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Top News - Oil

IEA trims 2025 oil demand outlook as China offsets global gains

The International Energy Agency (IEA) kept its 2024 global oil demand growth forecast unchanged on Tuesday but trimmed its 2025 estimate, citing the impact of a weakened Chinese economy on consumption.

The report from the IEA, which advises industrialised countries, is the second this week to flag that a sluggish economy is likely to curb demand in China, the world's biggest oil importer and second biggest oil consumer.

"Weak growth in China, following the post-Covid surge of 2023, now significantly drags on global gains," the Paris-based energy watchdog said in its monthly oil report

While the impact of China's post-pandemic economic bounce has faded, the IEA expects strong demand in Western economies, notably the United States, where one third of global gasoline is consumed.

The U.S. summer driving season is expected to be the strongest since the pandemic, the IEA said, adding supply cuts by the Organization of the Petroleum Exporting Countries and allies (OPEC+) had tightened the physical market.

"For now, supply is struggling to keep pace with peak summer demand, tipping the market into a deficit," the IEA said.

World oil demand will rise by 950,000 barrels per day (bpd) in 2025, the IEA said, down 30,000 bpd from the previous forecast. It left this year's growth forecast unchanged at 970,000 bpd.

Outside the developed countries of the OECD, demand in the second quarter of this year was the slowest since the pandemic year of 2020, the IEA said.

China's share of this demand growth is expected to fall to about a third in 2024, compared to just over two thirds in 2023.

The IEA said the fall in China was most marked in gasoil and naphtha, reflecting less construction and manufacturing, and implying "a pause in the relentless expansion of the country's petrochemical sector".

OPEC on Monday cut its 2024 demand forecast for the first time since July 2023, also citing China.

Even after its downward revision, the group of oil producing nations said world oil demand would rise by 2.11 million bpd this year, compared with the IEA's 970,000 bpd.

US shale companies produce more crude using fewer rigs

Greater operating efficiencies in the top U.S. shale patch are squeezing out more oil without higher spending, according to the latest output numbers, which will boost global oil market supplies as OPEC also plans to unwind its output cuts later in the year.

Producers are extending their wells to as much as three miles, squeezing more wells onto a single drilling pad and fracking several wells at once, boosting production, according to industry experts and company executives on recent earnings calls.

Taken together, these efficiency gains have led several big producers to raise their full-year shale oil production targets. Chevron lifted its full-year Permian output target to an about 15% gain, up from an earlier forecast of a 10% gain.

Diamondback, APA Corp, Devon Energy and Permian Resources, also forecast higher than expected Permian shale production in coming months. Occidental Petroleum raised its outlook for the basin for 2024 by 1,000 barrels per day (bpd) excluding its acquisition of Permian-focused CrownRock.

Devon pointed to a 12% drilling efficiency gain this year from drilling and said it had improved feet per day of well completion by 6% year to date, pushing its full-year oil output up about 3%. Permian Resources has raised its oil production target by 1.5% this year. "Ultimately, we do see a market that will end up oversupplied in the fourth quarter," said Walt Chancellor, an energy strategist at banking and financial firm Macquarie Group.

Macquarie estimates U.S. production willgrow about 500,000 barrels per day (bpd) by the end of this year from the end of last, exceeding U.S. government estimates calling for an about 300,000 bpd increase.

"For OPEC, what this means is, we see them ultimately not able to execute the current plan to bring production back over the course of 12 months," Chancellor said.

NO POST-MERGER SLOW DOWN

Consolidation among U.S. shale producers had been expected to slow production growth this year with companies preoccupied with combining staff and sorting through new properties. But the benefits of being able to extend wells into adjacent areas has boosted productivity.

"Efficiency minded public operators are increasingly drilling longer laterals and squeezing more wells per pad," said Ryan Hill, an analyst at energy data firm Enverus.

Diamondback, which agreed this year to acquire Endeavor Energy Resources, said last week it was modeling that one rig would drill at least 26 wells per year, up from a previous expectation for 24 wells, adding it was drilling wells about 10% faster than at the beginning of the year.

Diamondback will be stingy with any divestitures in the Permian as producing wells are "kind of worth their weight in gold right now," said Kaes Van't Hof, Diamondback Energy's Chief Financial Officer.

