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Top News - Oil

US crude inventories notch surprise drawdown on refinery runs -EIA

U.S. crude oil stockpiles fell unexpectedly last week as refiners cranked out fuel to the highest level since 2019 during the Memorial Day holiday, the Energy Information Administration (EIA) said on Wednesday.

Refinery crude runs rose by 482,000 barrels per day (bpd), while refinery utilization rates increased by 2.7 percentage points in the week to its highest level since August 2019.

"Refiners have to have some sense that demand is pretty good moving forward from here, so that's going to draw down on crude oil storage," said Bob Yawger, director of energy futures at Mizuho.

Crude inventories fell by 451,000 barrels in the week to June 2, the EIA said. Analysts in a Reuters poll had expected a 1 million-barrel rise.

Oil prices were little changed following the data. Brent crude futures were up 92 cents, or 1.2%, at $77.25 a barrel at 1442 GMT, while U.S. West Texas Intermediate crude futures gained $1.15, or 1.6%, to $72.93.

Gasoline and diesel stocks rose during the period, the EIA said, but remained below last year's inventory levels.

Gasoline stocks rose by 2.7 million barrels in the week, the EIA said, compared with analysts' expectations for a 880,000-barrel rise.

Distillate stockpiles, which include diesel and heating oil, rose by nearly 5.1 million barrels in the week, versus expectations for a 1.3 million barrel rise, the EIA said.

"Refiners need to build up those stocks...if we lose a refinery, if there's a disruption, it's kind of a Red Sox bullpen: there's no one really there," said Phil Flynn, an analyst at Price Futures group.

Net U.S. crude imports rose by 1.6 million bpd, the data showed.

Crude stocks at the Cushing, Oklahoma, delivery hub rose by 1.7 million barrels last week, the EIA said.

Russian oil supplies to EU via southern Druzhba to rise 16% in June – sources

Russia's piped supply of Urals crude to the European Union (EU) via the southern Druzhba pipeline in June is set to increase by 16% compared to May as EU refiners seek to secure more oil amid fears of disruptions in transit via Ukraine, two sources said.

Russian pipeline oil supplies to Europe are excluded from an EU embargo, but the route crosses Ukraine and has been under constant risk of disruptions since Russia sent thousands of troops into Ukraine last year in what Moscow calls a "special military operation".

The southern branch of the Druzhba pipeline supplies Hungary, Slovakia and the Czech Republic.

Hungary's MOL, the main buyer of Urals crude in Hungary and Slovakia, is expected to purchase about 900,000 tonnes of Urals oil via Druzhba in June, up from 750,000 tonnes in May, the sources familiar with the matter told Reuters.

"Recent escalation in Ukraine, damages to big infrastructural objects (are a) worry ... it is a good idea to order more now," one of the sources said, referring in particular to this week's destruction of the Kakhovka hydroelectric dam.

Russia and Ukraine blame each other for the incident.

The Czech Republic's Unipetrol refiner - the country's sole buyer which is owned by Poland's PKN Orlen - will purchase up to 430,000 tonnes of Urals in June, versus 400,000 tonnes purchased in May, the sources said.

PKN Orlen and MOL said they never comment on oil purchases and contractual details.

The EU imposed an embargo on Russian oil purchases via maritime routes from December. Hungary, Slovakia and Czech Repubic were, however, allowed to continue Russian oil imports as critical feedstock. It would be difficult for them to secure enough oil for their refineries if Druzhba is suspended.

Oil supplies via a section of the southern Druzhba pipeline were temporarily suspended in November following shelling on a power station which provides electricity for a pump station.

Parts of the pipeline have also been attacked by drones inland in Russia, but the attacks didn't cause significant supply disruptions.

The Druzhba pipeline crosses Belarus and Ukraine and remains an income source for both countries which receive transit fees. Kiev and Minsk asked for significant hikes in transit tariffs, making the route less convenient for European buyers that pay for transport.

A MOL media representative told Reuters that the company "continues to procure crude oil via both the Druzhba and Adria pipelines despite the transit fees being significantly higher compared to reasonable market prices".

MOL started to make payments to Ukrtransnafta for transit directly amid issues on Russian Transneft payments to Ukrainian pipeline operator.

Top News - Agriculture

Brazil corn, sugar and coffee areas seen escaping frosts – expert

A polar mass advancing over Brazil is not expected to hit crops like sugarcane, corn and coffee even though temperatures will drop sharply over the coming days, weather consultancy Rural Clima said on Wednesday.

