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Top News - Oil

Oil and corn groups team up against Biden's tailpipe emissions rules

The top U.S. oil and corn industry lobby groups said on Tuesday they were suing President Joe Biden's administration over its plans to slash planet-warming tailpipe emissions from cars and trucks, arguing the regulations will cause economic harm. The U.S. Environmental Protection Agency this spring finalized new rules for models of semi-trucks, buses and other heavy-duty vehicles released from 2027 to 2032 in a bid to cut 1 billion tons of greenhouse gas emissions through 2055. It also announced regulations to reduce emissions from cars and other light and medium duty vehicles in a separate set of standards the administration projects will mean up to 56% of all car sales will be electric between 2030 and 2032.

The American Petroleum Institute (API), which is the top U.S. oil and gas lobby group and includes Exxon Mobil as a member, said on Tuesday it was suing the EPA over its truck regulations, just days after having filed a separate federal lawsuit over the agency's light and medium duty vehicle rules. “The EPA is forcing a switch to technology that simply does not presently exist for these kinds of vehicles – and even if it were someday possible, it will almost certainly have consequences for your average American,” said Ryan Meyers, API's senior vice president and general counsel about Tuesday's lawsuit.

The National Corn Growers Association, the American Farm Bureau Federation and the Owner-Operator Independent Drivers Association said they had joined Tuesday’s suit, arguing the administration was abandoning biofuels. “EPA has tried to impose a one-size-fits-all approach to addressing climate change by prioritizing electric vehicles over other climate remedies like corn ethanol,” said National Corn Growers Association President Harold Wolle. The EPA said it would not comment on pending litigation.

Transportation is responsible for more than a quarter of national greenhouse gas emissions, and the regulations form a major part of Biden’s broader plan to decarbonize the United States by mid-century. The oil and ethanol industries often clash over U.S. biofuels mandates, but tend to join forces against electric vehicles to preserve continued use of internal combustion engines. The U.S. auto industry has largely endorsed the new tailpipe standards.

The Renewable Fuels Association, a major ethanol lobby group, and National Farmers Union also joined the legal challenges to the tailpipe regulations by filing a lawsuit on Monday challenging EPA's light and medium duty vehicle rules. "EPA grossly exceeded its statutory authority by finalizing regulations that effectively mandate the production of EVs, while blatantly excluding the ability of flex fuel vehicles and low-carbon, high-octane renewable fuels like ethanol to achieve significant vehicle emissions reductions," said RFA President and CEO Geoff Cooper.

Canada oil and gas emissions cap likely to curtail production, report says

Canada's proposed oil and gas emissions cap will prompt companies to cut production rather than invest in costly carbon capture and storage (CCS) technology, according to a report by consultancy Deloitte and released by the Alberta government on Tuesday. Prime Minister Justin Trudeau's Liberal government is developing regulations to force Canada's highest-polluting sector to cut emissions to 137 million metric tons, 37% below 2022 levels, by 2030. Alberta, Canada's main oil-producing province, and the industry oppose the plan, arguing it is a production cap.

Canada's biggest oil producers are counting on CCS for most of their emissions cuts over the next decade. But Pathways Alliance, a group of six major oil sands firms, has not made a final investment decision on its C$16.5 billion ($12.03 billion) project and says it needs more government financial support. In a report commissioned by Alberta, Deloitte modelling showed that implementing CCS would render high-cost oil sands mines economically unviable. For lower-cost thermal oil sands assets, curtailing production would still be more cost-effective than investing in CCS. "We do not see any oil sands CCS investments being implemented," Deloitte said. Laura Cameron, an analyst at the International Institute for Sustainable Development climate think-tank, said the report raised questions about the cost of carbon-capture technology. Canada is the world's fourth-largest oil producer, turning out around 5 million barrels per day (bpd). Despite the industry's fears, production is actually setting record highs due to a new export pipeline and resilient oil prices. Trudeau proposed the cap in 2021 and his government is aiming to finalise it ahead of a likely election next year.