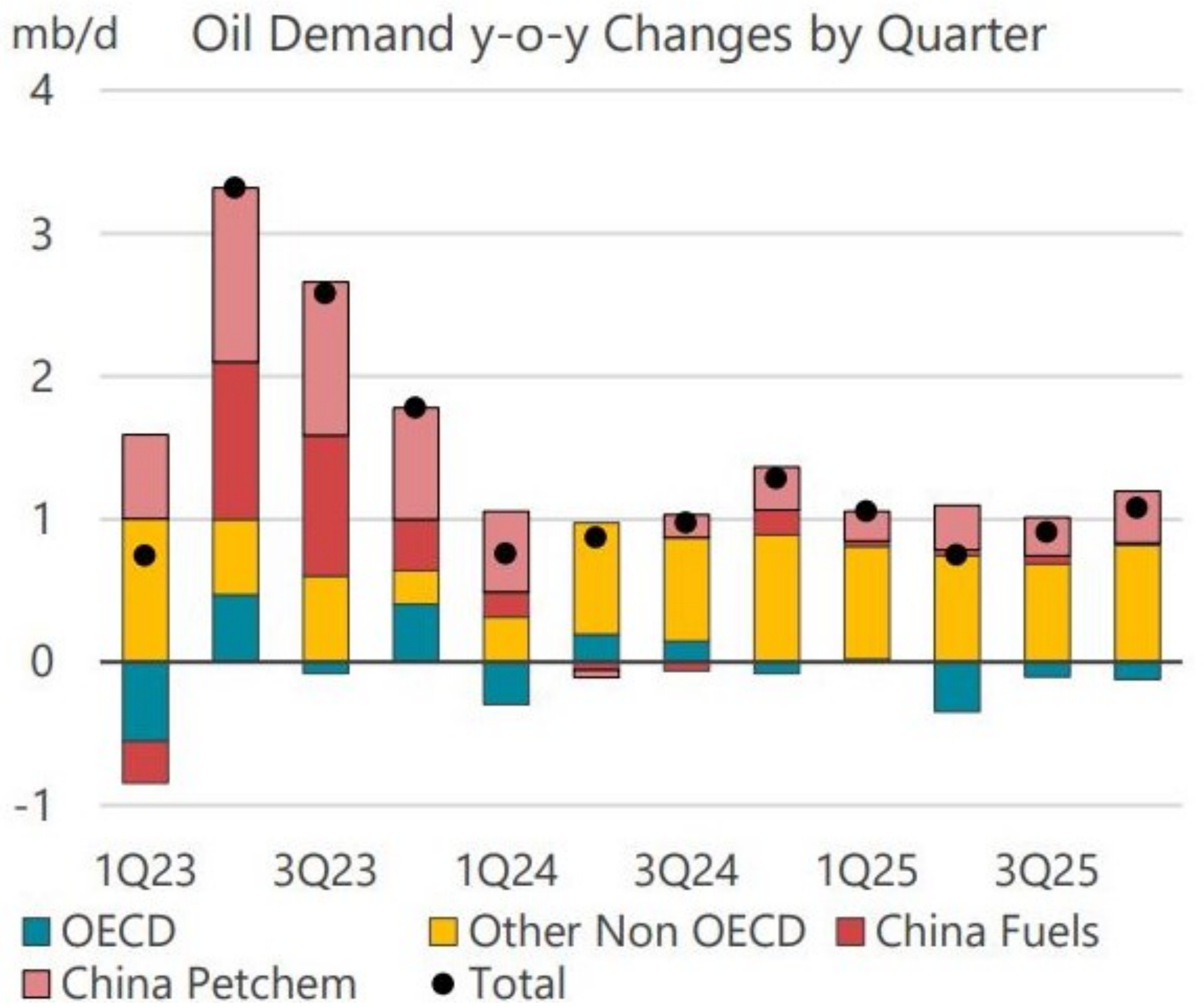
Chevron said it was one of the first to deploy triple-fracking technology, which fracks three wells in quick succession, reducing costs by more than 10% and shortening completion times by 25%. That has helped boost the number of production days, Chevron said.

Total production from the Permian rose to 6.2 million barrels per day in June, the second highest level on record, according to the U.S. government data. New well production per rig rose to 1,400 barrels per day, the highest in two and half years.

