Oil | Agriculture | Metals | Carbon & Power |Dry Freight

Click on headers to go to that section

Top News - Oil

At Asia energy event, officials warn against sacrificing growth for transition

Hydrocarbons will be an important part of Asia's energy mix, Malaysian Prime Minister Anwar Ibrahim and industry executives said on Monday, as affordability and energy security remain key concerns for the region.

Achieving net-zero emissions targets should not come "at the expense of economic growth or vice versa", Anwar said at the inaugural Energy Asia conference, hosted by Malaysia's state oil firm Petronas.

"Instead, Asia must take every opportunity to further dialogue and actions around how we can responsibly plan to enable every country (in) its right to development and lower carbon aspirations," he said.

Asia is home to some of the world's largest greenhouse gas emitters and countries have made varying commitments to phasing out fossil fuels and accelerating energy transition, while also demanding adequate financial support from developed emitters. Anwar said natural gas would play an important role in the energy mix for Malaysia, which is among the world's top five liquefied natural gas (LNG) exporters.

The Organization of the Petroleum Exporting Countries expects global oil demand to rise to 110 million barrels per day by 2045 and account for 29% of energy supply as the world economy doubles, with the population reaching 9.5 billion, OPEC Secretary General Haitham Al Ghais told the conference.

Oil accounted for 30.9% of global energy in 2021.

Saudi Aramco CEO Amin Nasser said at the event that a complete energy transition for the $100 trillion global economy in just a quarter of a century is a "fanciful" idea, as growth in renewable sources has not met the rise in energy consumption.

The energy equivalent cost of green hydrogen is in the range of $200 to $400 per barrel versus current oil price at $75 a barrel, he said as he warned against putting all "transition eggs in the new energy basket".

Nasser urged acceptance in Asia of a "multi-speed transition model" and financial support for developing countries.

To achieve its transition goals, the Malaysian government will launch two roadmaps in the second half of the year detailing the country's potential for developing hydrogen fuel and carbon capture and storage technology, Anwar said.

Scientists say that while developing new technologies is key, cutting emissions remains crucial to keeping the world from warming more than 1.5 degrees Celsius (34.7° F) over the pre-industrial era.

Malaysia is also committed to joining a global pledge to cut methane emissions by 30% by 2030, versus 2020 levels, Anwar added.

China refiners stoke petchem glut in market share war as demand flags

China is relentlessly adding new petrochemical capacity despite a global glut as the country's refiners diversify from transport fuels, threatening to depress margins worldwide through 2024 as weak economic growth saps demand.

In an ominous sign for producers of the chemicals used in plastic packaging, polyester clothing and auto parts, refiners' profit margins on processing naphtha to make ethylene turned negative last week for the first time since October. The profit crunch is being driven by China's refiners boosting output of olefins such as ethylene to offset an expected decline in sales of petrol and diesel as electric vehicle take-up accelerates. Their capacity expansion is outpacing growth in demand for the chemicals. Global demand for ethylene and propylene is forecast to surge 29% from 2023 to 426.8 million metric tons by 2030, while capacity is expected to jump 25% from 2023 to 485.9 million metric tons by 2030, research firm Wood Mackenzie (WoodMac) estimates.

New capacity in China is expected to make up more than half of that growth, according to the International Energy Agency. In 2023, WoodMac sees China's output growth creating a local surplus of 4.24 million metric tons of ethylene and an even bigger oversupply of propylene at 8.69 million metric tons. "The surplus of olefins will be pushed onto the water to clear elsewhere in Asia or further afield in Europe and the U.S. at steep discounts," Energy Aspects analysts said in a note. "This poses more risk to utilisation rates in the rest of Asia and Europe, which are more sensitive to margin compression."

MARKET SHARE BATTLE

Newly launched refinery complexes by state giant PetroChina's Guangdong Petrochemical and privately-run Jiangsu Shenghong Petrochemical have added to surging petrochemical supply from mega refiners Zhejiang Petrochemical Corp and Hengli Petrochemical that has come online in recent years. Despite margin pressure, Chinese producers are likely to keep plants operating to protect market share and prevent deeper losses that would result from shutting units, a Chinese refining source said, declining to be named. Producers are already feeling the pain in their battle against each other for market share. Asia's largest refiner, China's state-run Sinopec Corp, warned in its first-quarter report that its chemicals business faced pressure from competing new supply and a tepid recovery in demand.