The emissions cap would likely result in 2030 oil production of 5.6 million bpd, around 10% lower than it would be without a cap, Deloitte projected. Gas production at the end of the decade would be roughly 2.2 billion cubic feet a day with an emissions cap, 12% lower than without one. That would lead to Canada losing 90,000 jobs and C$282 billion in GDP between 2030 and 2040, the report said. "It's time to give up on this failed idea," Alberta finance minister Nate Horner said in a statement. Deloitte estimates oil and gas emissions would still exceed the proposed cap by 20 million tons by the end of the decade, even with increasing production efficiency and steps to curb methane emissions. Asked about the emissions cap on Tuesday, Federal Environment Minister Steven Guilbeault told reporters the government did not have jurisdiction to limit production.

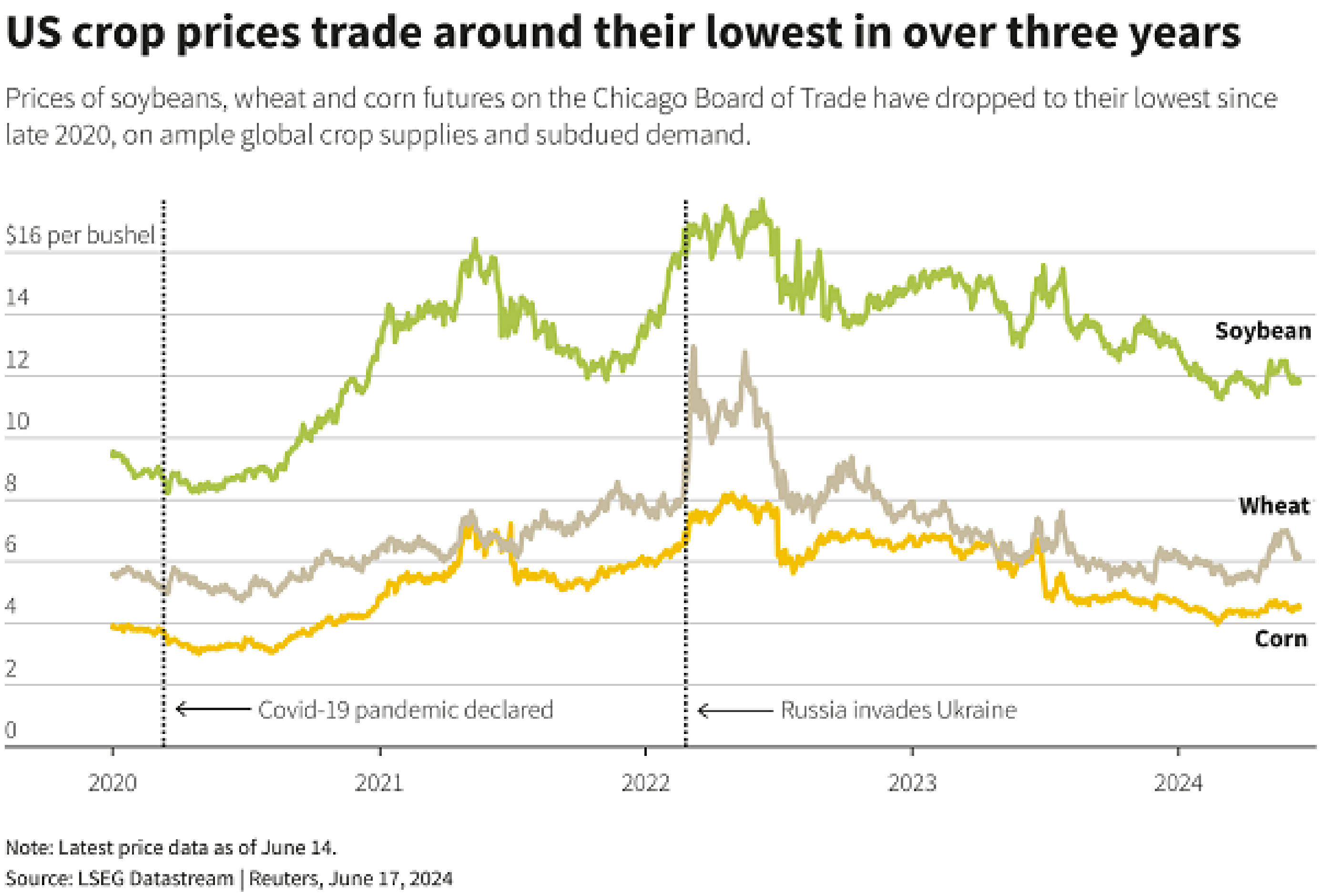
Top News - Agriculture

INSIGHT-Farmers' financial pain spills from Kansas wheat fields to Main Streets

In a tiny town surrounded by miles of rippling wheat fields, Brady Peterson's restaurant sits nearly empty during what should be a Saturday lunch rush. Normally, Pete's would be filled with farmers ordering fried chicken and cheeseburgers, but as farm income thins, so does Peterson's business. Sluggish sales have slashed his income so much that he can't afford to run his home air conditioner during the baking Kansas summers or pay for a suit to wear to a close friend's funeral. "I ended up wearing a T-shirt I wear to work and a nice pair of jeans," Peterson said. As U.S. farm incomes are forecast to plunge in 2024 due to a sharp reversal in commodity crop prices, less government support and high borrowing and labor costs, farmers' economic pain is spreading from the fields to Main Street. The situation in U.S. prairie states is particularly severe. Farmers here are facing the worst economic situation in over a decade, and small cities are at risk of becoming ghost towns, sources told Reuters. Two years of severe drought followed by national farm economic problems including inflated seed and chemical costs, higher interest rates and lower crop prices have sapped money from the surrounding communities, ten business owners, two chambers of commerce directors, two economists and three farmers in Kansas told Reuters.

Business owners noted anywhere from a 20% to 30% decline in revenue compared to the previous year. Nationally, farm income is forecast to fall 25% from last year according to the U.S. Agriculture Department. That would be the largest annual decrease in dollar terms. "We're a farming community, and the farmers just don't have the money to spend," Megan Jensen, owner of Meg's Grooming and Pet Salon in Concordia, Kansas, said through tears. "Every penny I own is invested in this. If I fail, I'm homeless." U.S. farm income hit a record high in 2022, before a steep drop in commodity crop prices due to large harvests in South America and waning demand from importers and meatpackers upended U.S.