Historically, U.S. oil production has topped estimates every year since 2009, except for 2020 when COVID-19 pandemic crushed demand and output, a review of U.S. data showed.

Falling rig counts have kept production from growing even faster, and this eventually will slow the rate of increase. The number of horizontal oil rigs working in the Permian fell by 20 to 295 in the latest week, according to data from Enverus. It has fallen by 100 in the last five years.

Chart of the Day



Top News - Agriculture

EXCLUSIVE-Egypt in talks to buy large volume of wheat from sellers including Russia, traders say

Egypt's state commodities buyer GASC is in talks to buy 30 cargoes or up to 1.8 million metric tons of wheat from sellers including Russia, traders in Europe and the Middle East said.

The talks come after one of the world's top wheat importers failed to buy supplies from October 2024 to April 2025 in one go on Monday through its biggest ever tender. Egypt had sought to lock in relatively low wheat prices with the giant tender, but only accepted offers for less than a tenth of what it needs.

The talks for direct supplies would amount to just under half of the 3.8 million tonnes that GASC sought to buy in the tender.

Wheat from Russia, Egypt's top supplier, was said to be among the origins involved in the talks but it was unclear whether wheat from other countries could also be involved.

Russia, the world's largest wheat exporter, has been increasing its presence in the Middle East and other emerging markets as it aims to raise agricultural exports by 150% by 2030.

Russian President Vladimir Putin has forged a close relationship with Egyptian counterpart Abdel Fattah El-Sisi, who in March was one of the world leaders to congratulate Putin on his reelection. Furthermore, Russia is building the $30 billion Dabaa nuclear power plant in Egypt.

The talks follow GASC's purchase of only a small 280,000 tons of wheat in an international tender for up to 3.8 million tons on Monday.

Egypt's push for delayed payment terms in the tender on Monday in its attempts to secure huge wheat supplies at favourable prices, resulted in a purchase far smaller and more costly than anticipated, traders said.

The wheat in the direct negotiations on Tuesday could be provided by Russian firms United Grain Co (UGC), also known as OZK, and Demetra, according to one source.

Traders said initial price discussions on Tuesday were being held at around $248 a ton FOB, again with a payment delay of about 270 days. This would be higher than the cheapest FOB price of $241 a ton purchased by GASC in its international tender on Monday.

No purchase has yet been reported, they said.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.86 / bbl	0.65%	10.06%
NYMEX RBOB Gasoline	$2.21 / gallon	0.36%	4.99%
ICE Gas Oil	$736.75 / tonne	0.41%	-1.86%
NYMEX Natural Gas	$2.17 / mmBtu	1.21%	-13.52%
Spot Gold	$2,465.83 / ounce	0.03%	19.55%
TRPC coal API 2 / Dec, 24	$128.75 / tonne	1.78%	32.73%
Carbon ECX EUA	€71.71 / tonne	0.59%	-10.78%
Dutch gas day-ahead (Pre. close)	€38.63 / Mwh	-0.69%	21.29%
CBOT Corn	$3.97 / bushel	-0.13%	-18.03%
CBOT Wheat	$5.48 / bushel	-0.72%	-14.35%
Malaysia Palm Oil (3M)	RM3,693 / tonne	0.08%	-0.75%
Index	**Close 13 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	326.39	-1.13%	8.29%
Rogers International	26.91	-0.65%	2.22%
U.S. Stocks - Dow	39,765.64	1.04%	5.51%
U.S. Dollar Index	102.70	0.14%	1.35%
U.S. Bond Index (DJ)	439.90	0.38%	2.13%

USDA crop forecasts for Ukraine exceed domestic estimates

The U.S. Department of Agriculture's August forecast for Ukraine's corn production exceeds domestic estimates as it does not fully take into account the impact of a damaging heatwave, Ukrainian officials, analysts and traders said.

The USDA report shows Ukraine is expected to harvest 27.2 million metric tons of corn, while domestic analysts and brokers anticipate 24-to-25 million tons.

A senior industry source, speaking on condition of anonymity, said the figures Ukraine based its assumptions on were around 2 million tons lower than USDA figures for corn and also for soybeans.

Ukraine's farm ministry has said its new crop forecast could be published in September.

Most of Ukraine experienced an abnormal heatwave in July, which producers expect will decrease the yield of late crops by around 30%.

