Top News - Oil

Saudi Aramco sees 'sound' oil outlook for H2 on China, India demand

Saudi Aramco believes market fundamentals remain "sound" for the second half as demand from emerging markets led by China and India will offset recession risk in developed markets, CEO Amin Nasser told an industry gathering on Monday.

But other executives at the Energy Asia conference in Kuala Lumpur were divided, with Malaysia state oil firm Petronas reporting a slowdown in demand for petroleum and petrochemicals in the second quarter and growing refinery capacity putting pressure on the market.

"Overall, we believe that oil market fundamentals remain generally sound for the rest of the year," said Nasser, who heads the world's largest oil company.

"Despite the recession risks in several OECD countries, the economies of developing countries – especially China and India – are driving healthy oil demand growth of more than 2 million barrels per day this year," he told the conference.

Although China faces economic headwinds, the transport and petrochemical sectors are still showing signs of demand growth, he added.

Brent crude futures are down about 14% since the start of the year as rising interest rates hit investor appetite, while China's promising economic recovery has faltered after several months of softer-than-expected consumption, production and property market data.

Crude oil supplies from Russia and Iran have also held up despite Western sanctions, offsetting production cuts by Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries (OPEC).

While a failed mutiny by mercenaries in Russia over the weekend has raised concerns about political instability and pushed up oil prices, none of the industry executives and officials speaking on the first day of the conference mentioned it during their onstage remarks.

"There's not much geopolitical impact on the market now. It is dominated by economics, not geopolitics," Daniel Yergin, vice chairman of S&P Global, said on the sidelines of the event.

MIXED VIEWS

Russell Hardy, CEO of Vitol, the largest independent oil trader, said the industry probably faces a period of reasonably strong fundamentals in the next three or four months, but uncertainty with Russian supply and Chinese demand make it more difficult to forecast market balances and where prices are going.

"What has happened so far this year is the supply side has slightly overperformed, particularly Russia, where there were expectations of production loss as a result of the difficulty getting oil to market because of the sanctions," he said.

Sazali Hamzah, Petronas' executive vice president and CEO of downstream, was less optimistic, saying that demand for petroleum and petrochemicals started slowing in the second quarter despite a recovery in jet fuel consumption.

He expects new refining capacity coming online this year to put "a lot of pressure on the market".

"We believe in second-half of this year we will still see weak demand, and that will be extended to part of next year," he added.

Looking ahead, Vitol and Petronas executives said oil demand could peak around 2030.

"We got it peaking in about 2030 and a gradual decline out to 2040 … And then (it's a) rapid decline thereafter as the EV fleet and energy transition takes over," Hardy said.

As part of its transition, Petronas will focus on improving natural gas efficiency and find solutions for carbon abatement while exploring other renewable energy such as biofuel in the mid-term and hydrogen in the long run, Hamzah said.

The company is working on a pilot plant and engineering design as it plans to start its first biorefinery in 2026.

"If the trend continues to grow, we are ready to convert the Kerteh refinery into biofuel in the future," Hamzah said.

Oil shippers on Canada's Trans Mountain expansion dispute pipeline tolls

Oil shippers on the Trans Mountain expansion (TMX) project are challenging proposed pipeline tolls filed by Canadian government-owned Trans Mountain Corp with regulators last month, citing concerns about significant costs increases.

TMX will nearly triple the flow of crude from Alberta to Canada's Pacific Coast to 890,000 barrels per day, and is due to start up early next year.

But it has been beset by years of regulatory delay and is expected to cost C$30.9 billion ($23.50 billion), nearly quadruple the original estimate. The Canadian government bought the pipeline in 2018 to ensure the expansion got built.

