Oil | Agriculture | Metals | Carbon & Power |Dry Freight
Click on headers to go to that section

Top News - Oil

Oil industry gears up to tap U.S. climate bill for carbon capture projects

Tax credits in the $430 billion U.S. climate and tax bill set to be signed into law this week will kickstart carbon sequestration projects, say oil and gas proponents, offsetting startup costs for some of the anti-pollution initiatives.

Carbon capture and storage hubs that take gases from chemical, power and gas producers and oil refineries have become the energy industry's preferred way to combat climate warming. But large-scale development has snagged over costs and lack of guaranteed revenue.

The Biden administration's Inflation Reduction Act, which was approved by lawmakers last week, provides a tax credit of up to $85 per ton for burying carbon dioxide produced by industrial activity, and up to $180 per ton for pulling carbon dioxide (CO2) from the air.

The bill also greenlit new leases of federal land for oil and gas development, without considerations of climate impacts. Importantly, it automatically approved high bids from a November 2021 offshore auction that included a drilling project intended for a carbon-burying scheme.

"It's a pretty big deal," said Tim Duncan, chief executive of Talos Energy Inc, an offshore oil and gas producer that is building a business around carbon sequestration. Talos has launched four projects and signed up big backers including Freeport LNG and Chevron Corp.

“This is going to unlock a significant amount of emissions that could become economic for capture,” added Chris Davis, a senior vice president at Milestone Carbon, which develop carbon projects for mid-sized companies.

CONTINUED STRUGGLES

Over the last two decades, companies have tentatively tried and largely struggled to make a business from using CO2 to boost oil production. More recently, big investors want firms to address global warming, and the oil industry aims to show it takes climate change seriously.

There are carbon sequestration hubs proposed around the world - in Alberta in Canada, Rotterdam in the Netherlands, and Huizhou, China. Another type of carbon capture, which directly catches the greenhouse gas from the atmosphere rather than industrial production, also are being considered.

A massive expansion of carbon capture is vital to reaching net-zero emissions by 2050, according to energy consuming nations advocate, the International Energy Agency (IEA). The sector must go to storing 7.6 billion tonnes a year from around 40 million tonnes currently.

The new tax incentives mean "a number of small to mid-scale projects have a better chance of becoming economical," said Frederik Majkut, a senior vice president for energy services company Schlumberger's Carbon Solutions business.

There are some 5 billion tons of carbon released in the United States annually that could be captured by these sequestration schemes. Previously, very little of that could be captured economically, said Milestone's Davis said.

"With $85 a ton, I think you can get another billion tons," he said. "It starts to look like an attractive investment."

BIGGER PROJECTS

Larger projects, such as that advanced by Exxon Mobil Corp, which floated a $100 billion plan for a massive carbon hub serving refineries and chemical plants, will need carbon taxes and other initiatives, said analysts.

Widespread deployment of these industrial hubs will require additional policy support from the Biden administration, an Exxon spokesperson said of the bill's climate provisions.

Smaller projects are more likely to advance but still face hurdles including underground pore rights and permits, said Tracy Evans, chief executive of CapturePoint, which struck a partnership with pipeline operator Energy Transfer for a Louisiana hub.

Currently, permitting for carbon injection wells can take years to secure. And while offshore auctions cover large blocks, aggregating smaller tracts of private land owners onshore can slow the process, he said.

"It will drive more investment in the space for sure," Evans said.

COLUMN-China stockpiled oil in July despite weak imports, refinery runs: Russell

China's refinery processing and crude imports were unambiguously weak in July, but the world's largest oil importer still added to stockpiles, maintaining a trend of building inventories.

China added about 290,000 barrels per day (bpd) to either commercial or strategic crude inventories in July, according to calculations based on official data.

The July stockpile build reversed a draw of 470,000 bpd in June, and brought the total inventory additions for the first seven months of the year to around 1.02 million bpd.

