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Energy Argus *Petroleum Coke*

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MARKET OVERVIEW

US Gulf coke prices reach more than 1-year high

Limited prompt-loading spot supply pushed fob US Gulf coast high-sulphur petroleum coke prices up on the week, with some market participants rushing to find volumes to cover commitments, while some sellers raised offers.

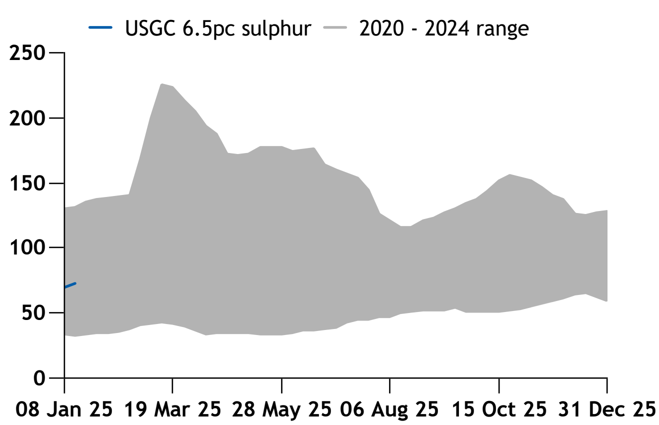
High-sulphur coke deals ranged from the low-$70s/t to the mid-$70s/t on an fob US Gulf coast basis, with deals for prompt-loading or urgent enquiries at the higher end of the range.

A trader bought a February-loading cargo of high-sulphur coke in the mid-$70s/t fob to fulfil a commitment with an end-user. A refiner was also in the market for January-loading volumes of high-sulphur coke to top-off one of its term cargoes after winter weather advisories slowed transit on the Mississippi and Illinois Rivers, affecting some vessel loading operations. The refiner ultimately bought a cargo of high-sulphur, January-loading coke at about $75-$76/t fob.

But at the same time, another refiner sold a cargo of February-loading high-sulphur coke at $72/t fob. Offers for high-sulphur coke loading in February were in the low-to-mid $70s/t fob.

Netbacks from cfr-basis deals were mixed as well, with some market participants estimating deals to net back to the

fob USGC 6.5pc sulphur $/t



Petroleum coke fuel-grade assessments							$/t
	HGI	Weekly Price	±	Four-week avg	±	Dec month index	±
Atlantic basin							
fob US Gulf coast 4.5% sulphur	40	76.50	+2.50	73.83	+2.00	70.250	+6.25
fob US Gulf coast 6.5% sulphur	40	72.50	+2.50	69.83	+2.00	65.750	+8.75
cfr Turkey 5.5% db sulphur	50-60	98.50	+1.50	97.33	+0.66	95.875	+6.25
cfr Turkey 6.5% db sulphur	40	94.50	+1.00	93.67	+1.17	90.500	+6.75
Sulphur adjustment							
US Gulf coast, per 0.1%		0.20	0.00	0.20			0.00
Pacific basin							
fob US west coast 2.0% db sulphur	45	127.50	+4.00	124.83	+6.83	112.875	+4.38
fob US west coast 4.5% db sulphur	45	84.50	+9.50	75.67	+5.67	67.500	+1.25
cfr China 2.0% db sulphur	45	165.00	+5.00	161.67	+7.17	149.625	+1.50
cfr China 3.0% sulphur	45	148.00	+6.00	144.00	+7.67	129.250	+5.00
cfr China 6.5% sulphur	40	107.50	0.00	107.50	+0.50	106.375	+3.88
cfr China 8.5% sulphur	70	106.00	0.00	106.00	0.00	106.000	+4.75
cfr India 6.5% sulphur	40	107.00	+3.00	104.67	+1.34	102.875	+3.38
cfr WC India 8.5% sulphur	70	106.50	+3.00	104.00	+1.50	101.625	+3.75

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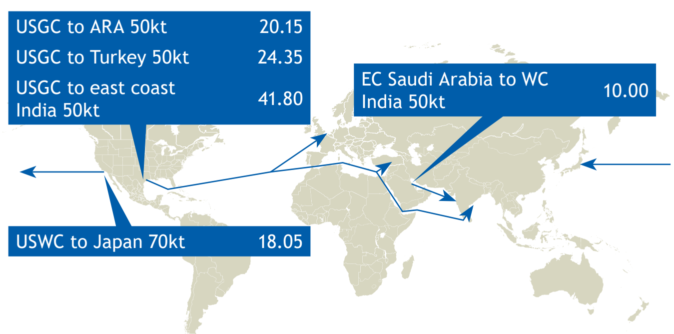
Fuel-grade coke calendar month indexes: Jan						$/t
	HGI	8 Jan	15 Jan	22 Jan	29 Jan	Avg
fob US Gulf coast						
4.5% sulphur	40	74.00	76.50			
6.5% sulphur	40	70.00	72.50			
cfr Turkey						
5.5% db sulphur	50-60	97.00	98.50			
6.5% db sulphur	40	93.50	94.50			
fob US west coast						
2.0% db sulphur	45	123.50	127.50			
4.5% db sulphur	45	75.00	84.50			
cfr India						
6.5% sulphur	40	104.00	107.00			
8.5% sulphur, WC	70	103.50	106.50			
cfr China						
2.0% db sulphur	45	160.00	165.00			
3.0% sulphur	45	142.00	148.00			
6.5% sulphur	40	107.50	107.50			
8.5% sulphur	70	106.00	106.00			

Calculated coke indexes: Jan						$/t
	HGI	8 Jan	15 Jan	22 Jan	29 Jan	Avg
Delivered NWE-ARA						
4.5% sulphur	40	95.51	97.07			
6.5% sulphur	40	91.51	93.07			
Delivered Brazil						
4.5% sulphur	40	94.65	97.13			
6.5% sulphur	40	90.65	93.13			
Delivered India						
4.5% sulphur	40	115.27	117.71			
Delivered China						
4.5% db sulphur USWC origin	40	101.98	110.56			
4.5% sulphur	45	118.84	120.83			
Delivered Japan						
4.5% db sulphur	45	93.21	102.71			

Petroleum coke calculated fuel-grade prices							$/t
	HGI	Weekly Price	±	Four-week avg	±	Dec month index	±
Atlantic basin							
del ARA 4.5% sulphur	40	97.07	+1.56	95.28	+1.52	91.728	+7.16
del ARA 6.5% sulphur	40	93.07	+1.56	91.28	+1.52	87.228	+9.66
del Brazil 4.5% sulphur	40	97.13	+2.48	94.58	+1.87	90.935	+6.66
del Brazil 6.5% sulphur	40	93.13	+2.48	90.58	+1.87	86.435	+9.16
Pacific basin							
del Japan 4.5% db sulphur	45	102.71	+9.50	93.44	+5.82	85.795	-1.33
del China 4.5% sulphur	40	120.83	+1.99	118.77	+1.00	116.593	+5.08
del China 4.5% db sulphur USWC origin	45	110.56	+8.58	102.48	+5.19	95.125	+0.07
del India 4.5% sulphur	40	117.71	+2.44	115.46	+1.41	112.423	+5.61

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

Freight snapshot (full view in *Argus Dry Freight*)



The full range of dry freight assessments, including TCE rates, as well market news & analysis and exclusive perks is available in **Argus Dry Freight**. *Please e-mail freightteam@argusmedia.com for more details.*

high-$60s to the low-$70s/t on an fob basis, while others estimated that netbacks were approaching the mid-$70s/t fob.

Argus' 6.5pc sulphur coke assessment rose to $72.50/t, while the 4.5pc sulphur assessment increased to $76.50/t, each reaching their highest level since late November 2023.

Turkey

Mid- and high-sulphur coke prices on a cfr Turkey basis ticked up as a cement plant seeking max 5.8pc sulphur coke was heard receiving offers in the high-$90s/t cfr, while another company with a pressing requirement purchased a mid-sulphur coke spot cargo in the low-$100s/t cfr last week.

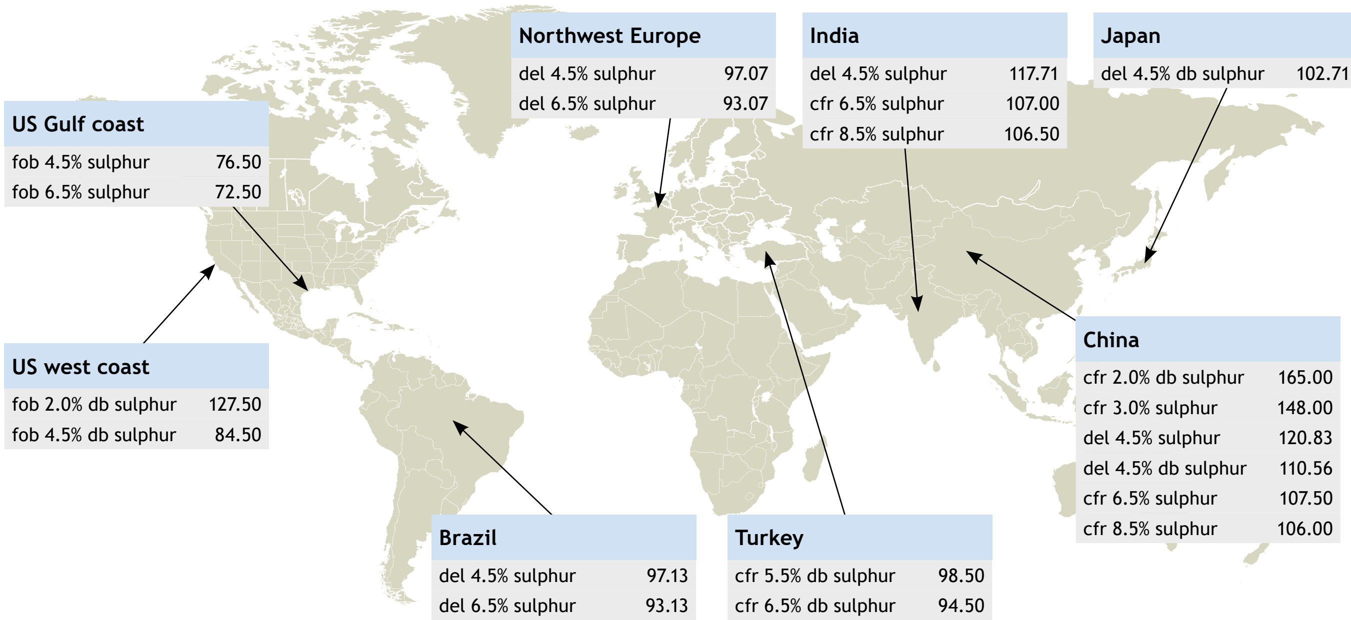
The first company is expected to finalise the trade by the end of the week.

But a number of Turkish cement makers still have ample stockpiles and are reluctant to accept an increase in delivered seaborne coke prices, with some preferring to wait for a new tender from a local refiner instead of importing.

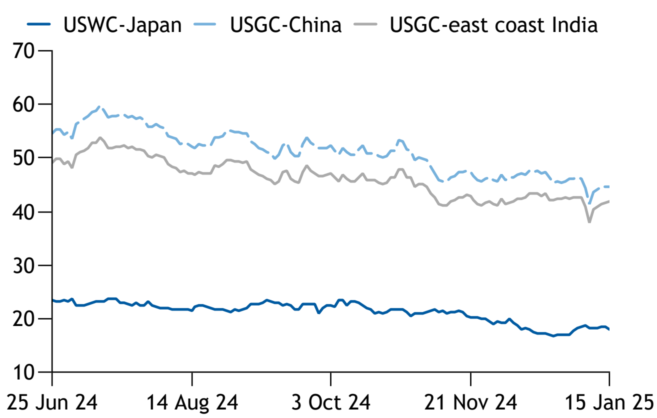
India

India-delivered prices of US 6.5pc sulphur coke jumped to a

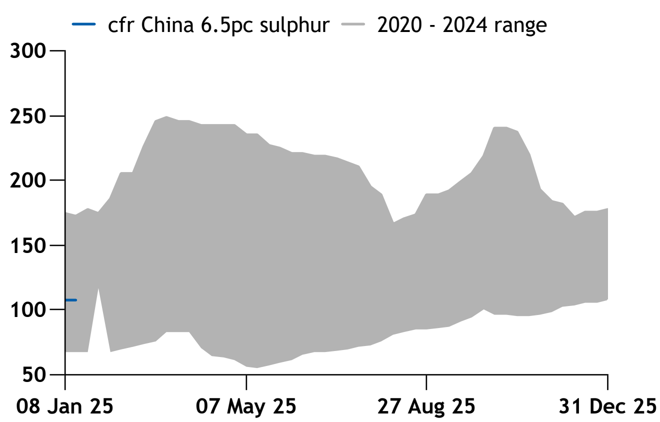
Weekly petroleum coke price snapshot $/t



Asia-Pacific coke freight rates $/t



cfr China 6.5pc sulphur $/t



near five-month high, as rising fob prices forced some buyers to match higher offer levels to secure cargoes.

At least two February- or March-loading Supramax cargoes of US 6.5pc sulphur coke were sold at $106/t cfr on India's west coast early in the assessment period. The same buyer later raised its bid for another February-loading cargo, although it was not yet meeting offers, which had risen to $109-$110/t after the jump in the fob market.

Some small-to-medium plants were heard to still be enquiring for January-loading cargoes, which are unlikely to be available at this point in the month. A larger company was also heard to be seeking a February-arrival cargo. The prompt requirements could be a boon to Saudi Arabian coke, which has a shorter shipping time. Saudi coke offers were heard at $108-$110/t cfr west coast India, although no corresponding bids were heard. Meanwhile, a trader was aspiring to realise $110/t cfr for a January-loading Venezuelan cargo offered to India's east coast.

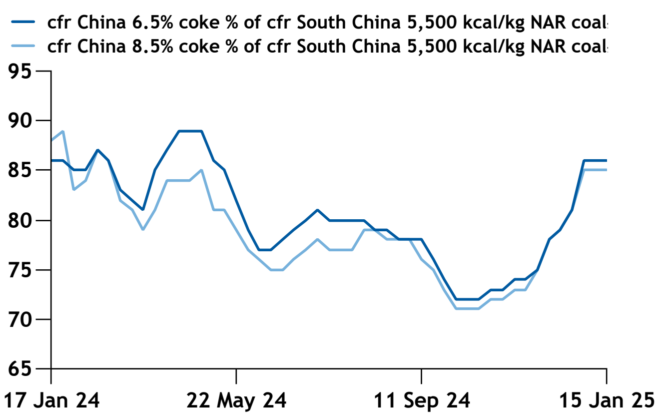
Coke-to-coal calorific comparisons

		Coal	4.5% coke	5.5% db	6.5% coke	8.5% coke
del ARA	$/mn btu	4.191	3.152	-	3.022	-
	% of coal	-	75	-	72	-
del India	$/mn btu	4.200	-	-	3.474	3.458
	% of coal	-	-	-	83	82
del China	$/mn btu	4.051	-	-	3.490	3.442
	% of coal	-	-	-	86	85
del Turkey	$/mn btu	3.854	-	3.198	3.068	-
	% of coal	-	-	83	80	-
fob USGC	$/mn btu	2.433	2.484	-	2.354	-
	% of coal	-	102	-	97	-

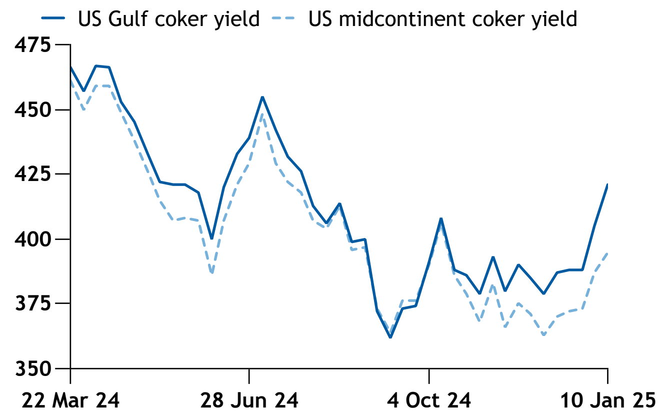
EIA weekly refined products data

	10 Jan	03 Jan	± %	Year ago	± %
Refinery usage					
Refinery inputs *'000 b/d*	16,816	17,089	-1.6	16,921	-0.6
Refinery utilisation %	92	93	-1.7	93	-1.0
Products supplied *'000 b/d*					
Total products	20,673	19,791	4.5	19,869	4.0
Gasoline	8,325	8,481	-1.8	8,269	0.7
Jet	1,488	1,722	-13.6	1,298	14.6
Distillate fuel	3,839	3,178	20.8	3,645	5.3

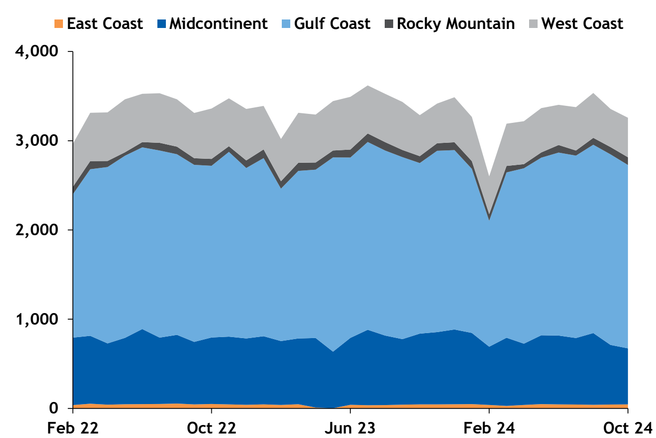
del China coke percent of coal *%*



US Gulf and midcontinent coker yields *$/st*



US coke production *'000t*



While cement makers continue to see recovery in demand, they remain wary of raising bids for cargoes because of weak margins and an unfavourable exchange rate between the rupee and the US dollar. The recent increases in coke prices are also beginning to encourage cement makers to look more closely at thermal coal.

