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## Top News - Oil

**Brent crude slides to discount against Dubai, first time since Nov 2020 – sources**

Brent crude futures slipped to a discount to Dubai quotes on Wednesday for the first time since November 2020, amid worries about looming interest rate hikes dampening growth and fuel demand in the U.S. and Europe, trade sources said.
Brent's Exchange Futures for Swaps (EFS) to the Dubai Middle East benchmark futures for August dropped to a discount of 4 to 8 cents a barrel in early Asia trade, the sources said. The price spread was at a premium of 47 cents at Tuesday's market close. The narrowing of the price spread between the two benchmarks could boost Asia's demand for sweet crude produced in the Atlantic Basin and Brazil priced off Brent, although a recent uptick in supertanker freight rates could raise costs for such shipments. The spread has narrowed sharply amid a strong sell-off in Brent due to worries about further U.S. and European Union rate hikes hitting global growth and fuel demand, while the Dubai marker has held relatively strong, the sources said.
At the same time, ICE Brent's discount for August against September widened on Tuesday.
The Dubai marker has firmed against Brent amid expectations of tighter supply of Middle Eastern crude after Saudi Arabia said it would cut its output by 1 million barrels per day (bpd) in July to 9 million barrels per day (bpd) in its biggest reduction in years.

**GRAPHIC-OPEC+ oil quota reform increases Gulf's dominance**

Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman earlier this month outlined one of the biggest reforms at OPEC in recent years and presented it as a reward for countries that invest in their oil industry.
The change clears the way for giving larger production quotas to OPEC Gulf members such as Saudi Arabia, the United Arab Emirates and Kuwait at the expense of African nations such as Nigeria and Angola.
Production quotas and baselines, from which production cuts are calculated, have been a sensitive subject within OPEC for decades as most producers want a higher quota so they can earn more from oil exports. The shake-up is likely to become more extreme in the next few years as Middle Eastern state oil majors ramp up investments while production falls in African nations that have struggled to attract foreign investment.
Gulf producers, the holders of the little spare capacity in the global oil market, have long dominated OPEC. Their power and influence has already increased in the last 15 years with their rising capacity, while African production has fallen as foreign investments have shrunk.
Unlike Gulf producers, African producers rely heavily on investment from international oil companies. Those companies have shunned Africa in recent years in favour of investment in the U.S. shale patch and in prolific giant oilfields elsewhere such as offshore Brazil and Guyana.
In May, Saudi Arabia, the UAE and Kuwait's share of total OPEC production was over 10% higher than it was 15 years ago at 55%, according to OPEC production figures. Nigeria and Angola's total share over the same period has shrunk by over 3% to below 9%. For Nigeria, "capacity continues to be restricted by operational and security issues, combined with low investment levels, leading to decline," analysts at consultancy Wood Mackenzie said. New field developments and recent discoveries in Angola will not be enough to stem long term capacity declines, they added.
In contrast, Saudi Arabia and the United Arab Emirates have plans in place to significantly boost their production capacity to 13 million bpd and 5 million bpd, respectively, by 2027 from current levels of about 12 and 4 million.
Fellow Gulf producer Kuwait on June 18 said it would boost its production capacity by 200,000 bpd by 2025 to reach 3 million bpd.
Capacity additions from the three Gulf countries over the 2020-2025 period total a combined 1.2 million bpd, double the capacity that Nigeria and Angola are projected to lose over the same period, Reuters calculations find.
The two West African countries have lost nearly a quarter of their production capacity since 2019 as a result of underinvestment and security issues.

QUOTA OVERHAUL

At its June 4 meeting, the Organization of the Petroleum Exporting Countries and allies, led by Russia, (OPEC+) overhauled production quotas for the majority of its members. "In the final analysis what this agreement will achieve for all of us is that those who invest, not this year, but the years to come, '24 and '25 and moving forward, there will be a recognition for their investment," Prince Abdulaziz said.
One OPEC+ source, speaking on condition of anonymity, told Reuters the overhaul was needed to create a fairer system that better reflects the reality of member countries' production capacity. While the majority of members of OPEC+ got a lower production target, the UAE's was higher.

Richard Bronze, Head of Geopolitics at Energy Aspects, said one of the reasons behind the change was to address OPEC's previous credibility issues when policy changes were not necessarily reflected on oil markets.

