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Top News - Oil

China, Saudi Arabia top buyers of Russian fuel oil in July, LSEG data shows

China and Saudi Arabia were the top destinations for Russian seaborne fuel oil and vacuum gasoil (VGO) exports in July, traders said and LSEG data showed on Friday.

Russian fuel oil and VGO seaborne exports last month rose 7% from June to about 4.05 million metric tons, helped by completion of seasonal maintenance on Russian refineries.

Russia's offline primary oil refining capacity for July at 2.5 million tons was below June's level by some 44%, according to Reuters calculations based on data from industry sources.

Since the European Union's full embargo on Russian oil products went into effect in February 2023, countries in Asia have been the main destination for Russia's fuel oil and VGO supplies.

In July direct fuel oil and VGO shipments from Russian ports to China rose by 18% month-on-month to 0.7 million tons. China imports straight-run fuel oil and VGO for refining feedstock, pooling it with Urals crude oil, according to market sources.

Loadings to Saudi Arabia almost doubled from June to 0.7 million tons, mostly destined for power generation plants during the hot summer season when power consumption is peaking, Reuters calculations and LSEG data show.

Russian fuel oil and VGO supplies to India decreased 7% in July to 0.48 million tons, while "dirty" oil product shipments to Fujairah rose to 320,000 tons from 200,000 tons, and to Turkey to 264,00 tons from 95,500 tons.

Fuel oil and VGO exports to South Korea from Russian Pacific ports increased to 118,000 tons from 36,200 tons in June, shipping data showed.

About 295,000 tons of VGO and fuel oil loaded in Russian ports in July went for ship-to-ship loadings near Greece and Malta. Most of those cargoes end up in Asia, market sources have said.

China's gasoline exports fall 35.7% in July as profit margins weaken

China's gasoline exports fell 35.7% in July from a year earlier, customs data showed on Sunday, as refiners lowered crude runs and held back from shipments due to weakening profit margins.

Gasoline exports stood at 790,000 metric tons last month, or 5.77 million barrels per day, data from the General Administration of Customs showed. China exported 1.22 million tons of gasoline in July last year and 930,000 tons in June.

"Motor fuel exports remain capped because of weak margins and production, due to refinery run cuts," said Emma Li, senior China oil analyst for Vortexa.

Export margins for gasoline were mostly negative between the second half of June and early July, roughly a loss of $3 to $4 a barrel for export sales, said a trader who declined to be identified as they were not authorised to speak to the media.

China's January-July crude oil throughput was down 1.2% at 419.15 metric tons, the statistics bureau reported on Thursday.

"China will likely issue more product export quotas to boost refinery runs," Vortexa's Li said.

Beijing manages exports of gasoline, diesel and jet fuel under a quota system, issuing several batches of allocations during the year, mostly to state-run producers, and viewing product shipments to global markets as a tool to manage domestic supply and demand balances.

Jet fuel shipments led the fuel exports, rising 20.2% to 1.76 million tons up from 1.47 million tons in July last year. In June, Jet fuel shipments totalled 1.65 million tons.

Jet fuel production rose 23.9% year-on-year during the January to July period, statistics bureau data showed on Friday.

Key oil majors are prioritising jet fuel production because of its more robust demand, given strong air travel performance domestically and international flight recovery, another trader said.

International flights rose 60% year-on-year in July to an average 2,111 daily, data from flight information provider Variflight showed. That represented 75% of the daily average for July 2019, before COVID-19.

Fuel provided to international flights is considered an export in customs statistics.

Diesel exports fell 41.2% on the year to 540,000 tons, a sharp drop from July 2023 when exports totalled 910,000 tons. In June, exports totalled 820,000.

Profit margins for diesel have improved in the last two months, but overall production has still fallen as refiners maximise jet fuel production.

Diesel output fell 4.7% to 119.39 million tons in January-July.

China's domestic diesel consumption has also slumped because of weakness in property and manufacturing, coupled with a shift to liquefied natural gas in the trucking sector, and the weakness is expected to persist in the second half of the year.

The data on Sunday also showed China imported 5.90 million tons of LNG in July, up 1.1% from a year earlier.

China's total exports of refined oil products, which also include marine fuel, were at 4.98 million tons for July, down 6% from 5.31 million tons in the same period a year earlier.

