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Energy Argus *Petroleum Coke*

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MARKET OVERVIEW

Coke prices climb even higher

Petroleum coke market prices continued to rise this week, particularly on a cfr basis as offers rise on higher freight costs.

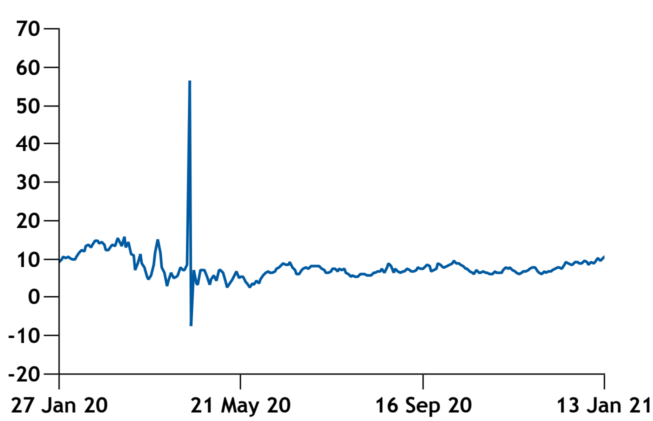
At least three Indian cement firms were in the market for first quarter-loading high-sulphur cargoes. A Brazilian plant was also seeking high-sulphur, and a Turkish cement plant was collecting offers for mid- and high-sulphur supply.

Supply does not appear to be as tight as in previous months, with buyers saying they are receiving offers for US Gulf cargoes from a number of refineries and trading firms. But prices have remained firm, with one high-sulphur deal done for \$73-\$74/t on an fob US Gulf basis this week. The *Argus* assessment rose by 50¢/t on the week to \$73.50/t for 6.5pc sulphur coke and by the same amount for 4.5pc to \$79/t.

The higher fob prices, combined with rising freight rates, led to even bigger rises in cfr prices. India-delivered prices of US 6.5pc sulphur coke and Saudi Arabian 8.5pc sulphur coke gained by \$2/t on the week to \$107/t and \$102/t, respectively.

The Supramax freight rate for the US Gulf-to-east coast India route was assessed \$1.25/t higher on the week at \$40.50/t, a one-year high. The higher freight rates and fob prices boosted offers to about \$115/t cfr, although there was no buying interest at this level. A February/March-loading US 6.5pc

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



KEY PRICES

Petroleum coke spot market				$/t
	HGI	Price	±	Four-week average
Atlantic basin				
fob US Gulf coast 4.5% sulphur	40	79.00	+0.50	78.13
fob US Gulf coast 6.5% sulphur	40	73.50	+0.50	72.63
cfr Turkey 4.5% sulphur	70	103.50	+2.00	100.13
Sulphur adjustment				
US Gulf coast, per 0.1%		0.28	0.00	0.28
Pacific basin				
fob US west coast <2.0% sulphur	45	151.00	0.00	152.00
fob US west coast 3.0% sulphur	45	128.00	0.00	128.88
fob US west coast 4.5% sulphur	45	85.50	0.00	85.50
cfr China <2.0% sulphur	45	174.00	+3.00	174.00
cfr China 3.0% sulphur	45	158.00	+5.50	155.00
cfr China 6.5% sulphur	40	112.00	+4.00	107.63
cfr China 8.5% sulphur	70	107.00	+4.00	101.25
cfr India 6.5% sulphur	40	107.00	+2.00	104.00
cfr WC India 8.5% sulphur	70	102.00	+2.00	99.00

Petroleum coke calculated prices				$/t
	HGI	Price	±	Four-week average
Atlantic basin				
del ARA 4.5% sulphur	40	99.25	+1.00	97.50
del ARA 6.5% sulphur	40	93.75	+1.00	92.00
del Brazil 4.5% sulphur	40	97.50	+0.75	96.25
del Brazil 6.5% sulphur	40	92.00	+0.75	90.75
del Turkey 6.5% sulphur	40	96.75	+0.50	95.19
Pacific basin				
del Japan 3.0% sulphur	45	146.50	+0.25	147.25
del Japan 4.5% sulphur	45	104.00	+0.25	103.88
del China 4.5% sulphur	40	122.25	+1.00	120.50
del India 4.5% sulphur	40	119.50	+1.75	117.19
Netbacks via Ust-Luga				
fca Antipino 4.5% sulphur		48.62	na	
fca Nizhnekamsk 4.5% sulphur		49.30	na	

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

Coke freight rates			$/t
	13 Jan	±	Four-week average
Supramax			
USGC to ARA	20.25	+0.50	19.38
Venezuela to ARA	19.25	+0.50	18.38
USGC to Turkey	23.25	0.00	22.56
USGC to Brazil	18.50	+0.25	18.13
USGC to China	43.25	+0.50	42.38
USGC to EC India	40.50	+1.25	39.06
EC Saudi Arabia to WC India	12.00	+1.25	10.94
Panamax			
USWC to Japan	18.50	+0.25	18.38

cargo was heard to possibly have traded as high as $112/t cfr India, but this could not be confirmed.

Demand does appear to be picking up. A large cement maker came to the market seeking four US 6.5pc Supramax cargoes for February and March loading, and two other cement plants were heard looking for prompt-loading cargoes.

Buying interest for coal also remains firm in India, as some cement makers were seeking offers of Australian NAR 5,500 kcal/kg coal after evaluating coke offers. Australian coal with this specification is being offered into India in the mid-to-high $60s/t.

Cement makers are also looking to source coal via electronic auctions from state-owned coal producing company Coal India, wherever logistics are favourable.

The Chinese petroleum coke market also moved higher this week despite rising numbers of new Covid-19 cases raising some concerns about demand.

In the 8.5pc sulphur market, offers were mostly heard at around $110/t cfr China for fuel-grade supplies. Offers for Saudi coke with no shot content were higher at $120/t, as this coke can be blended into the anode-grade market.

Coke with 6.5pc sulphur was offered in the mid-$110s/t, according to market participants. But buying interest was limited as some buyers anticipate prices softening after the lunar new year in mid-February. Even so, the 6.5pc sulphur assessment

Coke-to-coal calorific comparisons					
		Coal	4.5% coke	6.5% coke	8.5% coke
del ARA	$/mnBtu	2.77	3.22	3.04	-
	% of coal	-	116.00	110.00	-
del India	$/mnBtu	4.29	-	3.47	3.31
	% of coal	-	-	81.00	77.00
del Turkey	$/mnBtu	2.99	3.36	3.14	-
	% of coal	-	112.00	105.00	-
fob USGC	$/mnBtu	1.98	2.56	2.39	-
	% of coal	-	129.00	120.00	-

Coal-implied forward curves						$/t
2Q21	3Q21	4Q21	1Q22	2022	2023	2024
fob USGC 4.5% petroleum coke						
79.00	79.46	79.93		81.09	82.63	
fob USGC 6.5% petroleum coke						
73.50	73.93	74.36		75.44	76.88	
del ARA 4.5% petroleum coke						
99.25	99.67	100.22	101.33	101.47	100.36	100.77
del ARA 6.5% petroleum coke						
93.75	94.14	94.67	95.71	95.84	94.80	95.19
cfr India 6.5% petroleum coke						
107.00	102.47	100.26	98.25	97.33	96.04	95.63

MONTHLY INDEXES

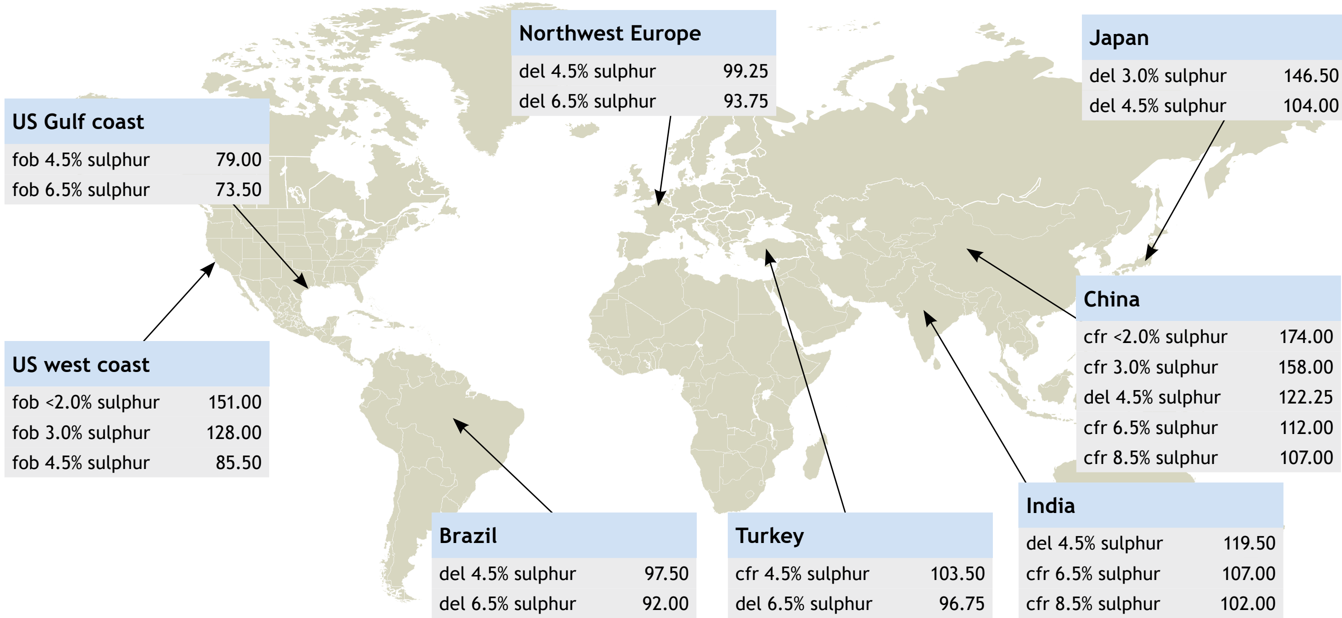
Fuel-grade coke calendar month indexes: Dec				$/t
	HGI	Low	High	Avg
fob US Gulf coast				
4.5% sulphur	40	77.50	77.50	77.50
6.5% sulphur	40	71.00	72.00	71.75
cfr Turkey				
4.5% sulphur	70	94.50	100.00	96.25
fob US west coast				
<2.0% sulphur	45	151.00	155.00	154.00
3.0% sulphur	45	128.00	131.50	130.63
4.5% sulphur	45	85.50	85.50	85.50
cfr India				
6.5% sulphur	40	99.00	103.00	100.75
8.5% sulphur, WC	70	94.50	98.00	95.88
cfr China				
<2.0% sulphur	45	171.00	181.00	178.00
3.0% sulphur	45	152.50	159.00	156.38
6.5% sulphur	40	104.00	105.50	105.00
8.5% sulphur	70	97.00	98.00	97.25

