

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)[Click on headers to go to that section](#)**Top News - Oil****OPEC+ panel unlikely to tweak oil policy at Friday meeting – sources**

OPEC+ is unlikely to tweak its current oil output policy when a panel meets on Friday, six OPEC+ sources told Reuters, as tighter supplies and resilient demand drive an oil price rally.

Ministers from the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, known as OPEC+, meet on Aug. 4. The panel, called the Joint Ministerial Monitoring Committee, can call for a full OPEC+ meeting if warranted.

Oil has rallied to a three-month high this week above \$85 a barrel for Brent crude, as tighter supply and rising demand outweigh concern that interest rate hikes and stubborn inflation could hit economic growth.

Six OPEC+ sources said the committee would probably not make any changes to existing policy during Friday's online meeting. One of them cited the rising oil price as a reason to take no action.

OPEC and the Saudi Energy Ministry did not immediately respond to requests for comment on Tuesday.

In the latest comments from an OPEC member about the market, the energy minister for the United Arab Emirates told Reuters on July 21 that current OPEC+ actions were sufficient for now and the group was "only a phone call away" if any further steps are needed.

The UAE minister sits on the JMMC, which is chaired by Saudi Energy Minister Prince Abdulaziz bin Salman.

Still, a surprise cannot be ruled out. The Saudi minister in July said OPEC+ would "continue the effort at surprising markets". In April, several OPEC+ members announced cuts just ahead of a JMMC meeting that was expected to take no action.

At its last policy meeting in June, OPEC+ agreed on a broad deal to limit supply into 2024 and Saudi Arabia pledged a voluntary production cut for July that it has since extended to include August.

Analysts told Reuters last week they expected Saudi Arabia to extend the voluntary cut for another month to include September.

National Australia Bank said in a report on Tuesday that it expected the Saudis to announce an extension of their voluntary cut at the committee meeting on Friday.

**U.S. crude stockpiles in week fall by largest on record -EIA**

U.S. crude stocks fell the most on record last week as exports topped 5 million barrels per day and refineries processed more crude, the Energy Information Administration said on Wednesday.

Most of the fall in crude stocks came from a record drop in stockpiles held in the refining hubs of the U.S. Gulf Coast. Stocks there fell by a record 15.57 million barrels to 243.4 million barrels as refiners in the region processed the most crude since August 2022, the EIA said.

U.S. crude inventories fell by 17 million barrels to 439.8 million barrels, compared with analysts' expectations in a Reuters poll of a 1.4 million-barrel drop.

Despite the record stock draw, U.S. oil prices fell along with declines across financial markets, the day after rating agency Fitch downgraded the U.S. government's top credit rating.

U.S. crude futures fell \$1.94, or 2.4%, to \$80.77 a barrel while Brent crude futures fell \$1.77, or 2.1%, to \$84.41 a barrel by 11:03 a.m. EDT.

News that the U.S. government has pulled an offer to buy 6 million barrels of oil for the Strategic Petroleum Reserve also pushed prices lower, traders and analysts said.

"All that pours cold water on an already overbought market," one trader said.

Analysts said traders had already priced in a large stock draw following Tuesday's American Petroleum Institute forecasts of a 15.4 million barrel draw.

"Yesterday's API report very much alluded to a large crude draw, hence it's been a case of buying the rumor and selling the fact for WTI, which is heading lower after running into technical resistance," said Matt Smith, lead oil analyst for the Americas at Kpler.

Crude stocks at the Cushing, Oklahoma, delivery hub fell by 1.3 million barrels in the last week, EIA said.

U.S. crude exports stood at 5.28 million bpd last week, the third-highest weekly export total on record.

Refinery crude runs rose by 39,000 barrels per day in the last week, EIA said.

Refinery utilization rates fell by 0.7 percentage points in the week.

Gasoline stocks posted a modest surprise build while distillate stocks posted a modest surprise draw, the EIA said.

U.S. gasoline stocks rose by 1.5 million barrels in the week to 219.1 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll of a 1.3 million-barrel drop.

Distillate stockpiles, which include diesel and heating oil, fell by 0.8 million barrels in the week to 117.2 million barrels, versus expectations for a 0.1 million-barrel rise, the EIA data showed.

Net U.S. crude imports fell last week by 391,000 barrels per day, EIA said.

## Top News - Agriculture

### US pork firms split over Congress bill to overturn California animal welfare law

Some big U.S. pork producers that have spent money to comply with a California law requiring more living space for certain farm animals are lukewarm about legislation proposed in the U.S. Congress that would overturn the state law.

The National Pork Producers Council (NPPC), the pork industry trade group, supports the Ending Agricultural Trade Suppression (EATS) Act, a bill introduced by U.S. Senator Roger Marshall and Representative Ashley Hinson that would curb the ability of states to regulate agricultural products sold within their borders.