Independent refiner Hengli Petrochemical's net profit slid nearly 76% in the first quarter due to "high operating costs and low industry demand," the company said in April. Rongsheng Petrochemical and Hengyi Petrochemical swung to net losses in the first quarter.
The world's largest producer and consumer of petrochemicals, China has been unable to absorb the extra output as its domestic market has struggled to recover from three years of strict COVID-19 curbs and weaker global demand for its exports.
Since the pandemic, Chinese consumption patterns have prioritised socialising over spending on goods, Ganesh Gopalakrishnan, TotalEnergies's global head of petrochemical trading, told Reuters last month.
While Chinese demand from some sectors such as inexpensive clothing and daily essentials is robust, other sectors such as automative have yet to recover in line with expectations, said Salmon Lee, global head of polyesters at consultancy WoodMac.
Pointing to high petrochemical stockpiles, Lee said: "The destocking process could take time."

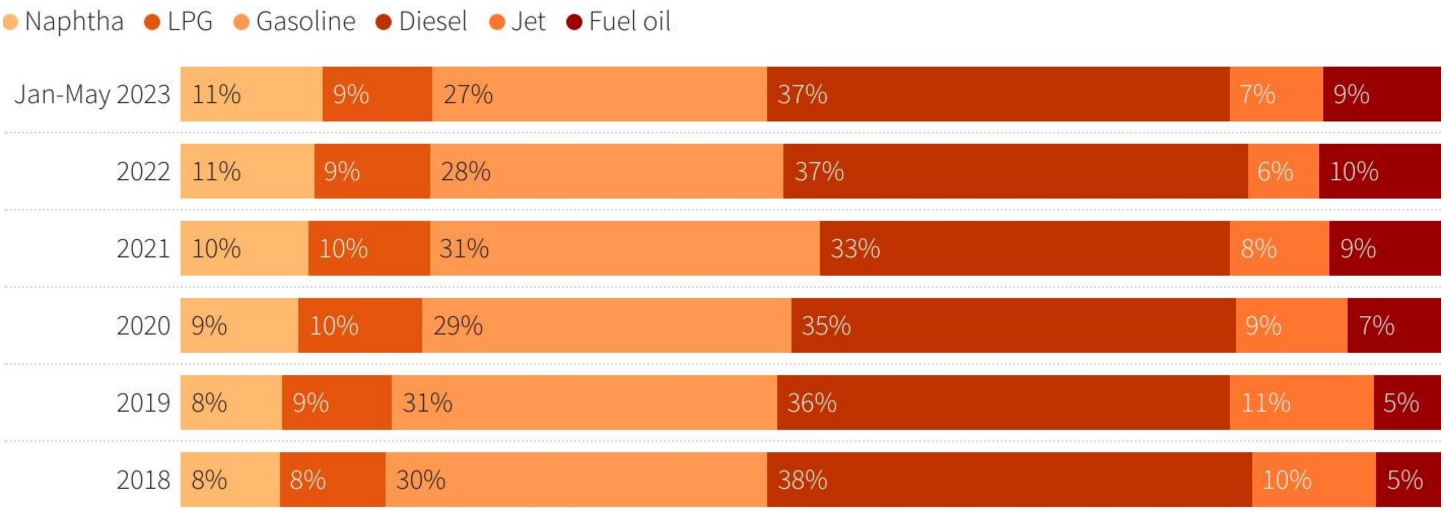
Top News - Agriculture

Mexico announces 50% tariff on white corn imports
The Mexican government has decided to implement a 50% tariff on white corn imports, pursuing more protectionist measures and trying to keep genetically modified grain out of the country's tortillas after a six-month waiver on duties.
In a bid to ease inflationary pressures, Mexican authorities began removing import duties on 21 basic goods last year, before adding white corn to the list in January and implementing a 50% export tariff on the grain - a staple in the Mexican diet.
However the government late on Friday said that waiving the white corn import tariff "had not had a significant impact" on price changes, given Mexico is self sufficient in the grain.
Mexico produced almost 23 million tonnes of white corn last year and imported just 614,000 tonnes between January and October of 2022, data from the Agriculture ministry shows. Only a small part is exported.
The decision to reinstall import tariffs on the grain follows a pledge by Mexico President Andres Manuel Lopez Obrador to ban genetically modified (GMO) corn and phase out the herbicide glyphosate by 2024.
The United States and Canada say this is a violation of trade law.

Chart of the Day

China's annual refined oil products output breakdown

Petrochemical feedstocks naphtha and liquefied petroleum gas now account for 20% of China's production, up from 16% in 2018.