Calculated coke indexes: Dec				$/t
	HGI	Low	High	Avg
Delivered NWE-ARA				
4.5% sulphur	40	94.25	97.00	95.38
6.5% sulphur	40	87.75	91.50	89.63
Delivered Brazil				
4.5% sulphur	40	93.25	95.75	94.50
6.5% sulphur	40	86.75	90.25	88.75
Delivered Turkey				
6.5% sulphur	40	90.25	95.00	92.50
Delivered India				
4.5% sulphur	40	113.50	116.50	114.75
Delivered China				
4.5% sulphur	40	116.75	120.00	118.19
Delivered Japan				
3.0% sulphur	45	146.25	150.00	148.81
4.5% sulphur	45	103.50	104.00	103.69

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

Anode-grade coke monthly assessments: Dec				$/t
	Sulphur	Low	High	Mid
Green				
cif US Gulf	0.8%	205.00	248.00	226.50
	2.0%	135.00	165.00	150.00
	3.0%	80.00	104.00	92.00
	5.0%	70.00	80.00	75.00
fob China	2.0%	190.00	240.00	215.00
	3.0%	175.00	225.00	200.00
fob Mideast Gulf	4.0%	142.00	172.00	157.00
Calcined				
fob US Gulf	3.0%	260.00	290.00	275.00
fob China	3.0%	340.00	380.00	360.00
cif Europe	1.5%	260.00	290.00	275.00
cif Mideast Gulf	3.0%	295.00	375.00	335.00

Weekly petroleum coke price snapshot $/t



US Gulf coast	
fob 4.5% sulphur	79.00
fob 6.5% sulphur	73.50

US west coast	
fob <2.0% sulphur	151.00
fob 3.0% sulphur	128.00
fob 4.5% sulphur	85.50

Northwest Europe	
del 4.5% sulphur	99.25
del 6.5% sulphur	93.75

Japan	
del 3.0% sulphur	146.50
del 4.5% sulphur	104.00

China	
cfr <2.0% sulphur	174.00
cfr 3.0% sulphur	158.00
del 4.5% sulphur	122.25
cfr 6.5% sulphur	112.00
cfr 8.5% sulphur	107.00

Brazil	
del 4.5% sulphur	97.50
del 6.5% sulphur	92.00

Turkey	
cfr 4.5% sulphur	103.50
del 6.5% sulphur	96.75

India	
del 4.5% sulphur	119.50
cfr 6.5% sulphur	107.00
cfr 8.5% sulphur	102.00

rose by $4/t to $112/t. The price last hit this level in the final week of August 2018 and only stayed at that peak for a single week, as buyers scrambled to purchase cargoes before high tariffs on US coke took effect.

The 8.5pc sulphur price rose by the same amount to $107/t.

Prices in the lower-sulphur market also rose. The recent strength in fuel oil prices has made switching from petroleum coke less favourable, according to a trader. One supplier was heard negotiating a January or early February-loading Colombian cargo with 3pc sulphur. Market participants are expecting negotiations to be concluded between $155-160/t cfr China.

The 3pc sulphur cfr China price was assessed at $158/t, a $5.50/t increase on the week, while 2pc sulphur was $3/t higher at $174/t.

The Turkish market also continued its upward trend this week amid the firm fob US Gulf prices, higher freight rates and concerns of sustained supply tightness in the seaborne market.

Some market participants said it is no longer possible to source mid-sulphur coke below $105/t. Sellers are asking a premium for fixed-price deals in recent weeks, leaving some buyers to opt for index-linked purchases.

A Turkish cement plant was collecting offers for mid- and high-sulphur supply this week, but it remains to be seen whether the plant will source coke as the company has also opened a coal tender.

At least four Turkish firms were heard holding tenders for coal recently, but some may choose to defer them amid strengthening coal prices. A cold spell in northeast Asia is boosting energy demand in the region, lending support to prices in the seaborne coal market.

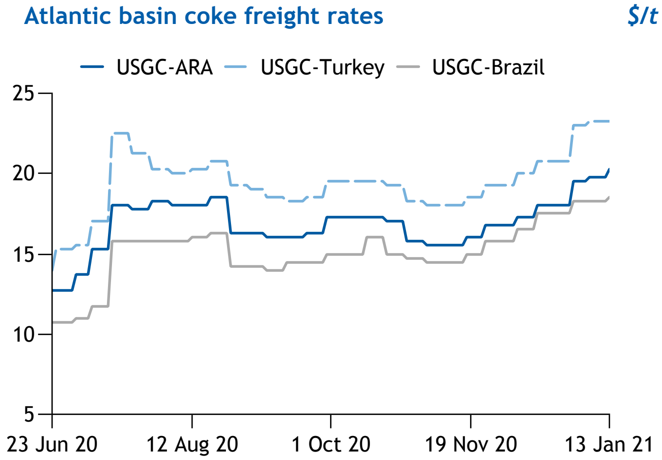
NEWS

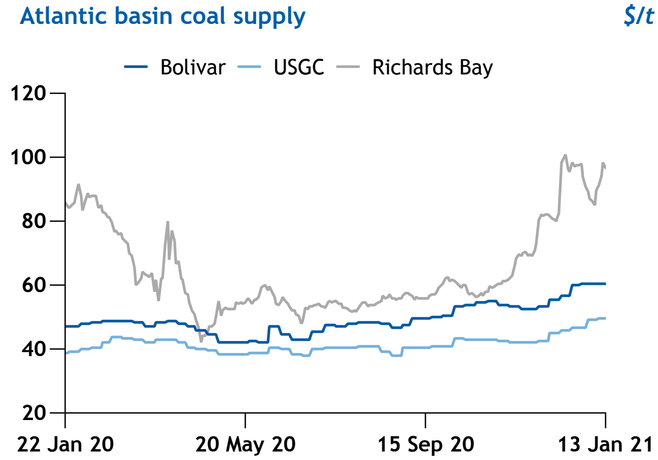
Chinese coke demand rises ahead of holidays

Chinese petroleum coke traders are receiving more domestic enquiries ahead of the lunar new year as manufacturers look to pad stocks before the holiday, especially amid Covid-19 resurgence fears.

But importers are still wary of purchasing fresh cfr cargoes as the strong demand may not last beyond next month.

Demand for both anode-grade and fuel-grade coke stockpiled at Chinese ports is high, as many factories are preparing inventory for the seven-day new year holiday in mid-February.





A recent resurgence of Covid-19 cases is once again slowing refinery operations, constraining domestic supply. Transportation disruptions as some key areas re-enter lockdowns are also a concern, leading buyers to look to get a head start to their traditional lunar new year fuel stockpiling. Severe coal shortages as a result of record-high power demand are also pushing more plants to look to fuel-grade coke.

Fuel-grade standard specification 8.5pc sulphur coke is selling for around 900 yuan/t ($139/t) in the domestic market in south China, compared with Yn850/t a couple of weeks ago. And a south China power plant that is planning to launch a tender before the holiday expected to pay more than in late December, when the plant bought coke with 9pc sulphur at around Yn1,013/t delivered to the factory. Some traders are said to be building up coke inventories at ports and waiting to sell it for higher prices during the holiday, the south China fuel buyer said.

In the anode-grade coke market, demand also remains high with calciners stocking inventory for the holiday, even as aluminium futures prices have dropped over the past few days on concerns over new Covid-19 lockdowns. But the regional lockdowns are not affecting aluminium demand, while drops in transport fuel demand and transportation bottlenecks are likely to cut green coke availability, supporting coke prices, one anode-grade coke exporter said. Some calciners are making additional purchases now because of worries that Covid-19 restrictions would tighten further in the near future and bring up the price even more, one calciner said.

But despite firm demand now, few traders, especially fuel-grade traders, expect the market to stay strong after the lunar new year.

Coal prices are too high and the government will definitely react to temper these once the holidays are over, the power plant manager said. This person also expected more seaborne coal would enter China after the holiday.

The weather is getting warmer and demand for heat will drop, easing coal demand, another fuel-grade coke trader said. This has importers expecting lower demand for coke as well after next month, making them hesitant to purchase seaborne coke cargoes that will not arrive until after the new year.

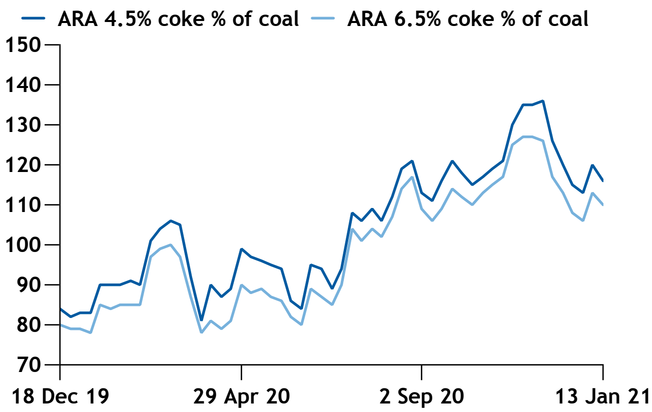
Virus lockdowns in the first quarter of last year resulted in historically high imports in the second and third quarters as Chinese manufacturing recovered and looked to replace lost domestic coke production. But coke prices rose sharply over 2020 and are now approaching record highs, as well as being expensive compared with most seaborne coals. This has Chinese importers skeptical that cargoes purchased now could be sold for a profit when they land after the lunar new year.

US coke exports to Mexico jump

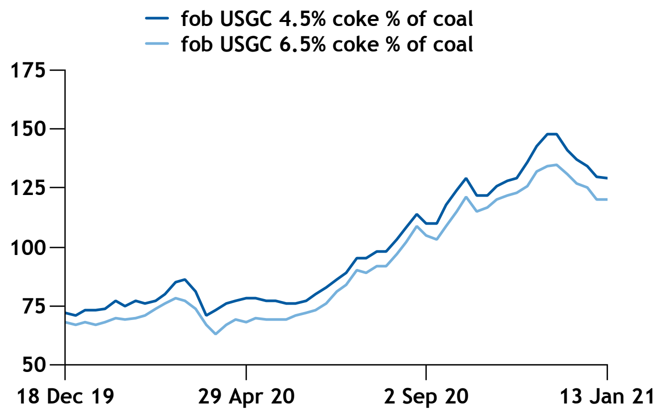
US green petroleum coke exports to Mexico in November hit the highest monthly volume since July 2019, even as total exports for the month remained below typical levels.