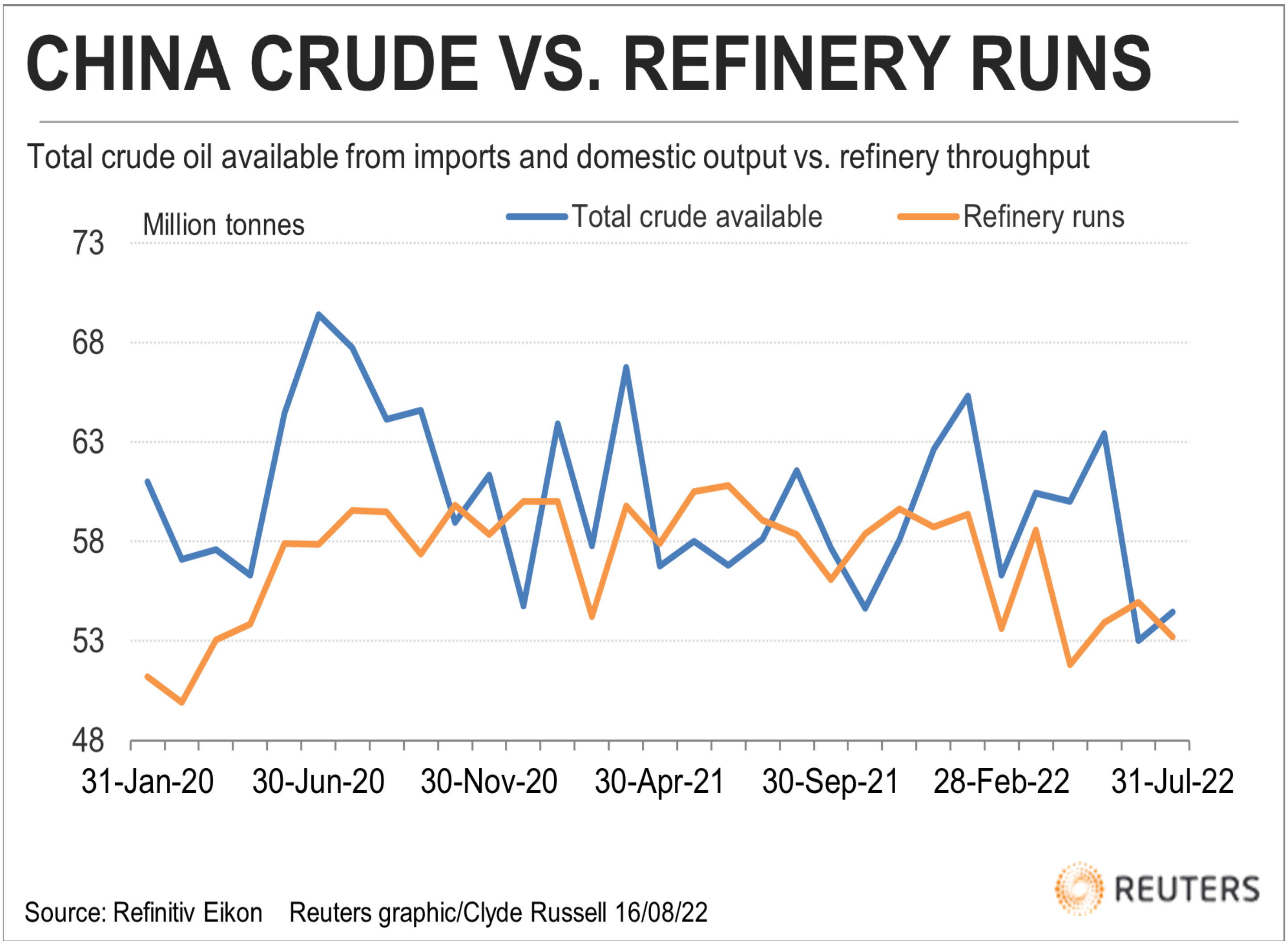
China doesn't disclose the volumes of crude flowing into or out of strategic and commercial stockpiles. But an estimate can be made by deducting the total amount of crude available from imports and domestic output from the amount of crude processed.

Crude imports were 8.79 million bpd in July, up fractionally from June's 8.72 million bpd, but it's worth

noting that June and July were the weakest months for imports in four years, and July's total was down 9.5% from the same month last year.
Domestic oil output was 4.03 million bpd, giving a total of 12.82 million bpd available to refineries.
Refinery throughput was 12.53 million bpd in July, the lowest daily rate since March 2020 and down from 13.37 million bpd in June.
The data indicate that refineries processed about 290,000 bpd less in July than the volume of crude available from imports and domestic output.
The question for the market is whether China's crude refining sector, and thus its appetite for imports, has shifted to lower output on a structural basis or whether the current weakness is temporary.
Certainly July's soft throughput numbers came amid prolonged maintenance outages at some major plants.
But there is also softer domestic fuel demand as the world's second-largest economy battles to bounce back from several COVID-19 lockdowns in the first half of the year, and the lingering threat of more to come amid Beijing's ongoing strict zero-COVID policy.
That said, assuming the economy continues to recover amid stimulus spending and China avoids widespread COVID-19 lockdowns, it would be reasonable to expect fuel demand to recover and refinery run rates to increase for the rest of the second half.

