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Energy Argus *Petroleum Coke*

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MARKET OVERVIEW

Fuel coke: Prices find more support

Seaborne petroleum coke prices firmed again this week on lingering demand, even as prices surpassed coal in nearly all regions.

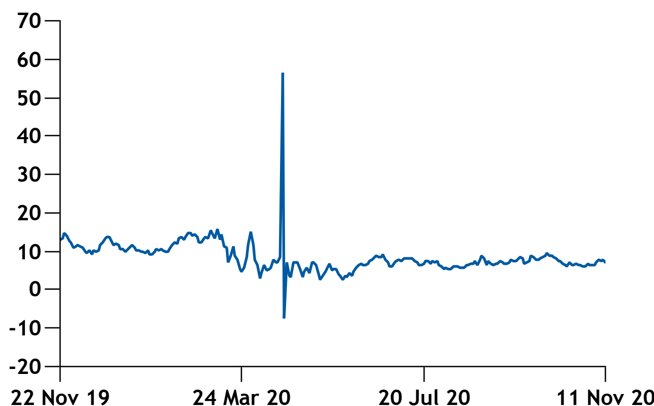
The fob US Gulf 6.5pc sulphur coke price gained another $1/t on the week to $66/t, while the 4.5pc sulphur price gained $3/t to $71/t.

Mid-sulphur coke seems to be in particular demand, as much of the recent buying interest is coming from sulphur-constrained Mediterranean buyers. There is still some buying interest for coke in this region, despite it not pricing competitively against coal. One Turkish cement plant that had been in the market for a January-delivery mid-sulphur cargo was heard to have concluded its tender this week. The cfr Turkey 4.5pc sulphur price gained $1/t to $90.50/t.

Only a few suppliers were heard offering fixed price offers to buyers in the wider Mediterranean region in recent weeks. And fixed-price offers were also holding significant premiums over the net-forward value of the US Gulf price, market participants said.

But a string of spot coke cargoes offered recently from a US Gulf refinery has given some buyers hope that seaborne coke supply could be improving. The latest tender was said to

USGC sour crude 3:2:1 refining margins *$/bl*



KEY PRICES

Petroleum coke spot market				$/t
	HGI	Price	±	Four-week average
Atlantic basin				
fob US Gulf coast 4.5% sulphur	40	71.00	+3.00	68.25
fob US Gulf coast 6.5% sulphur	40	66.00	+1.00	64.75
cfr Turkey 4.5% sulphur	70	90.50	+1.00	89.00
Sulphur adjustment				
US Gulf coast, per 0.1%		0.25	+0.10	0.18
Pacific basin				
fob US west coast <2.0% sulphur	45	155.00	0.00	152.25
fob US west coast 3.0% sulphur	45	131.50	0.00	128.25
fob US west coast 4.5% sulphur	45	85.00	-2.50	80.63
cfr China <2.0% sulphur	45	180.00	+2.50	178.13
cfr China 3.0% sulphur	45	157.50	+1.50	155.13
cfr China 6.5% sulphur	40	96.00	+1.00	95.50
cfr China 8.5% sulphur	70	92.00	+1.50	91.38
cfr India 6.5% sulphur	40	96.00	0.00	96.25
cfr WC India 8.5% sulphur	70	92.00	0.00	92.38

Petroleum coke calculated prices				$/t
	HGI	Price	±	Four-week average
Atlantic basin				
del ARA 4.5% sulphur	40	86.50	+3.00	84.19
del ARA 6.5% sulphur	40	81.50	+1.00	80.69
del Brazil 4.5% sulphur	40	85.50	+3.00	82.94
del Brazil 6.5% sulphur	40	80.50	+1.00	79.44
del Turkey 6.5% sulphur	40	84.00	+1.00	83.13
Pacific basin				
del Japan 3.0% sulphur	45	148.00	-0.75	145.63
del Japan 4.5% sulphur	45	101.50	-3.25	98.00
del China 4.5% sulphur	40	106.50	+3.00	104.44
del India 4.5% sulphur	40	105.50	+3.00	103.13
Netbacks via Ust-Luga				
fca Antipino 4.5% sulphur		27.02	na	
fca Nizhnekamsk 4.5% sulphur		28.57	na	

Prices calculated by adding relevant fob petroleum coke price to freight rate.

Coke freight rates			$/t
	11 Nov	±	Four-week average
Supramax			
USGC to ARA	15.50	0.00	15.94
Venezuela to ARA	14.50	0.00	14.94
USGC to Turkey	18.00	0.00	18.38
USGC to Brazil	14.50	0.00	14.69
USGC to China	35.50	0.00	36.19
USGC to EC India	34.50	0.00	34.88
EC Saudi Arabia to WC India	10.00	0.00	10.13
Panamax			
USWC to Japan	16.50	-0.75	17.38

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be going to Turkey, although this could not be confirmed.

Some cement plants in Turkey are planning to switch to coal once they exhaust their coke inventories. But these plants might look to secure additional coke cargoes before adjusting fuel mix at their plants if seaborne coke is more available.

Besides that, lower availability of domestic coal fines might limit some inland cement plants' ability to increase coal's share in their fuel mix. Freight rates in the Black Sea have strengthened after Turkey last month removed import levies on key grain products until 2021, in an effort to soften the impact of firm international grain prices for its domestic sectors.

A portion of coal imports from Russia is carried via small vessels in the region, but vessel availability has decreased amid additional demand for grain trade, market participants said.

Outside of the Atlantic basin, there is also still some demand for fuel-grade coke in China, although buyers are largely focused on lower-sulphur grades. The 2pc and 3pc cfr China prices rose by $2.50/t and $1.50/t on the week to $180/t and $157.50/t, respectively. But some expect prices to soften in the coming weeks as nearly 30-40pc of the glass manufacturers in the country are now using fuel oil instead of coke, a trader said. But fuel oil is still more costly than coke, said another.

Prices for 6.5pc and 8.5pc sulphur content coke on a cfr

Coke-to-coal calorific comparisons					
		Coal	4.5% coke	6.5% coke	8.5% coke
del ARA	$/mnBtu	2.08	2.81	2.65	-
	% of coal	-	135.00	127.00	-
del India	$/mnBtu	2.94	-	3.12	2.99
	% of coal	-	-	106.00	101.00
del Turkey	$/mnBtu	2.45	2.94	2.73	-
	% of coal	-	120.00	111.00	-
fob USGC	$/mnBtu	1.70	2.31	2.14	-
	% of coal	-	136.00	126.00	-

Coal-implied forward curves						$/t
1Q21	2Q21	3Q21	4Q21	2021	2022	2023
fob USGC 4.5% petroleum coke						
71.00	71.38	71.75		71.60	73.10	
fob USGC 6.5% petroleum coke						
66.00	66.35	66.70		66.56	67.95	
del ARA 4.5% petroleum coke						
86.50	87.63	90.60	92.86	89.40	93.02	98.01
del ARA 6.5% petroleum coke						
81.50	82.56	85.37	87.49	84.23	87.64	92.34
cfr India 6.5% petroleum coke						
96.00	95.12	94.93	94.81	95.25	97.38	100.01

MONTHLY INDEXES

Fuel-grade coke calendar month indexes: Oct				$/t
	HGI	Low	High	Avg
fob US Gulf coast				
4.5% sulphur	40	65.00	67.50	66.00
6.5% sulphur	40	61.00	64.50	62.88
cfr Turkey				
4.5% sulphur	70	82.50	89.00	85.50
fob US west coast				
<2.0% sulphur	45	145.00	149.50	148.38
3.0% sulphur	45	118.50	125.00	123.38
4.5% sulphur	45	74.00	75.00	74.75
cfr India				
6.5% sulphur	40	96.00	97.00	96.75
8.5% sulphur, WC	70	92.00	94.00	93.38
cfr China				
<2.0% sulphur	45	177.50	177.50	177.50
3.0% sulphur	45	153.50	153.50	153.50
6.5% sulphur	40	95.00	96.00	95.67
8.5% sulphur	70	90.50	92.50	91.83

Calculated coke indexes: Oct				$/t
	HGI	Low	High	Avg
Delivered NWE-ARA				
4.5% sulphur	40	82.25	83.50	82.81
6.5% sulphur	40	78.25	80.50	79.69
Delivered Brazil				
4.5% sulphur	40	80.00	82.25	81.19
6.5% sulphur	40	76.00	79.25	78.06
Delivered Turkey				
6.5% sulphur	40	80.50	82.75	82.00
Delivered India				
4.5% sulphur	40	100.75	102.50	101.88
Delivered China				
4.5% sulphur	40	102.75	104.50	103.75
Delivered Japan				
3.0% sulphur	45	136.50	143.50	141.44
4.5% sulphur	45	92.00	93.50	92.81

Prices calculated by adding relevant fob petroleum coke price to freight rate.

Anode-grade coke monthly assessments: Oct				$/t
	Sulphur	Low	High	Mid
Green				
cif US Gulf	0.8%	205.00	248.00	226.50
	2.0%	135.00	165.00	150.00
	3.0%	70.00	104.00	87.00
	5.0%	70.00	80.00	75.00
fob China	2.0%	170.00	235.00	202.50
	3.0%	160.00	225.00	192.50
fob Mideast Gulf	4.0%	142.00	168.00	155.00
Calcined				
fob US Gulf	3.0%	245.00	265.00	255.00
fob China	3.0%	275.00	310.00	292.50
cif Europe	1.5%	240.00	280.00	260.00
cif Mideast Gulf	3.0%	285.00	320.00	302.50

