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Top News - Oil

US crude and fuel stockpiles fall last week as exports rise - EIA said

U.S. crude oil, gasoline and distillate inventories fell last week, the Energy Information Administration said on Thursday as crude exports rose. Crude inventories fell by 2.5 million barrels in the week ending June 14 to 457.1 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 2.2 million-barrel draw. Stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures rose by 307,000 barrels, the EIA said.
Oil prices extended gains slightly after the report showed a fall in overall stocks.
Refinery crude runs fell by 282,000 barrels per day (bpd) in the week, and refinery utilization rates fell by 1.5 percentage points to 93.5% of total capacity. Crude exports rose by 1.2 million bpd to 4.4 million bpd, while net imports declined by 2.5 million to 2.6 million bpd. "A decent jump higher in crude exports was enough to overpower a dip in refining activity last week to encourage a draw to crude inventories - for the first week in three", said Matt Smith, lead oil analyst at Kpler. "A dip in refining and an increase in implied demand meant both gasoline and distillate inventories drew - rounding out a fairly supportive report for prices," he added.
U.S. crude imports of Canadian crude reached a six-month high last week, at 4.137 million barrels, the EIA said. Gasoline inventories fell by 2.3 million barrels to 231.2 million barrels, the EIA said, compared with forecasts for a 600,000-barrel build. Distillate stockpiles, which include diesel and heating oil, fell by 1.7 million barrels to 121.6 million barrels, versus expectations for a 300,000-barrel rise, the EIA data showed. Total product supplied, a proxy for demand, rose by 1.9 million bpd on the week to 21.1 million bpd, compared with the four-week average of 20 million bpd, roughly in line with year ago levels. Product supplied for gasoline rose by 346,000 bpd to 9.4 million bpd, while distillate fuel oil rose by 328,000 bpd to nearly 4 million bpd.

Environmental activists win landmark ruling over UK oil well plan

Planning authorities should have considered the impact of climate-warming emissions in approving an oil well near Gatwick Airport, the UK's highest court said on Thursday, a ruling activists say could profoundly impact new fossil fuel projects in Britain. Environmental campaigners had argued that planning permission to retain and expand the oil well site near London's Gatwick was flawed because it had not considered the impact of greenhouse gas emissions from the use of the oil. Supreme Court judges agreed by a narrow three to two majority, and quashed the planning approval which they said was unlawful.
While the court said councils could still approve schemes even if they were likely to cause significant harm to the environment, campaigners said the landmark judgment would make it much harder for new oil, gas and coal developments to get approval. "This historic ruling is a watershed moment in the fight to stop further fossil fuel extraction projects in the UK and make the emissions cuts needed to meet crucial climate targets," Friends of the Earth lawyer Katie de Kauwe said. "It is a huge boost to everyone involved in resisting fossil fuel projects."
The campaign groups said the ruling could hit proposals for other controversial schemes such a new coal mine in Cumbria, northern England, as well as North Sea oil and gas projects. "Oil and gas companies will be working through the judgment to assess to what extent it affects future projects in the UK, and existing challenges before the courts, which had been stayed pending the Supreme Court's decision," Tom Cummins, partner at law firm Ashurst. The government said it would carefully consider the impact of the ruling and any relevance for other ongoing legal proceedings.

NEW OIL WELLS

The case concerned a decision in 2019 by Surrey County Council to allow Horse Hill Developments, part-owned by British energy company UK Oil & Gas Plc (UKOG), to retain two oil wells and drill four more over a 20-year period near the town of Horley, close to Gatwick. An Environmental Impact Assessment (EIA) for the project examined the effect of the construction, production and decommissioning of the site, but did not assess the impact from emissions that would result from the use of the refined oil. The Weald Action Group (WAG), an umbrella organisation for local groups that campaign against the extraction of oil and gas in southeast England, estimated this would equate to more than 10 million tonnes of carbon emissions. A campaigner acting for WAG launched a legal challenge against the planning approval on the basis the EIA was flawed, but this was rejected both by the High Court in London and then by the Court of Appeal.
However, the Supreme Court overruled, saying it was inevitable there would be combustion emissions from the refined oil. "It is not disputed that these emissions, which can easily be quantified, will have a significant impact on climate," said George Leggatt, one of the three Supreme Court justices who agreed with the appeal. "The only issue is whether the combustion emissions are effects of the project at all. It seems to me plain that they are."
UKOG's CEO Stephen Sanderson said the company's