PRODUCT EXPORTS
Even so, run rate gains may be limited.
Another factor weighing on refinery utilisation has been the lack of quotas for refined product exports, meaning that both large state refiners and smaller independent operators have been unable to benefit from surging profit margins for some refined fuels in Asia, especially diesel.
Shipments of refined products dropped 39% in the first seven months of the year to the equivalent of about 945,000 bpd as the export quotas issued declined relative to 2021.
While new quotas issued in June and July are likely to see a rebound in product exports in August, it's still

Chart of the Day



expected that overall refined fuel exports will decline by at least 30% for the whole of 2022.
The overall picture for China's crude oil imports is for stronger domestic demand and a short-term boost from new product export quotas.
However, the outlook for refined fuels exports in 2022 is still bearish. Once the current quota allocation is exhausted, the lack of product shipments will once again be a drag on crude imports.
It's also worth noting that Chinese refiners have still been importing around 1 million bpd more than they needed in the first seven months of 2022, meaning they have the ability to draw down on inventories rather than import fresh crude, should they choose to do so.
Ongoing high prices for crude, other than from Russia, may also act as a drag on import demand for the rest of 2022.
However, if crude prices continue to soften amid demand concerns, and major exporters to China such as Saudi Arabia start to reverse recent high official selling prices, Chinese refiners may decide to increase imports.

Top News - Agriculture

Ukraine working to release detained wheat shipment for Egypt
Ukrainian officials are working to release a detained vessel carrying Ukrainian wheat purchased by Egypt's government, Ukraine's Mideast envoy told reporters on Monday.
The vessel, Emmakris III, was detained last month at the request of Ukraine's prosecutor general to investigate its alleged Russian owner, court documents seen by Reuters showed.
"We are working in coordination with all the responsible authorities in Ukraine and in Egypt, to see that this ship is allowed to set sail as soon as possible," Ukraine's special envoy to the Middle East Maksym Subkh said.
The cargo of around 60,000 tonnes of Ukrainian wheat was purchased by Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), in a December tender for shipment in February but has been stuck at the Port of Chornomorsk since Russia's invasion of Ukraine on Feb. 24.
The vessel was expected to sail last month after the United Nations and Turkey brokered a deal to restart Black Sea grain and fertiliser exports blocked since the start of the crisis.
The detention was due to allegations that the vessel is owned by a Russian company involved in "financing action aimed at changing the boundaries of the territory or state border of Ukraine," the court order said.
The cargo was supplied to GASC by trading company Olam, while the freight was supplied by Dubai-based trading company GTCS, which has denied owning the vessel in a statement to Reuters on Aug. 10.
"Emmakris III has been chartered by us to carry the wheat cargo in accordance with the terms of the GASC tender," the company said. "The vessel does not belong and has never belonged to a Russian company."
According to the court order, the registered owner of the vessel is Dubai-based company Greater Bloom Limited but Ukrainian officials believe the actual owner is a Russian company.
The company the Ukrainian officials claim is the actual owner did not immediately respond to a request for comment.
Egypt, typically the world's largest wheat importer, depended heavily on shipments of Black Sea wheat that were disrupted by Russia's Feb. 24 invasion for its subsidized bread programme. It now seeks to diversify wheat supplies, buying more than a million tonnes in July through tenders and direct purchases in an effort to boost its strategic reserves.
Egypt's supply ministry did not respond to a request for comment.

U.S. corn, soy ratings decline amid Midwest dryness - USDA
The U.S. Department of Agriculture (USDA) rated 57% of the national corn crop in good to excellent condition in its weekly progress report, down 1 percentage point from the previous week but just above analyst estimates.
Eleven analysts surveyed by Reuters on average had expected corn ratings to fall to 56% good-to-excellent following dry conditions in portions of the Midwest.
In a report released on Monday, the USDA also rated 58% of the soybean crop as good to excellent, down from 59% the previous week and matching trade expectations.
Stressful weather during August can threaten the yield potential of corn and soybeans in the United States, the world's biggest corn supplier and the No. 2 soybean exporter after Brazil. August is a particularly important month for soybean development, when much of the crop is setting pods.
Some 28% of U.S. corn production and 24% of soybean production was within an area experiencing drought as of Aug. 9, the USDA said separately, mostly in areas west of the Mississippi River.
Farther south, 66% of the U.S. cotton crop is located in an area experiencing drought, a factor that was reflected in the USDA's latest cotton condition ratings. The government on Monday rated 34% of the cotton crop as good to excellent, up from 31% a week earlier but still the lowest rating for the 32nd week of the calendar year since 2011.

