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Top News - Oil

U.S. sour crude cargo sails to Germany as Russia sanctions bite

A tanker of U.S. sour crude was delivered at Germany's port of Rostock last week for the first time ever, according to sources, analysts and vessel tracking data, as local refiners test alternatives to Russian oil.

The European Union plans an almost-complete embargo of Russian barrels by year-end, and is trying to wean itself off Russian crude imports, which have fed inland refineries in Germany, Poland and other central European nations via pipeline.

Refiners plan to replace Russian oil with seaborne Norwegian, Saudi Arabian, British and U.S. crude grades.

Russia has already shown through its natural gas exports that it is willing to cut off European destinations in a tit-for-tat over the EU's financial sanctions that followed Moscow's invasion of Ukraine in February.

According to Refinitiv ship tracking data, the Capricorn Sun tanker loaded Mars Sour crude off the Louisiana coast in the United States and discharged at Rostock on Aug. 3. The tanker was chartered by Shell, according to two sources and Refinitiv ship tracking data. It was estimated to have carried about 570,000 barrels, based on shipping data.

Shell did not have an immediate comment.

"Although this is the first Mars crude oil shipment, there have been West Texas Sour shipments (to Germany) in the past, albeit few and far between," said Jim Mitchell, head of Americas oil analysts at Refinitiv.

"Mars has a higher distillate content than the WTI or the Eagle Ford grades. As the winter looms, Germany will increase its demand for distillate wherever they can get it from."

Distillates include refined products such as diesel, jet fuel and gasoil that is used for heating. Heavier, sour grades of oil tend to produce more distillate fuels than gasoline.

Germany depends on Russia as a major source of diesel.

The Rostock oil terminal in the Baltic Sea is connected via pipeline to two refineries - the 233,000 barrel-per-day PCK Schwedt refinery and TotalEnergies' 240,000 barrels per day Leuna plant.

The Schwedt refinery is majority-owned by Russia's state oil firm Rosneft while Shell and Eni hold minority stakes.

Both PCK and Leuna continue to receive Russia's main crude grade, medium sour Urals, through the Druzbha pipeline in compliance with EU sanctions on Moscow for its invasion of Ukraine.

Previously, German economy minister Robert Habeck said the country was working on solutions for Schwedt, including dipping into national oil reserves as well as getting shipments from the German port of Rostock and possibly Gdansk in Poland.

Schwedt supplies most of Berlin's fuel and Germany is struggling to wrest control of the plant, fearing retaliation by Moscow if the site is nationalised and as Western firms hesitate to step in.

Similarly, TotalEnergies' chief executive Patrick Pouyanne has said it would reduce its Russian crude intake via pipeline.

The United States exported nearly 3 million barrels of oil a day in 2021, but Germany is a fairly minor buyer, only importing about 77,000 bpd, according to U.S. Energy Department figures.

Goldman sees strong case for higher oil prices despite negative shocks

Goldman Sachs said the case for higher oil prices was still strong with current supply shortfalls well above its expectations in recent months, despite a recent retreat led by factors including global recession concerns.

The market will remain in unsustainable deficits at current prices and balancing it will still require "demand destruction on top of the ongoing economic slowdown," the investment bank said in a note dated Aug. 7.

Oil prices hovered near multi-month lows on Monday, pressured by lingering worries about an economic slowdown.

Goldman said a divergence between benchmark Brent prices, which averaged $110 a barrel in June and July, and the corresponding Brent-equivalent global retail fuel price of $160 per barrel was not enough to trigger enough demand destruction to end the supply deficit.

"The unprecedented discount of Brent prices, even wider than we expected, can be explained by the worsening Russian energy crisis, as it boosts the costs of transforming crude out of the ground (Brent) into retail pump prices around the world through surging EU gas prices, freight rates, USD and global refining utilization," it said.

Goldman trimmed its Brent price forecasts for the third and fourth quarters to $110 and $125 a barrel, respectively, versus previous forecasts of $140 and $130. It kept its 2023 outlook of $125 unchanged.

The investment bank forecast U.S. retail gasoline and diesel prices to rebound to $4.35 and $5.50 per gallon, respectively, by the fourth quarter and average $4.40 and $5.25 in 2023.

"We forecast that US retail fuel prices will rally into year-end then decline from 2Q23 onward as refining and marketing margins start to normalize," Goldman said.

