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Top News - Oil

US court may put off hearing on Citgo bids to September

A U.S. court has been asked to postpone to Sept. 19 a hearing to present the winning bid in an auction of shares in the parent of Venezuela-owned refiner Citgo Petroleum, according to a motion filed with the court on Friday.
The Delaware court officer evaluating bids in a historic auction of shares in a parent of the seventh largest U.S. oil refiner requested the two-month delay to complete his evaluation and finish negotiating with bidders, the motion said.
The motion has to be accepted by the judge to go into effect.
The case has broken new legal ground in enforcement of international arbitration awards and on cracking sovereign and corporate immunity. The auction is expected to lead to an ownership change of Venezuela's foreign crown jewel to satisfy $21.3 billion in claims against the South American country.
The court had planned to finish the sale process, which has included two bidding rounds, on July 15, days before Venezuela's presidential election on July 28, which Washington sees as a possible exit to the South American country's long-standing political crisis.

COMPETITIVE BIDS
Among the several competitive offers, "multiple bids were actionable," Robert Pincus, the court officer overseeing the auction, wrote in the motion. Additional time is required to clarify the terms of some bids and negotiate a definitive sale agreement, he added.
Pincus also asked the court for permission to consider unsolicited bids if he deems one "higher or better" than those received by the court's June 11 submission deadline.
None of the bids submitted this month met the total claims filed with the court, two people close to the matter told Reuters this week, predicting the delay. The motion requesting the delay did not disclose the number of bids in the second round or their amounts.
Citgo is the seventh largest U.S. oil refiner with storage terminals, pipeline participations and three refineries that can process up to 807,000 barrels per day of crude oil into fuels. In 2019, it severed ties with its ultimate parent, Caracas-headquartered state oil company PDVSA.
Venezuelan President Nicolas Maduro's administration and his political opposition have been requesting the U.S. government to delay or halt the auction, so that its results do not alter the election outcome.
In a first bidding round in January, offers submitted by investors reached $7.3 billion, compared with a market valuation of between $11 billion and $13 billion for the Houston-based refiner.
Lawyers representing Venezuela called them "disappointing" and recently have pressed the court to organize a third round if offers in the second round that finished this month do not approach a fair value for the company.
At least five groups of investors submitted binding bids in the second round, and three secured financing commitments from banks and advisors including JPMorgan, Morgan Stanley and Rothschild & Co, people close to the matter told Reuters this month.
A hearing scheduled for July 2 is expected to update the court on the progress of his evaluation. The judge could act on the request at that time.

Asia's first half crude oil imports slip, undermining bullish forecasts: Russell

Asia's imports of crude oil ticked lower in the first half of 2024 from the same period last year, defying expectations that the top-consuming continent would lead global demand growth.
Asia imported 27.16 million barrels per day (bpd) of crude in the January to June period, down a modest 130,000 bpd from the 27.29 million bpd in the same period in 2023, according to data compiled by LSEG Oil Research.
The slightly weaker outcome was largely a result of lower arrivals in China, the world's biggest oil importer, with gains by Asia's number two buyer India not enough to offset China's softness.
The lack of growth in Asia's imports of crude oil in the first half goes some way to undermining the 2024 demand forecasts from major industry groups such as the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC).
Of course, imports are only one component of overall demand, others including domestic oil production and changes in inventory levels.
But in Asia, imports are the key driver of demand given the region's reliance on oil arriving in tankers, or via pipelines from Russia and central Asia in the case of China.
For the demand forecasts made by the IEA and OPEC, it's certain that Asia's imports are going to have to be strong in the second half, especially those for China.
OPEC's June monthly oil market report forecast that China's oil demand would grow by 720,000 bpd in 2024