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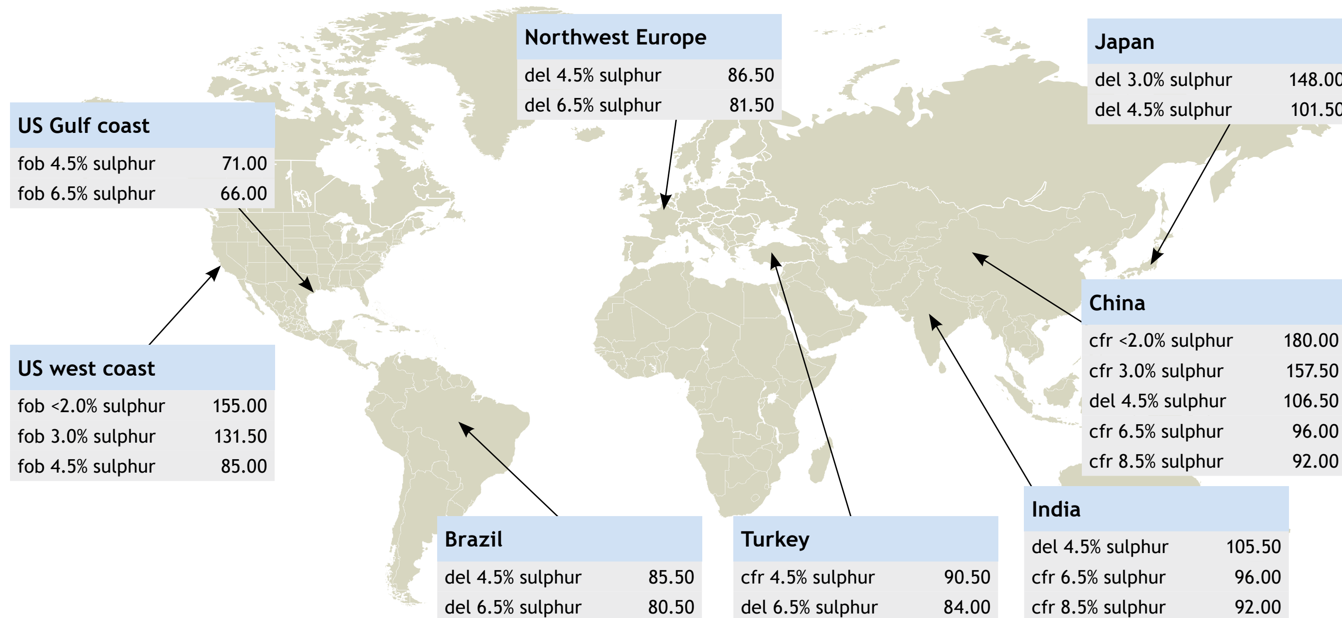
Weekly petroleum coke price snapshot *$/t*



China basis also edged up, by $1/t and $1.50/t, even as many buyers say they do not have much interest in fresh high-sulphur coke cargoes.

Buyers point to prices of stockpiled 8.5pc sulphur fuel-grade coke traded at around 730 yuan/t, equivalent to only around $90/t on a cfr basis, saying that they are not interested in paying much above this level. But offers are well above this, at least in the mid-to-high $90s/t. And sellers for some Saudi coke have the option to sell it into the higher-priced anode-grade market, with sponge quality 8.5pc sulphur coke selling around $100/t cfr, market participants said. The fuel-grade 8.5pc sulphur assessment was $92, while 6.5pc was $96/t.

Although Chinese buyers are indicating that they are not interested in Saudi coke above the low-$90s/t, demand is still strong, with room for prices to continue to increase, one US-based trader said. China's domestic spot coal prices have continued to rise as supply is tight from domestic producers, stocks at Qinhuangdao port are well below normal for this time of year, and seaborne imports remain curbed.

In India, buyers have no such limitations and are taking advantage of Australian thermal coal that can no longer ship to China. The coke market here is in a stalemate as buyers shift their focus to coal and sellers concentrate on more favourable markets elsewhere. The 6.5pc and 8.5pc sulphur cfr India prices remained unchanged on the week as a result.

One November-loading US Gulf coast cargo with 6.5pc sulphur was heard to have been sold to an Indian buyer on an index-linked basis, but this could not be confirmed. Market participants largely say cement plants will only consider seaborne coke purchases if prices soften into the $80s/t.

Cement plants that are still using coke are using domestic material, despite Indian refiners raising prices for November sales by 3pc.

Anode-grade coke prices rise on reduced supply

All anode-grade petroleum coke prices rose in October as ongoing supply tightness from Covid-19 effects and rising aluminium prices supported the market.

China's appetite for green petroleum coke (GPC) remains strong, as a number of refineries continue to conduct maintenance. Some refineries have been producing different quality anode-grade coke because of changing crude diets, another side effect of the pandemic.

Few exports of Chinese GPC have been heard recently, as prices in the domestic market are very lucrative, according to market participants. The range for fob China 2pc and 3pc sulphur GPC rose by $5/t on a wet metric basis on the month

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to $170-235/wmt and $160-225/wmt, respectively. But prices in the domestic market have increased by larger margins.

Fewer Russian GPC imports have been heard recently because of refinery maintenance there, which is contributing to the short supply. Chinese calciners purchased seaborne cargoes from a number of other countries, including mid-sulphur from the US Gulf coast and Oman and low-sulphur from Brazil and Romania.

The higher price of the Omani cargo helped boost the fob Mideast Gulf 4pc sulphur GPC midpoint by $20/wmt on the month to $155/wmt.

Supply of <1pc GPC remains low because of Covid-19, maintenance and greater incentive to produce low-sulphur fuel oil to meet the International Maritime Organisation's 2020 bunker fuel regulations. At least one Latin American refinery was also undergoing planned maintenance starting in late October, which may further reduce <1pc GPC supply.

The midpoint for cif US Gulf coast 0.8pc sulphur anode grade green coke with less than 150ppm vanadium rose by $35/t on a dry metric basis to $226.50/dmt, the highest since January 2019.

Prices for higher sulphur anode-grade GPC also rose in October at a slower rate after a series of hurricanes hit the US Gulf coast, resulting in slower operations for many anode-grade coke producers and approximately 600,000t of GPC production lost. Phillips 66's 250,000 b/d Alliance refinery in Belle Chasse, Louisiana, an important GPC producer, is also undergoing maintenance that will last until at least December.

The midpoint for cif US Gulf coast 2pc sulphur GPC with 150-250ppm vanadium rose by $5/dmt on the month to $150/dmt. The midpoint for cif US Gulf coast 3pc sulphur GPC with 300-400 ppm vanadium rose by $8/dmt on the month to $87/dmt.

Petroleum coke calciners also finally saw long-sought price increases in October after prolonged supply tightness and rising prices in the GPC market.

In Europe, new Covid-19 outbreaks continue to keep refinery rates and GPC supplies at reduced levels, with some market participants calling the anode-grade coke market "unbalanced". Calcined petroleum coke (CPC) supply has finally tightened enough to lift prices, with the range for cif Rotterdam 1.5pc sulphur CPC with 150-250 ppm vanadium rising to $240-280/t in October after holding at $230-260/t for four months.

Calcined coke supply in the US has also been lower after Hurricane Laura struck the Louisiana coast in late August. Rain restarted one kiln at its Lake Charles, Louisiana, calciner on 22 October and the second early this month, after eight weeks of repairs. The company estimated 32,000t of lost CPC production that it was unable to replace with supply from other calciners.

The midpoint for fob US Gulf coast 3pc sulphur calcined coke with 250-350ppm vanadium market rose by $5/t on the month to $255/t.

Additional CPC availability may be on the horizon however, as Century Aluminum has threatened to fully idle its Mt. Holly smelter in South Carolina by 31 December if it can not negotiate lower electricity rates. This could free up approximately 40,000t/yr of calcined coke.

But this excess supply could be offset by smelters in Europe and Latin America returning to normal operations, particularly as aluminium prices on the LME rise to levels not seen since March 2019, market participants said.

Chinese CPC prices also rose in October. A smelter purchased coke bound for Australia in the low-$300s/t fob. Offers have been heard ranging from $300-$350/t fob for November loading.

The midpoint for both the fob China and cif Mideast Gulf 3pc sulphur CPC with 250-350ppm vanadium rose by $17.50/t on the month to $292.50/t and $302.50/t, respectively.

NEWS

US coke exports up on higher China volume

US green petroleum coke exports rebounded slightly in September from August's nearly 10-year low, but were still well below typical levels.

The US exported 2.21mn t of green coke in September, up by almost 5pc from a month earlier, but down by more than 20pc from the same month a year earlier. This was also almost 20pc below the average for September exports over the previous five years, and the second lowest total volume since June 2019.

The low volumes over the two months are likely the result of lower coke production as a result of lower refinery runs, production cuts from a strong hurricane season in the US Gulf, and low inventories because of strong demand earlier this year.

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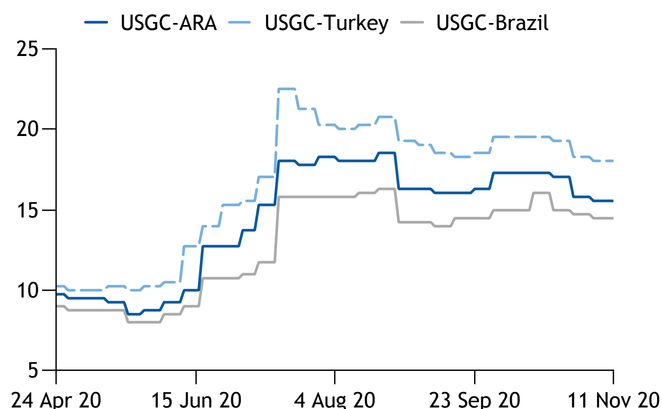
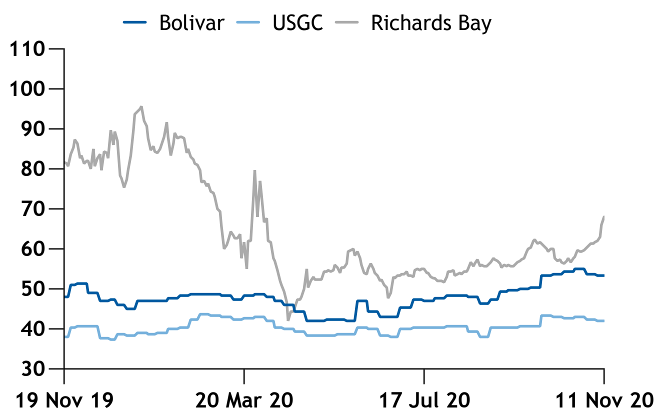




In nearly every region, exports were down on a year-over-year basis. Exports to Asia were down by 22pc, Latin America down by 26pc and North America down by 58pc. Europe was an exception, with exports up by 3.3pc from September 2019. This was because of some higher shipments to France, Italy, the Netherlands and Greece, although these were largely offset by lower exports to countries like Spain, Romania, Denmark and Belgium.

One notable exception was China, with exports up by almost 50pc from the same month a year earlier, reaching 314,700t. But this was lower than the very strong shipments to China in the second quarter of this year. China has suspended high tariffs on US coke and has been seeking more fuel as its economy recovers from the Covid-19 outbreak.

