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Top News - Oil

**ANALYSIS-Biden unlikely to cut Iran's oil lifeline after Israel attack**

Iran's unprecedented missile and drone strike on Israel is unlikely to prompt dramatic sanctions action on Iran's oil exports from the Biden administration due to worries about boosting oil prices and angering top buyer China, said analysts.

Shortly after Tehran launched its weekend attack - retaliation for Israel's suspected April 1 strike on the Iranian consulate in Damascus - House Republican leaders accused President Joe Biden of failing to enforce existing measures and said they would take up this week a series of bills to sharpen sanctions on Iran.

Speaking to Fox News on Sunday, Representative Steve Scalise the No. 2 House Republican, said the administration had made it easier for Iran to sell its oil, generating revenues that were being used to "go fund terrorist activity."

The political pressure to punish Iran creates a thorny problem for the administration: how to deter such attacks in future without escalating regional tensions, raising oil prices or antagonizing China, the biggest buyer of Iranian oil.

Washington has said for months that among its primary goals is to keep the Gaza conflict between Palestinian group Hamas and Israel from metastasizing into a wider regional war, with a key aim of keeping Tehran on the sidelines.

The House late on Monday overwhelmingly passed a bill called the Iran-China Energy Sanctions Act, which would expand sanctions on Iran by requiring annual reports to determine whether Chinese financial institutions have participated in transactions on Iranian oil. It would ban U.S. financial institutions from having accounts for any Chinese entities that engage in those deals.

The bill faces an uncertain future in the Senate, which is controlled by Biden's fellow Democrats who are wary of pushing up oil prices.

Several regional analysts said they doubted Biden would take significant action to ramp up enforcement of existing U.S. sanctions to choke off Iran's crude exports, the lifeblood of its economy.

"Even if these bills pass, it's hard to see the Biden administration going into overdrive, to try to spring into action or enforce existing sanctions or new ones to try to cut or curb (Iranian oil exports) in any meaningful way,"

said Scott Modell, a former CIA officer, now CEO of Rapidan Energy Group.

ENFORCING SANCTIONS

Former President Donald Trump reinstated U.S. sanctions on Iran's oil in 2018 after pulling out of an international deal on Tehran's nuclear program. The Biden administration has sought to crack down on evasion of those measures with sanctions against companies in China, the United Arab Emirates and elsewhere.

Despite those efforts, Rapidan estimates Iran's oil exports have hit 1.6 million to 1.8 million barrels a day, excluding condensates, a very light oil. That is close to the 2 million barrels a day Iran exported before sanctions, said Modell. The possible effect on gasoline prices is one reason Biden may not move strongly to curb Iran's oil exports. Kimberly Donovan, a sanctions and anti-money laundering expert at the Atlantic Council, said that oil-related sanctions have not been strictly enforced in the past couple of years.

"I would not expect the administration to tighten enforcement in response to Iran's missile and drone attacks against Israel over the weekend, mainly for concerns (that) could lead to increases in oil prices," she said.

"The price of oil and ultimately the prices of gas at the pump become critical during an election year."

A State Department spokesman said the Biden administration had not lifted any sanctions on Iran and continued to increase pressure on the Islamic Republic. "Our extensive and overlapping sanctions on Iran remain in place, and we continue to enforce them," said the spokesman.

THE CHINA FACTOR

Aggressively enforcing sanctions could also destabilize the U.S.-China relationship, which Chinese and U.S. officials have tried to repair following a rocky period after the U.S. last year downed a suspected Chinese surveillance balloon that crossed U.S. territory. Almost all Iranian oil entering China is branded as originating from Malaysia or other Middle Eastern countries and is carried by a "dark fleet" of older tankers that typically switch off their transponders when loading at Iranian ports to avoid detection.

Tanker tracking specialist Vortexa Analytics estimated China acquired a record 55.6 million metric tons or 1.11 million barrels of Iranian crude a day last year. That amounted to roughly 90% of Iran's crude oil exports and 10% of China's oil imports.

Several analysts suggested Washington might take some action to cut Iran's oil exports in part to temper any Israeli reaction to the Iranian strikes, which could escalate the conflict.

But they said this would fall short of dramatic action such as sanctioning a major Chinese financial institution and instead could involve targeting Chinese or other entities engaged in such trade.

"If you really want to go after Iran's oil exports yes, you would have to take meaningful action against China," said one source familiar with the issue.