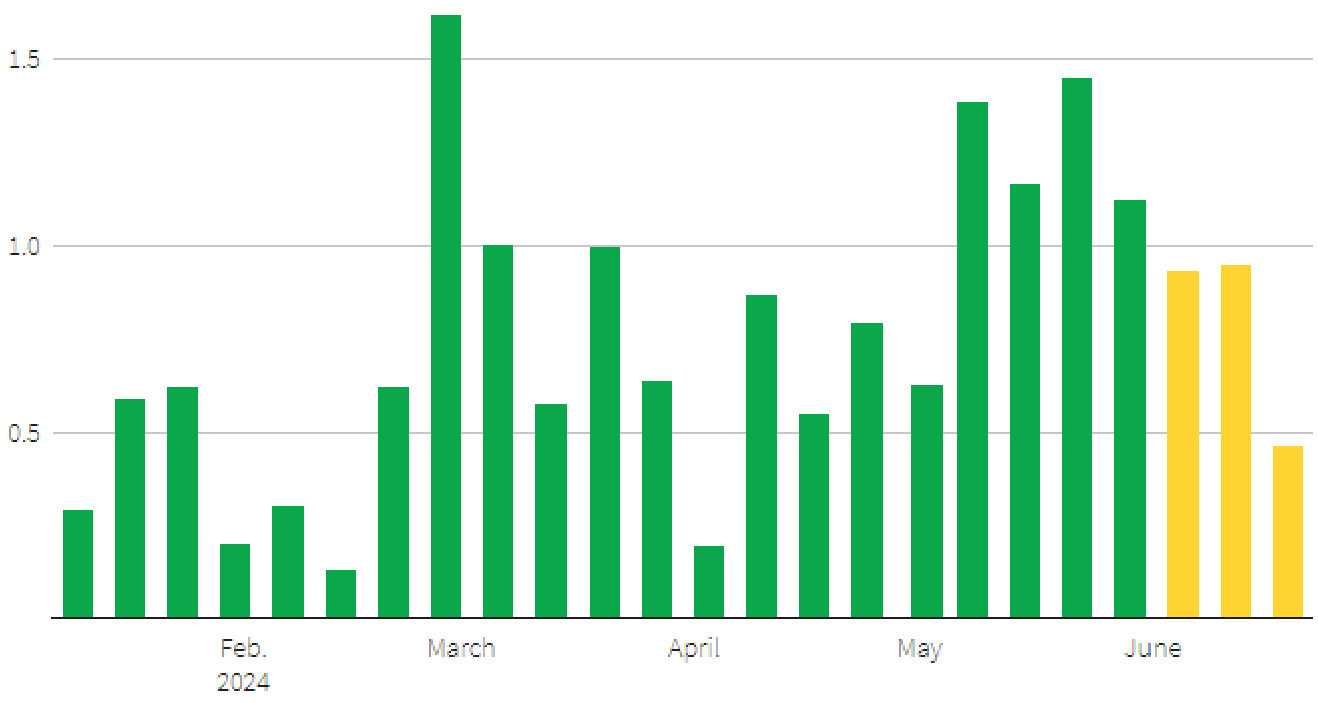
over 2023, while the IEA is expecting an expansion of 500,000 bpd.
However, China's imports were about 11.08 million bpd in the first half, a figure calculated by using official customs data for the first five months and LSEG's forecast for June.
This is down 300,000 bpd from the customs number of 11.38 million bpd for the first six months of 2023.
With China's imports looking weak, it's worth looking at whether domestic output is making up the difference.
Domestic production was 4.28 million bpd in the first five months of the year, up 1.8% or about 140,000 bpd from the same period in 2023.
In other words, the rise in domestic output is just less than half of the loss in crude oil imports.