Agrometeorologist Marco Antonio dos Santos said some areas will have temperatures close to zero, but crops should be spared from frosts as a cold front system in southern Brazil blocks the polar mass' advance to the main producing regions.

Monitoring and updating of climate models is required to confirm this scenario.

"It will be very cold in mountainous regions of Santa Catarina, where there may be freezing rain and snow," Santos said.

Rainy weather usually prevents frost, he noted.

The lowest temperatures in Parana, Brazil's second largest corn producing state, will be recorded from June 17-19, with lows close to 2 degrees Celsius, according to Refinitiv data.

In the south of Minas Gerais, Brazil's main coffee region, lows close to 5 degrees Celsius are expected from June 19-20, the data show. Similar temperatures will hit the south of Mato Grosso do Sul, a big producer of sugarcane and corn.

Brazil remains on track to reap a record corn crop. It is also expected to see a strong recovery in cane output and an increase in coffee production. Potential frosts in coffee areas would have a greater impact next season because this year beans are already formed, experts say.

One thing to monitor is whether high a pressure center moves toward crop areas, which could result in frosts, Santos noted.

In 2021, such a pattern damaged corn, coffee and sugarcane crops.

Russia and Ukraine say ammonia pipeline was damaged, in potential blow to grain deal

A pipeline used to transport ammonia fertilizer from Russia via Ukraine that may be central to the future of the Black Sea grain deal has been damaged, according to both Kyiv and Moscow, potentially complicating talks around the accord.

Russia's defence ministry said a "Ukrainian sabotage group" had blown up a section of the pipeline on Monday night near the village of Masyutivka in Kharkiv region. The village is on the frontline between Russian and Ukrainian troops.

"As a result of this terrorist act, there were civilian casualties. They have been provided with necessary medical assistance," the Russian ministry said in a statement.

"At present ammonia residues are being blown out of the damaged sections of the pipeline from Ukrainian territory. There are no casualties among Russian servicemen."

Oleh Sinehubov, the governor of Ukraine's Kharkiv region gave a different version of events. He said in a statement posted on Telegram that Russian troops had shelled the pipeline.

Six Russian shells had landed near a pumping station near Masyutivka at around 5:45 p.m. (1445 GMT) on Tuesday, nearly 24 hours after Moscow alleged Ukraine had blown up the same pipeline, he said.

Reuters could not independently verify the Russian and Ukrainian assertions.

The Russian section of the pipeline is safe and under control, Russian agencies reported, citing the operating company.

"The Russian part of the ammonia pipeline, which belongs to Transammiak, is securely cut off from the Ukrainian part and is in a safe and serviceable condition under constant control," the Interfax news agency cited the company's press office as saying.

REPAIRS

Resumption of supplies via the Tolyatti-Odesa pipeline, the world's longest ammonia pipeline, may be key to the renewal of the Black Sea grain export deal. The pipeline has been closed since Russia invaded Ukraine in February 2022 in what it called a "special military operation".

Russia has repeatedly cast doubt on whether it will continue to renew the grain deal, brokered by the United Nations and Turkey, which facilitates agricultural exports from Ukraine via the Black Sea.

Among the conditions for renewal that Moscow has put forward is resumption of the Togliatti-Odesa pipeline.

The United Nations has not received any official notification about damage to the pipeline, U.N. spokesperson Stephane Dujarric said on Wednesday.

