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Top News - Oil

Canadian oil sands output expected to reach 3.7 mln bpd by 2030 - S&P Global

Canadian oil sands production is expected to reach 3.7 million barrels per day by 2030, S&P Global said on Thursday, raising the analytics firm's 2030 production outlook for the country for the first time in half a decade.
S&P Global raised its output estimate for 2030 by 140,000 barrels per day from last year's outlook.
"The Canadian oil sands have entered an 'era of optimization'," said Kevin Birn of S&P Global Commodity Insights, adding that moving production to high-potential areas adjacent to existing development is the most significant contributor to output growth.
Canada is expected to continue to post record production and export levels in the future, according to S&P Global. However, growth is expected to slow in the mid-2020s and decline in the early 2030s. This is due to the long flat production profile of Canadian oil sands assets.
Imperial Oil Ltd, Cenovus Energy Inc, Canadian Natural Resources Ltd, ConocoPhillips and Suncor Energy Inc are major producers of crude from the oil sands, which hold the third-largest proven oil reserves in the world, according to the Canadian government.

EXCLUSIVE- Lloyd's Register drops ships of top Indian carrier of Russian oil

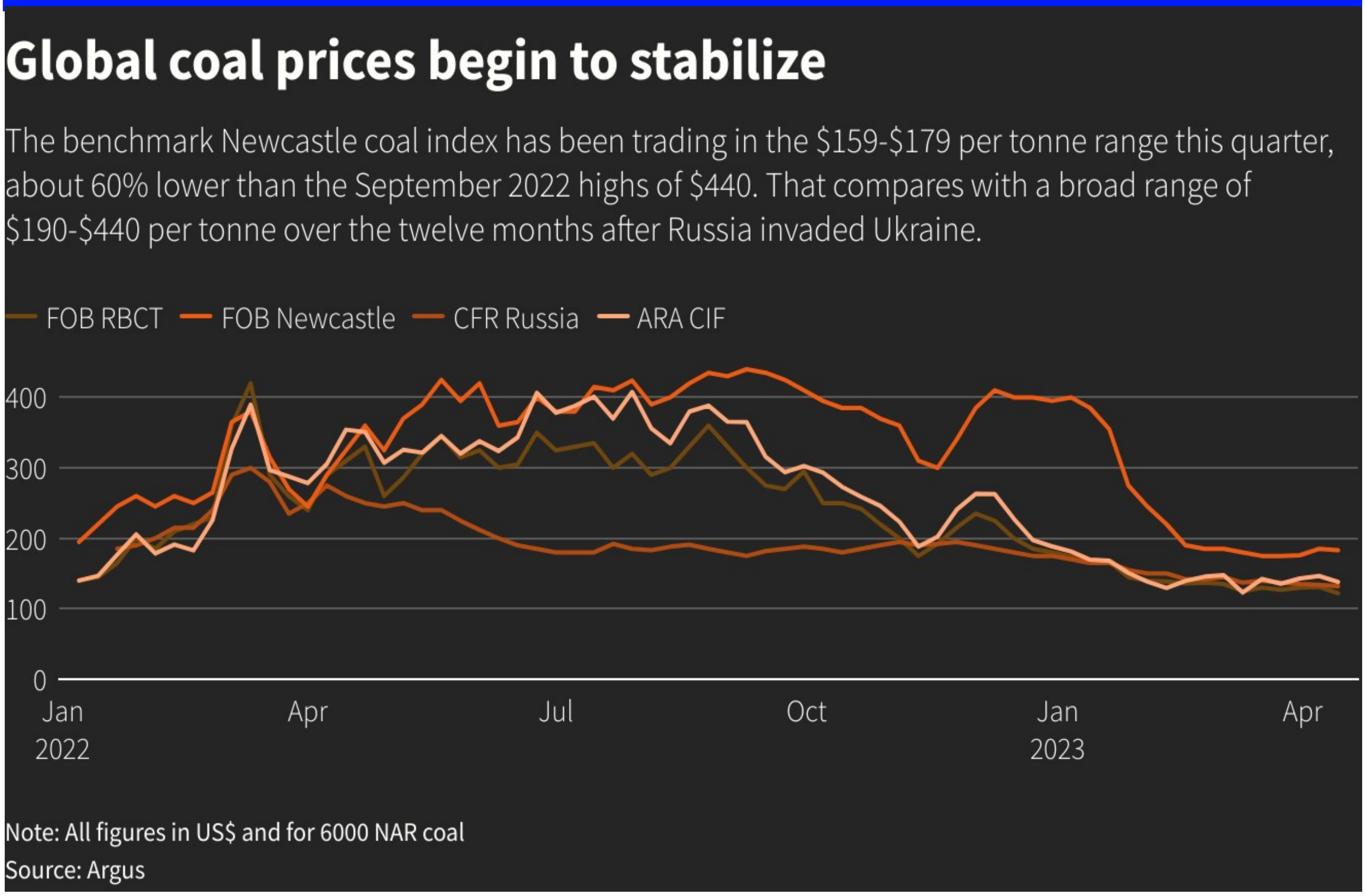
Lloyd's Register has told India's Gatik Ship Management, which has become a major carrier of Russian oil since the Ukraine war, that it will withdraw certification of 21 of its vessels by June 3, the maritime services company told Reuters.
It is the latest setback for Gatik, which was also been forced to find new flags for 36 of its ships after they were deflagged by the St. Kitts & Nevis International Ship Registry.
"Lloyd's Register is committed to facilitating compliance with sanctions regulations on the trading of Russian oil," it said in an email to Reuters. "Where supported by evidence, we withdraw class and services from any vessels found by the relevant authorities to be breaching international sanctions."
Classification societies such as Lloyd's Register in London provide services including seaworthiness checks, certification that is vital for securing insurance and entry to ports.
Lloyd's Register said, however, that 11 of the Gatik vessels it was declassifying were also certified by the Indian Register of Shipping (IRClass).
Gatik, which is based in the Indian city of Mumbai according to shipping databases, did not respond to emailed requests for comment.
A major U.S. insurer, the American Club, also told Reuters it was no longer providing cover for Gatik ships, while Russian insurer Ingosstrakh said it would not work with Gatik in future.
Neither the insurers, Lloyd's Register nor the flag registry spelled out exactly why they have dropped business with Gatik.