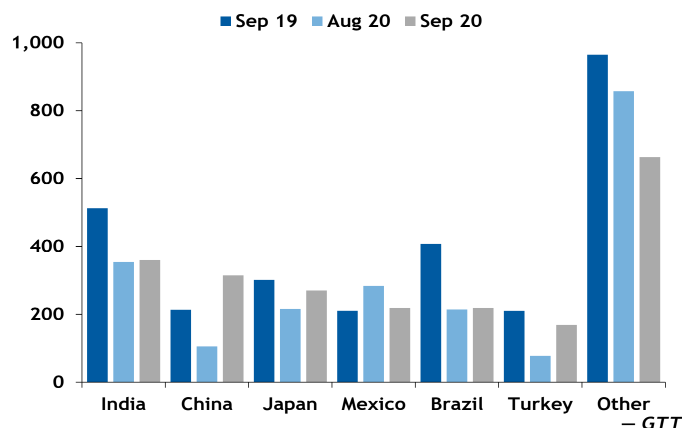
The strong shipments to China were also largely responsible for the increase from August. Exports to China nearly tripled from August levels.

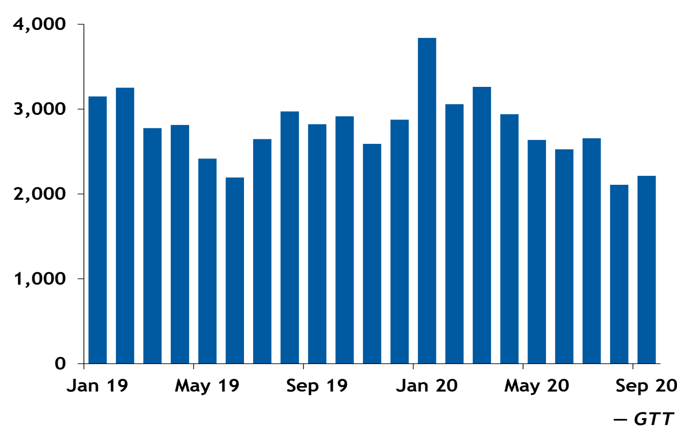
Exports to Turkey also more than doubled from August, rising to 168,700t from 77,500t. But this was still 20pc lower than a year earlier.

Shipments to Japan were also up by 25pc from August, although they were down by 10pc on the year at 270,400t.

These increases offset declines in exports to many other countries from August levels, as supply remains tight. Exports to Morocco fell by more than half, and exports to Mexico and Canada were down by 23pc and 22pc, respectively. And there were no exports to southeast Asia in September, compared with 129,700t to the Philippines, Thailand and Vietnam in the prior month.

Exports to India were nearly unchanged from August levels





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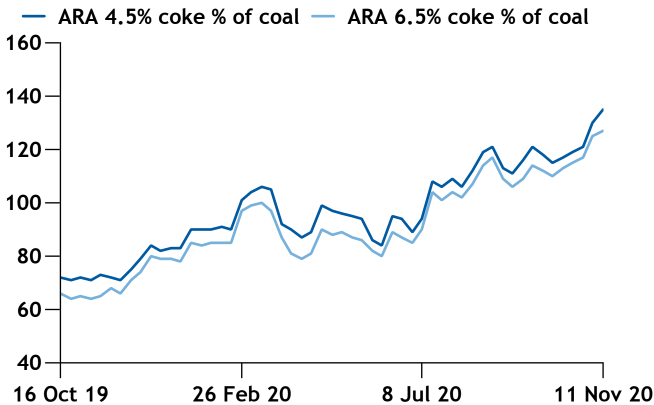

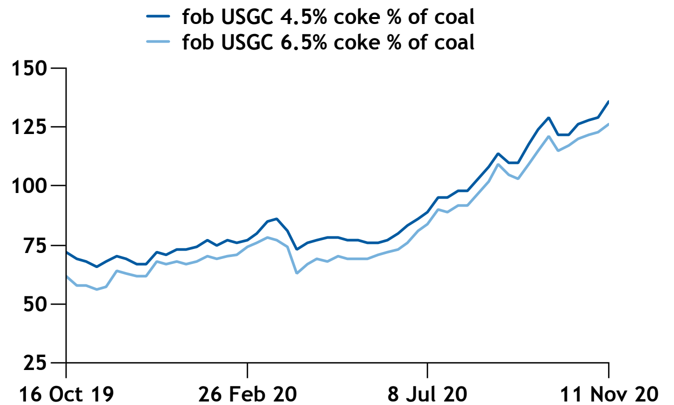

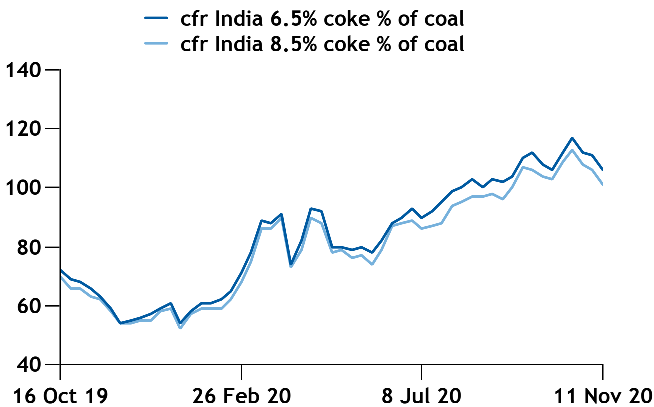

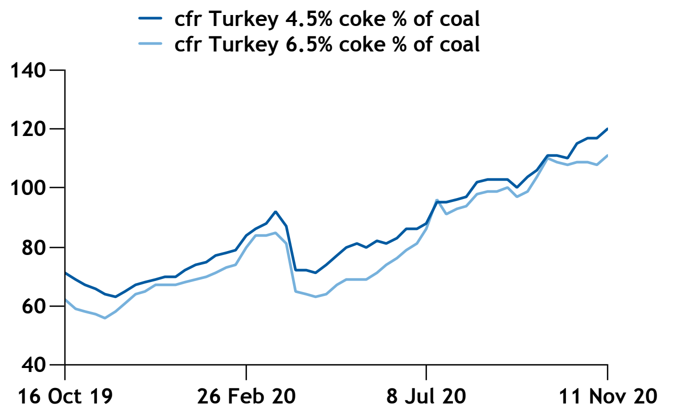

at nearly 360,000t, preserving its place as the largest export destination, despite declining demand there. But this was almost 30pc below September 2019 levels.
By Lauren Masterson

US-China relations still uncertain after Biden win

US president-elect Joe Biden's election victory could dampen geopolitical tensions between the US and China, but this is unlikely to be immediate and could hinge on actions that outgoing President Donald Trump may take before next January's handover.

A Biden presidency is unlikely to immediately reverse US-China tensions as both major parties in Congress have reached a consensus on taking a tougher stance on China. But Biden has been regarded by Beijing as a more predictable president to deal with than Trump.

Biden has previously described Russia, rather than China, as a greater threat to the US. This suggests that a Biden presidency could take a more conciliatory approach towards China compared with the incumbent president, even though any such approach is likely to develop with caution against a backdrop of US-China rivalries.

Trump could also take steps that escalate tensions with China before handing over to Biden in January. But Beijing is likely to remain calm in the face of such actions, as it prepares to deal with a new incoming US administration.

The petroleum coke market has already experienced the results of improved relations between the two countries, as China in February agreed to exempt companies from high punitive tariffs. The exemptions were expected to lead to an

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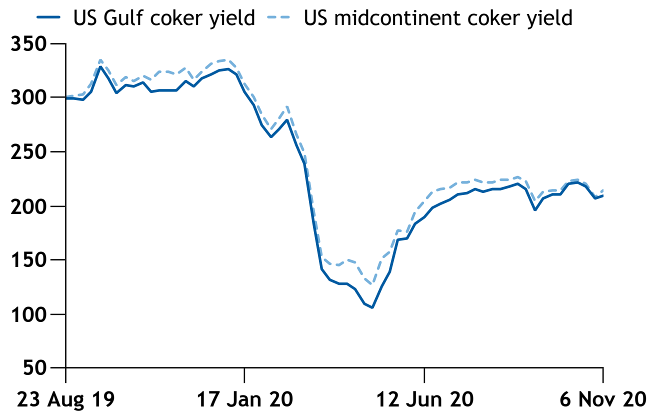
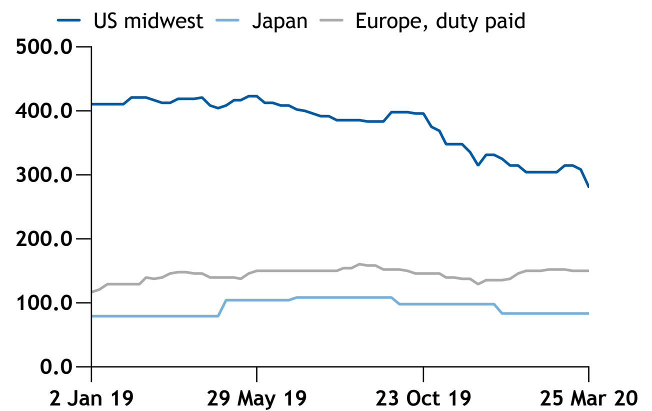
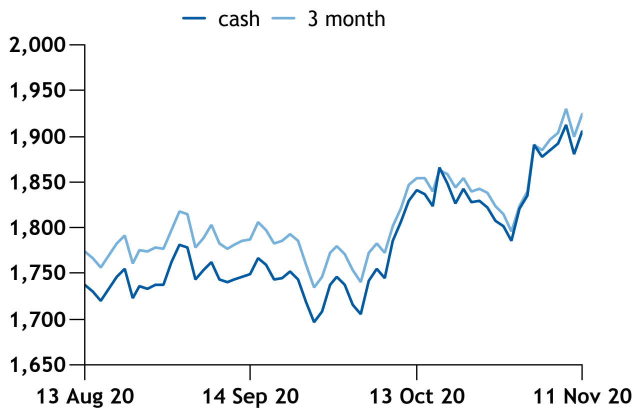
US Gulf and midcontinent coker yields *$/t*



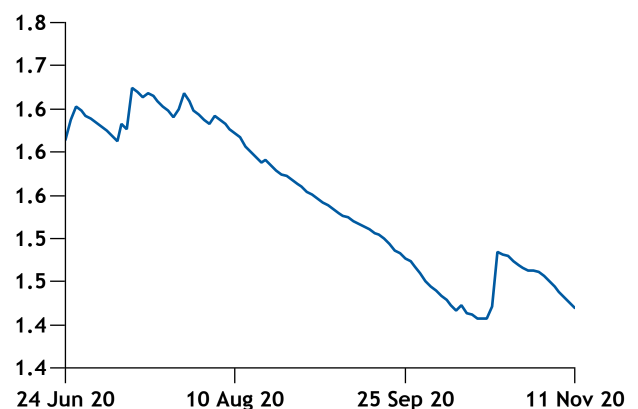
Aluminium premiums *$/t*



LME aluminium prices *$/t*



LME aluminium warehouse stocks *mn t*



additional 500,000t of Chinese US coke imports this year. But as of September, US year-to-date coke exports to China were already up by nearly half from a year earlier, an almost 1mn t increase, according to US Census Bureau data. The increase of about 917,400t for the first nine months of this year from the same period in 2019 is already almost surpassing the 920,000t of demand that was lost in 2019 following the tariffs imposed in late 2018.