INDIA'S DIM LIGHT
If there is a somewhat brighter light in Asia, it's India, where crude imports were about 4.94 million bpd in the first half of 2024, according to calculations based on official and LSEG data.
This is up about 90,000 bpd from the official figure of 4.85 million bpd for the first half of 2023.
However, this relatively small gain in India's imports looks less impressive when the economic growth rate of 7.8% year-on-year in the first quarter is taken into account.
It's also running at a rate below the OPEC forecast for India's demand to increase by 230,000 bpd for the whole of 2024, meaning that for the exporter group's estimate to be accurate, a strong second half will be needed.
Overall, OPEC is expecting Asia's crude demand to rise by 1.3 million bpd in 2024 from the previous year, consisting of 720,000 bpd for China, 230,000 bpd for India and 350,000 bpd for the rest of the continent.
The IEA expects Asia's demand to lift by 900,000 bpd in 2024, made up of 500,000 bpd in China and 400,000 bpd for the rest of the continent.
But with imports actually dropping in the first half by

Chart of the Day

Argentina: Weekly soy sales

Argentina soybean sales slowed some 45% in June versus a strong May, with lower global prices, less demand by farmers for cash and a larger gap between the official peso FX rate and popular informal currency markets.



Note: Data is in millions of metric tons of soybean sales by local farmers
Source: Argentina government data

Top News - Agriculture

130,000, it leaves a mountain to climb in the second half. The question for the markets is whether there is confidence that China's economy will rebound in the second half, and that the rest of Asia will enjoy stronger economic growth as well.
If the assumption is that OPEC and its allies in the broader OPEC+ group are successful in keeping oil prices above $80 a barrel, then it follows that only robust economic growth will lead to higher demand for crude.

The opinions expressed here are those of the author, a columnist for Reuters.

Argentina soybean sales stall in June as currency gap widens

Argentine farmers' soybean sales to commercial buyers stalled in June, the head of the country's crushing and export chamber (CIARA-CEC) told Reuters, falling 45% from May's sales as a weakening peso in informal exchange markets led farmers to hold onto their stocks of the oilseed.
The South American country is one of the world's top soy suppliers and jostles with Brazil as the No. 1 exporter for processed soyoil and soy meal, which are used in vegetable oil and animal feed. June full-month soybean sales figures have not been previously reported.
Reduced commercial soybean supplies for processing indicate a likely drop-off in Argentina's subsequent exports of soyoil and soymeal.
In an interview late on Thursday, CIARA-CEC president Gustavo Idigoras said soybean sales were around 3.8 million metric tons this month, down sharply from May when farmers sped up sales to earn cash to cover expenses for wheat planting.
Argentina is in a deep recession and has depleted central bank reserves and high inflation, making it desperate for foreign currency income from soy, its top export.
However, a weakening of the peso currency in popular, informal exchange markets has seen rates there diverge from the central-bank-controlled official rate. That means exporters who largely use the official rate to turn their dollars into pesos end up losing out, encouraging hoarding of soybean stocks.
"When the gap between the official dollar rate, (informal) dollars and the black-market dollar begins to grow, it decreases and almost paralyzes the grain-trading market in Argentina," Idigoras told Reuters. "It's just natural."
There is now a gap of 45% between the value of the official peso at 912 per dollar, and the informal one, of about 1,320 pesos per dollar. That gap has widened from around 15%-20% in May.
Global soy prices softened in the second half of June, another likely drag on sales.
"The pace of sales for the oilseed, which gained momentum during May... has lost energy this month," the Rosario grains exchange said in a Friday report, citing the lower prices linked to a stronger production outlook in the United States.
Idigoras added that the volume of 2023/24 soybeans crushed domestically in June would be around 3.8 million tons. Overall crushing in the first half of the year would be around 19 million tons, slightly below the 10-year average.
The harvest of 2023/24 soybeans in Argentina is almost complete with estimated production of some 50.5 million tons. Sowing of the 2024/25 soy will begin in October.