Source: Refinitiv Eikon

Last week, the president hinted at the move to reinstate tariffs on the grain as part of a decree to insure "only white and non-transgenic corn is used in tortilla shops."
The 50% import tariff will be in place until Dec. 31, the decree said.
The waiver on other import duties remains in place, while overall inflation begins to cool.

US lawmaker to re-introduce bipartisan bill to get EV industry into biofuel program
A U.S. Democratic lawmaker plans to reintroduce a bipartisan bill next month that would allow electricity generated from renewable biomass to qualify for credits under the nation's biofuel blending program.
The Biden administration abandoned a similar scheme over concerns that it could trigger lawsuits.
Under the bill's plan, producers of power generated from renewable gas and then used for charging electric vehicles (EVs) would be eligible to generate lucrative credits under the U.S. Renewable Fuels Standard.
That differs slightly from the now-discarded approach that the U.S. Environmental Protection Agency had unveiled in December, which allowed EV manufacturers like Tesla Inc to generate the credits.
"The manufacturers do not produce the electricity. It is the biomass/biogas industry that does," Representative John Garamendi from California, the sponsor of the bill, told Reuters in an interview on Friday.
"We know that the biomass/biogas industry can produce electricity in a way that is beneficial to the overall economy and ecology of the nation and the world," he added.
The bill directs the EPA, which administers the RFS, to implement the plan.
Under the RFS, oil refiners must blend billions of gallons of biofuels into the nation's fuel mix, or buy tradable credits from those that do. The new EV pathway would be a major overhaul of that program by expanding it to include stakeholders in the electric vehicle industry.
Garamendi originally introduced the bill in 2021, with bipartisan cosponsors including Representative Jack Bergman, a Republican from Michigan, and Representative Mariannette Miller-Meeks, a Republican from Iowa. It did not receive a hearing when last introduced.
Garamendi expects similar support for the bill this time around, he said, adding that the bill is already receiving more support from industries including the timber industry, a potential source of the biomass.
Groups including the Renewable Fuel Standard Power Coalition, the Biomass Power Association and the American Loggers Council have endorsed the impending bill.
The bill would also make biomass removed from federal forestlands eligible under the RFS as renewable biomass. Current law only allows for biomass collected from non-federal lands.

Top News - Metals

Palladium in retreat on EV prospects, growth risks
Palladium could extend this year's near 30% price decline as the rapid rise of electric vehicles threatens to hammer demand for the autocatalyst metal at a time broader economic weakness and chart factors are also weighing.
Spot palladium hit a four-year low of $1,269.09 an ounce on Thursday, having fallen more than 60% from a record high of $3,440.76 scaled in 2022 as the war in Ukraine unfolded.
SP Angel analyst John Meyer said that with global EV sales expected to reach around 15 million vehicles this year, sales of palladium, chiefly used to neutralise harmful car emissions, could be impaired by 1.5 million-2.25 million ounces.
The palladium market is still expected to be in undersupply this year, with consultants Metals Focus seeing a deficit of 707,000 ounces and specialist materials maker Johnson Matthey a shortfall of 43,000 ounces in the roughly 10 million ounce a year market.
But in spite of that, "investors and market participants are acutely aware of the longer-term headwinds that automotive offtake is bound to face as a result of electrification, especially for palladium and rhodium", Wilma Swarts, Metals Focus' director of PGMs, said when the forecast was published.
While there are still few battery-powered vehicles in the heavy-duty market, exhaust-free electric vehicles are eating into the palladium-focused light vehicle market, Johnson Matthey said.
In addition, automakers have for some time been shifting from palladium to cheaper platinum to cut costs, with platinum use in typically palladium-intense heavy diesel vehicles hitting an all-time high last year, it added.
Palladium prices could fall to the $1,250 level, Edward Moya, senior market analyst at OANDA, said. "The reason why people are more pessimistic about palladium than platinum is due to adoption of EVs," he said.
Analysts said palladium's bearishness is also being fuelled by broader economic softness and technical factors, with its break through chart support at $1,300 opening the way to its recent low, according to a New York-based independent metals trader Tai Wong.
"There's a lack of interest in the palladium market. The market is short, which essentially implies that the algorithms are following the trend downwards," said Bart Melek, head of commodity strategies at TD Securities.

"If we get a negative scenario where on the demand side, China doesn't stimulate like people are hoping and the interest rate environment remains restrictive, then from a technical point, prices could go to $1,000."