Top News - Agriculture

China's biodiesel producers seek new outlets as hefty EU tariffs bite

Chinese biodiesel producers are seeking new outlets in Asia for their exports and exploring producing other biofuels as supply to the European Union, their biggest buyer, dries up ahead of anti-dumping tariffs, biofuel executives and analysts said.

The EU will impose provisional anti-dumping duties of between 12.8% and 36.4% on Chinese biodiesel from Friday, hitting over 40 companies including leading producers Zhejiang Jiaao, Henan Junheng and Longyan Zhuoyue Group in an export business that was worth $2.3 billion last year.

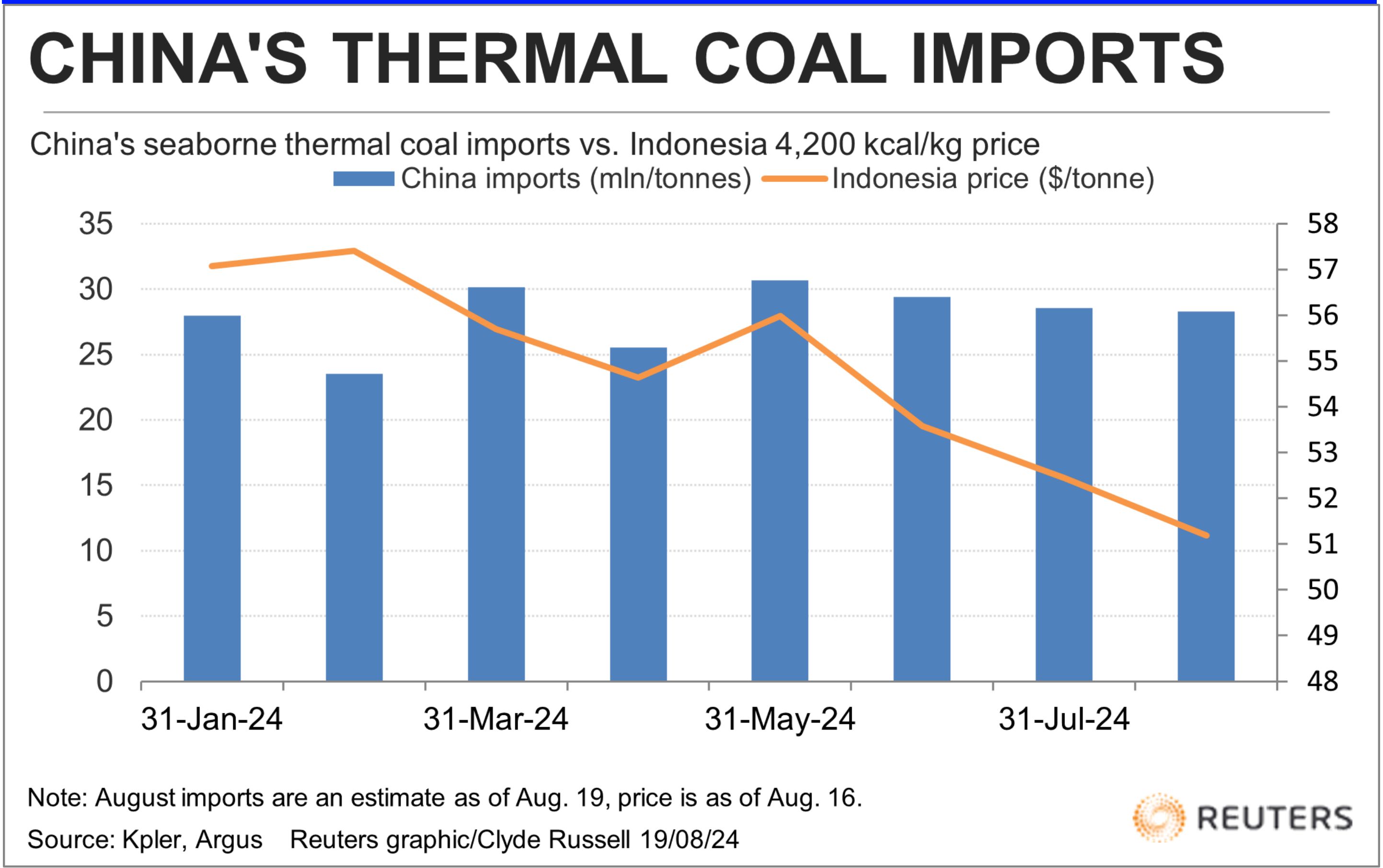
Some larger producers are eyeing the marine fuel market in China and Singapore, the world's top marine fuel hub, as they seek to offset already falling biodiesel exports to the EU, biofuel executives said.

