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Top News - Oil

Oil markets set to tighten, economic headwinds to hit growth – IEA

Oil demand is set to hit a record high this year and the market is tightening but economic headwinds and interest rate hikes have deflated growth expectations slightly, the International Energy Agency (IEA) said on Thursday.

Still, the Paris-based energy watchdog sees demand growth next year rising by more than anticipated despite the rise being less than half that of this year."World oil demand is coming under pressure from the challenging economic environment, not least because of the dramatic tightening of monetary policy in many advanced and developing countries," the IEA said in its monthly oil report.

While demand is expected to reach 102.1 million barrels per day (bpd), the Paris-based energy watchdog lowered its forecast for growth of the first time this year, by 220,000 barrels per day (bpd), to 2.2 million bpd.

The oil market is tightening, the IEA projected, with demand set to outstrip supply for the rest of 2023.

China is due to make up more than two-thirds of this year's demand growth as its post-pandemic economic rebound is set to gain pace, especially later in the year, the IEA said. Its recovery has gotten off to a slow start so far, however. "China’s widely anticipated reopening has so far failed to extend beyond travel and services, with its economic recovery losing steam after the bounce earlier in the year," the IEA said.

Demand in developed countries and especially Europe remains subdued as manufacturing slumps, with OECD developed countries on the continent due to register four consecutive quarters of contracting demand up to the final quarter of 2023.

Oil demand growth is set to halve next year to 1.1 million bpd, the IEA said, reflecting vehicle electrification and energy efficiency, though it raised its view from a 860,000 bpd rise it forecast last month.

A more robust global economic outlook next year and an expected increase in gasoil use in China accounted for the raised forecast, it said.

Russian Urals oil price jumps above 'price cap' - traders' data

Russian Urals oil jumped $2-$3 above the $60 per barrel Western price cap on Thursday, boosted by strengthening in international benchmark Brent and additional export cuts announced by Russia in August, Reuters calculations based on traders' data showed.

Calculated prices for Urals oil cargoes loading from Baltic ports and Black Sea Novorossiisk were at $62.22 per barrel on Thursday and $63.22 per barrel, respectively, according to the data and calculations.

The price cap of $60 per barrel was introduced in December by G7 countries. Washington said it would help to avoid supply disruptions by keeping Russian oil flowing, while also limiting revenues for Russia's President Vladimir Putin.

The policy allows Urals oil cargoes trading below the price cap to be shipped and insured by Western companies.

Urals discounts firmed to around $7.5 a barrel to dated Brent on a delivered ex-ship (DES) basis in ports in India, the main buyer of the grade, for cargoes loading late in July to early in August.

Russia will cut oil exports from its western ports in July, according to the plan, and recently pledged to make export cuts in August fuelling demand for the grade.

The rise in daily Urals oil prices above the price cap doesn't mean market players breach any sanctions as the price for a particular deal is normally calculated on the basis of a monthly or several-days average.

Given current ICE Brent and dated Brent prices, Urals oil cargoes on Thursday traded above $60 per barrel on a FOB (free on board) basis in Russian western ports, according to Reuters calculations.

If international prices fall, the actual price of the deal could still be below the cap.

Russian Urals oil broke through the $60 per barrel price cap in April, boosted by strength in international benchmark Brent after OPEC+ announced an output cut.

Top News - Agriculture

UN scrambles to save Black Sea grain deal, with EU help, ahead of Monday deadline

The European Commission is helping the United Nations and Turkey try to extend a deal allowing the Black Sea export of Ukraine grain and is open to "explore all solutions," a European Union spokesperson said on Thursday, ahead of the deal's possible expiration on Monday.

The U.N. and Turkey brokered the Black Sea Grain Initiative with Russia and Ukraine in July 2022 to help alleviate a global food crisis worsened by Moscow's invasion and blockade of Ukrainian ports. Ukraine and Russia are among the world's leading grain exporters.The EU is considering connecting a subsidiary of the Russian Agricultural Bank (Rosselkhozbank) to the international payment network SWIFT to allow for grain and fertilizer transactions, sources familiar with discussions told Reuters on Wednesday.

U.N. Secretary-General Antonio Guterres proposed in a letter to Russian President Vladimir Putin on Tuesday that Moscow allow the Black Sea grain deal to continue for several months to give the EU time to connect a Rosselkhozbank subsidiary to SWIFT, two of those sources familiar with discussions told Reuters.