ASAP Agri consultancy estimates 2024 corn production at 24.1 million tons, while the Ukrainian grain traders' union UGA forecast the corn harvest could fall to 23.4 million tons.

Former Ukrainian farm minister Mykola Solsky said the corn harvest could be between four and five million tons less than the USDA prediction, while the soybean output could be 2 to 2.5 million lower.

Solsky said only the western and part of central region of Ukraine had avoided the significant losses caused by heatwave conditions.

Top News - Metals

Could a union halt production at the world's biggest copper mine?

A powerful workers union behind a strike at BHP's huge Escondida mine, which produced nearly 5% of the world's copper in 2023, is looking to snarl production at the site as it pushes for a bigger share of profits.

The union, which launched a strike on Tuesday, has paralyzed the world's largest copper mine before and driven up global copper prices. This time, much depends on how quickly negotiations can unlock the standoff.

"(Escondida's union) has a history of hard negotiations, with no fear of striking to achieve their goals," said Andres Gonzalez, head of Plusmining consultancy in Santiago.

When the union held a 44-day strike in 2017, global copper prices spiked as BHP declared "force majeure" two days into the strike, meaning it could not fulfill its contracts.

The company also had to declare force majeure in 2006 after a 26-day strike, and in 2011 the union stopped operations for 14 days. The union went on a hunger strike in 2015. A strike was just avoided in 2021 despite a labor dispute.

Three elements make the union especially strong, Gonzalez said. The union has about 2,400 members, about 61% of Escondida's workforce. It has strong financial reserves to take care of workers during a strike. And lastly, Chilean legislation doesn't let the company replace striking workers.

"The company will be forced to stop an important part of their operations, which evidently gives (the union) enormous bargaining power," Gonzalez added.

Aside from comprising a majority of the total workforce, the Sindicato Nro. 1 (Union No. 1) makes up 98% of Escondida's frontline workers that include machine operators, drivers, technicians and maintenance workers - all key to keeping up production.

Patricio Tapia, president of the Escondida union since 2016 and part of the union leadership since 2008, told Reuters previously that the union has four times more funds than in 2017 as well as credit to meet worker needs during the strike.

The 2017 strike ended when the union used local legislation to freeze the expired contract and then negotiated for another 18 months.

COPPER MARKET CALM FOR NOW

BHP on Tuesday evening said the union had rejected its latest invitation to restart talks, although the labor group has asserted it is willing to resume dialogue.

The company said its contingency plan calls for allowing non-unionized workers to continue working, and that operations were continuing, although it did not specify to what degree.

"The (Escondida) union might be small compared to others, but they're more than 2,000 people that control the largest copper mine in the world," said Gustavo Lagos, an analyst from Chile's Catholic University mining center.

A smaller strike ongoing at Lundin's Caserones mine, also in Chile, is less likely to affect production since only 30% of employees there are in the mine's union.

Copper prices have yet to see a big impact for the current strike, with analysts citing weak demand from top copper consumer China and hopes for a quick resolution. However, that could change if the strike action hardens.

A key sticking point is a union request for 1% of the shareholder dividends at the mine to be distributed to workers, which would be around $35,000, according to analyst estimates. The union also demanded this in 2021 but was able to reach an agreement that included a bonus of about $23,000 and nearly $4,000 in overtime bonuses.

BHP has offered workers a bonus of $28,900 this time.

Germany, Italy import legally dubious Brazilian gold, study shows

All Brazilian gold imports by Germany and 71% by Italy come from areas of the Amazon where illegal mining is rampant, a think thank said on Tuesday, calling for increased European scrutiny.

All 1.3 tonnes (2,866 lb) of gold that Germany imported from Brazil in 2023 came from the state of Amazonas, a study by Sao Paulo-based Instituto Escolhas using government data showed.

Italy imported 356 kg (784.85 lb) of Brazilian gold last year, including 254 kg from the states of Pará and Sao Paulo, said the report called Europe's Risky Gold.

Wildcat gold mining, known as garimpo in Portuguese, has surged in Amazonas and Para in recent years since hard-right former President Jair Bolsonaro relaxed environmental controls and encouraged development in the Amazon rainforest, leading to increased deforestation.

Sao Paulo state produces no gold, but is the major hub for sales and export of the precious metal, especially of unclear legal origins.

