support areas that have suffered from the typhoon including Hebei, Tianjin, Beijing, Shanxi and Inner Mongolia in the north, Jilin and Heilongjiang in the northeast, Zhejiang in the east, and Fujian province in the south. Northern China warned of crop and animal diseases as flood waters retreated from rural areas, while some cities struggled to restore drinking water supplies.

Top News - Metals

China's refined tin output drops 13% on-month – Antaike

China's refined tin output in July declined 13.1% from the prior month due to smelters' maintenance, state-backed research house Antaike said on Wednesday, expecting August output to stay below a normal level amid Myanmar's mining ban.

Production at 21 tin smelters surveyed by Antaike, with a total capacity of 320,000 metric tons and accounting for 97% of China's total capacity, was at 13,428 metric tons last month.

The monthly decline was mainly attributed to Yunnan Tin, the world's top refined tin producer, halting production. Production at its tin branch would be suspended from July 11 for up to 45 days due to regular maintenance, Yunnan Tin said in a file to Shenzhen Stock Exchange.

Last month saw China Tin, another leading producer, resume production after maintenance but at a slower-than-usual rate, Antaike noted. As Myanmar's mining ban took effect from August, ore shortage remained in the market, prompting more demand for scrap material.

Despite the monthly decline, July output of the metal used in electronics and semiconductor industries soared 210.1% from the same time a year earlier.

And Jan-July output rose 13.2% from the corresponding period last year, according to Antaike. The International Tin Association expected the mining ban to cut China's smelter output in the second half of this year.

Sweden's H2 Green Steel lines up Vale, Rio Tinto for iron ore supply

Swedish metal and hydrogen company H2 Green Steel (H2GS) said on Wednesday it has signed multi-year deals with miners Rio Tinto and Vale for the supply of iron ore pellets from Canada and Brazil.

H2GS, which plans to build a low-carbon steel plant in Boden in northern Sweden and to start production in 2025, said the contracts with the two miners will help the company convince investors and lenders to commit to financing of its project.

The Swedish company will use a production process known as direct reduced iron (DRI) to cut CO_2 emissions by up to 1,900 kilograms per tonne of finished steel compared to traditional blast furnaces, according to an H2GS spokesperson.

H2 Green Steel is also seeking to buy direct reduction pellets - the input material for its steel - from Swedish sources, which would have the advantage of much smaller emissions from transportation.

CEO Henrik Henriksson told Reuters on Wednesday further studies were needed on the Swedish mines' capacity to ship to H2GS' plant. He said the company was in talks with several players including LKAB, which operates a mine nearby in Lulea, and Kaunis Iron.

The discussions would continue until the end of this year or early 2024, Henriksson said.

"We have the ambition to have several partners when it comes to the iron ore supply, both for the product in northern Sweden but also to have possibilities for our projects outside Sweden, also to work with these partners," he said.

H2 Green Steel said in a statement the pellets from Rio Tinto's joint venture Iron Ore Company of Canada would account for a significant part of the supply to its plant.

The roughly 50 kilograms of extra CO_2 from shipping materials from the Americas rather than Sweden is

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insignificant compared with the reduction in emissions from DRI compared with traditional steel production, Henriksson said.
"Long term, we need to find ways to get rid of those 50 kilos, but short term it's a smaller part of the big impact we are doing," he said.
The company did not disclose the value of the deals with Vale and Rio Tinto.

Top News - Carbon & Power

Bulk of UK corporate carbon emissions not covered by reduction target – report
Two-thirds of UK corporate emissions are not covered by decarbonisation targets while a fifth or more of companies with 2030 targets are not on course to meet them, a report from disclosure platform CDP and consultants Bain & Company showed.
In the UK Climate Report released on Thursday, CDP and Bain said the number of companies lagging was likely even greater when counting those which do not disclose to CDP or which have yet to set an emissions-reduction target.
The UK government recently warned the country was not on course to meet its end-decade goal of cutting emissions by 60% from 1990 levels, months before global climate talks in Dubai at which countries are being urged to set tougher targets.
The sluggish pace of change among UK companies comes as regulators in Britain, the United States and the European Union look to mandate emissions disclosures, with rules set to take effect over the next couple of years.
"It is concerning that the majority of UK companies have yet to set and deliver on targets in line with the annual emissions reductions needed to align with a 1.5° pathway," CDP Chief Commercial and Partnerships Officer Dexter Galvin said in a statement. "The fact is there are nowhere near enough companies taking the necessary steps to do this, even though it is good for business, people and planet."
The report, which analysed 1,450 UK companies to disclose through CDP, showed 64% of Scope 1 and 2 emissions - those from a company's own operations and those tied to its energy supply - were not covered by a reduction target.
For Scope 3 emissions - those tied to a company's value chain - the figure was 69%.
Of those companies to have set a 2030 target to reduce Scope 1 and 2 emissions, 21% were on course to miss their goal. For Scope 3, 31% of those with a target were set to miss it.
On a more positive note, the number of UK companies disclosing to CDP rose 130% between 2020 and 2022, and they were decarbonising faster than peers in Europe and the United States, the report showed.