The U.S. average retail gasoline price hit a peak of $5.02 a gallon in mid-June, data from the American Automobile Association motorist advocacy group showed.

Top News - Agriculture

Russia, Ukraine agree to protect Ukraine grain shipping channel

Ships exporting Ukraine grain through the Black Sea will be protected by a 10 nautical mile buffer zone, according to long-awaited procedures agreed by Russia, Ukraine, Turkey and the United Nations on Monday and seen by Reuters.

The United Nations and Turkey brokered a deal last month after Russia's Feb. 24 invasion of Ukraine halted grain exports, stoking a global food crisis that the United Nations says has pushed tens of millions more people into hunger.

Since then Russia, Ukraine, Turkey and the United Nations have been working to hammer out written procedures in the hope that it will assure shipping and insurance companies enough to resume grain and fertilizer shipments from the Ukrainian ports of Odesa, Chornomorsk and Yuzhny.

"We very much hope it will increase the traffic under this initiative," said U.N. Secretary-General Antonio Guterres' spokesman Stephane Dujarric after the procedures were agreed.

The initiative has been operating in a trial phase for the past two weeks. Ten ships - stuck in Ukraine since the war started - have departed with corn, soybeans and sunflower oil and meal. Two empty vessels have traveled to Ukraine to collect shipments.

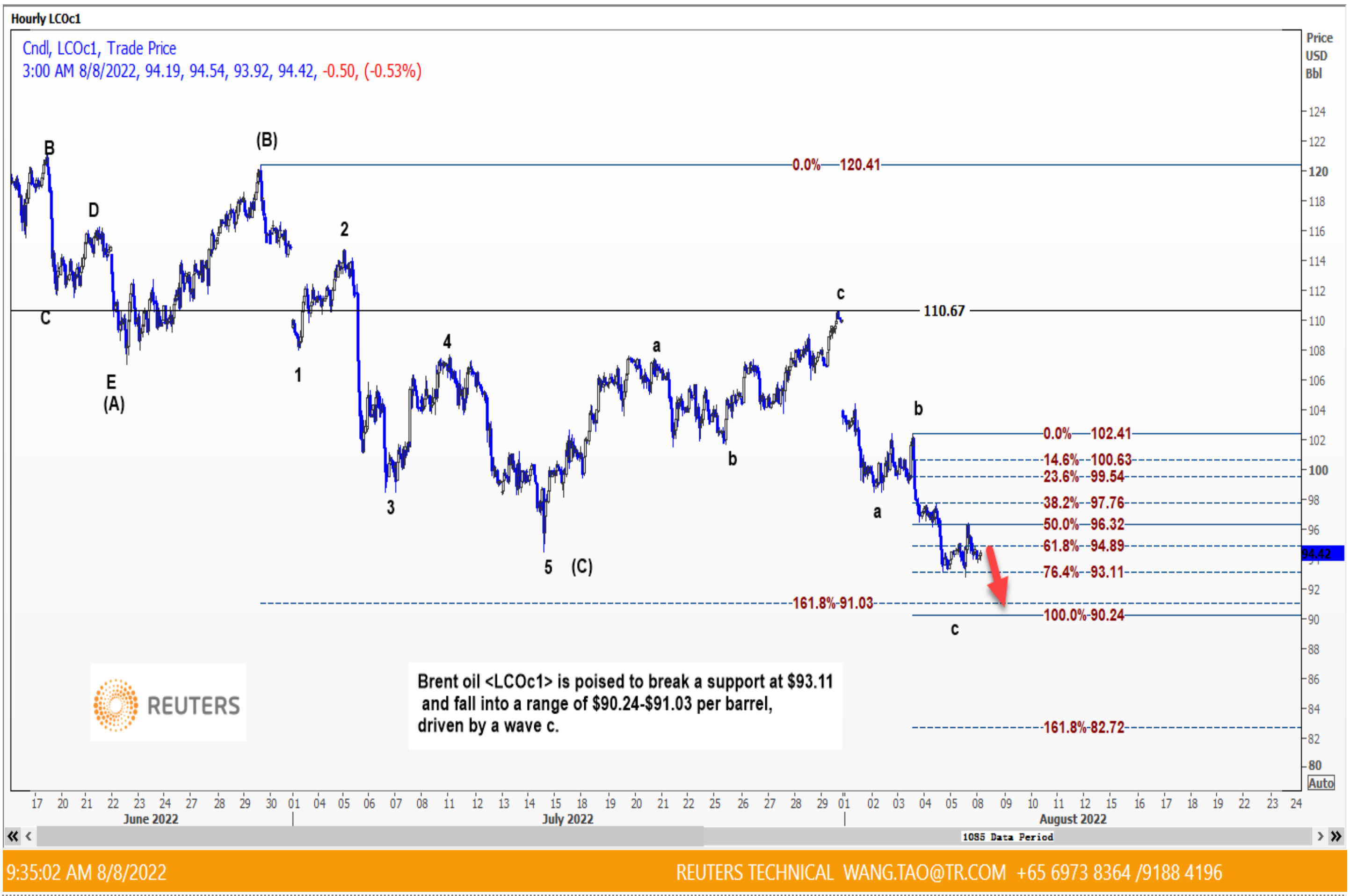
The biggest ship yet, the Ocean Lion, is due to leave the port of Chornomorsk on Tuesday to deliver 64,720 metric tons of corn to South Korea, said the Joint Coordination Centre (JCC) on Monday. The JCC in Istanbul oversees the deal and is made up of Turkish, Russian, Ukrainian and U.N. officials.

