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Top News - Oil

Biden administration oil, gas auctions kick off with thin industry response

The Biden administration's first sale of oil and gas drilling rights on federal land garnered thin industry interest on Wednesday while environmental groups filed two separate lawsuits seeking to invalidate the results.

The sales, which will continue on Thursday and cover eight states, were viewed as a test of oil industry demand for federal acreage amid soaring fuel prices and calls from President Joe Biden to increase domestic output.

The first day of bidding on 120,000 acres in Wyoming wrapped up with no bids on more than a third of the 105 parcels offered, according to online auction platform EnergyNet. Of the $12.5 million in high bids generated on Wednesday, $8.9 million was for a single 1,480-acre parcel in Converse County.

An additional 17 parcels in Wyoming will be put up for sale on Thursday. Names of the bidders have not yet been released.

A drilling industry group blamed the limited interest on policies that have made oil and gas development on federal lands more difficult, such as higher royalties on production and Biden administration efforts to stop new leasing.

Biden's Interior Department had attempted to suspend the federal oil and gas leasing program to study its environmental and climate impacts but was blocked by a federal judge.

"After observing new obstacles to federal development, including the leasing ban and litigation, companies may have decided it's just not worth the additional time, cost, and risk," Kathleen Sgamma, president of the Western Energy Alliance, said in an emailed statement.

The Interior Department's planned sales this week will resume on Thursday. More than 90% of the acreage is in Wyoming, a major oil producing state, while the rest are sprinkled across Colorado, Montana, Nevada, New Mexico, North Dakota, Oklahoma and Utah.

A coalition of environmental groups, including the Sierra Club and the Center for Biological Diversity, sought to invalidate the sales by suing the Biden administration as the Wyoming lease sale started on Wednesday.

The lawsuit, filed in federal court in Washington D.C., alleges that Interior's Bureau of Land Management (BLM) violated the law by failing to adequately analyze the sales' impact on climate change.

"BLM continues to recklessly lease large swaths of the western United States to oil and gas development without comprehensively reviewing these connected actions and analyzing the severity of the resulting climate impacts from the addition of thousands of tons of (greenhouse gas) emissions into the atmosphere," the groups said in the complaint.

A second lawsuit was filed by Earthjustice on behalf of Friends of the Earth and the Wilderness Society in a case specific to the Wyoming sale.

Interior has said it was proceeding with the sales because of the previous court order blocking its attempted suspension, but with sharply diminished acreage and steeper royalties than auctions held by previous administrations.

Western Energy Alliance said the latest lawsuits were baseless because federal law "specifies that oil and natural gas is one of the primary uses of public lands."

PREVIEW-Saudi Arabia may raise Aug crude prices to Asia to near record levels

Top oil exporter Saudi Arabia may raise prices of light crude grades to Asia for the second straight month in August on the back of record distillate margins and strong spot premiums for Middle Eastern oil this month.

The official selling price (OSP) for Saudi's flagship Arab Light crude could rise by about $2.4 a barrel from the previous month, according to nine refining sources surveyed by Reuters on June 28-29.

The price hike would drive the August OSP close to record levels, set when May Arab Light crude reached $9.35 a barrel.

"Refining margins are very solid and we expect demand to stay robust in the near term," said one of the respondents. Margins for gasoline, diesel and jet fuel in Asia leapt to records in June alongside a revival of travel demand amid the easing of COVID-19 restrictions.

Spot premiums of medium-sour Oman and Dubai crude have climbed to their highest since mid-March, while light sour Murban soared to a record last week.

The monthly change in first- and third-month price spread for Middle East benchmark Dubai typically guides how much Saudi might raise or cut Arab Light's OSP.

This month, the spread widened by an average of $2.47 a barrel in backwardation - a market phase when prompt prices are higher than those in future months, indicating tight supply.

Major producers Saudi Arabia and the United Arab Emirates have flagged limited spare capacity to further boost production, while political unrest in Libya and Ecuador could further tighten oil supply.

Meanwhile, China issued 52.7 million tonnes of fresh crude oil import quotas to its independent refiners, up 49% from the same allotment last year. That will allow Chinese buyers to take more crude cargoes from the already tight global market, further driving up prices.