The lawmakers have said their aim in part is to overturn California's Proposition 12, which bars sales in the state of pork, veal, and eggs from animals whose housing conditions fail to meet certain standards.

But Clemens Food Group, the No. 5 pork processor in the country, said it does not support the EATS Act. Other big producers like Hormel, Smithfield and Tyson have said publicly that they intend to comply with the California law when it takes effect Jan. 1.

The NPPC has fought Proposition 12 since it passed by ballot initiative in 2018. In May, the lobby group lost a case against the law before the U.S. Supreme Court.

The group spent \$780,000 between April and the end of June lobbying on issues including the EATS Act, according to public filings.

Animal welfare groups say Proposition 12 is necessary because some sows and hens are housed in cages so small they cannot turn around.

The NPPC's CEO Bryan Humphreys told Reuters in an email that the law would not improve animal welfare, would raise costs for hog producers, and could lead to more "ideological" state restrictions.

Some pork and egg companies, though, have already invested in bringing a segment of their production into compliance with Proposition 12.

Clemens, a member of the NPPC, has invested capital and time upgrading facilities and training its farmers to comply with the law, said COO Chris Carey.

"We ultimately don't believe the EATS Act is aligned with progress in animal welfare," Carey said.

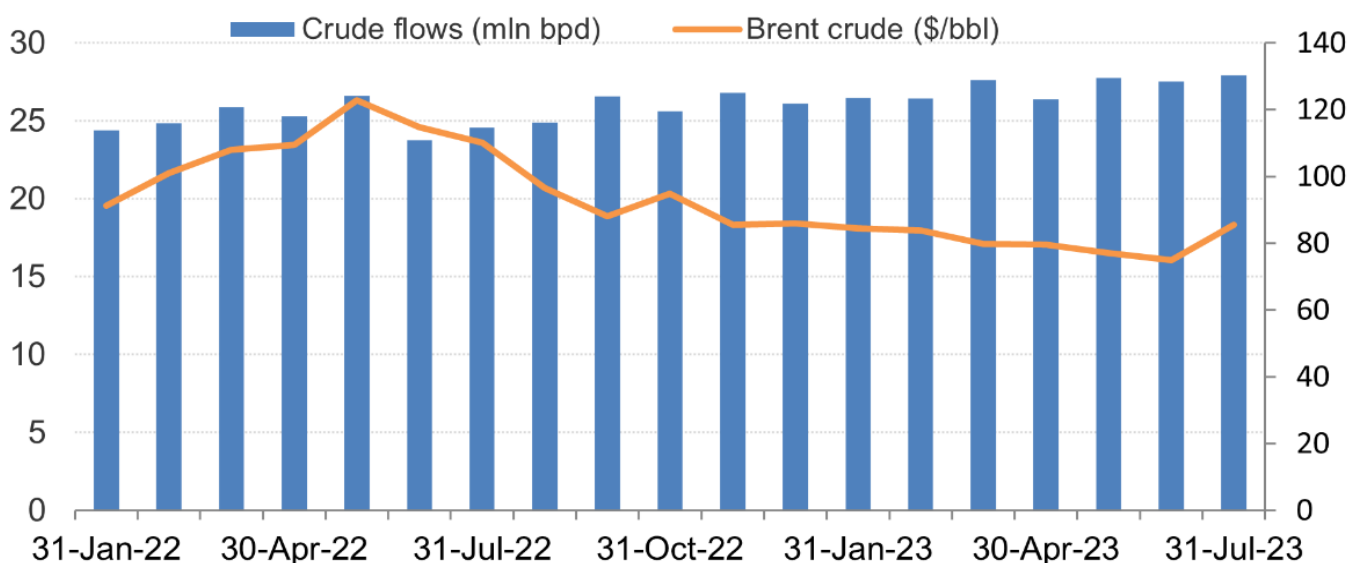
Smithfield Foods is also expanding its supply of Proposition 12-compliant pork, vice president of corporate affairs Jim Monroe said in an email, though the company would support Congressional action to overturn the law.

Roughly a third of the egg industry, too, is already in compliance, said Brian Moscogiuri, global trade strategist at egg supplier Eggs Unlimited.

## Chart of the Day

# ASIA CRUDE OIL IMPORTS HIT HIGH

Asia crude imports vs. Brent crude futures price



Source: Refinitiv Eikon Reuters graphic/Clyde Russell 03/08/23



Hormel Foods and Tyson Foods did not respond to questions about the EATS Act.

If the EATS Act passes, food companies could lose the ability to differentiate their product in the marketplace and court a higher price, said Galina Hale, an economics professor at the University of California-Santa Cruz.