US corn-planting estimate increases from March, USDA says

U.S. farmers planted more corn than the government forecast in March and less soybeans, U.S. Agriculture Department data showed on Friday.
The estimate helped drive corn futures to contract lows, as larger-than-expected plantings would add to the biggest U.S. grain supplies in years.
The USDA estimated corn plantings at 91.5 million acres, above analysts' expectations for 90.4 million. In March, USDA projected farmers would plant 90 million acres.
Soy plantings were pegged at 86.1 million acres, the USDA said, down from its March estimate for 86.5 million. Analysts expected 86.8 million acres of soybeans.
"When producers have seen generally favorable spring weather planting progress, they tend to plant a little bit more corn, and that's exactly what happened," said Terry Reilly, senior agricultural strategist for Marex.
The USDA also released U.S. quarterly stocks data that showed corn stocks on June 1 at 4.993 billion bushels, above analysts' estimates for 4.873 billion and up from 4.103 billion a year earlier.
Stocks increased after a record U.S. corn harvest last year, and the amount of corn stored on farms in particular was the highest since 1988.
"When you look at it, the corn is just plain negative (for prices)," said Don Roose, president of brokerage U.S. Commodities.
Grain analysts and traders remain uncertain about the impact of recent floods on corn and soy crops in Midwest states including Iowa.
USDA estimated total U.S. wheat plantings at 47.2 million acres, compared to its March estimate for 47.5 million and 49.6 million acres in 2023. Analysts on average expected plantings of 47.7 million acres.
World wheat stocks are forecast to decline to a nine-year low in 2024-25, after adverse weather hurt crops in top-supplier Russia.

Top News - Metals

LMEWEEK-Metals firms 'confused' by ESG regulations but hope for future price premium

Executives of metals and mining firms said this week they are "confused" by the many different standards on Environmental, Social and Governance (ESG) and hope there will be price premium for their products if they meet those standards in future.

"There's no unified ESG standard for us to follow," said Bryce Lee, a director at Zhejiang Huayou Cobalt Co.

"Generally we know the direction, but when it comes to the daily implementation of the detailed standards, procedures and assurance processes, we are facing a lot of requests.

"This really confuses us. But not only us. Some of the downstream customers are also confused," Lee told a seminar hosted by the London Metal Exchange (LME) in Hong Kong on Thursday.

Meeting ESG standards is increasingly important for companies because of growing pressure from their customers, governments and consumers to reduce harmful behaviour. But those standards are set by a number of different organisations globally.

China-based Huayou operates largely in the middle stream of the electric vehicle (EV) supply chain and produces chemicals that go into EV batteries. The company has a large operation in Indonesia, the world's biggest nickel producer.

Lee said it is a challenge for companies in the middle of the supply chain to request their suppliers - the miners - to comply with ESG requirements from their clients, such as car makers, because the rules are not always mandatory at the miners' location.

NO PREMIUM

Even though Huayou had benefited from a better reputation for complying with certain ESG regulations, Lee said there is no premium for lower-carbon EV battery materials.

"I don't see any pricing credit for people who have done it or who have the commitment to do it. I hope the market ... pays a bit more premium for Huayou's minerals like cobalt and nickel because we do a lot of ESG work," Lee said.

Huayou is able to reduce up to 90% of carbon emission per nickel metal ton produced by switching to the High Pressure Acid Leach process (HPAL), from the Rotary Kiln-Electric-Furnace process (RKEF), which largely uses coal as the power source.

Some 70% of Huayou's HPAL power needs can be sourced from the waste heat generated by its acid plant, Lee said.

Indonesia is considering terminating permits for RKEF smelters.

MARKET MONITOR as of 06:47 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$82.09 / bbl	0.67%	14.57%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.13%	18.61%
ICE Gas Oil	$790.00 / tonne	0.57%	5.23%
NYMEX Natural Gas	$2.58 / mmBtu	-0.88%	2.55%
Spot Gold	$2,325.17 / ounce	-0.02%	12.73%
TRPC coal API 2 / Dec, 24	$113.75 / tonne	-2.02%	17.27%
Carbon ECX EUA	€67.68 / tonne	0.31%	-15.79%
Dutch gas day-ahead (Pre. close)	€33.85 / Mwh	-0.91%	6.28%
CBOT Corn	$4.09 / bushel	0.37%	-15.50%
CBOT Wheat	$5.77 / bushel	0.65%	-9.73%
Malaysia Palm Oil (3M)	RM3,986 / tonne	1.79%	7.12%
Index	**Close 28 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	340.81	-0.27%	13.08%
Rogers International	29.03	-0.36%	10.28%
U.S. Stocks - Dow	39,118.86	-0.12%	3.79%
U.S. Dollar Index	105.47	-0.38%	4.08%
U.S. Bond Index (DJ)	428.85	0.30%	-0.43%