Chart of the Day



farmers' fortunes. Corn, soy and wheat futures are trading around three-year lows. Farm income in Kansas and other prairie states has fallen even more and is forecast to be the lowest since at least 2010 this year, according to U.S. Department of Agriculture data. Kansas is the biggest U.S. wheat-producing state, and economists say the nationwide downturn has particularly hurt regions that produce the grain as demand for U.S. wheat shrinks.

FEAST OR FAMINE

The mayor of Smith Center, Bryce Wiehl, is a tanned farmer with a scraggly white beard and gruff voice. Over fried chicken at Pete's, he described the foreclosures, the town of 1,500's dwindling population and downward economic spiral. "It's hard to find an industry that doesn't rely on farm product prices. It has a dramatic impact on the community," he said. Rural downtowns in Kansas are dotted with shuttered businesses, and residents noted the streets are emptier than ever. "Things are incredibly volatile here. It's either feast or famine," said Shane Wyatt, owner of a gun shop in rural Norton, Kansas. "I wouldn't quite call it a ghost town, but you can really see the impact of the low prices."

While the broader U.S. economy is growing strong, researchers at Creighton University reported in May that the nation's rural Main Street economy in the Midwest and Great Plains had fallen as farm equipment sales slumped and agricultural land prices dropped for the first time in five years.

Russ Erbert, a jeweler in Norton, Kansas, delights in showing young couples how a good diamond will sparkle even under dim light and seeing a newly engaged woman smile when she sees her ring. During an economic downturn in a small farm town, these scenes happen less often. "Some of the young farm kids are waiting until the following year to get married," he said. "They're budget conscious." When customers do trickle into businesses, they often buy less expensive items: pocketknives instead of firearms at a gun shop and modest gems over two-carat diamonds at a jewelry store. At pawn shops, residents are pawning more possessions for quick cash, and fewer return to buy them back. High inflation and interest rates hit farmers particularly hard as they depend on short-term, variable-rate loans to pay for everything from seeds and fertilizer to livestock and machinery with the goal of paying them back after the harvest.