Ratings held steady for U.S. spring wheat, grown mostly in the northern Plains. The USDA rated 64% of the crop as good to excellent, unchanged from the previous week, while analysts on average had a decline of 1 percentage point.
The spring wheat harvest was 16% complete by Sunday, the USDA said, up from 9% a week earlier but lagging the average analyst estimate of 22% and the five-year average of 35%.
The U.S. winter wheat harvest was 90% complete, behind the average analyst estimate of 92% and the five-year average of 94%.

Top News - Metals

Soaring commodity prices lift BHP to best profit in 11 years, growing arsenal for M&A
BHP Group Ltd reported bumper profits on surging commodity prices on Tuesday, sending shares sharply higher, as the global miner failed to rule out a second approach in its spurned $6 billion bid for OZ Minerals.
Shares in the world's biggest miner by market value shot 5.5% higher as investors cheered a better-than-expected annual earnings jump of 26% to $21.3 billion - its highest since 2011 - and the announcement of a record dividend.
Flushed with funds and more nimble after unifying its London and Sydney public holdings, BHP is back looking for acquisitions and on Aug. 8 offered to buy copper and nickel miner OZ Minerals in a A$8.34 billion ($5.8 billion) deal - its second takeover bid in a year. The offer was declined.
"We have lots of levers for growth and M&A is just one of those levers ... we will remain disciplined," said BHP Chief Executive Officer Mike Henry, speaking during an earnings briefing.
Henry did not comment on whether BHP would return to OZ Minerals with a revised offer. Shares in OZ Minerals were up 1.2% at 0230 GMT while the Sydney benchmark was up 0.5%.
"It's nice to have but not a must-have," Henry said, referring OZ Minerals. "It's pretty disappointing that the board (of OZ Minerals) chose not to engage," Henry told journalists at a media briefing after announcing his company's annual results.
The leap in underlying profit from continuing operations beat a consensus estimate of $20.89 billion compiled by Vuma Financial.

MARKET MONITOR as of 06:13 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$88.56 / bbl	-0.95%	17.75%
NYMEX RBOB Gasoline	$2.93 / gallon	-0.79%	31.40%
ICE Gas Oil	$1,016.50 / tonne	-0.54%	52.40%
NYMEX Natural Gas	$8.82 / mmBtu	1.02%	136.38%
Spot Gold	$1,781.37 / ounce	0.14%	-2.57%
TRPC coal API 2 / Dec, 22	$255 / tonne	2.31%	107.32%
Carbon ECX EUA / Dec, 22	€90.30 / tonne	-0.53%	11.97%
Dutch gas day-ahead (Pre. close)	€221.50 / Mwh	5.04%	233.08%
CBOT Corn	$6.27 / bushel	-0.04%	5.60%
CBOT Wheat	$8.01 / bushel	-0.41%	3.89%
Malaysia Palm Oil (3M)	RM4,272 / tonne	3.24%	-9.05%
Index (Total Return)	**Close 15 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	309.76	-1.32%	25.40%
Rogers International	31.27	-0.95%	34.16%
U.S. Stocks - Dow	33,912.44	0.45%	-6.68%
U.S. Dollar Index	106.48	-0.06%	10.95%
U.S. Bond Index (DJ)	413.60	2.40%	-12.59%

The bid for OZ Minerals, along with the merger of its petroleum business in June, shows BHP has a lot of excess cash flow and is looking to expand, said Azeem Sheriff, a market analyst at CMC Markets.
"The copper and energy space is really positive for the company and that's been flowing through in step-forward guidance as well," Sheriff said.
"BHP retained $4bn of cash despite finishing with net debt of $300m, indicating to us that the balance sheet remains prepped for further M&A," RBC analysts said in a note.