For other grades, respondents to Reuters' survey expect OSP for Arab Medium to rise $0.50 to $3.00 a barrel, and Arab Heavy to increase $0.50 to $2.90 a barrel.

OSP for Arab Extra Light, which typically follows Murban prices, is seen being raised as much as $5.35 a barrel. Average spot premiums of IFAD Murban against Dubai quotes increased $4.38 a barrel in June from the previous month.

Saudi crude OSPs set the trend for Iranian, Kuwaiti and Iraqi prices, affecting about 9 million barrels per day (bpd) of crude bound for Asia.

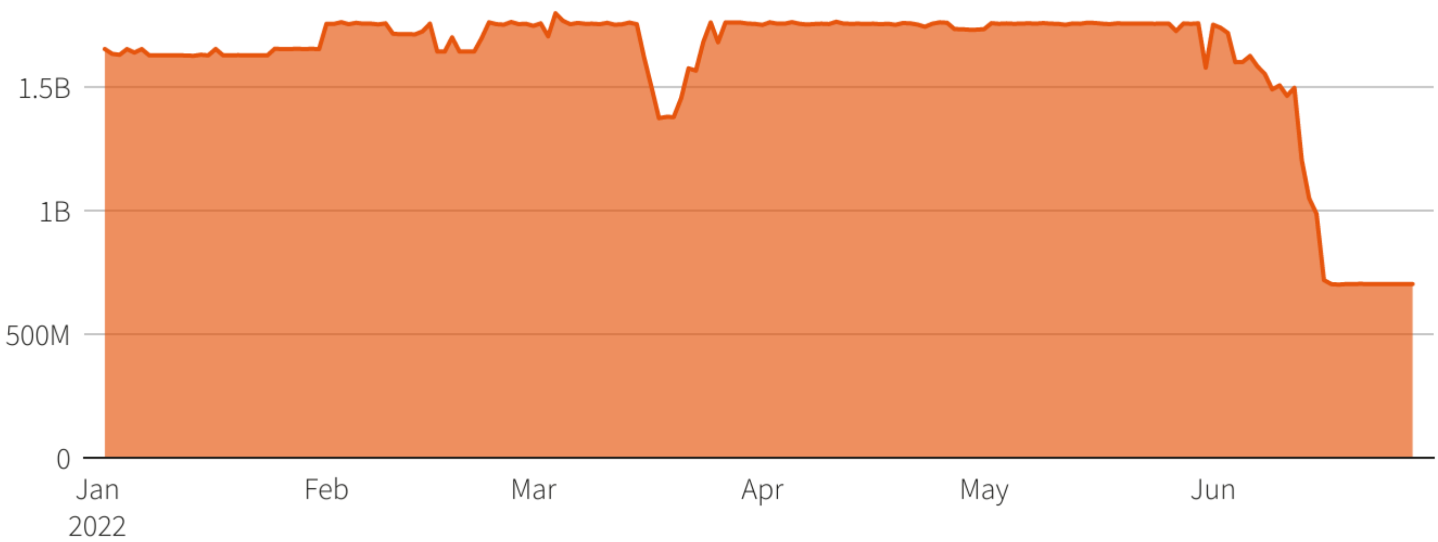
Saudi Aramco is likely to release monthly prices after a meeting between the Organization of the Petroleum Exporting Countries and producer allies on Thursday.

Saudi Aramco officials as a matter of policy do not comment on the kingdom's monthly OSPs.

Chart of the Day

Slower flow

The daily flow of gas from Russia to Germany with the Nord Stream 1 pipeline has declined sharply since mid-June. Flows, in kilowatt-hours per day.



Source: Nord Stream AG

Top News - Agriculture

In Argentina, farm groups call for trade halt to protest government

Argentina's major farm groups called for a trade strike in two weeks in a bid to pressure the government to do more as frustration over crippling shortages of diesel and fertilizers weighs on the country's key agricultural sector.

The groups announced on Wednesday that the nationwide halt to farm exports will begin on July 13 and last 24 hours, according to sector officials and a statement from the Mesa de Enlace which includes the country's four main rural associations.

Truck driver protests across the South American country have snarled traffic as anger mounts over diesel shortages and creeping prices for the motor fuel used by the farm sector just as the crucial corn crop makes it way to major ports.