Speaking at the same seminar, Ryan Wen, a sustainability manager at the International Tin Association, said the main barriers for his industry in meeting ESG standards include "high costs, supply disruption risks, lots of misunderstanding ... and limited practice". Muchtazar, a sustainability manager at Nickel Industries, said:

"Sometimes it is too much, but somehow we have to identify what is the most important. Meeting these requirements give us competitive advantage in the present.

"For the future, we think the premium in nickel and minerals will come. We want to be ready when it happens," he told a separate seminar, hosted by the Shanghai Metals Market, on Wednesday.

China issues rare earth regulations to further protect domestic supply

China has unveiled a list of rare earth regulations aimed at protecting supplies in the name of national security, laying out rules on the mining, smelting and trade in the critical materials used to make products from magnets in electric vehicles to consumer electronics.

The regulations, issued by the State Council or cabinet on Saturday, say rare earth resources belong to the state, and that the government will oversee the development of the industry around rare earths - a group of 17 minerals of which China has in recent years become the world's dominant producer, accounting for nearly 90% of global refined output.

Their global industrial significance is such that under a law that entered into force in May the EU set ambitious 2030 targets for domestic production of minerals crucial in the green transition - particularly rare earths due to their use in permanent magnets that power motors in EVs and wind energy. EU demand is forecast to soar sixfold in the decade to 2030 and sevenfold by 2050.

The new Chinese regulations, which will take effect on Oct. 1, say the State Council will establish a rare earth product traceability information system.

Enterprises in rare earth mining, smelting and separation, and the export of rare earth products, shall establish a product flow record system, shall "truthfully" record the flow, and shall enter it into the traceability system, the State Council said.

China already last year introduced restrictions on exports of the elements germanium and gallium, used widely in the chip-making sector, citing the need to protect national security and interests.

It also banned the export of technology to make rare earth magnets, in addition to imposing a ban on technology to extract and separate rare earths.

Those rules fanned fears that restrictions in rare earth supplies might help increase tensions with the West, particularly the United States, which accuses China of using economic coercion to influence other countries. Beijing denies the claim.

China's rare earths regulations also come as the EU gears up to impose provisional tariffs on Chinese EVs on July 4 to protect the 27-state bloc from what it says is a flood of EVs produced with unfair state subsidies, though both sides have said they plan talks on the proposed tariffs.

Top News - Carbon & Power

Aramco signs over $25 bln of deals for main gas network and Jafurah gas field

Saudi Arabia's state oil company Aramco has signed contracts worth more than $25 billion for the second phase of the expansion of its Jafurah gas field and the third phase of expanding its main gas network, its CEO Amin Nasser said on Sunday.

Saudi Arabia is working on developing its unconventional gas reserves, which require advanced extraction methods such as those used in the shale gas industry.

Jafurah is the kingdom's largest unconventional non-oil associated gas field and is potentially the biggest shale gas development outside the United States, with reserves reaching 229 trillion cubic feet of gas and 75 billion barrels of condensates.

"By generating an anticipated 2 billion standard cubic feet per day of sales gas by 2030, this bold initiative will strengthen Saudi Arabia's position as one of the top national gas producers in the world", said Nasser, speaking of the Jafurah field at a contracts award ceremony in Dhahran.

The main gas network expansion will add 4,000 more kilometers of pipelines, boosting capacity by around 3.2 billion standard cubic feet per day and connecting several additional cities from across the country to the network, he said.

Companies awarded contracts for the expansion in Jafurah included a consortium involving Hyundai Engineering & Construction, while Chinese state energy giant Sinopec figured among the firms involved in the main gas network expansion.