DISRUPTION AND LIMITS
In response to Russia's invasion of Ukraine, Western powers imposed a price cap on Russian crude of $60 a barrel.
While non-EU countries can import seaborne Russian crude, Western shipowners and insurers are prohibited from handling such cargoes unless they are sold at or below that price.
Last month, spot prices for Russian crude rose above $60 a barrel and some ship insurance executives said they were nervous of falling foul of the rules as they were unable to independently track the value of cargoes.
India does not recognise the sanctions imposed on Russia and has quickly become the biggest buyer of seaborne Russian crude.
Western efforts to curtail the amount of revenue Russia earns from its energy resources are having a disruptive impact, as are Western sanctions on oil exports from other countries such as Iran and Venezuela.
But the opacity and limited oversight of the shipping sector means many vessels with cargoes from countries targeted by sanctions continue to sail by finding new flags and non-Western registries or insurers, raising concerns about safety and liability.
Every ship requires documents including a flag registry. Ships typically have protection and indemnity (P&I) insurance which covers liability claims including environmental damage and injury. Separate hull and machinery policies cover vessels against physical damage. While Lloyd's Register is dropping classification for 21 Gatik ships, at least 28 were listed as certified by the Indian Register of Shipping, according to the IRClass website.
IRClass, which is recognised globally, did not respond to requests for comment.