During a visit to Brussels on Thursday, Guterres told reporters that he had not yet received a response from Russia. He said his letter to Putin contained "concrete proposals that I hope can allow us to find a positive way forward."

According to TASS news agency, Putin said he had not seen the letter from Guterres proposing an extension of the deal, but said Russia was in contact with U.N. officials.

"We can suspend our participation in the deal, and if everyone once again says that all the promises made to us will be fulfilled, then let them fulfill this promise. We will immediately rejoin this deal," he told Russian state television.

A Kremlin spokesman later said that Russia had not taken a final decision on whether to exit the grain deal.

EU 'OPEN TO EXPLORE SOLUTIONS'

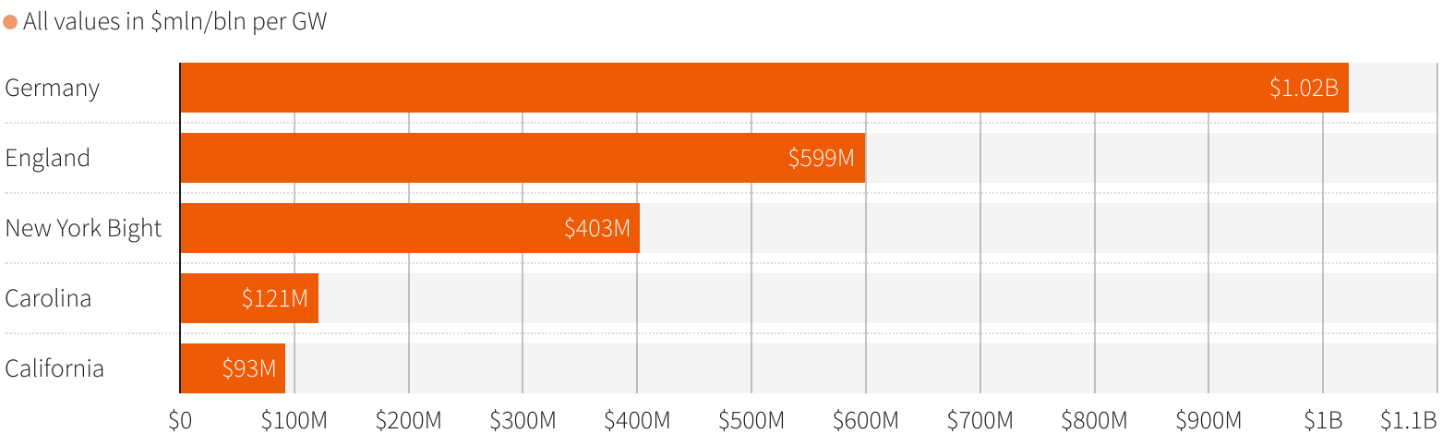
The European Commission's priority is to ensure that Ukrainian grain can reach the world market and it calls on all parties to extend the Black Sea deal, an EU spokesperson in Brussels said on Thursday.

"We are assisting the talks led by the U.N. and Turkey as required," the spokesperson said. "We are of course open to explore all solutions that contribute to our objective, whilst continuing to ensure that Russia's ability to wage war in Ukraine is hampered as much as possible."

A key demand by Moscow is the reconnection of Rosselkhozbank to SWIFT. It was cut off by the EU in June 2022 over Russia's invasion of Ukraine in

Chart of the Day

BP and TotalEnergies have paid up to develop wind in Germany



Note: Germany's $1.02 bln per GW reflects that BP and TotalEnergies don't have to start paying 90% of the purchase price until the two decades after the project first generates power, potentially around 2030. The headline cost is $2 bln per GW.
Source: Bernstein | A.F. Alias | Breakingviews | July 13, 2023

February 2022. European Commission President Ursula von der Leyen later on Thursday urged Putin to extend the deal. "The ball is in President Putin's court and the world is watching," she said.
Russia has threatened to ditch the Black Sea grain deal because several demands to dispatch its own grain and fertilizer abroad have not been met. The last ship traveling under the Black Sea agreement is currently loading its cargo at the Ukrainian port of Odesa ahead of the Monday deadline.
Ukrainian President Volodymyr Zelenskiy said he spoke with South African President Cyril Ramaphosa on Thursday and that they both agreed it was "vital" to extend the Black Sea deal.
"It is very important that there be no threat to food security anywhere in the world. And Russia must clearly realise that anyone who increases the threat of famine, particularly in critical areas of Africa, terrorises the entire world with famine," Zelenskiy said in his nightly video address.