The European Union has strict rules to curb the sale of ores from dubious or illicit origins, but the due diligence process has many blind spots, Larissa Rodrigues, director of research at Instituto Escolhas, said in an interview.

"It cannot say it has a responsible purchasing policy. ... The European companies buying the gold have no idea where it was mined and who sold it to traders for export."

About 94% of the Brazilian gold imported by Germany and Italy, the main buyers in the EU, has dubious origins, arriving via a chain of intermediaries from hundreds of gold prospects in the Amazon, Rodrigues noted.

More than half of the 68 tonnes of gold exported by Brazil last year has suspect origins that cannot be traced, despite the current government's measures to crack down on illegal gold sales, the nonprofit Instituto Escolhas said.

Canada is the main buyer of Brazilian gold, which is exported by companies from legally licensed mines, as is the case for the third largest importer, the United Kingdom, the think tank said.

However, Brazilian gold imports by Switzerland, the second biggest buyer, includes bullion from wildcat mining sites, Rodrigues said. Much of that ends up in the EU, which gets 70% of its gold from the Swiss.

Top News - Carbon & Power

Russian gas flows to Europe despite fighting

Intense fighting between Ukrainian and Russian forces near a pipeline Russia uses to supply European countries with gas has not disrupted supplies, network operators and gas companies said on Tuesday.

The European Union drastically reduced its reliance on Russian gas after the Ukraine war began in 2022, leaving Austria the EU country most reliant on Russian supplies.

"We are not aware of any pressure fluctuations, all nominations are going according to plan and there are no indications of any irregularities," Gas Connect Austria spokesperson Armin Teichert said.

Russia's Gazprom also said on Tuesday it was still pumping gas to Ukraine through Sudzha, just over the border from Ukraine.

It was unclear which side was in control of the Russian town of Sudzha, through which Russia pumps gas from Western Siberia through Ukraine and on to Slovakia and other European Union countries.

"From today's perspective, no supply problems are expected in Austria, as storage levels are high and Russian gas could be substituted via Germany or Italy. However, if supply were to be interrupted immediately, Austria would be burdened economically, in particular by the German gas storage levy," a statement from Austrian energy regulator E-Control said.

A levy on German gas storage has been increasing since 2022 which makes Austrian gas imports via Germany around three times more expensive than those via Slovakia, analysts at Kpler Insight said.

An Austrian energy ministry source told Reuters that it has been taking action to reduce dependency on Russian gas in the long run over the past two years.

"As long as there is a dependency on Russian gas supplies, there is a massive risk of a corresponding supply failure with far-reaching consequences," the source added.

Most recipients of gas via Ukraine have said they have been preparing for the stoppage of flows at the end of this year anyway when a transit deal between Ukraine and Russia expires as Ukraine has said it does not want to renew it.

Eight entry points connect Ukraine with Slovakia, Poland, Romania and Hungary, through which Russian flows can reach the EU. Currently, two are used - at Polish and Slovakian interconnection points - and then the volumes can be transmitted to other countries in central and eastern Europe, according to Kpler Insight analysts.

They estimate that Slovakia's implied use of Ukrainian flows were nearly 80% in 2023.

"This dependency could increase if inflows from Hungary decrease and a cold winter occurs as no Russian gas would be available for refilling storage levels," they said.

Slovak gas company SPP said it has been preparing for the risk of a halt in Russian gas supply for several years and has commercial contracts in place with non-Russian suppliers.

Hungary gets around 1 billion cubic metres of Russian gas a year via a pipeline from Austria and a spokesperson at the Hungarian pipeline operator said gas was still flowing.

ANALYSIS-Carbon offset setback risks corporate backtrack on climate goals

Stalled efforts to expand companies' use of carbon credits to offset greenhouse-gas emissions are raising the prospect that some will backtrack or abandon targets to shrink their carbon footprint.

Since 2015, when governments agreed in Paris to try to keep the world from warming more than 1.5 degrees Celsius (2.7 degrees Fahrenheit), more than half of the world's largest 2,000 publicly listed companies have announced targets to cut their emissions to zero on a net basis by 2050.

But environmental advocates are expressing concerns that companies are falling behind on those targets. Companies are in turn complaining that clean technologies are not being rolled out on time and that government policies are not doing enough to support the transition away from fossil fuels.