INSURANCE LOST
Gatik emerged this year as a leading carrier of Russian oil to India using a fleet of tankers that has numbered

more than 40, shipping data shows.
American Club, one of the world's top 12 P&I insurers which combined provide cover for about 90% of the world's ocean going tonnage, said it previously covered most Gatik ships but as of early April was no longer covering them, declining to say why.
Ingosstrakh, a large Russian insurer active in ship coverage but not part of the top 12, told Reuters this month that its insurance cover for Gatik's Prometheus tanker expired in April and had not been renewed.
Ingosstrakh said it "had to decline certain requests for insurance it received from Gatik due to the risks identified as part of our adverse media screening procedure", citing negative media coverage without being more specific.
"We can also confirm that we do not plan to work with Gatik in the future," the privately owned Russian insurer said in response to queries from Reuters.
Reuters was unable to ascertain whether any Gatik vessels were currently operating without essential paperwork. India imported 2.76 million tonnes of Russian oil in vessels managed by Gatik during the first four months of 2023, or 10% of its total Russian imports, according to tanker arrival data and Reuters calculations.
According to Refinitiv data, about 1.36 million tonnes of Russian crude was earmarked for arrival in India in May and June on tankers linked to Gatik, although those numbers were preliminary.In April, the St. Kitts & Nevis International Ship Registry told Reuters it was removing its flag from 36 Gatik vessels.
"It is the long-standing policy of the Registry that when we are alerted to breaches of our high standards by vessels flying our flag, we always investigate and take action accordingly," the registry said, declining to provide further details.
According to data from maritime platform Lloyd's List Intelligence, Gatik has flagged 15 ships to Gabon, up from 9 at the start of April before St. Kitts & Nevis started removing its flag from the company's vessels.
Gabon's flag registry did not respond to requests for comment.

Chart of the Day



Top News - Agriculture

Malaysia's palm oil production seen falling in 2024 due to El Niño - MPOB - Reuters

Malaysia's crude palm oil production could drop between 1 and 3 million tonnes next year due to the El Niño weather pattern, the Malaysian Palm Oil Board (MPOB) said on Thursday.

El Niño was unlikely to affect production this year as it takes about 15 to 18 months for the impact on production to show, the regulator's director-general Ahmad Parveez Ghulam Kadir told reporters.

Production in the world's second largest producer plunged 20% during the 2016 El Niño event, but it should be less severe this year due to better planting material and improved labour conditions, Ahmad Parveez said. A 3-million tonne decline would be the worst-case scenario, with most of the impact expected to be seen in larger producing states Sabah and Sarawak, on Borneo island, he said.

Ahmad Parveez said Malaysia's benchmark crude palm oil price was forecast to rise to between 3,800 and 4,000 ringgit a tonne due to the change in weather.

Production in 2023 was estimated at 19 million tonnes, versus 18.45 million tonnes last year.

The average price forecast for 2023 was maintained at 4,200 ringgit a tonne, he added.

Brazil cane crushing, sugar output beat estimates in early May

Sugarcane crushing and sugar output in Brazil's center-south beat market forecasts in the first half of May, data from industry group UNICA showed on Thursday, as mills took advantage of positive weather conditions to speed up operations. Both figures came in significantly ahead of already optmistic estimates from analysts surveyed by S&P Global Commodity Insights, as markets had forecast a perfect fortnight for mills.

"In contrast to what happened in the second half of April , the drier weather favored harvesting and subsequent crushing," Unica said in a report.

According to the group, crushing totaled 43.98 million tonnes in the period, up 28.25% on a yearly basis, driving an output of 2.53 million tonnes of sugar, 50% more than in the previous year. Analysts had a median forecast of 40.73 million and 2.21 million tonnes, respectively.

Mills in Brazil's top producing areas are keen to apply a quick pace to harvesting to cope with a larger sugarcane crop this cycle, also eyeing maximum sugar output to take advantage of higher prices. Raw sugar prices on ICE fell 3% early on Wednesday with as investors braced for Unica's report of higher output, but pared part of the losses after the data were published.

Unica added that total ethanol production in the period rose 15.3% to 1.91 billion liters.

Top News - Metals

China's state iron ore buyer gets down to business, yet to flex pricing power

China's new state iron ore buyer is asserting itself in negotiating deals for the world's biggest steel industry but has yet to help manufacturers struggling with weak demand to get lower prices, mills and miners said.