The bill could also void over a thousand state and local public health and safety regulations because it is broadly written, according to a report by Harvard Law School's Animal Law & Policy Program.

"Every aspect of this is going to be challenged by one side or another," said Chris Green, the program's executive director.

#### PASTURED PIGS

If Proposition 12 holds, more hog farming could look like Randy Hutton, Jr.,'s operation in Chestertown, Maryland, a rural town on the state's Eastern Shore.

Hutton Jr. raises hogs for Niman Ranch, a subsidiary of meat company Perdue Farms that advertises its high animal welfare standards. His pregnant sows are kept in a fenced pasture, rather than the gestation crates common in confinement hog farming, and have at least 35 square feet each to move around, he told Reuters during a recent visit.

Niman Ranch opposes the EATS Act. All of its 750 ranchers are in compliance with Proposition 12, said vice president of communications Kerri McClimen.

Hutton Jr. said he was drawn to raising sows on pasture because it was less expensive than building a confinement barn, which can cost upward of \$700,000. "We were looking for more diversification," he said. "This was affordable."

#### **ANALYSIS-Weather woes, Russia upend outlook for global wheat suppliers**

Drought is expected to send global wheat stockpiles for major exporters to the lowest levels in more than a decade, a Reuters analysis shows, a decline coming as top supplier Russia intensifies its conflict with Ukraine and creates more uncertainty for importers.

Farms in areas of North and South America, Europe and Australia are facing crop losses as extreme weather spreads over an unusually wide geographical area, making food production increasingly vulnerable. Escalating tensions between Russia and Ukraine have also returned concerns over food security to the forefront of grain trading and diplomacy.

A Reuters analysis of U.S. estimates of wheat inventories and crop usage for seven major exporters shows stockpile levels will dwindle to a 16-year low in 2023-24. Removing Russia, the U.S. and the EU drops the ratio to its lowest since at least 1960, reflecting tight supplies in important shippers like Australia, Canada and Argentina, the analysis shows.

Russia is expected to boost shipments due to large harvests, overcoming periods of dryness in places like Siberia.

The Kremlin's July 17 exit from the Black Sea deal that allowed the safe export of Ukraine's grain adds uncertainty to the global outlook. Subsequent air strikes on Ukrainian ports destroyed an estimated 180,000 metric tons of crops over nine days.

"The world has no supply cushion to fall back upon," said Dan Basse, president of consultancy AgResource Company. "If there's an issue in the Black Sea with Russian exports, the wheat market gets very spicy, very quickly."

Already, supply worries sparked volatile moves in wheat prices, including a July 19 spike that was the biggest daily gain since the days after Russia invaded Ukraine in February 2022.

Wheat importers with limited reserves on hand are vulnerable to price and supply shocks. For months, some buyers in Asia, the Middle East and Africa have only been buying enough to cover their short-term needs, in part because of expectations for Russia's large harvest, traders said.

Supply risks in the Black Sea now appear to extend beyond Ukraine to Russia's exports, said Alexander Karavaytsev, senior economist at the International Grains Council. He said 60 million tons of Russian and Ukrainian exports could be under threat, or one-third of global trade. "Lower than initially anticipated plantings in Argentina, current crop quality worries in parts of Europe, as well as weather issues in two other major exporters - the U.S. and Canada - don't help the supply situation," Karavaytsev said.

#### "DRIVES ME UP A TREE"

July is thought to have been the world's hottest month on record.

Dryness in the northern U.S. and Canada has reduced the potential for harvests of protein-rich spring wheat and durum wheat, hurting crops used to make pastries and pasta. Analysts warn farms may suffer more damage before harvests.

Drought conditions in Canada are similar to 2021-22, when production fell about 37% from the previous year, said Kelly Goughary, senior research analyst for Gro Intelligence.

The crop forecaster is expecting a greater than 5% cut in U.S. spring wheat yields from last year, after drought also drove Kansas farmers to abandon winter wheat fields. In North Dakota, farmer Chad Weckerly said his durum wheat will yield 20% to 30% less than last year. He is frustrated by projections that Russia's big crop will make up for losses elsewhere in the world.

"That Russia news just drives me up a tree because nobody knows what Russia has," Weckerly said.

U.S. and Russian government estimates of Russia's crop vary. For 2023-24, the U.S. estimates Russia's wheat exports will climb 44% from two years ago to 47.5 million tons. Moscow could slow exports if it is worried about domestic bread prices rising, a trader at a multinational trading house in Europe said.

Fewer ships were also looking to pick up grain from the Black Sea area after Russia quit the export deal, amid growing uncertainty over whether fighting could hit commercial vessels.

#### MULTIPLE PROBLEMS

The EU needs a big crop to compensate for a reduced harvest last year and uncertainty about the availability of Black Sea wheat, said Stephen Nicholson, Rabobank's global sector strategist for grains and oilseeds.

