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Top News - Oil

EXCLUSIVE-Western insurers provide cover for Russian oil despite price cap concerns

A group of Western insurers have provided cover for tankers carrying Russian crude, keeping its oil flowing after many in the trade sector withdrew for fear of breaching the rules of a G7 price cap, data from traders and shippers shows.

The data seen by Reuters showed that five insurers, including American Club, Luxembourg-headquartered West of England and Norway's Gard, provided cover for 10 tankers that sailed from Russia to Asia this year.

American Club and West of England provided insurance for two vessels - the Gioiosa and the Orion I - that made similar voyages in early 2024.

Both vessels took on board crude from the state-owned Russian oil company Rosneft in Russia's Baltic and sailed to China, the data showed.

American Club said the ship, which flew the Panama flag, was on its cover list. West did not comment on specific tankers.

Norway's Gard, which data showed covered a separate vessel, also declined to comment on specific ships.

The three non-profit mutuals, who insure ships against oil pollution, injury and loss of life, say they are providing a service to their members.

The extent of the ongoing provision by Western insurers in covering specific Russian oil deals has not been previously reported since the cap was imposed in 2022 following the war in Ukraine.

The cap, imposed by the Group of Seven industrialised nations and their allies to curb Moscow's ability to finance the war, only allows Western insurers and ships to participate in Russian oil trade if the oil is sold below \$60 a barrel.

Many of those who stopped trading such cargoes said they were doing so because they could not be certain about the price of the oil carried by the ships they were insuring.

Russia, which has banned its firms from complying with the price cap, sold its flagship Urals crude at Baltic ports for an average of \$69.4 per barrel so far this year, well above the price cap, LSEG data shows. Insurers and ship owners are not expected to investigate the price.

Instead, Western enforcement agencies including the U.S. Treasury require insurance companies to request so-

called attestations from the parties that buy and sell the crude that the oil changed hands below the price cap.

'FLAWED' PROCESS

The International Group (IG) of P&I Clubs - which provides insurance for 90% of the world's fleet - said in April the attestation process was flawed and risked exposing its members to breaches of the price cap.

The IG did not respond to a request for comment on the risks for this story.

The insurers identified by Reuters said separately they rely on the attestation letters from the participants in the trade that all work was legal and complied with Western sanctions.

Reuters could not contact any of the parties as they were not named due to commercial confidentiality.

IG member American Club said it did not have direct access to price information when providing cover for the Gioiosa tanker.

Gard said it relied on price cap attestation and was also checking additional sources of data and information. Both companies referred further questions on the cap to the IG.

The other insurance providers for Russian oil included Maritime Mutual from New Zealand and IG member London P&I Club, Reuters research based on the shipping and trading data showed.

Maritime Mutual and London P&I did not respond to a request for comment on the potential risks.

However, Maritime Mutual, which is not part of the IG group, provided Reuters with a copy of its Russian oil insurance policy and a blank copy of an attestation letter which states that coverage will be withdrawn if a shipment violates the price cap.

The letter asks a company seeking cover - usually a charterer or a shipper - to tell its insurer the name of the vessel, its port and date of loading and discharge.

It asks the charterer to attest the shipment is in compliance with the price cap but does not require inclusion of the price paid anywhere in the attestation.

West also told Reuters the price cap regime treats ship owners and insurers as indirect participants of the transactions, known as tier three, hence they are not obliged to verify prices.

"The charterer/trader will never give away that (price)

information and give away their margins," Tony Paulson, West's head of Asia and corporate director, told a Lloyd's List podcast last month.

Gard, West P&I, American Club said they would end the cover if information emerged that the attestation was inaccurate and the price was above the cap.

US crude inventories fall, fuel builds as demand weakens, EIA says

U.S. crude oil stockpiles fell more than expected last week, while gasoline and distillate inventories rose as refining activity picked up and demand dropped, the Energy Information Administration (EIA) said on Wednesday.