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.68 / bbl	0.33%	5.51%
NYMEX RBOB Gasoline	$2.69 / gallon	0.28%	8.71%
ICE Gas Oil	$963.00 / tonne	2.26%	4.56%
NYMEX Natural Gas	$2.99 / mmBtu	1.08%	-33.16%
Spot Gold	$1,917.08 / ounce	0.13%	5.08%
TRPC coal API 2 / Dec, 23	$122 / tonne	-1.41%	-33.96%
Carbon ECX EUA / Dec, 23	€84.50 / tonne	0.66%	0.63%
Dutch gas day-ahead (Pre. close)	€38.05 / Mwh	28.94%	-49.65%
CBOT Corn	$4.97 / bushel	0.61%	-26.66%
CBOT Wheat	$6.69 / bushel	1.02%	-17.15%
Malaysia Palm Oil (3M)	RM3,720 / tonne	-1.35%	-10.88%
Index (Total Return)	**Close 09 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	315.50	1.02%	4.70%
Rogers International	27.88	0.96%	-2.76%
U.S. Stocks - Dow	35,123.36	-0.54%	5.96%
U.S. Dollar Index	102.49	-0.04%	-1.00%
U.S. Bond Index (DJ)	405.98	0.13%	3.31%

Chevron, Woodside in talks to avert strikes at Australian LNG operations

Chevron and Woodside Energy Group said on Thursday they are holding talks with unions to avert threatened strikes at gas facilities that together supply about 10% of the global liquefied natural gas (LNG) market.

Concerns over potential industrial action at three Australian LNG operations - North West Shelf, Gorgon and Wheatstone - sent European gas prices to a nearly 2-month high on Wednesday.

Any industrial action would disrupt Australia's LNG exports and increase competition for the super-chilled fuel, forcing Asian buyers to outbid European buyers to attract LNG cargoes.

Japanese and South Korean firms are the biggest buyers of LNG from the North West Shelf project, while LNG from Chevron's Gorgon and Wheatstone plants mostly goes to Japan.

About 99% of workers at offshore platforms that supply gas to the Woodside-operated North West Shelf LNG plant, Australia's biggest LNG plant, have voted in favour of a planned strike.

The Offshore Alliance union said bargaining meetings for improved pay will continue on Thursday and next Tuesday before it takes a final decision on a strike at the Woodside facilities.

"Our members at Woodside and Chevron are fighting for what they deserve, a fair and reasonable agreement as soon as possible as they are well aware of the hundreds of millions of dollars these companies will lose if protected industrial action slows exports of Australian gas," union spokesperson Brad Gandy said.

Woodside said it had engaged "actively and constructively" in the bargaining process with unions. "Positive progress is being made and the parties have reached an in-principle agreement on a number of issues that are key to the workforce," a spokesperson said in emailed comments. The company said it always had contingency plans to deal with potential disruptions but hoped that activating those plans will not be necessary at this stage.

The unions' push comes after a two-month fight last year against Shell at its Prelude floating liquefied natural gas (FLNG) site off northwest Australia which cost the company about $1 billion in lost exports until it reached a pay deal.

Chevron said it was reviewing the applications from the union to Australia's independent Fair Work Commission (FWC) over planned strikes at its Gorgon and Wheatstone LNG plants.

"We will continue to engage our employees and their representatives as we seek outcomes that are in the interests of both employees and the company," a spokesperson said in an emailed statement.

North West Shelf has an export capacity of 16.9 million metric tons a year. Gorgon, the country's second largest LNG plant, has capacity of 15.6 million metric tons a year and Wheatstone 8.9 million.

Top News - Dry Freight

Australia's largest grain exporter to resume China barley trade

Australia's largest bulk grain exporter, CBH Group, has been cleared to resume barley shipments to China, the Australian government said on Wednesday, days after China removed steep anti-dumping tariffs on Australian barley imports.

China suspended barley imports from CBH Grain, a subsidiary of CBH Group, in late 2020 after allegedly finding quarantine pests in cargoes. The suspension came during a low point in relations, when China restricted a range of Australian imports including barley, wine, coal and lobsters.