Around 30 Chinese steel mills have signed 2023 iron ore procurement contracts through China Mineral Resources Group (CMRG), which was set up last year to buy iron ore on behalf of the industry as well as oversee Chinese interests in mines abroad and at home.

"We have not received any cheaper iron ore prices and to be honest I don't expect they can get better deals any time soon," a purchasing manager from a state-owned Chinese steel mill said on the sidelines of an industry event in Singapore this week.

"CMRG looks like an updated version of a previous collective buyer agency," said the person, who like other mills and miners declined to be named given the sensitivity of the matter. China, the world's top steelmaker, buys about 70% of all iron ore shipped worldwide, mostly from Australia and Brazil.

A portion is bought at the start of the year under term contracts, with the rest bought later on the market.

CMRG is China's latest attempt to enhance its iron ore pricing power. Previously, China's steel industry association strived to win better prices for mills, negotiating fixed prices annually with miners until the industry moved to an index-based price system more than a decade ago.

Chinese steel mills are eager to reduce their iron ore procurement prices as profit margins take a hit from a slower than expected recovery as the country eased strict COVID-19 restrictions after three years.

"We are actively engaging with CMRG when it comes to negotiating contracts for steel mills," an official at one of the world's top miners told Reuters. "But after the negotiations are done, we have to sign individual contracts with mills."

NO 'MARKET-SHAKING' CHANGE

Mills that have signed contracts through CMRG include 23 members of China's steel association and several non-member companies, accounting for around 300 million tonnes of annual iron ore purchases, according to officials from two global miners and two Chinese steel mills.

China bought 1.1 billion tonnes of iron ore in 2022, worth $128 billion, according to customs data. It relies on imports for 80% of its consumption.

"Our cooperation with the CMRG is constructive ... so far we have not seen a market-shaking change," another official at a global mining company said.
"It's hard to say if more Chinese firms will put their contract bargaining under CMRG in the future. That would mainly depend on what CMRG achieves," the person said.
Several steel mill officials and iron ore traders said the prices that CMRG negotiated for the 2023 contracts are no different from what the mills achieved independently.
However, CMRG's entry has added to the costs for the steel industry, which is obliged to pay a fixed commission to the agency, steelmakers said.
No contact details could be found for CMRG.
China's State-owned Assets Supervision and Administration Commission (SASAC), which oversees almost 100 state companies and recently posted a recruitment notice on behalf of CMRG on its WeChat account, did not immediately respond to a fax seeking comment.
Lower iron ore prices are crucial for Chinese steel mills struggling amid high feedstock prices and sluggish demand from the country's vast but ailing property sector.
More than 30% of steel firms in China were operating at a loss last week, according to Mysteel data, capping operating rates at mills.
"We don't know what CMRG will do for the upcoming 2024 contracts," the official from the state-backed mill said. "But it's hard to see much change (from 2023 deals), unless there are some adjustments on negotiation strategies."

Zinc inventories in LME warehouses jump 40%
Zinc inventories in London Metal Exchange (LME) registered warehouses jumped 40% to 63,450 tonnes, data published by the exchange showed on Thursday.
LME stocks data is published with a two-day lag.
Rising stocks suggest the material isn't needed and surpluses are being deposited in LME warehouses.
Deliveries of 18,050 tonnes of the metal used to galvanise steel were made to LME warehouses in Singapore, taking total zinc stocks in that location to 50,250 tonnes.
Overall, LME zinc stocks have climbed more than 300% since early February, easing worries about availability on the LME market and creating a discount for the cash contact over the three-month contract.
The discount closed at $7 a tonne on Wednesday compared with a premium of about $30 a tonne at the end of March.
Three-month zinc at $2,270 a tonne has dropped more than 30% since January.