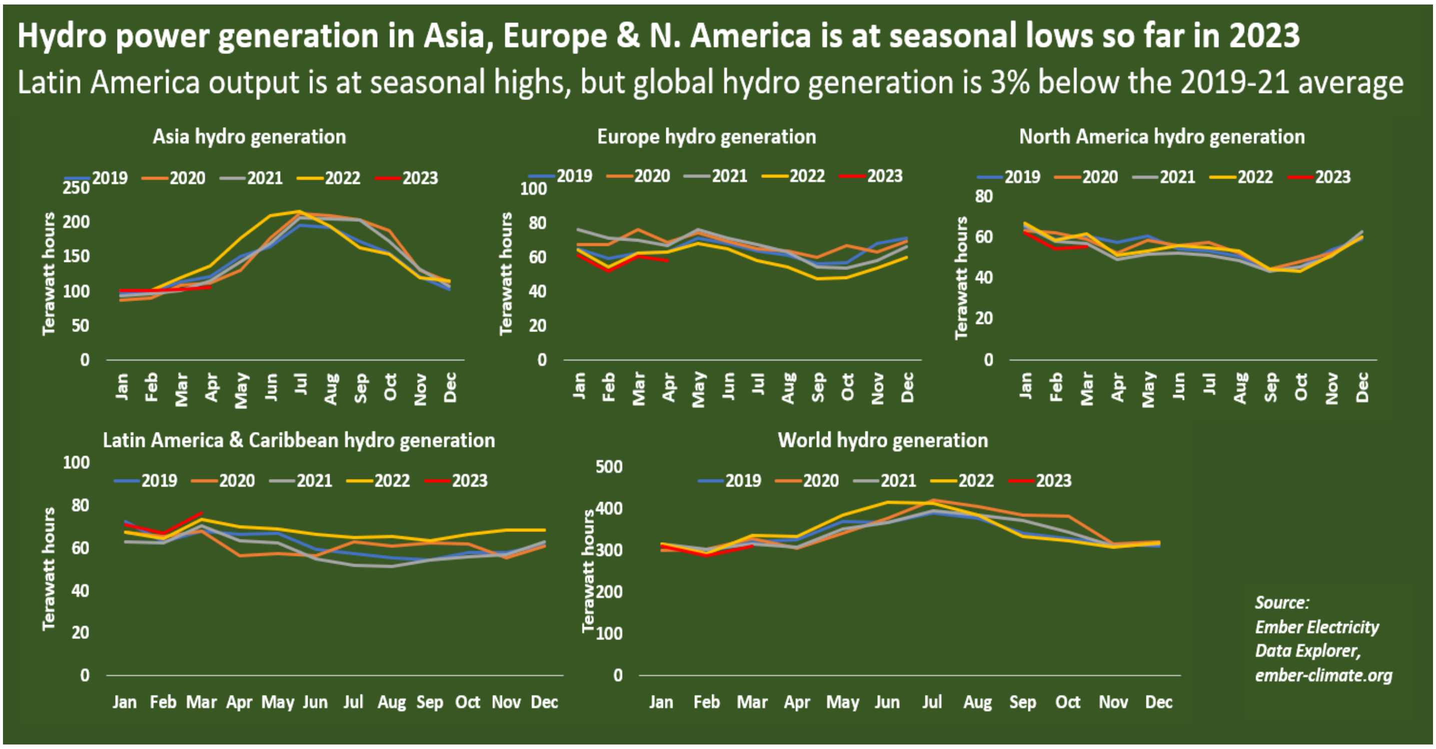
"Any threat to this pipeline is indeed of concern," Dujarric told reporters. "We're continuing to engage with the parties on the ammonia exports, regardless of what may have happened."

Moscow has said it will limit the number of ships allowed to travel to Ukraine's Pivdennyi port near Odesa under the deal until the pipeline is restarted.

In a briefing on Wednesday, Russian Foreign Ministry spokeswoman Maria Zakharova said it would take between one and three months to repair the damaged section of the pipeline.

"The ammonia pipeline was one of the linchpins of the implementation of the agreements made in Istanbul on July 22, The (pipeline) was key to global food security," Zakharova said.

Chart of the Day



Top News - Metals

COLUMN-Nickel prices coming supply glut but stocks keep falling: Andy Home

Nickel has been the under-performer of the London Metal Exchange (LME) base metals pack this year.

LME three-month nickel sank to a nine-month low of $20,310 per tonne last week and at a current $21,500 is now down by 31% since the start of the year.

Nickel is pricing in a looming supply glut as Indonesia builds out ever more production capacity in its race to be an electric vehicle battery metals giant.

The country's mined output grew by 48% last year and by another 41% in the first three months of this year, according to The International Nickel Study Group.

Indeed, such is the scale of the Indonesian nickel boom that the market could be in large surplus until at least 2027, Macquarie Bank analyst Jim Lennon told an industry conference in Jakarta last week.

You wouldn't know it from LME stocks, which are at their lowest since 2007 with metal still departing daily.

The supply surge hasn't yet crossed nickel's class divide and low visible inventory is still cushioning the price fall.