Philippines' dependency on coal-fired power surpasses China, Indonesia

The Philippines surpassed Indonesia and China to break into the world's top ten economies most dependent on coal-fired power, data from energy think tank Ember showed, underlining the challenges it faces to achieve its green energy goals.

The country's share of coal in electricity generation rose for the fifteenth straight year in 2023, the data showed, despite a target to cut dependence on the fuel to less than half of total power output by 2030.
Kosovo had the highest coal dependence in 2023 according to the data released by Ember, with 88.21% of its power coming from the polluting fuel. Mongolia, South Africa, India and Kazakhstan followed by the Philippines ranked 7th on the list.
Coal accounted for 61.92% of all electricity generated in the archipelago in 2023, from 59.07% in 2022 - the highest jump in dependence on the fossil fuel since 2016.
The Philippines wants to double solar additions and triple wind capacity in 2030 from current levels and is betting on a rapid build out of offshore wind farms.
While the Philippines surpassed Indonesia, ranked 8th, in terms of share of coal in power generation, coal continued to be Indonesia's preferred fuel.
China fell outside of the top 10 in 2023 as an acceleration in renewables helped cut the share of coal in its electricity generation, but it remained the largest overall generator of coal-fired power, with India second.
"Both Indonesia and the Philippines lag behind other countries in the ASEAN region in their wind and solar deployment,"
Ember said in a statement on Monday. Indonesia and the Philippines have struggled to boost renewable capacity due to the costs involved.
Indonesia became the world's fifth largest generator of coal-fired power, with output growing at an average pace of 7.1% over 8 years to overtake South Korea for the first time.
"This ascent included surpassing Australia in 2018, Germany in 2019, Russia in 2020 and South Africa in 2022," Ember said.

Top News - Dry Freight

Russia's SovEcon cuts 2024/25 export forecasts for wheat, corn and barley

Agricultural consultancy SovEcon said on Friday it had cut its 2024/25 Russian wheat export forecast to 46.1 million metric tons (mmt) from 47.8 million tons, reflecting a smaller expected crop.
For the 2023/24 season, wheat exports are estimated at 52.2 mmt, it said. Russia is the world's top wheat exporter and any shortfall in shipments can push up global prices.
Earlier in June, SovEcon cut its 2024 wheat crop forecast to 80.7 mmt from 85.7 mmt after damage from May frosts.
SovEcon said it expects the current year's overall grain harvest to be 127.4 million tons, well down on the previous season's 144.9 mmt.
"SovEcon believes that with a substantially smaller crop and rising food CPI, there is a higher chance of additional export restrictions in the new season," it said.
The Russian government has said it will fulfil all its export commitments despite the May frosts that prompted it to declare an emergency in 10 regions, clearing the way for insurance payments to farmers. Crops have also been affected by hot and dry conditions in winter wheat regions and excessive rain in Siberia.
SovEcon also predicted sharp falls in the volumes of barley and corn exports, saying that for these crops - unlike wheat - the expected fall in production could not be compensated by significant stocks.
Total grain and pulses exports in the new season are estimated at 56.0 million tons, down from 70.4 mmt in 2023/24. Barley exports in 2024/25 are estimated at 3.1 million tons, compared to 7.0 mmt, and corn shipments are seen at 3.6 mmt, down from 6.9 mmt.
SovEcon estimates the new barley crop at 18.6 mmt, compared to 21.2 mmt in 2023/24, and the new corn crop at 14.6 mmt versus 16.6 mmt.

Egypt procured 3.55 mln tonnes of local wheat this season so far, statement says

Egypt has so far procured 3.55 million tons of wheat from the local harvest that started in mid-April and has a target of 3.6 million tons by July 15, a statement from Ministry of Supply said.
Egypt's strategic reserves of wheat is sufficient to cover 6.6 months of consumption, the statement added.

Picture of the Day

A drone view shows a thermoelectric plant operating at nation's capital after pouring rains, in Santiago, Chile, June 23, 2024. REUTERS/Ivan Alvarado

(Inside Commodities is compiled by Kishan Nair in Bengaluru)

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