MARKET MONITOR as of 06:16 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.82 / bbl	-0.01%	-10.52%
NYMEX RBOB Gasoline	$2.55 / gallon	-0.02%	2.97%
ICE Gas Oil	$679.75 / tonne	0.07%	-26.19%
NYMEX Natural Gas	$2.29 / mmBtu	-0.82%	-48.87%
Spot Gold	$1,948.39 / ounce	0.42%	6.80%
TRPC coal API 2 / Dec, 23	$99 / tonne	-4.81%	-46.41%
Carbon ECX EUA / Dec, 23	€83.10 / tonne	0.13%	-1.04%
Dutch gas day-ahead (Pre. close)	€26.28 / Mwh	-5.64%	-65.22%
CBOT Corn	$5.14 / bushel	0.59%	-24.26%
CBOT Wheat	$6.23 / bushel	0.97%	-22.72%
Malaysia Palm Oil (3M)	RM3,518 / tonne	0.72%	-15.72%
Index (Total Return)	**Close 25 May**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	285.96	-1.59%	-5.10%
Rogers International	25.98	-1.03%	-9.37%
U.S. Stocks - Dow	32,764.65	-0.11%	-1.15%
U.S. Dollar Index	104.25	0.35%	0.70%
U.S. Bond Index (DJ)	401.42	-0.20%	2.49%

Top News - Carbon & Power

Global thermal coal prices settling into $200/T range after volatile 2022

Global thermal coal prices are stabilising this year in a range near $200 a tonne that is less than half of 2022's record highs, analysts and industry officials say, with rising supplies providing respite to consumers roiled by last year's volatility.

Analysts expect the benchmark Newcastle coal index to average $175-$212 a tonne this year, a steep premium to the $86 average for the ten years preceding Russia's 2022 invasion of Ukraine, but down more than 50% from September's highs at $440.

Last year, punitive Western sanctions on Russia pushed European buyers to pay top dollar for fuel to fire power plants, pushing up global prices. Russia was Europe's biggest supplier of coal and natural gas before the war.

Coal prices in the tighter range expected this year, though, will help utilities and other users better plan fuel purchases, easing pressure on economies battling high inflation. Fuel prices typically account for more than half the total cost of generating electricity.

Alexandre Claude, chief executive of London-based analytics firm DBX Commodities, said he expects lower volatility in 2023 compared with 2022 because trade flows had stabilised after the "energy shock" that followed the invasion of Ukraine.

Argus Consulting expects global coal exports to rise 4.4% this year, with imports set to increase 5%. China is seen ramping up imports by 11%, with Australian exports rising 9.4% after declining for three straight years.

July Ndlovu, chairman of the World Coal Association (WCA) and chief executive of South Africa's Thungela Resources, said Europe's "disproportionate" role in deciding coal prices was over.

"Going forward ... what happens with China and India is what would drive the fundamentals for energy, because that's where growth and energy demand is," Ndlovu told Reuters.

Australia's Westpac said this month it expects the Newcastle benchmark to average $193 per tonne over the nine months ending December 2023, while Citi said in April it expected the index to average $175 over 9-12 months. Australia's chief economist expects Newcastle benchmark prices to average $212 this year.

As of Monday, Newcastle coal was just over $159 a tonne on a free-on-board basis, at the low end of a $159-$179 range it has held during the current quarter and a long way from the $180-$403 band of the first quarter.

"We expect coal prices including the Newcastle benchmark to remain supported mostly due to higher cash (production) costs for the coal miners," said DBX's Claude, explaining why prices likely aren't headed back to pre-invasion, pre-pandemic levels.

DEMAND AND SUPPLY

Top exporters Indonesia and Australia are expected to ramp up shipments to meet higher demand from India and parts of Southeast Asia, making up for small declines in supply from elsewhere including Russia, according to estimates by Australia's chief economist and Argus.

The Australian chief economist's office expects supplies from Australia to jump 7.8% and Indonesian exports to rise 2.4%, while imports by Asia rise 2.3% to 852 million tonnes and shipments to Europe fall more than 15%.

Exports from Russia are expected to be lower, Argus and Australia's estimates show, with the narrowing spread between Russia's discounted coal and other benchmarks reducing the competitiveness of Russian coal.

Steep discounts to benchmark prices helped Russia lure Asian buyers after the Western sanctions prevented sales to Europe, but that advantage is disappearing.