COMMERCIAL OPERATION

Ukraine, along with Russia, is a major global supplier of wheat and other foodstuffs. However, the first ship to depart Ukraine under the U.N. deal last week is now looking for another port to unload after the initial Lebanese buyer refused delivery, citing a more than five-month delay.

The United Nations has stressed that the export deal is a commercial - not humanitarian - operation that will be driven by the market. All ships are required to be

Chart of the Day



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inspected to allay Russian concerns they could be smuggling weapons in to Ukraine.
Neil Roberts, head of marine and aviation at Lloyd's Market Association - which represents the interests of all underwriting businesses in the Lloyd's of London insurance market - told Reuters that the industry could now "play its part."
"The successful exit of multiple vessels was beyond the imagining of most people only a few weeks ago and to have come this far is extraordinary," said Roberts. "To actually achieve the goals of the U.N.'s initiative would be something for historians to reflect on."

PROTECTION ZONE
The shipping and insurance industry wanted assurances of a secure journey with no threat of sea mines or attacks to their ships and crews. These are typically covered in standard operating procedures, which is what was agreed on Monday.
"The parties will not undertake any attacks against merchant vessels or other civilian vessels and port facilities engaged in this initiative," according to the 'procedures for merchant vessels' document.
One insurance industry source said the procedures "read as a reassuring set of rules. But will all sides stick to it?".
Under the agreed procedures, the JCC will provide information on the planned movement of ships through the maritime humanitarian corridor, which will be shared with Russia, Ukraine and Turkey's military to prevent incidents.
Then as the vessel moves through the maritime humanitarian corridor it will be protected by a 10 nautical mile circle buffer zone around it.
"No military vessel, aircraft or UAVs (drones) will close to within 10 nautical miles of a merchant vessel transiting the Maritime Humanitarian Corridor, excluding territorial seas of Ukraine," according to the document.
Ukraine's President Volodymyr Zelenskiy said there was "every chance" the pace of exports could be maintained.
"The key is how in the days to come our partners will prove able to prevent any attempts by Russia to disrupt exports and again further provoke a world food crisis," Zelenskiy said in a video address on Monday.
Russia has blamed Ukraine for stalling shipments by mining its port waters and rejects accusations Moscow is responsible for fueling the food crisis.

Brazil fertilizer import bonanza exposes logistical gaps
Brazil's plan to boost internal fertilizer supplies cannot succeed without infrastructure investments, a government official told Reuters on Monday after a strong importing season exposed domestic logistical woes.
Brazil announced its plan in April to reduce reliance on imports after Russia's invasion of Ukraine in February. But after buying record volumes of fertilizer in the first seven months of the year, the state of certain Brazilian ports was almost a revelation to the government.
"We discovered that the problem was not in shipping schedules, nor was it related to port services or the customs authority," said Luis Eduardo Rangel, the agriculture ministry's programs director.
He said the problem is a lack of warehouses around the ports, which are typically owned by the private sector to store and distribute products.
There can be no plan to boost internal supplies without improving that type of infrastructure, he noted.
Rangel said Brazil's "fertilizer diplomacy," which involved high-level talks with countries like Russia and Iran in recent months, helped secure fertilizer imports for the country's summer crops, though at higher prices.
At least one company said logistical bottlenecks are hampering domestic fertilizer deliveries, a sign that while fertilizer imports surged, farmers are worried about rising costs, which in itself also exacerbates logistical problems.
Anda, an association representing local fertilizer distributors, estimated $2 billion in demurrage rates, a charge applied to containers left at the port for longer than expected, this year, according to Rangel.
That bill would have to be fronted by local farmers, he said.
Anda said a rise of more than 50% in fertilizer imports in three years put pressure on Brazil's ports, increasing traffic and causing demurrage payments to go up.
Around 85% of the fertilizers used in Brazil come from imports, and the government aims to reduce that to about 45% by 2050.
"So now we need warehouses," Rangel said. "By 2050, when the plan is concluded, I am still going to import 50 million tonnes of fertilizers even if I produce 50 million tonnes."