Over the past week companies including Suncor Energy, Cenovus Energy and BP Plc registered to intervene in

Trans Mountain Corp's toll application, which proposed a base toll of C$11-C$12 a barrel, depending on the type of crude shipped and its final destination.
"Cenovus is concerned about the escalation in costs and expenses to construct the expanded system," the Calgary-based company wrote in a letter of comment to the Canada Energy Regulator (CER).
Trans Mountain said the pipeline toll was based on the latest project cost estimate and could rise by around C$0.07 a barrel for every extra C$100 million spent on uncapped costs, which are currently estimated at C$9.1 billion.
Uncapped costs include two specific segments of the pipeline and other factors, including indigenous and community consultation.
A number of shippers said they were concerned the uncapped cost component of the toll had increased from C$1.36 a barrel in a 2017 cost estimate to C$6.48 a barrel.
Shippers also argued against Trans Mountain's request that the regulator approve the tolls by Sept. 14.
"Given these massive increases, additional time and detailed information is required to confirm whether the costs were necessarily and reasonably incurred, and to verify which costs properly constitute the uncapped and capped portions of the fixed toll," PetroChina Canada, a unit of PetroChina Company Ltd, wrote in a letter of comment.
Analysts at Stifel FirstEnergy said the outcome of the dispute should not impact the price of Canadian heavy crude, but will impact margins for shippers.
"With billions of dollars at stake, we expect this dispute process to drag out for at least several months," Stifel FirstEnergy analyst Michael Dunn said in a research note on Monday.

Top News - Agriculture

UN agencies warn of impact if Black Sea grain deal ends
An end to the Black Sea grains deal would hit the Horn of Africa hard, aid officials said on Monday, warning that another hike in food prices would add to the tens of millions of people facing hunger.
Moscow has been threatening to walk away from the deal known as the Black Sea grain initiative - brokered by the and Turkey in July last year - if obstacles to its own grain and fertilizer shipments are not removed. A Ukrainian envoy has said he was 99.9% certain Russia would quit when it comes up for renewal on July 18.

Chart of the Day

Famine in parts of the Horn of Africa was averted this year as the rainy season, projected to fail for a fifth consecutive year, beat expectations. But aid officials say some 60 million people are still food insecure in seven east African countries and worry about the impact of a further blow.
"A non renewal of the Black Sea initiative would absolutely hit Eastern Africa very, very hard," Dominique Ferretti, World Food Programme Senior Emergency Officer, told a Geneva briefing. "There's a number of countries that depend on Ukraine's wheat and without it we would see significantly higher food prices."
WFP is seeking to pre-position as much food as possible and would be compelled to try to switch suppliers if the deal were scrapped, Ferretti added.
Brenda Lazarus from the Food and Agriculture Organization, said that diets in Somalia, Sudan Djibouti and Eritrea were focused on wheat and any change would be "very slow".
U.N. data shows that around 700,000 tonnes have been shipped to Kenya and Ethiopia since the Black Sea deal began. While that is only about 2% of the total volume, the region has also been hit by the surge in wheat prices since Russia's Feb. 2022 invasion of Ukraine, although prices have since retreated.
A World Health Organization official said some 10.4 million children faced acute malnutrition and reported the highest admittance levels to medical facilities in the past three years in Somalia, South Sudan and parts of Kenya.

Brazil sugar output seen hit by rains in June, sugarcane yields up
Brazil's Centre-South sugar production in the first half of June is likely to have been capped by rains, according to estimates by analysts, but sugarcane agricultural yields are seen sharply up from last season.
Brazil's sugar and ethanol industry group Unica is expected to release official data on production for the period on Tuesday at 1000 ET.
A survey by S&P Global Commodity Insights, as well as a projection by forecaster EarthDaily Agro, found that mills in the Centre-South lost three days of operations due to rains in the first half of June.
The S&P survey indicates that Unica will show sugar production of 2.54 million tonnes for the fortnight, below the nearly 3 million tonnes produced in the previous 15-day period.
"After two production records in the prior fortnights, crush operations were hampered by rains in 1H June," Luciana Torrezan, head of sugar analytics with S&P Global Commodity Insights, said. The survey indicates a sugarcane crush of 40.16 million tonnes.
Analyst Felippe Reis at EarthDaily Agro said, however, that the weather during the second half of June has been ideal with possibly no days lost to rain, so mills will have the chance to advance quickly with the processing of a near-record crop this season.
Sugarcane agricultural yields are looking very good this year, according to Archer Consulting and research firm Centro de Tecnologia Canavieira (CTC), due to more favorable weather.
Archer said in a weekly note that it had seen data regarding tonnes of cane per hectare (TCH) from 150 mills in Brazil and on average they show an increase in productivity of around 20%.
CTC said in a note on Monday that its survey with mills in Centre-South indicated a 26% gain in the results from May - from 75.5 TCH in 2022 to 95.3 TCH this year.