Proponents of carbon offsets argue they can help companies meet their targets when efforts to slash their emissions fall short. Companies buy the offsets, which are generated by projects that absorb carbon or reduce emissions, such as reforestation and switches to cleaner fuels for domestic cookstoves.

The Science-Based Targets initiative (SBTi), however, dealt a blow late last month to efforts to expand the use of offsets. The non-profit, which audits companies' emissions targets, said its research found that carbon offsets are largely ineffective in reducing emissions because their climate benefits cannot always be verified. It delayed a final decision to 2025 on whether to allow companies to use offsets to meet emissions targets.

This represented a U-turn for the SBTi, whose board of trustees had said in April it wanted to allow companies greater use of offsets in target-setting. It currently allows companies to use offsets only after their targets have been met by directly reducing their emissions.

Nearly 6,000 companies use the SBTi to validate emission targets. More than 2,000 companies have committed to getting their targets validated going forward.

The SBTi is the largest independent, third-party validator of corporate net-zero plans and considered by many to be the gold standard given its focus on ensuring any strategy aligns with climate science.

Some companies are likely considering paring back their net-zero ambitions if they are not allowed to use carbon offsets more widely, said Tommy Ricketts, CEO of carbon -ratings agency BeZero Carbon.

"There are a lot of companies out there going, 'we can't deliver against our targets. We have two options. We look for another way of doing it or we quietly leave the building,'" Ricketts said. He declined to name specific companies.

An SBTi survey of companies published this year suggested cutting emissions from a company's supply chain was the biggest barrier to setting a net-zero plan.

An SBTi spokesperson declined to comment on the impact of not allowing carbon offsets toward meeting targets and said its review of them was ongoing. "(The current framework) will remain unchanged until the revision process is fully complete next year," the spokesperson said.

John Lang, who tracks net-zero goals for research group the Energy & Climate Intelligence Unit said that, as a result of the SBTi's stance on carbon offsets, he expected more companies will pare back their near-term emission targets. They may, however, focus more on realistic actions to cut emissions, he said.

"Recalibrating targets doesn't necessarily mean regressing on ambition."

Thomas Day, an analyst at non-profit climate research group NewClimate Institute, said companies that are scaling back their efforts are often just abandoning unsubstantiated "lofty-sounding ambitions".

LIMITED MARKET

Offsets can come in particularly handy when it comes to companies' supply-chain emissions, referred to as Scope 3. They make up the largest part of a company's carbon footprint and are hard to slash, because companies often do not have control or influence over vendors and customers.

Broader use of carbon offsets could expand the market to $100 billion a year by 2030 from $723 million last year, according to carbon-offset broker, project developer and consultant South Pole.

South Pole CEO Daniel Klier said the lack of near-term clarity on validation could lead to carbon offset volumes stagnating.

"The fact (SBTi officials) say we may get some clarity in 2025 is a major problem, because that means there's probably a year without investment in nature and carbon removals. Nobody will do anything until they have guidelines," Klier said.

Top News - Dry Freight

Jordan buys estimated 60,000 T wheat in tender, traders say

Jordan's state grains buyer purchased about 60,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said.

The wheat was believed to have been bought from trading house CHS at an estimated $259.90 a ton cost and freight (c&f) for shipment in the second half of September, they said.

Reports reflect assessments from traders and further estimates of prices and volumes are possible later.

Traders reported the following estimated offers from other trading houses in the tender, all per ton c&f: Viterra $275, Al Dahra $275, Ameropa $265.87 and Farm Sense $282.40.

A separate tender from Jordan to purchase 120,000 tons of animal feed barley closes on Wednesday.

Jordan tenders to buy up to 120,000 T feed barley, traders say

Jordan's state grains buyer has issued an international tender to purchase up to 120,000 metric tons of animal feed barley, European traders said on Thursday.

The deadline for submission of price offers in the tender is Aug. 14.