Biden seems unlikely to take actions that would cause Beijing to remove these tariff exemptions, although that is not necessarily certain.

Some Chinese traders and importers are cautiously optimistic that any de-escalation of US-China tensions could provide the basis for Australia-China tensions to ease. China has imposed an informal ban on Australian coal since April, which some market participants said is rooted in wider geopolitical tensions between Beijing and the US, Australia's ally. Beijing has refrained from officially clarifying its ban on Australian imports, presumably to avoid violating its World Trade Organisation obligations. Many Chinese coal consumers have told *Argus* that they were verbally warned by Beijing not to sign any term contracts for Australian coal at a recent trade fair in Shanghai.

Although China has touted self-sufficiency in the face of deteriorating international relations with other countries, it has come at a heavier price for utilities that rely on seaborne coal. This winter could be a bitter one for Chinese utilities that have lost access to competitively priced Australian product but are reluctant to pay more for increasingly expensive domestic coal.

If trade and diplomatic tensions between Australia and

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China ease slowly on the back of better US-China relations under a Biden administration, Beijing could, out of necessity, gradually and quietly relax its restrictions against Australian coal.

But some traders say Beijing does not want to risk losing face by importing Australian material after strongly objecting to Canberra's call for an independent inquiry into the origins of the Covid-19 pandemic. It may take a long time to heal the China-Australia rift and they will proceed carefully, they said. *By Kelvin Leong and Lauren Masterson*

US refiners eye better 2021, but shutdowns loom

The refining industry looks set up for a stronger 2021, but more US refining capacity must shut to bring fuel production in line with demand, US refiners said in recent earnings reports.

Stronger economic signals and shrinking diesel stockpiles encouraged an industry beleaguered by Covid-19-related collapse in air travel and other transportation, US independent refiner Phillips 66 said on 30 October.

"I think that is a little bit of light at the end of this tunnel for margins to improve," Phillips 66 executive vice president of refining Bob Herman said.

Gasoline demand was trailing year-ago levels by 10pc in markets supplied by Phillips 66's fuel marketing segment, the company said. Diesel demand had returned in the third quarter to year-ago demand levels but recently slid back by 3-4pc, according to major truck stop customers, the company said.

"I think we might be in a position to tread a little water here, for a couple months," Herman said. "But I think it is setting ourselves up that, as we get to spring and look forward in the next year's gasoline season, that we do have a real chance of returning to a lot more normalcy in the margin structure, and then utilization."

Despite the stronger picture for next year, more refinery shutdowns need to occur to bring fuel supply in balance with demand, fellow US independent refiner Marathon Petroleum's chief executive Mike Hennigan said.

Marathon ruled out an "exit" for any of its US Gulf coast refining assets during a quarterly earnings call but said that a review of facilities continues.

"We are expecting to evaluate all of our assets, and we are looking at ways that we can reduce our cost structure in the Gulf coast, on the west coast and in the midcontinent," Hennigan said. Marathon earlier this year chose to shut its 27,000 b/d refinery at Gallup, New Mexico, and plans to convert its idled 166,000 b/d refinery in Martinez, California, to renewable diesel production.

North American capacity cuts			'000 b/d
Company	**Refinery, state**	**Reduction**	**Date**
Shutdown			
Philadelphia Energy Solutions	Philadelphia, Pennsylvania	330	Feb 20
Marathon Petroleum	Gallup, New Mexico	27	Apr 20
Marathon Petroleum	Martinez, California	166	Apr 20
HollyFrontier	Cheyenne, Wyoming	52	Aug 20
PBF Energy	Paulsboro, New Jersey	85	Dec 20
Phillips 66	San Francisco, California	120	Dec 23
Idled			
North Atlantic	Come by Chance, Newfound-	115	Apr 20
Calcasieu Refining	Calcasieu, Louisiana	136	Jul 20
Phillips 66	Belle Chasse, Louisiana	250	Sep 20
Shell	Convent, Louisiana	240	Nov 20
Delek	Krotz Springs, Louisiana	80	Nov 20

Selected US independent refiners' results			
	3Q 20	**3Q 19**	**±%**
Profit $mn			
Phillips 66	-1	1,402	na
Marathon Petroleum	-886	1,095	na
Valero	-464	609	na
PBF	-417	70	na
HollyFrontier	-2	262	na
Refinery runs '000 b/d			
Phillips 66*	1,704	2,106	-24
Marathon Petroleum	2,390	2,969	-24
Valero	1,916	2,286	-19
PBF	706	851	-21
HollyFrontier	391	476	-22

**throughputs for global system*

"At the end of the day, rationalization will occur, is occurring, will continue to occur, and hopefully, demand comes back and the industry gets itself back on a better footing," Hennigan said.

PBF Energy's plan to shut roughly 85,000 b/d of capacity at still-operating Atlantic coast refineries this year brings the total volume of US capacity shuttered in 2020 to 660,000 b/d. A further 140,000 b/d will shut over the next three years, as part of planned renewable diesel conversion projects.

Gulf coast could see permanent shutdowns

But the US Gulf coast — a powerhouse of crude access, low energy costs and ample labour — could also trim its processing capacity this year. A total of 821,000 b/d of the plants idled

so far in North America are advertised as temporary closures. Louisiana alone has more than 700,000 b/d of crude refining capacity awaiting the return of stronger margins. But delayed maintenance could prove the breaking point for some facilities — lengthy deferrals increase risks and costs, and could ultimately shutter capacity.

"I think we will see rationalisation in the Gulf coast," PBF chief executive Tom Nimbley says. "There are a lot of small refineries."

One refinery that could be a candidate for closure is LyondellBasell's 268,000 b/d refinery in Houston, Texas. The extended low-demand outlook, especially for jet fuel, reduced the refinery's long-term value by more than half, the company said. LyondellBasell was considering whether to move forward with a planned 2021 turnaround.

But "we still think that our refinery is an asset that makes it through this downturn", chief executive Bob Patel said. "Partly what I am trying to balance here is near term versus long term, and how do we position the refinery best for when markets do return."

LyondellBasell recorded a $582mn impairment on the refinery and $8mn of restructuring costs during the quarter and is reducing the number of salaried workers there by 10pc through early retirements and transfers, the company said.

LyondellBasell recorded a $733mn operating loss for its refining segment in the third quarter, down from a $52mn operating loss in the same quarter last year.

The refinery operated at 216,000 b/d in the third quarter, down by 21,000 b/d compared with the second quarter.

Shell's refinery runs fell by 22pc to 1.97mn b/d from a year earlier, but rose slightly from 1.94mn b/d in the previous quarter. Shell sees its refinery utilisation at 69-77pc in the fourth quarter, compared with 65pc in July-September. But the firm plans to transform its refining portfolio "from the current 14 sites into six high-value energy and chemicals parks, integrated with chemicals", as part of its updated strategy for the energy transition.

Sour return could help coke

Although refinery runs are likely to remain lower and more refineries could shut, petroleum coke production could recover somewhat in the fourth quarter as sour crudes should regain competitiveness in US refineries.

US Gulf of Mexico medium sour crude production is recovering from a busy hurricane season and Canadian regulators ending limits on Alberta crude production beginning next month, Marathon senior vice president of supply Rick Hessling said.

"We are optimistic on a few of the alternative grades, especially, that we run in our midcontinent system," Hessling said.

The company expects sour crude to fill 45pc of its crude slate in the final three months of this year, roughly flat to year-ago levels across its system. Narrow discounts for sour crudes for much of this year has reduced coker economics. The discount for US Gulf coast sour benchmark Mars to Light Louisiana Sweet (LLS) has averaged less than a dollar for most of this year, compared to five-year average discounts of more than $3/bl.

Marathon's guidance targets 2.3mn b/d of crude processing for the fourth quarter, down by 125,000 b/d from the previous quarter and down by about 20pc from the same quarter of last year. The Martinez shutdown would cut Marathon's west coast crude processing to 61pc of year-ago rates. US Gulf coast crude processing was planned at 93pc of year-ago levels, and midcontinent crude processing at 79pc of the same period of 2019.

By Elliott Blackburn and Lauren Masterson

Serbia Pancevo refinery ramps up test coke

Serbian firm NIS has stepped up petroleum coke production from the new delayed coking unit (DCU) at its 110,000 b/d Pancevo refinery this month after starting trial output at the end of August.

The DCU reached mechanical completion in June but is still operating on a test basis.

The DCU produced the first batch of coke during a trial on August 24-28, NIS said. Functional tests at the unit and all ancillary facilities were completed and the DCU has been ready for commercial operations since the beginning of the trial runs, the company said. NIS has not said when regular commercial production might start.

The company said in late July that it was working to minimise delays in commissioning caused by the Covid-19 pandemic. The unit was built as part of a 2,000t/d bottom-of-the-barrel project worth more than €300mn. NIS expects the DCU to allow Pancevo to cease production of high-sulphur fuel oil and increase diesel, gasoline and LPG output, as well as start coke production.

The Pancevo refinery processed about 1mn t of crude and semi-finished products in July-September this year, down by 10pc from over 1.1mn t a year earlier, while overall oil product sales fell by 11pc on the year to 984,000t, according to NIS.

By Bela Fincziczki and Keyvan Hedvat

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Bilbao refinery restarts CDU after 5 months

Spanish integrated firm Repsol's Petronor subsidiary restarted a crude distillation unit (CDU) on 4 November at its 240,000 b/d Bilbao refinery, more than five months after closing it because of weak demand.