Top News - Metals

Chile to 'sanction' those responsible for sinkhole near copper mine
Chile will seek to apply harsh sanctions on those responsible for a huge sinkhole near a copper mine in the country's north, the mining minister said on Monday.
The mysterious hole of 36.5 meters in diameter that emerged in late July has provoked the mobilization of local authorities and led the mining regulator Sernageomin to suspend operations of a nearby mine owned by Canada's Lundin in the northern district of Candelaria.
"We are going to go all the way with consequences, to sanction, not just fine," Mining Minister Marcela Hernando said in a press release, adding that fines tend to be

insignificant and the ruling must be "exemplary" to mining companies.
Chilean authorities have not provided details of the investigation into causes of the sinkhole.
Local and foreign media showed various aerial images of the huge hole in a field near the Lundin Mining operation, about 665 kilometers north of the Chilean capital. Initially, the hole, near the town of Tierra Amarilla, measured about 25 meters (82 feet) across, with water visible at the bottom.
The Canadian firm owns 80% of the property, while the remaining 20% is in the hands of Japan's Sumitomo Metal Mining Co Ltd and Sumitomo Corp.
The minister added that although the country's mining regulator had carried out an inspection in the area in July, it was not able to detect the "over-exploitation."
"That also makes us think that we have to reformulate what our inspection processes are," she said.
In a statement, Lundin said the over-exploitation referred to by the minister had been duly reported.
"We want to be emphatic that, to date, this hypothesis as reported by Sernageomin has not been determined as the direct cause of the sinkhole. The hydrogeological and mining studies will provide the answers we are looking for today," Lundin said.
"Different events that could have caused the sinkhole are being investigated, including the abnormal rainfall recorded during the month of July, which is relevant," added Lundin.

Barrick Gold tweaks cost guidance as copper boosts second-quarter earnings
Barrick Gold Corp flagged on Monday that it might overshoot its gold production cost forecast this year, though it stopped short of hiking its cost guidance, with CEO Mark Bristow saying the path of inflation was uncertain.
Barrick beat analysts' expectations with a nearly 19% rise in second-quarter profit thanks to higher copper output even as inflation drove production costs up for the world's second-biggest gold miner. Its shares rose 2% at the open in Toronto.
The company now expects to be "either at the top end or slightly above" its all-in sustaining cost guidance range for 2022 of $1,040 to $1,120 per ounce of gold, given energy prices have risen due to the war in Ukraine, it said.
"There's no way that anyone can categorically assess the costs at the moment, because you don't know where it's going to go," Bristow said. "The world is not in balance at the moment."
Mining companies have battled inflation this year as prices for diesel, explosives, and cyanide surged.
Barrick's rival Newmont Corp hiked its annual cost forecast two weeks ago, sending its shares down 12%.

MARKET MONITOR as of 06:28 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$90.84 / bbl	0.09%	20.78%
NYMEX RBOB Gasoline	$2.89 / gallon	0.19%	29.76%
ICE Gas Oil	$959.75 / tonne	0.63%	43.89%
NYMEX Natural Gas	$7.70 / mmBtu	1.52%	106.54%
Spot Gold	$1,784.88 / ounce	-0.20%	-2.38%
TRPC coal API 2 / Dec, 22	$235 / tonne	2.31%	91.06%
Carbon ECX EUA / Dec, 22	€84.50 / tonne	0.82%	4.77%
Dutch gas day-ahead (Pre. close)	€192.30 / Mwh	5.04%	189.17%
CBOT Corn	$6.22 / bushel	2.14%	4.76%
CBOT Wheat	$7.80 / bushel	-0.41%	1.17%
Malaysia Palm Oil (3M)	RM4,134 / tonne	1.55%	-11.99%
Index (Total Return)	**Close 08 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.33	0.29%	21.99%
Rogers International	30.63	-0.28%	31.41%
U.S. Stocks - Dow	32,832.54	0.09%	-9.65%
U.S. Dollar Index	106.29	-0.14%	10.75%
U.S. Bond Index (DJ)	413.02	2.25%	-13.07%