Argentina is the world's second biggest corn exporter, the No. 1 exporter of processed soybean oil and meal, as well as a major wheat and beef supplier.

"Access to diesel and fertilizers is urgent to avoid a complete paralysis," according a statement, which also called for fewer "damaging" state interventions, macroeconomic stability plus reduced government spending.

The government of leftist President Alberto Fernandez has recently taken some steps to boost domestic diesel

supplies. Earlier this month, the energy ministry announced higher required biodiesel content in diesel blends in a bid to address the shortage of the motor fuel.
Nicolas Pino, head of Argentina's Rural Society, stressed the July 13 strike will not affect ordinary motorists, unlike recent truck driver protests that have caused major highway disruptions.
"This is a measure designed to make citizens more aware of the problems affecting Argentina's most important productive sector," said Pino.

Sovecon ups forecast for Russia's 2022/23 wheat exports to new record high
The Russia-focused Sovecon agriculture consultancy said on Wednesday it had raised its forecast for Russia's July-June wheat exports by 300,000 tonnes to a new record high of 42.6 million tonnes.
Russia is the world's largest wheat exporter supplying mainly the Middle East and Africa.Exports will be supported by a record-sized crop, which Sovecon currently expects at 89.2 million tonnes, and relatively large carry-in stocks, the consultancy said.
Lack of freight due to the Western sanctions imposed on Moscow since it sent troops to Ukraine on Feb. 24 could be the biggest hurdle for exports at the start of the season on July 1, Sovecon added.
"Shipowners are still cautious about sending ships to the region amid the military operations and the risk of falling under sanctions, the same factor complicates payments for the Russian grain," Sovecon said.
Reduced supply from Ukraine, whose Black Sea ports have been blocked for four months, could support demand for Russian wheat in markets where Russia and Ukraine are both big suppliers - the Middle East, North Africa and Southeast Asia.
Russia will change its formula for calculating grain and sunflower oil export taxes to support shipments amid a strong rouble currency, the economy ministry said on Tuesday.
If this process leads to a decrease in state grain export taxes, it would provide a significant boost to Russian exports, Sovecon said.
The wheat export tax is currently set at $146.1 per tonne for June 29-July 5.

Top News - Metals

California lithium tax would delay shipments to automakers, executives warn
A proposed flat-rate tax on lithium produced in California's Salton Sea region will delay deliveries of the electric vehicle battery metal to General Motors Co and Stellantis NV and may push some mining companies to exit the state entirely, industry executives told Reuters.
The brewing tension comes as America's largest state is trying to position itself as a leader in the green energy revolution and as supplies of lithium have failed to match surging demand amid the push to phase out gasoline-powered vehicles.
Eric Spomer, chief executive of privately held EnergySource Minerals LLC, told Reuters his company has halted discussions with potential financiers and a major automaker he declined to identify while California's legislature debates the tax.
"This tax would stifle our industry before it even begins," he said. "We're willing to pay and contribute to the local community, but it has to be a rational tax."
The tax, which would affect the three Salton Sea-area lithium developers, is tied to a must-pass state budget proposal. A vote may come as soon as Wednesday night and Governor Gavin Newsom, a Democrat, has signaled his support.
Rod Colwell, CEO of Controlled Thermal Resources (CTR) Ltd, which has contracts to supply lithium to GM by 2024 and Stellantis by 2025, said the tax would force the company to miss those delivery deadlines.
"Just the mere concept of this type of tax is having a chilling effect on development," Colwell told Reuters.
CTR plans to produce 60,000 tonnes of lithium - enough to make roughly 6 million EVs - by mid-2024 in California, which would make it the largest U.S. lithium producer. Those plans are now in jeopardy, Colwell said.
CTR received $4.5 million in grants from California in 2020 for lithium research.
GM declined to comment and Stellantis could not immediately be reached.

'GOOD FOR EVERYBODY'
BHE Renewables, a division of Warren Buffett's Berkshire Hathaway Inc that has received $15 million in federal government research funding, said it does not oppose the proposed flat-rate lithium tax.
"We recognize the opportunity a lithium tax provides for the local community, and that a balanced outcome will ensure California-sourced lithium can compete in the world market," BHE spokesperson Dan Winters said.
U.S. Energy Secretary Jennifer Granholm has praised the Salton Sea's nascent lithium industry because it would deploy a geothermal brine process that is more environmentally friendly than open-pit mines and brine evaporation ponds, the two most common existing methods to produce lithium.
The Energy Department did not respond to requests for comment.