"It meant that the actual supply increase or decrease resulting for a quota change would be far smaller than the announced figure, fuelling doubts in the market about the ability of the group to manage market fundamentals," he said.

## Top News - Agriculture

**Ukraine must be ready to export mostly via Danube ports - sea ports authority**

Ukraine must be ready to export grain almost exclusively via its Danube River ports because Russia is effectively blocking Black Sea shipments, the Ukrainian Sea Ports Authority said on Tuesday. The United Nations and Turkey brokered a deal between Moscow and Kyiv last July on the safe passage of Black Sea grain to help tackle a global food crisis worsened by Russia's invasion of its neighbour and a blockade of Ukrainian Black Sea ports. Moscow has threatened not to extend the deal beyond July 18 unless a series of demands are met, including the removal of obstacles to Russian grain and fertilizer exports. It says that promises of help with those exports have not materialised.

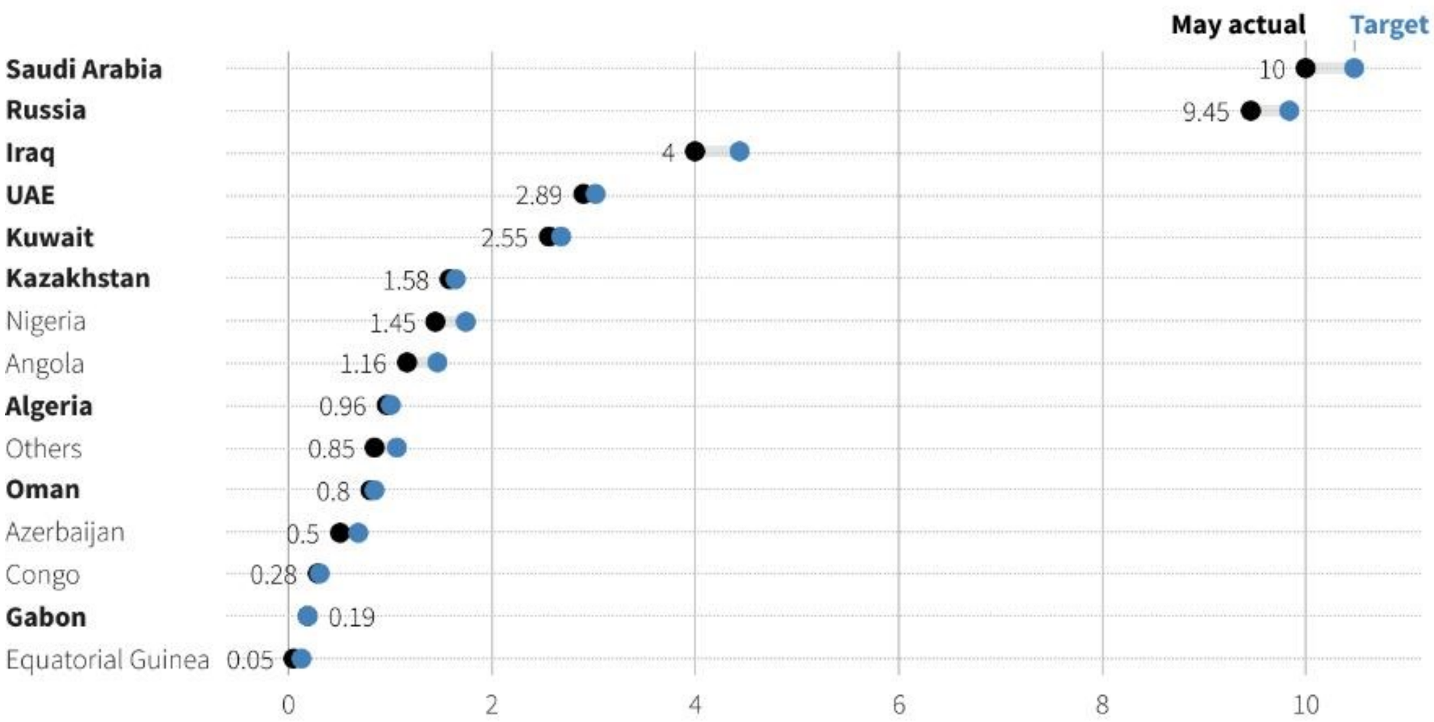
"With Russia effectively blocking the operation of the grain corridor, we need to be ready to receive almost the entire export volume of the new harvest through the

## Chart of the Day

### OPEC+ crude production versus targets

OPEC+ crude output fell in May after Saudi Arabia and eight other members of the producer alliance made voluntary output cuts to support the market. Other members like Nigeria and Angola were already producing well below their targets amid capacity constraints and did not join the voluntary cuts.