"If something goes wrong with Russia and Ukraine, we're not in a situation where everything will be okay," Nicholson said. "You're seeing multiple problems around the world and you usually don't see that."

Consultancy Strategie Grains has repeatedly lowered its forecasts for EU wheat harvests and in July pegged production less than 1% above the 2022-23 crop.

Conditions ratings have declined in the bloc's top exporter France.

Even so, buyers said they still expect a decent EU crop

and are focusing on Russia's large harvest.

In Australia, typically the world's second largest wheat exporter, production will drop by a whopping 34%, below the 10-year average, the country's agricultural department said. Australia supplies buyers in Asia, including China.

China saw its first decline in summer wheat output in seven years after heavy rains. The country has grain reserves, though analysts said lower production and poor crop quality could increase imports. China is continuing to buy Australian wheat and has also depended on Black Sea grain.

In another twist, an Indian ban on non-basmati white rice has further exacerbated worries about potentially tighter global wheat supplies because both crops are used for food, analysts said. India is the world's largest rice exporter and accounts for more than 40% of exports. "If that can't be replaced and people come back to wheat," AgResource's Basse said, "then we almost have a worse problem than when Russia initially invaded Ukraine."

### MARKET MONITOR as of 06:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$79.42 / bbl	-0.09%	-1.05%
NYMEX RBOB Gasoline	\$2.53 / gallon	-0.33%	1.99%
ICE Gas Oil	\$892.75 / tonne	0.93%	-3.07%
NYMEX Natural Gas	\$2.48 / mmBtu	0.00%	-44.65%
Spot Gold	\$1,933.72 / ounce	0.01%	5.99%
TRPC coal API 2 / Dec, 23	\$115 / tonne	-4.17%	-37.75%
Carbon ECX EUA / Dec, 23	€83.45 / tonne	-1.94%	-0.62%
Dutch gas day-ahead (Pre. close)	€26.58 / Mwh	1.64%	-64.83%
CBOT Corn	\$4.97 / bushel	-0.75%	-26.73%
CBOT Wheat	\$6.62 / bushel	-0.75%	-16.46%
Malaysia Palm Oil (3M)	RM3,876 / tonne	-1.00%	-7.14%
Index (Total Return)	Close 02 Aug	Change	YTD Change
Thomson Reuters/Jefferies CRB	308.98	-1.53%	2.54%
Rogers International	27.37	-1.32%	-4.54%
U.S. Stocks - Dow	35,282.52	-0.98%	6.44%
U.S. Dollar Index	102.59	0.28%	-0.90%
U.S. Bond Index (DJ)	405.18	-0.58%	3.84%

## Top News - Metals

### **EXCLUSIVE-Mongolia, Rio Tinto have resolved nearly all copper mine tax issues-PM**

Mongolia has settled almost all of its outstanding tax issues with Rio Tinto over development of the giant Oyu Tolgoi copper mine and is confident that the remaining issues will be resolved, the country's prime minister told Reuters.

The partners spent years mired in a tussle over development of the Gobi Desert mine which is the country's biggest foreign investment and is set to become the world's fourth largest copper mine by 2030 as demand heats up for the metal key to the energy transition.

A resolution to the outstanding tax issues would avoid an arbitration process and would signify the restoration of relations with one of Rio's top partners that were at one stage so poor they threatened to derail the mine's development.

"In the past, we had more than 10 issues that we had to address with Rio Tinto on the Oyu Tolgoi project, but we have successfully resolved more than 90% of them," Mongolian Prime Minister L. Oyun-Erdene said in an interview during a visit to Washington.

"There are still some remaining issues but we are confident that we can continue our talks and discussions with our investors so that we can resolve them," he added.

Rio Tinto last year bought out majority mine owner Turquoise Hill for \$3.3 billion in an effort to simplify development of the mine which will produce more than 500,000 metric tonnes per year. It now owns a 66% stake and the Mongolian government the remainder.

Rio last year agreed to waive \$2.4 billion in debt owed to it by the government and commit to a structure that did not require additional loan financing after development costs blew out to \$7.06 billion from \$5.3 billion slated in 2016.

Rio Tinto said at its results that discussions with Mongolia's government were ongoing. Rio started producing copper from underground operations in March and the copper mine is expected to be a pillar of profit in coming years.

L. Oyun-Erdene credited Rio Tinto's board for attending the Mongolia Economic Forum in July, which allowed them to "see the real situation and make proper decisions," praising the leadership of Chairman Dominic Barton in particular.

"I'm confident that will not have any disputes in the future and we can successfully resolve all those issues," he said.

