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Top News - Oil

Recent surge in WTI price curbs US oil flows to Europe, Asia

A recent surge in West Texas Intermediate crude prices (WTI) that pulled Brent crude futures higher has shut arbitrage routes for U.S crude to Europe and Asia and is preventing oil from the Atlantic Basin from heading east, traders said.
The WTI price surge, driven by OPEC+ supply cuts led by Saudi Arabia and falling U.S. shale oil production, is altering global trade flows by keeping U.S. oil in the country and driving up demand and prices for other oil imported by Europe and Asia.
WTI crude futures jumped more than $2 a barrel on Tuesday, pulling up Brent as well, before easing as investors took profits. Brent settled 9 cents lower at $94.34 a barrel with WTI settling down 28 cents a barrel at $91.20.
Previously, the recent price moveshad widened prompt month spreads for both contracts in backwardation.
The backwardation - where front-month prices are higher than those in future months - indicates tight supply.
Brent's strength also widened its premium to Middle East benchmark Dubai which hit a six-month high of $2.74 a barrel on Tuesday, LSEG data showed. This was more than double the previous day's Asia close and prompted traders to cover short positions, the sources said.
"The arbitrage into Europe and Asia from the U.S. is now closed," a Singapore-based trader said.
"I think it's down to OPEC+ actions, they drained the U.S. by not sending oil there."
The widening of the Brent-Dubai spread makes crude produced in the Atlantic Basin more expensive for Asian refiners who will now turn to the Middle East, traders said.
Expectations of stronger demand have pushed spot premiums for Middle East crude such as Oman and Murban to multi-month highs.
U.S. crude's discount to Brent on Tuesday was at its narrowest since August at $3.49 a barrel. A narrower spread between the two benchmarks discourages foreign buying of U.S. crudes.
Spot prices for U.S. crude grades have also weakened. Mars Sour traded on Tuesday at a $1.70 discount to U.S. crude futures, its largest discount since March.
Saudi Arabia and Russia this month extended a combined 1.3 million barrels per day (bpd) of supply cuts to the end of the year as part of a move by the Organization of the Petroleum Exporting Countries and their allies, known as OPEC+, to reduce supply and support prices.
The International Energy Agency has warned of a substantial market deficit through the fourth quarter.
Australian bank ANZ said OPEC+ production cuts are likely to push the market into a 2 million bpd deficit in the fourth quarter amid robust global demand growth.

Canada's Trans Mountain pipe expansion to disrupt oil flow to US, boost prices

Canada's Trans Mountain oil pipeline expansion (TMX), which will nearly triple the flow of crude from Alberta to Canada's Pacific Coast beginning early next year, will shake up North America's supply by diverting barrels now mainly delivered to refiners and exporters in the U.S. Midwest and Gulf Coast.
Its startup could add as much as $2 per barrel to prices paid by U.S. Midwest oil refineries that sit along Canada's existing main oil-export route. Plants that benefited from discounted oil include those operated by BP, Citgo Petroleum, Exxon Mobil and Koch Industries' Flint Hills Resources, analysts said.
"They will be competing for barrels that no longer transit through their region," said a Calgary-based oil trader. "The market will have to reshuffle."
The long-delayed and controversial Canadian government-owned C$30.9 billion ($22.81 billion) TMX project is set to begin shipping crude early next year, although it could face up to nine months delay due to a last-minute proposed route change.
Once it starts operating, Canada will be able to ship an extra 590,000 barrels per day (bpd) to Pacific ports for delivery to U.S. West Coast and Asia refiners, where demand for heavy sour crude is expected to climb in the longer-term.