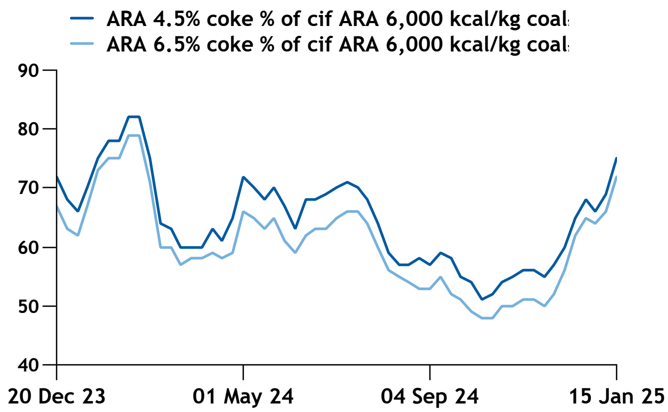
A cement maker on India's east coast bought a January-loading Panamax of Indonesian GAR 5,000 kcal/kg coal in the mid-$70s/t cfr for blending with coke, as well as for use in its captive power units. The same buyer is also considering purchasing a cargo of Indonesian GAR 6,500 kcal/kg coal and has indicatively bid in the low-$90s/t cfr basis Supramax or Panamax delivered to the east coast of India.

China

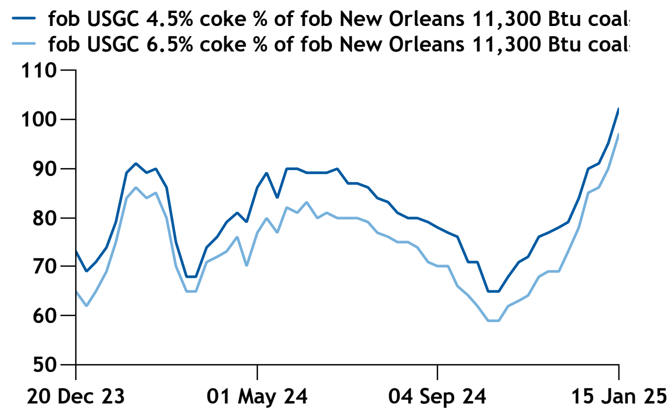
Prices for delivered low-sulphur fuel-grade petroleum coke on a cfr China basis rose on the week because of limited US west coast and Chinese domestic coke supply.

A Chinese trader bid $145/t cfr China in a tender last week for a shipment of 3pc sulphur Colombian coke but was not awarded the cargo, while a glassmaker was heard to have pur-

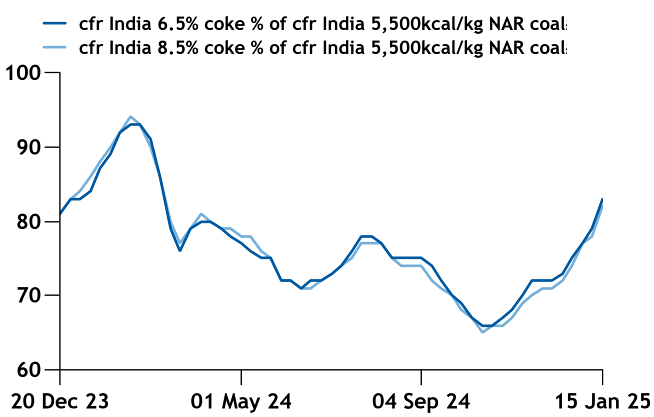
del ARA coke percent of coal %



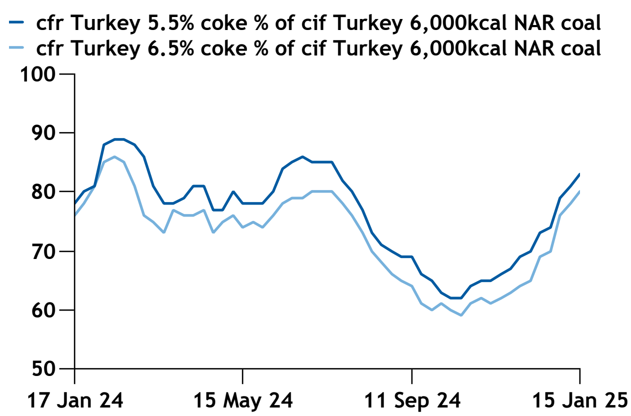
fob USGC coke percent of coal %



del India coke percent of coal %



del Turkey coke percent of coal %



chased a cargo of this coke in the high-$140s/t on a cfr basis. Meanwhile, stockpiled 3pc sulphur Colombian coke was sold at 1,500 yuan/t, equivalent to around $170/t cfr China, a market participant said.

Prices for high-sulphur fuel-grade coke on a cfr China basis were unchanged. Chinese market participants continued to stay on the sidelines because of uncertainty surrounding regulations on the use of high-sulphur coke as fuel. But one January-delivery Supramax of Venezuelan 4.5pc sulphur coke was heard sold at $107-$108/t cfr China.

Interest in high-sulphur coke was mainly limited to sponge coke, which can be blended in small quantities into anode-grade applications. This sponge coke is currently about $10-$20/t more expensive than Chinese fuel-grade shot coke, according to market participants, because of its alternative use.

But there was still a significant amount of interest from Chinese buyers in a tender from a US west coast refinery offering a cargo of medium-sulphur anode-grade coke along with a cargo of high-sulphur fuel-grade coke. Bids for the anode-grade coke were heard to be higher than $200/t fob, although the bidding level for the roughly 7.8pc sulphur fuel-grade coke was not yet clear. Bidding on the tender was closing on Wednesday.

NEWS

COKE

Lower coal prices may pressure coke demand

Petroleum coke's discount to coal has narrowed across the globe, as coal prices have decreased to multi-month lows while coke has risen, which could lead some buyers to switch back to coal.

Coal prices have been trending lower since mid-November, a seasonal trend that reflects the end of winter restocking. Cif Turkey 6,000kcal/kg coal is at its lowest since the beginning of August, cfr India 5,500kcal/kg coal is at its lowest since early February and cif Northwest Europe 6,000kcal/kg is at its lowest since late February, while NAR 5,500kcal/kg coal on a cfr south China basis has dropped to its lowest since April 2021. At the same time, coke prices have risen recently because of limited spot supply in the US Gulf and stronger demand since late last year, when discounts to coal were particularly wide. The combination of the coal market decline and coke price rise has resulted in multi-month lows in the discount for coke to coal, which could weigh on coke demand.

Buyers typically seek at least a 20pc discount for coke compared with competing coal prices on a heat-adjusted basis, and the discount for the benchmark 6.5pc sulphur coke is approaching that inflection point in most key destinations.

Cfr Turkey 6.5pc sulphur coke reached a 22pc discount on a heat-adjusted basis as of the last assessment on 8 January, down from 35pc a month earlier and 40pc in late September to early October. This coke had briefly fallen to a 20pc discount in mid-July before the differential began widening. And the 5.5pc sulphur dry basis cfr Turkey coke price discount dropped to just 19pc on 8 January, down from an average of 37pc in October. This is also the lowest level since July, when the discount averaged 17pc.

Turkish coal prices have fallen in parallel with steep declines in the cif Europe API 2 coal index, which has also been weighed down by higher wind generation. Russian coal prices on a cfr Turkey basis remain under pressure, with buyers lowering bids because of weaker demand. And with two major Russian coal miners, Kuzbassrazrezugol and Russky Ugol, added to the US' specially designated nationals list last week, more than half of Russian coal exports are under sanctions restrictions.

And this trend could continue, as coal demand is low in Turkey because of higher-than-typical winter temperatures.

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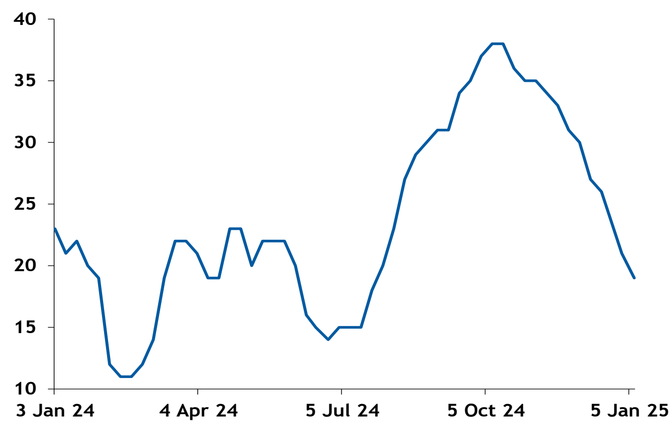
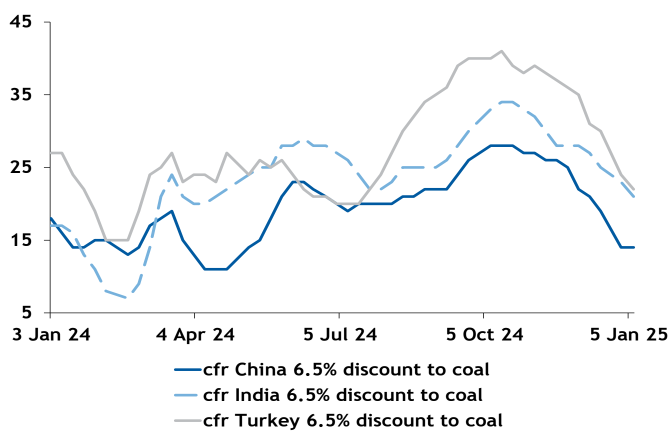
5.5pc sulphur coke price discount to coal %



6.5pc sulphur coke price discount to coal %



High-sulphur coke on a delivered Amsterdam-Rotterdam-Antwerp basis is still at a relatively wide discount to 6,000 kcal/kg coal at 34pc, but this is down from 52pc in early October. The US exported significantly more coke to European countries in November, when most coke sold during October would have been loaded, but lower industrial output and high costs for carbon emissions cap demand in this region.

Indian buyers are already beginning to look more closely at coal now that the discount has narrowed. The cfr India 6.5pc sulphur coke assessment fell to a 21pc discount to cfr India 5,500kcal/kg coal on 8 January, its lowest level since 17 April. The higher-heat content US Northern Appalachian (NAPP) NAR 6,900 kcal/kg is looking particularly attractive to cement makers, since this is being offered at $108-$109/t cfr west coast India. This price is competitive with the most recent deals at $106/t for 6.5pc sulphur coke, which has about 7,500 kcal/kg, because of higher import duties on coke. Indian west coast ports may have as much as 1.5mn t of NAPP coal stockpiled, a market participant said.

Coke's discount to coal has particularly narrowed in China, where it is now only at a 14pc discount to cfr south China 5,500kcal/kg coal, the narrowest since 8 May. But Chinese demand for high-sulphur coke was already slow because of policy uncertainty.

Although coke prices have been rising because of tight spot supply, which will probably persist until after the first quarter, the diminishing discount to coal could cool demand and possibly keep further price increases at bay.

"A significant upside is not possible unless the coal price starts moving higher," a coke trader said.
By Delaney Ramirez

LA wildfires so far spare coke operations

Ongoing wildfires to the north and west of the Los Angeles, California, area have not affected petroleum coke operations, with coking refineries and loading operations on the southeast side of the city.

The Palisades, Eaton, Kenneth, Hurst, and Lidia fires that ignited between January 7-9 are currently not hindering coke production from any of the area's refineries or shipments from the Port of Long Beach south of Los Angeles, sources in the region said.

Chevron's 269,000 b/d El Segundo refinery is closest to the Palisades blaze but is still about 10 miles down the coast. Phillips 66's 139,000 b/d and Marathon Petroleum's 365,000 b/d Los Angeles refining complexes, as well as PBF Energy's 160,000 b/d Torrance refinery and Valero's 89,000 b/d Wilmington refinery, are about 20-30 miles south of the Palisades fire's current range. This is the largest of the wildfires, covering over 20,000 acres, and was only 19pc contained as of 15 January, according to the California Department of Forestry and Fire Protection.

"El Segundo is the most northern, but no danger," a source said. "As of today, nothing is affecting petcoke, crude deliveries, refining or anything."

The wildfires have also not impacted shipments into or out of the Port of Long Beach, which is further south in the LA area, and have not closed any truck transport routes.

"It's business as usual at the ports here with the fires not having any impact since they are quite far away from Long Beach," a second source said. "If anything, coke deliveries may

Los Angeles-area fires and coke infrastructure

be smoother since traffic has been lighter as people are staying home if possible."

Coke sales are still moving forward as usual, with Marathon issuing a tender on 8 January for 30,000t of anode-grade coke and 10,000t of fuel grade coke from the Carson side of its Los Angeles refinery for loading at Long Beach between 19-23 February. Some market participants have expressed concern that the wildfires may affect loading for this tender, but it currently seems unlikely that the Palisades fire will reach that far south.

But one market participant acknowledged that with the fires' low containment levels and high winds still in the forecast, the Los Angeles region is "not out of the woods yet".
By Hadley Medlock and Lauren Masterson

China receives first Oman shot coke

A cargo of fuel-grade high-sulphur petroleum coke from Oman's 230,000 b/d Duqm refinery landed in China's Rizhao port earlier this month, marking the first time this coke has been delivered to China.

The Supramax vessel *Xin Yi Hai 16* carried Duqm refinery coke to Rizhao, according to a market participant. The vessel loaded about 54,800t at the Duqm refinery on 2-5 December and discharged at Rizhao port in China's Shandong province on 1 January, according to preliminary data from trade analytics firm Kpler.

Oman's fuel-grade coke, which has a sulphur content of over 7.5pc, is typically sold to India on a spot basis for use as a fuel in cement kilns. And China's high-sulphur coke imports fell last year after a ban on using greater-than-3pc-sulphur coke as fuel led traders to exercise more buying caution in case the government were to adopt stricter enforcement measures.

But China's central government is yet to announce stricter measures enforcing the ban on high-sulphur coke used as fuel, leaving some companies still interested in trading the material. At the same time, many traders are increasingly favouring supply from countries other than the US because of the possibility of a reignited US-China trade war, after the US elected Donald Trump as president in November.

China imported 175,800t of Saudi Arabian coke in November, up from 9,700t in the same month the previous year, according to Chinese customs data compiled by Global Trade Tracker (GTT). Saudi Arabian coke is typically used as a fuel, and although some Chinese buyers have been purchasing sponge-grade Saudi coke for use as a less costly component in calcining blends, at least one shot-grade cargo of this coke was sold to south China in late November or early December. A Chinese buyer also bid about $105/t cfr China for a February-loading shot-grade Saudi coke cargo in the past week, although no deal concluded.

The shot-grade Omani coke could potentially be used in non-fuel applications, as it has a relatively low metals content compared with other high-sulphur cokes. At least one Chinese silicon carbide producer is testing the Duqm coke, a market participant said.

Chinese anode-grade coke buyers, on the other hand, may import lower amounts of Omani mid-sulphur anode-grade coke from the 198,000 b/d Sohar refinery in the coming months. Sohar is expected to decrease its exports as it sells more coke domestically, market participants said.
By Delaney Ramirez

Egypt's coke production set to rise

Egypt's fuel-grade petroleum coke production is likely to rise starting in 2026 as new refinery projects reach completion, further reducing demand for seaborne coke.

Egypt has significant amount of coke capacity under construction, which will increase domestic coke supply, although these projects have faced delays in recent years.

"Egypt has reduced imports already and aims to become self-sufficient," a trader said.

Assiut Oil Refining, a subsidiary of Egypt's state-owned Egyptian General Petroleum (EGPC), is poised to start up a new hydrocracking complex by the end of this year that will bring about 300,000 t/yr of coke to the Egyptian domestic market. Initially scheduled for late 2023, the project has progressed slowly, and was 78pc complete as of mid-2024. It is likely to be completed in December, according to the company.

"This is one of the projects that changes petroleum coke flows in the region, cutting imports of coke not only from the US but also from Spain," the trader said.

Another EGPC subsidiary, Suez Oil Processing, has invested in a new coking and diesel production complex at its Suez refinery. The company initially targeted commissioning in mid-2025, but some anticipate production will start in 2026. While the company has not disclosed specific coke production figures, some local cement plants expect supply from the domestic market will meet their demand once the project is completed.

Egypt's seaborne coke demand has declined in recent years, as new coking capacity has come on line. Egyptian refiner Midor, which has been supplying the local cement market for more than a decade, brought an additional 60,000 b/d of crude processing capacity on line last year at its formerly 100,000 b/d refinery in Alexandria. The company announced the project in 2014. The refiner now produces about 576,000 t/yr of coke. And the Egyptian Refining Co.'s 142,000 b/d Mostorod refinery in Cairo, which produces about 500,000t/yr of coke, has contracted its coke to Suez Cement and Arabian Cement since its startup in 2019.

Egyptian cement producers and traders imported 565,000t of green coke last year, the lowest level in a decade and down from 719,500t in 2023 and 966,400t in 2022, data from Global Trade Tracker show.

Egypt's declining imports last year were primarily because of a sharp drop in shipments from Spain, falling to 175,400t from 322,500t the previous year. Imports from the US slightly increased over the same period to 358,700t, up by 10pc year on year.