Top News - Metals

Australia's critical minerals industry needs quicker permits, not subsidies -BHP
Australia's critical minerals strategy does not need the sugar hit of more subsidies as good projects will find investment, but the country needs to hasten mine development timeframes and rework new workplace legislation, BHP's CEO said on Tuesday.
BHP CEO Mike Henry's comments came a week after Australia, one of the world's biggest suppliers of raw minerals, outlined a strategy on how it will work with investors and international partners to build a critical minerals processing industry.
The strategy, which aims to see Australia as a significant producer by 2030 of critical minerals that are key to the global energy transition, drew criticism from some who were hoping for larger subsidies, shorter regulatory approval timeframes and additions to its list of critical minerals.
The strategy "is not enough", Henry told reporters on the sidelines of a mining conference in Brisbane.
"There’s a big movement underway in the U.S. right now towards permitting reform. Australia needs to do that."
The government needs to address the overlap between state and national regulation as well as speed up permitting, he said.
National and state governments also need to focus on making their jurisdictions more attractive for investment.
"There is enough investment appetite for good projects under the right conditions," Henry told a mining conference in Brisbane.
"What the Australian resources industry needs is better productivity and fiscal settings," he said.

REFINITIV® An LSEG Business

That includes a productive and flexible workforce and consultation over proposed regulations, such as changes to royalty regimes and labour reforms.
"Under those conditions, the capital will flow."
As an example of where capital will not flow, Henry said BHP would not invest further in Queensland, where the state government held no consultation before hiking coal royalties last year to the highest of any jurisdiction in the world.
Queensland on Tuesday announced a new critical minerals development strategy to attract investment to the state.
BHP estimates the world will need an additional $100 billion per year in capital investment in the resources sector to get on track to meet the Paris aligned 1.5C scenario, he said.
Translated into metals demand, Henry said that means twice as much copper, steel and potash and four times as much nickel, BHP's major products.

COLUMN- BHP plans credible, financially viable but slow path to decarbonised mines: Russell
BHP Group announced plans to decarbonise its mining operations, outlining a process that may well serve as a template for the industry, but also shows how the reality is quite different from hope.
In a remarkably frank presentation last week the world's largest mining company showed how it intends to reach net-zero emissions at its global operations.
The headline news is that BHP believes it will reduce its Scope 1 and 2 emissions, which cover the production process, by at least 30% by 2030 from 2020 levels, and then reach net-zero by 2050.
The 30% cut by 2030 may disappoint climate activists who want to see a swifter decarbonisation process, and BHP was honest enough in the presentation to say the "pathway will not be a straight line, nor will it be smooth".
What BHP is touting is a process it calls credible and cost -effective, and it's these aims that are worth examining.
BHP is the world's biggest miner of coking coal, used to make steel, and ranks third in iron ore, the main steel raw material.
It is also a major producer of copper and nickel and is ramping up its potash operations.
The bulk of its iron ore and coal is produced at huge mines in Australia and the largest contributors to emissions from these mines are diesel, purchased electricity, and captive natural gas power generation.
Diesel accounts for 76% of the emissions at the iron ore operations in Western Australia state, and 45% at the BHP Mitsubishi Alliance coking coal mines in the northeastern state of Queensland.
The majority of the diesel is used in haul trucks, with a smaller share being consumed by trains and other vehicles.