"Are you really going to go after the big banks? Are you going to do something that the administration has not done and even the Trump administration did not do?" he added.

Jon Alterman, a Middle East analyst at the Center for Strategic and International Studies, said there were limits to what Washington can do to impose sanctions and that evaders are adept at finding loopholes.

"I'd expect to see a gesture in the direction of (imposing) economic consequences on Iran, but I don't expect the White House — or any future White House — to be able to completely turn off the spigot of Iranian oil," he said.

US could release more SPR oil to keep gas prices low, senior White House adviser says

U.S. President Joe Biden will do what he can to ensure affordable gasoline prices, White House senior adviser

John Podesta said at an industry conference on Tuesday, when asked about future releases of crude oil from the Strategic Petroleum Reserve (SPR).

The Biden administration in 2022 sold 180 million barrels of oil in about six months from the reserve, the largest ever SPR sale, in an attempt to lower gasoline prices after Russia invaded Ukraine.

Republicans slammed the sale, which helped push levels in the reserve to the lowest in about 40 years.

"The president did it (release oil from SPR) before ... and I think he wants to keep the price of gasoline affordable and he will do what he can to make sure that happens," Podesta said at the BNEF Summit in New York.

He stopped short of saying there would be a release from the SPR any time soon.

Meanwhile, the U.S. Department of Energy this month paused its oil repurchase for the SPR due to high oil prices. The Energy Department has previously said it aims to purchase oil for the SPR at a price of \$79 per barrel or below, less than the average of about \$95 it received for its 2022 emergency SPR sales.

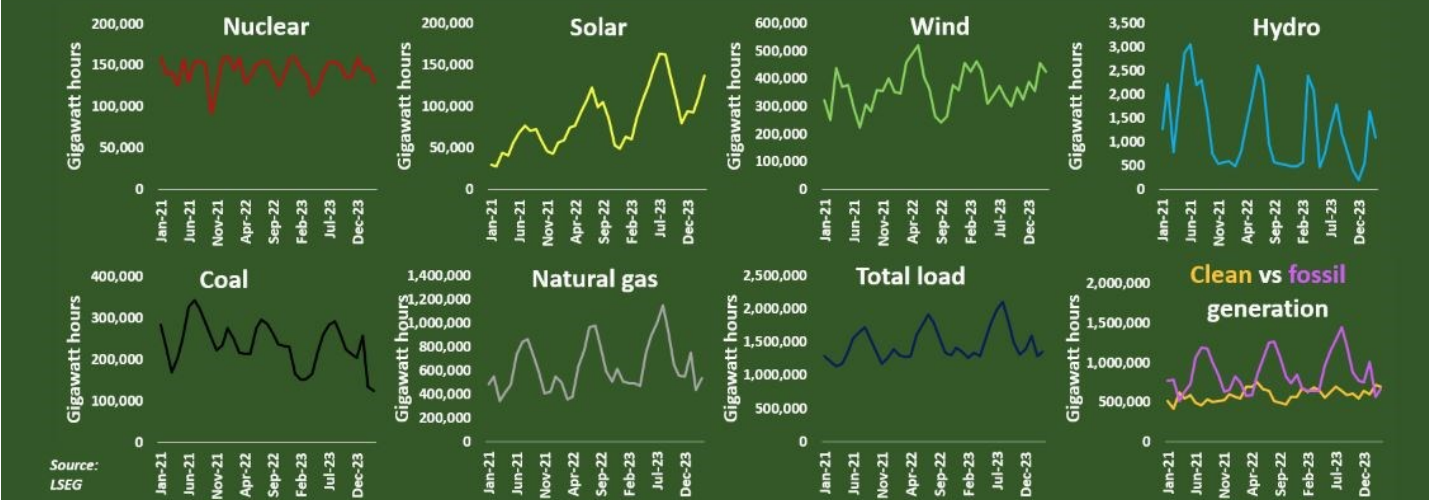
Energy Secretary Jennifer Granholm told a Senate hearing on Tuesday that the administration still wants to buy back oil for the reserve, saying "we want to buy back at a rate that is good for the taxpayers."

Prices have risen over \$79 a barrel on fears that the war between Israel and the Palestinian militant group Hamas could broaden. West Texas Intermediate oil futures were little changed at just above \$85 a barrel on Tuesday as economic woes offset support provided by U.S. Treasury Secretary Janet Yellen saying that the U.S. intends to impose new sanctions on Iran after its unprecedented attack on Israel.