focus had shifted from oil and gas to underground hydrogen storage, but added it would work closely with the local authority to account for "this retrospective change to EIA requirements". The council itself said planning permission for the oil well "remains to be determined in due course".

Top News - Agriculture

Global coffee production to rise by 7 mln bags in the new crop, says USDA

Coffee production in the world is projected to increase by 7 million bags, or 4.1%, in the new crop that in most countries starts in October, the United States Agriculture Department (USDA) said on Thursday in a biannual report. The USDA said total production of the beans will rise to 176.23 million 60-kg bags from 169.18 million bags previously, mostly due to higher output in top grower Brazil and to a recovery in robusta grower Indonesia after last year's dismal crop that was hit by the El Nino climate pattern.

Consumption was projected up 3.1 million bags to 170.6 million bags, the department said, adding that exports from producing countries to non-producing ones are expected to rise by 3.6 million bags to 123.1 million bags. Global coffee production comes from countries located in the tropics, while most of the consumption happens in the Northern Hemisphere with the United States and the European Union as the main destinations. Brazil's production is seen rising by 3.6 million bags, while Indonesia's output was projected to increase by 2.8 million bags, said the USDA, adding that production was basically stable in Vietnam, the world's second largest grower. With the changes, the USDA estimates global ending stocks in 2024/25 at 25.78 million bags from a five -year low of 23.93 million bags seen in 2023/24.

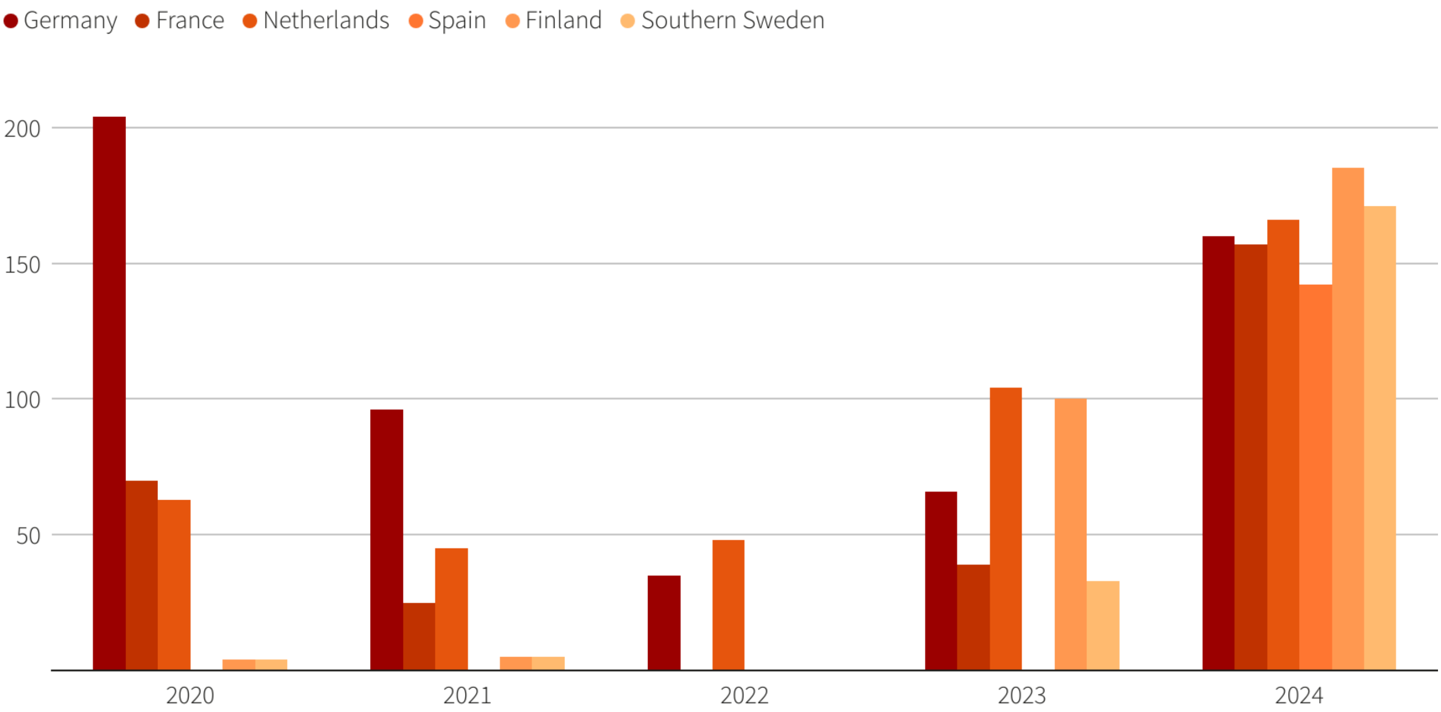
BP to buy out Bunge's stake in Brazilian biofuels JV in $1.4 bln deal