**Countries that announced voluntary cuts in early April are in bold.*




Note: Other producers include Bahrain, Brunei, Malaysia, Sudan and South Sudan.
Source: International Energy Agency, Reuters OPEC Survey | Reuters, June 19, 2023 | By Riddhima Talwani

Danube ports," Dmytro Barinov, the Ukrainian Sea Ports Authority's deputy head, said on Facebook. Ukraine is a major grain grower and exporter but production has fallen sharply since Russia's full-scale invasion in February 2022.
With a working grain corridor, about half of its agricultural exports are shipped via Black Sea ports, a quarter pass through its Danube ports and a quarter go via its western border.

ROMANIAN TRANSIT
The sea ports authority said this month three Ukrainian Danube river ports had exported a record 3 million tonnes of food in May.
Ukrainian transport officials say export volumes could be higher if the Bystre Canal on the Danube is deepened.
A senior Ukrainian official said last month Kyiv wanted to start work on deepening the canal as early as this year.
Ukrainian officials have said transit via Romanian territory to Constanta port on the Black Sea will also be critically important if Russia quits the Black Sea grain deal.
Constanta has handled about a third of Ukrainian grain exports since Russia's invasion, but Romanian officials are considering measures to give local farmers priority access to Constanta during the harvest season.
Ukrainian Prime Minister Denys Shmyhal said he had told his Romanian counterpart the two countries could triple transit "through the development of border crossing points, ferry crossings and sea and river ports."
He said on the Telegram messaging app that he had proposed steps be taken at the level of government including "the introduction of joint customs control, exchange of databases and other measures."

**Brazil sugar production meets market expectations in early June**
Brazil's center-south sugar production came in roughly in line with market estimates in the first half of June, data from industry group Unica showed on Tuesday, decelerating from the previous fortnight as rains thatdrove a jump in yields now hamper crush operations.
Sugar production in the period totaled 2.55 million metric tons, Unica said in a report, up 18.7% from a year earlier and meeting analyst consensus in a survey by S&P Global Commodity Insights.
That output came from the crushing of a total 40.3 million metric tons of sugarcane in the period, a 4.2% rise on a yearly basis but slowing down from the staggering 46.2 million metric tons processed in the second half of May.
That move had been largely anticipated by market players, who found that Brazilian mills had lost some three days of operations in the period because of rains - which, on the other hand, had contributed earlier in the season to a yield-boost.
Agricultural yields had "an extraordinary leap ... reflecting a favorable rainfall regime in summer months," Unica said in a statement, as it reported a jump of 26.2% in yields to 95.3 metric tons per hectare in May.
"But such a leap is expected to be softened when older sugarcane fields enter the harvest scheduled" later in the cycle, it added.
Total ethanol production in early June, Unica said, was 1.85 billion liters, up 1.75% from the previous season even as mills look to allocate more cane to sugar production to take advantage of higher prices. The data also includes fuel made from corn.

## Top News - Metals

**COLUMN-Global exchange copper stocks sink to 15-year lows: Andy Home**
There's a renewed scramble for copper sitting in London Metal Exchange (LME) warehouses.
Headline LME copper stocks have slid from 100,100 tonnes to 77,050 over the last three weeks despite almost 30,000 tonnes of arrivals.
What's arriving is just as quickly turning around and going out again. Available tonnage stands at just 31,900 tonnes, enough to supply the global market for around 11 hours.
Unsurprisingly, the stocks raid has ignited LME time-spreads, the benchmark cash-to-three-months period closing Monday valued at a backwardation of $31 per tonne.
It's the highest premium for cash since November last year.
The drain on LME copper stocks is puzzling given weakening manufacturing activity in both Europe and the United States. The closure of Swedish producer Boliden's Ronnskar smelter has opened up a 220,000-tonne supply gap in the European market, but the swoop on LME stocks started before the June 13 fire at the plant and has been focused on Asian and U.S. locations not European.
It wouldn't be the first time that the LME stocks signal has been refracted, and the lower the stocks, the easier it is to bend the light.
But this is not just a London market phenomenon. Visible stocks everywhere are low.

