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Top News - Oil

Norwegian oil and gas workers start strike, cutting output

Norwegian offshore workers began a strike on Tuesday that will reduce oil and gas output, the union leading the industrial action told Reuters.

The strike, in which workers are demanding wage hikes to compensate for rising inflation, comes amid high oil and gas prices, with supplies of natural gas to Europe especially tight after Russian export cutbacks.

"The strike has begun," Audun Ingvartsen, the leader of the Lederne trade union said in an interview.

The Norwegian Labour Ministry reiterated that it was following the conflict "closely". It can intervene to stop a strike if there are exceptional circumstances.

On Tuesday, oil and gas output will be reduced by 89,000 barrels of oil equivalent per day (boepd), of which gas output makes up 27,500 boepd, Equinor has said.

On Wednesday, the strike will deepen the cut to the country's gas output to a total of 292,000 barrels of oil equivalent per day, or 13% of output, NOG said on Sunday.

Oil output will from Wednesday be cut by 130,000 barrels per day, the lobby had said, corresponding to around 6.5% of Norway's production, according to a Reuters calculation.

A further planned escalation by Saturday could see close to a quarter of Norway's gas output shut, as well as around 15% of its oil production, according to a Reuters calculation.

It is ultimately the operator's - Equinor's - decision to shut output. Equinor was not immediately available to comment on the last announced escalation.

THREE-STEP ESCALATION

Industrial action began at midnight local time (2200 GMT) at three fields - Gudrun, Oseberg South and Oseberg East - and will expand to three other fields - Kristin, Heidrun and Aasta Hansteen - from midnight on Wednesday.

A seventh field, Tyrihans, will also have to shut on Wednesday because its output is processed from Kristin.

By July 9, Sleipner, Gullfaks A and Gullfaks C would likely stop producing as Lederne members are considered crucial to operations, with potential ripple effects on other fields which pump their product via those fields.

If they did, it could reduce the output of crude and other oil liquids by another 160,000 boepd and natural gas output by close to 230,000 boepd, according to a Reuters calculation. Members of the Lederne trade union on Thursday voted down a proposed wage agreement that had been negotiated by companies and union leaders.

Norway's other oil and gas labour unions have accepted the wage deal and will not go on strike.

COLUMN-Oil bulls retreat as economic outlook darkens: Kemp

Investors continued to liquidate bullish long positions in petroleum last week as the economic outlook deteriorated though the rate of selling was much slower after heavy selling the week before.

Hedge funds and other money managers sold the equivalent of 9 million barrels in the six most important futures and options contracts in the week to June 28, following on from sales of 71 million in the week to June 21.

Most the recent adjustment has come from the liquidation of former bullish long positions as the outlook for the economy and oil consumption has darkened amid rising inflation and interest rates.

Fear of more U.S. and EU sanctions on Russia's petroleum exports has so far deterred aggressive short selling of the oil complex.

Over the last three weeks, the total number of bullish long positions has been reduced by 87 million barrels, while bearish short positions have boosted marginally by 5 million barrels

The most recent week saw sales of Brent (-12 million barrels), European gas oil (-4 million), U.S. gasoline (-3 million) and U.S. diesel (-2 million) partially offset by purchases of NYMEX and ICE WTI (+11 million).

Upside price risks from sanctions on Russia's crude and distillates are now matched or over-matched by downside risks from the loss of momentum in manufacturing and freight. As a result, fund managers have gradually taken risk off the table, with the combined position down to 556 million barrels (39th percentile for all weeks since 2013) from 761 million (71st percentile) in mid-January.

Top News - Agriculture

PREVIEW-Malaysia end-June palm oil stocks hit 7-month high as exports drop

Malaysia's palm oil inventories at end-June likely climbed to their highest levels in seven months, as exports plunged following top producer Indonesia's return to the export market, a Reuters survey showed on Tuesday.