By Alexander Makhlay

Florida utility JEA seeks term petroleum coke

Florida-based utility JEA on 9 January released a bid solicitation for petroleum coke for February and March delivery.

JEA is requesting two vessels of about 27,000 short tons (24,500t) each for delivery to its Northside Marine Facility in Jacksonville, Florida. The two delivery windows are tentatively scheduled for 15-24 February and 2-11 March. Bids should be submitted on a cif basis.

Vessel draft for JEA deliveries remains at 36ft (10.97m).

The coke must have an HGI between 25-80, a minimum heat content of 13,000 Btu/lb and a sulphur content ranging from 4.5-8pc on an as-received basis. JEA will evaluate bids and award based on the lowest total unit operating cost.

Bids are due by 1pm EST on 14 January and must remain valid until 1pm EST on 21 January.

JEA released this short notice bid solicitation because of extended maintenance on a natural gas unit at its Northside Generating Station, the company said. JEA plans to release a bid solicitation for its full-year 2025 coke requirements in the next few weeks.

JEA received slightly under 229,000t of coke in January-October 2024, according to the latest available data from the US Energy Information Administration, with deliveries to the Northside Generating Station in May, June, July, August and September. The coke had an average sulphur content of 5.21pc.

By Hadley Medlock

India's IOC raises petroleum coke prices

Indian state-controlled refiner IOC has raised basic sales prices of petroleum coke by up to 5.8pc at its four refineries, following an increase in seaborne prices.

IOC raised prices at its Haldia and Paradip refineries on India's east coast by 560 rupees/t ($6.48/t) to Rs10,400/t and Rs10,230/t, respectively. The company also hiked the price of coke sold at its Koyali refinery in west India's Gujarat state by Rs560/t to Rs11,000/t. It raised coke prices at its Panipat refinery in north India's Haryana state by Rs550/t to Rs11,990/t.

The revised prices, which are effective from 9 January, are on an ex-refinery basis and are valid for sales of coke transported by rail.

IOC's price hike follows an increase by Indian private-sector refiner Reliance Industries (RIL) on 1 January. RIL set its basic January coke price at Rs12,548/t, up by Rs225/t from the previous month. Nayara raised its January prices to Rs12,952/t, up by Rs225/t from December.

Indian refiners typically follow an import parity pricing model for domestic supplies that includes the price of US Gulf coast 6.5pc sulphur coke on a delivered India basis. Refiners usually announce prices on the first day of the month using the average delivered India price of the previous month as guidance, while adjusting for any currency exchange fluctuations.

The *Argus*-assessed index for the delivered India price of 6.5pc sulphur coke was at $102.875/t in December, up by $3.38/t from November, primarily because of an increase in fob coke rates. This market was last assessed at $104/t on 8 January.

A weakening Indian rupee against the US dollar could also have contributed to the increase in domestic coke prices. The rupee averaged Rs84.97 to the US dollar in December compared with Rs84.38 in November.

Domestic coke prices have been mixed in recent months, mirroring the seaborne market. Prices increased in May, August and December, but fell in June and October. Prices were mixed in July, with Nayara rolling over its June rates and RIL marginally increasing its rates. Refiners rolled over August prices into September and October prices into November.

Indian cement manufacturers use coke as a fuel in their kilns together with thermal coal. India's cement industry is a key coke consumer and meets part of its requirements through imports. The country is the largest seaborne coke market. Cement makers imported about 806,300t of fuel coke in November, down from 1.2mn t in October but up from 543,000t a year earlier.

An uptick in cement run rates following a marginal demand recovery since the second half of December has prompted several buyers to return to the seaborne market. But buyers remained cautious in their bids since cement margins are still under pressure.

India is likely to consolidate its position as the largest seaborne coke market in 2025, as more cement plants look to replace coal with coke to benefit from its competitive pricing. *By Ajay Modi*

Brazil coke imports rise, exports stable in 2024

Brazil's green petroleum coke imports were up by 24pc in the full year of 2024 compared with 2023, while exports barely dipped from the year before.

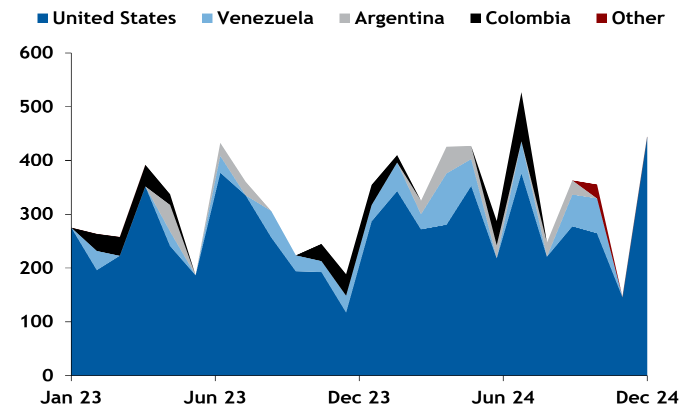
Brazil imported 4.3mn t of green coke total during 2024, up from 3.5mn t in 2023, according to data from Global Trade Tracker (GTT). In December, Brazil's coke imports totalled 444,100t, more than double both December 2023 and November's volume.

Imports from the US, Brazil's largest coke supplier, totalled nearly 3.5mn t in 2024. This was up by 18pc from 2023.

While Brazil imported no coke from Latin American countries in November or December, imports from these countries were still up by 59pc on the year, led by higher shipments from Venezuela and Argentina.

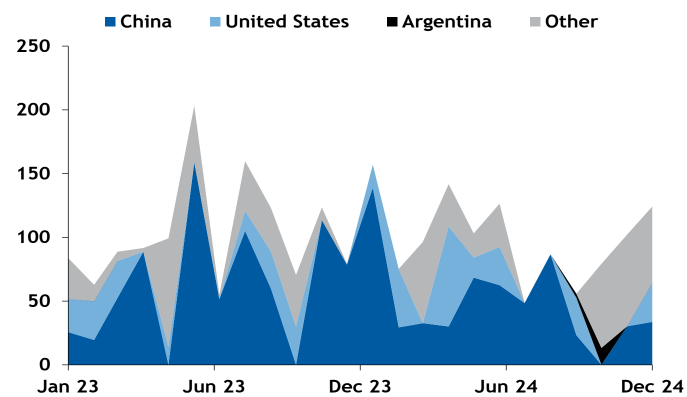
Venezuela was Brazil's largest Latin American coke supplier during the year, and second-largest supplier overall, at 440,600t. This was nearly double Brazil's imports from Venezuela in 2023. This significant year-on-year increase in Venezuelan coke shipments might be because the US had temporarily lifted sanctions on Venezuela's oil exports from October 2023 to the end of May 2024, which boosted coke exports from the country during the first half of the year.

Brazil green coke imports *'000t*



— GTT

Brazil green coke exports *'000t*



— GTT

Colombia was Brazil's third-largest coke supplier during 2024 at 187,600t, which was down by 5pc from full-year 2023. But coke shipments from Argentina were up by 77pc compared with 2023 at 176,000t.

Brazil also took a small amount of coke from Mexico in October 2024, compared with no shipments from the country the year prior. This shipment in October was one of the first exports from Mexican state-owned refiner Pemex's new 340,000 b/d Olmeca refinery.

Full-year exports stable

Brazil's coke exports in 2024 were nearly flat compared with 2023, dipping by just 44,000t to 1.2mn t.

China was the country's leading destination during the year at 584,000t, followed by the US at 248,200t. Shipments to China were down by 22pc from 2023, while shipments to the US rose by 42pc.

While Brazil sent no coke to Latin American countries in November or December, it did send 16,600t of coke to Argentina in 2024, which is the first year the country had taken Brazilian coke in data going back to 2014. Argentina is not a typical destination for Brazilian coke because the country also produces 0.8pc sulphur coke, but Brazil shipped coke there during July-October.

By Hadley Medlock

Canada green coke exports rise in November

Canada's green petroleum coke exports were up by 10pc in November on the year, despite little change in shipments to China, Canada's largest coke destination.

Canada exported a total of 81,300t of coke in November, compared with 74,200t a year earlier. Still, exports were down by 41pc from October and the lowest export volume from Canada since June.

China remained the top destination for Canadian coke at 74,600t, nearly flat from the year prior.

But Canadian coke exports to the US were up significantly, both from a year earlier and on the month. Canada shipped 6,700t of coke to its southern neighbor in November, compared with just 342t the previous year and 791t in October. This was also the highest volume of coke Canada has loaded for the US since November 2022, when it was 8,200t.

While the US does not typically take a large amount of coke from Canada, it is possible that president-elect Donald Trump's proposed import tariffs will alter coke trade flows between the two countries after he takes office on 20 January. Trump has proposed a 25pc tariff on imports from Canada, and this could go into effect as early as next week.

Imports decline

Canada's coke imports declined by 41pc on the year in November, driven by a lack of shipments from Spain during the month.

Canada imported a total of 46,700t of coke in November, down from 79,200t the previous year. But this was up by 70pc from October.

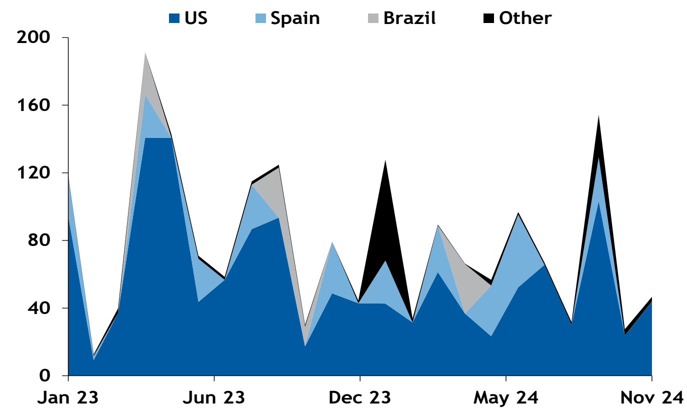
The US, consistently Canada's largest coke supplier, shipped 44,000t to the country in November. This was down by 10pc from the same month last year, but the country still remains Canada's top source of coke.

While Canada's imports from the US were up by 85pc from October, year-to-date imports were still down by 34pc compared to January-November 2023.

But the significant decline in Canada's imports in November mostly came from a drop-off in shipments from Spain compared with the year prior. Canada imported no coke from the country during the month, compared with 30,500t sent from Spain the previous November.

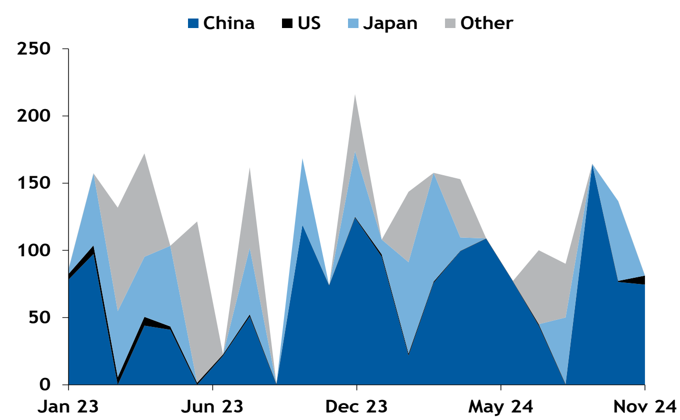
By Hadley Medlock

Canada green coke imports *'000t*



— GTT

Canada green coke exports *'000t*



— GTT

COAL

China's coal imports hit record high in 2024

Chinese coal imports — including anthracite, coking coal, and thermal coal —reached a record high of 542.7mn t in 2024, up by 14pc from 470mn t in 2023, as imported coal was more cost-competitive.

China's coal imports stood at 52.35mn t in December, according to National Bureau of Statistics (NBS) data. Imports rose by 11pc on the year but fell by 4.8pc on the month.

Coal imports remained above 45mn t for six consecutive months from June-December in preparation for the winter peak demand season. But China's coal imports in December were lower than the monthly record high of 54.98mn t in November.

Coal burn at utilities in China's eight coastal provinces — which mainly run on imported coal — rose to an average of 2.12mn t/d in December, up from 1.88mn t/d in November but slightly down from 2.19mn t/d a year earlier, according to industry body the CCTD.

Inventories at these utilities rose to an average of 35.41mn t in December, up from 35.32mn t in November and 34.19mn t a year earlier.

India's coal output hits all-time high in 2024

India's coal production hit an all-time high last year, led by an uptick in utility demand and a broader government push to boost domestic output.

Combined coal output from domestic sources such as state-controlled Coal India (CIL), Singareni Collieries (SCCL) and captive blocks reached 1.04bn t in calendar year 2024, up by 7pc or 70.4mn t from a year earlier, according to *Argus* calculations based on coal ministry data. This supported overall supplies, including supplies to utilities and the non-power sector, which reached 1.01bn t, from 950.2mn t in 2023.

The steady increase in domestic coal output and supplies was also led by demand from utilities, as the country's coal-fired generation rose last year, and generators continued to replenish stocks to meet the rising power demand. The strong output also followed India's broader goal to raise local coal production, with an aim to trim imports and meet its broader energy security objective. Delhi has been pushing CIL to ramp up its output, while also seeking higher production from blocks allocated to utilities and the non-power sector.

The growth in production and supplies likely weighed on thermal coal imports in 2024, with seaborne receipts estimated to have dropped last year, a first annual decline since 2021. The dip in India's demand for seaborne cargoes in a well-supplied market was reflected in recent prices, with the GAR 4,200 kcal/kg market for geared Supramaxes falling to a 44-month low of $49.43/t fob Kalimantan on 27 December, the last assessment of 2024. The market eased further to $49.25/t fob Kalimantan on 10 January.

Output mix

Production at state-controlled CIL stood at 785.2mn t in calendar year 2024, up from 756.1mn t a year earlier, while its supplies totalled 757.4mn t in the 12-month period, up from 738.6mn t in 2023, according to *Argus* calculations based on the company's monthly output data.

State-owned SCCL produced 67.12mn t in 2024, down by 4pc or 2.5mn t in 2023, the coal ministry data showed. But this was more than offset by steady growth in coal production at captive coal blocks allocated to industrial coal consumers, state-government mining companies and some utilities. Coal output from the captive blocks rose to about 187mn t last year, up from 143.3mn t in 2023, the data showed.

The higher captive coal production followed an increase in production from coal blocks allocated to state-controlled utility NTPC, which aims to become one of India's biggest coal producers in coming years. India's policy to auction coal mines for commercial mining by private companies is also beginning to support the overall captive coal output.

Supply mix

Combined domestic coal supplies to utilities from CIL, SCCL and captive blocks reached 831.44mn t, up by 6pc from a year earlier, the coal ministry data showed.

India's coal-fired generation — which meets most of its power requirements — reached 1,293.19TWh last year, up by 5pc from a year earlier, the Central Electricity Authority (CEA) data show.

Overall domestic coal supplies to non-power consumers such as steel and cement totalled about 179mn t last year, up by 13pc from 2023, according to the coal ministry data. Supplies to captive power units fall under non-power sector as per the data.

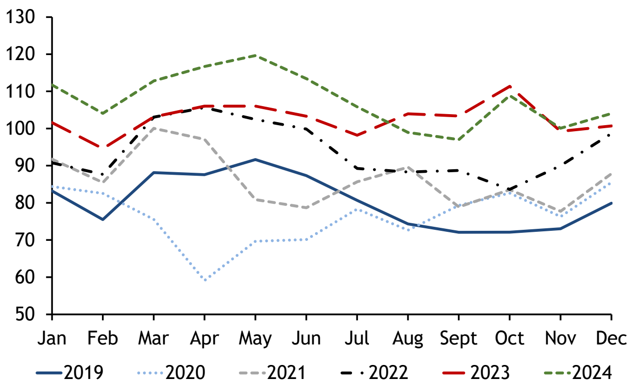
By Saurabh Chaturvedi

India's thermal coal import outlook uncertain

India's seaborne thermal coal demand faces uncertainty this year, given rising domestic production and a lack of clarity over import policy continuation.

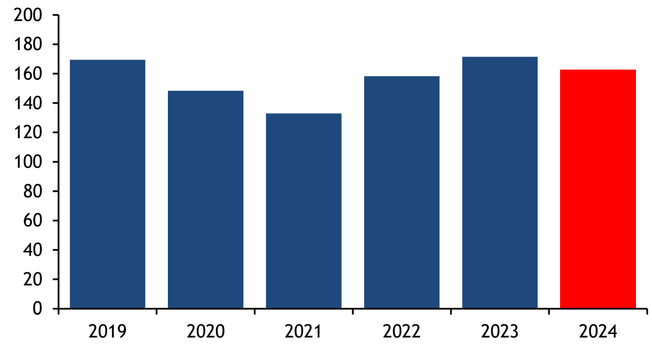
This comes after sluggish imports in 2024, when federal and state elections pressured overall economic activity. The south Asian nation imported 162.63mn t of thermal coal last year, down from 168.41mn t a year earlier, according to estimates by data analytics firm Kpler. This marks the first possible drop in annual imports since 2021, as domestic output hit

India's coal-fired generation *(TWh)*



Source: CEA

India's thermal coal imports *(mn, t)*



Source: Interocean, Kpler

an all-time high and coal-fired generation rose at a slower pace compared to a year earlier.