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.06 / bbl	0.99%	-12.71%
NYMEX RBOB Gasoline	$2.47 / gallon	0.66%	-0.29%
ICE Gas Oil	$719.50 / tonne	1.77%	-21.88%
NYMEX Natural Gas	$2.77 / mmBtu	-0.93%	-38.21%
Spot Gold	$1,926.45 / ounce	0.19%	5.59%
TRPC coal API 2 / Dec, 23	$114.5 / tonne	-0.65%	-38.02%
Carbon ECX EUA / Dec, 23	€86.13 / tonne	-0.14%	2.57%
Dutch gas day-ahead (Pre. close)	€32.70 / Mwh	0.62%	-56.73%
CBOT Corn	$5.84 / bushel	-0.04%	-13.90%
CBOT Wheat	$7.28 / bushel	-1.42%	-7.57%
Malaysia Palm Oil (3M)	RM3,737 / tonne	0.48%	-10.47%
Index (Total Return)	**Close 26 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	292.80	0.21%	-2.83%
Rogers International	26.25	-0.10%	-8.44%
U.S. Stocks - Dow	33,714.71	-0.04%	1.71%
U.S. Dollar Index	102.69	-0.21%	-0.80%
U.S. Bond Index (DJ)	409.56	0.15%	4.20%

BHP plans to switch its diesel trucks to battery-powered vehicles, but this will take some time and also involves more than just buying new equipment.
It requires significant investment in renewable power generation and associated battery storage.
It means reworking operations to ensure that batteries can be recharged and swapped in order to enable continuous operations, as well as developing skills to run the new machinery.
BHP said it expected electric trucks would ultimately cost more or less the same to operate as the current diesel fleet.
This is both a positive and a negative, as it means there is little financial incentive, or indeed penalty, in switching to electric vehicles, thereby making meeting decarbonisation goals the main justification.

RENEWABLE POWER
Converting BHP's iron ore mines to run on renewable electricity will involve a major investment in solar, wind and battery storage, with the company estimating it will need up to 200 megawatts (MW) each of wind and solar and storage of 150 MW.
This will largely, but not fully, replace the current 190 MW gas-fired plant that provides the electricity to power the mines.
The overall message from BHP is that it is advancing plans to reduce its Scope 1 and 2 emissions.
But the process isn't easy and is really only viable if it makes commercial sense.
Making the economics stack up effectively means taking a longer period to buy new assets, while running the existing fleet to end of life.
BHP will no doubt face criticism that its plans are not ambitious enough, or will take too long.
It is also likely to have to take steps to tackle Scope 3 emissions, created when products are used by end buyers.
In a 2022 report BHP estimated its 2020 Scope 1 and 2 emissions from operations at 15.9 million metric tons, which was only 4.3% of Scope 3 emissions of 369.5 million.
It is clear that the bulk of the work to be done in cutting emissions from the mining value chain is at the Scope 3 level, which includes maritime transport of ores and the use of coal to make steel and refine other metals such as copper and nickel.
How involved mining companies can, or should be, in reducing Scope 3 emissions is another debate.
For now, BHP has shown it can cut emissions at its operations in a way that makes economic sense, even if it is at a pace that can be criticised as too slow.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Carbon & Power

Siemens Energy sell-off continues, takes market value loss to $8.2 billion
Siemens Energy shares fell for a second consecutive session on Monday, hit by a raft of target price cuts and rating downgrades in the wake of deeper-than-expected problems at its wind turbine division that emerged last week.
It share price was down 3.3% at 1252 GMT, at the bottom of Germany's blue-chip DAX index, taking the group's loss in market valuation to 7.4 billion euros ($8.1 billion) since it scrapped its profit outlook late on Thursday.
"We are now waiting for the full results of the analysis before drawing any further conclusions," a spokesperson for the company said in response to a query from Reuters. Citi cut the company to "neutral" from "buy" while Jefferies downgraded to "hold" from "buy", following the group's withdrawal of its 2023 profit guidance and the more than 1 billion euros it says it will cost to fix the issues.
"After the warning, while the stock is now over one-third cheaper, investor confidence in the turnaround has been severely impacted, not just because of difficult-to-quantify risks around fixing past deliveries, but also because of the lack of visibility at (Siemens Gamesa)," Citi analysts wrote.
They said depending on whether reliability issues could be contained or not, a price per share of anywhere between 11 and 34 euros was possible, adding it was key what Siemens Energy would say during third-quarter results on Aug. 7.
Its shares on Monday traded around 14 euros apiece, the lowest level in seven and a half months.
Siemens Energy was forced to publish a brief ad hoc statement late on Thursday based on limited information, withdrawing its profit outlook after it became apparent that the issues would incur costs of more than 1 billion euros.