ANALYSIS- Nerves on edge as exchanges, funds await ruling in LME nickel case

Exchanges are in an uncomfortable wait for the outcome of a lawsuit by two financial firms against the London Metal Exchange for voiding nickel contracts, worried about possible curbs on their ability to react in crisis situations if the LME loses.

Whichever side wins, in the case that wrapped up three days of hearings on Thursday in the wake of a chaotic spike in nickel prices in March last year, the stakes are huge for London's status as a major global financial centre.

If the LME wins the argument, there's potential for angry investors to move their business elsewhere - less convinced by London markets and their governance.

A decision isn't expected for at least a month after judgment was reserved on Thursday.

Several trading firms and investment funds are rooting for U.S.-based hedge fund Elliott Associates and market maker Jane Street Global Trading in their $472-million lawsuit, seeing the case as a key test of whether markets in London are fair.

"If the LME loses then it is going to send shockwaves everywhere," said a regulatory source that declined to be named.

"Every time an exchange or a clearing house makes a decision going forward they could be legally challenged, leaving them exposed to large claims."

The legal action stemmed from $12 billion of nickel trades that the LME cancelled in March last year after it was forced to halt trading when nickel prices lurched higher, doubling in a matter of hours to more than $100,000 per metric ton.

The world's oldest venue for industrial metals says it had no choice but to suspend trading and annul deals because a slew of trading firms would have defaulted, sending a "death spiral" of contagion throughout the financial system.

Legal experts say the court will consider the full enormity of the impact on exchanges in making its decision as Elliot and Jane Street wait to see if they will prevail.

Jonathan Herbst, head of financial services at law firm Norton Rose Fulbright, said he could not comment on which side might win, but said courts are mindful of the wider responsibilities of exchanges.

MARKET MONITOR as of 06:34 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.58 / bbl	0.61%	-13.31%
NYMEX RBOB Gasoline	$2.45 / gallon	0.66%	-1.03%
ICE Gas Oil	$708.25 / tonne	1.00%	-23.10%
NYMEX Natural Gas	$2.78 / mmBtu	1.94%	-37.83%
Spot Gold	$1,923.17 / ounce	0.09%	5.41%
TRPC coal API 2 / Dec, 23	$114.5 / tonne	-0.65%	-38.02%
Carbon ECX EUA / Dec, 23	€88.36 / tonne	0.55%	5.23%
Dutch gas day-ahead (Pre. close)	€32.50 / Mwh	-5.11%	-56.99%
CBOT Corn	$5.82 / bushel	-0.47%	-14.16%
CBOT Wheat	$7.58 / bushel	1.51%	-6.54%
Malaysia Palm Oil (3M)	RM3,652 / tonne	0.88%	-12.51%
Index (Total Return)	**Close 23 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	292.18	-1.01%	-3.04%
Rogers International	26.27	-0.11%	-8.36%
U.S. Stocks - Dow	33,727.43	-0.65%	1.75%
U.S. Dollar Index	102.9	0.50%	-0.60%
U.S. Bond Index (DJ)	408.94	0.35%	3.84%

(Clarification: In June 23rd edition, the last traded prices on the Market Monitor table were not updated inadvertently. Apologies for the inconvenience.)

"Courts have historically been sensitive to the point that exchanges and clearing houses need to be confident of their ability to make decisions in stress situations," he said.
"If it were to succeed, there would be implications for all of the exchanges and clearing houses as they play a key public policy role."
LME REPUTATION TAINTED
Even if the LME wins, its reputation has been dented, having been forced to expose its inner workings to outside scrutiny during the course of the legal process, experts said.
Documents and witness statements revealed what many regarded as sluggish reactions in the weeks leading up to the nickel price eruption on March 8 last year, while at least one WhatsApp exchange was critical of the LME's regulator.
Despite market talk and media articles about large short positions held by Tsingshan Holding Group, the LME failed to launch a probe even though it investigated a previous incident in which the Chinese company wielded a large position in 2019.
Several institutions were alarmed on March 7, and at least one urged CEO Matthew Chamberlain to suspend the market or at least impose price caps, court documents showed.
Even though the nickel price rocketed 85% to a peak of $55,000 a metric ton and one member had failed to pay a huge margin call on March 7, an LME special committee meeting at the end of the day decided the market was still "orderly".
The head of LME Clear Adrian Farnham said in a witness statement: "Nevertheless, at the end of 7 March, I went to bed expecting that the nickel price would come back down from the level it had reached."
LONDON'S STATUS?
While other exchanges might breathe a sigh of relief if the LME wins, it could be somewhat of a pyrrhic victory if it erodes trust in London's financial markets, experts say.
"It could make the UK a less attractive place to do business," said a regulation expert at a bank. "Funds could easily go to another jurisdiction."
Elliott and Jane Street said cancelling the billions of dollar of nickel deals sets a bad precedent because exchanges should not interfere in trades agreed by willing buyers and sellers.
"Funds will say London lost control and we are better off trading in the U.S., it is safer, they have more respect for free markets," the regulatory source said.
That source said the two judges in the case could take a middle road in the case, which is a judicial review, looking at whether the action taken by a public body was lawful.
They could say the LME had the right to cancel the trades, but decline to rule on whether they went about it the right way, leaving that to the civil courts, the source added.
The decision of the two judges is not expected to be known for some time and the likelihood of an appeal by the losing side could mean the conclusion is delayed.
The LME is owned by Hong Kong Exchanges and Clearing Ltd.