"And this will serve as a clear demonstration that Mongolia is open to business and investment and also it will contribute to investors' greater knowledge of Mongolia's investment climate."

Rio said last month that it had submitted an offer to

resolve the tax dispute, and CEO Jakob Stausholm said that the "transformed relationship with the Mongolian government and the people of Mongolia is creating serious momentum".

### **INSIGHT-World battles to loosen China's grip on vital rare earths for clean energy transition**

Refining rare earths for the green energy transition is hard. Just ask MP Materials and Lynas.

The world's two biggest rare earths companies outside of China are facing challenges turning rock from their mines into the building blocks for magnets used across the global economy, from Apple's iPhone to Tesla's Model 3 to Lockheed Martin's F-35 fighter jet.

The West's push to develop independent supplies of critical minerals took on greater urgency after Beijing imposed export controls last month on the strategic metals gallium and germanium, raising global fears that China could block exports of rare earths or processing technology next.

Recent struggles by MP, Lynas and other companies to refine their own rare earths highlight the difficult task the rest of the world faces to break China's stranglehold on the key group of 17 metals needed for the clean energy transition, interviews with more than a dozen consultants, executives, investors and industry analysts showed.

Technical complexities, partnership strains and pollution concerns are hampering companies' ability to wrest market share away from China, which according to the International Energy Agency controls 87% of global rare earths refining capacity.

If projects continue to struggle, several economies could fail to meet their goal of cutting carbon emissions to net zero 2050 to minimize climate change's impact, without Beijing's involvement. Plans for Australia's Lynas to build a U.S. rare earths refinery with a Texas-based partner have collapsed, according to two sources familiar with the matter. Lynas has said it is trying to finish a rare earths refinery in Western Australia that has faced hurdles and is building its own plant elsewhere in Texas.

MP's goal of refining its own rare earth metals in 2020 was snagged by COVID-19 pandemic and technical challenges, shifting its target to the end of 2023. Updates could come on Thursday when the company is expected to report its quarterly results.

Late last year, U.S.-based MP said it was commissioning refining equipment near its California mine as part of an intricate calibration process that has so far not succeeded, leaving the company reliant on China for refining and thus nearly all of its revenue. MP is also building a Texas magnet facility to supply General Motors that will require the California refining equipment to be operational. "The (rare earths) commissioning process is painstaking, with stops and starts," Jim Litinsky, MP's CEO and largest shareholder, told investors in May.

MP, whose second-largest shareholder is China's Shenghe Resources, declined to comment ahead of its results.

"The rare earths refining process can be very finicky," said Kray Luxbacker, who heads the University of Arizona's mining and geological engineering department and is unaffiliated with MP or its peers. "There are just so many complex steps."

Rare earths magnets turn power into motion and are the essential components in an electric vehicle's motor. They are lighter and can handle far higher temperatures than traditional magnets, in part due to their unique chemical properties.

Rare earths refineries must contend with 17 metals, depending on a deposit's geology, each of which are nearly the same size and atomic weight, making separation complex. Those rare earths must be teased out in a specific order, preventing MP and its peers from cherry-picking specific elements they may want.

To extract neodymium and praseodymium to build EV magnets, for example, MP must first remove the less-desirable lanthanum and cerium that compose about 83% of its California deposit in a process that relies on an intricate cocktail of acids, bases and other chemicals that are tailored to the mine's geology.

While MP relied on Chinese expertise to restart its mine—bought in 2017—that know-how is less helpful when it comes to tailoring refining equipment. Similar issues could plague about half a dozen other companies aiming to refine independently elsewhere in the world, analysts said.

"What's happened in China over many years is that they've invested heavily and cleverly in the processing capacity to convert the (rare earths) material all the way from the mine through to the magnet," said Allan Walton, a metallurgy professor at the University of Birmingham.

#### ECONOMIC CONTROL

China's refining expertise has allowed the country to engineer rare earths prices at different stages in the processing chains to its advantage, including low prices for finished products, to inhibit foreign competition, analysts said.

Rare earths refining "is not really being addressed even by those who are developing magnet capacity," said Ryan Castilloux, a minerals consultant at Adamas Intelligence.

By strategically focusing on industries that use the magnets—built with rare earths refined in China at profit margins purposefully kept low—Beijing can boost its booming EV industry, Castilloux added.

China's model came into sharp relief last month when rare earths prices sank to their lowest level in nearly three years, due in part to rising Chinese supply. China also offers a 13% export rebate to magnet manufacturers using its material, furthering its dominance.

Beijing for years has allowed imports of lightly processed rock known as rare earths concentrate for refining. The

strategy helps ensure prices that incentivize other countries to dig new mines but not build processing plants that can also produce radioactive waste, analysts said.