Lingering inflation is also pressuring business owners, though they're reluctant to raise prices in a community where even a minute price hike elicits complaints and may steer customers away. "I feel like I have to work three times harder to get the same amount of money," said Tammy Britt, the owner of a soda fountain and gift shop in Concordia. Some said they were suffering health problems from the constant pressure and unrelenting workload. "There's days (sic) where the stress mounts and you want to pull your hair out. Sometimes you got to run to the back of the building and scream a little bit and come back in," restaurant owner Peterson said. "But you've got to be optimistic.

EU 2023/24 soft wheat exports down 5% but French data incomplete

Soft wheat exports from the European Union since the start of the 2023/24 season last July had reached 29.15 million metric tons by June 16, down 5% from a year earlier, data published by the European Commission showed on Tuesday. EU barley exports totalled 5.59 million tons, down 12% from the corresponding period of 2022/23, the data showed.

However, the Commission said in a weekly report that export figures for France, the EU's biggest wheat and barley exporter, were incomplete since the beginning of 2024. The latest EU report put French soft wheat exports outside the bloc so far this season at 8.46 million tons. Traders believe that the data underestimates the volume by some 1 million tons, with France widely tipped to end the season on June 30 at about 10 million tons.

The EU pegged French barley exports so far in 2023/24 at 3.20 million tons. Farm office FranceAgriMer last week forecast the country's non-EU barley exports would reach 3.8 million by June 30.

In addition, data for Bulgaria, a large wheat exporter, and Ireland, a significant maize importer, has not been complete since the beginning of 2023/24, the Commission said. EU maize imports were at 17.97 million tons, down 31% from a year earlier.

Top News - Metals

Chile lithium projects garner interest from over 50 companies

More than 50 companies have expressed interest in developing lithium projects in Chile, Finance Minister Mario Marcel said on Tuesday, after the government called for proposals for a range of salt flats containing the battery metal. Chile, the world's largest copper producer, called for proposals in April to develop lithium projects in more than two dozen salt flats that have yet to be fully explored, while reserving the Atacama and Maricunga brine deposits for state control. Fifty four firms from 10 countries submitted statements of interest to develop 88 projects through the public process, which ended on Monday, Marcel said at an event in Santiago. "There are investors of different sizes ... there are local investors and many foreign investors," Marcel said. "There is clearly a very broad interest in investing in this industry." The mining ministry will later provide details on the salt flats that have received overlapping proposals.

In April, Chile's mining minister said there would be a tender process if more than one company expressed interest in a single site. Investors have, however, raised concerns about how the government will award lithium contracts in salt flats where mining concessions have previously been granted, which risks creating a kind of double ownership. Chile is seeking to build its role in the lithium industry, which is the world's second largest after Australia, through state-led projects as well as private investment. The U.S. ambassador to Chile, Bernadette Meehan, said at an event in Santiago on Tuesday that U.S. companies have shown "intense interest" both in extracting lithium and in producing components that use the material, such as batteries. "There are U.S. companies and Western companies interested in all lithium opportunities announced by the government of Chile," she said. Currently, only U.S. firm Albemarle and local miner SQM produce lithium in the country. Last month, SQM signed an agreement with state-run giant Codelco to launch a majority state-run joint venture in the Atacama salt flat. Codelco is also seeking a partner for a major new lithium project in the Maricunga salt flat.

Anglo American expects 30% drop at key Chile copper mine in 2025

Anglo American's copper output at its Los Bronces mine in Chile is expected to fall nearly a third from average historical levels next year as the miner pauses a processing plant for maintenance, the company's Chile head said on Tuesday. Anglo American previously said it would suspend the plant, which is the smaller and older of two at the site, in mid-2024, but had not disclosed the estimated hit on production. Los Bronces is Anglo American's flagship copper mine, representing about a fourth of its copper output worldwide, which spans several sites in Chile and Peru. Demand for the red-metal has surged worldwide, and BHP made an unsuccessful $49 billion offer for rival Anglo American this year in a play for its smaller rival's copper mines. The maintenance on the processing plant is expected to take at least a couple of years, said Patricio Hidalgo, CEO of Anglo American in Chile, at an event. "It will depend on the input and the ore grade, so it's not one-to-one, but it's about 30% as of next year, compared to what we historically have produced," he told reporters. Anglo American is aiming to compensate for falling production levels dinged by hard, lower grade ore, and hopes to start new extraction in 2027, after delays due to permitting and other factors. Suspending the processing plant, called Los Bronces, will give the company time to move ahead with preparations for new extraction phases, including securing an additional water supply and moving the Perez Caldera tailings dam. "It opens a window for us," Hidalgo said. "We have to see when the optimal window of time is to remove the dam." Los Bronces is majority owned by the miner's local unit, Anglo American Sur, with a stake just over 50%. A joint venture between Japan's Mitsui and Chile's state-run Codelco owns nearly 30%, while Japan's Mitsubishi owns the remainder.