BP has agreed to buy grain trader Bunge's 50% stake in Brazilian sugar and ethanol joint venture BP Bunge Bioenergia for $1.4 billion in a bet on growing demand for low-carbon biofuels. Following the completion of the deal, expected by end-2024, BP will take full ownership of Bioenergia which has production capacity of around 50,000 barrels a day of ethanol equivalent from sugarcane. BP will consolidate Bioenergia's debt and lease obligations of $1.2 billion, it said, meaning it will pay out a total of $800 million to Bunge, according to Reuters

Chart of the Day

Zero or negative power price hours in Europe have jumped in 2024

Data for January to May



Source: LSEG

calculations. The acquisition comes amid growing investor concern over BP's strategy after ratings agency S&P Global earlier this month revised down BP's credit outlook, citing slower than expected debt reduction.
BP said the acquisition is expected to meet its returns threshold for bioenergy of more than 15% and will be within its existing annual spending framework of around $16 billion. BP Bunge Bioenergia is one of the largest sugar and ethanol operations in Brazil. It runs 11 mills in five states, with capacity to process 32 million metric tons of sugarcane per season. Beyond ethanol, it produces more than 1 million tons of sugar per year.
Bunge has been trying to sell its sugar and ethanol assets in Brazil for some years. It had talks with possible buyers of its stake in the JV in 2022, with no deal. Later, it was disclosed that BP would likely exercise its right of first refusal over any outside bid, and buy Bunge out.
Bunge shares were up around 1% on Thursday, while BP rose 0.8%. Ethanol has been a difficult business in Brazil, with companies hardly making any money, said Willian Orzari, a partner at consultancy FG/A.
He believes BP is looking at the long term with the deal, possibly seeking to guarantee supplies of low-carbon biofuels to produce sustainable aviation fuel (SAF). Sugarcane-based ethanol has a low carbon footprint. Several companies in the country have obtained certification to supply SAF. BP also said on Thursday it is scaling back plans for the development of new biofuels projects.
The company is pausing two biofuel projects at its Lingen refinery in Germany and its Cherry Point refinery in the U.S. state of Washington. It is assessing three other projects. "Taken together, these changes can enable us to deliver the growth and returns we expect from biofuels, but in a simpler, more focused way. This is fully in line with BP’s priorities of driving focus into the business and growing shareholder returns," BP's head of customers and products Emma Delaney said.