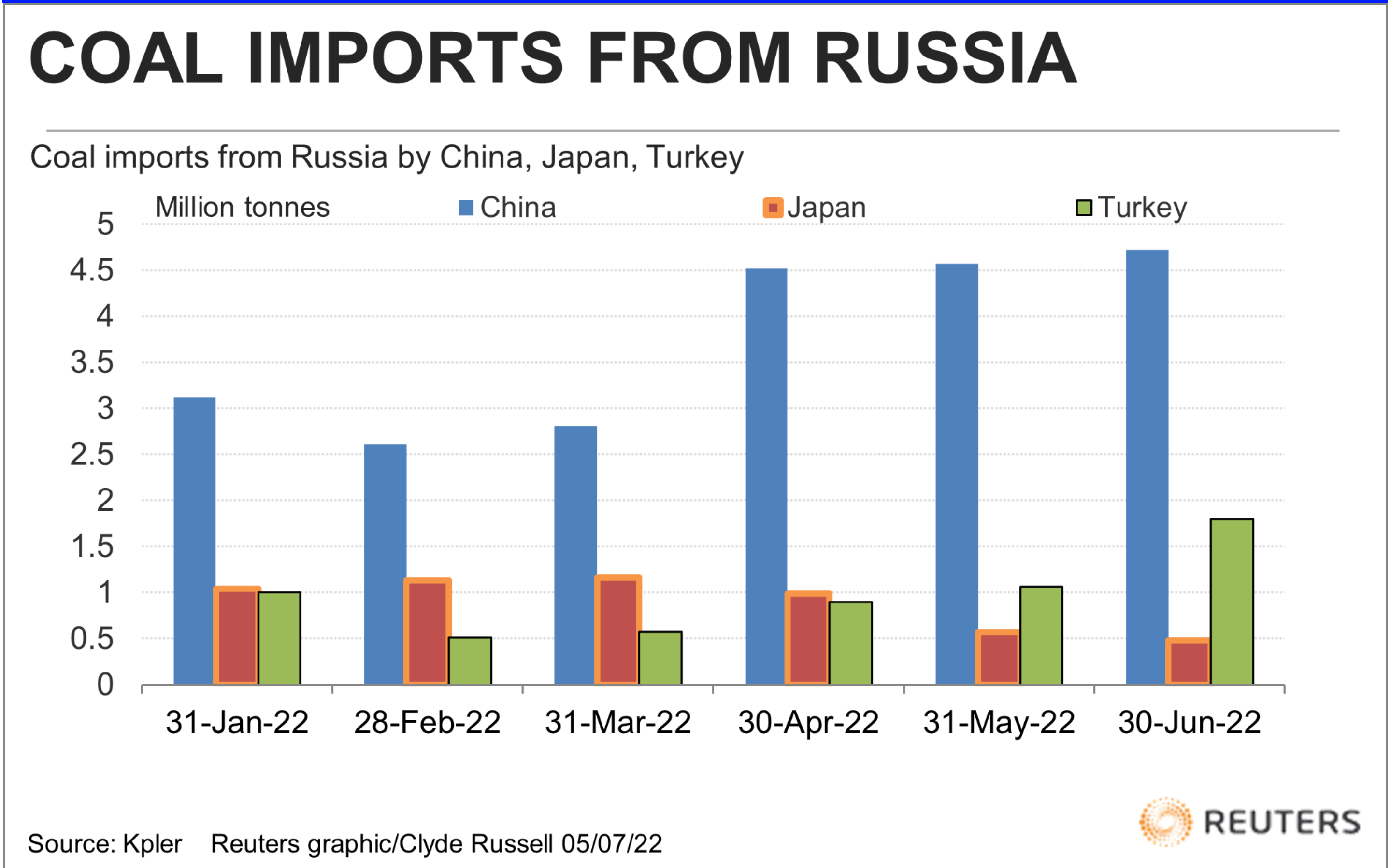
Stockpiles in the world's second-largest producer are forecast to rise 12.3% from the prior month to 1.71 million

tonnes, according to the median estimate of eight traders and analysts polled by Reuters.
Production is seen expanding 8.3% to 1.58 million tonnes, its highest level since December.
Supply is set for a climb, but the rise in production appears to have tapered off in Peninsular Malaysia, likely due to mills reducing the purchase of palm fruits, said Sathia Varqa, co-founder of Singapore-based Palm Oil Analytics.
Some millers temporarily halted production during the last week of June due to unprofitable pricing after a dramatic 22% decline in the benchmark crude palm oil contract.
Exports, which saw an upsurge in May due to a ban in Indonesia, plunged 9.9% to 1.22 million tonnes after the world's biggest producer lifted the ban and instead imposed rules to boost shipments.
Since the lift of the export ban, palm oil prices have collapsed significantly but Indonesia's exports did not pick up as aggressively as initially expected, said Ronny Lau, a trader with Singapore-based commodities trading firm Four Bung.
Indonesia has raised its palm oil export quotas and is considering increasing mandatory levels of biodiesel in fuel mixes to prop prices for farmers at a time when domestic palm oil inventories are high. The Malaysian Palm Oil Board is scheduled to release its data on July 12.