Crude inventories fell by 3.7 million barrels to 429.3 million barrels in the week ended Aug. 2, the EIA said, compared with analysts' expectations in a Reuters poll for a 700,000-barrel draw. Crude stocks at the Cushing, Oklahoma, delivery hub rose by 579,000 barrels, the EIA said.

Oil futures extended gains, climbing 2% following the larger-than-anticipated decline in inventories. Brent crude was trading at \$78.08 a barrel while West Texas Intermediate (WTI) futures were at \$78.90 a barrel by 10:40 a.m. ET (1440 GMT).

"This is starting to become a trend - the sixth week in a row crude has fallen and plays into the mantra that supplies are tightening and demand is exceeding supply,"

said Phil Flynn, an analyst at Price Futures Group.

The EIA on Tuesday forecast tighter supply and demand balances for 2024, raising its outlook for oil consumption but lowering its expectations for production.

Refinery crude runs rose by 252,000 barrels per day, and utilization rates were up by 0.4 percentage point to 90.5% of total capacity in the week, the EIA said.

Net U.S. crude imports rose last week by 552,000 bpd, while exports were down 1.28 million bpd to 3.64 million bpd, the EIA said.

Gasoline stocks rose by 1.3 million barrels in the week to 225.1 million barrels, the EIA said, compared with expectations for a 1 million-barrel draw.

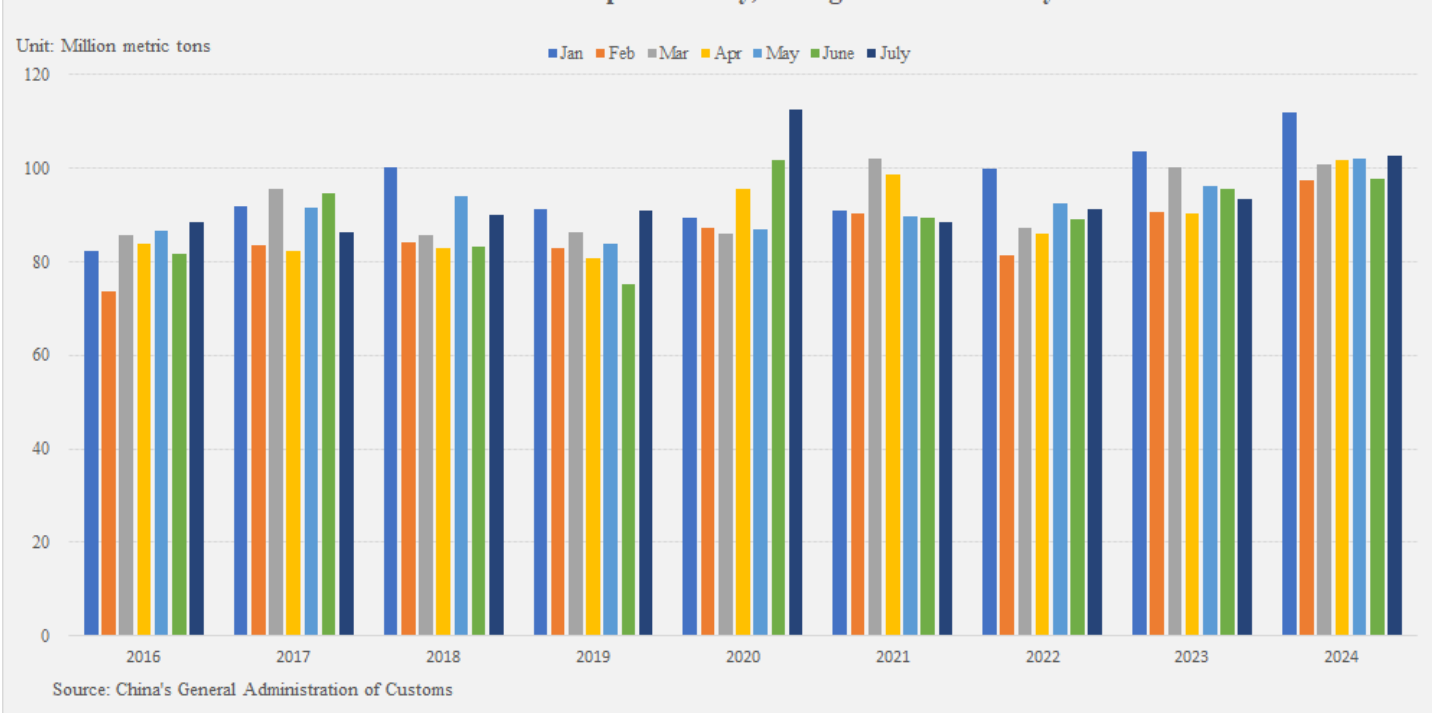
Distillate stockpiles, which include diesel and heating oil, rose by 900,000 barrels in the week to 127.8 million barrels, versus expectations for a 200,000-barrel build, data showed.