Top News - Metals

Vale sees higher 2026 copper, nickel output after investments

Brazilian mining giant Vale said on Thursday that an asset review initiative and investments in the key Sudbury and Salobo plants might lead to growth in its 2026 copper and nickel output when compared to its baseline scenario.
Vale sees potential copper output in 2026 between 394,000 metric tons and 431,000 tons, about 5% higher than a December estimate, it said in a securities filing. Nickel production, meanwhile, might come in at between 209,000 tons and 231,000 tons, up 10% from Vale's baseline scenario for that year.
Vale said the new forecasts come as it plans to disburse $800 million in the next three years under its energy transition metals asset review initiative. The miner said $650 million would be directed to investments in capacity run rate and reliability, while the remainder would be allocated to improve the performance of Sudbury and Salobo - key copper and nickel assets in Canada and Brazil, respectively. The broad review, which also takes into account a 30% production uplift in Sudbury and lower costs, could add $400 million to Vale's earnings before interest, amortization and depreciation (EBITDA) by 2026, the company added.

Australia's Pilbara Minerals eyes $800 mln road to double lithium output

Pilbara Minerals, Australia's biggest independent lithium producer, laid out a A$1.2 billion ($799.2 million) plan to double production capacity for lithium spodumene at its Pilgangoora operation in Western Australia. More spodumene from the miner's flagship operations could result in a decade of output averaging 1.9 million tonnes per year if it decides to press go on the project, following a feasibility study expected to be completed in late 2025.
The expansion would require Pilbara Minerals to build a new flotation plant for extracting lithium from the spodumene that would be adjacent to an existing flotation plant to constrain costs. The plan is being laid out as Pilbara keeps its options open for future production amid low prices for the battery material."We expect the full suite of funding options to be available for us, which could include cash flow from our operations, and government support. We could look at offtake and finance as well as debt and equity," CEO Dale Henderson told Reuters.
Pilbara had A$1.8 billion in cash on its books as of March 31, 2024.
The output plan is separate to Pilbara's study to process its spodumene into a more lithium-rich product that could be sold at higher margins, for which it is building a demonstration plant with Calix Ltd, he said.
The demonstration plant will trial electric calciner technology to make a lithium phosphate product containing 18% lithium, up from 5% to 6% contained lithium in spodumene.
The trial may yield learnings that could apply to other projects around the world, and offer Pilbara another revenue stream through licensing, Henderson said.
Pilbara earlier this year agreed to a study with China's Ganfeng Lithium on options to build a 32,000 metric-ton-per-year lithium conversion facility.
The site for the plant has not been decided but a number of countries are being considered, including Australia.
Pilbara's shares fell 3.8% to A$3.08, amid weakness in lithium miners, while the broader mining sub-index dropped 0.3%.

Top News - Carbon & Power

ANALYSIS-Europe's solar power surge hits prices, exposing storage needs

Europe has clocked a record number of hours of negative power prices this year due to a mismatch between demand and supply as solar power generation soars, potentially helping to shift investment to much needed storage solutions. Wholesale power markets in most of Europe's key economies turned out zero or negative prices for a record number of hours in the first five months of this year at times of low demand. That means producers more frequently have to pay to offload power, or stop their plants. "One could certainly say that, at this point, success is consuming its own offspring," Markus Hagel, energy policy expert at German utility Trianel, told Reuters. Strong hydro and nuclear power generation has played some part in the oversupply, but Europe has also seen a massive expansion of solar power.

Installed solar capacity in the European Union more than doubled to 263 GW between 2019 and 2023, according to SolarPower Europe data. In 2023 alone, that is equivalent to an extra 306,000 solar panels being installed every day, the group said. In the day-ahead market, this has seen more European markets experience price drops at the lowest demand point in the middle of the day.