LOW EXCHANGE STOCKS, DIVERGENT SPREADS

Another 144 tonnes of nickel were loaded out of the LME warehouse system on Tuesday, their place in the exit line taken by 132 tonnes of fresh cancellations.

LME stocks have fallen by 32% since the start of this year and currently sit at a 16-year low of 37,386 tonnes. On-warrant inventory of 34,746 tonnes is the lowest it's been since November 2019.

Shanghai Futures Exchange (SHFE) stocks dwindled to just 560 tonnes earlier this month before getting a 3,678-tonne mini-booster last week. Shanghai time-spreads have been persistently tight due to chronically low stocks and the cash premium seems finally to be drawing in metal.

London time-spreads, by contrast, are trading in super-contango territory. The benchmark cash-to-three-months period flexed out to a contango of $210 per tonne in late May and was still a wide $122 at Tuesday's close.

The spread structure complements the outright price weakness in signalling growing oversupply.

Low exchange inventory, however, signals that the surplus is still largely confined to the Class II segment of the market and hasn't yet crossed over to the high-purity Class I nickel that trades on both the LME and ShFE.

CLOSING THE CLASS DIVIDE

The INSG last month raised its expected global supply-demand surplus to 239,000 tonnes. But it noted that while market surpluses have in the past been linked to LME-deliverable Class I nickel, this year's abundance will be in Class II intermediate product and chemical forms.

Russian nickel producer Norilsk Nickel has also just raised its assessment of 2023 market surplus from 110,000 tonnes to over 200,000 tonnes in light of the pace of Indonesian production growth. It too expects most of the surplus to come in Class II form.

Nickel's class divide is expected to close as a new generation of Indonesian operators master the processing route of converting the country's relatively low-grade ore to battery-ready nickel sulphate.

Upgrading Indonesian supply to battery-quality form should reduce demand for Class I nickel, previously the material of choice for conversion to nickel sulphate.

There are signs of this already happening.

China, which is heavily invested in Indonesia's nickel sector, has been importing ever rising quantities of intermediate products such as nickel matte and pig iron.

The country's call on Class I refined metal has been falling in tandem. Net refined metal imports slumped from 256,000 tonnes in 2021 to 133,000 tonnes last year.

Inbound shipments in the first four months of 2023 amounted to just 11,000 tonnes, down 82% on the same period of 2022.

The displacement effect should help loosen a tight Class I market outside of China.

Norilsk expects the Indonesian displacement effect to generate a 40,000-tonne supply surplus in the Western market over the course of the year.

WAITING FOR SURPLUS

The Class I physical supply chain is easing. Nickel briquettes in Rotterdam are currently commanding a premium over LME cash in the range of $375-600 per tonne, according to Fastmarkets.

That's a long way off last year's extreme highs of over $2,000 per tonne when the market was panicking about the potential for official sanctions on Norilsk, a major supplier of Class I nickel. However, the European premium is still elevated by historical standards. Prior to February 2022 and the Russian invasion of Ukraine it had been trading for many months just below $200 per tonne.

Russian nickel has been hit with penal import tariffs by the United States but remains free of government sanctions. Self-sanctioning by buyers opting for other brand metal clouds the picture but the flow of Russian metal, even if down changed channels, has been an important supply stabiliser in Western markets.

Yet it is evident that refined metal is still sufficiently scarce that material is still tightly held. The last inflows to the LME warehouse network were almost a month ago.

More arrivals would vindicate the many bears in the market. Until then, though, low and falling inventory remains a point of tension within a market pricing itself for massive surplus.

Trinidad's TTIS agrees to buy idled steel plant from ArcelorMittal

Trinidad and Tobago's TT Iron Steel Company (TTIS) has agreed to purchase an idled iron and steel plant in the country from a unit of Luxembourg-listed multinational ArcelorMittal, the Trinidadian company said on Wednesday.

The purchase agreement comes seven years after ArcelorMittal closed operations in Trinidad following layoffs amid low global steel prices, which have since rebounded. Previous sale negotiations with other potential buyers failed to be completed.

The purchase price was not immediately known. The negotiation for the Point Lisas plant is subject to approval by Trinidad and Tobago's government.

The plant, built in 1980, will be subject to initial refurbishment expected to cost between $150 million and $200 million. The facility's restart would happen in about 24 months, and further investment will be required thereafter, TTIS said.