'FUTURE-FACING' GROWTH
For the fiscal year ended June 30, shareholders will get a final dividend of $1.75 per share, marking a peak annual distribution of $3.25 per share, at a time when other miners have cut investor returns to contend with declining profits.
The miner said it will assess options to expand production at its top iron ore producing unit to 330 million tonnes a year, and continue to explore growth option in "future-facing" commodities like copper and nickel.
The miner's performance at its Western Australian iron ore operations also helped offset a drop in prices of the steel-making commodity from last year's record levels, as China's push to curb emissions and easing construction activity in the country's debt-laden property sector curtailed demand. "We expect China to emerge as a source of stability for commodity demand in the year ahead, with policy support progressively taking hold," Henry said.
BHP also warned of a slowdown in advanced economies as monetary policy tightens, and said it expects labour constraints to continue to put pressure on global and local supply chains. Rival miner Rio Tinto reported a 29% drop in first-half profit and more than halved its dividend in July, citing softening demand from China and supply-chain snags.

LME nickel volumes plunge with exchange still hostage to March trading fiasco
The volume of nickel traded on the London Metal Exchange (LME) dropped more than 40% in July as funds, consumers and producers continued to shun the market - months after trade was suspended for more than a week in March as prices dramatically spiked.
Traders say many previous participants of the market worry they may be buffeted by price volatility again, while others believe the type of nickel traded on the LME is no longer representative of the global market.
The world's oldest and biggest market for industrial metals cancelled billions of dollars in trades on March 8 after prices spiked by more than 50% in a matter of hours to a record above $100,000 a tonne.
Average daily LME traded nickel volumes fell to 34,962 lots or 209,772 tonnes in July, down nearly 42% from the same period last year. In January and February nickel volumes rose more than 22% and 23% respectively.
"Volumes are down generally (on metals markets) partly because of global slowdown, but nickel has an extra burden," a metals trader at a natural resources fund said. "People are still nervous about trading it on the exchange."
Sliding volumes and open interest -- the number of outstanding contracts due to mature or be rolled over at the next settlement date -- mean low liquidity, which can exaggerate price moves.
"We have low volumes and open interest and a market that is becoming more illiquid by the day," a nickel trader said, adding that illiquidity had driven away some fund business.
The chaos in March and a sense that the LME contract no longer represents the nickel market have meant many consumers and producers are avoiding the exchange, traders say.
According to Macquarie analyst Jim Lennon, nickel that can be traded on the LME amounts to around 600,000 tonnes or 19% of global supplies at more than 3.1 million tonnes this year.
The remainder is nickel pig iron and ferro nickel used to make stainless steel. Nickel is also a key material for the batteries that power electric vehicles.

Top News - Carbon & Power

German families face 480 euro rise in gas bills under new levy
German households will have to pay almost 500 euros ($509) more a year for gas after a levy was set to help utilities cover the cost of replacing Russian supplies, piling pressure on Berlin to come up with further relief measures for the public.
Trading Hub Europe, the German gas market operator, said on Monday it had set the charge at 2.419 euro cents per kilowatt hour (kWh).
The levy will be imposed from Oct. 1 and remain in place until April 2024 in a bid to help Uniper - the country's largest importer of Russian gas - and other importers cope with soaring prices.
For an average family of four, the charge will amount to an additional annual cost of around 480 euros, or an increase of about 13% on the Verivox price comparison platform's calculation of an average gas bill of 3,568 euros based on usage of 20,000 kWh/year.
"The alternative would have been the collapse of the German energy market, and with it large parts of the European energy market," Economy Minister Robert Habeck said of the levy.

Germany's Russia-dependent energy model had failed and would not be returning, he told reporters. "We need to change in a hurry ... In doing so, we sometimes have to take bitter medicine," Habeck said, arguing for targeted relief to help households.
Utility EnBW, which is also exposed via its VNG gas division and took a 545 million euro profit hit in the first half of 2022 as a result of lower Russian supplies, said it would take advantage of the levy, unlike RWE.
Industry will also be subject to the charge, with the German Steel Federation saying it would add around another 500 million euros a year to the sector's energy bills, on top of 7 billion euros in extra costs already attributed to high energy prices.
"The gas surcharge significantly increases the cost pressure already exerted on the steel industry by the extreme price increases on the energy markets," its President Hans Juergen Kerkhoff said.
Economists warned that the levy would further accelerate inflation in Europe's largest economy, which is already running at an elevated 8.5%, with some relief measures such as low-cost public transport tickets set to expire.
"The gas levy is expected to increase inflation, including the value-added tax, by almost one percentage point," said Commerzbank chief economist Joerg Kraemer, adding that the measure adds to mounting signs the German economy could slip into recession this winter.
The Federation of German Industries called for business support measures after Chancellor Olaf Scholz on Thursday promised an additional relief package for households.
Germany is also awaiting a response from Brussels on a VAT exemption for the levy.
Russia has throttled gas flows to Germany, blaming technical problems and the red tape of Western sanctions for a drop in deliveries via the key Nord Stream 1 pipeline to 20% of its capacity. Berlin has called the reductions politically motivated.
France's Engie starts operations at Malaysian solar power project