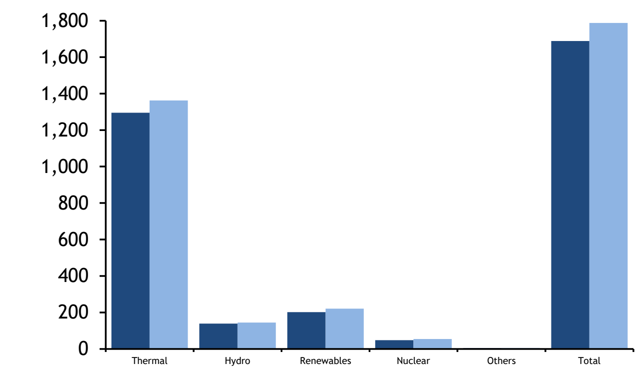
Imported coal demand also faltered as the economy slowed, with the gross domestic forecast (GDP) forecast to grow at its slowest pace in four years in the 2024-25 fiscal year that ends in March, according to a forecast by India's National Statistics Office. The decline in Indian currency versus the US dollar made imports expensive, pressing imports further.

The economic activity could rebound in 2025-26 after remaining lacklustre over the last few months, but prospects of further growth in domestic coal output is expected to keep coal imports in check. Indian coal production reached an all-time high last year with combined output from domestic sources such as state-controlled Coal India (CIL), Singareni Collieries (SCCL) and captive blocks reaching 1.04bn t in calendar year 2024, up by 7pc from a year earlier, according to[*Argus* estimates based on coal ministry data.

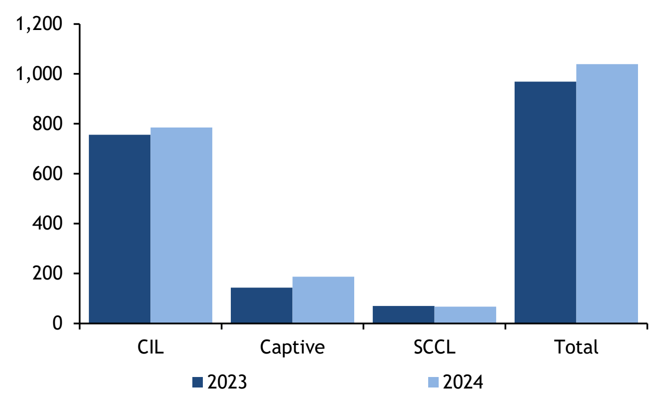
There could be some support for imported coal from 15 imported coal-fired plants, with a combined capacity of 17.5GW, following Delhi's decision to extend the validity of an earlier directive to these utilities to boost generation by two months from the previous expiration date on 31 December. But it was not clear whether authorities would keep extending the order, given the recent slowdown in thermal power output and rapid increase in domestic coal output, especially as the imported-domestic coal blending order was not renewed upon expiry in October.

The ambiguity over India's coal import outlook could pressure overall demand fundamentals in the global seaborne coal complex further, as imports from China could ease this year

India's generation mix *(TWh)*



India's coal output mix *(mn t)*



Source: CIL, Coal Ministry

after hitting record highs in 2024. Recent prices reflected sluggish demand fundamentals, with the GAR 4,200 kcal/kg market for geared Supramaxes falling to a 44-month low of $49.43/t fob Kalimantan on 27 December, *Argus*' last market assessment of 2024. The market eased further to $49.25/t fob Kalimantan on 10 January.

Coal-fired generation

India's coal-fired generation — which meets most of its power requirements — reached 1,293.19TWh last year, up by 5pc from a year earlier, but the pace of growth slowed from the 9pc year-on-year growth recorded in 2023, Central Electricity Authority (CEA) data show. Overall thermal power generation also grew by 5pc from a year earlier to 1,362.35TWh in 2024.

The slowdown in coal-fired generation followed nuclear generation rising by 13pc to 54.66TWh last year, while hydropower output grew by 4pc on the year to 144.74TWh in 2024. India's renewable energy output climbed by 9pc to 220.71TWh from a year earlier.

But some market participants expect coal consumption at utilities to gradually pick up, citing expansion of coal-power plants. India has an installed generation capacity of about 457GW, out of which 211GW is coal-fired. Trial runs are planned at least 20 power plants, totalling a combined coal-fired capacity of 14GW in 2024-25 financial year, according to data from CEA. This could support demand for domestic and imported coal in 2025-26 fiscal year since some of these plants might come on line.

Some Indian utilities might shift to mid-CV imported coal, as domestic coal would be able to meet the bulk of low-CV needs, an India-focused trader said. Imported coal's higher quality would also continue to support seaborne receipts, he added.

Utility imports

Indian utilities imported 64.2mn t of thermal coal in the first 11 months of 2024, up from about 52mn t in 2023, according to the latest CEA data. The imports were led by imported-coal fired units, as they accounted for 69pc of overall utility imports in January-November.

But Indian utilities' imports have shown signs of weakness, with receipts dropping on the year since September last year, at a time when extended monsoon rains weighed on overall power consumption. This also came as domestic coal supplies to utilities reached 831.44mn t, up by 6pc from a year earlier, the coal ministry data showed. The growth in domestic coal supplies to utilities surpassed the year-on-year increase in coal-fired generation, pointing to ample domestic coal availability.

Some seaborne coal suppliers expect Indian imports to remain steady, driven by a potential recovery in economic activity, but the trajectory of receipts would depend on domestic supply, global prices, and macroeconomic factors, another trader said.

By Saurabh Chaturvedi

COAL SPOTLIGHT

New US sanctions to reshuffle Russian coal flows

The latest round of US sanctions on Russian coal producers Kuzbassrazrezugol (Kru), Russky Ugol and the main assets of Kolmar could further constrain Russian seaborne exports this year, and support suppliers in the Atlantic basin in pivoting further to the Asian markets.

Kru, which operates in Kuzbass, and Russky Ugol with assets in Khakassia, Krasnoyarsk Krai and the Amur region, are among the largest Russian coal companies. Kru produced 43.7mn t in January-November, making it Russia's second-largest producer behind Suek, which was already under sanctions.

A high degree of uncertainty surrounds the potential impact of the sanctions on trade flows, given that last year's measures against Suek, Sibanthracite and other large miners did little to deter buyers in China, Turkey or South Korea from taking discounted Russian coal.

Russia exported about 35mn t to China, 18mn t to Turkey, 12mn t to South Korea and 7.6mn t to India last year, according to Kpler data— lower than in 2023, but still significant quantities considering the increase in sanctions on coal entities throughout 2024.

It is also noteworthy that the sanctions against Russia were expanded just a week before president-elect Donald Trump is sworn into office. Buyers in South Korea, Russia's second-largest coal export market after China and one of the few remaining premium markets, were still said to be holding out for a rollback of the existing packages should Moscow and Kyiv achieve a peace deal brokered by Trump.

Russia has sought to take a bigger share of the Indian coal market because of the sanctions, but not only is Russian coal not fully suitable for Indian sponge iron demand, but India's domestic production is rising, ruling out even buyers' traditional preference for South African shipments.

And an Indian bid to reduce its dependence on imported coal is likely to eliminate Russian sanctioned coal — simply because of the payment, procurement and transport issues that sanctions lead to.

South Korea

The growing list of producers under US sanctions has narrowed options for South Korean thermal coal importers, and it remains to be seen whether South Korean buyers will continue to prioritise competitive pricing above other factors.

While most tenders released by South Korean state-controlled utilities recently have banned Russian-origin coal, in an attempt to cap overall Russian volumes below 2022 levels, independent power plants and cement producers continue to import steady amounts. That said, a longer list of sanctioned producers would lead to increased scrutiny from banks when transferring money to Russian coal sellers, sources said.

South Korea's recent tenders were awarded to South African, Colombia, Australian or Indonesian coal suppliers, *Argus* data indicate.

Short-term demand in South Korea has also been capped by a delayed winter. A late start to the winter in South Korea has meant that pre-stockpiling has lasted further into the season. The price of high-calorific value (CV) coal delivered to South Korea has steadily declined in the past weeks as power generators remain well supplied. This implies that an immediate surge in prices, on account of sanctions, is unlikely.

Argus assessed NAR 5,800 kcal/kg thermal coal at $113.22/t cfr South Korea on a NAR 6,080 kcal/kg basis, down by 36¢/t, as of 10 January.

Targeting ports

The new set of sanctions also targets coal sea transport, including Sukhodol port, which loaded its first coal shipment in December 2023, and Lavna port in Murmansk, which is still under construction. About 853,000t of the total 1.11mn t loaded at Sukhodol in 2024 was bound for South Korea, according to Kpler data, potentially hitting the volumes shipped to the country post-sanctions.

Market participants expect South Korea to feel a degree of pinch from the sanctions, while other markets switch to alternatives or remain unaffected because of muted demand.

If Russian coal as a high-CV option is ruled out of the seaborne market, it could leave room for high-CV alternatives from South Africa or Colombia to plug any supply shortfalls — a scenario that could bring relief to suppliers in the Atlantic basin looking to enter Asian markets.

By Ashima Sharma

REFINING

Sanctions crude rally puts squeeze on refiners

Crude prices have begun to climb strongly but are not matched by gains in finished products demand, eroding refining margins.

Atlantic basin marker North Sea Dated rose to $78.02/bl on 9 January, a $1.19/bl gain on 2 January. Sweet crude marker prices have outperformed relative to Mideast Gulf sour marker Dubai, which rose by 62¢/bl to $77.18/bl and versus WTI, which increased by 79¢/bl to $73.92/bl over the week.

Supply of Russian and Iranian crude is tightening as the outgoing administration of US president Joe Biden targets vessels shipping their crude with sanctions, and as the return of Russian refineries from maintenance means that more Urals is being absorbed domestically. This is increasing Chinese and Indian demand for alternative crude, causing price effects to spill into global markets. Indian state-owned firms BPCL and HPCL have increased purchases of Oman — similar in quality to Urals — and light sour Murban on the spot Mideast Gulf market.

Tightening sanctions on Russian and Iranian crude shipments — with further measures announced on 10 January — is, for now, having a greater effect on sweet crude markets, because so much supply from both heads to independent refineries in China's Shandong province. Shandong Ports GRoup (SGP), the operator of most of Shandong province's oil terminals, announced a ban on US-sanctioned vessels on 6 January. Independent refiners there are likely to have to cut runs this year but may switch a large portion of their buying to the Atlantic basin grades that they processed until 2022. And Brazil is planning maintenance at its offshore fields, tightening supply of key export streams Tupi, Sururu and Iracema. At the same time, domestic demand for Nigerian crude is rising following the restart of its 210,000 b/d Port Harcourt and 125,000 b/d Warri refineries and the start-up of the 650,000 b/d Dangote refinery last year.

Spot differentials for Nigeria's Bonny Light and Qua Iboe climbed in the past week by 85¢/bl and $1.05/bl to $1/bl and $1.20/bl, respectively. Premiums for Brazilian Tupi and Buzios rose by 50¢/bl and 40¢/bl. These Brazilian cargoes will price against North Sea Dated in March and, in the case of Tupi, arrive in China in April — the month when, presently, Opec producers plan to begin unwinding production cuts. Spot cargoes from the Mideast Gulf now trading will also load in March, pricing against March Dubai. The prospect of higher demand and tighter supply for sweet crude, and higher supply of sour Opec crude, pushed the March Dated swap to a $0.76/bl premium over the March Dubai swap on 9 January.

Products markets are far weaker. Refining margins fell in the three global pricing hubs — northwest Europe, Singapore and the US Gulf coast — this week. US margins are relatively robust with some resilience in the naphtha market. US crude runs edged up in the week to 3 January, averaging a 93.3pc utilisation rate, EIA data show. But LyondellBasell's Houston refinery will shut a crude unit permanently in February after closing a crude unit in January, leaving a perception in the market of tightening naphtha supply.

Globally, naphtha and gasoline markets look especially weak. Rising refinery output in Nigeria has cut demand for gasoline imports from Europe, whose exports to the US are also uneconomical at present. European gasoline markets are in contango, with prompt prices below forward ones. Stocks are building around Rotterdam. European diesel demand is also in the doldrums — Germany's manufacturing sector PMI fell to 42.5 in December and European naphtha refining margins have shed close to $5/bl this week. Singapore gasoline margins are holding up better than those of other regions, partly because UK sanctions on trading firm 2Rivers have left Indonesia scrambling for supply.

Ghost in the machine

The rally in flat prices and spot differentials may embolden Opec producers to stick to their guns with the current timefame for returning supply cuts. Global crude stocks are low and falling, supporting prompt prices, data from oil analytics platform Kpler show. Total global inventories are 24mn bl lower this month than they were at the end of December and are now the lowest since Kpler began publishing data in 2017. US inventories declined by nearly 1mn bl in the week to 3 January, EIA data show, to their lowest since September last year. But crude's strength belies signs of growing weakness in downstream demand that must, ultimately, come back to haunt the crude market.

REFINING SPOTLIGHT

US gasoline stocks at 10-month high: EIA
US cracks: Rising crude prices crimp margins
EU preparing new sanctions against Russian energy, metals
Trump tariffs could affect US asphalt supply
Chinese refiners to get more February term Saudi crude
China's oil product exports hit 29-month low in Dec

US sanctions curb Russian HSFO trade

Asian high-sulphur fuel oil (HSFO) prices found fresh support this week, after the latest round of extensive US sanctions threatened to curb the trade of Russian and Iranian HSFO.

The HSFO 380cst complex strengthened after the US announced sanctions on 10 January, along with a jump in Dubai crude. The Asian HSFO front-month February crack spreads — or the difference between February 380cst HSFO against Dubai crude — rose to around -$6.10/bl on 13 January from -$6.80/bl in the previous session, showed *Argus* pricing.

HSFO 380cst east-west spreads — or the difference between the Singapore 380cst February price against northwest Europe 3.5pc barges — also climbed to almost a six-month high at $19.25–19.50/t. Spreads were last assessed higher in July 2024, at the peak of summer. This is expected to open arbitrage opportunities for Middle Eastern and Latin American HSFO 380cst volumes to flow eastward, helping offset potential shortfalls from Russia. Dirty tanker freight costs will also be pushed higher, as the latest sanctions narrow the availability of non-sanctioned tankers in the market.

Fuel oil exports account for about a third of the affected Russian oil product volumes moved by the 183 tankers that the US recently imposed sanctions on, according to market participants. The US said these tankers formed a large part of the so-called "shadow fleet" — vessels that Russian shipper Sovcomflot and affiliated companies have operated since 2022 to circumvent Western sanctions. Some of the identified vessels have also been linked to Iranian fuel oil shipments, said the US Treasury. The Treasury also imposed sanctions on numerous oil trading firms, including maritime insurance companies, accused of facilitating the trade of Russian oil.

Analysts' preliminary estimates suggest Russian fuel oil exports could fall by 80,000–100,000 b/d, because of the US' extensive sanctions on vessels and fresh curbs on Russian oil traders. About 10pc of the newly sanctioned fleet also have a recent history of transporting fuel oil, according to global trade analytics platform Kpler and in line with market estimates.

But the short-term bullish momentum may be pressured by persistent demand headwinds. China's appetite for HSFO is waning given uncertainties over new tax rebate policies. This was further exacerbated by Shandong Port's latest ban on sanctioned tankers, which typically deliver discounted Iranian and Russian oil to local refiners. Subdued utility demand from the Mideast Gulf in the first quarter of the year continues to drag down HSFO demand, capping the upside gains to cracks.

The market could instead see a more substantial bullish trajectory in the summer months, when rising Middle Eastern utility demand boosts fuel oil consumption, and the absence of Russian volumes will tighten HSFO supply. The Mediterranean Emissions Control Area regulations set to take effect in May this year will likely bolster HSFO bunker demand, providing additional support for cracks in the medium term.

Dissolution of two-tier market

Some traders are also optimistic that tighter sanctions on Russia and Iran could help dissolve the two-tier HSFO market in Singapore and create a more level playing field in an otherwise opaque market.

It is not uncommon for Singapore ex-wharf 380cst premiums to trade at lower premiums compared to cargo differentials, despite the lower volumes involved in ex-wharf trades. The disconnect in prices and two-tiered pricing is because of the difference between sanctioned and non-sanctioned supplies for HSFO. Cargoes traded on the window are subjected to stricter regulations for the cargo origin, including the strict exclusion of Russian-grade material, while the less regulated ex-wharf market allows those dealing with non-compliant barrels to undercut prices. Tightened sanctions should ideally limit the trade of non-compliant supply, or at the very least increase the costs for those attempting to do so.

But market participants are still widely skeptical of the longevity of the latest US sanctions and how effectively they will be implemented, coming just days before President Trump takes office. Many traders prefer to adopt a wait-and-see approach, speculating that the sanctions could be reversed, particularly if Trump successfully brokers a peace deal between Russia and Ukraine, something that he has consistently promised to do during his campaign. If Trump lifts these sanctions, it could also pave the way for Russian oil to be legally traded, which could help restore some equilibrium to HSFO pricing dynamics by bringing these barrels back to the open market.
By Asill Bardh

Rising supply weighs on Europe's HSFO market

The high-sulphur fuel oil (HSFO) market in northwest Europe is under pressure from rising supply in the region.

In the futures market, HSFO Amsterdam-Rotterdam-Antwerp (ARA) barge swaps expiring in January were at $439.25/t by the close of Thursday's session, just $2.75/t above February contracts. It marks the first-month contract's narrowest premium against the second-month contract since the end of June.

In the spot market, HSFO barges fob northwest Europe reached a $9.60/bl discount against front-month Ice Brent crude futures on 7 January, the weakest differential to crude since mid-September.

The downward pressure on prices is coming from rising HSFO supply in the ARA region. The increase in supply is being driven by local refineries returning from maintenance and, indirectly, by recent tax policy changes that have curtailed HSFO demand in China.