Cheniere signs LNG supply deal with China's ENN
Cheniere Energy said on Monday it will supply 1.8 million tonnes of liquefied natural gas (LNG) per annum to China's ENN Natural Gas for over 20 years.
The United States has emerged as the world's largest LNG exporter after Western sanctions on major supplier Russia left Europe scrambling to find alternate sources for the commodity. In 2021, ENN had signed a 13-year deal to buy LNG from Cheniere beginning in July 2022.
That was the first major binding deal for natural gas between the two nations since a long-standing trade war which brought gas deals between the two countries to a temporary standstill. Cheniere said deliveries will start in mid-2026, ramping up to 0.9 million tonne per annum (mtpa) in 2027.
Delivery of the remaining 0.9 mtpa is subject to Cheniere's positive final investment decision with respect to the Sabine Pass Liquefaction Expansion Project in Louisiana.

Top News - Dry Freight

Ukraine puts grain exports at 48.4 million tonnes so far in 2022/23 season

Ukraine's grain exports for the 2022/23 July-June season stood at 48.4 million tonnes as of June 26, four days before the end of the marketing year, agriculture ministry data showed on Monday.

The ministry said Ukraine, which was invaded by Russia in February last year, had exported the same volume of grain as of June 29, 2022.

It said the volume in the current season so far includes 16.6 million tonnes of wheat, 28.8 million tonnes of corn and about 2.7 million tonnes of barley.

The ministry said grain exports in June had reached 3.09 million tonnes.

Also on Monday, First Deputy Agriculture Minister Taras Vysotskiy said Ukraine had revised its 2023 grain harvest forecast to 46 million tonnes from the previous outlook of 45 million tonnes.

He said farms in southern regions of Ukraine had already harvested the first 100,000 tonnes of new harvest grain.

Vysotskiy gave no reason for the change in the harvest outlook. Ukrainian weather forecasters have said they expect a good winter grain crop thanks to favourable weather conditions this spring.

A major grain grower and exporter, Ukraine's grain output dropped to about 53 million tonnes in clean weight in the 2022 calendar year from a record 86 million in 2021.

UN accord on ship recycling to start within 2 years after more countries join

An international accord on recycling ships is set to begin within 24 months after Bangladesh and Liberia became the latest countries to ratify the accord, officials said on Monday.

The Hong Kong convention, a treaty set up by UN shipping agency the International Maritime Organization (IMO), is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, did not pose any unnecessary risks to human health, safety and to the environment.

Much of the world's ship breaking takes place at sites across south Asia in India, Bangladesh and Pakistan and involves dangerous manual labour where workers dismantle ships and are exposed to toxic substances.

Working conditions still remain perilous, including fires and falling steel plates, which kill or seriously injure workers across the breaker yards in South Asia, according to analysis from campaigners with NGO Shipbreaking Platform, which monitors conditions at sites.

The Hong Kong convention was adopted in 2009 by 63 countries aiming to boost working conditions.

Nevertheless, it needed to meet various criteria, including having at least 40% of the world's merchant shipping by gross tonnage represented by ratifying nations, which had not been met previously despite other large maritime nations such as India already ratifying it.

The accession of Bangladesh and Liberia mean the total 22 contracting states to the convention represent approximately 45.81% of the gross tonnage of the world's merchant shipping, the IMO said in a statement.

The combined annual ship recycling volume of the 22 contracting states during the preceding 10 years amounted to 23.8 million gross tonnage, equivalent to 3.31% of the required recycling volume and above the required 3% threshold.

Lenn Eugene Nagbe, chief executive of the Liberia Maritime Authority, said it was "a great and historic day for world shipping".

Bangladesh had "demonstrated global leadership and commitment as a major ship recycling country to environmentally safe and sustainable ship recycling" by acceding to the Convention, Saida Muna Tasneem, Dhaka's permanent IMO representative, added in the statement.

Picture of the Day

A view of a corn field in Les-Rues-des-Vignes near Cambrai as the risk of drought continues across France, June 26, 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**.

© 2023 Refinitiv. All rights reserved.

Refinitiv
28 Liberty Street, New York, NY 10005

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

Privacy statement

REFINITIV®
An LSEG Business