Top News - Carbon & Power

U.S. Senate passes bill to support advanced nuclear energy deployment

The U.S. Senate on Tuesday passed a bill to accelerate the deployment of nuclear energy capacity, including by speeding permitting and creating new incentives for advanced nuclear reactor technologies. Expanding nuclear power has broad bipartisan support, with Democrats seeing it as critical to decarbonizing the power sector to fight climate change and Republicans viewing it as a way to ensure reliable electricity supply and create jobs. A version of the bill had already passed in the House of Representatives and it will now go to President

MARKET MONITOR as of 06:50 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.18 / bbl	1.06%	13.30%
NYMEX RBOB Gasoline	$2.47 / gallon	1.61%	17.23%
ICE Gas Oil	$785.25 / tonne	2.35%	4.60%
NYMEX Natural Gas	$2.92 / mmBtu	4.63%	16.03%
Spot Gold	$2,331.89 / ounce	0.56%	13.06%
TRPC coal API 2 / Dec, 24	$120.5 / tonne	0.63%	24.23%
Carbon ECX EUA	€68.50 / tonne	0.75%	-14.77%
Dutch gas day-ahead (Pre. close)	€34.20 / Mwh	0.15%	7.38%
Malaysia Palm Oil (3M)	RM3,938 / tonne	-0.20%	5.83%
Index	**Close 18 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	346.41	0.90%	14.93%
Rogers International	29.16	0.76%	10.77%
U.S. Stocks - Dow	38,834.86	0.15%	3.04%
U.S. Dollar Index	105.29	0.03%	3.90%
U.S. Bond Index (DJ)	431.22	0.44%	0.12%

Joe Biden for a signature to become law. It passed the Senate 88-2 votes. “In a major victory for our climate and American energy security, the U.S. Senate has passed the ADVANCE Act with overwhelming, bipartisan support,” said Senator Tom Carper, a Democrat, who is Chairman of the Senate Environment and Public Works Committee. “Today, we sent the ADVANCE Act to the president’s desk because Congress worked together to recognize the importance of nuclear energy to America’s future and got the job done,” said Republican Shelley Moore Capito, a ranking member of the committee.
Among other things, the bill would cut regulatory costs for companies seeking to license advanced nuclear reactor technologies, would create a prize for the successful deployment of next-generation reactors, and would speed licensing for nuclear facilities at certain sites. The bill could benefit companies like Bill Gates-backed TerraPower, which is trying to build a $4 billion Natrium reactor in Wyoming on the site of an old coal plant but is struggling to secure a key permit. Non-proliferation groups including the Union of Concerned Scientists have warned against measures that ease licensing for high-tech nuclear reactors, including those using highly enriched uranium, arguing that safety should remain the priority. The U.S. nuclear industry has struggled to expand in recent decades due to soaring costs and complex permitting requirements, and as advanced nuclear technologies prove difficult to fund and develop.