The local tax bureau in Binzhou, Shandong told refiners on 30 December that the fuel oil consumption tax rebate should be cut to around 50pc from 100pc, which will lead to an extra cost of $13/bl. Refiners in Shandong have decided not to increase fuel oil orders in February on the back of concerns about the extra tax costs.

The Chinese government also raised the import duty on fuel oil to 3pc from 1pc starting from 1 January, eroding the economics of importing fuel oil, mostly from Iran and Russia. It is adding $1-2/bl of tax to imports, based on *Argus* calculations.

With Chinese demand for Russian HSFO falling, Turkey may have a surplus of product to send to Europe. Turkey receives the majority of its imported HSFO from Russia and exports its own HSFO to countries in Europe where Russian imports are banned.

The drop in Chinese demand may lead to more Saudi Arabian HSFO finding its way to northwest Europe as well.
By Bob Wigin

Russian refinery upgrades continue

Refinery upgrade programmes are continuing in Russia, with several new processing units scheduled for completion by early 2029, according to refinery operators and market participants.

Gazpromneft should finish construction of a 4.4mn t/yr deep processing complex at its 240,000 b/d Moscow refinery this year, comprising a 2.4mn t/yr delayed coker and 2mn t/yr hydrocracker. Start-up will eventually increase processing depth to almost 100pc, minimising fuel oil production and exports from the Moscow plant. Gazpromneft revealed late last year that it had received a final batch of large equipment for the complex in December.

Lukoil may launch a new 1.8mn t/yr catalytic cracker at its 290,000 b/d Perm refinery in 2028. The unit would support increased output of high-octane gasoline, while starting production of propylene feedstock for Lukoil's own petrochemicals facilities, according to company sources.

Tatneft aims to commission a second hydrocracker at its 341,000 b/d Taneko refinery in Nizhnekamsk next month. The new 1mn t/yr unit will produce 50,000 t/month of diesel and 20,000 t/month of jet fuel, market participants say, increasing Taneko clean products yield to 90pc, from 85pc.

And the 254,000 b/d Salavat refinery in Bashkortostan plans to upgrade its L-35/11-1000 catalytic reformer by 2026, doubling capacity to 2mn t/yr.

The 120,000 b/d Afipsky refinery in the southern Krasnodar region, controlled by independent Forteinvest, plans to commission an advanced processing complex in May. The complex includes a 3mn t/yr hydrocracker, according to market participants, and an additional 3mn t/yr of primary crude capacity — raising overall capacity to 180,000 b/d. The complex will enable production of 2.5mn t/yr of motor fuels compliant with Euro 5 vehicle emissions standards, boosting overall Afipsky processing depth to 93pc, from 77pc. Clean products yield should increase to nearly 88pc, from around 54pc now.

Once Afipsky's new hydrocracker is operational, the refinery will export about 90,000 t/month of diesel and 150,000 t/month of gasoil in 30,000t shipments. Under normal operating conditions, Afipsky now exports around 240,000 t/month of gasoil. Increased internal hydrocracker processing of vacuum gasoil (VGO) will cut supplies from Afipsky by up to three-quarters against VGO shipments of around 130,000 t/month last year, market participants say.

Forteinvest aims to commission a new 560,000 t/yr gasoline and diesel hydrotreater at its 135,000 b/d Orsk refinery in 2025, company sources say — construction was completed in 2023. And Forteinvest is building a new 1.2mn t/yr delayed coker at Orsk, targeting start-up by the end of next year.

Russian refinery upgrades

Refinery	Unit	Cap. *mn t/yr*	Start-up
Moscow	Advanced processing complex	4.4	2025†
Perm	Catcracking complex	1.8	2028
Taneko	Hydrocracker	1.0	Feb 2025
Salavat	Catalytic reformer	2.0	2026
Afipsky	Advanced processing complex (inc. hydrocracker)	3.0	May 2025
Orsk	Delayed coker	1.2	Late 2026
Orsk	Gasoline and diesel fraction hydrotreater	0.6	Late 2025
Ilsky	Gasoline and aromatics complex	1.5	Jan 2026
Ilsky	Diesel dewaxing and hydrotreatment complex, inc. sulphur block	2.4	Jan 2029
Novoshakhtinsk	Euro 5 gasoline complex	1.6	Jan 2026
Novoshakhtinsk	Diesel and jet-kerosine hydrotreater	2.2	Spring 2027
Novoshakhtinsk	Combined hydrocracker	2.6	2028
Slavyansk	High-octane gasoline complex	1.0*	2026
Slavyansk	Diesel and jet-kerosine hydrotreater	na	2028
Slavyansk	Combined elementary sulphur unit	na	2028
Yaisky	Diesel dewaxing complex	2.6	2027
Yaisky	Delayed coker	1.2	2027

*processing capacity, unless otherwise stated *gasoline output †construction completion*

— market participants

Independent KNGK plans to launch a 1.5mn t/yr gasoline and aromatics complex at the 132,000 b/d Ilsky refinery in Krasnodar in January 2026, market participants say — commissioning has been pushed back from an original 2024 target because of changes to equipment suppliers.

The new complex will enable production of Euro 5 specification A-92 and A-95 gasoline, as well as production of xylene, butane and propane-butane mix. But the Ilsky refinery will stop supplying naphtha, traders say — naphtha exports were around 900,000t last year, according to rail freight forwarders.

Construction of a 2.4mn t/yr diesel dewaxing and hydrotreatment complex at Ilsky is scheduled for completion by 2029 — the plant shipped 141,400 t/month of gasoil by rail for export in 2024. And modernisation of the refinery's six existing crude units could lift primary processing capacity by 400,000 t/yr (8,000 b/d).

Novoshakhtinsk plans advance

The 100,000 b/d Novoshakhtinsk refinery in the southern Rostov region aims to complete construction of a Euro 5 gasoline complex this spring, targeting commercial production from

January 2026 — about 60,000 t/month of mainly A-95. The complex will include an 894,000 t/yr hydrocracker, a 245,000 t/yr isomerisation unit and a 461,500 t/yr catalytic reformer.

Novoshakhtinsk is also building a 2.16mn t/yr diesel and jet-kerosine hydrotreater. The unit is scheduled for completion in autumn 2026 and start-up in spring 2027, producing up to 100,000 t/month of low-sulphur diesel, according to traders. Once these new units are operational, Novoshakhtinsk will export only dirty products, market participants say.

The refinery is also planning construction of a 2.57mn t/yr combined hydrocracker for start-up in 2028, refinery sources and traders say. Crude runs at Novoshakhtinsk dropped by 46pc on the year to 2.6mn t in the first nine months of 2024, because of unplanned maintenance shutdowns following drone attacks.

Slavyansk Eco aims to commission a high-octane gasoline complex at its 70,000 b/d Slavyansk refinery by the end of this year. The complex comprises catalytic reforming and isomerisation units, as well as a hydrotreater, and should produce more than 1mn t/yr of gasoline for domestic and export markets.

Further forward, Slavyansk Eco is planning the start-up of a diesel and jet-kerosine hydrotreater and a combined elementary sulphur unit by 2028, market participants say. The Slavyansk refinery's crude processing depth would rise to 84pc, from 74pc, if all the new capacity is commissioned.

Neftekhimservis plans to launch a 2.5mn t/yr diesel dewaxing complex and a 1.15mn t/yr delayed coker at its 60,000 b/d Yaisky refinery in 2027 — construction of both units began in spring 2023. Once on line, crude processing depth will increase to 93pc, from 76pc.

Serbia needs to remove NIS' Russian owners: US

Serbia will need to "remove" Russian ownership from oil firm NIS to avoid the effects of new US sanctions on Moscow's energy sector, according to US deputy secretary of state for management and resources Richard R. Verma.

"These sanctions are directed at Russia, not Serbia," Verma said in Belgrade after meeting with Serbian President Aleksandar Vucic. "The goal of the sanctions on NIS is to remove Russian ownership.

"We've already had several discussions, including mine today with the [Serbian] president, and we talked about how to make this change in ownership," Verma said. "There will be no economic disruption due to these sanctions if the Russian ownership is removed."

The US announced new sanctions against Russia's state-owned Gazpromneft and its subsidiaries — including NIS — as part of a bigger package of restrictions on Moscow's energy sector on 10 January. The sanctions on NIS will be enforced from 27 February.

Russian state-controlled Gazpromneft and Gazprom own 50pc and 6.15pc of NIS, respectively, while the Serbian state holds 29.87pc and other shareholders the rest.

NIS' Russian owners have "syphoned off" the firm's profits partially "to fund the brutal aggression against Ukraine," Verma said.

"Changing NIS' ownership will bring greater peace and prosperity here and across the region," he said.

Belgrade is seeking talks with US authorities to clarify what the sanctions include, Vucic said, adding he has asked the Washington delegation to make "the deadlines more flexible and slightly longer". Serbia wants to settle questions on whether Russian ownership in NIS would need to be fully eliminated or just reduced to below 50pc, according to Vucic.

"We'll define everything I think in the next seven days, then we will turn to our Russian friends," he said. Serbia would not "take away" NIS without payment to the Russian owners, Vucic said.

NIS operates Serbia's only oil refinery, the 96,000 b/d Pancevo plant, which it mostly feeds with crude imported through the Adria pipeline from the Croatian port of Omisalj. This is landlocked Serbia's only pipeline imports route.

Vucic had said the sanctions would affect NIS' crude imports.

By Béla Fincziczki

BP signals weaker 4Q, delays strategy event

BP expects to report lower metrics across its upstream and downstream businesses for the fourth quarter of 2024, compared with the third quarter, it said Tuesday.

The UK major also said it was delaying a strategy day — planned for 11 February in New York — by two weeks as chief executive Murray Auchincloss recovers from a planned operation. Auchincloss will be back in the office by February, the company added.

Within upstream, BP expects to report lower production at both its Oil Production & Operations segment and its Gas & Low Carbon Energy business. In the third quarter, these businesses together produced 2.4mn b/d of oil equivalent (boe/d) for BP.

While BP expects improved price realisations within Gas &

Low Carbon Energy to raise the segment's result to the tune of $100mn-200mn compared with the prior quarter, it expects the effect of price lags on the company's production in the US Gulf of Mexico and the UAE to hit the Oil Production & Operations business by about $200mn-400mn.

In the downstream Customers & Products segment, BP said it had seen seasonally lower volumes, lower fuels margins and foreign exchange losses within its Customers sub-segment. Within its Products sub-segment, BP saw weaker realised refining margins during the quarter and a greater effect to its operations from turnaround activity, as well as a lower result from its oil trading activities. BP's refining marker margin for the fourth quarter averaged $13.1/bl, against $16.5/bl in the third quarter.

One bright spot for BP is that it expects to report a lower net debt for the end of the fourth quarter than the $24.3bn it reported for the end of the third. The company expects capital spending for 2024 at $16bn.

BP still expects to report its results for 2024 on 11 February, although the capital markets event will now be on 26 February and will take place in London.
By Jon Mainwaring

STEEL AND STEEL FEEDSTOCKS

India's JSW Steel notches record-high output

Indian firm JSW Steel achieved record-high total crude steel output in October-December, the third quarter of the April 2024-March 2025 fiscal year.

Production across JSW's operations in India and the US increased by 2pc on the year and by 4pc on the quarter in October-December, reaching 7.03mn t. And JSW's domestic crude steel output reached a record high in October-December, rising by 3pc on the year to 6.82mn t.

JSW's US production fell by 13pc on the year to 210,000t in the third quarter.

The company's capacity utilisation in India, baring trial runs, stood at 91pc in the third quarter. Maintenance work at its Dolvi plant in Maharashtra state in October affected production, the company said. Operations resumed in the first week of November.

JSW expects production capacity at its Vijaynagar facility in Karnataka state to increase to 17.5mn t/yr from 12mn t/yr, once the plant's ongoing ramp-up is complete. Among the expansions being made at the plant is a 4.5mn t/yr blast furnace, which was commissioned in October.

STEEL AND STEEL FEEDSTOCKS SPOTLIGHT

US Steel back to pre-acquisition plans

These additions will raise JSW's Indian crude steel production capacity from 29.2mn t/yr to 34.2mn t/yr, the steelmaker said.

Fellow Indian steelmaker Tata Steel also posted higher domestic crude steel production over the quarter, following the recent commissioning of a 5mn t/yr blast furnace in the eastern state of Odisha.
By Amruta Khandekar

Nippon Steel may focus on India

Nippon Steel's thwarted $15bn US Steel merger may prompt the Japanese firm to sharpen its focus on India, where a big infrastructure push is expected to boost long-term steel demand, industry experts have said.

Japan's top steelmaker already has a foothold in the Indian market through the ArcelorMittal Nippon Steel (AM/NS) joint venture, in which it has a 40pc stake. The firm's flagship plant at Hazira in Gujarat state has steel production capacity of 9mn t/yr, with plans to expand to 15mn t/yr by 2026.

Nippon could leverage this partnership to ramp up its India expansion, industry experts said, especially now that the US Steel merger is in the balance after US president Joe Biden blocked the deal on security concerns.

Nippon Steel, which has contested Biden's decision, is targeting India, the US and southeast Asia as strategic regions to achieve 100mn t/yr of crude steel production globally as part of its medium to long-term strategy.

"If this deal doesn't go through, there will be a sharper focus on the next bright spot in global steel markets, which is India, because steel demand in Europe, and southeast and east Asia is contracting," the vice-president and sector head at Indian credit rating agency Icra, Ritabrata Ghosh, said.

Biden's rejection of the deal is indicative of rising protectionism in the west, implying that Nippon Steel will have to look for other markets to expand, Ghosh added.

"If your home market in Japan is not growing, that leaves you with few choices as the Middle East and India are the only large hubs where steel demand is increasing. But the Middle East is a much smaller opportunity and India offers bigger expansion opportunities," he said.

Steel's 'next big growth story'

India's infrastructure boom, growing population and liberal economic policies that encourage foreign investment are expected to support domestic steel consumption as well as economic growth. Indian steel demand is set to grow at 8-9pc in 2025, surpassing other major steel consuming countries, according to a report by market intelligence and analytics firm Crisil.

The country's focus on domestic manufacturing through its "Make in India" initiative and target of 300mn t/yr of crude steel capacity by 2030 set the country up as fertile ground for Nippon Steel's expansion, industry observers said, pointing out that there are only a handful of large-scale integrated domestic steelmakers. Some said AM/NS may also bid for troubled state-controlled steelmaker Rashtriya Ispat Nigam (RINL). But this will undoubtedly be a challenge given concerns around its privatisation.

"To help reach that 300mn t goal, the Indian government would likely encourage AM/NS to take on a greenfield project or take over another integrated plant," the founder of steel trade and consulting firm World of Steel, Daanish Ellias, said.

"AM/NS could be a strong bidder and perhaps an ideal bidder for RINL whenever the political climate is suitable for its privatisation. ArcelorMittal brings advanced technology from Europe while Nippon Steel is bringing it from Japan and they are also bringing an advanced culture of working," Ellias said.

A potential buyout of RINL would give AM/NS significant exposure to the long steel segment, which is important considering India's infrastructure development, he added. AM/NS already plans to set up a steel plant in Andhra Pradesh state, according to market sources.

While India is ripe for the taking in terms of expansion, Nippon Steel will probably adopt a wait-and-see approach and evaluate its options before shifting its strategy, experts said. The Japanese firm is expected to keep pushing for the US Steel merger for a few years, and "would ideally like both India and US", according to Ellias. In the US, there is robust demand for high-end steel while India has greater demand growth potential for construction-grade steel, he said.
By Amruta Khandekar

China, India lift US met coal exports in November

US coking coal exports ticked up in November despite a difficult market environment, as lower prices resulted in higher shipments to the sector's main trading partners. Canadian exports continued to shrink as the country's traditional buyers struggled owing to weak fundamentals.

US coking coal exports increased by 27pc on the year to 4.95mn t in November, on the back of higher exports to China and India and relatively stable demand elsewhere.

Cargoes to China more than tripled on the year to 1.05mn t, the highest since June. China began taking larger volumes from the US early in the year as US coking coal prices slumped, with shipments up by 71pc in January-November compared with the same period of 2023.

US shipments to India also totalled 1.05mn t in November, a 45pc increase from the year prior. The month's data make 2024 the biggest year ever for US coking coal shipments to India, reflecting the increased importance of the nation's steel industry to US producers.

US cargoes to Indonesia came to an all-time monthly high of 407,000t, as suppliers continued actively marketing to the country's coke industry.

In Europe, shipments to Austria jumped by 80pc on the year to 175,000t, somewhat offsetting a 40pc drop in exports to the Netherlands over the same period. Brazil and Japan were other sources of on-the-year contraction.

Meanwhile, Canada's coking coal exports fell by 23pc on the year to 1.84mn t. The nation's exports declined for much of 2024 as the Japanese and South Korean steel industries — two of its primary buyers — strained under weak domestic demand and cheap imports.

Shipments to Japan and South Korea fell by 35pc to 387,000t and by 5pc to 274,000t, respectively. Canadian exports to China continued to grow, increasing by 15pc to 914,000t.
By Austin Barnes

OIL

Canadian crude discount widens on tariff threats

Canadian spot crude discounts to Nymex prices widened on Tuesday as some market participants priced in the growing liklihood of the US import tariffs.

Western Canadian Select (WCS) for February delivery at Hardisty, Alberta, was assessed between a $12.30-$12.50/bl discount to the CMA Nymex WTI, 30¢/bl wider day over day despite new data showing Alberta crude inventories falling by 600,000 bls week-over-week.