California officials say the tax is needed to help restore the Salton Sea region, which is one of the poorest areas of the state and was heavily damaged in the 20th century by years of heavy pesticide use from farming. They also said a flat tax would make it easier for the state to forecast revenue.

The proposal would impose a tax of $400 per tonne for the first 20,000 tonnes of lithium produced annually, $600 per tonne for the next 10,000 tonnes, and $800 per tonne with output of 30,000 tonnes or more.

"This framework is good for everybody, including both the community and industry - prioritizing equity and innovation to help California power the entire world's transition to clean energy," Newsom spokesperson Alex Stack said.

California Assemblymember Eduardo Garcia, whose district includes the Salton Sea region, said a flat tax would be more appropriate. "We believe the people living in and around these communities deserve to see a direct benefit from lithium production."

Lithium industry executives say they support mitigation efforts, but prefer a levy of 2% or less of their sales because they feel a flat tax could be economically ruinous when prices for the metal drop in the future.

Most automakers pay a negotiated price for lithium that can vary greatly from spot prices, which are trading this month near $77,500 per tonne but as recently as 2020 were trading near $6,750, according to data from Fastmarkets.

Mining executives said extracting lithium from the region is already a costly venture due to high concentrations of impurities in geothermal brines, and they may consider moving to other states with large deposits of lithium-rich brines, including Utah and Arkansas.

"If this passes, we will fight it or we will leave," Colwell said.

Britain extends steel tariffs in breach of trade rules

Britain on Wednesday extended a package of tariffs and quotas on five steel products by two years to shield local steelmakers, acknowledging it would breach international trade rules but saying it was needed for the national interest.

Trade minister Anne-Marie Trevelyan told parliament the safeguards would help defend a strategic industry and British steel producers could face "serious injury" were the measures not maintained.

Since leaving the European Union and the bloc's common trade policy, Britain has sought to carve out a role on the global stage as a champion of free commerce, calling out restrictive practices by others like China and advocating for World Trade Organization (WTO) reform.

Trevelyan, too, described herself as a champion of free trade, but said present circumstances warranted the extension of safeguards.

"The decision ... departs from our international legal obligations under the relevant WTO agreement," Trevelyan

MARKET MONITOR as of 06:18 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$109.93 / bbl	0.14%	46.16%
NYMEX RBOB Gasoline	$3.73 / gallon	-2.54%	67.37%
ICE Gas Oil	$1,194.00 / tonne	-2.11%	79.01%
NYMEX Natural Gas	$6.50 / mmBtu	-0.05%	74.13%
Spot Gold	$1,817.16 / ounce	0.00%	-0.61%
TRPC coal API 2 / Dec, 22	$252 / tonne	1.61%	104.88%
Carbon ECX EUA / Dec, 22	€88.35 / tonne	1.09%	9.55%
Dutch gas day-ahead	€140.55 / Mwh	8.12%	111.35%
CBOT Corn	$7.69 / bushel	-0.23%	29.54%
CBOT Wheat	$9.16 / bushel	-0.14%	18.78%
Malaysia Palm Oil (3M)	RM4,946 / tonne	0.88%	5.30%
Index (Total Return)	**Close 29 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	319.29	-	-
Rogers International	31.73	-	-
U.S. Stocks - Dow	31,029.31	0.27%	-14.61%
U.S. Dollar Index	104.95	-0.15%	9.36%
U.S. Bond Index (DJ)	397.55	0.00%	-15.77%