GLOBAL PROBLEM
Combined copper stocks registered with the LME, its U.S. counterpart the CME and the Shanghai Futures Exchange (ShFE) totalled 165,000 tonnes at the end of last week.
Global exchange inventory is now down by 45,500 tonnes on the start of the year and the lowest it's been since 2008.
A small rebuild in LME inventory over April and May has gone into reverse this month.
CME inventory is rising but from a very low base, and at 27,859 tonnes is still down by 3,975 tonnes on the start of the year.

ShFE stocks rose sharply during the seasonal demand lull over the Lunar New Year holidays, but leveled out at 252,455 tonnes in February and have since shrunk rapidly to just 60,424 tonnes.
The Shanghai exchange has experienced tightness across the front part of the curve since March, with time-spreads now also the widest since November.

SHADOW MOVEMENT
Tightness on the Shanghai Futures Exchange seems to be pulling in metal from the city's bonded warehouse zones.
Bonded stocks held by ShFE's international arm, the International Energy Exchange, have slumped from almost 89,000 at the start of the month to just 35,000.
Local data provider Shanghai Metal Markets estimates other bonded stocks stand at 66,400 tonnes, down from a March peak of 185,600 tonnes.
The last two months' trade figures also suggest movement out of bonded warehouses into mainland China.
China "imported" close to 30,000 tonnes of Chinese copper in April and May, likely denoting metal that qualified for duty-free export under a tolling contract being channeled back into the domestic market.
The counter-flow significantly offset China's "exports" of 45,000 tonnes over the same two months.

MORE IMPORTS?
Higher domestic production should help alleviate the Shanghai tightness.
China imported a record 2.56 million tonnes of concentrates and churned out a record 1.1 million tonnes of refined copper in May.
But the country's net draw on copper from the rest of the world also picked up last month to 276,000 tonnes, the highest monthly total since January.
The Yangshan copper premium, a closely watched indicator of China's import appetite, has perked up from $22.50 per tonne in May to a current $47.50.
It's noticeable that LME stocks in Asia have been particularly in demand, with only 4,475 tonnes still available in the region.
Is all the recently cancelled copper heading to China to refill empty bonded warehouses?

CONFLICTED SIGNALS
Or is that just the picture that is being painted?
Doctor Copper seems undecided.
LME three-month copper briefly spiked to a two-month high of $8,868 per tonne last week but has since retreated to a current $8,380. The limited price reaction and the relatively constrained backwardation across the front part of the curve imply the market is betting that there is a lot more copper out there in private stocks.

**MARKET MONITOR as of 06:44 GMT**

| Contract | Last | Change | YTD |
|---|---|---|---|
| NYMEX Light Crude | $68.00 / bbl | 0.44% | -15.28% |
| NYMEX RBOB Gasoline | $2.45 / gallon | 1.04% | -1.25% |
| ICE Gas Oil | $699.75 / tonne | -1.48% | -24.02% |
| NYMEX Natural Gas | $2.78 / mmBtu | 0.69% | -37.83% |
| Spot Gold | $1,909.99 / ounce | -0.18% | 4.69% |
| TRPC coal API 2 / Dec, 23 | $118 / tonne | 3.06% | -36.13% |
| Carbon ECX EUA / Dec, 23 | €88.59 / tonne | -0.29% | 5.50% |
| Dutch gas day-ahead (Pre. close) | €34.75 / Mwh | 6.27% | -54.02% |
| CBOT Corn | $5.55 / bushel | -0.31% | -18.22% |
| CBOT Wheat | $7.03 / bushel | 0.50% | -12.49% |
| Malaysia Palm Oil (3M) | RM3,783 / tonne | 2.94% | -9.37% |
| **Index (Total Return)** | **Close 27 Jun** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 288.70 | -1.40% | -4.19% |
| Rogers International | 26.04 | -0.80% | -9.17% |
| U.S. Stocks - Dow | 33,926.74 | 0.63% | 2.35% |
| U.S. Dollar Index | 102.49 | -0.19% | -0.99% |
| U.S. Bond Index (DJ) | 408.91 | -0.16% | 4.36% |

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The pace of LME arrivals in recent days shows there are available units for exchange warranting.
Physical premiums are soft across all three regions due to weak spot demand, according to Fastmarkets.
Surplus metal, however, is not sticking in the LME warehouse system, leaving visible inventory a bull flag in an otherwise bearish landscape.
Either global exchange inventory rebuilds over the seasonal summer soft spot for northern hemisphere demand, or the market is going to have to rethink just how much copper is really out there.
The opinions expressed here are those of the author, a columnist for Reuters.