The US shipped 449,200t to Mexico during the month, more than quadruple the volume of the same month a year earlier and more than double October's total, according to Global

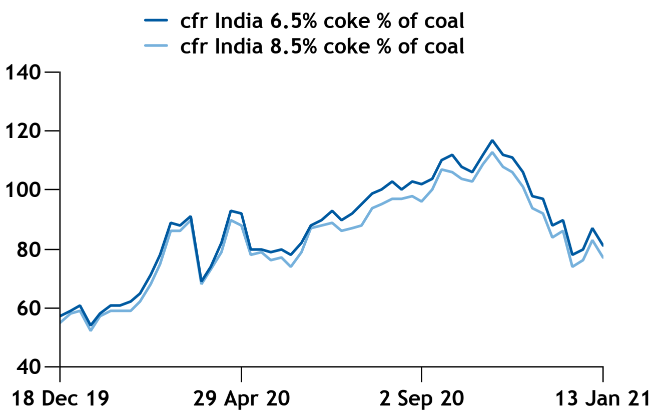
del ARA coke percent of coal *%*



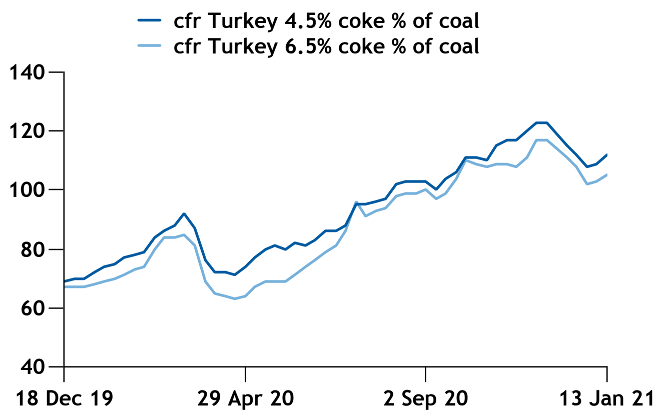
fob USGC coke percent of coal *%*



del India coke percent of coal *%*



del Turkey coke percent of coal *%*

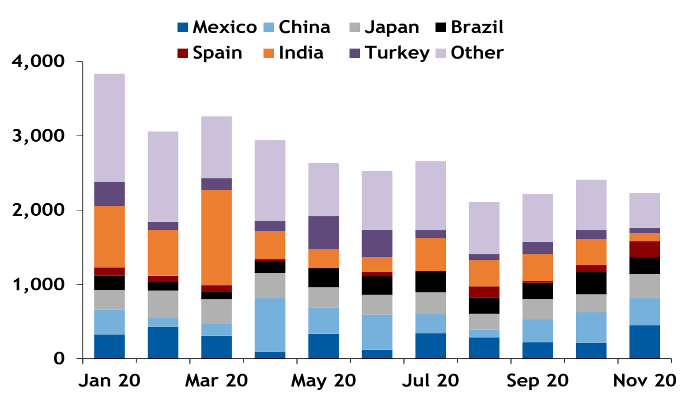


Trade Tracker customs data. Domestic coke production may have been lower than normal as state-owned refiner Pemex's diesel output in November was down by 23pc from the prior year.

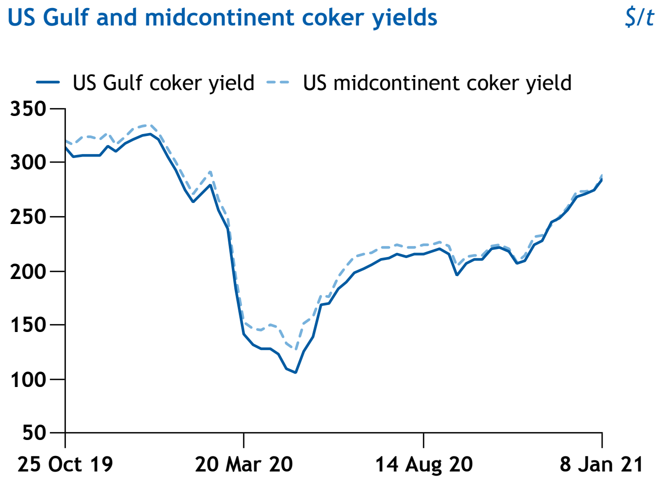
Latin American countries have accounted for a larger proportion of US coke exports in recent months. Strong cement markets in this region have supported demand, while lower freight costs and few ideal coal alternatives keep US coke attractive.

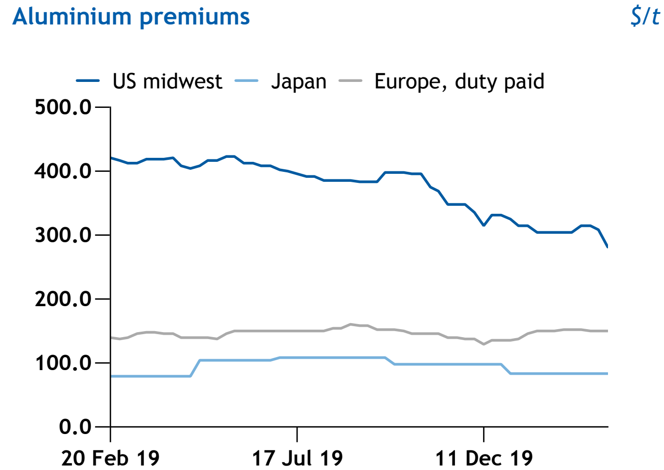
Mexico's total in November made it the largest buyer of US coke, with more than 20pc of market share. Brazil was the fourth largest buyer, with exports to the country up by more than half from a year earlier. The country took more than 10pc of US green petroleum coke exports in October. Total green coke exports to Latin America were more than double a year

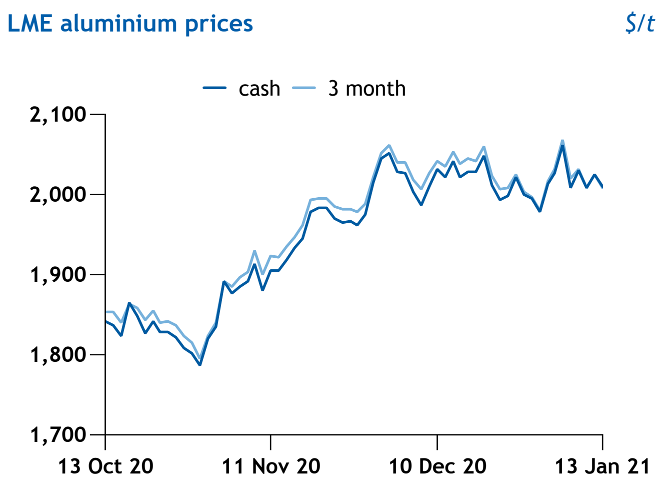
US green coke exports *'000t*

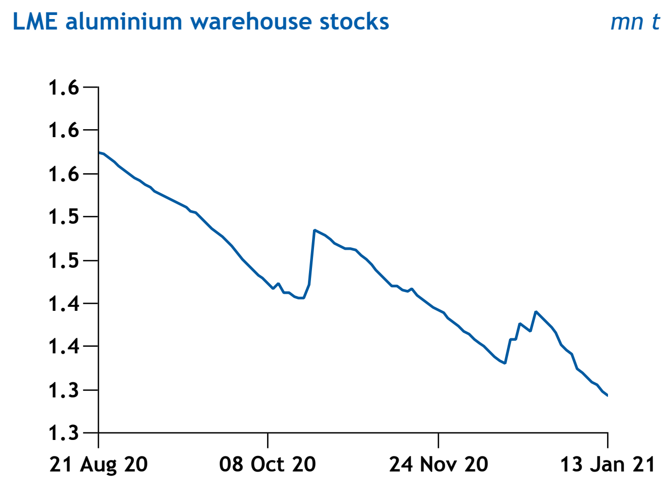


— GTT









earlier at 776,300t; that included the Dominican Republic, Nicaragua and Uruguay, which had taken no US coke in November 2019.

But exports to every other region were down on the year, as lower coke production in the US continues to limit supply. Total green coke exports were down by 13pc at 2.2mn t from a year earlier. Monthly exports have been down on the year since August, when they approached a 10-year low.

Shipments to India, traditionally the largest buyer in recent years, dropped significantly. It was only the sixth largest buyer during the month, with 114,100t, more than 75pc below a year earlier and the lowest since October 2018. This was only 5pc of total US green coke exports for the month. India comprised almost 40pc in March, at nearly 1.3mn t. Indian cement makers have been cutting spot purchases and switching to coal because of a record premium for coke compared with coal on a delivered basis.

Exports to China were up on the year, but this was from a low base, when high tariffs as a result of the US-China trade war limited trade. China was the second largest buyer, with 16pc of market share at 367,400t. But this was down considerably from its 2020 peak in April, with 726,400t shipping to the country in that month.

Traditional key buyer Turkey took only 65,600t in November, down by 78pc on the year and the lowest since October 2018, as buyers there also increasingly seek out less expensive coal.

Exports to Europe were down by 15pc from a year earlier. But shipments to Spain were the exception, up by more than 90pc at 210,200t, making it the fifth largest buyer in the month.

By Lauren Masterson

US Gulf Supramax rates climb to 1-year highs

Rates for petroleum coke-carrying Supramaxes in the US Gulf coast have risen consistently over the past two months, reaching the highest levels in roughly a year, on the back of consistently strong demand that has tightened available tonnage supply in the Atlantic basin.

Since 16 November, the US Gulf coast-India Supramax petroleum coke freight rate has risen by 13pc to $39/t, the highest since 28 January 2020, and the US Gulf coast-Turkey Supramax petroleum coke freight rate has risen by 28pc to $23/t, the highest since 27 October 2019.

Consistent demand to carry Asia-bound grain cargoes out of the US Gulf coast and east coast South America have primarily supported US Supramax rates, even throughout the weeks leading into the Christmas and New Year holidays.

Supramax rates are expected to remain firm in the near term because of a growing cargo count in the first half of January and continued limit tonnage in the US Gulf coast, according to shipbroker Ifchor.

Rising bunker costs globally have also supported rates. Since 6 November, the cost of 0.5pc sulfur fuel oil, ex-wharf, in Houston has jumped by 53pc to $386/t.

Panamax rates in the Atlantic basin of the US have fallen marginally since late December, despite slack demand throughout the last two weeks of 2020, as limited available tonnage supply supported the market.

