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Top News - Oil

Asia oil markets eye Kuwait Al Zour's exports as final CDU starts up

Oil markets in Asia are bracing for further growth in exports from Kuwait's newest Al Zour refinery as the complex started up its third and final crude distillation unit (CDU) this week, with trade sources saying the full impact was likely to be felt later in the third quarter as it ramps up operation.

The refinery, which first started commercial operations in November 2022, is one of several major facilities globally bringing capacity online this year, with higher production and exports of oil products expected to weigh on refining margins.

With Al Zour operational, Kuwait's exports of refined products, including fuel oil, diesel, jet fuel and naphtha, hit a monthly record high of 2.8 million metric tons in June, data from analytics firm Kpler showed.

Al Zour has been stepping up its fuel oil tenders since end -2022, with a significant share of its products landing in Asia and the Middle East and putting margin pressure on rival refiners.

Most of the very-low sulphur fuel oil (VLSFO) exports were headed to key bunker and transfer hubs Singapore and UAE's Fujairah, based on Refinitiv and Kpler shiptracking data.

For jet fuel, Al Zour's exports have averaged 50,000 tons to 200,000 tons per month since the start up of the first CDU at the end of 2022, with cargoes mostly headed to northwest Europe, the shiptracking data showed.

However, these are likely contract cargoes, two refinery sources with knowledge of the matter said, meaning they are unlikely to have put pressure on spot markets.

Meanwhile, gasoil exports were mostly headed to Europe or Africa, the data showed, also easing Asian market impact.

Still, market participants in Asia and industry watchers are keeping watch on whether Al Zour sustains or raises export volumes to Asia in the nearer term.

"They have not been issuing new (export) tenders recently and we think there's unlikely to one until mid-August," a fuel oil trader in Singapore said.

There has been some downside to the spot market for VLSFO recently, though the impact of Al Zour supplies on Asia's market has already been priced in, some trade sources said.

"Only when the market sees sustained export volumes will there be downward pressure," said Emril Jamil, senior analyst for crude and fuel oil at Refinitiv.

Any supply impact on diesel will likely be felt in the fourth quarter when heating demand from Europe starts, one trading analyst and a third refinery source said.

Al Zour is set to be a massive global exporter for VLSFO, producing up to 220,000 barrels per day, equivalent to about 12 million metric tons per year, of which 6 to 7 million tons can be exported.

At full capacity, it can also produce about 7 million tons of ultra-low sulphur diesel, 4 million tons of jet fuel, and 3 million tons of naphtha, all of which are expected to be exported globally.

The Al Zour refinery is operated by Kuwait Integrated Petroleum Industries Company, a subsidiary of Kuwait Petroleum Corporation.

Russia's August oil export cut won't require output drop, source says

Russia's latest pledge to reduce oil exports will not require a similar cut in production, a government source told Reuters on Friday, because more fuel will be needed to meet domestic demand.

Deputy Prime Minister Alexander Novak on Monday announced that Russia would cut oil exports by 500,000 barrels per day in August amid weak global oil prices. But Russian oil companies have not been ordered to make additional output cuts, three sources at the companies said.

"Russia will most likely not have to cut (more) production in August due to increased consumption in the country's domestic market," said the government source, who declined to provide his name as he was not authorised to speak to media. "As we know, prices are rising there and there is not enough fuel."

Russia has already pledged to reduce its oil output by around 500,000 bpd, or some 5% of its oil production, from March until year-end.

The Energy Ministry on Friday told TASS news agency that Russia will reduce oil supplies by 500,000 bpd in August by cutting oil exports. It didn't mention output reduction.

"Russia confirms it will cut supplies to oil markets by 500,000 bpd in August by cutting exports. This means taking all necessary measures to achieve this goal within the framework of voluntary reduction," it said.

"This cut is in addition to the voluntary reduction that the Russian Federation announced earlier and which was extended until the end of December 2024," the Energy Ministry said.