Chart of the Day

ERCOT power system struggling to lift clean power generation

Drops in wind & hydro production during Q1 2024 from Q1 2023 have kept clean output largely flat this year



Top News - Agriculture

Brazil's Abiove raises 2023 soy output view, raises beginning stocks

A revision of Brazilian soybean production in 2023 affected estimates for the country's beginning stocks this year, according to new data released by oilseeds lobby Abiove on Tuesday.

With the upward revision pegging Brazil's 2023 soy output at 160.3 million metric tons, a record, beginning stocks have been estimated at 5.9 million tons, 1.2 million metric tons more than calculated previously.

The group, which represents global soybean processors, also changed the country's ending stocks to 5.2 million tons for 2024, versus around 4 million in the previous forecast.

The new data comes as ample supplies of soybeans keep a lid on prices.

This year, soy fields in Argentina and Brazil's Rio Grande do Sul state recovered from weather-related losses in previous seasons, offsetting a fall in production in the country's center west caused by a strong El Nino, which brought heat and dryness and spoiled crops.

Abiove did not change its forecast for 2024 soybean production in Brazil, the world's largest producer and exporter, which it says will be 153.8 million tons.

Russia's agricultural sector largely unscathed by floods, minister says

The work of Russian agricultural companies has not been significantly disrupted by heavy flooding in several regions, Agriculture Minister Dmitry Patrushev said on Tuesday, easing fears about possible crop destruction. The area of spring sowing is approaching 5 million hectares, a slightly higher pace than last year, the minister added.

Russia expects to record its second largest harvest in 2024, after a record 147 million metric tons of grain in 2023.

The area for this year's harvest will increase by 300,000 hectares to 84.5 million hectares, Patrushev said in January. Winter crops have been sown on 20 million hectares. Swathes of northern Kazakhstan and Russia's Urals region are dealing with the worst floods in living memory as melt waters have swelled the tributaries of the world's seventh longest river system, forcing more than 125,000 people to flee their homes.

The agriculture ministry said emergency regimes have been declared in the Orenburg, Altai, Kurgan and Tyumen regions. The Volga river's Samara region is also at risk of wide-scale floods, it said.

According to industry experts, the real damage can only be assessed once the waters have subsided.

Top News - Metals

Global Commodities excludes Russian nickel from its new trading platform

UK-based Global Commodities Holdings Ltd (GCHL) will not accept nickel produced in Russia on its new spot trading platform due to be launched later this month, it said on Tuesday.

Washington and London on Friday prohibited metal-trading exchanges from accepting new aluminium, copper and nickel produced by Russia and barred the import of the metals into the U.S. and Britain.

"The removal of the option to make or take delivery of Russian Class 1 nickel follows the recent decision by U.S. and UK authorities to place sanctions on several Russian metals," GCHL said in a statement.

GCHL said last month that traded prices from the platform will be used to create nickel indices and it was working with Intercontinental Exchange to create cash-settled derivatives contracts that can be settled and cleared centrally.

GCHL started looking at the potential of a Class 1 or higher grade nickel trading platform after the crisis at the London Metal Exchange (LME) two years ago, when the LME suspended nickel trading for more than a week and cancelled all nickel trades on March 8, 2022.

Australia's Rinehart takes stake in Lynas Rare Earths, shares jump

Australia's richest person, Gina Rinehart, become a substantial shareholder in Lynas Rare Earths, the largest producer of rare earths outside of China, an exchange filing showed late on Tuesday.

The stake, taken by Rinehart's privately held Hancock Prospecting, is fuelling speculation of sector consolidation, after the magnate acted as a kingmaker in Australian lithium, and following merger talks between Lynas and the next biggest Western rare earths miner, MP Materials, earlier this year.

Lynas shares rose as much as 5.9%.

Rinehart and Hancock Prospecting have become substantial shareholders of Lynas with 5.82% voting power, according to the filing. Hancock took a substantial stakeholding in the U.S. rare-earth producer MP Materials, MP said earlier this month.

Lynas and MP Materials ended talks over a potential merger in February.

Lynas appreciates the support of its shareholders but does not comment on individual shareholders, a Lynas spokesperson said. Hancock declined to comment.