US Panamax rates experienced further support to start the year on the back of a surge in demand during the 4 January trading session to carry Asia-bound grain cargoes out of the US Gulf coast and east coast South America.

Since 21 December, the US Gulf coast-Rotterdam Panamax coal freight rate has fallen by just 2pc to $15.25/t.

Meanwhile, US Capesize rates in the north Atlantic have ticked up since late December, despite similarly muted demand during the holidays and into the New Year, because of persistent tight tonnage in the region.

Since 21 December, east coast-Rotterdam Capesize coal freight rate has increased by 2pc to $11/t.

Rising bunker costs have also supported US Panamax and Capesize rates.

By Michael Connolly

Turkish coke imports hit multi-year low

Turkey's petroleum coke imports fell steeply in November owing to uncompetitive coke pricing triggered by the supply tightness in the seaborne market.

The country's green coke imports fell by 60,000t on the year to 117,000t in November according to statistics agency Tuik data. This was the lowest level of monthly receipts since at least January 2014.

Imports from the US, the largest coke supplier to Turkey, fell to 94,500t from 130,600t in the same period a year earlier.

Russian coke receipts rose to 15,900t from nearly nothing a year earlier, but this failed to offset the overall decline. Russian supply has relatively lower sulphur content compared with the US Gulf supply, but it receives limited interest from Turkish buyers as it is typically not marketed at competitive rates.

Deliveries from the EU also fell sharply. Aggregate deliveries from the bloc fell to 5,800t from 45,480t last year. No receipts from Belgium were reported during the period compared with 35,700t a year earlier, and imports from Spain and the Netherlands stood at 3,800t and 2,000t, respectively.

The decline in petroleum coke imports came as cement plants have reduced coke's share in their fuel mix amid uncompetitive coke prices.

Coke has been pricing at a premium against coal into Turkey since August, while cement manufacturers expect it should hold a discount of at least around 15pc. The premium has partly eased in the recent weeks as gains in the coal market exceeded those for coke, but coke is still pricing at around a 10pc premium against coal into Turkey.

Most Turkish cement manufacturers do not have the flexibility to eliminate coke from their fuel mix. But the majority of plants have taken steps to reduce their coke consumption, with some coke-reliant cement plants planning to import around 20-30pc less coke cargoes in 2021. The Turkish cement sector's coke consumption stood in a range of 3.7-4.9mn t in 2015-2019, according to Turkish Energy Ministry data.

Buying interest for coke is unlikely to recover back to seasonal levels until coke regains its competitiveness against coal. Meanwhile, concerns on supply availability continue to grow as countries turn to apply stricter lockdown measures to contain the spread of Covid-19, implying coke output is unlikely to recover in the short term.

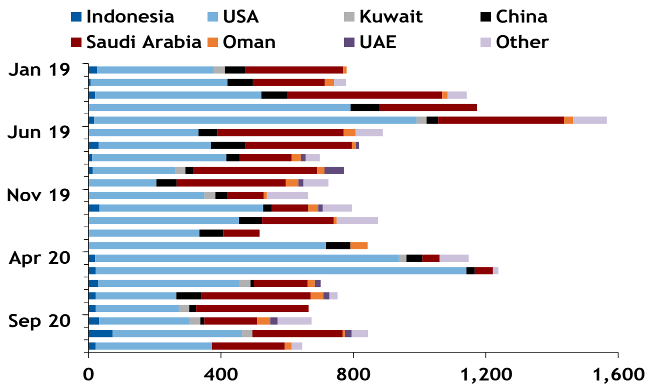
By Firat Ergene

India's November coke imports dip

India's anode-grade petroleum coke imports fell in November on tight supply, especially from major supplier China.

Calciners received 95,200t of anode-grade green petroleum coke (GPC) in November, 35pc less on the year, according to the latest available data from GAC Shipping.

India's petroleum coke imports by country *'000t*



— GAC Shipping data

No cargoes came from China, where domestic consumption remains strong. Imports from China from January-November were down by 39pc when compared with the same period a year prior.

China's appetite for domestic GPC has been strong after strict lockdowns early in the Covid-19 pandemic severely reduced GPC supply. Structural supply changes combined with an aluminium boom, the result of government infrastructure stimulus measures, have significantly reduced GPC exports, with refiners having little incentive to export.

While anode-grade coke imports to India fell noticeably, fuel-grade coke imports actually increased in November. Coke receipts by cement makers, the largest coke-consuming industry in India, rose by 3.4pc on the year to 495,100t in November. This is unexpected, given the pandemic-induced supply crunch has raised coke prices to levels above nearby coals, encouraging many buyers to turn to coal for spot purchases. But term contract commitments signed a year earlier may have kept coke deliveries stable.

Indian cement producers are planning to operate their kilns primarily on coal during January-March, and the trend could continue beyond March as the pandemic continues and coke maintains a premium to coal.

Pandemic-related disruptions have also reduced India's domestic coke production. Production fell by 15pc in November from a year prior, although it was up by 22pc from October. One 55,000t coke cargo was also delivered to a refiner for gasification purposes in November.

Coke imports from the US were steady in November when compared with the same time last year. Imports from Saudi Arabia and Oman doubled.

India also received coke from the Netherlands, Indonesia and Russia in November, the latter for the first time since August 2019. Most of these cargoes went to calciners.

India imported a total of 645,300t of coke in November, down by 2.6pc on the year.

Imports from January to November are down by 11pc when compared with the same period a year prior.
By Sarah Tucker

India's Goa Carbon raises calcined coke output

Indian calciner Goa Carbon produced around 11pc more calcined petroleum coke (CPC) during October-December compared with the same period in 2019, indicating recovering demand from aluminium smelters and other consuming industries.

It produced 42,243t of CPC during October-December, up by 10.85pc from 38,108t a year earlier. Output during the quarter increased by 27pc from 33,169t for July-September.

Goa Carbon produced 18,928t of CPC in December, up by more than 70pc from a year earlier, according to a stock exchange filing. Its December output was the highest for a single month since May 2020 when it produced 19,245t.

The company produced 114,246t of CPC during April-December, the first nine months of the 2020-21 fiscal year that ends on 31 March, down by 6.7pc from 122,452t a year earlier. Goa Carbon has shut its Paradeep unit in east India's Odisha state from 11 January for maintenance, which may weigh on its January output.

The company was forced to shut down plants during July-September because of a lack of viable orders from the domestic and export markets, with the closures curbing the company's calcined coke output.

Frequent maintenance shutdowns and a nationwide Covid-19 lockdown earlier this year weighed on Goa Carbon's production of CPC during April-August.

The company has a licensed capacity to produce 308,000 t/yr of CPC, with its Paradeep unit having the largest capacity at 168,000t, followed by Goa at 100,000 t/yr and Bilaspur at 40,000 t/yr. But it produced just 148,000t during 2019-20, down from 157,000t in the previous year, indicating capacity utilisation of just 50pc.

Goa Carbon has been facing an "extraordinary adverse" business scenario of rising costs and dwindling margins, its chairman Shrinivas Dempo said in the company's 2019-20 annual report released in August.

The company's April-June sales revenue contracted by 60pc from a year earlier to 552.08mn rupees ($7.5mn) because of the lockdown and depressed industrial activity. Revenues increased from the previous quarter to Rs879mn during July-September but were lower compared with Rs1.01bn a year earlier.

Goa Carbon normally supplies CPC to aluminium plants, steel plants and foundries in southwest India and Odisha. It also exports to aluminium plants in countries including France, Greece, Saudi Arabia, Dubai and Oman.

By Ajay Modi

India's IOC raises January petroleum coke prices

Indian state-controlled refiner IOC has increased its January basic sales price for petroleum coke by as much as 8pc from December at two of its refineries. It also raised prices by over 4pc at two other refineries. The increase is in line with the trend on delivered seaborne coke prices.

The January price for coke sold from IOC's Paradip refinery on India's east coast has been raised by 8pc to 8,250 rupees ($112.35/t) from Rs7,640/t in December. IOC hiked its January prices for coke sold at its Koyali refinery in west India's Gujarat state by 4.6pc to Rs9,350/t from Rs8,940/t in December. The company's Panipat refinery in north India's Haryana state has priced January coke at Rs10,270/t, 4.3pc higher than the December price of Rs9,850/t. The price of coke at its Haldia refinery in east India's West Bengal state has been increased by nearly 8pc for January to Rs8,420/t from Rs7,810/t a month earlier.

The new IOC prices took effect from 9 January, valid for sales of coke transported by road. IOC typically prices coke transported by road at Rs200-300/t above coke moved by rail. IOC produces about 3mn t/yr of coke and is the second largest Indian producer after Reliance Industries (RIL). But RIL consumes the bulk of its coke at its own new gasifiers, while IOC markets all its coke to cement makers and other consuming industries.

IOC's decision to increase coke prices follows a reduction in December when the company cut the December basic sales price by as much as 16pc from November at two of its refineries even as the seaborne market continued to rise. This was done to ease the higher coke output after a recovery in refinery runs, said market participants.

India's major private-sector refiners RIL and Russia's Rosneft-owned Nayara Energy increased their January basic petroleum coke sales prices by over 3pc from December from 1 January. This was the seventh consecutive month-on-month hike in domestic coke prices. The basic January prices for RIL and Nayara are Rs9,432/t ($129/t) and Rs9,452/t, respectively, up by Rs297/t and Rs291/t from December. These factory-gate prices exclude local taxes and duties.

The Indian cement industry accounts for an estimated 71pc of the country's coke consumption. But tightening availability and higher prices of coke in the second half of 2020 forced cement companies to temporarily replace coke with coal as a fuel.

India's coke consumption slipped by 19pc from a year earlier to 11.9mn t in April-November, the first eight months of the country's financial year. Indian cement producers, the key consumers of fuel-grade petroleum coke, are planning to operate their kilns primarily on coal during January-March.

Argus assessed the price of 6.5pc sulphur US coke delivered to India at $105/t cfr on 6 January, up from $99/t on 2 December. The recent increase in seaborne coke price was primarily on driven by higher freight rates. The Supramax freight rate for the US Gulf-to-east coast India route was assessed at $39.25/t on 6 January, up from $36/t on 2 December.

By Ajay Modi

Indian seaborne coal imports fell sharply in 2020

India's receipts of seaborne coal contracted last year as a recovery in coal demand during the second half of 2020 failed to offset the steep decline in earlier months.

The country's seaborne receipts were nearly unchanged on the year at 13.69mn t in December, but full-year 2020 imports stood at 148.40mn t, implying a year-on-year fall of 21.02mn t, according to data from shipbroker Interocean. In comparison, shipbroker GAC's data suggest a steeper decline, with receipts falling by 30.64mn t to 155.08mn t.