Barrick's cost of production for the first half was $1,188 per ounce of gold, meaning it will have to bring costs down in the second half in order to meet its forecast, something Bristow said he expects.
"We can't go along and change the fuel price, but we are forecasting an increase in production, so that drives the cost down," he said.
Barrick is on track to meet annual copper and gold production guidance, it said, announcing production of 120 million pounds of copper in the second quarter, up 25% from the same period last year, while gold output rose marginally to 1.043 million ounces from 1.041 million ounces.
Net earnings stood at $488 million, or 27 cents per share, for the quarter ended June 30, compared with $411 million, or 23 cents per share, a year earlier. Earnings and revenue for the quarter beat analysts' estimates, according to Refinitiv data.
Barrick maintained its quarterly dividend of $0.20 per share. "On an annualized basis, this implies a ~5.1% yield, currently the highest in our coverage universe," Credit Suisse analysts said.
Barrick's project capital expenditure jumped by 23% in the first half of this year, mainly due to spending on the expansion of the Pueblo Viejo mine in Dominican Republic, while free cash flow fell by 24% from the year-ago period.

Top News - Carbon & Power

Siemens Energy blames Russia restructuring for wider 2022 loss

Siemens Energy on Monday blamed a 200 million euro ($204 million) charge related to the wind-down of its Russian business for a wider net loss in 2022, but said it was still prepared to maintain turbines for the Nord Stream 1 Russian gas pipeline.
The supplier of equipment to the power sector said that its Russian business activities could be sold or wound down and the company was in touch with public authorities to work out the details.
"Of course implementing this is not trivial in the current environment," Siemens Energy Chief Executive Christian Bruch said.
Shares in the company were down 2.8% by 0855 GMT, having pared earlier losses, but were still underperforming the broader sector.
Siemens Energy said its 2022 net loss would exceed last year's 560 million euro loss by the 200 million euro charge, which is reported as a special item. It previously expected its 2022 net loss to be similar to last year's.
The group, which was spun off from Siemens, said in March it would stop all new business in Russia following Moscow's invasion of Ukraine that began on Feb. 24.
Sales in Russia accounted for a low single-digit percentage share of Siemens Energy's total sales last year of 28.48 billion euros, it has said.
Despite the planned exit from Russia, Bruch said Siemens Energy was prepared to keep maintaining the turbines in operation at the Nord Stream 1 Portovaya compressor station, if customer Gazprom wanted it.
Siemens Energy is in talks with the Russian state company over the transport of a turbine that is stuck in Germany following maintenance, carried out by Siemens Energy, because of disagreements between Berlin and Moscow over the documents needed to move it.
Nord Stream 1, which usually transports a third of Russia's gas exports to Europe, is running at just 20% capacity as a result, Moscow has said, of faulty or delayed equipment.
Bruch also said ongoing weakness at wind turbine divisions Siemens Gamesa were a drag on quarterly results and that he expected the company's new leadership to implement a rigorous turnaround plan.
Sources told Reuters a week ago that Siemens Gamesa was considering cutting around 2,500 jobs, or around 9% of its total workforce, to combat higher raw material prices and product delays that have caused it to issue profit warnings.
To tighten its control over the group's issues, Siemens Energy announced a 4.05 billion euro cash bid for the 33% it does not already own in the Spanish-listed company, plans it expects to be confirmed by local regulators in the coming weeks.

Saipem in talks to close Russia's Arctic LNG 2 projects

Saipem is in talks to end two contracts related to Russia's $21-billion Arctic LNG 2 project led by Moscow-listed gas producer Novatek, the Italian energy services group said in its interim financial statement.
Saipem said its backlog in Russia amounted to approximately 1.4 billion euros ($1.43 billion) and consisted only of these two projects related to the building of a liquefied natural gas (LNG) project in the Arctic.
Saipem entered one of this contracts in joint-venture with Turkey's Ronesans and the second with France's Technip.
Technip said at the end of July it was seeking an "orderly exit" from the Arctic LNG 2 project.
Before the Ukraine conflict, Arctic LNG 2 was expected to be launched in 2023 and reach full production capacity of almost 20 million tonnes of liquefied natural gas a year in 2026.
The chief executive of Novatek said in June the company aimed to start the first line of its Arctic LNG 2 project in 2023.