said. "However, from time to time, issues may arise where the national interest requires action to be taken."
Britain is ready to take up any concerns raised by WTO members following its decision, Trevelyan added.
The move, while welcomed by the UK steel industry, is likely to upset some local manufacturers, which say they have to rely on overseas steel because domestic suppliers cannot meet demand.
"The extension of the UK's steel safeguards is absolutely vital to the long-term health of the steel industry in the UK and is in line with the course of action being taken by governments across the world," said Richard Warren, an official with trade body UK Steel.
"Deficient or absent safeguards measures risk trade diversion away from shielded markets elsewhere, resulting in surges of imports into the UK," Warren added.
The Times newspaper reported this week without citing a source that Trevelyan, while supporting steel tariffs, had warned nations including India, Turkey and South Korea would be entitled to retaliate with their own trade tariffs.
Britain introduced new rules one year ago to protect its steel industry, which employs nearly 34,000 people and makes some $2 billion in annual turnover.
British ministers have pointed out in recent days that most other rich countries also protect their domestic steel industries.
Last year, Britain retained quotas and tariffs it inherited from the European Union on 10 categories of steel for three years. But on five products, the safeguards were extended on a temporary basis for one year.

Top News - Carbon & Power

Australia swiftly needs $9 bln in grid investment for energy transition

Australia urgently needs about A$13 billion ($9 billion) in transmission investments to jumpstart the transition to renewable energy, the country's energy market operator said on Thursday in a closely watched long-term plan for the grid.
The plan, two-years in the making, came out just as Australia emerged from a power crunch amid several coal generation outages and soaring coal and gas prices which nearly led to blackouts.
The A$13 billion worth of network investments that the Australian Energy Market Operator said are needed in the near term make up just 7% of the total investment it estimated would be required in generation, storage and transmission by 2050.
"A clear message from our stakeholders and recent market events is that our energy system transformation is accelerating and irreversible," Australian Energy Market Operator Chief Executive Daniel Westerman said in the Integrated System Plan.
The plan is based on a scenario that annual electricity consumption will double by 2050 as transport, heating, cooking and industrial processes are electrified, and 60% of coal-fired power capacity will retire by 2030.
The latest plan is closely aligned with the new Labor government's pledge to cut Australia's carbon emissions by 43% from 2005 levels by 2030, AEMO said.
In the six months since a draft was released, top power providers AGL Energy and Origin Energy have accelerated plans to shut their coal-fired power plants, highlighting the need to speed up construction of transmission to handle more renewable energy capacity.
"Investment in low-cost renewable energy, firming resources and essential transmission remains the best strategy to deliver affordable and reliable energy, protected against international market shocks," Westerman said.
The five key transmission projects needed would bolster connections within and between the states of New South Wales, Victoria, South Australia and Tasmania.
The market operator said those projects are now expected to be completed between July 2026 and July 2031.
However it warned that "supply chain limitations and other factors are threatening the planned delivery timelines of some transmission projects".

EXCLUSIVE-India's top cement maker paying for Russian coal in Chinese yuan

India's biggest cement producer, UltraTech Cement, is importing a cargo of Russian coal and paying using Chinese yuan, according to an Indian customs document reviewed by Reuters, a rare payment method that traders say could become more common.
UltraTech is bringing in 157,000 tonnes of coal from Russian producer SUEK that loaded on the bulk carrier MV Mangas from the Russian Far East port of Vanino, the document showed. It cites an invoice dated June 5 that values the cargo at 172,652,900 yuan ($25.81 million).
Two trade sources familiar with the matter said the cargo's sale was arranged by SUEK's Dubai-based unit, adding that other companies have also placed orders for Russian coal using yuan payments.
The increasing use of the yuan to settle payments could help insulate Moscow from the effects of western sanctions imposed on Russia over its invasion of Ukraine and bolster Beijing's push to further internationalise the currency and chip away at the dominance of the U.S. dollar in global trade.
The sources declined to be identified as they are not authorized to speak to the media. UltraTech and SUEK did not respond to a request seeking comment.
"This move is significant. I have never heard any Indian entity paying in yuan for international trade in the last 25 years of my career. This is basically circumventing the USD (U.S. dollar)," a Singapore-based currency trader said. The sale highlights how India has maintained trade ties with Russia for commodities such as oil and coal de-

spite the western sanctions. India has longstanding political and security ties with Russia and has refrained from condemning the attack in Ukraine, which Russia says is a "special military operation".
It was not immediately clear which bank opened a letter of credit for UltraTech and how the transaction with SUEK was executed. SUEK did not respond to a request seeking comment.
The Mangas is currently at anchor near the Indian port of Kandla, according to ship-tracking data on Refinitiv Eikon.