MP shipped about 43,000 metric tons of concentrate to China last year for refining. Regulatory filings show it has also been selling China fluoride waste—at a loss—left by a previous owner at its site in California, which has stringent storage regulations for the material.

Myanmar, Vietnam and others also ship concentrate to China for refining.

Lynas refines concentrate in Malaysia that it produces in Australia, but authorities in Kuala Lumpur plan to block the imports next year, citing concerns the Lynas plant leaks radioactive waste, a charge Lynas disputes. It aims to open a replacement processing plant in Australia later this year.

The company has long sold rare earth metals in the United States to privately held Blue Line to process into specialized materials.

In 2019, the pair agreed to build refining facilities near San Antonio, Texas and discussed with Trump administration officials their plans to be "the only large scale producer of separated (rare earth elements) in the world outside of China," according to emails obtained by Reuters.

But that effort, funded in part by the Pentagon, has since collapsed, two sources told Reuters. Reasons for the collapse, which has not been previously reported, could not be immediately determined.

Blue Line deferred comment to Lynas. The Pentagon said it would not be able to immediately comment. Lynas referred to past press releases but declined further comment. Meanwhile, Lynas this week updated plans for other refining facilities it is building along the Texas coast with \$258 million in Pentagon funding.

Elsewhere, projects across Sweden, South Africa, Australia and other countries aim to extract rare earths from mine waste and byproducts that could supply 8% of global demand successfully, according to Adamas Intelligence.

Benchmark Mineral Intelligence, a market data provider, estimates that China refines 89% of the world's neodymium and praseodymium, the key metals for EV magnets, a dominance that by 2028 is expected to dip to 75%.

China's global control of dysprosium refining is forecast by Benchmark to slip from 99% in 2023 to 94% by 2028. Dysprosium helps retain magnetization at high temperatures.

#### CLEANER TECH

Crucial innovation is also needed to break China's stranglehold on the sector without sacrificing environmental quality, industry analysts said, with concerns over current processes' toxic waste impeding projects.

Efforts by Leading Edge Materials to develop Sweden's Norra Karr rare earths deposit were halted in 2016 over

concerns that chemicals could leach into drinking water. The company reworked the mine plans to make them more sustainable and submitted a new environmental application this year. Tesla in May announced plans to make EV magnets without rare earths, citing "environmental and health risks" in the existing process. "China made a strategic decision decades ago to develop its rare earth processing capability, despite the environmental consequences of the available technology," said Melissa Sanderson, president of American Rare Earths, which is developing several U.S. rare earths projects.

American Rare Earths is working with U.S. government scientists at the Lawrence Livermore Laboratory to develop bacteria that could process rare earths. Privately held Locus Mining and Aether Bio are also studying ways to use biosurfactants and nanotechnology, respectively. UCore Rare Metals, Mosaic and privately held USA Rare Earth are also studying various processing technologies. Still, cleaner solutions are years from production. "If you can innovate and bring solutions to market that produce rare earths efficiently, you have a tremendous market opportunity," said Nathan Picarsic, co-founder of the geopolitical consulting firm Horizon Advisory.

## Top News - Carbon & Power

### US doubles renewable subsidies to \$15.6 billion in last seven years -EIA

U.S. subsidies for renewable energy producers more than doubled between 2016 and 2022, forming nearly half of all federal energy-related support in that period, a U.S. government report released on Tuesday showed.

Renewable subsidies jumped to \$15.6 billion in fiscal year 2022 from \$7.4 billion in fiscal year 2016, according to the Energy Information Administration's Federal Financial Interventions and Subsidies in Energy report.

Most of those subsidies took the form of tax incentives in recent years, with solar applications making up the largest share of the subsidies due in part to rapid industry growth, the report showed.

That growth also helped solar overtake the share of biofuels, which was the largest beneficiary of tax incentives in 2016, the report said.

In 2021, funding for the Low Income Home Energy Assistance Program, which assists with energy bills and other energy-related costs, saw a one-time doubling to nearly \$10 billion, after Congress approved additional funding for the program under its COVID-19 relief plan. Meanwhile, subsidies related to natural gas and petroleum became a net cost to the U.S. government, which gave tax breaks worth \$2.1 billion in fiscal year 2022 compared with a revenue inflow of \$2.2 billion in fiscal years 2016 and 2017 combined.

These include provisions ranging from incentives for domestic production, write-offs and deductions tied to foreign production and income, and approved accounting methods that can reduce the stated taxable value of assets. U.S. President Joe Biden proposed a budget in March that would scrap billions of dollars in oil and gas industry subsidies, reviving a perennial debate about whether fossil fuel companies should be receiving lucrative tax breaks.

"Reducing the subsidies fossil fuel stakeholders receive can help correct inefficient economic interventions into energy markets, save billions of taxpayer dollars, and reduce negative social and environmental impacts," a 2019 analysis by the Environmental and Energy Study Institute found.