Futures markets for Canadian crude were also more active after Alberta premier Danielle Smith said Canada should prepare for US tariffs under US president-elect Donald Trump. “They’re likely to come in on January 20th,” Smith said after meeting with Trump over the weekend. “I haven’t seen anything that suggests that he’s changing course.”

Market participants saw both increased open interest levels and wider discounts for the WCS Hardisty financial contract (TMW) as traders began to hedge their barrels in coming months against the increased likelihood of tariffs.

In the US, Canadian Cold Lake (CLK) narrowed its discount to CMA Nymex WTI as it widened its premium to high-TAN grades in the region. The low-TAN grade narrowed its discount by 15¢/bl from the prior session to $3.60-$3.85/bl discounts. In Cushing, Oklahoma, Cold Lake traded at $4.40-$4.55/bl discounts to the CMA Nymex WTI, more than 5¢/bl narrower than the previous session.

By Kyle Tsang

Canada eyes ‘unprecedented’ tariff response

Tariffs threatened by president-elect Donald Trump against Canada will hurt the province of Ontario the most, the premier of the country’s most populated province said this week, so all options must be considered should retaliation be required.

“We have to use all the tools possible,” said Ontario premier Doug Ford in 13 January press conference, less than one week before Trump’s inauguration and the potential imposition of 25pc tariffs on imports from Canada and Mexico. “We might have to do things that are unprecedented,” which could include withholding shipments of minerals, Ford said.

Ontario accounts for about 40pc of Canada’s gross domestic product (GDP) and is known for its manufacturing, automotive and critical mineral industries.

Ford’s position runs in contrast to comments made earlier by Alberta premier Danielle Smith that cutting off Canadian energy flows to the US is a non-starter and would not happen.

“Well, that’s Danielle Smith, she’s speaking for Alberta, she’s not speaking for the country,” Ford said. “I’m speaking for Ontario, that’s going to get hurt a lot more. They aren’t going to go after the oil, they’re coming after Ontario.”

“I want to ship him more critical minerals, I want to ship him more energy, but make no mistake about it, if they’re coming full-tilt at us I won’t hesitate to pull out every single tool we have until they can feel the pain,” Ford said. “But that’s the last thing I want to do.”

Smith met with Trump at his Mar-a-Lago estate in Florida over the weekend, which was a welcome move by Ford, who said he has been working the phones calling American politicians daily.

Even so, Canada’s response needs to come from the federal government, which has so far been lacking, in Ford’s view.

“This is their jurisdiction,” said Ford. “They need to come up with a strong plan. They need to be doing everything, every single day to make sure we avoid these tariffs.”

Premiers will meet with prime minister Justin Trudeau this week to strategize how to deal with potential tariffs. Trudeau said last week he planned to resign amid low polls and party infighting with a new leader to be chosen on 9 March.

By Brett Holmes

OIL SPOTLIGHT

- US Senate leader warns against broad tariffs
- Biden fires final Russia sanctions shot
- Russian banks evaluate new oil sanctions impact
- IEA warns of supply squeeze from Russia and Iran sanctions
- Russian ESPO Blend crude prices to fall on US sanctions
- New Russia sanctions boost demand for Iraqi crude
- India-bound sanctioned oil tankers face uncertainty
- US blacklists Chinese crude pipeline operator
- Venezuela reports 998,000 b/d crude output to Opec
- Maduro claims Venezuelan presidency, sanctions build
- US crude stocks fall by 2mn bl: EIA

Canada will not cut off US energy: Alberta

Tariffs threatened by the US against Canada will become a reality, according to the premier of oil-rich Alberta , but any retaliation will not entail cutting off energy exports.

“They’re likely to come in on January 20th,” Alberta premier Danielle Smith said of the tariffs on Monday after she met with US president-elect Donald Trump at his Mar-a-Lago estate in Florida over the weekend. “I haven’t seen anything that suggests that he’s changing course.”

Trump in late-November said he plans to impose a 25pc tariff against all imports from Canada, citing inadequate border controls and a US trade deficit. Canada has since pledged to spend more money on border security while Smith reckons Canada would have a deficit if not for energy trade.

“We actually buy more goods and services from the US than they buy from us,” Smith said in an online interview with reporters. “We actually have $58bn in a trade deficit with the Americans when you take energy out.”

Smith wanted assurances the US is still interested in buying Canadian oil and gas, with her province being the heart of the country's energy sector.

"Oil and gas is going to be key for being able to get a breakthrough, once the tariffs do come in, in getting them off," said Smith.

Canadian foreign affairs minister Mélanie Joly said in a 12 January interview broadcast on CTV that the country could consider stopping the flow of Canadian energy in retaliation to tariffs. But Smith said that would not happen since the oil are owned by the province, not the federal government.

"[The federal government] will have a national unity crisis on their hands at the same time as having a crisis with our US trade partners," said Smith.

About 80pc of Canada's 5mn b/d of crude production is consumed by refineries in the US, with many in the Midcontinent having no practical alternative, according to the American Fuel and Petrochemical Manufacturers (AFPM). The region imported 2.7mn b/d of Canadian crude in October, the latest data point from the Energy Information Administration (EIA).

"I hope cooler heads prevail," said Smith, adding that Trump seemed interested in buying more oil and gas.
By Brett Holmes

Urals heavier in 4Q

Urals exports were heavier in fourth-quarter 2024, with the most significant change in density registered at the Black Sea port of Novorossiysk. There were also some fluctuations in Urals sulphur content — the grade was sourer at the Baltic port of Primorsk, but Urals supplied to Ust-Luga on the Baltic Sea and delivered through the Druzhba pipeline system was slightly sweeter in October-December. Sulphur content at Novorossiysk was steady against the third quarter. The changes may reflect the redistribution of crude flows in the Transneft system — exports increased by 1.4pc on the quarter to 4.01mn b/d (50.64mn t) in October-December, while shipments to Russian refineries fell by 3pc to 4.58mn b/d (57.72mn t) over the same period, according to preliminary data.

Sanctions underpin Mideast Gulf crude rally

A spike in spot demand boosted Mideast Gulf crude prices to multi-year highs, as refiners in China and India scramble to replace Russian crude supply targeted by tightening US sanctions.

The latest sanctions imposed by US president Joe Biden's administration on 10 January will make it more difficult for foreign buyers to buy Russian crude. The vessel restrictions and other measures may effectively cut off up to 3mn b/d of Russian crude supply to China and India, resulting in a severe shortage that has underpinned a rise in crude benchmarks. Russia exported 1.30mn b/d and 1.75mn b/d to China and India respectively in 2024, according to aggregated data from oil analytics firms Kpler and Vortexa.

Trade for Russian ESPO Blend, a key grade favoured by Chinese refiners for its high middle distillates yields and short-haul convenience, has paused amid uncertainty over Russian exports. Chinese buyers have instead turned to the Mideast Gulf to secure prompt-loading crude for their spot requirements. Refiners in China bought at least 10mn bl of medium sour Upper Zakum and Oman crude collectively since the sanctions were announced. These cargoes are scheduled to load or arrive in February, which is unusual as these two grades typically trade two months prior to loading. The current spot cycle would be for March-loading crude.

Most of these prompt cargoes have been supplied by French oil major TotalEnergies, which has amassed at least 19mn bl of January-loading and 17mn bl of February-loading Mideast Gulf crude through the Platts' Dubai partials mechanism over the past two months. The major was quick to act after the sanction announcement, issuing sale tenders on a daily basis this week targeting Chinese buyers.

But Chinese crude appetite may be constrained if domestic refining margins are squeezed because of higher crude prices, some traders said. Some Chinese refiners were already unwilling to increase crude throughputs in December — when run rates in the country have historically risen — because refining margins were lower compared with 2023.

The sanctions will also hinder Indian crude imports from Russia. Indian refiners are also expected to turn to the Mideast Gulf as an alternative source of supply, market participants said. Indian refiners were already steadily increasing purchases of prompt Mideast Gulf cargoes prior to the latest round of sanctions to make up for volumes of Russian crude lost to stronger competition from Chinese buyers.

High on sanctions

The backwardation in medium sour benchmark Dubai crude — the premium of front-month Dubai to the third-month contract — rallied to $3.03/bl on 14 January, the highest since October 2023, with the rise in Chinese and Indian buying interest. A wider Dubai backwardation indicates a stronger market for prompt Mideast Gulf crude.

Abu Dhabi's Murban crude and Oman crude, which serve as indicators of the strength of light sour and medium sour crude respectively, have also surged after the sanctions were announced. Front-month March Murban futures on the Ice Futures Abu Dhabi (IFAD) exchange climbed to a $3.81/bl premium against March Dubai swaps on 14 January, the highest since October 2023. March Oman futures on the Gulf Mercantile Exchange (GME) rose to a $3.75/bl premium against March Dubai swaps, the widest since November 2022.

Refiners elsewhere in Asia-Pacific are left with limited alternatives despite the surge in prices for Mideast Gulf crude. The Brent-Dubai EFS — the premium of Ice Brent futures to Dubai swaps and a key barometer of the west-east arbitrage — widened to $2.14/bl on 14 January, the highest since October 2024. A rising EFS makes it less economical for Asian refiners to buy Dated-linked crude compared to Dubai-priced cargoes. Prices of US WTI crude on a delivered northeast Asia basis have also risen.

The Opec+ coalition is not expected to deviate from their current plan to extend production cuts despite the supply crunch, market participants said. Opec+ producers are scheduled to begin unwinding production cuts gradually over an 18-month period starting from April.
By YouLiang Chay

Russia sanctions to hinder India's crude imports

The US' latest round of sanctions that target nearly every Russian oil and gas producer could disrupt supplies to India, and markets are trying to assess how to respond to the situation.

"There is a sense of confusion in the market as the sanctions will lead to a significant decline in the fleet of vessels available to supply crude from Russia, freight rates would go up, shrinking traders' margins", an oil trader with a state-owned refiner said.

US president Joe Biden's administration on 10 January announced sanctions against 183 vessels that it said forms a large part of the so-called "shadow fleet" that circumvent western sanctions. It also announced sanctions against oil trading firms, oilfield service providers, insurers, banks, and energy officials.

Sanctions have been imposed on Gazpromneft and Surgutneftegaz — Russia's third and fourth largest oil producers, respectively — and their Russian and foreign subsidiaries. Some of the sanctions on oil producers and insurance companies will be enforced from 27 February, but it is not clear when those on tankers and traders will come into effect.

The latest sanctions by the US Treasury's Office of Foreign Assets Control (Ofac) targeted 117 crude tankers, of which 102 transported Russian crude to China and/or India at least once in 2024. These newly sanctioned tankers handled over 530mn bl of Russian crude exports in 2024, of which around 230mn bl went to India, according to data from trade analytics firm Kpler.

Russian crude price differentials in India are expected to rise in the near term and reach parity with other non-sanctioned grades. The *Argus*-assessed Urals' discount to Dated Brent on a dap west coast India basis was as wide as $20/bl in 2022 but averaged $3.81/bl in 2024, and is likely to narrow even further.

After a round of sanctions in 2023-24, Russian vessels had turned to Russian insurance companies to cover supplies to India. But the latest round of sanctions also includes Ingosstrakh Insurance and Alfastrakhovanie, Russia's largest marine insurers which provide insurance to most vessels supplying Russian crude to India.

Non-sanctioned vessels are likely to be recruited into the shadow fleet in the coming months, which could further add pressure on the freight market, another oil trader said.

It is unclear how these sweeping sanctions will impact the RIL-Rosneft deal. The 500,000 b/d term deal is mainly for Russian grades like Urals, ESPO and Sokol. Rosneft has not come under the sanctions, but many of the tankers that supply their crude to India have been affected.

India may turn to its old friends in the Middle East to make up for the likely shortfall in supply, and also lean on west Africa, the US and Brazil as well, said market participants. Russia emerged as the largest crude supplier to India from 2022 as bans and sanctions were imposed on Russia after it invaded Ukraine in February 2022. India imported 1.78mn b/d crude from Russia in 2024, making up 38pc of the country's total crude shipments, according to Vortexa and Kpler data.

Indian refiners have already started ramping up shipments from the Middle East since November because of a shortage of grades like ESPO Blend and Sokol. The timing of the sanctions does not bode well for Indian refiners as Middle East suppliers like Saudi Arabia's Aramco, Iraq's Somo and Kuwait's KPC have already raised the official formula price for February-loading crude exports to customers in Asia. Sellers are likely to increase their prices as the market is getting tighter for India and China because of stronger sanctions on Iran as well, a source close to a refinery said.

Some of the entities in the new sanctions have already been covered by UK, EU or UN sanctions, but India has been diligent about not receiving vessels sanctioned by the US. Indian oil and gas minister Hardeep Singh Puri has repeatedly

stressed the need to avoid dealings with US-sanctioned entities.
By Roshni Devi

FREIGHT

Union, US ports reach tentative labour deal

Unionized port workers and operators of US east and Gulf coast ports and terminals last week reached a tentative agreement on a new work contract, averting a strike that would have started this week.

The International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) said the new six-year contract still needs to be reviewed and approved by members of both sides before it will be ratified. They have agreed to continue to operate under the current contract until the agreement is finalized.

"This agreement protects current ILA jobs and establishes a framework for implementing technologies that will create more jobs while modernizing East and Gulf coasts ports — making them safer and more efficient and creating the capacity they need to keep our supply chains strong," the ILA and USMX said in a joint statement.

US president Joe Biden praised the deal, saying it shows both sides can settle their differences to benefit workers and their employers.

"I applaud the dockworkers' union for delivering a strong contract," Biden said. "Their members kept our ports open during the pandemic, as we worked together to unsnarl global supply chains."

The National Retail Federation (NRF) also lauded the deal after the group signed a letter last month urging the parties to resume negotiations.

"Providing certainty with a new contract and avoiding further disruptions is paramount to ensure retail goods arrive in a timely manner for consumers," said Jonathan Gold, the NRF's vice president of supply chain and customs policy.

Details of the agreement will not be released until after members have had time review and approve the deal, ILA and USMX said.

The current contract was set to expire on Wednesday after the parties struck a temporary agreement to end a three-day port strike in October 2024.
By Luis Gronda

REFINERY OPERATIONS UPDATE

US Gulf coast

- ExxonMobil began scheduled maintenance at its 564,500 b/d Baytown, Texas, refinery on 12 January. The planned work began at 7:10pm ET, according to a community notice published by ExxonMobil. The company did not disclose the affected units or when the work would be done.

- Flint Hills Resources (FHR) reported flaring because of unspecified "operational conditions" on 15 January at the 268,500 b/d west plant of its Corpus Christi refinery complex. Affected units were not disclosed.

US west coast

- Marathon Petroleum reported emergency flaring at the Wilmington, California, side of its 365,000 b/d Los Angeles refinery on 13 January. The cause of flaring or units affected was not disclosed.

- PBF Energy will begin shutting a unit at its 160,000 b/d Torrance refinery in California on 14 January. Flaring associated with "start-up/shut down" operations began that afternoon and is expected to last through 21 January. The affected unit was not disclosed. PBF is planning a roughly 60-day turnaround for Torrance in the first half of 2025, but the exact time is unclear.

- Chevron's 269,000 b/d refinery, Phillips 66's 139,000 b/d refinery, Marathon Petroleum's 365,000 b/d refinery, PBF Energy's 160,000 b/d refinery and Valero's 89,000 b/d refinery have been unaffected by deadly wildfires burning in the Los Angeles, California-area as of today. The wildfires in Los Angeles County have burned more than 40,000 acres and destroyed over 12,000 structures. The Palisades fire, covering over 20,000 acres and closest to the refineries, is the largest of the five wildfires and was only 19pc contained, according to the California Department of Forestry and Fire Protection.

ANODE COKE MARKET

Low-sulphur anode-grade coke prices rise sharply

Prices for low-sulphur anode-grade green petroleum coke (GPC) delivered to China increased steeply again this week because of strong demand from industrial buyers and traders anticipating tighter supply.

A South American low-sulphur GPC cargo was heard to have exceeded $400/wet metric tonne cif China and may have sold for as much as $450/wmt cif in a tender that closed on Tuesday, according to market participants. The supplier offered 24,000t for loading between 30 January and 7 February. Another tender for 20,000t of South American low-sulphur GPC for loading in the first half of February was heard to have closed at around $430/wmt cif. These are up from recent sales of this quality in the mid-to-high $300s/wmt cif. A cargo of European low-sulphur GPC was also reported sold in the low-$400s/wmt cif China for February delivery.

The prices are even higher than some recent sales of previously imported low-sulphur anode-grade GPC at China's main ports, as stockpile offers of South American low-sulphur GPC have risen to the equivalent of about $390/wmt cif. But a Chinese trading firm did sell 2,000t of Azerbaijani sponge coke at 3,700 yuan/wmt from Rizhao port this week, equivalent to almost $430/wmt cif China.

The firm also sold 5,000t of Russian sponge coke at Yn2,200/t, equivalent to around $250/wmt cif China.

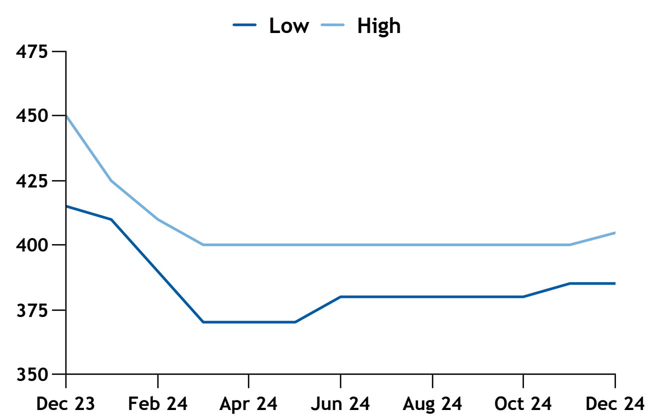
Stockpiles at China's main ports have reportedly stabilised at about 3.1mn t.