Italy declares state of emergency for drought-stricken north

Italy on Monday declared a state of emergency for areas surrounding the river Po, which accounts for roughly a third of the country's agricultural production and is suffering its worst drought for 70 years.
The government decree will allow authorities to cut through red tape and take action immediately if they think it necessary, such as to impose water rationing for homes and businesses.
The Po is Italy's longest river which runs for more than 650 km (400 miles) through the wealthy north of Italy. However, many stretches of the waterway have run dry and farmers say the flow is so weak that sea water is seeping inland, destroying crops.
The government said in a statement that the emergency measures would cover lands that bordered the Po and the water basins of the eastern Alps.
More broadly, it also introduced a state of emergency in five northern regions - Emilia-Romagna, Friuli Venezia Giulia, Lombardy, Piedmont and Veneto - earmarking an initial 36.5 million euros ($38 million) of funds to help them tackle the water shortage.
"The state of emergency is aimed at managing the current situation with extraordinary means and powers, with relief and assistance to the affected population," the government said.

Chart of the Day



It added that further measures could be taken in future to deal with the drought which water authorities say is increasingly impacting central Italy after an extremely dry winter and spring followed by an exceptionally hot early summer. Italian media have reported that Prime Minister Mario Draghi was also considering appointing a commissioner to coordinate the drought response, in a similar way to which the government created a commissioner to oversee the coronavirus crisis.

Top News - Metals

Global copper and nickel smelting slips in June, satellite data shows

Global copper smelting activity declined in June, hit by a stoppage in top producer Chile, data from satellite surveillance of metal processing plants showed on Monday.

Chilean state-owned Codelco, the world's largest copper producer, said on June 8 that it stopped its Ventanas smelter and refinery to carry out maintenance.

The move in Chile along with weak activity in China and Europe weighed on global copper smelting, according to a joint statement from commodities broker Marex and SAVANT, the satellite analytics service Marex launched with Earth-i in 2019.

The data showed Ventanas remained closed while Codelco's other smelters at Chuquicamata, El Teniente and Salvador are running below full capacity, it added.

"SAVANT observations present growing evidence of demand destruction in industrial metals," said Marex Global's head of analytics, Guy Wolf.

Earth-i, which specialises in geospatial data, tracks smelters representing 80-90% of global production. It sells data to fund managers, traders and miners, and also publishes a free monthly index of global copper smelter activity.Its global copper dispersion index, a measure of smelter activity, declined to 46.7 in June from 49.4 in May.

Under the dispersion index, 50 points indicate that smelters are operating at the average level of the past 12 months. It also has a second index showing the percentage of active smelters.

The Global Inactive Capacity Index for copper has registered three consecutive months above 20% for the first time in five years, the statement said.

In nickel, global smelting activity dipped, mainly due to periods of inactivity at key smelters including the Jinchuan smelter in China, Polokwane in South Africa and Sudbury in Canada.

The global dispersion index for nickel slipped to 49.0 in June from 53.0 in May, while the Chinese nickel pig iron (NPI) index declined to 53.9 in June versus 54.1 in May.

NPI is a lower nickel content substitute for refined nickel.

Japan Q3 aluminium premium drops 14% to $148/T amid weak demand -sources

The premium for aluminium shipments to Japanese buyers for July to September was set at $148 a tonne, down 14% from the previous quarter, to reflect weak demand for automobiles and rising local inventory, five sources directly involved in pricing talks said.

The figure is lower than the $172 a tonne paid in the April-June quarter and marks a third consecutive quarterly drop. It is also below initial offers made by producers of $172-$177.Japan is Asia's biggest importer of the light metal and the premiums for primary metal shipments it agrees to pay each quarter over the benchmark London Metal Exchange (LME) cash price set the benchmark for the region.

"The premium dropped because demand from automakers and parts makers slumped as they had to slash output due to the global supply chain crunch," a source at a Japanese trading house said. Japan's Toyota Motor has repeatedly cut production this year due to shortages of key chips and components as well as supply disruption due to COVID-19 containment measures in China.

"Rising inventory was also behind the weaker premium," the source said, pointing to an increase in Japan's imports of the metal from Russia as buyers prepared for a possible supply disruption.

Aluminium stocks at three major Japanese ports
rose to 359,400 tonnes at the end of May, the highest since 2016, according to Marubeni's data.

"Stocks are piling up at other minor ports," another source at a producer said.

But Russian supply to Japan has been steady, and premium agreements were made on an assumption that the current conditions will continue, the sources said.