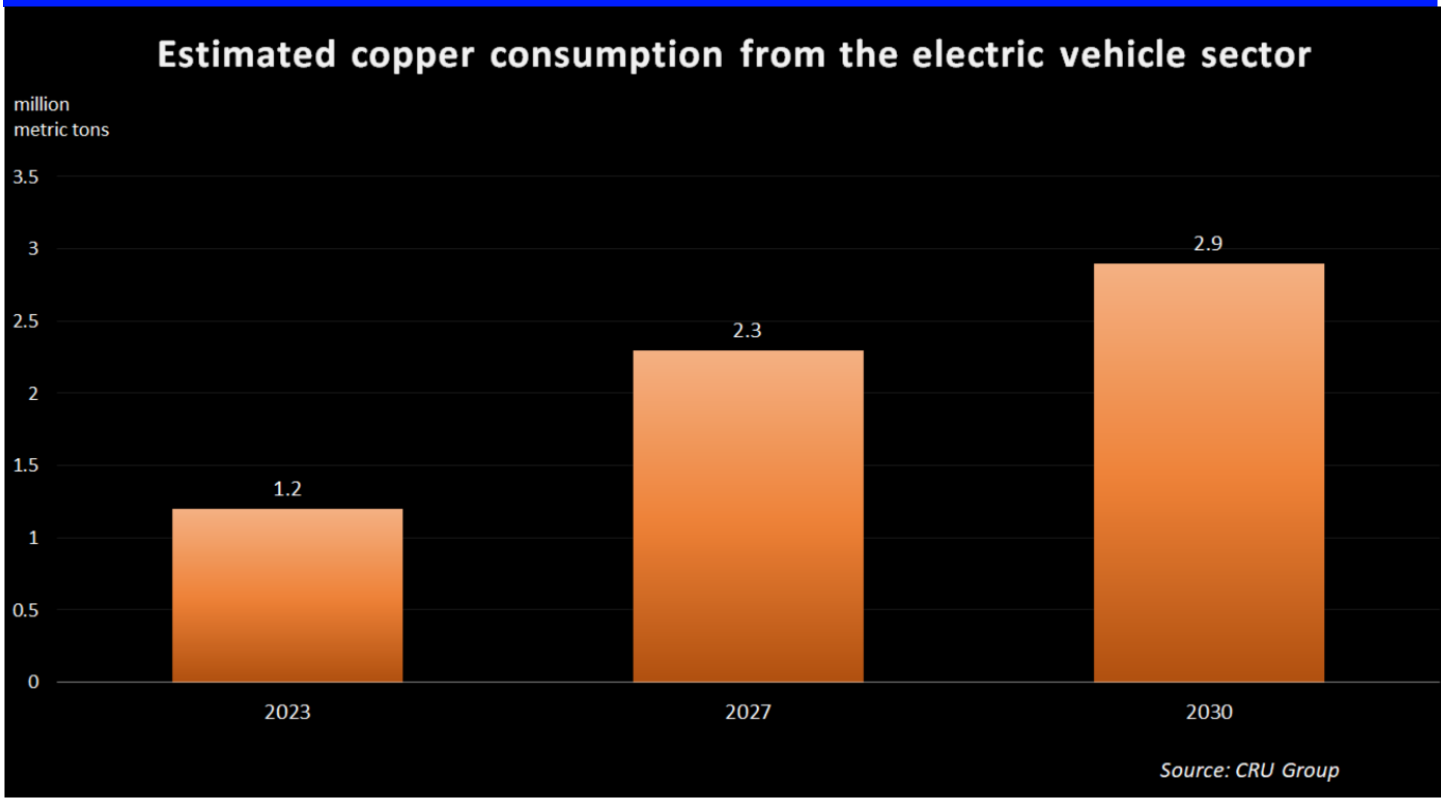
Leading oil companies did not immediately reply to requests for comment.