Some Chinese refiners also increased domestic low-sulphur GPC prices by Yn150-240/wmt on the week to Yn3,210-3,750/wmt, depending on the exact specifications.

Monthly anode-grade coke assessments: Jan					$/t
Assessment date: 8 Jan 25	Sulphur	Low	High	Mid	
Green					
cif US Gulf, dry basis	0.8%	297.00	373.00	335.000	
	3.0%	155.00	180.00	167.500	
	5.0%	77.00	98.00	87.500	
cif China, as received	0.8%	295.00	365.00	330.000	
ex works China, as received *Yn/t*	0.8%	2,650.00	3,400.00	3,025.000	
	3.0%	1,700.00	2,100.00	1,900.000	
fob Mideast Gulf, as received	4.0%	250.00	305.00	277.500	
Calcined					
fob US Gulf	3.0%	385.00	405.00	395.000	
fob China	3.0%	365.00	400.00	382.500	
cif Europe	1.5%	365.00	405.00	385.000	
cif Mideast Gulf	3.0%	400.00	435.00	417.500	

Next assessment date: 5 Feb 25

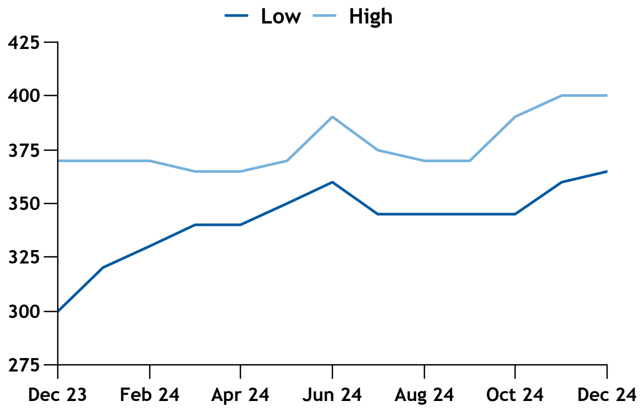
Calcined fob USGC 3% sulphur $/t



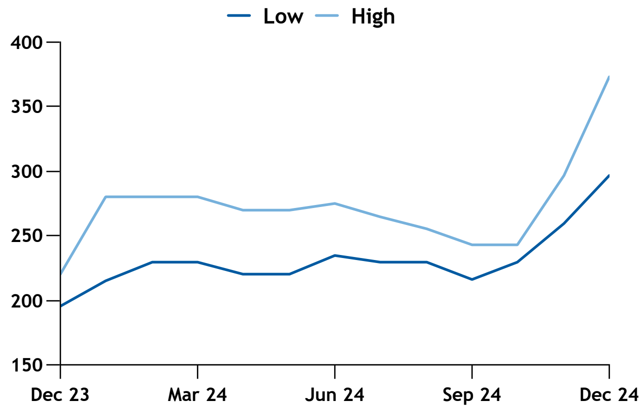
Monthly anode-grade coke assessments										$/t
		Oct 24			Nov 24			Dec 24		
	Sulphur	Low	High	Mid	Low	High	Mid	Low	High	Mid
Green										
cif US Gulf, dry basis	0.8%	229.50	243.00	236.250	259.00	297.00	278.000	297.00	373.00	335.000
	3.0%	155.00	180.00	167.500	155.00	180.00	167.500	155.00	180.00	167.500
	5.0%	70.00	90.00	80.000	77.00	98.00	87.500	77.00	98.00	87.500
cif China, as received	0.8%	230.00	285.00	257.500	260.00	295.00	277.500	295.00	365.00	330.000
ex works China, as received *Yn/t*	0.8%	2,050.00	2,600.00	2,325.000	2,300.00	2,950.00	2,625.000	2,650.00	3,400.00	3,025.000
	3.0%	1,500.00	1,600.00	1,550.000	1,600.00	1,820.00	1,710.000	1,700.00	2,100.00	1,900.000
fob Mideast Gulf, as received	4.0%	175.00	200.00	187.500	200.00	250.00	225.000	250.00	305.00	277.500
Calcined										
fob US Gulf	3.0%	380.00	400.00	390.000	385.00	400.00	392.500	385.00	405.00	395.000
fob China	3.0%	345.00	390.00	367.500	360.00	400.00	380.000	365.00	400.00	382.500
cif Europe	1.5%	360.00	395.00	377.500	360.00	405.00	382.500	365.00	405.00	385.000
cif Mideast Gulf	3.0%	390.00	420.00	405.000	400.00	430.00	415.000	400.00	435.00	417.500

ANODE COKE MARKET

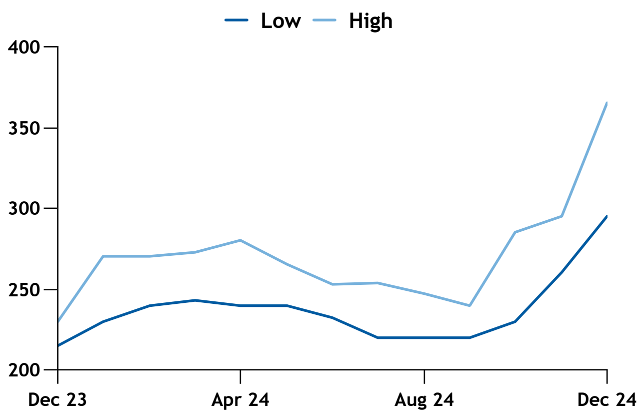
Calcined fob China 3% sulphur *$/t*



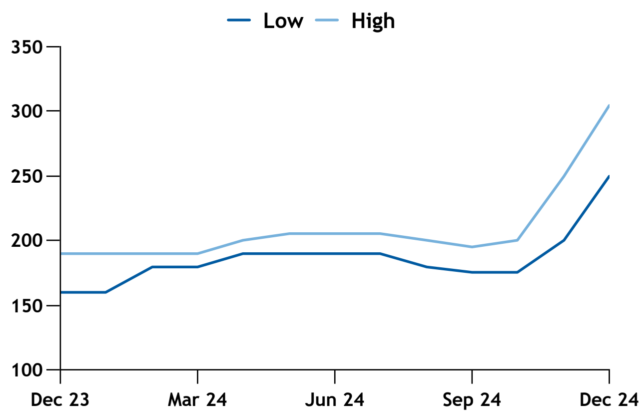
Green cif USGC 0.8% sulphur *$/t*



Green cif China 0.8% sulphur *$/t*



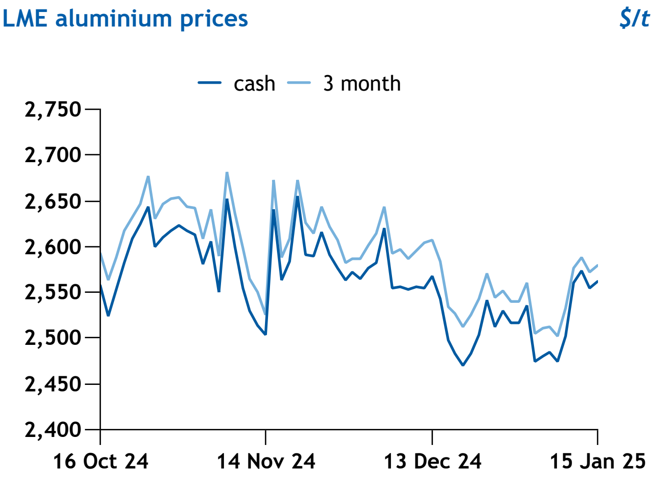
Green fob Mideast Gulf 4% sulphur *$/t*

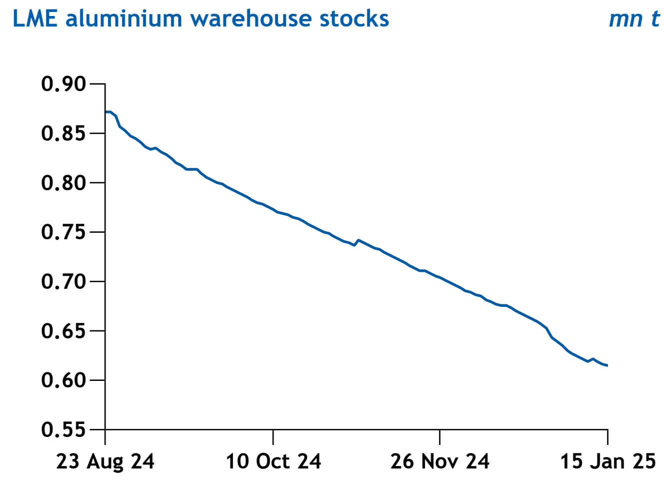


Beijing officials reiterated this week that they will continue to implement stimulus measures to meet the country's economic growth targets. The battery industry in China also continued to support demand for GPC. China's production and installed volumes for power and energy storage batteries rose in December by 60pc and 57pc on the year to 124.5GWh and 75.4GWh, respectively. The country produced 1.53mn new energy vehicles in December, a 31pc increase on the year, while sales rose to 1.596mn units, a 34pc increase from a year earlier.

In the higher sulphur market, Marathon Petroleum was seeking bids on Wednesday for a February-loading 30,000t cargo of medium-sulphur anode-grade coke alongside 10,000t of high-sulphur fuel-grade coke from the Carson, California, side of its 365,000 b/d Los Angeles refinery, with bids expected to exceed $200/wmt fob for the roughly 3.7pc sulphur anode-grade GPC. Destructive wildfires in the region have so far not affected the Los Angeles refinery or operations at the Port of Long Beach, where the cargo is set to be loaded.

ANODE COKE MARKET





ANODE COKE NEWS

China's calcining overcapacity to rise

China's petroleum coke calcining capacity is expected to rise in 2025, even as the country had substantial excess capacity and weak calcining margins in 2024. This could keep a lid on prices for calcined petroleum coke (CPC), despite a steep rise in raw material pricing.

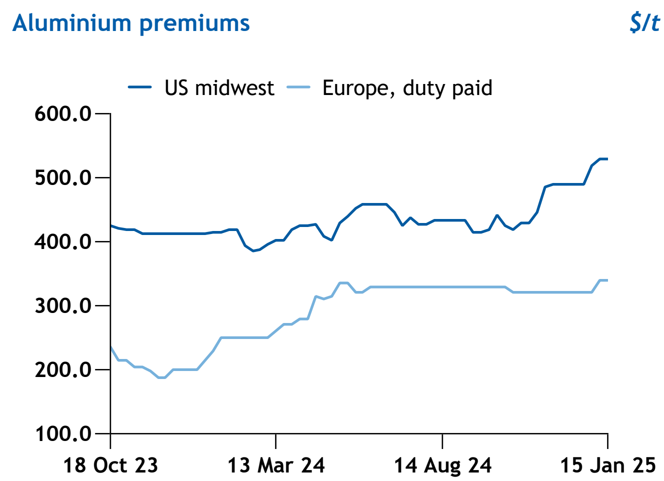
China has a significant amount of calcining capacity planned for startup in 2025, even as existing capacity already outpaces expected demand from the aluminium and battery industries.

"There will be many new calciners, and the capacity is too large," one Chinese calciner said.

Chinese companies have announced plans to build 2.5mn-4mn t/yr of new calcining capacity, while existing capacity is only operating at around 60-65pc, sources said. It is unlikely that all of this new capacity will actually operate fully, and some existing capacity will likely reduce operations as a result, meaning actual production will rise by a much smaller amount, possibly only by around 2pc on the year.

The low capacity utilisation is partly because of China's winter heating season emissions policy in certain regions around Beijing, which requires calciners and anode plants to cut operations from 15 November to 15 March. Some of the calcining capacity is being constructed outside the emissions control area, but actual policy impacts are difficult to predict, as local governments tend to enforce the policy unevenly.

The new calcining capacity is also being built near industrial parks that utilise steam in their operations, one participant noted. CPC producers are able to profit from their facility's waste heat by selling steam produced as a by-product of the calcining process to other industrial users. But steam sales fell at points last year, with calciners only selling around 60-70pc of their steam in the summer months. When producers cannot achieve CPC prices that cover their raw materials costs and face a lack of steam sales, they have less incentive to continue running their kilns.



Margins to remain under pressure

Calciners' profit margins have been fairly weak as green petroleum coke (GPC) prices were high in comparison with CPC prices. The average of *Argus*' ex-works China low- and high-sulphur anode-grade GPC assessments made up 68pc-88pc of the fob China 3pc sulphur CPC price on a US dollar basis last year, with the 0.8pc sulphur domestic China price ending the year at $412.60/wet metric tonne, up from $285.87/wmt in December 2023 and higher than the fob China CPC price, which was assessed at a midpoint of $383/dry metric tonne.

Seaborne GPC prices on a cif China basis also generally rose during the year, starting 2024 at $250/wmt cif in January and were last assessed at $330/wmt cif for December.

Some Chinese smelters have also tightened specifications recently, requiring calciners to use more of the most expensive, high-quality GPCs, sources said.

GPC prices look set to continue to rise this year, especially in the first quarter, as Chinese refiners slow down production or enter maintenance because of a planned increase in fuel oil import tariffs.

CPC demand from aluminium smelters, the largest buyers, could also weaken as smelters may cut production as they struggle with high costs for alumina raw material. Alumina prices have recently reached record highs of nearly $800/t because of supply disruptions in several major supplying regions, and around one-third of Chinese aluminium producers have been facing negative production margins since the end of November, prompting some of them to reduce operations. Smelters in Sichuan, Henan and Guangxi provinces are also expected to start maintenance if alumina prices remain at the current high level.

"If alumina is $800/t, you're looking at $1,600/t cost even before you add in petcoke, power, everything else," one source said.

Another major reason companies are investing in new calcining capacity is to serve anticipated growth in China's battery anode market over the next five years. Battery producers consume 3t of CPC for each tonne of battery anode material, market sources said, which will require a large amount of calcining capacity in the coming years. But CPC capacity growth appears to be outpacing demand growth from battery anode producers this year, according to market participants.

By Hadley Medlock and Lauren Masterson

Alba, Ma'aden call off tie-up talks

Middle Eastern aluminium producers Aluminium Bahrain (Alba) and Saudi Arabia's Ma'aden have mutually agreed to discontinue talks over a potential combination of the two companies, they announced on 13 January.

Alba and Ma'aden entered into a non-binding agreement to explore a potential merger in September. The agreement had been due to expire at the end of the year, but was extended to the end of April late last month. But the talks have now ended less than a month after that extension.

The two companies had discussed potential structures for the proposed combination, including a cross-listing of Alba on the Saudi Exchange and the issuance of new Alba shares to Ma'aden. In exchange, Ma'aden would have contributed the entire share capital of two of its subsidiaries — Ma'aden Aluminium and Ma'aden Bauxite and Alumina — as well as contractual rights.

Just two days after the initial agreement was signed in September, Ma'aden announced that it had agreed to acquire the 20.62pc share of Alba that was owned by Saudi chemical manufacturer Sabic.

Last week, Alba announced that it set a new production record in 2024 with a total output of 1.622mn t of aluminium, up 0.10pc from the previous year.

By Jethro Wookey

SPOTLIGHT

China's Yatong cancels purchase of Zhonghaiwai refinery
China's Sinopec to expand Qilu refinery by 2027
US EV sales up by 7pc in 2024 on IRA subsidies
US' ACE to expand Indian LFP battery recycling plant
Syrah awarded $165mn IRA tax credit
China finds more metals resources in 2021-24: Ministry
Saudi's Ma'aden to map Brazil's critical minerals
China's TiO2 output to fall on weaker demand, profits

Alba sets new production record in 2024

Aluminium Bahrain (Alba) announced on 9 January it set a new production record in 2024 with a total output of 1.62mn t of aluminium, up 0.1pc from the previous year despite a minor industrial fire at a power rectiformer supplying its reduction line 1 in November.

The record follows the capacity optimisation of the company's reduction line 6, which was originally commissioned in late 2018 and reached full capacity of 560,000 t/yr in April 2023. Alba is now planning to install new production facilities to replace existing lines 1, 2 and 3, having shelved earlier plans to install a seventh reduction line at its smelter.

Alba and fellow Middle Eastern aluminium producer

Ma'aden entered into a non-binding agreement to explore a potential combination of the two companies in September. This agreement had been due to expire at the end of 2024, but has now been extended to the end of April this year.
By Jethro Wookey

Lower demand weighs on Chinese alumina prices

Chinese alumina prices have fallen significantly since early January in response to lower demand from aluminium producers, with prices likely to extend a downtrend before the lunar new year holiday.

Alumina front-month contracts on the Shanghai Futures Exchange closed at 4,051 yuan/t ($555/t) on 14 January, down sharply by 29pc from a peak of Yn5,684/t on 4 December. Spot prices in the main production hub Shanxi province fell by 22pc to Yn4,925/t ex-works from a peak of Yn5,800/t over the same period, according to an *Argus* survey.

Alumina prices started a rapid uptrend in the second half of September — when spot prices in Shanxi province reached Yn4,000/t — until early December, mainly driven by tight supply and firm demand from aluminium producers.

Aluminium production profit margins have shrunk sharply, squeezed by the surge in alumina feedstock prices. This prompted some aluminium producers in Sichuan, Henan and Guangxi provinces to start care and maintenance in mid-December, which has weighed on alumina demand and prices.

Environmental restrictions to curb severe air pollution in Shanxi province affected some alumina plants' production in early December, which then reduced their output and prevented spot prices from falling more significantly in December.