### China's energy security push drives up fossil fuel approvals – research

China approved more than 50 gigawatts (GW) of new coal power in the first half of 2023, research by environment group Greenpeace showed, with the world's top carbon polluter focused on energy security rather than cutting fossil fuel consumption.

As scientists and environmentalists urge governments to make deeper emission cuts after record-breaking heatwaves across the globe, the impact of extreme weather has spurred China to build even more coal-fired plants as it tries to counter the effects of drought on hydropower production and avoid power outages.

"China's government has put energy security and energy transition at odds with one another," said Greenpeace's Gao Yuhe, who led the research published on Thursday. Beijing has promised to bring carbon emissions to a peak before 2030, but another pledge made by President Xi Jinping to start cutting coal use over the 2026-2030 period is now under threat, Gao said.

"Beijing has clearly stated that coal power will still grow at a 'reasonable pace' into 2030," she said.

China's National Energy Administration (NEA) did not immediately reply to a fax sent requesting a comment on the coal plants and their power generation policies. Coal output in China surged 9% to 4.5 billion tons last year, more than half the world's total, and continued to rise this year, government data showed, with coal plants under pressure to offset a 22.9% decline in hydropower generation during the first half.

The increase in China's coal usage reflects a worldwide pattern. The International Energy Agency said last week that global coal consumption reached a record 8.3 billion tons in 2022, with strong growth in Asia offsetting declines elsewhere.

In March, the National Development and Reform Commission, China's state economic planner, said it would "strengthen" coal's supporting role in the overall energy mix.

China has built more than 1,000 GW of coal-fired capacity from 2000 to 2022, enough to power the entire European Union and amounting to 69% of total global

additions, according to data compiled by the Global Energy Monitor think tank.

#### 'BUILT-IN BIAS'

Officially, many of China's new coal-fired power plants are designed to provide back-up for clean but weather-dependent power sources like wind, solar, and hydro, especially during droughts or peak consumption periods. But China's "built-in bias to coal" is preventing it from investing more in critical energy storage infrastructure that could make renewable power more reliable, Gao said.

The scale of the new builds also suggests the main motivation is economic growth and the argument that they

are backing renewables is becoming less convincing, said Jorrit Gosens, a climate researcher at the Australian National University.

"The story has long been that capacity does not matter so much, as long as these plants are not also run at high rates of utilisation, but you have to be quite an optimist to repeat that by now," he said.

While coal power inches up, China's renewable installations have also continued to soar, with capacity rising 109 GW in the first half, according to NEA data. "The good news, as always, remains that renewables keep getting more competitive, and are being built at a record pace," said Gosens. "That will start to eat into coal's market share fairly soon."

## Top News - Dry Freight

### Russia strikes Ukraine's Danube port, driving up global grain prices

Russia attacked Ukraine's main inland port across the Danube River from Romania on Wednesday, sending global food prices higher as it ramped up its use of force to prevent Ukraine from exporting grain.

The drone attacks destroyed buildings in the port of Izmail and halted ships as they prepared to arrive there to load with Ukrainian grain in defiance of a de-facto blockade Russia reimposed in mid-July.

Ukrainian Deputy Prime Minister Oleksandr Kubrakov said the Russian attacks damaged almost 40,000 tons of grain which had been destined for countries in Africa as well as China and Israel.

"Moscow is waging a battle for a global catastrophe," President Volodymyr Zelenskiy said in his nightly video address.

"In their madness, they need world food markets to collapse, they need a price crisis, they need disruptions in supplies."

Kubrakov, writing on Facebook, said the Danube ports' infrastructure had been "devastated".

"Ukrainian grain is indispensable for the world and cannot be replaced by any other country in the coming years," he wrote.

"The port of Izmail suffered the most damage, including the terminal and infrastructure of the Danube Shipping Company."

Russian state news agency RIA said the port and grain infrastructure hit was housing foreign mercenaries and military hardware. A naval ship repair yard was also targeted, it said.

RIA provided no evidence to back up its assertion and Reuters was not able to verify the report.

Video released by Ukrainian authorities showed firefighters on ladders battling a blaze high in a building covered with broken windows. Several other large buildings were in ruins, and grain spilled out of at least two wrecked silos.

There were no reports of casualties, Odesa regional

governor Oleh Kiper wrote in a post on the Telegram messaging app.

Commercial ship-tracking data showed dozens of international ships halting and dropping anchor at the mouth of the Danube, many of them registered to arrive in Izmail in an apparent attempt to breach Russia's blockade.

The port, across the river from NATO-member Romania, is the main alternative route out of Ukraine for grain exports, since Russia's blockade halted traffic at Ukraine's Black Sea ports in mid-July.