The market has been seeking more clear signals from Russia since it announced the exports cuts, but the government source's comments come despite Novak's spokesperson telling reporters on Monday that production would be cut by 500,000 barrels per day in August.
Russia needs to keep the domestic market awash with enough fuel to meet rising demand in the summer driving season. It also has to tackle soaring wholesale gasoline prices, pushed up by shortages of supply and idle oil refining capacity.
Russia is the world's second-largest oil exporter after Saudi Arabia, which on Monday announced an August output cut of 1 million bpd, adding that the cut could be extended. Moscow's and Riyadh's cuts amount to 1.5% of global supply and bring the total pledged by OPEC+, which groups the members of OPEC and other producers, to 5.16 million bpd.
The state coffers of Russia and Saudi Arabia are heavily dependent on revenue from oil sales.
The price of Urals oil, Russia's flagship grade, has only recently exceeded the breakeven level for a deficit-free budget if calculated in roubles, as the Russian currency weakened against the U.S. dollar. According to Refinitiv Eikon data, Russia's seaborne oil exports from European ports Primorsk, Ust-Luga and Novorossiisk will fall to 1.9 million bpd in July from 2.3 million bpd in June as domestic refineries increase runs.
Russian refineries cut runs in the spring, freeing up crude supplies and allowing state oil exports to reach a four-year high in May.

Top News - Agriculture

World food prices fall again in June - UN food agency
The United Nations food agency's world price index fell in June to its lowest level in more than two years, pushed down by a drop in the cost of sugar, vegetable oils, cereals and dairy products.
The Food and Agriculture Organization's (FAO) price index, which tracks the most globally-traded food commodities, averaged 122.3 points in June against a revised 124.0 for the previous month, the agency said on Friday.
The May reading was originally given as 124.3.
The June score marked the lowest since April 2021 and meant the index is now 23.4% below an all-time peak reached in March 2022 following the start of Russia's invasion of Ukraine.
In a separate report on cereals supply and demand, FAO forecast world cereal production this year at 2.819 billion tonnes, slightly up on last month's estimate and a 1.1% increase on 2022 levels.
FAO said the higher forecast was almost entirely driven by better prospects for global wheat production, with the forecast lifted by 0.9% to 783.3 million tonnes.

Chart of the Day



FAO's cereal price index dropped by 2.1% in June from the prior month, with maize, barley, sorghum, wheat and rice prices all retreating.
The vegetable oil price index fell 2.4% month-on-month, hitting its lowest level since November 2020, driven by lower world prices of palm and sunflower oils, which more than more than offset higher soy and rapeseed oil quotations.
The sugar price index fell 3.2% from May, marking its first decline after four consecutive monthly increases, mainly triggered by the good progress of the 2023/24 sugarcane harvest in Brazil and a sluggish global import demand, FAO said.
The dairy price index slipped 0.8% from May while the meat index was virtually unchanged.

India's summer-sown crop planting lags on uneven monsoon rains
Farmers in India have fallen behind in planting key summer-sown crops such as rice, cotton, corn and soybeans due to the uneven distribution of monsoon rainfall, although they could catch up in the coming weeks if sufficient rain occurs.
Millions of Indian farmers plant summer crops mainly in the monsoon months of June and July, with the harvest starting in October.
This year, the delayed arrival of monsoon rains and lower rainfall in some southern, eastern and central states held back planting of summer crops even as monsoon covered the entire country nearly a week in advance.
Farmers have planted summer-sown crops on 35.34 million hectares as of July 7, nearly 9% lower than a year ago, according to data compiled by the Ministry of Agriculture & Farmers' Welfare, which will keep updating the provisional crop sowing figures as it gathers more information from states.
Area under rice, the most important summer crop, stood at 5.4 million hectares, down from the last year's 7.1 million hectares, the data showed.
India accounts for more than 40% of world rice exports, which were 56 million tonnes in 2022, but lower production could force New Delhi to impose more restrictions on the exports, traders said.
"Rice planting in southern states and eastern India was down due to lower rainfall. But it will accelerate as monsoon rains are picking up," said an exporter based at Kakinada in the southern state of Andhra Pradesh.
The country has so far received 3% lower rainfall than the normal since the four-month long monsoon season started on June 1, but in some regions, the deficit is as high as 43%, weather department data showed.
In July, the most crucial month for planting of summer crops, India is likely to receive average monsoon rainfall between 94% and 106% of the long-term average, the weather department said last week.
Some 3.56 million hectares were planted with soybeans, 26% less than a year ago. Corn was planted in 2.71 million hectares, and was down 12%. Cotton area was down 11% to 7 million hectares, while sugar cane area rose 4.7% to 5.58 million hectares.