Indonesia led the fall in overall imports, with receipts dropping by 10.85mn t on the year to 92.79mn t. India's import from South Africa also fell, declining by 5.49mn t from a year earlier to 34.51mn t.

Australia was the only key supplier that was able to increase shipments to India. This came as a result of the country's efforts to shift its focus to alternative export markets in Asia-Pacific following China's decision to restrict imports from Australia. India's coal receipts from Australia rose to 4.99mn t last year from 4.1mn t a year earlier.

Colombian suppliers increased their share of Indian imports in 2020, despite most shipments from this origin landing in the first half of the year. Colombian receipts reached a multi-year high of 2.37mn t in 2020, compared with 170,000t in 2019. Colombian coal stopped pricing competitively for shipment to India in May, and the latest delivery of a Colombian cargo was recorded in July.

Indian industrial output recovered to seasonal norms in the second half of last year, supporting a restoration of the country's seaborne coal demand. But the recovery fell short of offsetting the sharp decline in coal demand in the first half of the year.

India's overall coal-fired power generation declined by 5GW on the year to 104GW last year, despite remaining above 2019 levels since September.

Power generation from units running on imported coal also fell, declining by 380MW on the year to 10.3GW last year. Output from the country's two key imported coal-fired plants — 4.6GW and 4GW facilities operated by local firms Adani and Tata, respectively — fell by 530MW and 220MW on the year to 3.6GW and 3.2GW, respectively.

In the industrial sector, cement plants increased the share of coal in their fuel mix as tight global petroleum coke supply rendered coke uncompetitive against coal. But a steep drop in cement output still weighed on coal demand from the industry.

India's cement production fell by 46.76mn t on the year to 261.71mn t in January-November, data from the country's Office of the Economic Adviser show.

Demand from the sponge iron industry, which typically prefers South African NAR 5,500 kcal/kg coal because of its high carbon content, also looks likely to have fallen in 2020. Sponge iron output fell by 1.95mn t on the year to 26.77mn t in January-October, implying a reduction of around 1.3mn t of NAR 5,500 kcal/kg coal demand, according to *Argus* calculations.

Indian coal demand is on track to remain in line with average seasonal levels in the coming months, but import demand might remain subdued as a result of rising availability of domestic supply. Indian state-owned producer CIL supplied less coal to its consumers in December than a year earlier, but the government's efforts to reduce the country's reliance on coal imports continue to pose downside risks for seaborne coal demand.

By Firat Ergene

China faces further coal shortages

China's coal supplies face further tightness as a Covid-19 outbreak shows signs of spreading into some coal-producing and consuming areas. Enhanced safety measures at certain mines will restrict deliveries of much-needed supplies during unusually strong heating demand.

Operations in at least two coal mines in China's third largest coal-producing province of Shaanxi have been suspended after truck drivers who later tested positive for Covid-19 had collected coal from the mines, according to local authorities. The truck drivers came from Hebei province, where a fresh outbreak of the virus since the start of this year has hampered coal logistics because of its strategic location near the country's coal-producing heartlands.

Heilongjiang and Jilin provinces in northeast China have also reported an outbreak of Covid-19 cases, according to Chinese state media. Many coal producers in the three coal-producing heartlands of Inner Mongolia, Shanxi and Shaanxi have stepped up their health and safety measures, resulting in slower coal logistics. Some coal producers in Shaanxi are restricting sales to buyers within their localities, while other producers are turning away truck drivers from Hebei and certain northeast China provinces even if they produce certificates to prove they have tested negative for Covid-19.

A slowdown in coal deliveries would worsen shortages caused by strong heating demand and the inability of domestic output to compensate for China's steep import cuts since April. Some cargoes of Chinese NAR 5,500 kcal/kg coal were traded at 950-970 yuan/t ($147.16-150.25/t) fob north China ports yesterday, while a few offers rose above Yn1,000/t, which is significantly higher than the government-set upper limit of Yn600/t. *Argus* last assessed this market at Yn868.33/t fob Qinhuangdao on 8 January, the highest since assessments began in 2009.

Coal deliveries to China's main coal transshipment ports of Qinhuangdao and Caofeidian should, in theory, remain relatively unaffected by the Covid-related disruptions as both ports receive most of their coal by rail, which remains largely insulated from Covid-19 restrictions. But any curb on coal deliveries from the mine mouth limits the amount of coal loaded on the railways. More inland utilities will potentially step up their restocking in anticipation of reduced supplies amid the disruptions.

China's heating demand has been unusually strong this winter because of a series of cold snaps. China's premier Li Keqiang has urged the country's coal producers to raise output to help cope, and major state-controlled coal producer China Coal has lifted its output in response. But increased production by China Coal and China Energy Investment has not been enough to boost overall national output, given prolonged government corruption probes into licensing and adherence to production permits in the Inner Mongolia region, as well as restrictions on sales permits in Inner Mongolia and Shaanxi province.

South China is expected to warm up gradually in the coming days, although forecasts of a cold blast this weekend could temporarily lower temperatures, according to China's meteorological administration. The administration also forecast sand storms in north China in the coming days that will affect large parts of the three coal-producing provinces, further hampering coal logistics and even disrupting operations at open-cast mines.

Coal shortages in China are expected to ease in February because industrial demand for electricity typically slumps before and during the lunar new year holidays over 11-17 February. But there is some uncertainty surrounding electricity demand during the festive season this year as the government may restrict inter-provincial travel to curtail the latest Covid-19 outbreak.

Covid tests slow work at China's Bayuquan port

Operations at northeast China's Bayuqua port have been delayed since 9 January, with international vessels barred from cargo operations until results from requested Covid-19 tests are released.

The policy could delay operations by an extra day, according to a market participant. Vessels with crew that receive a positive Covid-19 result have been asked to wait at anchorage.

The tougher policy occurred after Covid-19 cases were discovered on the Panama-flagged *Asia Spring*, which had 73,750t of coal loaded from far east Russia's Buktha Vanino. The *Asia Spring* arrived at Bayuquan on 2 January. Four of the crew had fevers and later tested positive for Covid-19.

Vessels in the fellow Liaoning province port of Dalian need approval from the local transportation bureau before starting unloading. Covid-19 testing is not required if there have been no change in crew for the past 30 days, said a port agent.

Port policies at other northeast Chinese ports of Tianjin, Jingtang and Caofeidian remain unchanged with tests not required for vessels that have not changed their crew in the past 14 days.

China's worst Covid-19 outbreak for at least five months has led to authorities in northeast China's Hebei province imposing travel restrictions to and from the province.

Japanese coal burn likely hit multi-year high

Exceptionally cold weather and low nuclear availability are likely to have lifted Japanese coal-fired generation to at least a four-year high in December, with freezing conditions and gas shortages poised to boost output further this month.

Japanese power generation from fossil fuels grew by 2pc on the year in October and by 6pc in November, according to the 10 major grid operators, as nuclear availability fell sharply on the year because of maintenance and upgrade works.

That growth is likely to have accelerated to 10pc in December, according to *Argus* analysis, as seven of Japan's nine operational reactors remained affected by planned shutdowns and as overall power demand climbed by nearly 4pc on the year to 109.7GW.

Detailed generation data by fuel type is published with a lag of several months in Japan, but December coal-fired output might have reached 39.4GW — 10mn t of NAR 6,000 kcal/kg-equivalent consumption at 42pc efficiency — assuming coal's share of the fossil fuel-fired mix was unchanged on the year, at around 42pc.

This would be 3.6GW, or nearly 1mn t, higher than in December 2019, and the highest monthly average since before April 2016.

Freezing conditions in January have further boosted power demand and wholesale electricity prices, suggesting further growth in coal-fired generation.

Power demand in the Tokyo region on 1-10 January rose by more than 8pc on the year to 35.8GW. According to *Argus* analysis, an 8pc year-on-year increase in national generation in January would entail fossil fuel-fired output rising by 14pc to 73.6GW, given the nuclear shortfall.

Coal accounted for 42pc of fossil fuel-fired output in January 2020 — an equivalent share this month implies output of 41.7GW, up from 36.5GW a year earlier.

A surge in Japanese electricity demand and power prices has driven the recent spike in spot LNG prices, but the impact on coal has been less marked. This is probably because Japanese coal-fired capacity is already likely to be running at more than 80pc of its 49.4GW capacity, leaving little immediate scope for growth.

The utilisation rate of Japan's 82.9GW gas-fired fleet is typically much lower than the coal fleet — 47pc in January-September 2020, against 64pc for coal — so procuring LNG and dispatching spare gas-fired capacity is key to meeting current short-term peaks in electricity demand.

Utilities including Jera — a 50:50 joint venture between

Tokyo Electric Power and Chubu Electric Power — Kansai and Kyushu said this month they had capped gas-fired output because of LNG shortages and have all been active in the spot market for prompt supplies.

While the short-term impact on coal prices and demand is unlikely to be as severe as for LNG, the increase in coal burn early in 2021 should still boost seaborne demand from utilities needing to restock ahead of summer. Utility stocks were slightly lower on the year at 8.2mn t in September — the latest date for which data are available.

By Jake Horslen

Lockdowns cut European, US fuel demand

Lockdowns to contain a surge in Covid-19 cases and a new variant of the disease have lowered road fuel demand in Europe and the US, Phillips 66 said on 7 January.

The drop in fuel demand was more pronounced in Europe, although both regions were lower than 2019 levels, the US independent refiner said at the Goldman Sachs Global Energy Conference.

An uptick in personal vehicle use in Europe had lifted fuel consumption above prior year levels in September and October, supporting a more bullish outlook for fuel demand once coronavirus cases came under control, the company said. But a new wave of lockdowns, including measures imposed in the UK that may last to March and restrictions in Europe's largest transportation fuels market, Germany, had already reduced demand. Consumption had dropped to 20-25pc below prior year levels, Phillips 66 said. A new state of emergency in Japan also threatens fuel demand there.

US demand also remained lower, although it had also recovered less in the second half of 2020. Gasoline demand fell from 8pc lower than 2019 levels in October to roughly 13pc lower than prior year levels now. Diesel demand, especially in the western US, was stronger on higher shipping activity at major west coast ports and rising heating oil consumption in the northeast, the company said.

By Elliott Blackburn

US midcontinent refinery margins, run rates rise

US midcontinent refiners increased run rates to the highest in nearly four months during the week ended 1 January, while a rise in gasoline prices buoyed refinery margins to mid-summer highs.