'BALL IN RUSSIA'S COURT'
More than 32 million tonnes of corn, wheat and other grains have been exported by Ukraine under the arrangement. Russia has complained that not enough reaches poor countries, but the U.N. argues that it has benefited those states by helping lower food prices more than 20% globally.
To convince Russia to agree to the Black Sea deal, a three-year memorandum of understanding was struck in July 2022 under which U.N. officials agreed to help Russia get its food and fertilizer exports to foreign markets. While Russian exports of food and fertilizer are not subject to Western sanctions imposed after the invasion of Ukraine, Moscow says restrictions on payments, logistics and insurance have amounted to a barrier to shipments.
As a workaround to the lack of access to SWIFT, U.N. officials have got U.S. bank JPMorgan Chase & Co to start processing some Russian grain export payments with reassurances from the U.S. government.
The U.N. is also working with the African Export-Import Bank to create a platform to help process transactions for Russian exports of grain and fertilizer to Africa, a U.N. trade official told Reuters last month.

Smaller German wheat and rapeseed crops forecast due to dry weather
Germany's 2023 wheat harvest will fall 3.2% on the year to 21.79 million metric tons, the country's association of farm cooperatives said on Thursday, repeating its earlier forecast of a smaller harvest this year after dry weather stressed grains. This was down from its previous forecast in June of a German 2023 wheat crop of all types of 21.87 million metric tons as rain often came too late to help crops.
In its latest harvest estimate, the association forecast Germany's 2023 winter rapeseed crop will fall 3.3% on the year to around 4.14 million metric tons, unchanged from the June estimate.
Germany is the European Union’s second largest wheat producer after France and in many years the EU’s largest producer of rapeseed, Europe’s main oilseed for edible oil and biodiesel production.
The association said it was "cautiously optimistic" about Germany's harvest although grains and rapeseed had suffered from lack of rain in the spring and early summer.
Rain in recent weeks will prevent very serious harvest losses but came too late in some areas to reverse dryness damage, the association said.
Maize (corn) has benefited from the rain but a current heatwave means expectations of overall reduced grains and rapeseed crops must be maintained, it said.
Germany’s winter barley crop, mostly for animal feed, will be 1.1% lower on the year to 9.12 million metric tons, the association said. Winter barley harvesting is well underway and is finished in some areas but with barley quality sometimes suffering from dryness stress.
The spring barley crop, used for beer and malt production, will fall 17.0% on the year, largely because of reduced sowings, to 1.63 million metric tons.
The maize crop will fall 3.0% to 3.72 million metric tons, it estimated.

Top News - Metals

FOCUS-Chile miners, facing higher taxes, seek faster permits, lower energy costs
Now that Chile has passed an increase in mining royalties, copper miners are pushing for incentives to keep investing in production of the metal needed for the renewable energy revolution, with steps such as cuts in energy costs, speeded-up permit approvals and other incentives. Beginning in 2024, mining royalties will rise to a range of 8% to 26% of operating margin from the current range of 5% to 14%. There will also be a 1% ad valorem tax based on sales for miners that post a profit.
Chile's Mining Council, which comprises large private firms, estimates this will ultimately boost the average

tax rate of 44.7%, exceeding the top of the range of 38-to-44% in competing countries such as Peru and Australia.

"We're hoping that this competitive disadvantage is somehow compensated with other public policy actions that encourage investment," said the association's head of studies, Jose Tomas Morel.

The elevated royalty is the latest flashpoint between the mining industry in the world's No. 1 copper and No. 2 lithium producer and the leftist government of Gabriel Boric, who came to office promising to get the country's mining industry to help pay for expanded social programs. Industry lobbying did prompt a cut in the original royalty rise plan, and some miners have said they will continue to invest.

"Despite being a strong left-wing government, they engaged the industry and sought to understand and work towards an outcome that struck a balance between public needs and what was required to maintain the competitivity of the industry and the country," said Mark Henry, CEO of BHP Group, Chile's No. 2 player which had initially said the royalty would prompt a review of its $10 billion investment plan in Chile. "BHP will continue to invest."