Exports to the bloc have fallen sharply since mid-2023 amid investigations. Volumes in the first six months of this year plunged 51% from a year earlier to 567,440 tons, Chinese customs data showed.

June shipments shrank to just over 50,000 tons, the lowest since mid-2019, according to customs data.

At their peak, exports to the EU reached a record 1.8

Chart of the Day



million tons in 2023, representing 90% of all Chinese biodiesel exports that year. The Netherlands was the top importer in 2023, soaking in 84% of China's biodiesel shipments to the EU, followed by Belgium and Spain, Chinese customs figures showed.

Chinese producers of biodiesel have enjoyed fat profits in recent years, making the most of the EU's green energy policy that grants subsidies to companies that are using biodiesel as a sustainable transport fuel such as Repsol, Shell and Neste.

Many of China's biodiesel producers are privately-run small plants employing scores of workers processing waste oil collected from millions of Chinese restaurants. Before the biodiesel export boom, they were making lower-value goods like soaps and processing leather products.

However, the boom was short-lived. The EU began in August last year investigating Indonesian biodiesel that was suspected of circumventing duties by going through China and Britain, followed by a 14-month anti-dumping probe into Chinese biodiesel believed to be priced artificially low and undercutting local producers.

Anticipating the tariffs, traders stocked up on used cooking oil (UCO), lifting prices of the feedstock, while prices of biodiesel sank in view of shrinking demand for the Chinese supply.

"With hefty prices of UCO partly supported by strong U.S. and European demand, and free-falling product prices, companies are having a tough time surviving," said Gary Shan, chief marketing officer of Henan Junheng.

Prices of hydrotreated vegetable oil, or HVO, a main type of biodiesel, have halved versus last year's average to the current $1,200 to $1,300 per metric ton and are off a peak of $3,000 in 2022, Shan added.

With low prices, biodiesel plants have cut their operations to an all-time low of under 20% of existing capacity on average in July, down from a peak of 50% last seen in early 2023, according to Chinese consultancies Sublime China Information and JLC.

Meanwhile, shrinking biodiesel sales are boosting China's UCO exports, which analysts predict are set to touch a new high this year. UCO exports soared by two-thirds year-on-year in the first half of 2024 to 1.41 million tons, with the United States, Singapore and the Netherlands the top destinations.

OUTLETS

While many smaller plants are likely to shutter production indefinitely, larger producers like Zhejiang Jiaao, Leoking Enviro Group and Longyan Zhuoyue are exploring new outlets including the marine fuel market at home and in the important hub of Singapore, which is using more biodiesel for ship fuel blending, according to the biofuel executives.

One of the producers, Longyan Zhuoyue, agreed in January with COSCO Shipping to use more biodiesel in marine fuel. Companies would also accelerate planning and building of sustainable aviation fuel (SAF) plants, executives said. China is expected to announce an SAF mandate before the end of 2024.

They have also been scouting for new biodiesel clients outside the EU bloc, in Australia, Japan, South Korea and Southeast Asia where there are local mandates for the alternative fuel, the officials added.

Indonesia raises price cap in palm oil domestic scheme, trade ministry says

Indonesia has revised its rules on its palm oil domestic market obligation (DMO) scheme, raising the price cap in a bid to improve supplies of cheap cooking oil, the trade ministry said.

Indonesia, the world's biggest palm-oil exporter, obliges producers to sell a portion of their output to the local market at a capped price in order to gain export permits.

Indonesia raised the price cap to 15,700 rupiah ($1) from 14,000 rupiah per litre, and changed its DMO target to 250,000 metric tons per month from 300,000 metric tons.

The new rules did not mention any change to the export quotas, currently set at four times the volume of palm oil that companies supply locally under the scheme.

The trade ministry did not immediately respond to a request for comment on how the new rules would impact export quotas.

Top News - Metals

Union at BHP's Escondida copper mine in Chile signs new deal, ending risk of strike

The union at Chile's Escondida copper mine, the world's largest, signed a deal on Sunday with BHP, ending a strike that could have threatened global supplies of the red metal.

The three-year deal included changes in labour conditions such as "initiatives to optimize shift changes, increase equipment utilization and compliance with the 40-hour law," BHP said in a statement announcing the deal.

An internal union message, reviewed by Reuters, asked members to return to work.