Midcontinent refiners raised utilization rates by 5.5 percentage points to 86.4pc during the week, marking the highest level since the second week of September, according to the US Energy Information Administration (EIA) data. Midcontinent run rates were the highest of any US region, save for the Rocky Mountain region. But percent utilization in the midcontinent was still down by 7.4 percentage points from year-earlier levels.

The uptick in run rates coincided with the startup of multiple units at Valero's 85,000 b/d Ardmore, Oklahoma, refinery.

The Group Three region has also experienced higher refining margins. Margins at Tulsa, Oklahoma, against WTI crude and based on a 3-2-1 yield averaged $10.24/bl during the last week of December, the highest weekly average since late June.

Elsewhere in the midcontinent, the Western Canadian Select (WCS) 6-3-2-1 crack spread at Chicago averaged $21.18/bl during that week, down by $1.25/bl from the prior week but up by $6.59/bl since early December.

By Jared Ainsworth

Texas imports of Canadian crude hit record

Imports of Canadian crude into Texas rose sharply in October from September, hitting an all-time high even as shippers faced a narrow arbitrage.

Texas imported 498,000 b/d of Canadian crude in October, up by 167,000 b/d from September according to the Energy Information Administration (EIA). Large increases from Cenovus, Phillips 66, Citgo and Suncor contributed to the gain that helped push imports past the previous high of 489,000 b/d set in July.

Suncor imported 81,000 b/d while Cenovus imported 79,000 b/d during October, representing one-third of all imports into Texas. This is up by 26,000 b/d and 76,000 b/d respectively month-over-month for the two Canadian oil sands producers. On the refining side, Phillips 66 brought in 86,000 b/d for a monthly increase of 64,000 b/d, while Citgo pulled 42,000 b/d into Texas in November, up from zero the month prior.

ExxonMobil and MEG Energy showed smaller moves but were both around 58,000 b/d of Canadian crude imports in October.

The record month comes even with a narrow spread between heavy sour prices in Hardisty, Alberta, and in Houston, Texas. Shippers faced an average uplift of about $6/bl between the two hubs, according to *Argus* data, which is typically a challenging level for this move. The spread has since more than doubled and is over $13/bl, which is not only favourable for pipeline economics but also some crude-by-rail.

Robust Canadian oil sands production coupled with a return in pipeline congestion has weighed on heavy crude differentials in Alberta since November while prices in Houston have been relatively stable.

Of all Canadian imports into Texas, 95pc was considered heavy crude in October. This is up from 80pc the month before and is more typical with what has been reported heading to Texas for the better part of the past decade.

Overall, the US imported 3.4mn b/d of Canadian crude in October, down by 11,000 b/d from the month before. The latest data point is 330,000 b/d lower than the same month in 2019.

By Brett Holmes

Russian VGO dominated US Gulf coast imports

Russia overtook Europe last year as the top supplier of vacuum gasoil (VGO) to US Gulf coast refiners as they chased wider margins.

Russia accounted for more than 65pc of VGO imports into the US Gulf coast last year, at 69,300 b/d, according to estimates from Vortexa. European imports, at 27,700 b/d, accounted for around 26pc. In 2019, Europe was the main VGO supplier to the US Gulf coast, with 86,500 b/d accounting for more than 50pc of imports. Russian imports at 59,300 b/d in 2019 accounted for 35pc.

The US Gulf coast is structurally short on VGO. Reduced refinery runs at both crude and secondary units eased supply tightness slightly, but wide fluid catalytic cracker (FCC) margins also supported VGO demand from refiners.

FCC margins — measured by gasoline and diesel prices based on a 70:30 yield against VGO prices — averaged 4.16¢/USG in the fourth quarter of 2020, compared with 3.51¢/USG during the same period in 2019.

Stronger margins helped kept VGO imports flowing last year, as did bunker fuel blenders seeking blending components to make low-sulphur fuel oil (LSFO) in compliance with the International Maritime Organisation's 0.5pc sulphur cap that went into effect in 2020. VGO with low sulphur, API ranging from 18-21 and maximum 30 pour are suitable for blending bunker fuel. The pour value in particular indicates paraffin content, a key specification for bunker fuel.

Russian VGO tends to be higher in sulphur, therefore unsuitable for LSFO blending. But it can replenish the FCC feedstock pool in the US Gulf coast where suitable material may have been drawn into the LSFO pool.

Russian VGO exports stayed virtually unchanged at 265,000 b/d last year in annual comparison, while European VGO exports in 2020 shrank to 56,300 b/d, down from 109,000 b/d in 2019.

Heavy run cuts across European refineries in the first half of 2020 tightened supplies there, which limited flows to the US for much of the spring and summer. The arbitrage widened in August and September, when a string of hurricane-led refinery shutdowns on the US Gulf coast lifted US prices. But European arbitrage flows thinned again in the last quarter of 2020, when prices in Europe rose with stronger future markets.

Approximately 145,000 b/d of VGO has arrived or is expected to arrive in the US Gulf coast in January 2021, Vortexa data show. The bulk of it, or 92pc, originated in Russia, with the rest originating from Europe. The Russian cargoes loaded in November and December last year.

The US VGO market has always been sensitive to refinery operations, but the market is particularly vulnerable at the start of 2021 as the short- and long-term fate of several refineries is uncertain.

Spring maintenance has yet to take shape on the US Gulf coast. A number of refiners had brought forward planned work because of hurricane-related damages or economically driven shutdowns. These include refineries that had been idled, such as Calcasieu Refining's 136,000 b/d facility and Shell's 228,000 b/d Convent refinery in Louisiana. Calcasieu Refining has indicated it will re-evaluate the economics in the new year.

Phillips 66 had reportedly restarted its 250,000 b/d Alliance refinery in Belle Chasse, Louisiana, in late December after an extended shutdown since September 2020. Citgo had also brought forward maintenance work at its 425,000 b/d Lake Charles, Louisiana, refinery, which had been subjected to a prolonged outage following damage to power grids during the hurricane season. This refinery emerged from an extended downtime at the end of October.

ExxonMobil took its Baytown, Texas, refinery down for maintenance work in early January that could last up to 70 days, according to market sources.

By Chunzi Xu and Daphne Tan

Oil demand recovery hinges on jet fuel: Vitol

The speed of recovery in jet fuel consumption will be the single most important factor influencing oil demand growth this year, but reaching pre-pandemic levels by the end of 2021 is unlikely, according to trading firm Vitol.

"We will not leave this year in the same way we left 2019 in terms of aviation demand," Vitol's chief executive Russell Hardy told the Gulf Intelligence Global UAE Energy Forum. "It is likely that we exit 2021 with jet demand still 1mn-2mn b/d below pre-pandemic levels," he said.

Hardy did not say when he thinks jet fuel demand will fully recover. But Mike Muller, head of Vitol's business in Asia, told the same conference that he thinks jet demand in Asia will only begin to rebound towards the end of the third quarter once a significant enough portion of society has been immunised against Covid-19.

"By then it is likely that we'll have sufficient immunisation or herd immunity, or a combination of people who have suffered and already had the virus and who have been immunised," Muller said. "That is my hope, but I do think it will take until late in the third quarter."

Muller said he expects overall oil demand to rise by 6mn b/d this year, only partially reversing a 9mn b/d slump in demand last year.

Jet fuel demand has been hit particularly hard by the Covid-19 pandemic, with border closures and international flight suspensions causing an unprecedented collapse in consumption. While the start of vaccination programmes has offered the aviation sector some hope, the International Air Travel Association (Iata) said in November that it does not expect global air passenger numbers to return to 2019 levels until 2024 at the earliest. Iata expects 2.8bn passengers to travel in 2021, 1bn more than in 2020 but 1.7bn fewer than in 2019.

The US Energy Information Administration (EIA) recently forecast US jet fuel and diesel demand will approach pre-coronavirus levels in 2022 but gasoline will continue to lag.
By Sarah Raffoul

Japan decarbonisation plans challenge refiners

Japanese refiners have weathered the short-term impact of Covid-19 through 2020, but now face a fresh challenge as the government's focus on decarbonising the economy adds urgency to capacity rationalisation efforts.

The pandemic cut Japan's oil product demand by 10pc on the year to 2.3mn b/d in April-September. But gasoline and middle distillate consumption has now almost totally recovered, refiners say, although a full bounce-back for jet fuel looks months away at least. Japan's oil product demand is likely to hit 2.6mn b/d over the full April 2020 to March 2021 fiscal year, a drop of 4pc from 2019-2020, and then recover slightly to 2.7mn b/d in 2021-22, energy think-tank the IEEJ says.

Japanese oil firms have been relatively unscathed by the coronavirus, and even reported a considerable increase in refining profits in April-September, as they took advantage of firmer refining margins. "We responded to the short-term shock by meticulously optimising our refinery runs against demand from local outlets," Cosmo Oil general manager for crude and tankers Mitsuyasu Kawaguchi tells *Argus*. "Such short-term impact did not trigger refinery closures in Japan."

Eneos, the country's biggest refiner by capacity, increased its refining profit excluding inventory losses by 11pc on the year to ¥46bn ($450mn) in the period. This was despite losses of ¥42bn on domestic oil product sales and ¥28bn in restructuring costs associated with the scrapping of the 115,000 b/d Osaka refinery in October, a decision that was made before the pandemic hit. Idemitsu, Japan's second-biggest refiner, boosted refining profits by 77pc to ¥27bn in April-September. Smaller 340,000 b/d refiner Cosmo Energy more than tripled its April-September refining profit to ¥18bn, shrugging off ¥10bn in Covid-related losses.

Refiners also took advantage of the added upgrading capacity installed under government-led refining reforms, and moves to optimise output to rein in pandemic-driven volatility in refining margins. The third-stage rationalisation plans overseen by economy, trade and industry ministry Meti require Japanese refiners to raise oil product upgrading capacity further over the five years to March 2022.

But the government's focus on decarbonisation is weighing on the country's long-term oil demand outlook, adding to existing pressure from a shrinking, ageing population. The IEEJ expects crude processing to dive by 16pc to 2.5mn b/d this fiscal year, from 3mn b/d in 2019-2020. Throughputs are unlikely to recover much in 2021-22, edging up to 2.6mn b/d of Japan's 3.5mn b/d refining capacity.

Tokyo is speeding up its discussions of decarbonisation policies following prime minister Yoshihide Suga's announcement of 2050 climate targets. The government said last month that it plans to ban sales of gasoline-only cars by 2035 in favour of electric vehicles (EVs), including hybrids and fuel-cell powered EVs. This brings forward the EV shift significantly from a previous end-of-2050 target. Meti previously projected that Japanese gasoline demand would decline by 11pc to around 780,000 b/d over the five years to 2023-24, assuming that each shift of a gasoline-fuelled car to an EV would cut gasoline use by 5 bl/yr.