U.S. gasoline and diesel futures also climbed following the report, despite the rise in stockpiles and data showing lower demand. Total gasoline product supplied, a proxy for demand, fell by about 283,000 bpd to 8.97 million bpd, and distillate product supplied declined by 256,000 bpd to 3.47 million bpd.

"The bearish element was of course the drop in gasoline demand. I don't expect us to get back over 9 million barrels any time soon," said John Kilduff, founding partner of Again Capital.

Chart of the Day

China's iron ore imports in July, the highest since January



Top News - Agriculture

Cooler weather threatens Argentine wheat with frost, exchange says

Cooler-than-expected temperatures in Argentina next week could trigger frosts and damage crops in one of the world's largest grain-exporting nations, the Buenos Aires Grains Exchange said on Wednesday.

Wheat is likely to be the worst-hit major crop, as farmers in the South American nation have yet to start planting their corn and soybean crops for the 2024/25 season.

"The mass of polar air that will accompany the passing of the cold front will produce minimum temperatures well below the normal range across most of the agricultural area," the exchange said in a report.

The western part of the country's agricultural hub could be the worst affected, it added.

The exchange said the cold front should be followed by a "moderate return of tropical winds, producing above-normal temperatures in the north of the agricultural area and normal temperatures in the center and most of the south."

Argentine farmers finished sowing a total 6.3 million hectares (15.6 million acres) of wheat fields in recent days.

POLL-Cocoa prices to head higher by end-2024 amid record deficit

Cocoa prices are expected to continue heading higher this year due to persistent supply shortages that will leave them at more than double last year's levels by the end of 2024, a Reuters poll of 12 traders and analysts showed on Wednesday.

London cocoa was seen ending the year at 7,600 pounds a metric ton, up 40% from Tuesday's close and 125% higher than at the end of 2023, according to the poll's median forecast.

Prices rose to a record peak of nearly 10,000 pounds in mid-April thanks to major crop problems in Ivory Coast and Ghana, which produce some 60% of the world's cocoa.

The poll projected there would be a record global deficit of 475,000 tons in the current 2023/24 season which runs from October to September, some way above the 375,000 ton deficit projected in the previous poll in February.

It saw the market flipping into a small surplus of 108,500 tons next season, but after three consecutive seasons of deficit, prices will take some time to settle lower given global stocks have been eroded, participants said.

Ted George, the founder of consultants Kleos Advisory, said that although production should improve next season and consumption weaken somewhat in response to high prices, he still expected a deficit in 2024/25 due to climate uncertainty.

Other participants expressed concern about widespread swollen shoot disease in Ivory Coast and Ghana and relatively steady demand as the chocolate industry will be forced to replenish its threadbare stocks next season.

Citi said it expected prices to "normalise in a still historically high \$4,000-6,000/t range over the next 12-15 month period" as the market moves into surplus next season.

Production in top producer Ivory Coast was seen at 2 million tons next season, recovering from the 1.75 million tons expected in the current season.