Top News - Metals

Innovation in EVs seen denting copper demand growth potential
New electric vehicles from Tesla and rivals are being engineered for efficiency in a way that cuts copper content, changes that could limit demand growth for the metal as the next-generation of EVs hits the road, industry analysts say.
The strong ramp-up in sales for EVs, led by growth in China, means copper demand will continue to grow for the remainder of the decade, but innovation in EVs has emerged as a limiting factor, according to two recent forecasts.
Copper has been seen as a green-energy transition play, in part because of the wiring needed for electric cars. EVs can use as much as 80 kgs (176 pounds) of copper, four times the amount used in a typical combustion engine vehicle.
In a report this week, Goldman Sachs said EVs accounted for two-thirds of the global demand growth in copper last year. But EV and battery makers have found ways to cut weight and costs that also mean less copper is needed per vehicle, Goldman Sachs and consultancy CRU Group said separately.
CRU Group lowered its estimate for copper usage in an average EV to 51-56 kgs between this year and 2030. That was down from its previous forecast of 65-66 kgs over the same period.
Goldman Sachs estimated copper in an average EV would fall to 65 kgs per vehicle by 2030 compared with an estimate of 73 kgs last year.
Both cited a chain of engineering changes intended to improve range, reduce weight and bolster efficiency of EVs that will have the cumulative effect of cutting copper content.
"It may be the first crack in the story on the demand side," CRU analyst Robert Edwards said. "Some of the projections out there have been very aggressive in terms of potential green energy demand (for copper)."
The engineering changes include shifting to more compact batteries where cells do not have to be wired into modules, using thinner copper foil in battery cells and shifting to higher voltage systems that will require less wiring.
In one example, Tesla expects that by moving to a 48-volt system for the secondary battery - the smaller battery used to power functions like lighting and wipers - in future

EVs, it will be able to cut the need for copper to one quarter of current levels, Elon Musk told investors in May.
Goldman Sachs called innovation in batteries and the potential shift to higher voltage systems like Tesla's "the main threat to copper's EV demand leverage."
It expects copper demand for EVs to be 1 million metric tons this year and 2.8 million by 2030. Previously, it had projected 3.2 million metric tons of demand from EVs in 2030.
However, a higher penetration rate of EVs is making up for the easing copper usage in each unit.
CRU said it expected that EVs and plug-in hybrids would account for 42% of vehicles sold globally in 2030, up from a forecast of a third previously.
CRU's Edwards said some of those bullish on copper may have underestimated the potential for EV makers to roll out technologies that limit the use of the metal.
The benchmark three-month copper price on the London Metal Exchange leapt to a record $10,845 per metric ton in March 2022, partly thanks to the bullish EV demand story, but has fallen by nearly a quarter since.

Indonesia probes possible illegal nickel ore exports to China

Indonesian officials are investigating whether there have been illegal nickel ore shipments to China, more than three years after Jakarta banned exports of the commodity, its mining minister said on Friday.
Indonesia, the world's biggest nickel ore producer, had stopped exports of the material since the beginning of 2020 to reserve raw material supply for its domestic stainless steel and battery-grade nickel production.
The policy had boosted the value of its nickel product exports to over $30 billion in 2022 from $1 billion in 2015, Indonesian government officials said.
However, data from China's customs office showed the country still imported nickel ore from Indonesia after the ban - 5.56 million metric tons between 2020 and May 2023.
China is the world's biggest nickel user.
Indonesia's customs office and the mining ministry are looking into possible illegal exports of the ore, Arifin Tasrif, Energy and Mineral Resources Minister told reporters.
"We are collecting data and verifying them. There are requirements that must be met to conduct exports, so how did the ore slip out?" Arifin said. He did not confirm the estimated size of the ore exports.
He said investigators were looking into the possibility of discrepancy in the categorisation of products reported by exporters, among other potential cause.
Analysts and traders believe the material has been