Bilbao was among the first European refineries to shut capacity for economic reasons earlier in the year when the Covid-19 pandemic took hold. Other parts of the refinery remain offline, including a platforming unit and an alkylation unit which are undergoing maintenance, and a naphtha hydrotreater which is shut because of poor demand.

A string of oil tankers are signalling arrival at the port of Bilbao following the restart. Crude receipts at the Spanish Mediterranean port of Cartagena rose in October to their highest since April, but Repsol continues to temper runs at refineries fed from the port. Crude deliveries to BP's 110,000 b/d Castellon refinery in Spain also rose to around 85,000 b/d last month from 60,000 b/d in September, according to *Argus* tracking data.

The CDU restart could reflect the fact that local oil product stocks have been drawn down since its closure. But it bucks a trend of continuing economic capacity shutdowns in the region. Portugal's Galp shut all fuel production at its 110,000 b/d Porto refinery for economic reasons last month. Output will not restart until 2021.

Meanwhile, UK-Chinese joint venture Petroineos has shut two of the three CDUs at its 210,000 b/d Grangemouth refinery in Scotland, probably for economic reasons as well. And Spain's Cepsa has mothballed a CDU and a vacuum distillation unit at its 220,000 b/d Huelva refinery in Spain.

Complex refineries such as Bilbao typically have combined fixed and variable operating costs of around $5-6/bl. This makes it challenging to turn a profit in the prevailing refining margin environment. Northwest European diesel cargo premiums to North Sea Dated crude have hovered around $5/bl for most of the last month, compared with an average of $15.45/bl in November 2019.
By Benedict George

ExxonMobil's Antwerp refinery restarts

ExxonMobil's 310,000 b/d Antwerp refinery has restarted after just over a month of maintenance work, potentially putting fresh pressure on northwest European product prices and margins just a week after several new national lockdowns began.

The refinery restarted at the end of October, after having shut for its turnaround on 25 September.

It was among the largest of several simultaneous refining outages in the Amsterdam-Rotterdam-Antwerp (ARA) area. These included one crude distillation unit off line for maintenance at each of Total's 308,000 b/d Antwerp refinery and Shell's 420,000 b/d Pernis refinery in Rotterdam. And trading firm Gunvor's 80,000 b/d Europoort refinery in Rotterdam has been offline since March.

The restart may increase products supply in northwest Europe just as new national lockdowns in the UK, Germany and France are weighing on demand.

A spokesman for ExxonMobil, who confirmed last month that the work was only scheduled to last for "several weeks", declined to give an update on the status of the refinery.
By Benedict George

Alaskan oil to USWC up as refinery runs slacken

Alaskan North Slope (ANS) crude production and shipments to the US west coast rose in the last week of October despite suppressed refining runs in the demand-stripped region.

ANS output rose by less than 1pc, or nearly 4,000 b/d, compared with the prior week to 502,000 b/d as of 30 October. Shipments to the US west coast rose by 40pc, or 1.3mn bl, to 4.5mn bl at the same time, according to the Alaska Department of Revenue.

US west coast refining runs fell by 38,000 b/d to 1.8mn b/d last week, roughly 25pc below prior year levels, according to the latest available statistics published by the US Energy Information Administration on 4 November.

US west coast inputs have fallen by 175,000 b/d in the last four weeks while ANS output has climbed by 12,000 b/d at the same time, to within 1pc of prior year production levels.

Imports to the region fell by 185,000 b/d last week to 689,000 b/d, over 40pc less than in the same period last year.

Stocks at the US west coast continued to ebb for a fourth straight week, falling by 2.8mn bl to 51.2mn bl as of 30 October.

ConocoPhillips warned it will indefinitely stop drilling on Alaska's North Slope if voters approved a new tax on production at the polls last week. But the measure appears to have failed.

Ballot Initiative 1, also called the North Slope Oil Production Tax Initiative, would have taxed fields with a lifetime output of at least 400mn bl of crude and at least 40,000 b/d in the preceding calendar year.

BP, ConocoPhillips, ExxonMobil and Hilcorp contributed more than $9mn to a coalition that opposed the measure, outraising supporters by 15-1.
By Benjamin Peyton

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US Gulf October fuel oil output at record low

US Gulf coast residual fuel oil output hit a four-month low the last week of October, concluding the lowest monthly average output in the region on record.

Refiner and blender net production of US Gulf coast fuel oil fell to 2,000 b/d the week ending on 30 October, the lowest level since net output hit negative territory on 10 July. October's output averaged 38,400 b/d, a 29pc decline from September and a 70pc decline from October 2019. Last month's Gulf coast fuel oil production marked the lowest monthly average since the Energy Information Administration began records in January 1990.

The drop in production parallels the recent decline in marine fuel demand in the Gulf. Interest has plummeted in the region the last few weeks as rising Covid-19 precautions, election uncertainty and reduced refinery crude runs pushed prospective buyers to the sidelines. Sources additionally noted some buyers may have already filled fourth-quarter inventories, thereby reducing aggressive trading interest over the last month, especially in the Gulf coast where vessel traffic has sporadically slowed amid multiple tropical weather systems.

The combination of these dynamics may have, in turn, incentivized refiners and suppliers to cut output this October.

Lower production levels could also be tied to diminished liquidity for 0.5pc low-sulphur fuel oil (LSFO) barges, the fuel primarily used by shipowners in compliance with the International Maritime Organisation' 2020 sulphur regulation. Market reports indicated blending components for LSFO are still in weak supply. Products like slurry oil, vacuum-tower bottoms, atmospheric tower bottoms and low-sulphur vacuum-gasoil can be used in LSFO blending operations, but recent subdued demand for LSFO barges may have stalled these processes.

Reduced US consumption of fuel oil could also have played a role in lower production levels. Domestic product supplied of residual fuel oil dipped to 33,000 b/d the week ending on 30 October, the lowest weekly level since January 2019. October consumption averaged at 217,000 b/d, down by 28pc from September and a 35pc drop from prior levels.

Despite production losses, LSFO margins to crude have managed to find substantial support, averaging close to $4/bl in October with early November levels indicating trades as high as $4.80/bl over January Ice Brent crude for 20° API gravity product. October's margins marked a $3/bl spike from the spread's yearly low of $1/bl this June.

By Kayla Meyertons

Mexico's burdensome fuel oil surplus persists

Mexico's state-owned Pemex produced more fuel oil than gasoline in September for the second month in a row even as the country struggles to find outlets for the less-desired, heavy-sulphur product.

In September, Pemex produced 228,000 b/d of fuel oil, 17pc more than the 195,000 b/d of gasoline produced that same month. Pemex's fuel oil production in September increased by 10pc from August, and by 35pc from September 2019.

In August, fuel oil production was 23pc higher than gasoline output. August was the first time since December 2002 that Pemex produced more fuel oil than gasoline. Most refiners try to minimize output of this product, particularly since tighter International Maritime Organisation emissions regulations in January lowered demand for its use as shipping fuel and the Covid-19 pandemic depressed global demand for many fuels.

Pemex keeps making more of this less-desired product because of long-standing operational and financial constraints, mainly in its 315,000 b/d Tula refinery. The second largest of Pemex's six refineries supplies the high-consumption center of Mexico City and its surroundings.

Tula is one of the three refineries that has no coker to turn residuals into higher-value products.

"The most critical refinery that pushes fuel oil production and constraints is Tula," Fermin Narvaez, former manager of the Madero refinery told *Argus*. "The product has no way to exit."

Pemex's strategy has been to push down the production at Tula when possible, but if crude processing rates run too low, the slower-moving fluids inside the pipelines are more prone to leave residues that can damages the lines, Narvaez said.

Fuel oil must also be transported at over 70-80°C (160-180°F), which requires a special type of truck or rail car. Yet accessing Tula is not as easy for these specialized vehicles because of traffic, steep roads and low-clearance bridges near its urban location in the mountainous Mexico City metropolitan area.

The 190,000 b/d Madero, 275,000 b/d Cadereyta and 285,000 b/d Minatitlan refineries all have cokers which can process fuel oil into higher-value distillates.

The other two refineries with no coker — the 220,000 b/d Salamanca and the 330,000 b/d Salina Cruz — have better infrastructure and are more suitably located to move excess fuel oil production away from the refinery.

Salamanca, while in the center of the country, is still closer

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to the Lazaro Cardenas port than Tula and it is connected through rail to the port from which Pemex can export fuel oil, often to Asia, Panama or to US refineries with cokers.

Salina Cruz has a similar situation as it is located near a port and has easier ways of pushing its excess fuel oil production out.

Mexico in October exported roughly 130,000 b/d of fuel oil from Mexican ports to different destinations, including the Shell Martinez refinery in California, the Bostco Kinder Morgan terminal in Houston, the Chevron Pascagoula Refinery in Mississippi, ExxonMobil's terminal in Los Angeles, to Singapore or the Bahamas, based on data from oil analytics firm Vortexa.

Yet these imports bring little financial relief to financially embattled Pemex, which saw its downstream unit lose Ps61.2bn ($3bn) in the third quarter.

Pemex's posted price for 3.5pc sulphur fuel oil reached $386.80/t ($59.52/bl) on 3 November, up from $269.22/t ($40.40/bl) on 15 May when it hit the lowest since August 2017.

Mexico's government has also suggested burning more of its fuel oil in state-owned power company CFE's power generators, despite the country's aim prior to this presidential administration to switch to cleaner-burning fuels. Yet CFE head Manuel Bartlett recently signaled this may not be the best option as CFE is committed under natural gas import contracts.

"We are not betting on fuel oil because we have an excess of natural gas [imports]," Bartlett told congress last week. "We are the entity that imports the most natural gas in Mexico and we have signed contracts with other companies that supply us this fuel."

Yet Mexico's President Andres Manuel Lopez Obrador has continued to push Pemex to produce more refined products to make the country less dependent on imports, despite the higher output of fuel oil.
By Sergio Meana

China's crude imports fall to 6-month low

China's crude imports fell to a six-month low in October, pressured by high inventories and a shortage of import quotas at independent refiners.

Imports were 10.06mn b/d last month, preliminary customs data show. This was down by 15.1pc from September's 11.85mn b/d and well below the record high of 12.99mn b/d in June.

October's imports were also 6.5pc lower than the 10.76mn b/d imported in the same month last year, in the first year-on-year decline since May.

An inventory overhang at state-controlled refiners and a lack of import quotas at independents helped send deliveries lower last month, and is likely to keep imports under pressure in November. Chinese refineries are digesting a massive stock overhang that built up following a crude buying spree earlier this year after the government froze domestic oil product prices between March and July.