The latest quarterly pricing negotiations, which began in May between Japanese buyers and global suppliers such as Rio Tinto and South32, have dragged on longer than usual as it took time to close a huge gap between buyers and sellers' views. The sources declined to be identified because of the sensitivity of the discussions.

Top News - Carbon & Power

Germany to overhaul law to bail out energy firms stricken by Russia woes - draft

The German government will be able to buy stakes in energy companies buckling under the cost of soaring gas import prices, according to draft legislation seen by Reuters, as Berlin bolsters its defences in a deepening economic war with Moscow.

The amended law, which may come before parliament this week, could also allow the government to impose emergency levies on consumers, three sources told Reuters, though it was not clear how quickly it might exercise that right.

Chancellor Olaf Scholz's government is scrambling to deal with the impact of soaring energy prices after Russia's invasion of Ukraine, warning that utilities could face a "Lehman"-style collapse if they cannot pass costs on to consumers.

"We must brace ourselves for the fact this situation will not change in the foreseeable future, in other words - we stand before a historic challenge," Scholz told reporters after meeting with trade union and employers association leaders to discuss the cost of living crisis.

Under the new energy proposals, the government would be able to take voting or non-voting stakes in companies related to critical infrastructure via the same mechanisms used to bail out companies during the coronavirus pandemic.

The amendments are currently being discussed among government ministries and could be presented to parliament on Friday.

Officials have been talking to Uniper, the largest buyer of Russian gas in Germany, about a possible bailout. News of the proposed legislative changes drove shares down 24% on Monday, with traders citing nationalisation risks.

Uniper said last week it was discussing possible guarantees, raising credit facilities or even the state taking an equity stake. The sources told Reuters the government might take a stake in Uniper as a last resort. Uniper declined immediate comment.

A possible bailout for Uniper could be modelled on pandemic relief for airline Lufthansa, which was saved from bankruptcy during the coronavirus pandemic with a 9 billion euro ($9.4 billion) aid package, one government source said.

"The federal government should be given options along the lines of the Lufthansa aid," the source said.

Lufthansa's bailout saw the state taking a 20% stake in the airline through an Economic Stabilization Fund, but without being able to exercise shareholder voting rights.

The airline was not allowed to take over other companies

MARKET MONITOR as of 06:19 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$110.15 / bbl	1.59%	46.46%
NYMEX RBOB Gasoline	$3.69 / gallon	0.17%	65.77%
ICE Gas Oil	$1,223.00 / tonne	-1.27%	83.36%
NYMEX Natural Gas	$5.81 / mmBtu	1.47%	55.87%
Spot Gold	$1,810.51 / ounce	0.08%	-0.98%
TRPC coal API 2 / Dec, 22	$261 / tonne	3.98%	112.20%
Carbon ECX EUA / Dec, 22	€84.55 / tonne	-1.20%	4.84%
Dutch gas day-ahead	-	-	-
CBOT Corn	-	-	-
CBOT Wheat	-	-	-
Malaysia Palm Oil (3M)	RM4,350.00 / tonne	-3.13%	-10.28%
Index (Total Return)	**Close 01 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	-	-	-
Rogers International	-	-	-
U.S. Stocks - Dow	31,097.26	1.05%	-14.42%
U.S. Dollar Index	105.13	-0.01%	9.55%
U.S. Bond Index (DJ)	400.01	-	-

until 75% of the state aid had been repaid, and its shareholders and managers could not benefit from taxpayers' money, meaning dividends and bonus payments were put on hold.

SKY-HIGH PRICES

Decades after de-regulating their energy markets, governments across Europe are intervening to prop up utility companies struggling with sky-high prices, while also protecting consumers from soaring costs.

Several European energy suppliers have gone bust over the past year, where they have had long-term contracts with customers and have been unable to pass on the swift spike in prices.

Russia is Germany's top supplier of gas, making it more exposed than other European states to an economic war with Moscow.

A worsening gas crisis has prompted recession warnings in Europe's largest economy. Top bankers at a conference in Frankfurt echoed such concerns, with Commerzbank saying the risks were comparable to the European debt crisis a decade ago.

Germany has accused Russia of strangling the flow of energy to Europe through spurious pretexts in revenge for sanctions over the Ukraine war, and is closely watching whether flows will resume after scheduled maintenance July 11-21.

Russia has denied doing so, and said it was a reliable energy supplier that honours its contracts. Uniper said it was receiving around 40% of the normal amount of gas from Russia at the moment.