EnBW sells minority stake in 597 MW German solar portfolio

German utility EnBW has sold a 49.9% stake in a 597 megawatt (MW) solar power portfolio to local insurance firm ALH Group, reflecting rising deal activity across the renewables sector in light of higher valuations.
The companies decided not to disclose the purchase price for the portfolio, which covers 16 solar farms spread across Germany that produce enough energy to supply more than 200,000 three-person households.
"Selling minority stakes on the basis of investment models is part of EnBW's renewable energy business model. We plan to invest the sale proceeds in new growth projects in the renewable energy and grids segments," EnBW Chief Financial Officer Thomas Kusterer said.
"This is more important now than ever before, because every megawatt-hour from renewables makes Germany a little less dependent on fossil fuels."
EnBW will continue to manage, service and maintain the solar farms.
Last month, Denmark's Orsted bought Ostwind, a German developer, owner and operator of onshore wind and solar projects in Germany and France, in a deal that valued the firm at 689 million euros ($704 million).
Ostwind has 152 MW in operation and under construction, about 526 MW in advanced development and a further 1 gigawatt in its development pipeline.

Top News - Dry Freight

First ship bound for Africa leaves Ukraine port - Refinitiv data, ministry

The ship Brave Commander has left the Ukrainian port of Pivdennyi, carrying the first cargo of humanitarian food aid bound for Africa from Ukraine since Russia's invasion, Refinitiv Eikon data showed on Tuesday.
Ukraine's grain exports have slumped since the start of the war because of the closure of its Black Sea ports, a crucial conduit for shipments, which drove up global food prices and sparked fears of shortages in Africa and the Middle East.
But three Black Sea ports were unblocked last month under a deal between Moscow and Kyiv, brokered by the United Nations and Turkey, that made it possible to send hundreds of thousands of tonnes of Ukrainian grain to buyers.
The Brave Commander, with 23,000 tonnes of wheat aboard, left for the African port of Djibouti with supplies destined for consumers in Ethiopia, Ukraine's infrastructure ministry said.
"The ministry and the United Nations are working on ways to increase food supplies for the socially vulnerable sections of the African population," it said in a statement.
Seventeen ships have already left Ukrainian ports with more than 475,000 tonnes of agricultural products on board, it added.
Earlier, a joint co-ordination centre set up by Russia, Turkey, Ukraine and the United Nations, said it had approved the departure of the Brave Commander.
Moscow calls its action in Ukraine a "special military operation".

Number of vessels to load sugar in Brazil surges, August exports 30% up

The line-up of vessels expected to load sugar at Brazilian ports surged this month and government data on Monday

showed the country's exports of the sweetener are on track to a 30% jump in August.
Data from shipping agency Williams showed 86 vessels expected to load 3.6 million tonnes of mostly raw sugar for exports at Brazilian ports currently.
At the same time last year, there were only 36 vessels expected to load 1.32 million tonnes of sugar.
Data from the country's trade ministry said that up to the second week of August the average daily volume of sugar exports was at 150,580 tonnes, 30% above the volume seen at the same period a year earlier.
Brazil's sugar industry had a slower start to the season this year since dry weather hampered cane development, but operations picked-up recently.
"Demand is strong and weather worries perhaps have brought forward demand," said a U.S.-based sugar trader.
Dry weather in parts of Europe were seen cutting sugar production from beet. There were also reports of weather problems in Chinese sugar crops. Those factors, the trader said, might have led importers to seek additional cargoes of Brazilian sugar as a guarantee.
The trader also said that the inverted market in sugar futures, with spot contracts at higher prices than deferred ones, signals a tight situation on the supply side at the moment.

Picture of the Day

A file photo of oil barrels pictured at the site of Canadian group Vermilion Energy in Parentis-en-Born, France. REUTERS/Regis Duvignau

(Inside Commodities is compiled by Jesse Vinay in Bengaluru)