Trianel told Reuters the company has invested in 800 megawatt (MW) of photovoltaic capacity and has a project pipeline of 2,000 MW but the lower prices are forcing it to reconsider how it sells the power. Solar has boomed in part because it no longer required subsidies as developers agreed power purchase agreements (PPAs) with buyers at fixed terms pegged to wholesale power market prices. This allowed for a faster and bigger build-out than previous capped volume auctions for government-backed payments. But as prices fall, developers are increasingly turning back to subsidy schemes again, Hagel said.

Negative prices are nothing new for Germany, which hosts Europe's biggest capacity of volatile solar and wind power generation, but 2024 is the first year Spain is seeing them, after several years of strong solar power growth. "It is not something that worries us at the moment. What does worry us is that it will be repeated or can be repeated over time," José María González Moya, director general of renewable lobby APPA Renovables, said, adding that new contracts for PPAs are already declining. "And yes, in a way, investment is slowing down. Not stopping, but slowing down," Moya said.

Germany and Spain are still leading the PPA market, Jens Hollstein, head of advisory at PPA pricing platform Pexapark, said. However, solar producers were being forced to sell their power at increasing discounts to round-the-clock generators. "The margin is getting thinner," Hollstein said.

He expected a slowdown in investments if the development continued. On the flip-side, the power market is now seeing a bigger gap between low and high-

MARKET MONITOR as of 06:50 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.28 / bbl	-0.36%	13.44%
NYMEX RBOB Gasoline	$2.48 / gallon	0.75%	17.92%
ICE Gas Oil	$785.50 / tonne	-0.76%	4.63%
NYMEX Natural Gas	$2.72 / mmBtu	-6.53%	8.15%
Spot Gold	$2,358.50 / ounce	1.33%	14.35%
TRPC coal API 2 / Dec, 24	$124 / tonne	0.00%	27.84%
Carbon ECX EUA	€69.22 / tonne	-1.58%	-13.87%
Dutch gas day-ahead (Pre. close)	€34.20 / Mwh	-2.51%	7.38%
CBOT Corn	$4.46 / bushel	-2.25%	-7.95%
CBOT Wheat	$5.87 / bushel	-1.96%	-8.17%
Malaysia Palm Oil (3M)	RM3,896 / tonne	-0.61%	4.70%
Index	**Close 20 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	346.17	-0.07%	14.85%
Rogers International	29.25	0.17%	11.09%
U.S. Stocks - Dow	39,134.76	0.77%	3.83%
U.S. Dollar Index	105.60	0.01%	4.21%
U.S. Bond Index (DJ)	429.90	-0.31%	-0.19%

priced hours, increasing the incentive to invest in storage, he added.

INCREASING BATTERY STORAGE IS KEY

The International Energy Agency (IEA) highlighted the urgent need for energy storage in an annual report. "Developers who choose not to co-locate their wind and solar PV power parks alongside battery storage or other sources of flexibility may see a drop in potential revenues during peak generation – hampering profits and discouraging investment," the IEA wrote. The EU estimated that energy storage in the bloc will need to rise more than three-fold from 2022 to 2030, to match projections of a 69% share of renewable energy in its electricity system by then.

Norwegian renewable energy producer Statkraft, which operates across Europe, has said it could divest some wind and solar projects, but would likely hold onto its battery assets. "For batteries it will be positive to have greater volatility and also negative prices," CEO Birgitte Ringstad Vartdal said, as batteries can be charged when prices are low while output can be sold when prices are high. "That is one of the reasons why flexible projects will be attractive," Ringstad Vartdal added.

Besides storing energy in batteries to deal with periods of excess supply, other options like AI-powered smart grids and meters could also help consumers optimise their electricity use. Domestic end users, plagued by the surge in energy costs in the wake of the Ukraine war, have yet to enjoy lower bills because often they are locked into long term contracts. Only those consumers that have invested in a heat pump, a charger for their electric car, or a storage system, are able to benefit from negative prices, spokesperson for Germany's association of local utilities VKU said. Those on fixed priced contracts will only feel a positive impact from negative power prices once they have pulled down average market prices over the long term.