**S.African mines seek to turn up renewables to ease power crisis**

South African miners have increased their efforts to bring on new solar and wind generation, renewables company JUWI said, as they seek to cut costs and emissions and address an electricity crisis that has hit their output and the wider economy.
Frequent breakdowns by state-owned utility Eskom's ageing coal-fired plants have led to extensive power cuts. Mines and their processing facilities, which account for up to 30% of the nation's power consumption, are routinely asked to reduce their use with major implications for their mineral output.
South Africa is the world's biggest producer of platinum group metals (PGMs). Sibanye Stillwater has estimated South Africa's PGM output could fall by up to 20% this year, when production from the world number two producer Russia has been constrained as a result of its invasion of Ukraine.
JUWI South Africa, a unit of the German-headquartered renewable energy project developer, has received "a wave of requests" from local mines, its Managing Director Richard Doyle told Reuters.
"This is driven partly by the energy crisis, partly by increases in electricity pricing and a strong global decarbonisation drive," Doyle said.
He added JUWI is developing 400 megawatts of renewable energy projects for South African mines and said energy sector reforms announced by President Cyril Ramaphosa last year, which included the removal of licencing restrictions, had given momentum to private power projects.
South African mining companies are developing a combined 6,500 megawatts of renewable power, the country's Minerals Council said. They are expected to generate 2,294 megawatts of their own power by 2025, with more expected onstream by 2030.
Miners that have said they are pursuing renewable power include Anglo American Plc, Impala Platinum and Sibanye.
Sibanye at the end of May signed a power purchase deal with an 89 MW wind project, as it aims for a target of 550 MW renewable power by 2040.
It said the project would play "a pivotal role" in reducing carbon emissions as well as yielding cost savings and improving energy security.

## Top News - Carbon & Power

**Asia LNG buyers rush to lock in long-term deals as market remains tense**

Asian buyers have rushed to lock in long-term liquefied natural gas (LNG) deals in the past months after prices eased, for fear of sudden price spikes as the global market remains tense after last year's crisis, industry executives said at a conference.
Spot LNG prices in Asia last traded at $12 per million British thermal units (mmBtu) on Friday after touching two -year lows due to high inventories and a mild winter at the start of the year. Just a year ago, prices hit record of $70 per mmBtu after Russia cut gas supplies to Europe and sparked a global scramble for LNG.
"The LNG market is still in tension. To be clear, there is not much supply," said Patrick Pouyanné, chairman and chief executive of TotalEnergies.
"So I hope the weather in Europe will be warmer this winter, otherwise there is no other way to take more energy."
For the full year of 2023, Asia is seen consuming 260 million tonnes of LNG, said Vitol Chief Executive Russell Hardy. This is up from 252 million tonnes last year, but down from 272 million tonnes in 2021 as Europe's thirst for LNG has taken some permanent supply from Asia.
"Asia in 2023 will still be accessing (LNG) ... The access is there but the price will be much higher. Asia is accessing today less gas than it could access in 2021," he said.
This year, buyers from China to Bangladesh have signed a score of deals with Qatar and U.S. to renew contracts and secure more LNG from the second half of the decade despite expectations that more new projects will come online.
"Everybody had a good lesson learned ... Now customers are again pivoting to higher percentage for long term," said Shamsairi Mohd Ibrahim, vice president, LNG marketing & trading at Petronas at the sidelines of the Energy Asia conference.
"I think that is good, especially for Asia Pacific. We producers need them to commit on long term because it is a long digestion (period) in terms of getting back the returns." The market has also softened because of a slow recovery in demand from China, one of the world's top LNG importers.

"China has been a wild card for LNG demand. Even though the world economy is weak, China has once played an important role and it was one of the biggest driving force in terms of LNG use," Atsunori Takeuchi, executive officer and senior general manager of LNG business department at Tokyo Gas, said.

"But now the situation is almost upside down. In the spot LNG market, Chinese demand is feeble."

While the current heatwave in Asia is driving some LNG consumption, Vitol's global head of research Giovanni Sergio said this could be a short-term impact.

Instead of spot LNG, China has been taking in more piped gas, added Petronas' Shamsairi.