Medium and small independent refineries used 94.73mn t (2.53mn b/d) or 86pc of their total 2020 crude import quotas during January-September, according to estimates from state-controlled PetroChina. The 400,000 b/d Hengli and 400,000 b/d ZPC refineries used 36.6mn t (979,000 b/d) in the period, accounting for 92pc of their total quotas this year as they ran at above nameplate capacity.

Independents have run through their quotas more quickly than last year to take advantage of the slump in crude prices in March.

China's crude imports averaged 11.02mn b/d in January-October, up by 10.3pc from the same period last year.

State-run oil giants hail post-Covid recovery

Chinese state-controlled firms PetroChina and Sinopec returned to profitability in the third quarter as fuel demand rebounded. The sale of their gas infrastructure assets gave a further, one-off boost to profits.

The oil giants' profits rallied dramatically in July-September amid a strengthening of downstream margins, while upstream profits fell. "Downstream business performance has returned to pre-Covid levels," Sinopec head of investor relations Chen Yang says. Sinopec's combined downstream profits rose by 12bn yuan ($1.7bn) from a year earlier to almost Yn29bn, while PetroChina's rose by Yn16bn. Sinopec ran a record 5.04mn b/d through its refining system in the third quarter, after opening its first new refinery in over a decade at Zhanjiang on China's south coast, and refining margins improved to $5.20/bl compared with a negative $2/bl in the second quarter. China's lockdown ended in early April.

This rosy picture belies a still-weak market for transport fuels, with chemical segment profits driven by high global demand for personal protective equipment. Sinopec's jet fuel output remained 260,000 b/d lower than it was a year earlier in the third quarter, and the firm also reduced gasoline production. But it says it expanded in the "high-end products market, such as medical resin, antibacterial materials". PetroChina cut output of gasoline, diesel and jet by a combined 7pc on the year, and ascribes much of its improved profitability to "reducing production of refined products, while increasing

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production of chemicals".

Both companies are talking up their commitment to low emission projects in response to President Xi Jinping's UN pledge that China's emissions will peak before 2030 and the country will reach carbon neutrality by 2060. Beijing this month unveiled a plan to boost new energy vehicles' share of total sales to 20pc by 2025, threatening to erode gasoline demand.

Sinopec "wants to be a major player" in hydrogen through its investments in fuel cell and charging stations, with some of this made through the Sinopec Capital fund, established this year to invest in sectors such as hydrogen. But the firm did not provide further details. PetroChina, which pledged a near zero emissions goal by 2050 earlier this year, aims to invest up to Yn10bn/yr in 2021-25 in hydrogen, integrated development of gas and power, geothermal, wind and solar.

Fall in China's coal imports gains pace

The slump in China's coal imports accelerated in October with more utilities exhausting their import quotas.

Total imports last month — including anthracite, coking coal and thermal coal — reached 13.73mn t, customs data show. This was the third consecutive year-on-year fall, with October imports 46pc lower than a year earlier and the lowest since December 2019.

China imported 253.16mn t of coal during January-October, down by 8.3pc compared with the year earlier period and just 46.51mn t short of last year's total imports of 299.67mn t.

China's coal consumption slowed last month with cooler autumn weather in most parts of China reducing electricity demand for air-conditioning. But expiring 2020 import quotas and tighter restrictions on Australian coal were the main factors driving China's demand lower.

Coal consumption at Zhejiang-based utility Zhejiang Power in east China averaged 107,000 t/d in October, according to coal industry association the CCTD. This was down from average coal burn of 114,000 t/d in September.

China's ministry of commerce earlier this month verbally ordered domestic utilities and trading firm to stop importing Australian coal. This was after similar verbal bans given by other government authorities in early October.

Chinese import restrictions have slashed Australian coal exports, although firmer demand from other countries has softened the falls to some extent. Shipments from the four largest coal export ports in Queensland, Australia fell to 15.53mn t in October, the second-lowest monthly level since bad weather disrupted shipping in February 2019. October's shipments were down from 15.95mn t in September and from 17.5mn t in October 2019.

Argus assessed the market for Australian NAR 5,500 kcal/kg coal at $36.41/t fob Newcastle on 16 October, down from $42.08/t on 2 October on the back of China's verbal ban. Firmer demand from outside China helped to lift the price to $39.18/t fob on 6 November.

Although Chinese demand for imported coal is likely to be lower for the rest of this year because of tight quotas, purchases of imported cargoes for arrival in next year's first quarter have boosted prices of coal sold by countries other than Australia, such as Indonesia.

But domestic coal supply at the same time is under pressure as a result of enhanced safety inspections at mines in two of China's largest coal producing provinces following recent fatal mining accidents. The inspections will last until the end of January, potentially curbing output during the peak winter demand period.

The country's main economic planning agency the NDRC has urged producers to raise domestic output and deliveries as a matter of urgency to ensure that coal stockpiles at the key trans-shipment port of Qinhuangdao do not dip lower than 6mn t at any time during the approaching winter. The target could potentially be compromised by the safety inspections. Coal stockpiles at Qinhuangdao and Caofeidian are around 1mn-2mn t lower than typical levels for this time of year. Stockpiles at Qinhuangdao port were at 5mn t on 4 November, down from 5.06mn t a week earlier. Caofeidian stockpiles were at 3.1mn t, down from 3.2mn t a week ago.

Chinese domestic spot coal prices have risen steadily as a result of the tight domestic supply and import restrictions. *Argus* last assessed Chinese NAR 5,500 kcal/kg prices at 610.78 yuan/t fob Qinhuangdao on 6 November, up by Yn5.18/t on the week. In dollar terms, the price gained $2.06/t to $92.14/t. This is well above the government-set upper limit, or red zone of Yn600/t, which is deemed too high.

China's environment and ecology ministry is intending to shut more coal-fired boilers and power plants this winter, as part of annual efforts to reduce air pollution in north and east China. This could ease some pressure on domestic coal prices. But while more than 7mn households in north China were due to switch from coal boilers to cleaner energy sources by the end of October, it is unclear how many actually made the switch. China's authorities are attempting to avoid the widespread gas supply shortages that followed a similar coal-to-gas

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plan in the winter of 2017-18. The government set aggressive coal-to-gas switching targets in north China over that period, without ensuring there was enough gas available to meet the increased demand.

Australia coal exports to China at 9-year low

Australian thermal coal exports to China dropped to a nine-year low, and shipments to India jumped to a six-year high, as tighter Chinese import restrictions continued to alter Australian trade flows in September.

Australian thermal coal exports declined by 2.5mn t, or 14.6pc, on the year to 14.7mn t in September, customs data show, which was the lowest monthly total for the time of year since 2011.

China accounted for nearly 2mn t of the overall annual decline, as Australian exports to the country sank to their lowest since April 2011 at just 1.2mn t. This followed year-on-year declines in receipts during June-August, as 2020 import quotas at customs authorities in most Chinese regions were exhausted.

An 876,000t year-on-year increase in exports to India to 1.1mn t offset some of the decline to China, but lower shipments to Australia's core markets Japan and South Korea ultimately compounded the drop.

Australian exports to Japan fell by nearly 440,000t to 5.4mn t in September, with volumes to South Korea down by 1.1mn t to 2.6mn t. Greater competition in the power sector from weaker oil-linked LNG prices has become a headwind for northeast Asian coal demand this year, with rising nuclear availability in South Korea also weighing on demand.

Australian exports to Vietnam — which has provided a valuable source of demand flexibility for producers in 2020 — fell to a 10-month low of 620,000t. The 273,000t year-on-year drop was only the second annual decline to Vietnam since the start of 2019.

Thermal coal accounted for practically all of the combined drop in Australian coal exports in September, as coking coal shipments slipped by only 300,000t to 14.6mn t. This cut thermal coal's share of total exports to 50pc, from 54pc in September 2019.

Shipping data for October suggest that Australian coal exports recovered slightly from September but were still down on the year.

Argus estimates that 31.3mn t of coal was exported from Australia last month, down from 33.3mn t in October 2019. This would equate to around 15.7mn-17.4mn t of thermal coal, assuming a 50-55pc share of the total. Australian thermal coal exports were 18.7mn t in October 2019.

Total thermal coal shipments over January-September fell to 149.3mn t from 156.9mn t during the same period in 2019.
By Kevin Morrison

India concludes maiden coal block auction

India has concluded the first auction round involving the allocation of coal blocks for commercial mining, with the authorities set to recommend the names of the winners.

Conglomerates including Adani Enterprises and Jindal Steel were the highest bidders for the 19 blocks that were auctioned, out of the 38 coal blocks offered under the tender for commercial mining.

The federal coal ministry had initially received bids for 23 blocks, underscoring a lack of interest in about 40pc of the blocks on offer.

Some blocks with single bids were removed from the final auction pool, although they could be auctioned soon in the next round.

The success rate of auctioning 50pc of the blocks is "one of the best" outcomes that can be expected given the Covid-19 pandemic, coal minister Pralhad Joshi told reporters late yesterday. He estimated that states where the reserves are located will make about 70bn rupees ($943mn) in total revenue from the auction as well as from the mines in the longer term.

The auction marks one of the biggest reforms in the sector aimed at raising local output and reducing imports. The auctioned coal blocks, which included some operational mines, are assumed to have a peak capacity of 51mn t/yr. By comparison, India's January-September thermal coal imports stood at 109mn t, according to shipping agency GAC.

A lack of interest from foreign firms and overseas investors was noticeable in the bidding round. Delhi had hoped to attract more interest from overseas companies given that coal is still a vital source of energy in India, accounting for more than 70pc of electricity generation.

The government's efforts to lure international companies were partly derailed by the Covid-19 pandemic, which dampened investor sentiment. The government is also making more effort to streamline processes and speed up approvals, such as forest and environment clearances, for the development of coal blocks. The minister expected the states — where the auctioned blocks are located — to help the companies develop the blocks as soon as possible. The slow pace of government and regulatory approvals have been a key hurdle historically in developing the coal reserves.

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Coal may have another "20-30 years" in India given the need to expand electricity supply to support economic growth, Joshi said. "After that, I do not know what pressure there may be (on thermal coal) and we cannot anticipate that."

The comment comes amid increasing concerns about the use of coal globally as well as in India, with the UN recently calling upon India to look at ways to reduce its reliance on coal and to cut emissions.

The government is already concerned about the environment and has incorporated use of clean-coal technologies such as coal gasification and coal liquefaction in its growth plans for the sector, Joshi said.