Top News - Carbon & Power

Renewables growth did not dent fossil fuel dominance in 2022-Statistical Review
Global energy demand rose 1% last year and record renewables growth did nothing to shift the dominance of fossil fuels, which still accounted for 82% of supply, the industry's Statistical Review of World Energy report said on Monday.
Last year was marked by turmoil in the energy markets after Russia's invasion of Ukraine, which helped to boost gas and coal prices to record levels in Europe and Asia.
The stubborn lead of oil, gas and coal products in covering most energy demand cemented itself in 2022 despite the largest ever increase in renewables capacity at a combined 266 gigawatts, with solar leading wind power growth, the report said.
"Despite further strong growth in wind and solar in the power sector, overall global energy-related greenhouse gas emissions increased again," said the president of the UK-based global industry body Energy Institute, Juliet Davenport.
"We are still heading in the opposite direction to that required by the Paris Agreement."
The annual report, a benchmark for the industry, was published for the first time by the Energy Institute together with consultancies KPMG and Kearny after they took it over from BP, which had authored the report since the 1950s.
Scientists say the world needs to cut greenhouse gas emissions by around 43% by 2030 from 2019 levels to have any hope of meeting the international Paris Agreement goal of keeping warming well below 2C above pre-industrial levels.
Here are some highlights from the report on 2022:

CONSUMPTION
Global primary energy demand grew around 1%, slowing from the previous year's 5.5%, but demand was still around 3% above pre-coronavirus levels in 2019.
Energy consumption grew everywhere apart from Europe, including Eastern Europe. Renewables, excluding hydropower, accounted for 7.5% of global energy consumption, around 1% higher than the previous year.
The share of fossil fuels in global energy consumption remained at 82%.
Electricity generation was up 2.3%, slowing down from the previous year.

Wind and solar power grew to a record share of 12% of power generation, again surpassing nuclear, which fell 4.4%, and meeting 84% of net electricity demand growth. Coal's share in power generation remained dominant at around 35.4%.

OIL
Oil consumption increased by 2.9 million barrels per day (bpd) to 97.3 million bpd, with growth slowing compared with the previous year.
Compared with pre-Covid levels in 2019, oil consumption was 0.7% lower.
Most oil demand growth came from revived appetite for jet fuel and diesel-related products.
Oil production grew by 3.8 million bpd, with the lion's share coming from OPEC members and the United States. Nigeria saw the largest decline.
Oil refining capacity grew by 534,000 bpd, mainly in non-OECD countries.

NATURAL GAS
Amid record prices in Europe and Asia, global gas demand fell 3% but still made up 24% of primary energy consumption, slightly below the previous year.
Gas production was stable year-on-year.
Liquefied natural gas (LNG) production was up 5% at 542 billion cubic metres (bcm), a similar pace to the previous year, with most growth coming from North America and the Asia-Pacific region.
Europe accounted for much of LNG demand growth, increasing its imports by 57%, while countries in the Asia-Pacific region and South and Central America reduced purchases.
Japan replaced China as the world's largest LNG importer.

COAL
Coal prices hit record levels, rising 145% in Europe and 45% in Japan.
Coal consumption rose 0.6%, its highest level since 2014, driven mainly by Chinese and Indian demand, while consumption in North America and Europe declined.
Coal output was 7% higher than the previous year, with China, India and Indonesia accounting for most of the growth.

RENEWABLES
Growth in renewable power, excluding hydro-power, slowed down slightly to 14% but solar and wind capacity still showed a record increase of 266 gigawatts, with solar taking the lion's share.
China added the most solar and wind power.