Two industry sources told Reuters operations at the port were suspended. Seaport authority head Yuriy Lytvyn said on Facebook that repair work had already begun and the port infrastructure continued to operate.

Chicago wheat prices rose by nearly 5% on supply concerns after the attack, only to tumble later on Wednesday on strong Russian exports and signs Moscow may be open to reviving the Black Sea corridor deal.

Ukraine is one of the world's top grain exporters. Russia has attacked its agricultural and port infrastructure for more than two weeks after refusing to extend the Black Sea agreement, which had lifted its war-time blockade of Ukrainian ports last year.

### PUTIN SPEAKS WITH ERDOGAN

The United Nations has warned of a potential food crisis in the world's poorest countries due to Russia's decision to abandon the deal, brokered by the U.N. and Turkey. The Kremlin said President Vladimir Putin spoke by telephone Turkish President Tayyip Erdogan and reiterated Russia's condition for rejoining the agreement: that a parallel deal improving terms for its own food and fertiliser exports be implemented. Those exports are already exempt from sanctions, which the West says Moscow aims to undermine by threatening the global food supply.

Erdogan's office said he and Putin agreed the Russian leader would soon visit Turkey. Putin, wanted by the



International Criminal Court for war crimes, has made no official visits abroad this year, and has left former Soviet territory only once since launching his invasion - a day trip to Tehran more than a year ago. Erdogan has said he hopes to host Putin and convince him to rejoin the grain deal.

Moscow has described recent attacks on Ukraine's grain infrastructure as retaliation for a Ukrainian strike on a bridge across the Kerch Strait to Crimea used to supply its troops in southern Ukraine.

Russia's defence ministry imposed restrictions on movement of ships and aircraft in the strait on Wednesday, the TASS news agency reported. It did not give a reason for the move.

U.S. Ambassador to Ukraine Bridget Brink condemned Russia's attacks in a statement, listing recent targets: "Homes. Ports. Grain silos. Historic buildings. Men. Women. Children.

"Round-the-clock and intensifying Russian strikes on Kryvyi Rih, Kharkiv, Kyiv, Kherson make it clear once again Russia has no desire for peace, no thought for civilian safety, and no regard for people around the world who rely on food from Ukraine."

Ukrainian officials say Moscow has hit 26 port facilities, five civilian vessels and 180,000 tonnes of grain in nine days of strikes since quitting the grain deal.

Kyiv says the goal of the strikes is to reimpose Russia's blockade by persuading shippers and their insurance companies that Ukrainian ports are unsafe to resume exports.

Ukraine's Danube River ports such as Izmil accounted for around a quarter of grain exports before Russia pulled out of the Black Sea deal, and have since become the main route out, with grain sent on barges to Romania's Black Sea port of Constanta for shipment onwards.

Kyiv's goal is for international ships to go straight to its Danube ports and load directly, while Moscow says it will treat ships heading to Ukrainian seaports as potential military targets. Asked about the situation on Wednesday, deputy U.N. spokesperson Farhan Haq told reporters: "We continue to reach out, at various levels, to make sure that we can continue to do as much as possible to get Ukrainian and Russian food and fertilizer out to markets, but it is difficult."

### **Australia's Liontown agrees to deliver lithium direct shipping ore product**

Australia's Liontown Resources Ltd said on Thursday it had agreed to deliver lithium direct shipping ore (DSO) product ahead of first concentrate production at its flagship Kathleen Valley lithium project.

DSO, which is a relatively unprocessed ore and is easier to produce, is expected to provide an early source of revenue for the company, which has been a takeover target.

The battery metals explorer said it had not chosen customers for its DSO shipment yet, but "is well advanced" in doing so, with the first shipment targeted by the end of 2023 calendar year.

Liontown, which rejected Albemarle's \$3.7 billion offer earlier this year, said it was targeting early revenue with an initial sale of 250,000 to 300,000 tonnes of DSO prior to first concentrate production.

Since mining operations commenced in the first quarter of 2023 at the Kathleens Corner and Mt Mann open pits, Liontown has stockpiled approximately 70,000 tonnes of DSO, the company said in a statement. The Perth-based company also said it had executed a contract with Axis Mineral Services for the crushing, screening and sorting of the DSO material at Kathleen Valley.

**Picture of the Day**

*A pregnant sow licks a fellow sow as she naps in the heat outside their hoop barn, which features access to a fenced concrete pasture at Randy Hutton Jr.'s farm, an independent farm with Niman Ranch in Chestertown, Maryland, U.S., July 27, 2023. REUTERS/Leah Millis*

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

For questions or comments about this report, contact: [commodity.briefs@thomsonreuters.com](mailto:commodity.briefs@thomsonreuters.com)

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