No. 2 producer Ghana's 2024/25 crop was seen recovering to 640,000 tons from 450,000 tons this season.

New York cocoa prices were seen ending the year at \$8,600 per ton, up 27% from Tuesday's close and 107% on the year.

Top News - Metals

Glencore has ceased to stockpile battery material cobalt

Glencore has stopped stockpiling electric vehicle battery material cobalt, its CEO Gary Nagle said on Wednesday, adding though that the market was likely to remain in surplus for another 18 to 20 months.

In August last year, the London-listed miner said it had stockpiled cobalt in the first half of 2023, cutting supplies to the market to support prices of the metal.

Glencore did not say at the time how many tons cobalt it had stockpiled and on Wednesday Nagle declined to

comment on the current level of those stocks.

Large surpluses of cobalt created by accelerating production of the metal over the last year in top producer Democratic Republic (DRC) of Congo have pushed cobalt prices to around \$12 a lb, the lowest since 2016.

"Our best guess now is it will probably take 18 to 24 months to work through this surplus," Nagle said at a briefing, adding that demand from the aerospace and defense industries was strong.

"We're not really stockpiling anymore, in fact we've actually sold down a bit of our stocks."

China's CMOG Group is ramping up cobalt production at its mines in Congo where it forecasts output to reach about 100,000 tons by 2028.

According to Darton Commodities, Congo produced 77% of global cobalt supplies or more than 170,000 tons last year.

The cobalt market could see be remain in surplus by about 28,000 tons and 24,000 metric tons this year and in 2025 respectively, according to Macquarie.

"We should look at this as a short-term mismatch rather than a structural change in the market," Nagle said.

"There isn't another big copper cobalt mine coming on ... It does give the market a chance to rebalance."

However, cobalt prices are unlikely to return to heady heights of 2018 and 2022 as demand from the electric vehicle sector is likely to keep sliding due to new battery technologies that exclude cobalt.

Glencore holding 25,000 T of zinc stocks after Zhairem ramp-up

Glencore has built up 25,000 metric tons of unsold zinc because of the expansion and ramp-up of its Zhairem operation, part of its Kazzinc business in Kazakhstan, the company said on Wednesday during a briefing call.

"We've had a buildup in some inventory, particularly in Kazakhstan in our zinc business, so we've produced

about 25,000 tonnes more than we sold ... Stocks will stay around the 25,000 level," said Glencore's chief financial officer, Steven Kalmin.

"(Zhairem) is in quite a remote area and it's quite a distance from the processing facilities," he said. "Some of it is exported in concentrates to China ... There's a bottleneck in terms of rail cars and customs and clearing."

Glencore, with smelters in Spain and Canada, expects its 2024 zinc unit cost to rise significantly from 5 cents per lb to 18.6 cents per lb, according to a July release.

It cited the impact of lower treatment charges (TCs), a key source of income for zinc smelters, which typically fall when zinc concentrate supplies are tight.

An unprecedented shortage of mined zinc concentrates due to disruptions and delays has led to the collapse of TCs since the start of 2024.

Zinc TCs flipped to negative this month for the first time ever, meaning smelters have to pay instead of being paid for turning concentrates to zinc.

But improved byproduct gains, including precious metals and copper, will help Glencore offset the impact of lower TCs during the period, as gold, silver and copper prices all rallied in May.

"We will actually see a 2-3% reduction year-on-year in our zinc unit cost in zinc, quite a bit of that is to do with lower power prices, particularly in Europe, having been at