"We wonder whether Rinehart's emergence as a major shareholder in both Lynas and MP will prove a catalyst that encourages a merger," broker Canaccord said in a note on Wednesday.

"We could imagine clear synergies from such a tie-up: strategic re-orientations and cost savings that would enhance profitability at a time of subdued prices. A merged entity would also help to solidify a scaled Western rare earths champion to counter China's dominance."

Lynas mines rare earths at its Mount Weld mine in Western Australia which are shipped to Malaysia for processing. It is building out processing facilities in the

United States for the highly magnetic metals that are critical to wind turbines, electric vehicles and missiles. Lynas investor Andy Forster of Argo Investments said Hancock's move was interesting "given she's clearly made a play across the whole space. She obviously wants to potentially have a seat at the table if there's any chance of consolidation."

"In the scheme of things for her, it's probably a relatively small investment," he said. "(Rare earths have) obviously been pretty depressed of late. If you're making a strategic long-term investment it's probably not a bad time to get in." Prices for Neodymium have slumped by nearly three

quarters since early 2022 when prices spiked following COVID-era border closures that crimped supply to dominant producer China.

Rinehart is Australia's richest person with a fortune made from iron ore. Hancock has been aggressively acquiring stakes in lithium miners, thwarting a deal by top U.S. lithium chemicals maker Albemarle for Australia's Liontown last year.

More recently she has turned her attention to rare earths. Hancock's investments include a 6.17% stake in Brazilian Rare Earths and a 9.14% holdings in Arafura Rare Earths, according to LSEG data.

Top News - Carbon & Power

Permian natgas hits 15-month low as negative prices linger

Natural gas prices in the top U.S. shale field hit their lowest level in 15 months this week and continued to trade in negative territory as a supply overhang shows no sign of quickly abating.

Prices at the Waha hub in west Texas closed at negative \$2.99 per million British thermal units on Monday, its lowest since December 2022, according to data from LSEG. Waha gas has been trading negative for 23 out of the past 25 days, meaning producers are paying to have their gas taken away.

Natural gas in the Permian and across the U.S. has been oversupplied following a warmer-than-expected winter, offtake constraints, and operational issues at a major liquefied natural gas plant in Texas.

Despite negative Waha gas prices, production in the Permian is expected to rise next month alongside oil output, the U.S. Energy Information Administration (EIA) said this week in a monthly report.

Permian gas output is forecast to rise by 140 million cubic feet per day (mcf) to 25.2 billion cubic feet per day (bcfd), while U.S. gas output is expected to fall by 258 mcf to 99.9 bcfd, the EIA said.

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$84.86 / bbl	-0.64%	18.44%
NYMEX RBOB Gasoline	\$2.78 / gallon	0.68%	31.92%
ICE Gas Oil	\$811.50 / tonne	-0.34%	8.09%
NYMEX Natural Gas	\$1.69 / mmBtu	-0.12%	-32.82%
Spot Gold	\$2,377.38 / ounce	-0.22%	15.26%
TRPC coal API 2 / Dec, 24	\$121.75 / tonne	0.21%	25.52%
Carbon ECX EUA	€73.62 / tonne	4.35%	-8.40%
Dutch gas day-ahead (Pre. close)	€34.10 / Mwh	9.65%	7.06%
CBOT Corn	\$4.42 / bushel	-0.51%	-8.68%
CBOT Wheat	\$5.64 / bushel	-0.57%	-11.77%
Malaysia Palm Oil (3M)	RM3,996 / tonne	-4.95%	7.39%
Index	Close 16 Apr	Change	YTD
Thomson Reuters/Jefferies CRB	344.57	-0.44%	14.32%
Rogers International	29.21	-0.83%	10.96%
U.S. Stocks - Dow	37,798.97	0.17%	0.29%
U.S. Dollar Index	106.34	0.08%	4.94%
U.S. Bond Index (DJ)	415.89	-0.64%	-3.44%

In the Permian, much of the gas is produced alongside oil, which is trading near \$85 a barrel - a level strong enough for producers to pay to have gas taken away. Waha negative pricing could hold through the second quarter, researchers at investment firm Tudor, Pickering, Holt & Co said in a note on Monday, with some relief expected later in the year when the Matterhorn Express pipeline, a joint venture between infrastructure company WhiteWater, EnLink Midstream, Devon Energy, and MPLX, starts service. That 580-mile system will move 2.5 billion cubic feet per day of natural gas from the Permian Basin to the Houston, Texas, area.