The eastern Jharkhand state, which has the biggest proven coal reserves in the country, continues to challenge the coal block auction in India's Supreme Court. As many as five of the auctioned blocks are in the state.

The court on 6 November said the allocation by the federal government would be "provisional" and subject to its orders.
By Saurabh Chaturvedi

Tighter fundamentals buoy S African coal prices

South African prompt coal prices have risen by 10pc since mid-October, with the rally lifting physical prices above $60/t and pushing the API 4 swaps curve into backwardation for the first time in seven months.

Prices also rallied strongly at the back end of last year, with *Argus*' NAR 6,000 kcal/kg fob Richards Bay (RB) assessment decoupling from other global markers by rising from an average of $59.53/t in September 2019 to $86.13/t in January. This was primarily driven by flooding at coal mines in South Africa and India, which heightened sponge iron import demand from Indian buyers.

The global seaborne coal market is in a very different place this year given the fallout from Covid-19, making a similar sustained jump in prices over the coming months less likely. But the fundamental picture has certainly tightened at the front of the API 4 market.

Demand from key buyers India and Pakistan remains steady, as economic recoveries have counteracted stiffer competition from Australian coal in the cement and power-generation sectors.

Trading activity has increased this month, with five fob RB NAR 6,000 kcal/kg index-relevant physical trades reported on 1-9 November, compared with just two in the whole of October.

A rare purchase of at least one December-loading South African cargo from China also emerged last week, although questions remain around the execution of this trade and the viability of flows along this route given China's tight requirements on trace elements, particularly fluorine. The last South African coal shipment to China was in 2014.

On the supply side, the latest indicators suggest that South African coal production remains lower on the year, as some miners have halted output at uneconomical assets. August coal output was around 4pc below the same month in 2019, according to government figures. And the threat of strikes at several mining operations, coupled with the greater likelihood of heavy rainfall across producing regions owing to a La Nina weather event, may have added risk premium.

The rand's recent appreciation against the dollar has also played into the recent upside, with the South African currency strengthening by around 6pc versus its US counterpart since mid-October. A stronger rand will increase certain input costs for miners and encourage producers to lift fob prices.While many market indicators have turned more bullish for South African coal, monthly exports from RBCT have remained flat at around 6mn t for the past six months.

Despite shipments to India growing by 20.4pc on the year to 4.1mn t last month, exports to Pakistan, South Korea and the Netherlands all declined. This dragged overall RBCT exports down by 330,000t on the month and by 1.2mn t on the year to 5.9mn t.

Aggregate January-October exports of 58.1mn t lagged last year by 3.1pc, and given shipments were strong in November-December 2019, averaging 7mn t across both months, it seems likely that calendar year 2020 outflows will fall short of last year's 72mn t.

Stocks at RBCT are around 4.5mn t, around 400,000t higher on the year.
By Alex Thackrah

Cerrejon presses on in strike talks

Colombian coal producer Cerrejon has proposed holding a series of technical discussions to address concerns about new working patterns, in a bid to end the continuing strike and resume operations.

In a meeting with its biggest union Sintracarbon on 9 November, Cerrejon proposed a series of round-table meetings to be held across a 10-day period after operations restart, to discuss issues regarding new working patterns, which have been strongly opposed by Sintracarbon.

The round tables would cover issues such as health and

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safety — including worker fatigue — legal issues, transportation, accommodation and psycho-social support for workers' families, among other things, Cerrejon said.

Once the technical tables are held, Cerrejon plans to implement changes to working shifts, the company said.

"As the implementation of the new shift will be gradual across the rest of the operation, the company proposed further technical discussions across a 2-3 month period, so that they can develop and improve the new system," Cerrejon said.

But the proposal about technical round tables requires the approval of Sintracarbon representatives and Cerrejon said it was awaiting a response from the union's negotiating committee.

The technical discussions will take place once Cerrejon's coal mine restarts operations, a move that could be imminent as a subcommittee of the Colombian labour ministry has until tomorrow to mediate and find a solution to the current workers dispute.

If that fails, Sintracarbon and Cerrejon will have to convene an arbitration court. Once an arbitration court is convened — and there is no fixed legal timeframe for this — workers must return to work within three business days, according to a lawyer and Cerrejon.

The strike over working conditions and changes to shift patterns began on 31 August and has curbed up to 56,000t/d, or 3.92mn t of Cerrejon coal production.

Cerrejon stressed that changes to working patterns are essential to ensure the present and future viability of the company as the company needs to adapt to weaker global prices and demand in the wake of Covid-19. But the union opposes the plan on safety grounds and because it will cut 1,250 jobs.

Changes to working shifts will prompt workers to work 21 days each month instead of 15, with the number of shifts reduced to three from the current four.

Cerrejon also plans to discontinue bus services from the cities of Barranquilla, Valledupar and some of Guajira's towns to the mine, which would force some miners to sleep over in towns closer to the complex at their own cost. Some 2,300 families would have to relocate their homes to the towns of Fonseca, Albania and Hatonuevo.

By Diana Delgado

Canada's aluminium exports to US under quota

Canada cut its exports of unalloyed primary aluminium to the US by 52pc in September from a year earlier to avoid running afoul of quotas imposed mid-month by President Donald Trump's administration.

Canada's total exports of primary aluminium to the US fell to 66,800t from 139,200t the previous September as the US administration swapped Section 232 duties of 10pc for restrictive quotas on 15 September, latest customs data show.

Canada was allowed to export up to 83,000t of primary aluminium to the US in September and November, and 70,000t in October and December, in lieu of the Section 232 tariffs reimposed on Canada in August.

Canadian smelters tried to make up for lost US demand by shifting sales to European buyers but fell short, causing the country's total primary aluminium exports to fall by 18pc from a year earlier in September to 114,100t.

While the US remained the largest recipient of Canadian prime material, the Netherlands climbed to the number two importer in September at 36,800t, up from nothing a year earlier, while Italy rose to number three at 10,500t, also from no imports a year earlier. China was a distant fourth in September at 69t, compared with no imports a year earlier.

By John Betz

Talga looks at first UK graphite anode refinery

The UK government has committed around A$1.8mn to supporting a study by Australian graphite producer Talga Resources into the establishment of the UK's first graphite anode refinery.

Co-funded by Innovate UK and part of the UK's Automotive Transformation Fund, the study will assess the viability of an anode refinery in the UK to produce Talga's proprietary Talnode product for the anode component of electric vehicle and energy storage batteries, Perth-based Talga said.

The study will focus on engineering, permitting, renewable energy access and economic feasibility, and is expected to be completed in the first quarter of 2021.

It is anticipated that feedstock for the potential refinery will be imported anitral flake graphite in the form of concentrate from Talga's Vittangi graphite mining and processing operation in northern Sweden, which will also supply a Swedish refinery that Talga is considering, along with partners trading firm Mitsui & Co and Swedish mining company LKAB. Anodes for batteries can also use synthetic graphite made from needle petroleum coke, which can be produced at Phillips 66's 230,000 b/d Killingholme refinery.

While the Swedish potential anode refinery is only expected to produce 19,000t/yr, expanded production is being considered through the development of further mineral resources

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in Sweden.

"With a large automotive industry employing almost 800,000 people and a rich history of iconic manufacturers such as Jaguar-Land Rover, Rolls Royce, Bentley, Aston Martin, McLaren and many more, we see significant growth opportunities in the UK's electrification process, causing increased demand for our battery materials," Talga's managing director Mark Thompson said.

Talga is in discussions with potential UK customers that have expressed an intent to commercially evaluate Talnode following the outcomes of the refinery study.

By Angus MacMillan

Nippon Steel to increase crude steel output

Japan's major steel producer Nippon Steel expects to increase its crude steel production in October 2020-March 2021 from previous expectations.

The company plans to produce 18.1mn t in October-March, higher from the previous expectation of 16.9mn t on accelerating car output recovery. The operational rate of the production facilities will remain the same as the previous forecast at 80pc. Nippon Steel is also eyeing a recovery in the construction sector.

Nippon Steel foresees higher steel material sales volume in October-March of 16.5mn t from he previous expectation of 15.6mn t.

Demand for domestic steel material during April 2020-March 2021 increased to 51.7mn t from 50.2mn t in the August forecast. Nippon Steel expect 15.2mn t of steel demand from Japan's auto sector and 17.2mn t from manufacturing. The company expects demand from the construction sector to be 19.3mn t.

But Nippon Steel is concerned that competition with China may intensify as Chinese economic activity recovers rapidly from the impact of Covid-19. The company also expects to continued challenges from shrinking domestic demand because of an ageing population and the US-China trade dispute.

Nippon Steel's output of crude steel during April-September totalled 14.6mn t with operational rate at 60-70pc, down from previous estimates of 14.9mn t. Steel material sales totalled 14.5mnt, up from an estimate of 14.1mn t in August.

Nippon Steel's competitor Kobe Steel also plans to increase crude steel production in 2020-21 from its previous expectation.

By Nanami Oki

Navios expects 2021 dry bulk demand rebound

New York-listed dry bulk and container shipowner Navios Maritime Holdings expects global dry bulk shipment volumes will increase by 3.1pc, or 97mn t, from 2020 to 2021, after contracting by 3.9pc this year, as the market recovers from the Covid-19 pandemic and global recession.

The company predicts total coal shipment volumes will rise by 4.7pc, or 55mn t, grain shipments will rise by 3pc, or 15mn t, and iron ore shipments will rise by 1.8pc, or 27mn t.

China is expected to be the major source of demand growth for iron ore and grain shipments in 2021, Navios said. The country's iron ore imports are predicted to rise by 7.4pc year over year to 1.125bn tonnes. The country has drawn down its iron ore inventories by 23pc to 128mn t since June 2018. Additionally, its grain imports are forecast to rise by 3.3pc year over year in 247.5mn t.

The rise in coal imports is expected to be supported by increased shipments to Asia, primarily India and China. Asian coal imports are expected to increase by 4.4pc year over year in 2021 after a forecast fall of 6.5pc year over year in 2020.

Grain shipments should be boosted next year by an expected record grain harvest in Brazil, an almost 5pc increase over the prior season.

On the supply side, Navios expects dry bulk fleet growth in 2021 to be 1.3pc, compared with 3.4pc this year. The current dry bulk order book of 35.8mn dead-weight tonnes is 6.3pc of the existing fleet, the lowest on record, according to the company.