INDIA-CHINA-RUSSIA TRADE
India has explored setting up a rupee payment mechanism for trade with Russia, but that has not materialized. Chinese businesses have used the yuan in trade settlements with Russia for years. For Indian trade settlements using the yuan, lenders would potentially have to send dollars to branches in China or Hong Kong, or Chinese banks they have tie-ups with, in exchange for yuan to settle the trade, two senior Indian bankers said.
"If the rupee-yuan-rouble route turns out to be favourable, the businesses have every reason and incentive to switch over. This is likely to happen more," said Subash Chandra Garg, a former economic affairs secretary at India's finance ministry. India's bilateral trade with China, for which companies largely pay in dollars, has flourished even after a deadly military clash between the two in 2020, though New Delhi has increased scrutiny on Chinese investments and imports, and banned some mobile apps over security concerns.
An Indian government official familiar with the matter said the government was aware of payments in yuan.
"The use of the yuan to settle payments for imports from countries other than China was rare until now, and could increase due to sanctions on Russia," the official said.
India's energy imports from Russia have spiked in the recent weeks as traders have offered steep discounts, Reuters reported this month. New Delhi defends its purchases of Russian goods saying a sudden halt would inflate prices and hurt consumers.
Business units of Russian coal traders in Dubai have become active hubs for facilitating deals with India in the recent weeks, as Singapore has grown wary of provoking western nations that invoked sanctions against Russia, said multiple coal traders based in Russia, Singapore, India and Dubai. A Russian coal trader based in Dubai said the biggest challenge was sending roubles to Russia.
"You can either take payments in yuan in Dubai, or receive it in dollars or (Arab Emirates) dhiram and convert it to rouble" he said, adding it was easier to convert the yuan to rouble and was preferred over other currencies.

Top News - Dry Freight

Egypt's GASC buys 815,000 tonnes of wheat in tender
Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), bought 815,000 tonnes of mainly French wheat in a tender, marking its biggest single purchase in years as prices slightly ease.
The purchase comprised 350,000 tonnes of French wheat, 240,000 tonnes of Romanian wheat, 175,000 tonnes of Russian wheat and 50,000 tonnes of Bulgarian wheat, GASC said.
The amount will be shipped in August, September and October 2022. The lowest cost and freight offer was for Romanian wheat at $429.90 a tonne, traders said, a 10% drop from the lowest offer purchased in GASC's last tender in June but still a 58% rise from a Romanian purchase made around the same period last year.
The purchase comes days after Egypt's supply minister said that the government is looking for ways to trim its imports by raising the extraction percentage for flour used for subsidised bread to 87.5% from 82% and even using potatoes in bread making.
Egypt aims to save around 500,000 tonnes of imported wheat, targeting 5-5.5 million tonnes of imported wheat for the 2022/23 fiscal year, he added.
Earlier on Wednesday, the World Bank said it agreed to provide Egypt with $500 million to help finance its wheat purchases.
Egypt relies mainly on imported wheat to make heavily subsidised bread available to more than 70 million of its 103 million population.
Wednesday's tender also included Russian shipments from the port Kavkaz after the state buyer made amendments to its tenderbook to allow all Russian ports to participate.
Traders previously said that approving Kavkaz could mean more competitive shipping offers.
The buyer also allowed 50,000 tonne cargoes instead of the usual 55,000 and 60,000.

South Korea's MFG buys estimated 136,000 T corn in tender - traders
South Korea's Major Feedmill Group (MFG) has purchased an estimated 136,000 tonnes of animal feed corn all expected to be sourced from South America in an international tender which closed on Wednesday, European traders said.
Two consignments each of 68,000 tonnes were both bought from trading house Olam both at an estimated $349.99 a tonne c&f plus a $1.75 a tonne surcharge for additional port unloading. After negotiations, shipment periods were adjusted to five days later than in the tender invitation, with one consignment bought for arrival in South Korea around Oct. 10 and one for arrival around Oct. 15.

Picture of the Day

Yang Mei Hu oil products tanker owned by COSCO Shipping gets moored at the crude oil terminal Kozmino on the shore of Nakhodka Bay near the port city of Nakhodka. REUTERS/Tatiana Meel

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(Inside Commodities is compiled by Anjana J. Nair in Bengaluru)

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