Car manufacturing industry lobby Jama's chairman, Akio Toyoda, who is also president of carmaker Toyota, has questioned the hasty EV shift in Japan — where electricity is largely generated by burning fossil fuels — and called for a transition to revolutionary energy policies. Thermal fuels accounted for 76pc of Japan's power generation in 2019-20, followed by renewables at 18pc and nuclear at 6pc. Meti has provisionally indicated a reference target for 2050 to generate 50-60pc of power from renewable sources, 30-40pc from nuclear and thermal fuels coupled with carbon capture and storage, and 10pc from hydrogen and ammonia.

EU-15 refinery crude intake at 30-year low

The amount of crude taken into refineries in the EU-15 plus Norway last month was the lowest since *Argus* began collecting the relevant data 30 years ago.

Around 8.1mn b/d of crude was taken into the European refineries covered by the latest Euroilstock data in December, down from 8.65mn b/d in the prior month and from 9.84mn b/d in December 2019. It is the lowest amount since at least January 1990 and equates to refinery utilisation of around 65pc.

Demand for refined products came under renewed pressure in December after the discovery of a new, more easily-transmissible strain of Covid-19. European refiners also tend to try and draw down their inventories at year-end, which reduces the incentive to procure fresh cargoes.

The heaviest month-on-month falls in crude demand were in some of Europe's largest markets. Intake fell by 27pc in France, by 18pc in Italy and by 9pc in Germany. Total shut down its 222,000 b/d Donges refinery for financial reasons on 30 November, and shut its 93,000 b/d Grandpuits refinery near Paris around 20 November because of cracks in the pipeline that feeds it with crude.

There were no refinery shutdowns in Italy in December, although crude receipts were close to technical minimums at several plants. Refinery throughput in southern Germany was affected early in the month by issues with the transalpine pipeline that feeds crude into central Europe. Intake elsewhere was typically stable, albeit at low levels.

The latest inventory data show that stocks of all surveyed product groups fell in December from November, but remained significantly higher year on year in most cases owing to the persistent contango structure in the Ice Brent and Ice gasoil markets since the onset of Covid-19 last year.

European refining margins are likely to remain below breakeven levels until demand recovers and bloated inventories draw down.

By Thomas Warner and Benedict George

Goldman Sachs raises 2021 oil price forecasts

US bank Goldman Sachs has raised its oil price forecasts for this year, as it sees oil markets rebalancing faster than previously expected, helped by Saudi Arabia's unilateral production cut and Covid-19 vaccines.

The bank now forecasts that Brent and WTI will average $61.30/bl and $58.50/bl in 2021, respectively, up from its previous projection of $55/bl and $52.80/bl. It has kept its Brent and WTI forecasts for 2022 unchanged at $65/bl and $62/bl, respectively.

The bank said Brent could hit $65/bl in July this year, instead of December as previously expected. It said it brought its forecast forward because it sees a "clearer path to a tight market", thanks to Saudi Arabia's voluntary 1mn b/d production cut neutralising "the winter demand weakness". The bank also sees "diminished risks for a rushed Opec+ exit or quick Iran production recovery".

"Opec+ further abandoned the monthly production schedule it had agreed to use in December to reach a two-month agreement. This will keep March Opec+ production at low levels just as global oil demand rebounds sharply," the bank said.

Goldman Sachs expects the oil market to tighten in the spring, with demand forecast to rebound on the back of a decline in Covid-19 infections as temperatures rise and inoculation programmes gather pace.

By Caroline Varin

US to require aluminium import licenses

US aluminium importers will be required to hold a special license starting 25 January in an effort to watch for transshipments and violations of antidumping policies.

The licenses are free, issued automatically upon application and will require applicants to report the volume, value country of origin, the country of most recent casting and the country where the product was smelted.

While the system does not apply to scrap aluminium, it may apply to scrap-based ingot or other products made from remelted scrap, said Adina Renee Adler, the Institute of Scrap Recycling Industries' vice president of advocacy.

The licenses will help the US government track aluminium shipments in nearly real time, catching instances of dumping or circumvention earlier than previous methods.

By John Betz

Steel groups call on Biden to keep 232 tariffs

Multiple US steel groups have sent a letter to president-elect Joe Biden urging him to maintain the national security-driven

Section 232 steel tariffs imposed by President Donald Trump.

The 25pc steel tariffs were imposed by Trump in March 2018 and have since undergone some revisions, including removing steel tariffs on close trading partners Canada and Mexico. The letter was endorsed by the leadership of the American Iron and Steel Institute, the American Institute of Steel Construction, the Committee on Pipe & Tube Imports, the Steel Manufacturers Association, and the United Steelworkers union.

The main issue for the letter's coalition continues to be global steel oversupply, which it estimated would grow to 700mn metric tons (t) in 2020, with the coalition citing figures from the Organisation for Economic Co-operation and Development.

Production is increasing in China, Turkey and Vietnam, the letter continued, despite a collapse in steel demand from Covid-19-related lockdown measures that have crippled the global economy in an attempt to control the spread of the disease.

The letter says the tariffs helped to jumpstart the domestic steel industry, leading to the restart of multiple mills and rehiring of laid off workers.

US hot-rolled coil prices rapidly increased after the tariffs were announced into the $900/short ton (st) range, but then began a long decline that lasted through much of 2019.

While some mills were brought back on line because of the tariffs, like integrated steelmaker US Steel's Granite City Works near St Louis, Missouri, others that were on line at the time the tariffs were put in place were eventually idled, even before the coronavirus pandemic ripped across the US. In November 2019 US Steel said it would permanently idle the final blast furnace remaining at its Great Lakes Works in Ecorse, Michigan, which had a pig iron production capacity of 1.4mn short tons (st)/yr, in April 2020. It followed the company idling other blast furnaces at Great Lakes and elsewhere earlier in the year as US flat-rolled prices remained depressed amid oversupply.

By Rye Druzin

China's green steel targets face hurdles

The Chinese government's push for a more environmentally friendly and self-sufficient steel industry faces significant hurdles to meeting proposed targets, starting with crude steel output cuts this year.

The ministry of industry and information technology (MIIT) released a draft five-year roadmap for public comment this month on the high-quality development of China's 1bn t/yr steel industry. It calls for more scrap use, expanded electric arc furnace capacity and more Chinese ownership of iron ore supplies.

China's crude steel output should fall in 2021, a top MIIT official also said, as part of initial efforts to reduce carbon emissions.

The call for lower output was met with scepticism in the market, as wide steel profit margins, a surge in steel export demand and aggressive economic stimulus make it more likely that China will need to increase its steel output in 2021.

It also contradicts forecast growth by China's state-run think-tank the metallurgical industry planning and research institute. China's crude steel output is forecast to rise by 1.4pc to 1.065bn t in 2021 after a 5.4pc increase to 1.05bn t in 2020, the institute said last month. China's steel consumption rose by 9.6pc to 981mn t in 2020 and is forecast to rise by 1pc to 991mn t in 2021, it said.

MIIT's call for lower output in 2021 is aimed at taming soaring raw material prices, a north China mill official said. A voluntary request is unlikely to reverse the trend, not with new capacity coming on line and mills making strong profits, he said.

"Based on our rough estimation, there will be a net increase of over 40mn t/yr crude steel capacity in 2021" including more than 10mn t of EAF capacity, an east China steel trader said.

MIIT has also proposed tightening its steel capacity swap programme, but there is also scepticism that will reverse output gains.

MIIT's call for lower output is a signal to markets that iron ore demand should start to fall and "will be bearish for iron ore prices. It is not surprising that China calls for lower output because we know it is an inevitable trend", a Shanghai iron ore trader said. Short-term cuts could form production restrictions or the elimination of smaller mills after the Covid-19 pandemic is controlled, he said.

It is hard to see steel output cuts in 2021 with mills putting new blast furnaces in operation, but there could be other ways to make reductions like eliminating water-cooled rebar that is illegal but still circulating in east China steel markets, a Tangshan mill manager said.

There have been no specific measures announced to reduce output, but the carbon emissions trading scheme that launches 1 February could eventually drive increased scrap use at the expense of iron ore and coke as mills reduce carbon emissions, a Beijing iron ore trader said.

The main effect of MIIT's policies may be just to dampen sentiment, even if it does not lead to cuts, the inverse effect of Tangshan winter restrictions that were loosely enforced and did not lead to output cuts but still supported prices.

"The overall sentiment for the 2021 outlook has been dampened by the MIIT calls to reduce crude iron ore output, as the market is quite bullish about the steel demand next year ahead of the call," another Beijing iron ore trader said. "But now traders and mills should be more cautious and wary on what measures the government will carry out to reduce output, and to what extent it will be reduced. All these details have not been announced yet."

China's emissions scheme to include steelmakers

China's long-delayed national emissions trading scheme (ETS) that launches in February will include 10 steelmakers with energy or mining assets.

The ecology and environment ministry published the final version of regulations governing the scheme. It will take effect by 1 February, enabling eligible entities to start trading by that date and kicking off what may become the world's largest ETS.

China's ETS was originally designed to cover all its heavy industries but was scaled back to initially focus on power plants. The environment ministry published guidelines on the distribution of emission quotas to a total of 2,225 coal- and gas-fired power plants, as well as manufacturing facilities with captive power plants. Ten steelmakers fall under the latter category.

Steel companies with steel businesses covered under the scheme are Tisco Stainless Steel, Jiangyin Xingcheng Special Steel, Weifang Special Steel, Linzhou Xinlong Steel and Pangang. Steel companies' energy or mining subsidiaries covered under the scheme are Tisco Lanxian Mining, Baotou Steel's Baoshan Mining, Anshan Steel Mining's Qidashan branch, Wisco Power, Pangang and Chongqing Ti Industry.

All entities that emitted more than 26,000t of CO_2 equivalent in any single year from 2013-19 will be covered by the ETS, according to the regulations, in line with the consultation draft released in November.

China's 1bn t/yr steel industry will be required to reduce its emissions to meet a goal of peak carbon by 2030. The ministry of industry and information technology is expected to roll out low-carbon plans for the steel and cement sectors this year.

Under the ETS launching next month, listed entities will receive free carbon emission quotas that cover a portion of emissions. Actual quotas will be allocated by provincial governments after final adjustments.

China identified an emissions-trading market as one of the top priorities for the coming year at its annual central economic work conference in December. This was the first time that emission reductions had been included in the key conference, following president Xi Jinping's pledge last year to achieve carbon neutrality by 2060.