Other big miners were more tentative, and some mining executives are skeptical the industry will follow through on an estimated $70 billion in planned investment without additional stimulus. With Chile's aging mines producing less copper, analysts noted that the more mining investment was needed to produce the government's desired revenue increase, even with the higher royalty.

Industry experts are closely watching whether Chilean miner Antofagasta's decides to invest $3.7 billion to expand its Centinela mine towards year end.

Antofagasta did not respond to a request for comment. In June, CEO Ivan Arriagada told local media the company was reevaluating the project because the new royalty "does impact competitiveness."

"Some projects on the margin will have to be reassessed to determine whether they are viable or not," Arriagada said.

Freeport-McMoRan, one of the world's largest copper producers, has said it will put Chile investment decisions on hold due to political uncertainty. Boric has pledged investment incentives. The government is in talks with mining companies and other interested parties. Miners have yet to provide a detailed list of incentives they are seeking.

Morel said the government should speed up and simplify the permitting process in which projects need hundreds of permits with each taking months to approve. He said the government should also help miners navigate thorny environmental and indigenous regulation issues which can lead to lengthy court cases. Energy costs are another concern. Chile's

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.93 / bbl	0.05%	-4.15%
NYMEX RBOB Gasoline	$2.61 / gallon	-0.19%	5.27%
ICE Gas Oil	$757.50 / tonne	0.17%	-17.75%
NYMEX Natural Gas	$2.55 / mmBtu	0.04%	-43.11%
Spot Gold	$1,957.02 / ounce	-0.16%	7.27%
TRPC coal API 2 / Dec, 23	$101 / tonne	-1.56%	-45.33%
Carbon ECX EUA / Dec, 23	€85.91 / tonne	0.08%	2.31%
Dutch gas day-ahead (Pre. close)	€26.60 / Mwh	-4.93%	-64.80%
CBOT Corn	$4.95 / bushel	0.25%	-27.03%
CBOT Wheat	$6.43 / bushel	0.47%	-19.91%
Malaysia Palm Oil (3M)	RM3,894 / tonne	0.75%	-6.71%
Index (Total Return)	**Close 13 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.66	0.92%	0.11%
Rogers International	26.37	-0.32%	-8.02%
U.S. Stocks - Dow	34,395.14	0.14%	3.76%
U.S. Dollar Index	99.77	-0.75%	-3.62%
U.S. Bond Index (DJ)	411.96	0.80%	4.14%

mining industry consumes about 15% of the country's total energy output, and the Chilean Copper Commission says energy represents about 11% of miners' costs. The industry would like the government to pass regulations cutting energy costs for miners.

DECLINING PRODUCTION

The mining royalty increase was part of a wider tax reform plan that congress rejected in March. Boric's government hopes to boost total copper revenue for the state up to 0.45% of GDP or about $1.35 billion a year, using the funds to boost programs such as child care, security, health care and education.

Gustavo Lagos, a professor at the mining department at Catholic University in Santiago, said the new royalty might not hit its target since most new projects are focused on compensating for declining production rather than adding supply.

"I think there will be investment, what I don't think is that production will grow more, it will be difficult for us to go above 6 million (metric) tons in Chile and that is what ultimately determines revenue," Lagos said.

Chile's copper supply has fallen due to the natural decline in mineral grades of its oldest deposits, delays in project start-ups, accidents and other problems. Production in 2022 totaled 5.33 million metric tons, down from a record 5.83 million in 2018.

The government is holding talks with business groups and other political actors for a second shot at tax reform, and miners hope this might possibly boost their chances for incentives.

One mining executive, who asked not to be named due to the sensitivity of the issue, said the government might compromise further to try and boost future investment.

"The (projects) that are not carried out are going to come to a point where they are going to negotiate with the government and say 'I'm doing this project but I need another guarantee,'" the executive said.

Goldman sees limited potential for sustained rebound in industrial metals

Goldman Sachs on Thursday said there is limited potential for a sustained rebound in industrial metals in the near-term following a downside in the previous quarter, due to an unfavorable global economic environment.

"Until a more robust demand environment emerges at a micro level, we continue to see a fundamental setting where rallies in metals prices are likely to quickly fade," the Wall Street bank said in a note. The bank highlighted that two issues for base metals are a contracting manufacturing sector along with the good labor market and service sector that limits the potential for policy easing in a still elevated inflation setting.