The forecast for an El Nino weather pattern, typically associated with drier conditions, could also reduce rain-related disruptions to supply and support higher coal output from key regions and ease prices back from the highs of the past year.

A plunge in natural gas prices is expected to aid Europe's shift away from coal this year as well and that will have a similar effect. Any indication of a slower-than-expected economic recovery in China, however, could have a larger impact on prices despite this year's growth in imports and rising domestic coal output.

"Price stability will probably be driven by how the Chinese central government decides in terms of their energy policies," said WCA Chairman Ndlovu.

Singapore's Keppel signs deals to ramp up green hydrogen, ammonia output

Singapore's Keppel Corp said on Friday it has signed two deals to intensify its efforts in the development of green hydrogen and ammonia production for use in Australia and export to Asia. The Singaporean conglomerate has signed up to join the Central Queensland hydrogen (CQ-H2) project consortium, which is developing a hydrogen production facility, among other related infrastructure.

The CQ-H2 project is one of Australia's largest green hydrogen projects and the consortium comprises of Japan's Iwatani Corp, Kansai Electric Power and Marubeni Corp, among others, the company said.

Keppel said it has also signed a memorandum of understanding with Australia's Incitec Pivot to help leverage the accessibility of large-scale reliable green hydrogen supply from the CQ-H2 project in Gladstone, Queensland.

"This innovative international partnership with Keppel is one of several decarbonisation projects we are progressing as part of our ambition to be net zero by 2050," Incitec CEO Jeanne Johns said.

The MoU is to explore the development of a green ammonia production facility in Queensland, Australia for both domestic and overseas consumption, including an end-to-end export supply chain to Singapore and Asia, Keppel said.

"We are delighted Keppel and Incitec Pivot have chosen Gladstone for their green ammonia production facility," Treasurer and Minister for Trade and Investment Cameron Dick said, "This will open exciting and significant export possibilities, let alone regional jobs."

Top News - Dry Freight

EXCLUSIVE-Egypt defers payments for wheat imports amid dollar crunch

Egypt has deferred payments for its large wheat purchases, in some cases by months, according to a government official and traders, as the country grapples with a shortage of hard currency.

Egypt is one of the world's biggest wheat importers and uses the purchases to make heavily subsidised bread, a politically sensitive benefit available to tens of millions of people.

Most deferred payment cargoes have been shipped and unloaded without interruption so far and Egypt's state wheat reserves used to make subsidized bread have not been impacted. Following the war in Ukraine, Egypt now depends mostly on Russia for its wheat.

Egypt's supply minister told Reuters the country's state grains buyer has deferred opening letters of credit to pay for wheat imports to alleviate financial pressures caused by a foreign currency shortage.

Four grain traders told Reuters on condition of anonymity that delays in payments for state-purchased wheat - considered a top priority commodity - were unprecedented as they were stretching to months.

The traders, who asked not to be named because of the sensitivity of the matter, said issues arose with shipments coming in as early as last December that were to be settled using 180-day letters of credit. Under the letters, a supplier usually receives payment through their bank around shipment time, and the government has 180 days to pay the supplier's bank.

But the traders said that Egyptian state-owned banks, including Banque Misr, acting on behalf of the General Authority for Supply Commodities (GASC), have only opened these letters weeks or months after shipment.

One of the traders said that as of last week they were still awaiting payment for a shipment made early this year.

Another trader said Egyptian state banks currently needed to open letters of credit for about eight wheat cargoes, while a third trader said as many as 11 had not been paid for. The delays have not previously been reported.

Banque Misr did not respond to a request for comment.

"It was never this late. But the country was never in this situation before. This is brand new for Egypt," said a third trader. Supply Minister Ali Moselhy acknowledged the delays, blaming it on a shortage of foreign currency that was worsened by the economic fallout from the war in Ukraine and has led to a general slowdown in imports.

"We don't want to add pressure on the central bank. Hence we are phasing with the suppliers and so we have to thank the suppliers very, very, very much for their understanding," Moselhy told Reuters on Thursday.

RISING SUBSIDY BILL

Egypt buys around five million tonnes of wheat annually from abroad. Subsidised bread is available to than 70 million of its 104 million population.