But a 1mn t/yr alumina plant in Shanxi province is expected to restart in January, after a suspension in August 2022 caused by a shortage of domestic bauxite feedstock supplies. "The plant is preparing to import bauxite feedstock for a restart soon," a trader told *Argus*. "Some alumina suppliers have lowered their offers to boost sales and reduce inventories before prices fall further given rising supply."

Some deals with small volumes were concluded at Yn4,800/t earlier this week, which dented market confidence. Prices are expected to extend the downtrend before the lunar new year holiday, according to a second trader.

The alumina import arbitrage has remained negative, following falls in domestic and overseas alumina prices. Alumina fob Australia prices dipped from $810/t in the early of December to around $610/t on 15 January. Importing alumina to China is unprofitable after taking into account freight and port operating costs, according to an analyst at a trading house.

Market participants expect the alumina supply shortage will ease in 2025, given an increase in Guinea's output and a rise in production capacity in China. Guinean bauxite output is expected to increase by more than 25mn t in 2025, with around 18mn t likely to flow into China. This is expected to ease the shortage in bauxite feedstock supply in China, a trader told *Argus*. Record-high alumina prices in the fourth quarter of 2024 encouraged many Chinese alumina producers to build new production lines, with some of them set to come on stream in 2025.

Bauxite to soften

Cif China prices for Guinean bauxite held stable at $108/t on 15 January. But market participants expect prices may start to decline in the near term, considering steady Guinean shipments and reduced purchases from alumina producers caused by their weaker profit margins, market participants told *Argus*.

Guinean bauxite prices had been steady at $105/t cif China since the middle of December until early this year. There were industry discussions that shipments from a Guinean bauxite supplier would be delayed because of political turbulence in the country, which pushed prices higher by $3/t to $108/t on 3 January.

But the turbulence had little impact on Guinean shipments and inventories are sufficient at ports. Most domestic alumina producers have delayed their bauxite feedstock purchases because the sharp fall in alumina prices squeezed their profit margins significantly, according to market participants.

US aluminium demand up through 3Q 2024

US and Canadian aluminum demand grew by nearly 5pc between January 2024 and September 2024 from the prior year.

US and Canadian aluminum demand totaled 20.7bn lb through the third quarter of 2024, up from 19.8bn lb in the same period of 2023, according to the Aluminum Association.

This was relatively on par with 2022 levels and up from 17.8bn lbs and 19.7bn lbs in 2020 and 2021, when the Covid-19 pandemic widely curbed demand, but was still down from its 21.2bn lb peak in 2019.

Sheet and plate product demand grew by 6.9pc in 2024 from the year prior while total semi-fabricated product demand through the third quarter of 2024 rose by 2.5pc.
By Cole Sullivan

Brimstone will produce alumina in US by 2030

California-based cement maker Brimstone plans by 2030 to produce US smelter-grade alumina as part of its decarbonized cement manufacturing process.

Alumina is the core material used to produce aluminum, and the only operational alumina refinery in the US relies on imported sources of unrefined alumina.

Brimstone will produce alumina using carbon-free calcium silicate rocks, reducing the need for imported alumina as well as imported bauxite to use in alumina production.

From January-September, the US imported 989,000 metric tonnes of alumina, including 749,000t from Brazil. In the same period, the US imported 1.6mn t of unrefined bauxite, including 1.3mn t from Jamaica and 232,000t from Turkey, in addition to 272,000t of calcined bauxite.

Brimstone will begin pilot operations in 2025 and seeks to have its commercial demonstration plant operating by 2030. Brimstone on 8 January received $8.7mn of a total $189mn in federal cost share from the Department of Energy's Office of Clean Energy Demonstrations to help with site selection and other initial studies.

By Cole Sullivan

Japan aluminium 1Q premium surges

Japan's aluminium P1020 premiums for the first quarter of 2025 was settled at $228/t over cash London Metal Exchange (LME) prices. Premiums rose by $53/t from the previous quarter, reaching the highest level since *Argus* began the assessment in 2016.

Initial offers were much higher at above $240/t in December, and only a small volume was concluded at $228/t to Japan. The significant increase was primarily driven by concerns over future supply in the seaborne market and escalating trade measures in the global market.

Some suppliers either withdrew their production forecasts or planned to reduce output levels, fuelling concerns about tight supply. China announced the cancellation of the 13pc export tax rebate for fabricated aluminium products from 1 December 2024, which led to increased demand from rolling mills outside China. The premium in the US also rose because of potential higher import tariffs.

But demand in Japan is still weak owing to slow domestic car production and construction activity. Japan's domestic car production continued its downward trajectory for most of 2024, with output recording a year-on-year fall for every month from January to November, except in May and July.

Feedstock crunch worries Shandong refiners

Private-sector refiners in Shandong, China, are increasingly concerned about feedstock availability, because ongoing uncertainties about tax rebates prevent them from buying fuel oil when local port bans on sanctioned tankers deprive them of discounted crude.

Refiners have not ramped up buying for February-delivery fuel oil as expected, because concerns about massive extra tax costs have resurfaced. The local tax bureau in Binzhou, Shandong, told local refiners on 30 December that the rebate for the fuel oil consumption tax should be cut to around 50pc from 100pc, which will lead to extra cost of $13/bl. The Binzhou tax watchdogs' proposed 50pc rebate is based on the yields of gasoline and diesel that are subject to consumption tax.

Market participants said a potential feedstock shortage could lead to refinery run cuts and lower gasoline and diesel supply. This has been amplified this week by Shandong Port Group banning sanctioned tankers that typically deliver discounted Iranian and Russian crude to local refiners.

Traders from northern and eastern China ramped up buying of transport fuel, especially low-priced diesel, from northeast China's Bohai to prepare for a brisk consumption season that might start in mid-February after the Lantern Festival. Diesel sales more than tripled on the month to more than 210,000 b/d during the 1-9 January period, and gasoline sales rose by 13pc to more than 110,000 b/d.

But gasoline prices rose by more than those for diesel, because the coming Chunyun travel rush is likely to boost consumption immediately, and this sent gasoline's crack spread in Bohai up by $5.13/bl on the week to a four-month high of $9.7/bl on 9 January. The diesel crack was up by $2.3/bl to $14.0/bl.

Local refiners have mostly continued applying for a full rebate of 1,231 yuan/t ($26/bl) this month and are waiting for the tax watchdogs' approval. They successfully got a rebate of up to 95-100pc in the fourth quarter after the tax bureaus, led by the one in Dongying, began to lobby them to accept a rebate cut in September. But refiners have been strongly opposed to this, citing poor margins and their important role in the local economy.

Traders have cut their fuel oil offers to an average $58/t to the Singapore benchmark from last week's $60/t to attract buying, pinning hopes on another approval for refiners' tax rebate application. The outright prices of Russian M100 fuel oil stood at $73.97/bl for February delivery in the week to 10

January, down from $74.19//bl a week earlier, although this is high compared with other feedstocks. Refiners without a crude import quota are keen buyers of fuel oil.

Tanker ban not a government move

Shandong Port Group's ban on sanctioned tankers is more of a company decision rather than a government guidance, a trading source said.

Foreign ministry spokesman Guo Jiakun told a news conference on 8 January knew nothing about the ban, and said China does not welcome unilateral sanctions imposed by the US.

It is unknown why state-owned Shandong Port Group imposed the ban. It might be wary of negatively affecting its business, the trading source said. The group has three listed companies, and their shares are vulnerable to any negative news.

Austria's OMV hit by lower refining margins

Austria's OMV said its fourth quarter results will be negatively impacted by sharply lower refining margins and lower retail margins in Europe.

The firm said in a trading update on Tuesday that its fuel and feedstock division result would be negatively impacted by lower fuel sales volumes in the fourth quarter from the previous one, higher fixed costs, and by sharply lower retail and refining margins — its fourth quarter refining margin in Europe dropped to $5.90/bl in the fourth quarter from $9.92/bl a year earlier. Sales volumes fell to 4.1mn t from 4.35mn t in the previous quarter and 4.28mn t in the fourth quarter of 2023.

OMV said its energy division was positively impacted by higher sales volumes in Libya — after output was blockaded in the previous quarter, giving it a "catch-up effect" of nearly €300mn ($308mn) — but its overall output only rose by 5,000 b/d of oil equivalent (boe/d) in the fourth quarter from the third to 337,000 boe/d, and that figure was down from 364,000 boe/d in the fourth quarter of 2023. OMV's average realised crude price dropped to $72.60/bl in the fourth quarter from $82.30/bl a year earlier.

The firm said its chemicals result for the quarter will be negatively impacted "in a mid double-digit million euro range" compared with the third quarter by higher fixed costs driven by seasonal impacts, "lower light feedstock advantage" and other one-off effects.

OMV will publish its fourth quarter and full-year results on 4 February.

By Gavin Attridge

BP Lingen refinery's hydrocracker likely off line

Maintenance work at the 95,000 b/d Lingen refinery in Northern Germany appears to be continuing, following a unit failure on the night of 8 January — likely the sole hydrocracker at the site.

Since 10 January, shipowners have reported an increase in demand for barges to take vacuum gasoil (VGO) from Lingen, and deliver blending components such as naphtha and HVO to the refinery. The apparent shortage of blending components and the oversupply of VGO suggests a hydrocracker failure. The unit, which has a capacity of 1.5mn t/year, converts distillates or VGO into light heating oil, diesel or gasoline. BP, the operator of the Lingen refinery, did not comment.

By Johannes Guhlke

Oil sector pushes reversal of California EV rule

The oil sector is leaning on the Republican-controlled Congress to use a special legislative procedure to block a California rule requiring all new cars and trucks sold within its borders to be electric vehicles (EV), plug-in hybrid or hydrogen models by 2035.

President-elect Donald Trump is widely expected to direct the US Environmental Protection Agency (EPA) to rescind a recent waiver authorizing those tailpipe rules, but such an action remains untested in court. A top oil lobbyist on Tuesday pressed US Senate majority leader John Thune (R-South Dakota) to, instead, disapprove the waiver using the Congressional Review Act (CRA), a filibuster-proof tool that would also halt the approval of a similar waiver in the future.

"What California did was completely radical," American Petroleum Institute (API) president Mike Sommers told Thune during an event the group sponsored in Washington, DC. "So we would highly encourage you to look at that as an option for the CRA, and we believe that you can do it."

Thune said committee leaders are going through recent regulations to see what is eligible for disapproval under the law, which only applies to some final rules within a "lookback period" of 60 legislative days. EPA has already said the California waiver is not subject to the CRA, a finding the independent Government Accountability Office affirmed last year. But Thune said he was working with his team to see if there was a way for the waiver to be disapproved.

"We are looking for lots of opportunities in that space, and trying to argue with the parliamentarian, and obviously with others, about the whole California waiver issue and how to reverse that, because that was such a radical regulatory overreach," Thune said.

One possible way to disapprove the California waiver would be for lawmakers to find the waiver is subject to the CRA, effectively ignoring the advice that Congress has followed in the past. Boyden Gray attorneys Michael Buschbacher and James Conde, in an op-ed last week in the *Wall Street Journal*, backed that approach and said federal courts would not have the "constitutional right to second-guess" such a decision.

Oil industry officials have said the California waiver, combined with tailpipe rules issued under President Joe Biden, have created an "EV mandate" that will hurt consumers and increase reliance on minerals produced in China. Those rules have "gotten to the point of ridiculousness", where automakers are having to steeply discount EVs to meet increasingly stringent fuel-economy rules, Hess chief executive John Hess said at the event.

API on Tuesday reiterated its policy goals under Trump, which include repealing tailpipe standards, rescinding a pause on new LNG export licenses, expediting permitting and repealing a $900/t fee on methane emissions. Sommers said the trade group supports Trump's pledge to reverse Biden's decision to halt oil and gas leasing on 625mn acres of federal waters, but also said it could be reversed by Congress through a budget bill.

The trade group hopes Trump will reverse his first term decision to put a moratorium on leasing in the eastern Gulf of Mexico that will otherwise last until mid-2032, Sommers said. Trump signed the initial moratorium during his first re-election bid because of intense opposition to drilling in Florida.

"We would be hopeful that he would lift that moratorium himself," Sommers said. "We think he has the authority to do so."

By Chris Knight

Hydro agrees to take 100pc of Hydrovolt

Norwegian aluminium producer Hydro has agreed to acquire the remaining shares in battery recycler Hydrovolt from Swedish battery manufacturer Northvolt for 78mn kroner ($6.8mn), it said on 13 January.

Hydrovolt was established in 2020 as a 50:50 joint venture between Hydro and Northvolt, and operates one of Europe's largest electric vehicle (EV) battery recycling plants in Fredrikstad, Norway. It can recover 95pc of the materials used in batteries, including plastics, copper, aluminium and black mass, a powder containing elements that constitute EV batteries — nickel, manganese, cobalt and lithium.

The company is also building a plant in Hordain, northern France, where it aims to launch operations later this year. Hydrovolt's goal is to recycle about 300,000t of battery packs by 2030 — equivalent to about 500,000 EV batteries.

Northvolt submitted a Chapter 11 bankruptcy filing in November last year, as it struggled with debts of around $5.8bn against cash holdings of $30mn. Shareholders voted last week to continue operations as normal rather than go into liquidation, as the firm looks for new funds under the US Chapter 11 process.

Hydro has been financing Hydrovolt's operations alone since the second half of last year, and its ownership of Hydrovolt had increased to 72pc before this agreement. Hydro will now look for a new partnership to secure long-term financing for the subsidiary.

"Hydro is confident in Hydrovolt's potential and ability to become a leading European player in battery recycling, and that it remains attractive to the right partner," it said.

The transaction is expected to close in the first quarter of this year, subject to court approval.

By Jethro Wookey

China's battery volumes rise in 2024

China's production and installed volumes for power and energy storage batteries rose in 2024 from a year earlier on strong demand from the new energy vehicle (NEV) sector.

- Lithium iron phosphate (LFP) batteries continued to account for the majority of market share, with production and installed volumes accounting for 74.4pc and 74.6pc of the country's total volumes in 2024, according to data from the China Automotive Battery Innovation Alliance (Cabir).
- Top three battery producers Contemporary Amperex Technology, BYD and CALB installed 246GWh, 135GWh and 36.5GWh respectively in 2024, accounting for 45pc, 25pc and 7pc of the country's total volumes.
- China produced 12.888mn NEVs in 2024, up by 34pc from a year earlier, with sales rising by 36pc to 12.866mn units in the same period, data from the China Association of Automobile Manufacturers show.
- *Argus*-assessed costs for cathode active material NCM811 rose to $27.17/kwh on 7 January from $26.59/kwh on 3 December in response to supply cuts and increased demand for nickel sulphate. The costs for LFP cathode active material (CAM) decreased to $9.98/kwh from $10.31/kwh over the same period on the back of a fall in Chinese lithium carbonate prices in December.
- *Argus* launched a new ex-works China price for LFP CAM on

China's battery output and newly installed volumes

Type	Dec 24 *GWh*	y-o-y ±%	m-o-m ±%	Jan-Dec 24 *GWh*	y-o-y ±%
Power and energy storage battery production					
NCM/NCA	26.0	4.1	7.2	278.3	13.6
LFP	98.1	87.1	5.1	816.1	53.6
Total	124.5	60.2	5.7	1,096.8	41.0
Power battery newly-installed volumes					
NCM/NCA	14.3	-13.4	5.5	139.0	10.2
LFP	61.0	95.1	14.0	409.0	56.7
Total	75.4	57.3	12.2	548.4	41.5

— Cabir

**Total includes other materials not listed*

China's NEV production and sales

Type	Dec 24 *unit*	y-o-y ±%	m-o-m ±%	Jan-Dec 24 *unit*	y-o-y ±%
Production					
Battery-electric	942,000	16	-0.1	7,758,000	16
Plug-in hybrids	588,000	63	-5.6	5,125,000	78
Fuel-cell	302	-77	-23	5,000	-10
Total production	1,530,000	31	-2.3	12,888,000	34
Sales					
Battery-electric	973,000	18	7.2	7,719,000	16
Plug-in hybrids	622,000	71	3.0	5,141,000	83
Fuel-cell	268	-82	-30	5,000	-13
Total sales	1,596,000	34	5.6	12,866,000	36

— CAAM

7 August, which narrowed to 34.30-38.80 yuan/kg ($4.68-5.29/kg) on 9 January from Yn34.20-39/kg on 4 December.

China's EV output, sales hit record highs in 2024

China's new energy vehicle (NEV) production and sales reached record highs in 2024, with NEV market penetration also rising to a historical high.

- NEV production totalled 12.888mn units in 2024, up by 34pc from a year earlier, while sales rose by 36pc to 12.866mn units over the same period, data from the China Association of Automobile Manufacturers (CAAM) show.
- China produced 1.53mn NEVs in December, up by 31pc on the year and down by 2.3pc on the month. Sales increased to 1.596mn units, up by 34pc from a year earlier and by 5.6pc from November.
- NEVs accounted for 40.9pc of the country's total auto sales in 2024, up from 31.6pc in 2023 and 26pc in 2022.
- Most Chinese new energy vehicle (NEV) manufacturers posted sales growth in 2024 from a year earlier, according to company reports, mainly driven by higher adoption of EVs and government incentives.
- China exported 134,000 NEVs in December, up by 20pc from a year earlier and by 61pc from November. China's total NEV exports rose to 1.284mn units in 2024, up by 6.7pc from a year earlier. But exports are likely to face more uncertainties in 2025 given greater geopolitical risks.

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