In Europe, Vitol's Hardy expects gas inventories to be filled by October, although the rate of consumption for the coming winter will depend on how severe the weather gets.

"Demand for a cold winter is 10-15 billion cubic metres (bcm) higher across Europe than a warm winter. That 10-15 bcm is a big number in comparison to Europe's 60 bcm of storage," he said.

"If you start winter early, say October to November you start to consume (gas), then people will begin to worry about storage stocks lasting through until March simply because we can't meet today's demand with today's supply in winter. We need to use storage."

**Britain loses status as global climate leader, advisers say**

Britain has lost its position as a global leader on climate action and is not doing enough to meet its mid-century net zero target, the country's climate advisers said on Wednesday. Britain in 2019 became the first member of the Group of Seven wealthy nations to set a target to achieve net zero emissions by 2050, requiring major changes in the way Britons travel and use electricity.

But strategies in place are unlikely to deliver the required emission cuts and last year’s announcements on new fossil fuel projects have tarnished Britain's reputation as a climate leader, an annual progress report by the Climate Change Committee (CCC) said on Wednesday.

“The UK has lost its clear global leadership position on climate action," it said.

"We have backtracked on fossil fuel commitments, with the consenting of a new coal mine and support for new UK oil and gas production.”

The impact of climate change is already evident in Britain, which experienced record temperatures over 40C (104F) last year.

“There is a worrying hesitancy by ministers to lead the country to the next stage of net zero commitments,” CCC Chairman John Gummer said.

The CCC, set up as an independent adviser on climate action to the government, found Britain had fallen behind in areas including improving energy efficiency in buildings, rolling out heat pumps, curbing emissions from industry and increasing the rate of tree planting, which must double by 2025.

Last year's CCC progress report also flagged Britain's lack of action.

Since then, the government has launched its first oil and gas exploration licensing round since 2019 and approved a new coal mine.

A spokesperson said the government was proud of its record in cutting emissions, had attracted billions of pounds in investment in renewable projects and backed new industries, including carbon capture and floating offshore wind.

“With a new department dedicated to delivering net zero and energy security, we are driving economic growth, creating jobs, bringing down energy bills, and reducing our dependence on imported fossil fuels,” the government spokesperson said.

The Labour opposition, however, was highly critical.

“This is by some distance the most damning indictment of a government since the climate change committee was established in 2008," Labour’s Shadow Climate and Net Zero Secretary Ed Miliband said.

# Top News - Dry Freight

**Panama pledges to purge more substandard ships from world's largest registry**

The Panama Maritime Authority (AMP) said on Tuesday it would continue to clean up its fleet to prevent substandard Panama-flagged ships from being detained in foreign ports, a week after the country was added to an international watch list.

Panama's ships registry was last week added to the "grey list" of the Paris Memorandum of Understanding (MOU), an agreement among 27 countries establishing an international inspection regime for foreign ships in other nations' ports, aiming to control ships' safety and environmental standards.

The grey list includes fleets with acceptable compliance levels but low detention rates. Panama has removed 216 vessels from its ships registry, the world's largest, since 2021, for not meeting international standards. In a statement, the AMP said that Panama's registry, which numbers at some 8,500 vessels, had been inspected at least 45,000 times, giving "an overall fleet compliance level of 96.17% and a detention rate of 3.83% downward." Panama's inclusion on the watch list could be due to an aging fleet, the AMP said, noting that of 374 detentions reported in the last three years, 104 of the detentions involved ships more than 30 years old and 35 were of ships over 40 years old.

**EU 2022/23 soft wheat exports up 11% at 30.79 mln T by June 25**

Soft wheat exports from the European Union in the 2022/23 season that started last July had reached 30.79 million metric tons by June 25, up 11% compared with 27.66 million a year earlier, data published by the European Commission showed on Tuesday.

EU barley exports so far in 2022/23 totalled 6.34 million tons, down 10% against 7.02 million a year ago, while EU maize imports were at 25.52 million tons, 57% above a year-earlier 16.28 million.

Soft wheat imports had reached 9.02 million tons, 257% above the year-earlier level, while barley imports had reached 2.02 million tons, up 119%.

EU cereal imports have surged following a drought-hit harvest last year and amid an influx of grain from Ukraine that has led to temporary restrictions on imports in several eastern EU countries.

## Picture of the Day

*Power-generating windmill turbines are seen at a wind park in Bevillers, France, June 27, 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**

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