MARKET MONITOR as of 06:46 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$75.20 / bbl	-0.04%	4.95%
NYMEX RBOB Gasoline	\$2.17 / gallon	0.07%	3.19%
ICE Gas Oil	\$718.75 / tonne	-0.79%	-4.26%
NYMEX Natural Gas	\$2.09 / mmBtu	-1.23%	-17.02%
Spot Gold	\$2,397.20 / ounce	0.66%	16.22%
TRPC coal API 2 / Dec, 24	\$125.75 / tonne	4.36%	29.64%
Carbon ECX EUA	€70.62 / tonne	0.07%	-12.13%
Dutch gas day-ahead (Pre. close)	€37.48 / Mwh	3.97%	17.68%
CBOT Corn	\$4.01 / bushel	-0.06%	-17.25%
CBOT Wheat	\$5.64 / bushel	0.36%	-11.81%
Malaysia Palm Oil (3M)	RM3,713 / tonne	0.43%	-0.21%
Index	Close 07 Aug	Change	YTD
Thomson Reuters/Jefferies CRB	323.01	1.33%	7.17%
Rogers International	26.57	0.82%	0.93%
U.S. Stocks - Dow	38,763.45	-0.60%	2.85%
U.S. Dollar Index	103.00	-0.19%	1.64%
U.S. Bond Index (DJ)	437.86	-0.14%	1.66%

extreme levels through '22 and into early '23, given scarcity and energy prices back then," Kalmin said. Over the past five years, Glencore's zinc production has shrunk, following sales of its shares of zinc projects in

Bolivia and Peru.

Glencore's own sourced zinc production was at 417,500 tons in the first half in 2024, down 22% from same period in 2019.

Top News - Carbon & Power

US natural gas producers eye more output cuts as prices sink

Major U.S. natural gas producers are preparing to further curtail production in the second half of 2024, after prices sank nearly 40% over the past two months.

Henry Hub gas futures have dropped to around \$2 per million British thermal units (mmBtu), while in West Texas, Waha prices have turned negative a record number of times so far in 2024. Prices fell as demand softened following cooler than expected temperatures. Supplies had expanded meanwhile, as some producers lifted production during the second quarter after prices climbed some 47% in April and May.

EQT, one of the top gas producers in the U.S., has embedded around 90 billion cubic feet equivalent of strategic curtailments this fall, which the company will carry out if the market remains depressed, CFO Jeremy Knop said during the company's second quarter earnings call.

Houston, Texas-based Apache is also set to curtail, a further 90 million cubic feet per day (mmcf) of gas in the third quarter, its CFO, Stephen J. Riney told analysts in an investors call last week. Apache curtailed 78 mmcf of gas production in the second quarter, in response to pricing extremes in the Permian Basin, the company said in its Q2 earnings report.

Chesapeake Energy, which will be the largest U.S. gas producer after it completes its merger with Southwestern Energy, plans to defer some well completions while the gas market is weak, biding its time until supply and demand imbalances correct, the company said last month in its second quarter earnings report.

Rivals Antero Resources Corp and EGO Resources are opting to do the same, they said in earnings reports.

Chesapeake's move to defer well completions makes sense as it can hold out for an expected rise in LNG demand to properly kick in and buoy prices, Robert Wilson, vice president of analytics at East Daley told Reuters.

Meanwhile, shale producer Coterra Energy had reversed some curtailments at the end of the second quarter, but is bracing for more reductions. "We are prepared to make further cuts as some of our summer sales commitments roll off in the shoulder season," said Blake Sirgo, senior

vice president of operations for Coterra in the company's Q2 earnings.

U.S. natural gas output will average around 103.3 bcf this year, the Energy Information Administration (EIA) said in its August edition of the short-term energy outlook report. That compares with 103.8 bcf produced last year, and is a slight downgrade from a forecast of 103.5 bcf in the July edition of the report.

Italy cuts red tape on green energy, clamps down on illegal plants

Italy passed legislation on Wednesday to streamline approval for renewable energy projects, ministers said, as part of a drive to boost green power production and meet the country's decarbonisation goals.

The right-wing government of Giorgia Meloni has committed to increase solar energy capacity by roughly 50 gigawatt (GW) by 2030. Last year, it added nearly 6 GW in green capacity, mainly through the development of small solar projects. The new rules lay down three different procedures to obtain approval for new plants, depending on their size, type and location, a government statement said.