The finance ministry says funding for subsidies on food, mostly bread, will rise 41.9% to 127.7 billion Egyptian pounds ($4.1 billion) in the fiscal year from July 2023 to June 2024.

\In recent years most imported wheat has come from the Black Sea and the war in Ukraine initially disrupted purchases. But the government later managed to boost its reserves, mainly relying on Russian wheat imports.

The Ukraine war delivered a broad shock to Egypt's economy, causing investors to pull out billions of dollars. Egypt's currency tumbled and inflation soared.

Many recent wheat purchases have been made with funding from the International Islamic Trade Finance Corporation (ITFC), which last year doubled a credit facility extended to Egypt to $6 billion, and from the World Bank, which in December approved $500 million in development financing, mostly for wheat imports.

Unpaid suppliers have also continued selling wheat at competitive prices despite not receiving payments for older cargoes.

"They do trust GASC 100%. Of course they're not happy but it's not influencing business," said the unpaid wheat supplier.

However, not all traders are willing to take risks, with several highlighting that at the most recent tender for vegetable oils, none of the suppliers submitted offers for payment using 180-day letters of credit, opting for an "at sight" financing option by the ITFC.

"If we have two letters of credit unopened, we don't offer the third one," said the fourth trader, who supplied a vegetable oil cargo for which payment was delayed. "There was a lot of pressure to unload even though there was no LC, and it was a huge amount so I had to go to our CEO and get approval." Moselhy said last month that Egypt was strongly considering approving the currencies of its commodity trade partners, including China, India and Russia to try to lessen the need for dollars.

Traders have told Reuters that officials have privately blamed the issue on "the state of the country."

"It's not normal but they know it's GASC and it's the government," said the unpaid wheat supplier. "They don't doubt they will be paid."

Black Sea grain deal uncertainties stall Ukraine shipments

Dozens of ships are unable to reach Ukraine, days after a Black Sea grain deal was extended and the pace of shipments is unlikely to pick up because of slow inspections and other uncertainties, according to data and three sources.

The United Nations-backed deal, which allows the safe passage of grains through three Ukrainian ports, was extended on May 17 for two months - a shorter time than expected.

Nearly 40 dry bulk vessels were stationary around Istanbul in areas that have been used for inspections by a joint inspection team representing Russia, Ukraine and Turkey as well as the UN, analysis from global trade analytics platform Kpler showed.

Around three quarters of those ships have previously made calls through the corridor, Kpler added.

"It is likely that there are further vessels waiting outside of these zones or currently en route to the inspection areas," Alexis Ellender, Kpler lead major dry bulks analyst, said. "Pivdennyi has accounted for 35% of shipments through the corridor and, until it restarts loadings, trade will struggle to return to previous levels."

Earlier this week Ukraine accused Russia of effectively cutting its port of Pivdennyi out of the grain deal. Russia has not responded to the comments from Kyiv.

Ukraine said last week that 62 ships were waiting for inspection.

"I expect to see Russia continue to slow-walk inspections. It currently only allows a limited number of ships to move to two of the three approved ports," Arlan Suderman, chief commodities economist with financial services group StoneX.Inspections are required for every ship before it can enter one of the three ports covered by the deal, which also include Odesa and Chornomorsk.

The duration of an average voyage was estimated at just over 28 days, according to space-based data analytics provider Spire.

The number of cargo orders – global requests for available ships to transport grains from Ukraine – reached 376 in May versus 370 orders for April, according to separate analysis from maritime and commodities data platform Shipfix.

Shipfix data showed that the shipment size had dropped from around 15,000 tonnes in April to just over 10,000 in May as the uncertain situation led traders to be cautious in bookings.

Forward cargo orders for June onwards were seen at 50 at present, Shipfix said.

Picture of the Day

A farmer carries a bundle of wheat, after harvesting it from a field in Al Qalyubia Governorate, Egypt, May 25. REUTERS/Mohamed Abd El Ghany

(Inside Commodities is compiled by Anjana J Nair in Bengaluru)

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

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