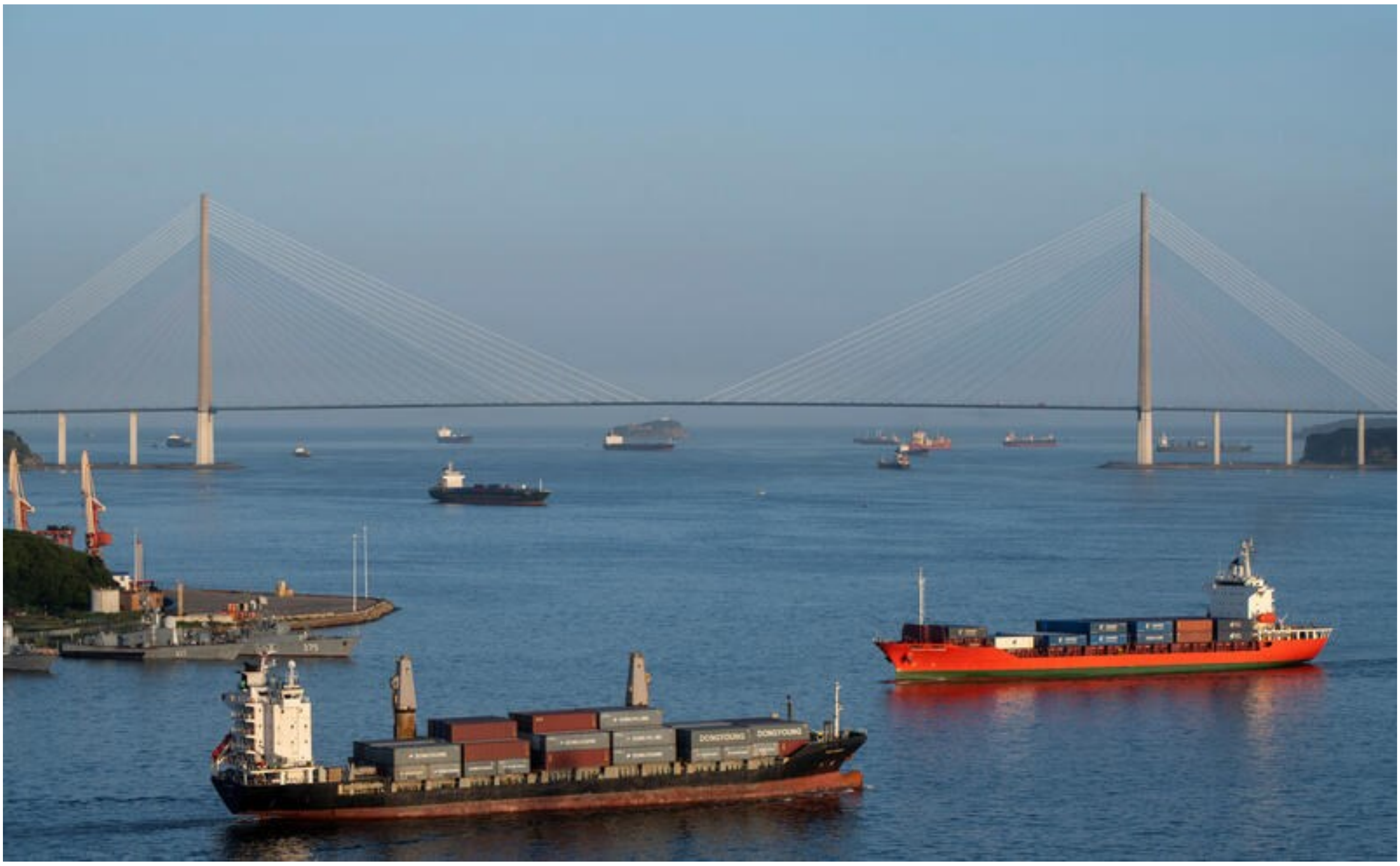
A new announcement had been expected after Jordan made no purchase in its previous tender for 120,000 tons of barley on Wednesday.

Shipment in the tender is sought in a series of possible combinations in 50,000 to 60,000 ton consignments.

Possible combinations are Sept. 1-15, Sept. 16-30, Oct. 1 -15 and Oct. 16-31, the same periods as in Wednesday's tender.

Jordan has also issued a separate tender to buy 120,000 tons of wheat closing on Aug. 13.

Picture of the Day



Cargo vessels are seen near the Russky Bridge in a bay in the far eastern city of Vladivostok, Russia August 13. REUTERS/ Alexander Manzyuk

(Inside Commodities is compiled by Kishan Nair in Bengaluru)

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

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