"We switch from five procedures to three ... the length of the approval process is considerably reduced," Energy Minister Gilberto Pichetto Fratin told a news conference.

A draft bill seen by Reuters ahead of the cabinet meeting said small plants - such as solar projects with a capacity below 10 megawatts - would not need a permit.

However, small green projects built in protected natural areas or on protected properties will still need to go through an approval process, in a blow to the developers who had wanted such projects to be exempt.

Alongside the streamlined permit procedure, the draft bill showed the government plans to impose fines of between 1,000 and 150,000 euros (\$1,091 - \$163,650) on renewable energy plants built illegally.

Renewable developers in the past have criticised the government for passing legislation that curbs the installation of solar panels on agricultural land.

Agricultural lobby groups, who are key supporters of Meloni's government, have long called for limits on solar panels, saying they take away land that can be used for cultivation.

Top News - Dry Freight

Strike in Argentina interrupts grain shipments at key soy processing ports

A strike launched by Argentine oilseed industry unions has halted grains shipments from ports that host soy processing plants and is set to continue on Thursday, as workers demand that wages stay ahead of high inflation.

Argentina is a major exporter of processed soy oil, widely used across industries for products ranging from foods to biodiesel.

The strike kicked off early on Tuesday by two industry unions, including the SOEA oilseed factory worker union, after they could not reach a deal.

Workers will continue to strike on Thursday, SOEA union secretary Martin Morales told Reuters on Wednesday evening.

"Given the lack of responses, again, from the group of companies, we're continuing with the (work stoppage) and will evaluate how to go forward tomorrow," he said.

SOEA's leader, Daniel Succi, said that the unions are seeking wage upgrades above the country's inflation rate, noting there have been disagreements with companies on when salary hikes can take place.

While the rate of rising consumer prices has slowed since President Javier Milei took office in December, accumulated inflation in the first half of this year nevertheless stood at 79%, according to official data.

Succi warned that absent an invitation from companies to negotiate, the unions would evaluate further extending the work stoppage.

In response, industry leaders like Gustavo Idigoras, president of the CIARA oilseed industry chamber, described the strike as unreasonable. The chamber is one of the parties negotiating with the unions.

Idigoras pointed to a 77% wage increase to date, plus a proposal he backs for another 12% hike in September.

Guillermo Wade, the head of the Ports and Maritime Activities Chamber (CAPyM), explained that ports that are not affiliated with the oilseed federation union are operating normally, but the rest have shut down.

Only two ports among the country's main farm shipping hubs, all located north of the city of Rosario on the Parana River, do not host soybean crushing plants. One belongs to global commodities giant Archer Daniels Midland and the other to local firm ACA.

More than 80% of Argentina's grains derivative exports are shipped from ports located north of Rosario, including those operated by major grains traders Cargill and Bunge.

Ukraine grain exports jump 85% to 4.4 mln T so far 2024/25, ministry says

Ukraine's grain exports in the 2024/25 July-June season as of Aug. 7 reached almost 4.4 million metric tons, up more than 85% year-on-year, agriculture ministry data showed on Wednesday.

The volume included 1.9 million tons of wheat, 1.7 million tons of corn and 661,000 tons of barley.

Ukraine exported 654,000 tons of grain so far in August compared with 303,000 tons sold abroad in the same period last year, the ministry said.

The ministry has said that the 2024 combined grain and oilseed crop could fall to 77 million tons, including 56 million tons of grain.

Ukraine's grain exports in the 2023/24 marketing season rose to about 51 million tons from 49.2 million a year earlier.

Picture of the Day

Temporary drip irrigation lines run above recently planted crops as drought conditions and extreme heat impact production at the Common Root Farm in Pikesville, Maryland, U.S., August 7. REUTERS/Kaylee Greenlee Beal

(Inside Commodities is compiled by Haritha K P in Bengaluru)

For questions or comments about this report, contact: commodity.briefs@thomsonreuters.com

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