Analysts at Goldman Sachs said that one of the main performance complexities for industrial metals mid-year has been the ebb and flow in China stimulus expectations. Copper prices in London lost 7.5% in the second quarter due to slow demand recovery in top metals consumer China and concerns over global economic growth.

Last month, China lowered two benchmark lending interest rates amid efforts to shore up a slowing recovery, but the cut failed to lift metals prices on a lack of stimulus measures expected.

"There is no singular China metals demand story anymore in our view," Goldman said.

However, although the current macro environment for industrial metals remains challenging, the copper economy continues to display significant outperformance, Goldman said.

Goldman expects the LME aluminium price to remain pressured in the near-term close to the $2,000 per ton level, until either demand improves or fresh smelter cuts emerge.

Benchmark three-month aluminium on the London Metal Exchange (LME) was trading around $2,279 per metric ton by 1604 GMT on Thursday.

Top News - Carbon & Power

Exxon to buy Denbury for $4.9 billion in carbon storage bet

Exxon Mobil Corp on Thursday agreed to buy Denbury Inc for $4.9 billion to accelerate its energy transition business with an established carbon dioxide (CO_2) sequestration operation.

The acquisition, which sent both companies' shares lower, gives Exxon ready-made CO_2 transportation and highlights its bets on making carbon capture a profitable business. U.S. tax credits for reducing planet-warming gases have set off a race to build carbon capture sites. But wide-scale adoption of carbon sequestration remains uncertain because of the costs and technical challenges, which were reflected in the deal price.

Exxon's all-stock offer valued Denbury at a 1.9% premium to its Wednesday closing stock price.

Denbury CEO Chris Kendall said in a statement that "significant capital and years of work" are required to fully develop its CO_2 business, making deep-pocketed Exxon "the ideal partner with extensive resources and capabilities."

Plano, Texas-based Denbury is an oil and gas producer that owns and operates a 1,300 mile CO_2 pipeline network in the U.S., including pipelines that span the Gulf Coast's petrochemical industry heartland, where Exxon has sought to build a carbon hub. Jefferies analyst Sam Burwell estimated Exxon was paying $1.9 billion for Denbury's carbon capture infrastructure and $3 billion for its oil production.
"The modest 2% takeout premium suggests to us that Denbury realized the difficulty in competing with Exxon to win CO_2 offtake," he wrote in a note.

SHARES FALL

Exxon shares dropped 1.9% to $104.46 in afternoon trading. Denbury shares slipped to $86.62. Its shareholders stand to receive 0.84 of an Exxon share for each Denbury share.
Denbury, which gets most of its revenue from enhanced oil recovery, or pumping CO_2 into wells to force out more oil, exited bankruptcy in September 2020 and its stock has jumped nearly fivefold since as carbon sequestration was embraced by U.S. companies to cut greenhouse gas emission.
Its pipeline network and sequestration sites will give Exxon a way to quickly provide carbon removal services to carbon reduction customers such as Linde AG and CF Industries. Exxon's own offshore storage sites are years away.
"It's a very logical, very straightforward way for Exxon to build on its existing business strength in carbon management technology," said Raymond James analyst Pavel Molchanov, but adding the deal is "very small for Exxon, relative to its size."

LOW CARBON BUSINESS

Carbon sequestration has been embraced by oil companies including Chevron, Occidental Petroleum and Talos Energy, which aim to capture and store CO_2 underground.
Exxon two years ago set up its Low Carbon Solutions business with the aim of generating hundreds of billions of dollars in revenue from cutting its and customers' emissions. It has said the business, which includes carbon storage, hydrogen and biofuels, could outperform its traditional oil and gas operations as soon as a decade from now.
Last year, Exxon struck its first commercial carbon storage deal with top ammonia maker CF Industries. In January, Exxon said it plans to start operations at its large-scale hydrogen plant in Texas in 2027 or 2028. Hydrogen is a potential clean fuel for utilities.
The Denbury deal "reflects our determination to profitably grow our low carbon solutions business," Exxon CEO Darren Woods said.