EU sanctions target Russian gas for the first time, diplomats say

European Union countries agreed on a 14th package of sanctions against Russia over its war in Ukraine, diplomats said on Thursday, including their first restrictions on Russian gas. The package bans re-exports of Russian liquefied natural gas (LNG) in EU waters but stops short of banning imports as the bloc did in 2022 for Russian seaborne oil. Some EU countries still import pipeline gas from Russia via Ukraine. However, gas market experts say the measure will have little impact as trans-shipments of gas via EU ports to Asia represent only around 10% of total Russian LNG exports.

The package also sanctions three Russian LNG projects and includes a clause designed to allow Sweden and Finland to cancel Russian LNG contracts, diplomats said. Belgium, which holds the rotating EU presidency until July 1, said on social media platform X that the package "maximises the impact of existing sanctions by closing loopholes". "This hard-hitting package will further deny Russia access to key technologies. It will strip Russia of further energy revenues.

And tackle (President Vladimir) Putin’s shadow fleet and shadow banking network abroad," European Commission President Ursula von der Leyen said on X. Countries debated the new measures for over a month and ultimately watered down one of the Commission's proposals, aimed at preventing even more circumvention, at Germany's prompting.

The dropped measure would have forced subsidiaries of EU companies in third countries to contractually prohibit the re-exports of their goods to Russia. The EU is keen to stop the flow of dual-use technology such as washing machine chips that could be used by Russia for military purposes. An EU diplomat said Germany had asked for an impact assessment, and the measure could be included at a later date. The package also tightens measures against the shadow fleet moving Russian oil outside the price cap on Russian crude set by the Group of Seven (G7) nations.

EU countries added tankers to the list of sanctioned entities as well as at least two Russian-owned ships moving military equipment from North Korea, diplomats said. Moscow and Pyongyang have grown closer since Russia's February 2022 full-scale invasion of Ukraine. This week, the two countries agreed to provide immediate military assistance if either faces armed aggression in a pact reached after Russian President Vladimir Putin visited Pyongyang. Overall, 47 new entities and 69 individuals were added to the EU sanctions list, bringing the total to 2,200. The package is expected to be formally approved when EU foreign ministers meet on Monday, diplomats said.

Top News - Dry Freight

COFCO, Growmark agree deals covering two U.S. grain facilities

Chinese-owned merchant COFCO International said on Thursday it has agreed deals with U.S. agricultural cooperative Growmark relating to a grain terminal on the Mississippi River and a grain warehouse in Chicago.

For the river transloading facility located in Cahokia, Illinois, COFCO International will purchase Growmark's minority stake, COFCO said in a statement. The deal means COFCO International will have 100% ownership of the asset, a spokesperson added in a response to Reuters.

The Cahokia site, located at the St. Louis Harbor, is a rail and truck-to-barge loading facility. At the same time, Growmark has agreed to acquire from COFCO

International ownership of a grain warehouse facility in Chicago known as the B-House.
The warehouse, located on the Calumet River, has a capacity of 11.5 million bushels and facilitates imports and exports via the Great Lakes, COFCO International said. Financial terms of the two deals were not disclosed.
COFCO International, controlled by Chinese state-owned food group COFCO Corp., had formed a partnership with Growmark in 2017 as part of its overseas expansion.

Japan buys 84,667 tons of food wheat via tender
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 84,667 metric tons of food-quality wheat from the United States, Canada and Australia in a regular tender that closed late Wednesday.
Japan, the world's sixth-biggest importer of wheat, keeps a tight grip on imports of its second most important staple after rice and buys the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

A general view shows the Mexico state oil firm Pemex's Ciudad Madero refinery, after the Tropical Storm Alberto hit Mexico, in Ciudad Madero, Mexico, June 20. REUTERS/Henry Romero

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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