The benchmark Dutch front month gas contract rose 13.6% to 167 euros per megawatt hour (MWh) on Monday, its highest level since March 8. The price remains below a record but is still 500% higher than this time last year. Germany's government has warned of possible energy shortages and rationing in the winter months if it cannot fill its gas storage quickly enough.

"The hope of filling the gas storage facilities to some extent by winter could be torpedoed by Russia at any time. Then there are hardly any compensatory possibilities left," said a note from Sentix that tracks investor morale in the euro zone.

"In Germany, some ideological boundaries have to be crossed to prevent a "Lehman moment" in the energy sector," it said, referencing the U.S. bank whose demise help triggered the 2008 financial crisis.

Global natural gas demand growth set to slow to 2025, says IEA

Global natural gas demand is expected to dip this year and then grow at a slow rate over the following three years as Russia's war in Ukraine raises prices and drives concerns about supply disruptions, the International Energy Agency said.

In its quarterly gas report, the IEA said global gas demand is expected to decline by 0.5% this year. From 2021 to 2025, it is expected to rise by a total of 140 billion cubic metres (bcm).

That compares to demand of nearly 175 bcm last year and is less than half of a 370 bcm rise in the previous five years.

The fall in demand growth is mostly the result of weaker economic activity and less switching from coal or oil to gas because of high gas prices worldwide, the report said.

The Asia Pacific region and the industrial sector are the main drivers of growth, accounting for 50% and 60% of the increase to 2025 respectively, but this is subject to change if there is lower economic growth and sustained high prices.

A European Union plan to phase out all gas imports from Russia before the end of the decade means Russian pipeline exports to the EU could fall by more than 55% by 2025 compared to 2021 levels.

However, they could fall by 75% - from 120 bcm in 2021 to 30 bcm by 2025 - if Russian gas flows are completely cut.

High wholesale gas prices in Europe mean the bloc is drawing in record amounts of liquefied natural gas (LNG) cargoes. Europe's LNG demand is expected to outpace supply capacity additions this year and could account for more than 60% of the net growth in global LNG trade to 2025. Worldwide, LNG capacity additions are set to slow in the next three years due to curtailed investment plans following lower LNG prices in the middle of last decade and construction delays arising from COVID-19 lockdowns.

Top News - Dry Freight

Zelenskiy says Ukraine is in talks with Turkey, UN on grain exports

Ukraine is holding talks with Turkey and the United Nations to secure guarantees for grain exports from Ukrainian ports, President Volodymyr Zelenskiy said on Monday.

"Talks are in fact going on now with Turkey and the U.N. (and) our representatives who are responsible for the security of the grain that leaves our ports," Zelenskiy told a news conference alongside Swedish Prime Minister Magdalena Andersson.

"This is a very important thing that someone guarantees the security of ships for this or that country - apart from Russia, which we do not trust. We therefore need security for those ships which will come here to load foodstuffs."

Zelenskiy said Ukraine was working "directly" with U.N. Secretary General Antonio Guterres on the issue and that the organization was "playing a leading role, not as a moderator."

News reports have suggested in recent weeks that such talks would soon be taking place in Turkey.

Ukraine, one of the world's leading grain exporters, accuses Russia of blocking the movement of its ships, and Zelenskiy said 22 million tonnes of grain was stuck at the moment with a further harvest of about 60 million tonnes expected in the autumn.

Russia denies it is blocking any movement of grain and says Ukraine is to blame for the lack of movement, partly because of what it says are mining operations in its ports.

Ukraine has also accused Russia of stealing grain from its warehouses and taking it out of the country - either to Russian-occupied areas, Russia itself or other countries.

A Turkish official on Monday said Turkey had halted a Russian-flagged cargo ship off its Black Sea coast and was investigating a Ukrainian claim that it was carrying stolen grain.

Egypt's GASC buys nine wheat cargoes via direct purchases -traders

Egypt's state grains buyer, the General Authority for Supply Commodities, is believed to have bought around 444,000 tonnes of wheat directly from trading houses on Monday, traders said.

The purchase comprised 214,000 tonnes of Russian wheat, 170,000 tonnes of French wheat and 60,000 tonnes of Romanian wheat, traders said.

GASC did not release results of its purchases and the reports are based on trade estimates.

The state grains buyer is buying wheat outside of its usual tender system, with offers for an undisclosed volume of wheat to be accepted from Monday, traders said earlier on Monday.

Price offers have to remain valid for 24 hours, they added.

Picture of the Day

A view of the Johan Sverdrup oilfield in the North Sea. Carina Johansen/NTB Scanpix/via REUTERS

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

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