The mine's powerful union had gone on strike on Tuesday over payment disputes and then come to a preliminary agreement on Friday that had suspended the strike.

Earlier in the day the union had sent a memo to members warning it might re-start the strike if the company did not "rectify its position" over contract talks.

BHP's statement didn't provide any further details on the deal with the union. But earlier in the week, sources at the company and the union told Reuters that BHP offered workers around $32,000 as a bonus and an additional $2,000 in soft loans.

BHP had previously offered a $28,900 bonus per worker, compared with the union's demand of 1% of shareholder dividends from the mine, or roughly $35,000 to $36,000 per member.

LME copper prices traded up 1 percent at $9,211 on Monday amid a firmer tone across metals.

EXCLUSIVE-China issues new gold import quotas after pause – sources

Several Chinese banks have been given new gold import quotas from the central bank, anticipating revived demand despite record high prices, four sources with knowledge of the matter told Reuters.

The new quotas, aimed at helping the People's Bank of China (PBOC) control how much bullion enters the world's leading consumer of the precious metal, were granted in August after a two-month pause largely due to slower physical demand in the wake of a bullish market.

Spot gold has gained 21% so far this year, having hit successive record highs, striking a peak of $2,500.99 per ounce by 1354 GMT on Friday as the dollar weakened and markets increasingly see U.S. monetary easing on the horizon in September. Strong Chinese buying was a key factor in bullion's March-April rally and if demand picks up again, it could further boost prices, analysts said.

"The quotas have been issued but the local premium to offshore is low so there is no guarantee that the quotas will be used until things improve," one of the sources said. "Jewellery demand is still weak but investment demand is healthy."

The PBOC did not immediately respond to Reuters' request for comment.

China has a history of curtailing gold import quotas for several months when the yuan currency is weak against the dollar. However, this year's pause was led by the banks themselves amid muted demand, sources said.

"Actual gold imports have been limited due to subdued demand. This suggests that the Chinese market is currently well-supplied with physical gold.

The PBOC's continued pause on gold purchases reinforces the notion of ample domestic supply," said Bernard Sin, regional director of Greater China at precious metals trader and refinery MKS PAMP.

China's central bank held back on buying gold for its

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.13 / bbl	-0.68%	6.25%
NYMEX RBOB Gasoline	$2.13 / gallon	-0.44%	1.15%
ICE Gas Oil	$712.75 / tonne	-0.80%	-5.06%
NYMEX Natural Gas	$2.11 / mmBtu	-0.52%	-15.99%
Spot Gold	$2,504.15 / ounce	-0.12%	21.41%
TRPC coal API 2 / Dec, 24	$131.75 / tonne	1.24%	35.82%
Carbon ECX EUA	€72.13 / tonne	-0.54%	-10.25%
Dutch gas day-ahead (Pre. close)	€38.90 / Mwh	0.26%	22.14%
CBOT Corn	$3.95 / bushel	0.57%	-18.44%
CBOT Wheat	$5.51 / bushel	-0.32%	-13.88%
Malaysia Palm Oil (3M)	RM3,697 / tonne	0.43%	-0.64%
Index	**Close 16 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	325.47	-0.67%	7.99%
Rogers International	26.73	-1.13%	1.52%
U.S. Stocks - Dow	40,659.76	0.24%	7.88%
U.S. Dollar Index	102.07	-0.39%	0.72%
U.S. Bond Index (DJ)	442.76	0.20%	2.80%

reserves for a third straight month in July and gold holdings stood at 72.8 million fine troy ounces at the end of last month. The PBOC was the world's largest single buyer of gold in 2023, with net purchases of 7.23 million ounces, according to the World Gold Council (WGC).

In another sign of muted demand, dealers in China were offering a discount of $8.5 to a $5 premium an ounce on international spot prices this week compared with a premium of as high as $18 last week.

Current low trading volumes on the Shanghai Gold Exchange (SGE) also signalled weak activity, said Hugo Pascal, precious metals trader at InProved, but added volumes normally start to pick up again at the end of August through September.

"Judging by the resilience of gold in the U.S., I don't see why Chinese consumers will refrain from it."

Top News - Carbon & Power

Woodside gets environmental go-ahead for Scarborough project; key green group backs down

Woodside's $12.5 billion Scarborough gas project in Western Australia has all primary environmental approvals in place, the firm said, after a green group agreed to dismiss its challenge in a federal court.