Navios reported a third quarter profit of $7mn on revenues of $64.5mn, compared with a profit of $16.9mn on revenues of $63.5mn in the same period in 2020. The fall in profit is attributable to decreased time charter equivalent (TCE) rates and a $7.6mn increase in operating expenses caused by an expansion of their fleet.

The company's third quarter dry bulk TCE rate fell by 23pc year over year to roughly $13,000/d, and its container ship TCE fell by 46pc year over year to roughly $16,700/d.

Navios operates a fleet of 15 Capesizes, 24 Panamaxes, 6 Ultra-Handymaxes and 10 container ships.

By Michael Connolly

China pushes national emissions trading scheme

The Chinese government has released a new consultation plan for a long-delayed national emissions trading scheme (ETS), after president Xi Jinping's pledge to achieve carbon neutrality by 2060 added new urgency to the country's emissions reduc-

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tion plans.

China already operates emissions trading programmes on a pilot basis in several cities. But moves towards a nationwide scheme have stalled for several years.

The plan was released by the ecology and environment ministry, which took over responsibility for establishing the national ETS from top economic planning body the NDRC in 2018. The ministry is also be responsible for regulating carbon emissions in China.

The consultation plan sets a cut-off point of 26,000 t/yr of CO_2 equivalent (CO_2e) emissions, above which entities should be included in the ETS. This level is equivalent to consumption of 10,000t/yr of standards coal equivalent, it said.

This indicates the planned ETS would cover a broader range of entities than in the pilot scheme that began in 2013 and will potentially raise emissions costs for industrial operations such as coal-fired power plants, steel mills and refineries.

China's pilot carbon market covers more than 3,000 entities in over 20 industrial sectors, including steel, power generation and cement. Total trading volumes were 400mn t of CO_2e of as of August, state media said.

Under the new plan, entities will be able to use China certified emissions reduction (CCER) projects to offset as much as 5pc of emissions by volume. A single CCER unit will be able to offset 1t of CO_2e, which could come from sources such as renewable projects, carbon sinks and methane recovery.

Participating entities will get free emission quotas "at the first stage" of the ETS, and then buy and sell more quotas in the market as needed when the initial quotas have been used. Entities will face fines or other penalties if they default or engage in fraud when declaring emissions volumes, although the size of the proposed fines is relatively low at 10,000-30,000 yuan ($1,500-$4,500).

There is still no timescale for the ETS, although the ministry said it is accelerating its plans for the launch. Xi's carbon neutrality pledge, made in September, has focused attention on how China will reduce its world-leading carbon emissions after a planned peak before 2030.

EU ETS free allocations for 2021 delayed

The allocation of free allowances to eligible participants under the EU's emissions trading system (ETS) for 2021 will be pushed back owing to delays in decision-making by the bloc, the Dutch emissions authority has warned.

"Preparations for allocating free emission allowances for the period 2021-25 are in full swing, but are delayed", the Dutch emissions authority said.

Allocations cannot be calculated until new benchmark values are set for the period, a process which is unlikely to be completed until the first quarter of next year, the authority said. A decision will then still need to be taken on the allocation itself, it added.

Eligible emitters will therefore not receive any free allowances in February. The new date of the transaction is currently unknown, and will be communicated through the register journal, the authority said.

The deadline for emitters to submit their annual verified activity report has been postponed to 14 June 2021 from 31 March to account for the delay. But they must still submit their emissions report by 31 March and surrender allowances to cover 2020 emissions by 30 April.

Free allowances are handed out to EU ETS-covered sectors deemed most at risk of "carbon leakage", whereby companies relocate to other jurisdictions to avoid carbon costs.

From the start of the fourth trading phase next year, the system will be tightened to focus on the sectors most at risk of carbon leakage — which will receive 100pc of their allowances free — while free allocations in lower-risk areas will be gradually phased out in 2026-30.

In previous years, some emitters have engaged in a "borrowing" approach, where they sell their freely allocated permits on the market for profit before using their next batch, supposedly for use in covering year-ahead output, for compliance in covering the previous year's emissions.

But this would not be possible next year, even without a delay in the allocation process, as phase 4 allowances are not valid to cover phase 3 emissions.

By Victoria Hatherick

Allies, adversaries weigh Biden climate agenda

US president-elect Joe Biden's transition team says he will "seize" the chance to address climate change and create jobs by investing in zero-emissions public transit, electric vehicles and other clean energy projects.

But implementing policies that will contribute towards his aim of putting the US on a path to net zero carbon emissions by 2050 is expected to be difficult politically and legally.

Most job-creation ideas would require billions or trillions of dollars in funds from the US Congress. Republicans, which will retain control of the US Senate unless Democrats win two run-off races on 5 January, have balked at providing large amounts of government spending on climate change. That means much

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of the near-term environmental agenda will likely be dictated by the White House and federal agencies that can act unilaterally without legislative action.

The US administration's slow progress on its deregulatory agenda means many of its highest-profile rules were just completed and are still being challenged in court. That will make it easier for Biden to reverse the rollbacks and begin the years-long process of issuing more stringent fuel-economy standards, methane emission limits and environmental reviews of energy infrastructure.

International climate goals could also be easier to achieve. The US officially exited the Paris deal last week, but Biden has already said he will reverse the decision. And EU chief climate negotiator Jacob Werksman said the US could be back under the agreement within a month of Biden taking over as president.

"There's a reasonable expectation that they'll be back on board in the Paris agreement 30 days after the formality is concluded," Werksman said.

He has "high" expectations of the US in terms of climate policy, not just at an international level but also in domestic policy.

"But the new administration will be able to move more quickly on an international and diplomatic front than it will be able to in terms of domestic policy," he added.

Commission officials working on climate policy are "of course" looking forward to an administration that they can engage with, Werksman said. "Even if half of the policies set out as campaign promises become actual US policy within the coming six months or year, that would be a lot more than we've had under the previous administration," he said.

A new, green-focused Democratic US administration could also boost electric vehicle (EV) demand if it follows through with previously-stated plans and allows US states to pursue EV subsidy programmes.

However, US coal producers are questioning if Biden can accomplish his EV goals without the aid of fossil fuels.

"It does not make sense to me in one respect how you can say that you want to convert to electric vehicles and then you do not want to build another power plant" other than a wind and a solar facility, Alliance Resource Partners chief executive Joe Craft said on 26 October.

Craft said the battery technology needed to make wind and solar power reliable is not yet available.

"Maybe with $2 trillion you can get there, I don't know," Craft said.

Coal industry leaders say the new administration's proposals could deal a devastating blow to the US coal industry, endangering up to 400,000 jobs across the coal supply chain. Other industry executives said they expect limited effects from action in Washington.

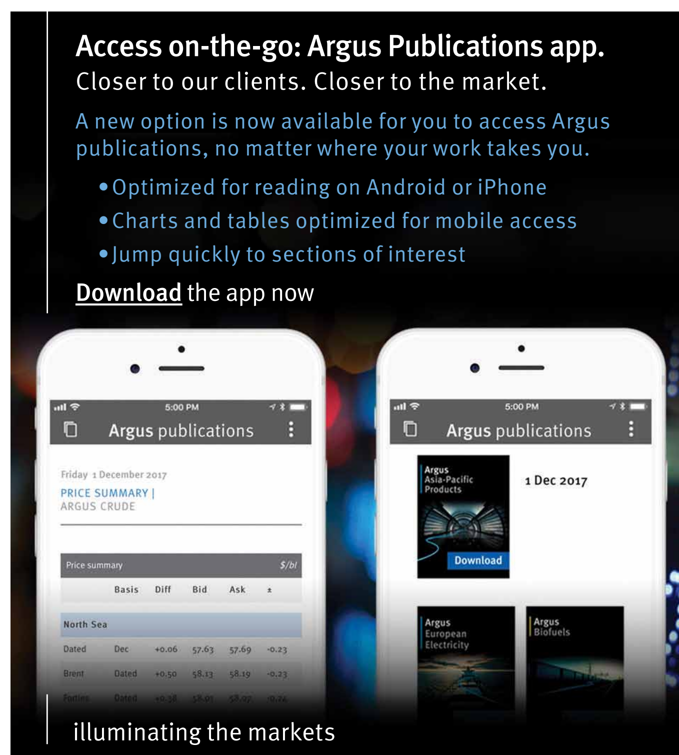
"Our goal and the way we manage our business is for our company to be successful regardless of who sits in the White House or which party controls Congress," Contura Energy chief executive David Stetson said today, while Natural Resource Partners chief executive Craig Nunez on 5 November noted: "A change in the executive branch in Washington is not something that is of a high-level of concern to me for our business."

By Chris Knight, Dafydd ab Iago and Jim Foster

Refinery operations update

US Gulf coast

- Shell reported increased flaring this morning at its 340,000 b/d refinery in Deer Park, Texas. The refiner notified a community alert system of increased flaring associated with work activities at the facility at 1:51am ET. Shell did not comment on unit or units involved.



■ Malfunctions involving a sulphur recovery unit (SRU) and a diesel hydrotreater unit occurred yesterday at Total's 240,000 b/d refinery in Port Arthur, Texas. Increased flaring was reported at 10:53am ET yesterday as a result of a blower failure, according to a filing to state environmental regulators. Flaring was reported for just over nine hours, according to the filing. SRUs help to remove sulphur and other impurities from refinery products and gas streams. Hydrotreaters remove impurities such as sulphur from refinery streams.

■ Shell this month will shut its 240,000 b/d refinery in Convent, Louisiana, the company said on 5 November. The oil major notified workers of plans to begin shutting down the facility in mid-November while continuing to seek a buyer for the refinery. Shell began marketing the facility in July but has not found a buyer. Shell kept Convent as part of the 2017 breakup of its Motiva joint venture with Saudi Aramco. The oil major will continue to operate its nearby Norco and Geismer complexes as it works to concentrate its downstream assets into refining, chemicals and marketing hubs. Shell plans to sell at least five refineries, including its 145,000 b/d Puget Sound Refinery in Anacortes, Washington, and 75,000 b/d Sarnia complex in Ontario, Canada.

US west coast

■ BP shut an unidentified process unit for maintenance at its 222,700 b/d refinery in Cherry Point, Washington. The refiner notified regional air quality monitors on 1 November of a process unit shutdown that started on 24 September, with the possibility of flaring lasting until yesterday. The refiner did not comment on the unit involved.

Petroleum Coke Market Overview

Including the latest trade data, this study provides a country-level assessment of the global market and analysis of key countries that will influence the outlook to 2020.

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