CBH Grain and Emerald Grain Australia will be able to resume barley trade with China immediately after it re-registered the two exporters, the Australian trade and agriculture ministers said in a joint release on Wednesday.

"The reinstatement of these two exporters is the result of ongoing technical discussions between our two countries ... This is another positive step towards the stabilisation of our relationship with China," they said.

China's on Saturday ended anti-dumping and anti-subsidy tariffs on Australian barley, roughly three years after the 80.5% duties first cut off what was once as much as a A$1.5 billion annual trade and led Canberra to file a case at the World Trade Organization.

CBH Group was Australia's largest bulk grain exporter in the 2022 financial year according to government report last year.

COLUMN-China's renewed appetite for Australian coal disrupts Asia flows: Russell

China's renewed appetite for Australian coal after Beijing ended its unofficial ban on imports, coupled with strong overall demand for the fuel used to generate power, is forcing a realignment of seaborne flows in Asia.

China's total coal imports have soared this year, with customs data released on Aug. 8 showing July imports at 39.26 million metric tons, level with June's 39.87 million but up a massive 66.9% from the same month last year. For the first seven months of the year, the world's biggest coal importer saw arrivals of 261.18 million metric tons, up 88.6% from the same period in 2022.

This figures includes all grades of coal, but the lion's share is made up of thermal coal, used primarily to generate electricity, as China is largely self-sufficient in coking coal for steel-making, and what it does import comes mainly overland from neighbouring Mongolia.

China's imports of thermal coal were estimated at 29.0

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million metric tons in July by commodity analysts Kpler, up from 27.61 million in June and the second strongest month so far this year.

The Kpler data shows that China's imports of thermal coal started to strengthen from March onwards, and it's not just coincidence that this was after the unofficial ban on shipments from Australia ended.

Beijing had imposed the restriction on imports from Australia, the world's second-biggest exporter of thermal coal behind Indonesia, in mid-2020 as part of a series of trade measures that followed rising diplomatic tensions over Canberra's call for an international investigation into the origins of the COVID-19 pandemic.

Australia's election last year of the centre-left Labor Party to replace the conservative Liberal-National coalition allowed for a reset of relations and so far Beijing has ended its restrictions on coal and lifted tariffs on barley.

China's imports of thermal coal from Australia went from zero in December last year to 5.45 million metric tons in July, according to Kpler data.

Since April China's imports of Australian thermal coal have been above 4.8 million metric tons per month, a level that was only reached three times in the period from January 2017 to September 2020.

With China returning to Australian coal, it has trimmed the volumes bought from Indonesia, with imports of thermal coal from the Southeast Asian nation coming in at 16.98 million metric tons in July, well below the peak for this year of 22.46 million in March.

China has also picked up imports of Russian thermal coal, with seaborne arrivals of more than 4.4 million metric tons in the three months to July, up from levels around 2.6 million in the prior three months.

China's increased appetite for thermal coal from Australia and Russia has led to a shift in imports by India, the world's second biggest coal buyer.

INDIA SHIFT

India's imports of thermal coal from Australia in July were 613,080 metric tons, according to Kpler, and they have been below 1 million since March.

From December to February India's imports of Australian thermal coal had been above 1 million metric tons per month, peaking in January at 1.79 million.

India's imports of Russian thermal coal dropped to 709,849 metric tons in July, the lowest since February and about half of the peak so far in 2023 of 1.47 million in May. In contrast India is turning back to thermal coal from Indonesia, with July arrivals of 6.87 million metric tons, up from 6.04 million in June.

For July, Indonesia's share of India's thermal coal imports was 63%, which was the highest since the 65% in April.

While the flows of thermal coal around Asia are once again shifting, it's worth noting that prices have largely remained steady, indicating that the market remains more of less in balance.

China and India both generally import Australian thermal coal of a lower energy value than the traditional buyers of Japan, South Korea and Taiwan. The 5,500 kilocalories per kg (kcal/kg) grade at Australia's Newcastle port, as assessed by commodity price reporting agency Argus, ended at $86.14 a metric ton in the week to Aug. 4.

It has been in a narrow range around $86 a metric ton since the beginning of June, having steadily declined from its record high of $284.20 a metric ton, reached in March last year amid fears of energy shortages in the wake of Russia's invasion of Ukraine.

The price of Indonesian coal with an energy content of 4,200 kcal/kg has also been steady in recent weeks, ending at $51.30 a metric ton in the week to Aug. 4, having traded in a narrow range around $52 since mid-June.

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

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Picture of the Day

An aerial view shows the Bibby Stockholm barge moored at Portland Port, near Poole, Britain, August 7, 2023. REUTERS/Toby Melville

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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