Shares of the energy company gained as much as 1.3% to A$26.45 during the day against a 0.3% slip in the broader energy index.

The Australian Conservation Foundation had in June, 2022 asked the country's Federal Court to stop Woodside from working on the Scarborough gas project until an assessment is made about its potential impact on the Great Barrier Reef.

The ACF said in a statement it would not proceed with the legal case against the project any more as it became apparent that it was "unlikely to succeed."

"The reality is that Australia’s laws work in favour of fossil fuel interests. There is still no explicit requirement for climate damage to be considered under our key national nature law, the Environment Protection and Biodiversity Conservation Act," the green group said. Woodside said the parties had agreed to seek order from the Federal Court to dismiss the proceedings against the company.

The Australian Conservation Foundation (ACF) had earlier argued that the Scarborough project should be evaluated under that law because it will have a significant impact on the Great Barrier Reef, as the exported gas burned in other countries will worsen global warming.

"The Scarborough reservoir contains less than 0.1% carbon dioxide and combined with processing design efficiencies will be one of the lowest carbon intensity sources of LNG delivered into north Asian markets," Woodside CEO Meg O’Neill said.

Analysts have flagged that Scarborough's commissioning is a key growth catalyst for Woodside after it has been targeted by numerous climate activists amid the world's shift to cleaner forms of energy. The ACF is also currently embroiled in a similar legal case with coal miner Whitehaven, which is set for hearing in 2025.

COLUMN-China's coal output rises as share of electricity slips: Russell

China's production of coal is rising while its share of electricity generation is declining, a seeming contradiction that will likely result in lower imports volumes and cheaper prices.

Coal output rose 2.8% in July from the same month a year earlier, hitting 390.37 million metric tons, according to data released on Aug. 15 by the National Bureau of Statistics.

July's output was down from June's 405.38 million tons, which was the strongest month so far this year. July was also the third-highest monthly production so far in 2024 and output has been trending higher since April.

The rising availability of coal in the world's biggest producer, importer and consumer of the fuel hasn't translated into an increased share of the total electricity generation, the primary use for the fuel.

Instead, China's coal-fired power is losing market share to cleaner alternatives, a trend likely to continue, given the ongoing rapid installation of solar, and to a lesser extent, wind capacity.

China's thermal power generation dropped in July for a third month on a year-earlier basis, despite rising overall power consumption.

Thermal power output, which is largely coal-fired with only a small amount of natural gas generation, fell 4.9% in July from the same month in 2023 to 574.9 billion kilowatt-hours (kWh).

Total generation rose 2.5% to 883.1 billion kWh, with hydropower output jumping 36.2% to 166.4 billion kWh.

China is experiencing a hotter than usual summer, which has boosted electricity demand for cooling.

Hydropower is increasing off a low base in 2023, when output was affected by low rainfall.

Other clean energy generation is also grabbing a higher share, with solar up 16.4% in July and nuclear increasing 4.3%.

China has ramped up installations of renewable energy, with 102 gigawatts (GW) of capacity being added in the first half of 2024, taking total capacity to more than 700 GW.

About 26 GW of wind capacity was added in the first six months of 2024, with the combined wind and solar additions being almost seven times the 18.3 GW of new coal-fired generation.

MARKET DYNAMICS

The recovery in hydropower and the rapid rollout of solar, coupled with rising coal production, are likely to alter the dynamics of the thermal coal market in China.

Domestic prices have started to decline, with the benchmark price of thermal coal at Quinhuangdao, as assessed by consultants SteelHome, slipping to end at 835 yuan ($116.55) a ton on Aug. 16.

It has trended lower since its most recent peak of 885 yuan a ton on May 28, and has dropped 11.2% since the peak so far in 2024 of 940 yuan on Feb. 27.

The lower domestic price has meant that thermal coal imported from Indonesia and Australia, the world's two biggest exporters of the fuel and the top suppliers to China, has also had to adjust through lower prices.

Indonesian coal with an energy content of 4,200 kilocalories per kilogram (kcal/kg), as assessed by commodity price reporting agency Argus, ended at $51.18 a ton in the week to Aug. 16.

This was the lowest in 11 months and the price has dropped 12% since its high so far this year of $58.17 a ton in the week to March 8.

Australian coal with an energy content of 5,500 kcal/kg finished at $86.78 a ton in the seven days to Aug. 16, down 10.2% from its peak so far in 2024 of $96.66 in the week to March 1.