Russia has increased pressure on investors in its two Pacific energy projects which once helped Moscow rebuild its economy, blaming ExxonMobil for falling oil output at Sakhalin-1 and giving shareholders of Sakhalin-2 a month to claim their stakes.

Top News - Dry Freight

Russian wheat down with global benchmark as Ukraine exports resume

Russian wheat export prices fell last week after a decline in wheat prices in Chicago and a gradual resumption of Ukraine exports from Black Sea ports, analysts said on Monday.

Russian prices for wheat with 12.5% protein content and for supply from Black Sea ports fell by $3 to $355 a tonne free on board (FOB) at the end of last week, the IKAR agriculture consultancy said in a note.

Russia exported 780,000 tonnes of grain last week, compared with 650,000 tonnes the previous week, said fellow consultancy Sovecon, citing port data.

In the domestic market, prices for food wheat fell in the southern part of the country amid strong demand from exporters, while prices for low-quality fifth-grade wheat continued to fall sharply as supply rises sharply.

"There is a lot of talk about 'record-low quality this year' but this is typical for bumper crop years like the current one," Sovecon said.

Two more grain ships sail from Ukraine as third port opens

Two more ships, carrying corn and soybeans, departed from Ukrainian Black Sea ports on Monday, Turkey and Ukraine said, taking the total to ten since the first ship sailed last week under a deal with Russia to unblock Ukrainian grain exports.

The United Nations and Turkey brokered the agreement last month after warnings the halt in grain shipments caused by Russia's invasion of Ukraine could lead to severe food shortages and even outbreaks of famine in parts of the world.

The Sacura, which departed from Pivdennyi, is carrying 11,000 tonnes of soybeans to Italy, Turkey's defence ministry said on Monday, while the Arizona, which left Chornomorsk, is carrying 48,458 tonnes of corn to Iskenderun in southern Turkey.

Separately, the Polarnet, which departed on Friday, reached its final destination in northwestern Turkey's Derince on Monday morning to be unloaded, marking the completion of the first shipment since the exports were re-launched.

So far, around 243,000 tonnes of corn has been exported from Ukraine on seven ships since the first departure on Aug. 1, according to a Reuters tally of data from Turkey's defence ministry.

The other ships carried 11,000 tonnes of soybeans, 6,000 tonnes of sunflower oil and 45,000 tonnes of sunflower meal.

Ukraine's infrastructure minister, Oleksandr Kubrakov, confirmed the two latest ships left on Monday, adding Pivdennyi, the third Ukrainian port included in the deal, was finally up and running as part of the initiative.

Kubrakov had said previously the opening of Pivdennyi would push Ukraine's total export capacity up to three million tonnes a month.

In peacetime, Ukraine exported up to six million tonnes of grain a month from its ports on the Black Sea and Sea of Azov coast.

The four ships that left Ukraine on Sunday are expected to anchor near Istanbul on Monday evening, Turkey's defence ministry said, adding they would be inspected on Tuesday.

Before Russia invaded Ukraine for what it calls its "special military operation", the two countries together accounted for nearly a third of global wheat exports.

The resumption of grain exports is being overseen by a Joint Coordination Centre (JCC) in Istanbul where Russian, Ukrainian, Turkish and U.N. personnel are working.

The Razoni, which was the first ship to depart, was scheduled to arrive in Lebanon on Sunday but is currently at anchor off Turkey's southern coast, according to Refinitiv ship tracker data.

Ukraine's Infrastructure Ministry said on Sunday the Fulmar S, the first foreign-flagged bulk ship to reach the Black Sea port of Chornomorsk since the conflict, was ready for loading.

A second ship travelling to Ukraine, the Osprey S, was inspected in Istanbul on Sunday and was nearing Ukraine on Monday morning, Refinitiv data also showed.

Picture of the Day

A file photo of a bumblebee flying near a sunflower in a field in Neuville-Saint-Remy, France, August 7. REUTERS/Pascal Rossignol

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(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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