While about 70% of the world's steel is made using traditional high-emission coal-based furnaces, plants including Point Lisas use electric arc furnaces mainly fed by a combination of recycled steel and direct reduced iron produced from iron ore and natural gas or hydrogen.

The plant has historically used gas, but TTIS plans to transition to green hydrogen in the coming years as it becomes commercially available, the company said.

Top News - Carbon & Power

US solar power installations soar in Q1 on easing panel import gridlock

U.S. solar energy installations soared 47% in the first quarter, according to an industry report published on Thursday, as easing panel supplies alleviated industry gridlock and allowed many stalled big projects to be completed and connected to the grid.
The solar industry had its best first quarter ever, installing 6.1 gigawatts (GW), an analysis by research firm Wood Mackenzie and the Solar Energy Industries Association (SEIA) trade group found. That is enough capacity to power more than 1 million homes.
The sector accounted for 54% of new U.S. electric generating capacity during the quarter, the report said. Florida had more new installations than any other state. As a result of the strong quarter, SEIA raised its forecast for the year slightly to 29 GW from 28.4 GW.
Large projects for utilities and other big customers led installations with 3.8 GW, up 66% from a year earlier. The growth represents a substantial turnaround for the industry, which has been struggling with tight supplies of imported panels stemming from implementation of a law meant to weed out products made with forced labor.
The report said 12 GW of solar modules were imported in the first quarter compared with 29 GW in all of 2022.
Residential solar also had a banner quarter, soaring 30% to 1.6 GW. Homeowners in California, the sector's biggest market, scrambled to get systems installed before the state implemented a new policy in April that slashed a subsidy for panel owners.
The industry, however, is seeing a slowdown in many states due to economic uncertainty, SEIA said, and residential solar installations are only expected to rise 8% this year. In the report, SEIA said it expects strong growth for the industry over the next five years, thanks in large part to renewable energy incentives in U.S. President Joe Biden's new Inflation Reduction Act. Growth rates are expected to be in the low teens between 2024 and 2028, with installations tripling from their current level by 2029.

COLUMN- Hydro power hotspots hit by hot and dry weather: Maguire

he failure of the Nova Kakhovka dam in southern Ukraine this week has brought sharp focus on the important role that hydroelectric dams play in energy generation around the world, and the struggles many are under in 2023 due to harsh weather.
The breach of the Kakhovka dam came after the facility had been dealing with historically high water levels in recent weeks, but a majority of global hydro facilities have had the opposite problem of depleted water levels in recent months, which was hampered electricity generation potential.
Electricity generation from hydro power sources has fallen in Asia, Europe and North America over the opening months of 2023 from the same period in 2022, crimping a key source of clean power generation for electricity providers.
Data on output from hydro dams in Ukraine and Russia has been cut off to data providers since Russia's invasion of Ukraine in early 2022, but historically Ukraine has generated roughly 5%-7% of its electricity from hydro sources, and in Russia hydro power generates around 18%-20% of electricity.

GLOBAL DIP

In the opening quarter of 2023, global hydro-powered electricity generation dropped by close to 4% from the same period in 2022, due to output falls in key hydro producers China, the U.S., India, Vietnam and Turkey, data from Ember shows.
Reduced supplies of non-emitting hydro power in those and other countries means that utilities there must rely on other sources of dispatchable power, such as natural gas or coal, to meet electricity demand needs and complement growing volumes of intermittent renewable energy flowing through electricity grids.
Hot and dry conditions in several key areas throughout the coming northern hemisphere summer may further reduce hydro power production potential, and place even greater strain on global power grids that are already struggling to meet rising demand for air conditioners and other uses.

ASIA HEAVYWEIGHTS

Roughly 43% of global hydropower is generation capacity is in Asia, by far the top hydro-producing region.
China, the top global hydro power, alone has 30% of global capacity, but in the opening months of 2023 has seen hydro generation fall 7.2% from the same period in 2022 due to reduced precipitation and hot, dry conditions in key hydro hubs in the Yunnan province.
India, Asia's next largest hydro producer and the sixth largest overall, has seen output fall by nearly 5% in early 2023 from early 2022, also due to dry, hot weather.
Vietnam, the ninth largest global hydro producer, is currently in the grips of an extended heatwave, and has seen output drop by 10.5% in the opening quarter of this year from the year before.
In contrast, hydro output in Japan has increased by nearly 16% from year-before levels, Ember data shows.