COLUMN-China’s hydropower generation surges and coal ebbs: Kemp

China’s heavy spring rains have enabled the country to use its massive cascade dams more fully, boosting hydroelectric output sharply and reducing the need for coal-fired generation in May. Hydroelectric generation surged to 115 billion kilowatt-hours (kWh) in May 2024, up from 82 billion kWh in the same month last year, when a prolonged drought lowered river levels.
Hydro generation was the second highest for the time of year in the last decade and not far below the record 122 billion kWh following heavy rainfall in the spring of 2022.
The centrepiece of the system is a series of six enormous cascade power stations, stretching 1,800 kilometres (1,118 miles) along the Yangtze, with 110 individual generators and a combined maximum output of 72 million kilowatts (kW). Stations at Wudongde, Baihetan, Xiluodu, Xiangjiaba, Three Gorges and Gezhouba can meet the annual electricity needs of 54 million people and save up to 15 million metric tons of coal if fully utilised, according to Xinhua. But prolonged drought between the middle of 2022 and the end of 2023 meant generation was sharply reduced, including at the newly finished Baihetan, the world’s second largest hydroelectric project.
Since the start of April, however, spring rains across southern China have been heavier than average, swelling river volumes and enabling much more use to be made of hydro stations. The system is bracing for the imminent arrival of even heavier rainfall in July and August during the wet phase of the East Asian Monsoon.
If monsoon rainfall is average or higher, generation is likely to set a record this summer, surpassing the previous high four years ago, given the massive expansion of capacity since 2020.
In 2020, China had installed 370 million kW of hydroelectric capacity and generated a record 1,214 billion kWh over the year. By 2024, capacity had climbed by 14% to 423 million kW, creating potential to set a new record. In May, China also generated record amounts of electricity from wind and solar farms, as a result of the deployment of additional generating capacity over the last two years. Wind generation increased to 77 billion kWh from 74 billion kWh in May 2023 and 59 billion kWh in May 2022, according to data published by the National Bureau of Statistics. In the same month, solar generation soared to 36 billion kWh from 24 billion kWh a year ago and 21 billion kWh in 2022. Increases from hydro (+33 billion kWh), solar (+12 billion kWh) and wind (+3 billion kWh) last month were more than enough to meet consumption growth while diminishing the need for thermal power (-17 billion kWh).
As a result, thermal generation, mostly from coal-fired units, declined to 454 billion kWh in May 2024 from a seasonal record 471 billion kWh in May 2023. Lower coal combustion means lower carbon dioxide emissions – helping progress towards the government’s target of emissions peaking before 2030. But most of the country's major potential hydro sites have been developed so further increases in generation are likely to be limited.
Longer term progress towards peaking emissions will depend on growth in wind, solar and nuclear, as well as policies to increase energy efficiency and dampen load growth.

Top News - Dry Freight

Ukraine's Jan-May grain exports via Romania's Constanta down 44%

Ukraine's grain exports January through May via Romania’s Black Sea port of Constanta fell by 44% on the year to 3.5 million metric tons, the port authority told Reuters on Tuesday, as Kyiv increasingly relies on its own ports. Constanta remains Ukraine's largest alternative export route since Russia's invasion in February 2022, but analysts and observers say Ukraine this year is able to ship more through its own port of Odesa. Ukraine in August 2023 created a shipping corridor from its own ports that hugs the western Black Sea coast near Romania and Bulgaria after Russia withdrew from a U.N.-brokered safe grain export deal. "Together with our partners we managed to mitigate the challenges and problems which existed in the Black Sea," Ukrainian Deputy Economy Minister Taras Kachka told a security forum in Romanian capital Bucharest in late May.

"The current system of navigation is definitely better because it's free of intermediation and ... inspections. Tempo of movement is increasing, we can send big vessels.
" However, Kachka underlined Romania remained a significant alternative export route, particularly via the Danube river. Grain arrives in Romania by road, rail and barge across the Danube river, and the coalition government has used European Union funds to boost rail and river investment.
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 450,000 tons of Ukrainian grain left port in May. Overall grain exports through Constanta from January to May were up 3.6% on the year at 12.6 million tons. Romania is one of the EU's biggest grain exporters. The port of Constanta also handles shipments for the EU state's landlocked neighbours including Serbia, Hungary and Moldova.

South Korea's KFA buys 60,000 T soymeal in private deal, traders say
The Korea Feed Association (KFA) in South Korea purchased about 60,000 metric tons of soymeal in a private deal without issuing an international tender, European traders said. Price was estimated to be $446.00 a ton c&f including a surcharge for additional port unloading, they said. Seller was believed to be trading house Cofco. It was expected to be sourced from South America with the option of supplying soymeal from the United States or China with shipment between Oct. 1 and Oct. 31. If sourced from the United States or China only 50,000 tons need be supplied. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A vineyard is seen as a helicopter drops water while battling the Point fire near Healdsburg, California, U.S., June 17. REUTERS/Carlos Barria

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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

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