EMISSIONS
Global energy-related emissions, including industrial processes and flaring, were up 0.8% reaching a new high of 39.3 billion tonnes of CO2 equivalent.

MINERALS
Lithium carbonate prices jumped 335%. Cobalt prices were up 24%.
Lithium and cobalt production rose 21%.

Power group EDF signs 10-year contract with aluminium firm Trimet France
EDF, the power company that has been fully taken over by the French state and de-listed from the stock market, has signed a 10-year contract with aluminium company Trimet France, said the French government.
The contract will see EDF provide 22TWH volumes worth of power to Trimet France from 2024 onwards, and it will be formally signed on Monday. The government launched a buyout for the 16% stake it did not already own in EDF in late 2022.
The French state stumped up around 10 billion euros ($10.9 billion) to take full control of the debt-laden operator of Europe's largest fleet of nuclear power plants.
The buyout has formed part of President Emmanuel Macron's renewed bet on nuclear energy, which includes building at least six new reactors in coming years.

Top News - Dry Freight

COLUMN- Global container freight stuck in doldrums: Kemp
Global trade remained in the doldrums during the second quarter as China's post-lockdown rebound proved slower than expected and was offset by continued weakness in North America and Europe.
Seasonally-adjusted trade volumes were no higher in the three months from February to April 2023 than they had been 17 months earlier in the three months from September to November 2021.
Volumes were down in three of the first four months of 2023 compared with a year earlier, according to the Netherlands Bureau of Economic Policy Analysis ("World trade monitor", CPB, June 23).
Growth from China and to a lesser extent other emerging markets in Asia was offset by a small contraction from the United States and much larger ones from Japan, the European Union and especially the United Kingdom.
Britain's reputation as the sick man of the global economy was cemented by the fastest contraction in both import and export volumes from February to April, more than twice as fast as any other major economic area.
China's freight movements have rebounded as the country emerged from lockdowns and the exit wave of the epidemic, though not as fast as anticipated at the start of the year.
China's coastal ports reported container throughput rose by 4% in the first four months of 2023 compared with the

same period in 2022, according to the Ministry of Transport.
The port of Singapore, which acts as one of the major transshipment hubs between China, the rest of East Asia and Europe, also reported an increase in container throughput of 3% in the first five months of 2023.
But in other regions freight remained lower than a year ago, as consumer spending rotated from merchandise back to services after the pandemic, and rising interest rates hit spending on durable goods by both households and firms.
Traffic at seven of the nine major U.S. container ports (Los Angeles, Long Beach, Oakland, Houston, Charleston, Savannah and Virginia excluding Seattle and New York) was down 16% in the first five months of 2023.
The number of shipping containers hauled on the major U.S. railroads, many en route to and from the ports, was down by 10% in the first four months of 2023, according to the Association of American Railroads.
Truck tonnage movements were also down by a little under 1% compared with the same period a year earlier, based on data from the American Trucking Association.
At Japan's Narita airport, international air cargo was down 25% in the first five months of 2023 compared with a year ago.
Freight through London's Heathrow airport was down 8% in the first five months of 2023 at the lowest level since the pandemic in 2020 and before that the financial crisis and recession in 2009.
Some freight is likely to have been shifted from air to sea as supply chain bottlenecks ease and shippers focus on cost control, but the downturn in merchandise shipments is unmistakeable across the advanced economies.
The most optimistic interpretation is that freight volumes have stabilised, after declining sharply in the second half of 2022, but there is no sign yet of a recovery outside China.

Algeria bought corn in tender, volume unclear – traders

Algerian state agency ONAB is believed to have bought an unknown volume of animal feed corn expected to be sourced from Argentina in an international tender for up to 120,000 metric tons which closed on Thursday, European traders said on Friday.
It was believed to have been purchased in the high $270s a metric ton c&f.
But prices were regarded as high following a surge in Chicago corn futures this week, traders said.
ONAB was reported to have bought corn last week at around $260 a metric ton c&f.
Results reflect assessments from traders and further estimates of prices and volumes are still possible later.
Corn shipment in this week's tender was sought in three 40,000 metric ton consignments, one for prompt shipment by July 15 at the latest and the others between July 15-31 and Aug. 1-15.

Picture of the Day

An aerial view shows a field of wheat with ears flattened by the heavy rains and gusts of wind from the storms, at Blecourt, France, June 24, 2023. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

Refinitiv
28 Liberty Street, New York, NY 10005

Please visit: **Refinitiv** for more information.

Privacy statement

An LSEG Business