EUROPE'S MIXED BAG

Europe has around 22% of global hydro generation capacity, and has had a mixed hydro output record so far in 2023.
Norway, Sweden, France, Turkey and Italy and all major hydro producers, and have seen their collective output

decline by around 8% in the first quarter of 2023 from 2022.
The biggest output decline has come in Turkey, due to an extended drought, while output in Switzerland and Austria is so far above year-ago levels.

NORTH & SOUTH AMERICA
Canada is North America's largest hydro producer, but the U.S. has suffered the biggest output falls this year.
Drier than normal conditions in Washington, Arizona, Nevada and Colorado - all key hydro states - have dragged overall hydro generation 17% lower in the opening four months of 2023 from the same period in 2022, Ember data shows.
Mexico's output is down around 15% from 2022's total due to similar conditions.
In contrast, hydro output in Latin America is trending above year-ago levels, with Brazil, the third largest hydro producer globally, seeing production run around 3.4% above 2022's levels, and Colombia experiencing a roughly 10% increase.
All together, worldwide hydro production has gotten off to a weak start in 2023, and will likely deteriorate further in the wake of the Kakhovka dam failure and as temperatures rise during the hottest part of the northern hemisphere summer.

MARKET MONITOR as of 06:29 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.47 / bbl	-0.08%	-9.71%
NYMEX RBOB Gasoline	$2.55 / gallon	0.22%	2.74%
ICE Gas Oil	$710.00 / tonne	-0.07%	-22.91%
NYMEX Natural Gas	$2.31 / mmBtu	-0.82%	-48.38%
Spot Gold	$1,943.09 / ounce	0.18%	6.51%
TRPC coal API 2 / Dec, 23	$106 / tonne	1.68%	-42.63%
Carbon ECX EUA / Dec, 23	€83.72 / tonne	0.22%	-0.30%
Dutch gas day-ahead (Pre. close)	€25.25 / Mwh	-0.39%	-66.59%
CBOT Corn	$5.16 / bushel	-1.71%	-23.89%
CBOT Wheat	$6.25 / bushel	-0.44%	-21.41%
Malaysia Palm Oil (3M)	RM3,298 / tonne	-0.66%	-20.99%
Index (Total Return)	**Close 07 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	289.77	0.30%	-3.84%
Rogers International	26.44	0.42%	-7.76%
U.S. Stocks - Dow	33,665.02	0.27%	1.56%
U.S. Dollar Index	104.1	-0.02%	0.56%
U.S. Bond Index (DJ)	404.56	-0.63%	3.73%

Top News - Dry Freight

Ukraine considers extension of EU grain import curbs 'inappropriate'
Ukraine's agricultural ministry considers it "inappropriate" to extend restrictions on Ukrainian food imports to some European states until September 15, the ministry said on Wednesday. The European Commission said on Monday it was extending an arrangement whereby five of Ukraine's EU neighbours can restrict imports of Ukrainian grain and oilseeds. The EU on May 2 allowed the five countries - Bulgaria, Hungary, Poland, Romania and Slovakia - to ban domestic sales of Ukrainian wheat, maize, rapeseed and sunflower seeds while allowing transit through them for export elsewhere, including to other EU countries. "The Ministry of Agrarian Policy and Food of Ukraine considers it inappropriate to extend the European Commission's decision to restrict imports of Ukrainian agricultural products until 15 September 2023," the ministry said in a statement, adding that it hopes it will not be extended afterwards. The EU liberalised all imports from Ukraine for an initial 12 months from June

2022 to help Kyiv's efforts to fend off Russia's invasion. Last month it agreed to extend the tariff suspension for a further year. But the five countries saw a huge rise in imports from Ukraine following the suspension of tariffs. Ukraine has experienced difficulties exporting through its Black Sea ports because of the war with Russia, increasing its reliance on routes through the eastern EU.

Philippines bought about 50,000 tonnes South American corn – traders

An importer group in the Philippines is believed to have bought around 50,000 tonnes of animal feed corn on Wednesday likely to come from South America, European traders said. The precise tonnage was unclear. The corn was believed to have been bought between $250 to under $280 a tonne c&f. The grain was said to be for August shipment. Results of negotiations reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A farmer inspects the grains as a combine transfers harvested wheat to a trailer, at a field in Zhumadian, Henan province, China June 5. REUTERS/Ningwei Qin

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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