The environment ministry is also speeding up efforts to draft an action plan for emissions to peak by 2030 and will "start to build" a national emissions trading market in 2021, environment minister Huang Runqiu said.

The national ETS centre will be located in Shanghai and the registration system will be in Wuhan in Hubei province, Huang said.

China already operates emissions-trading programmes on a pilot basis in seven cities and provinces. But moves towards a nationwide scheme had stalled since 2011.

Total trading volumes in the pilot programmes were 430mn t of CO_2e as of 2020, state media said. Most of the transactions were in Guangzhou and Shenzhen, accounting for around 2.21mn t of CO_2e or 51pc of the total.

China is also seeking chance to launch a carbon futures market as part of efforts to meet its emissions-reduction targets, a top executive at the China securities regulatory commission (CSRC) said last year.

IMF warns of China economic risks

China's economic growth remains unbalanced and financial risks need to be addressed, the IMF said, tempering its optimism over the country's strong rebound from the Covid-19 outbreak early last year.

China's economy expanded by an estimated 1.9pc last year and is likely to grow by another 7.9pc in 2021, the IMF said in its regular country review.

The projected figure for 2020 would make China the only major world economy to avoid a contraction in the period, as the Covid-19 pandemic triggers the worst global slump since World War II.

The Chinese economy is likely to rebound strongly this year as activity normalises and outbreaks remain under control, although the 7.9pc projection is down slightly from 8.2pc in the IMF's October *World Economic Outlook* report, reflecting a reassessment of the amount of fiscal support provided.

But the IMF continues to express concerns about the lack of balance in the Chinese economy. "China is recovering fast, ahead of most large economies, but the recovery is still unbalanced and facing significant downside risks," the IMF's China mission chief Helge Berger said.

The economic recovery has been driven mainly by government spending, while consumption remains low and lagging its pre-crisis trend.

China has made progress on delivering structural reforms despite the pandemic, but these have focused largely on opening financial services to international investment. Measures focused on the "real-sector" economy, especially reforms to state-owned enterprises and attempts to create a level playing field with private-sector firms, have been slow.

Beijing should also move to address financial vulnerabilities to maintain stability, with policies to address problem loans and to strengthen regulation introduced as the economic recovery takes hold, the IMF said.

Chinese economic growth is crucial to demand for a swathe of commodities. China's crude imports rose by 9.2pc from a year earlier to 11.03mn b/d in January-November, according to customs data, helping mitigate a global slowdown in demand. China's oil consumption is on course to expand by over 700,000 b/d to 15.2mn b/d this year, *Argus Consulting Services* predicts.
By Kevin Foster

US House impeaches Trump for inciting insurrection

The US House of Representatives today voted to impeach President Donald Trump for inciting his supporters last week to attack the US Capitol in an attempt to overturn his election loss.

The Democratic-led House voted 232-197 in favor of impeachment, just one week after Trump urged thousands of supporters to walk to the Capitol and "fight like hell" to keep him in office for a second term. Five people died in the ensuing chaos, as supporters tried to disrupt lawmakers who were voting to formally certify Joe Biden to be sworn in as the US president on 20 January.

But removing Trump from office before his term expires a week from now remains unlikely, even with 10 Republicans crossing the aisle to join Democrats in support of impeachment articles that said Trump's actions had "gravely endangered" the security of the US and threatened its democratic system.

The Senate will not begin an impeachment trial until 19 January at the earliest, and a conviction would need the support of at least 17 Republican senators. Senate majority leader Mitch McConnell (R-Kentucky) today declined to use an emergency option to reconvene earlier, even as he said he had not made a final decision on how to vote.

The Senate could still vote to convict Trump after he leaves office, which would also create the option to hold a second vote on prohibiting him from holding federal office. Trump has floated the idea of a run for president in 2024.

Trump yesterday said his remarks to supporters last week were "totally appropriate" and has denied responsibility for what followed. Trump today issued a statement urging against violence and lawbreaking. The Capitol complex, where Biden will be inaugurated, is now being guarded by thousands of national guard troops to deter future attacks.

If an impeachment trial starts next week, it could derail efforts by Biden for the Senate to quickly confirm nominees to key positions in his cabinet. Trump has remained unusually silent during his impeachment, in part because his Twitter account was deactivated last week.
By Chris Knight

US tries again on long-sought infrastructure deal

Democratic leaders and business groups are trying to build momentum for a deal that could provide billions of dollars in infrastructure-related spending and boost the recovery of the US economy.

US senator Chuck Schumer (D-New York), set to be majority leader of the chamber after Democrats prevailed in two special elections in Georgia, said his first order of business will be taking up another round of coronavirus relief. But after that, he said the Senate would take up infrastructure plans that stalled under Republican control.

"We will consider bold legislation to defeat the climate crisis by investing in clean infrastructure and manufacturing, which will create millions of good jobs for Americans," Schumer said in a letter to colleagues.

That spending initiative could align with a push by business groups to find bipartisan consensus on a long-sought infrastructure package. US Chamber of Commerce chief executive Tom Donohue called for a "fiscally and environmentally responsible infrastructure package" during the business lobby's annual speech setting out its top priorities.

President-elect Joe Biden during his campaign similarly called for an infrastructure bill as an area of compromise, as a way to boost employment and rebuild aging highways and public transit facilities. Biden later said he will announce the framework for another round of Covid-19 relief he says will likely cost trillions of dollars.

The political obstacles that held up past efforts to pass a bipartisan infrastructure deal could emerge once again. Democrats only hold a narrow majority in Congress. That will make it hard to negotiate a deal that can pass in both chambers and avoid a filibuster in the Senate, where Republicans are newly concerned about deficit spending. Democrats could prevent a filibuster with a process named budget reconciliation, but that tool can only be deployed once each year.

Business groups, meanwhile, are vowing to fight back against efforts by Democrats to reverse many of the tax cuts and deregulatory initiatives championed by President Donald Trump. The Chamber's Donohue said the business lobby would use "every tool at our disposal, including in the courts," to prevent what he described as regulatory overreach.

"Now is exactly the wrong time to further test the resiliency of businesses by hiking taxes or heaping on new regulations that do more harm than good," Donohue said.
By Chris Knight

Phillips 66 creates 'Emerging Energy' division

Phillips 66 will create an "Emerging Energy" group as US independent refiners work to match their assets to shifting fuel demands and regulations.

The new corporate division under vice president Heath DePriest will include currently operating and planned renewable diesel production as well as research and development projects into batteries, hydrogen fuels and other technologies beyond a traditional petroleum refining and marketing focus.

Chief executive Greg Garland expects the division to grow to a scale similar to Phillips 66's midstream and marketing businesses, he said during the Goldman Sachs Global Energy Conference.

"I see us, in a period of, certainly, 10 years, having a business that stands on its own equivalent to our midstream business today," Garland said.

Phillips 66 will increase its renewable diesel marketing this year through a supply and offtake agreement for 11,000 b/d from Ryze Renewables in Nevada. The refiner plans to by mid-year produce 9,000 b/d of renewable diesel at its Rodeo refinery in California and to convert the entire Rodeo plant of its 120,000 b/d San Francisco refining complex to produce 50,000 b/d of renewable diesel in 2024, pending regulatory approval.

Rising costs to comply with US renewable fuel mandates, spreading low-carbon fuel requirements and 2020's collapse in transportation fuel demand helped to drive broader US refiner interest in renewable diesel production last year. Refiners also face investing pressure to demonstrate both environmental efforts and a long-term use for assets that have for decades boiled crude oil into gasoline, diesel and jet fuel.

Phillips 66 still expects a long transition to non-petroleum fuels, with more than 50pc of global energy demand met through oil and gas over the next 20 years.
By Elliott Blackburn

China dry bulk may break record: Bimco

China is expected to further expand its market share of the dry bulk industry in 2021, which should buoy tonne-mile demand, although not enough to offset oversupply, shipping association Bimco said.

Dry bulk shipments into China rose by 5.2pc year on year in 2020, with an additional 95.3mn t compared with 2019, Bimco chief shipping analyst Peter Sand said. This contrasted with a 4.5pc drop in demand for shipments to the rest of the world.

And because shipments into China typically travelled nearly twice as far as shipments into other countries, this boosted global tonne-mile demand for bulk carriers, Sand said. Tonne-mile demand to the rest of the world fell by 6.2pc on the year, but a 9.6pc growth in tonne-miles for shipments to China meant a total net increase of 0.9pc.

It also meant that shipments to China accounted for 48.5pc of global dry bulk tonne miles in 2020, up from 44.7pc in 2019, and Sand expects China to remain dominant in 2021.

Combined with the tonne-mile benefits of robust demand from China, fleet growth in the dry bulk sector is expected to be at its lowest this century, Sand said, meaning that demand growth should outpace supply.

But Sand does not expect this to be sufficient enough to stop the market from remaining oversupplied. And he expects slow and uneven demand recovery outside of China, and rising fuel costs, to maintain pressure on shipowners' earnings.
By Will Collins

Announcement

All data change announcements can be viewed online at www.argusmedia.com/announcements.
Alternatively, to be added to the email distribution list for all announcements, please email: **datahelp@argusmedia.com**.

Refinery operations update

US Gulf coast

- Marathon Petroleum reported increased flaring on 6 January at its 561,000 b/d Galveston Bay refinery in Texas City, Texas. Flaring from an ultracracker unit was caused by a fault in the unit's recycle compressor, according to a filing to state environmental monitors. Operations crews repaired the unit and operations resumed, with the flaring ending after four hours, according to the filing. Marathon Petroleum does not comment on refinery operations.

US midcontinent

- ExxonMobil on 11 January reported increased emissions associated with a process unit upset at its 240,000 b/d Joliet refinery in Channahon, Illinois. The producer reported the event at 11:13pm ET, according to a filing to state environmental regulators. ExxonMobil declined to comment on the event.

US west coast

- Phillips 66 reported an unplanned flaring on 10 January at its 139,000 b/d Los Angeles refining complex in California. The event in the Wilmington end of the facility was reported at 8:30pm ET, according to a filing to regional air quality monitors. Phillips 66 did not comment on the unit or units involved but said the cause of the flaring event was under investigation.

ANNOUNCEMENTS

Russian netback petroleum coke prices

The *Argus* Russian netback petroleum coke prices were not yet available last week because of the Russian holiday period. The netback prices for last week were as follows:

Petroleum coke 4.5% sulphur fca Antipino netback
$47.47/t

Petroleum coke 4.5% sulphur fca Nizhnekamsk netback
$48.15/t

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