"I would expect [Waha prices] to improve towards the end of April, early May, but we are going to see continued low Waha prices until Matterhorn comes online", said Robert Wilson, vice president of analytics at East Daley Analytics. Near-term prices will remain pressured by pipeline maintenance and outages at the Freeport LNG terminal in Texas. Kinder Morgan's El Paso and Gulf Coast Express pipelines are both undergoing maintenance and its Permian Highway Pipeline expects a reduction in capacity next month.

Freeport, meanwhile, remained mostly offline for a fifth straight day on Monday, with gas utilization rates at 125 million cubic feet per day (mmcf/d), or 5% of its fully operational use, data from financial firm LSEG showed on Monday. The company in late March said it expects Trains 1 and 2 to remain shut until May for inspections and repairs, while Train 3 was operating.

Those outages helped put pressure on the benchmark for natural gas in the U.S., with Henry Hub trading at around \$1.68 per mmBtu during intraday trading on Tuesday, compared with \$2.28 this time last year.

US creates climate and trade task force to address commerce, manufacturing emissions

The U.S. will create a new trade task force aimed at reducing carbon emissions from global commerce and manufacturing, White House senior adviser John Podesta said at a conference on Tuesday.

The new task force will focus on addressing carbon leakage, carbon dumping, and emissions associated with upstream manufacturing and production, he said, speaking at an event at Columbia University in New York City.

The task force development comes as the U.S. is aiming to expand its deployment of clean energy technology and manufacturing domestically amid growing competition from China.

"Global trading rules incentivize carbon leakage - when manufacturing-related emissions from a country with stronger climate policies shift to a country with weaker policies," said Podesta, the incoming U.S. climate change diplomat. He pointed to China, where over half of the world's aluminum is made. The manufacturing process for an average ton of aluminum there produces 60% more emissions than it does in the U.S., he said.

The task force will also ensure carbon emissions data is available for implementing U.S. climate and trade policies, including taking steps to promote common measurement and high standards on life cycle emissions, he said, emphasizing the group will deepen its dialogue with the United Kingdom, Australia, the European Union and other partners and allies from around the world.

"We will work closely with trade partners to develop standardized and authoritative ways of measuring embodied emissions so that each country can harness comparative advantages in clean manufacturing," he said, referencing the emissions generated from the production to the delivery of a good.

Podesta will replace John Kerry as the U.S.' top climate envoy.

Top News - Dry Freight

Egypt's GASC buys 120,000 MT of wheat in tender

Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), said on Tuesday it bought 120,000 metric tons of Ukrainian wheat in an international tender.

Ukraine grain exports via Romania's Constanta port fall 35% in Q1

Ukraine's grain exports through Constanta fell by 35.1% on the year to 2.16 million metric tons in the first quarter, its port authority told Reuters on Tuesday, although overall grain exports via the Romanian Black Sea port were up by almost 28%.

Constanta has become Kyiv's largest alternative export route since Russia's invasion in February 2022 and the port authority gave no immediate explanation for the drop from Ukraine, which is one of the world's biggest grain exporters. Grain arrives in Romania by road, rail and barge across the Danube river. In February, European Transport Commissioner Adina Valean told Reuters that Ukrainian road and rail exports had increased as a result

of EU-funded rail investments. Ukraine's agriculture ministry said this month that grain exports fell to around 5.2 million tons in March.

The UCAB Ukrainian farm business association linked that decline to Russian forces shelling southern Ukraine. Constanta port data, which does not include volumes handled through smaller Romanian Danube ports and rail and road exports to southern European states, showed that 830,000 tons of Ukrainian grain left port in March. However, overall grain exports in Constanta were up 27.7% on the year at 8.42 million tons.

Romania is one of the EU's biggest grain exporters. Constanta also handles grain from Romania's landlocked neighbours Romania and landlocked neighbours Serbia, Hungary, Moldova and Austria. Constanta recorded its highest grain exports in 2023 thanks to a surge in shipments from Ukraine and ongoing EU-funded infrastructure projects.

The port shipped 36 million metric tons of grain last year, up 50% from the previous year, with Ukrainian grain accounting for roughly 40% of the total.

Picture of the Day

A drone view shows fields that have been partially flooded in La Rocheserviere, France, April 16. REUTERS/Stephane Mahe

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

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