Wind and solar to produce over a third of global power by 2030 – report

Wind and solar projects are on track to account for more than a third of the world's electricity by 2030, signalling that the energy sector can achieve the change needed to meet global climate goals, a report by the Rocky Mountain Institute (RMI) said on Thursday.
Sultan al-Jaber, president of the next UN climate summit, COP28, earlier this year called for a tripling of renewable energy generation by 2030 to curb greenhouse gas emissions and help reach goals set under the 2015 Paris climate agreement.
Exponential sector growth means wind and solar projects are predicted to generate at least 33% of global electricity, up from around 12% now, leading to a fall in fossil fuel-powered generation and cheaper power, the RMI report showed.
The RMI, a U.S.-based non-profit organisation focused on clean energy, carried out the research in partnership with the Bezos Earth Fund, a $10 billion fund created by Amazon owner Jeff Bezos to help fund solutions to climate change.
The cost of solar power, which is already the cheapest form of electricity production, will fall as low as $20 per megawatt hour from around $40 MWh currently, as more projects are deployed and economies of scale improve, the report said.
"The benefit of rapid renewable deployment is greater energy security and independence, plus long-term energy price deflation because this is a manufactured technology - the more you install the cheaper it gets," said Kingsmill Bond, Senior Principal at RMI.

Top News - Dry Freight

Strike at Canada's Pacific ports ends with tentative, 4-year deal

Dock workers at ports along Canada's Pacific coast and their employers accepted a tentative wage deal on Thursday, ending a 13-day strike that disrupted trade at the country's busiest ports and risked worsening inflation.

"The British Columbia Maritime Employers Association (BCMEA) and International Longshore and Warehouse Union (ILWU) Canada are pleased to advise that the parties have reached a tentative agreement on a new 4-year deal," the BCMEA said in a statement.

The ILWU also said there was an agreement, which must now be ratified by both sides. The union had made demands including wage increases and expansion of their jurisdiction to regular maintenance work on terminals.

Some 7,500 dock workers represented by the ILWU walked off the job on July 1 after failing to reach a new work contract with the BCMEA representing the companies involved. The strike upended operations at two of Canada's three busiest ports, the Port of Vancouver and the Port of Prince Rupert - key gateways for exporting the country's natural resources and commodities and bringing in raw materials.Economists have warned that the strike could trigger more supply-chain disruptions and fuel inflation while the Bank of Canada tries to cool the economy.

"The scale of the disruption has been significant," Labour Minister Seamus O'Regan and Transport Minister Omar Alghabra said in a joint statement. "We do not want to be back here again. Deals like this, made between parties at the collective bargaining table, are the best way to prevent that."

On Tuesday, O'Regan said the differences between the parties were not sufficient to justify a continued work stoppage.

He offered terms drafted by a federal mediator and gave the union and employers 24 hours to decide if they were satisfied. The deal was reached at 10:20 am PT (1720 GMT), 10 minutes before the deadline, the ILWU said.

The parties, with help from federal mediators, had been negotiating a new contract since late April.

More than half of Canadian small business owners in a survey released on Tuesday said the strike at the Port of Vancouver will affect their operations, according to preliminary results from the Canadian Federation of Independent Business. The strike is estimated to have disrupted C$6.5 billion of cargo movement at the ports, based on the industry body Canadian Manufacturers & Exporters' calculation of about C$500 million in disrupted trade each day.

South Korea's MFG buys some 68,000 metric tons of corn in tender

South Korea's Major Feedmill Group (MFG) has purchased an estimated 68,000 metric tons of animal feed corn expected to be sourced from South America in an international tender on Thursday, European traders said.

The tender sought corn in two consignments of up to 70,000 metric tons from optional origins excluding Russia and Ukraine.

Traders said falling Chicago corn prices were starting to generate more Asian import demand.

U.S. corn futures dropped to their lowest in 2-1/2 years on Wednesday after the Department of Agriculture forecast a larger-than-expected U.S. crop. The corn was bought in one consignment at a premium of 150.50 U.S. cents c&f over the Chicago December corn contract, generating an estimated outright price of $253.22 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading. The seller was believed to be Australian trading house GrainCorp. The corn was bought for arrival in South Korea around Nov. 25. Shipment of the consignment was sought between Oct. 22 and Nov. 10 if sourced from the U.S. Pacific Northwest coast, between Oct. 2 and Oct. 21 from the U.S. Gulf or east Europe/the Black Sea region, Sept. 27 and Oct. 16 from South America or Oct.7 and Oct. 26 from South Africa. No purchase was reported of another 70,000 metric ton consignment also sought by the MFG for arrival in South Korea around Nov. 20.

Picture of the Day

A view of power-generating windmill turbines at a wind park near Parndorf, Austria, July 13, 2023. REUTERS/Leonhard Foeger

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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