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.32 / bbl	-0.73%	-8.65%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.47%	0.76%
ICE Gas Oil	$746.75 / tonne	0.37%	-18.92%
NYMEX Natural Gas	$2.64 / mmBtu	2.17%	-41.05%
Spot Gold	$1,922.27 / ounce	-0.10%	5.36%
TRPC coal API 2 / Dec, 23	$120 / tonne	-1.64%	-35.05%
Carbon ECX EUA / Dec, 23	€86.27 / tonne	0.13%	2.74%
Dutch gas day-ahead (Pre. close)	€33.00 / Mwh	2.80%	-56.33%
CBOT Corn	$4.89 / bushel	0.36%	-27.88%
CBOT Wheat	$6.48 / bushel	-0.23%	-18.69%
Malaysia Palm Oil (3M)	RM3,845 / tonne	0.29%	-7.88%
Index (Total Return)	**Close 07 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	294.40	0.98%	-2.30%
Rogers International	26.33	1.00%	-8.15%
U.S. Stocks - Dow	33,734.88	-0.55%	1.77%
U.S. Dollar Index	102.27	-0.77%	-1.21%
U.S. Bond Index (DJ)	403.66	-0.88%	2.85%

exported as iron ore but imported into China as nickel ore, which typically has high iron content.
Indonesia's statistics bureau data showed only less than 2 metric tons of nickel ore were exported from Indonesia from 2020 to 2022, compared to 32 million metric tons in 2019 alone.

Top News - Carbon & Power

Shell warns of big drop in gas trading results
Shell, the world's biggest liquefied natural gas (LNG) trader, said on Friday second-quarter gas trading results were expected to come in "significantly lower" quarter-on-quarter, though in line with the previous two years' second quarters.
Wholesale gas prices were volatile in April-June, driven by maintenance in key supplier Norway, where Shell unexpectedly extended an outage at its Nyhamna processing plant.
Shell cited "seasonality and fewer optimisation opportunities" as reasons for its lower gas trading result. The company does not provide figures for its gas trading results or say what proportion of its business it accounts for.
The benchmark front-month Dutch gas contract last traded at 32.90 euros per megawatt hour, down from above 100 euros last year - including a spike to over 300 euros in August - and 70 euros at the start of this year.
Shell shares were up around 0.5% at 1234 GMT, lagging a European index of oil and gas companies, which was up 0.7%. "Shell's trading update included a number of operational indicators which were broadly in line with our forecasts," said RBC equity analyst Biraj Borkhataria in a note.
"Weaker trading across oil and gas which should be expected by the market given lower gas prices and the seasonality of Shell's LNG portfolio."
Shell’s trading typically generates smaller profits in the second quarter due to lower seasonal demand.
The company added that trading performance in its chemicals and products business was also expected be lower than in the first quarter, with the indicative refining margin forecast to drop to $9 a barrel from $15 a barrel.
U.S. rival Exxon also guided to lower refining margins this week.
In an update ahead of second-quarter results on July 27, Shell also flagged $3 billion in writedowns for the quarter, primarily driven by a 1% increase in the discount rate used for impairment testing.
This is an accounting move to reflect a higher-interest rate environment, a spokesperson said.