The softer seaborne coal prices have helped keep import volumes strong so far in 2024, with official data showing imports of all grades of coal rising 13.3% in the first seven months of the year to 295.78 million tons.

But data from commodity analysts Kpler suggests that seaborne imports of thermal coal are starting to ease back.

Kpler assessed July seaborne thermal coal arrivals at 28.56 million tons, down from 29.38 million in June and 30.67 million in May.

For August, it's possible that thermal coal imports will drop for a third month, with Kpler estimating arrivals of 28.26 million tons.

With domestic coal output recovering and prices easing, its likely that seaborne cargoes will have to decline in price to remain competitive.

Top News - Dry Freight

Canada-wide freight rail stoppage looms this week as two firms issue lockout notices

Canada's freight rail network could come to a grinding halt this week, inflicting a huge economic toll after the country's two largest railroad operators on Sunday issued lockout notices to the Teamsters union that represents nearly 10,000 workers.

Failing last-minute deals, both Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC) plan to lock out workers from the early hours of Thursday.

It marks the first time that the country has faced a simultaneous labor stoppage at the railroad firms as they normally negotiate their labor agreements in alternate years.

The stoppages could cripple the shipment of food grains, beans, potash, coal and timber which form a large part of Canada's exports, while also impacting shipments ranging from petroleum products to chemicals and cars.

In addition to billions of dollars of economic damage, the stoppages could disrupt rail trade across the North American continent.

"Unless there is an immediate and definite resolution to the labour conflict, CN will have no choice but to continue the phased and progressive shutdown of its network which would culminate in a lockout," CN said in a statement.

"Despite negotiations over the weekend, no meaningful progress has occurred, and the parties remain very far apart," it said.

The Teamsters union argues CN wants to implement a forced relocation provision which would see workers ordered to move across Canada for months at a time to fill labor shortages.

CN says it has made four offers this year on wages, rest, and labor availability while remaining fully compliant with government-mandated rules overseeing duty and rest periods.

The dispute with CPKC centers on safety issues with the union arguing the firm wants "to gut the collective agreement of all safety-critical fatigue provisions", meaning crews will be forced to stay awake longer, boosting the risk of accidents.

CPKC says its offer maintains the status quo for all work rules, "fully complies with new regulatory requirements for rest and does not in any way compromise safety."

The Teamsters, which represents yard workers, rail traffic controllers, locomotive engineers and conductors, earlier on Sunday issued a 72-hour strike notice to CPKC ahead of the company's lockout notice.

It also said in a separate statement to members that the lockout notice issued by CN should be treated "as if we were on strike."

"We're serving strike notice to defend the rights and safety of our members," Paul Boucher, president of the Teamsters Canada Rail Conference said in the statement.

Both CN and CPKC have said their networks outside of Canada will continue to operate but the stoppages could have ripple effects.

The two Canadian rail operators' networks connect with several key U.S. rail and shipping hubs such as Chicago, New Orleans, Minneapolis and Memphis.

CPKC's network also extends further south connecting with ports on both the east and west coasts of Mexico.

The federal Liberal government has so far dismissed pleas from business groups to intervene, saying it wants the companies and the unions to sort out their differences via negotiations.

Angola train derailment impacts Lobito copper shipments

A train derailment on Angola's Lobito Corridor has impacted the haulage of commodities including copper concentrates, the company operating the railway line said on Friday.

The corridor provides a trade route between the resource -rich Democratic Republic of Congo and Angola's Lobito port on the Atlantic ocean, which is strategic to the United States and European Union as they seek greater access to minerals needed for the transition to cleaner energy technologies.

The incident took place between the Cavimbe and Cangumbe stations on Thursday and involved a train hauling sulphur, Lobito Atlantic Railway (LAR) said in a statement. No casualties were reported and repairs on the damaged 400 metres of track would be done over four days, the company added.

"LAR will prioritize the passenger trains and the fuel trains, resuming international sulfur and copper trains thereafter," the company said. LAR, a joint venture backed by global commodities trader Trafigura, Portuguese construction group Mota-Engil and railway operator Vecturis, was in 2022 granted a 30-year concession to operate the 1,300 kilometre rail network.

Picture of the Day

A drone view shows a farmer harvesting a field of wheat with a combine harvester, in Rathangan, Ireland, August 16. REUTERS/ Clodagh Kilcoyne

(Inside Commodities is compiled by Haritha K P in Bengaluru)

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

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LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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