Siemens Energy deepens in-house probe into turbine problems – sources
Siemens Energy's management board has set up a task force to establish the scope of deepening problems at its crisis-ridden wind turbine division, including quality issues at its two most recent onshore platforms, two supervisory board sources said. The investigation into the problems, which were unveiled in June and caused Siemens Energy's shares to plunge by 37%, is flanked by a separate special committee consisting of members of Siemens Energy's supervisory board, the sources said.
One key question it will deal with is why Siemens Energy's leadership failed to spot the issues during the due diligence process ahead of its recent takeover of the remaining stake in the troubled division, Siemens Gamesa, the people said.
While the supervisory board continues to back both Siemens Energy CEO Christian Bruch and Siemens Gamesa CEO Jochen Eickholt, that could change should the investigation show that management should have noticed the problems during due diligence, the people said.
The latest problems caused Siemens Energy, in which Siemens AG still owns a direct 25.1% stake following a spin-off in 2020, to withdraw its 2023 profit outlook and flag more than 1 billion euros in costs to fix quality issues.
"A stage has been reached where there is agreement that this must be the last profit warning. Otherwise something has to change," one of the people said.
Both committees will be able to draw on external advisors to gauge the full impact of the issues, which apart from the quality issues include potential design flaws and two possible loss-making offshore wind turbine agreements, the people said.
The quality problems in onshore are limited to Siemens Gamesa's 5.X and 4.X platforms, the people said, allaying fears that the group's total installed fleet of around 63,000 turbines could be affected.
Most of the problems, which include fault rates, are being observed at the 5.X turbine, of which 800 have been built so far, with 100 having been delivered to clients.
Consultancy DNV certified Siemens Gamesa's turbine design during the due diligence process, the people said.
A spokesperson for DNV denied this, saying: "DNV did not certify the Siemens Gamesa's turbine design."
Siemens Energy declined to comment.
Siemens Energy also made efforts in recent months to help former parent Siemens reduce its stake via a sale to new investors, the people said, adding this process had been put on ice for the time being in light of the most recent profit warning.

Top News - Dry Freight

Putin-Erdogan talks only hope for Black Sea grain deal extension- RIA

Expected negotiations between Russian President Vladimir Putin and Turkey's President Tayyip Erdogan remain the only hope to extend the Black Sea grain deal that is set to expire next week, Russia's RIA news agency reported on Monday.

The Black Sea deal, brokered between Russia and Ukraine by the United Nations and Turkey in July 2022, aimed to prevent a global food crisis by allowing Ukrainian grain trapped by Russia's invasion to be safely exported from Black Sea ports. Citing an unnamed source familiar with negotiations, RIA reported "there is no optimism" for the extension of the deal - a position that Moscow has reiterated frequently in recent weeks.

"Our practice shows that it is the negotiations between the two leaders that are able to change the situation, the current difficult period is no exception," RIA cited the source as saying.

"Today, this remains the only hope."

Erdogan said on Saturday he was pressing Russia to extend the grain deal, currently due to expire on July 17, by at least three months and announced a visit by Putin in August.

The Kremlin said over the weekend there was no phone call scheduled and that there was no certainty about the two leaders meeting.

Ankara angered Moscow with its July 8 decision to release to Kyiv five detained Ukrainian commanders of a unit that for weeks defended a steel works in the Ukrainian city of Mariupol, with the Kremlin saying Ankara violated agreements.

Ukraine's 2023/24 grain exports 497,000 T so far, ministry says

Ukraine's grain exports for the new 2023/24 season stood at 497,000 metric tons as of July 7, Agriculture Ministry data showed on Friday. The volume included 273,000 tons of corn, 177,000 tons of wheat and 46,000 tons of barley.

The ministry did not give an exact comparison for the same date a year ago but said that Ukraine had exported 318,000 tons of grain as of July 8, 2022.

Exports for the entire 2022/23 season were almost 49 million tons, exceeding the previous season's 48.4 million tons.

Most of the volume was exported via deep Black Sea ports under a deal brokered by the United Nations and Turkey last July to tackle a global food crisis worsened by Russia's invasion of Ukraine and a blockade of Ukrainian ports.

A major grain grower and exporter, Ukraine's grain output dropped to about 53 million tons in clean weight in calendar 2022, down from a record 86 million tons in 2021. The ministry has said the crop could fall to 46 million tons of grain in 2023.

Picture of the Day

Boats spray water onto an offshore oil platform that caught fire at the Pemex's Cantarell Field, in the Bay of Campeche, Gulf of Mexico, Mexico July 7, 2023. Petroleos Mexicanos (PEMEX) @Pemex/Handout via REUTERS

(Inside Commodities is compiled by Sravanthi Bhamidi in Bengaluru)

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