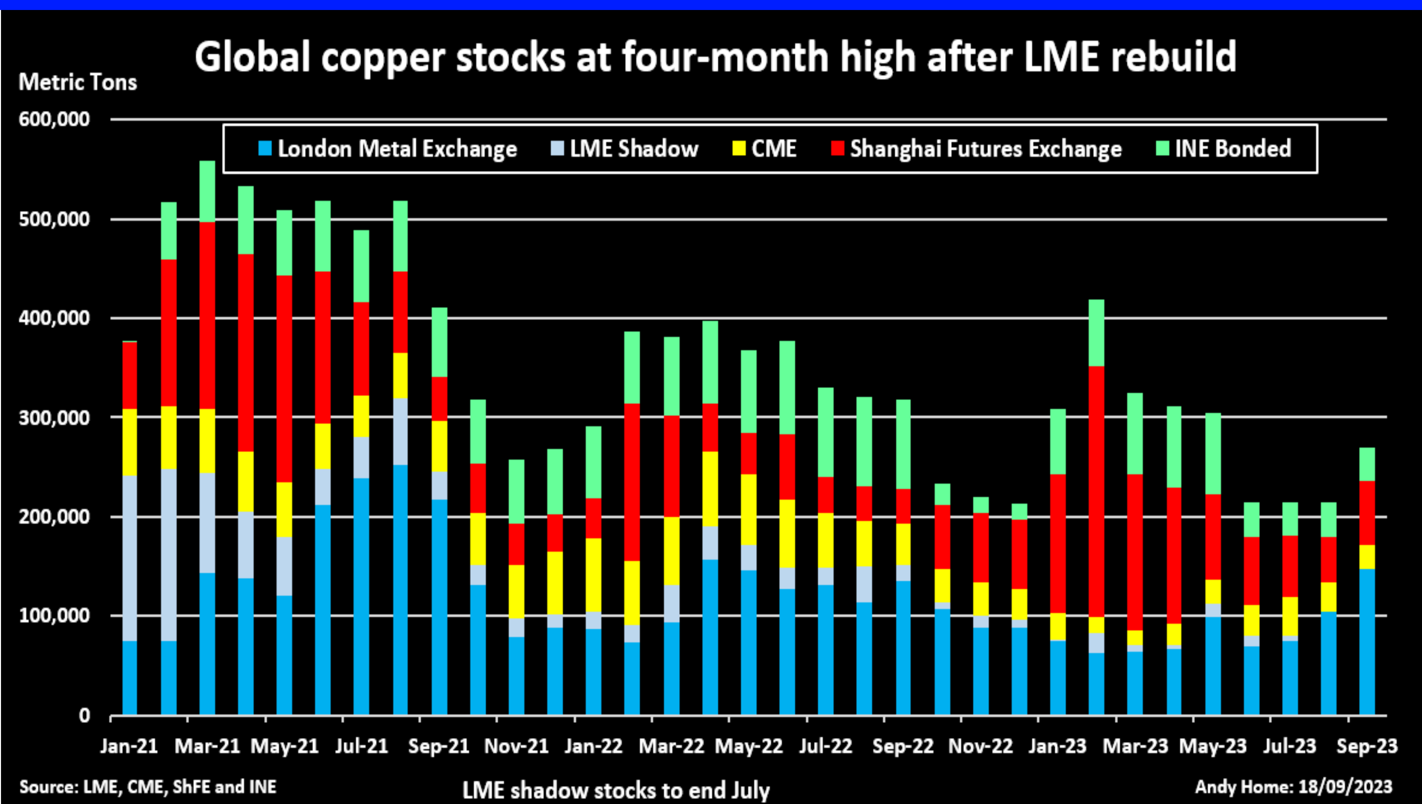
FEWER BLOWOUTS

Canada has supplied the Midwest with all of its crude imports since 2019, according to a Reuters analysis of Energy Information Administration data. That has left Canadian oil producers vulnerable to deep price discounts or "blowouts" whenever pipelines become congested or rupture. Pipeline operator Enbridge, which ships the bulk of Canada's 3.8 million bpd of crude exports to the U.S., expects to see flows on its Mainline system drop by up to 300,000 bpd once TMX opens.
Last December, a spill on TC Energy's 622,000 bpd Keystone pipeline drove the Canadian heavy crude

discount to U.S. oil to more than $33 a barrel, more than double its typical discount. Having more Canadian export pipeline capacity means crude bottlenecks building up in the Alberta storage hub Hardisty should happen less often, reducing volatility and keeping prices steadier.
"For a decade the U.S. Midwest could count on that kind of blowout every year or two," said Rory Johnston, founder of the Commodity Context newsletter. "That's less likely now."
The start-up of TMX could add a "buck or two" to the cost of a barrel for Midwest refiners, he estimates.

GULF COAST RE-EXPORTS SHUT OUT
TMX also will make Canadian crude "re-exports" from the Gulf Coast less viable, squashing a trend that has gained in momentum in recent years, and increasing shipments of Canadian oil to China, said Matt Smith, lead oil analyst for the Americas at Kpler.
So far this year, over 200,000 bpd of Canadian crude has been re-exported from the U.S. Gulf Coast, up from about 73,000 bpd in 2019, Kpler data showed.
China is currently the leading destination for these Canadian re-exports, taking in 194,000 bpd in August.
Heavy Canadian crude will still make it to the U.S. Gulf to be used by refiners there, Smith added.
The region could also see an uptick in Latin American crude being displaced from the U.S. West Coast by TMX barrels.

Chart of the Day



Top News - Agriculture

Kyiv acts on 'compromise' plan after filing WTO trade complaint over food ban
Ukraine appealed to three neighbouring countries in the European Union on Tuesday to embark on "constructive dialogue" to end a dispute over agricultural trade, and approved what it called a "compromise scenario."
Poland, Slovakia and Hungary announced restrictions on imports from Ukraine on Friday after the European Commission decided not to extend a ban on sales into Ukraine's five EU neighbours, which also include Romania and Bulgaria. The Polish, Slovak and Hungarian governments said their actions sought to protect farmers from a surge of grain and food imports from Ukraine since its invasion by Russia last year.
A World Trade Organization spokesperson confirmed that Ukraine had taken the first step in a trade dispute by filing a complaint to the global trade body.
"We can confirm that a request for consultations was received Monday evening. Further information will be provided once the request has been circulated to our members," the spokesperson said in an email addressed to Reuters.

He did not name the countries although Kyiv had previously said the complaint targeted Poland, Slovakia and Hungary.
Ukrainian Prime Minister Denys Shmyhal later spelled out Kyiv's position in comments on the Telegram messaging app. He confirmed that Kyiv would impose retaliatory import restrictions on certain categories of goods from Poland and Hungary if they did not lift their unilateral bans. Ukraine, meanwhile, is conducting an investigation to show that the unilateral bans are discriminatory, he said. Shmyhal said Kyiv had proposed to the European Commission, the EU executive, and neighboring countries an export control plan on four groups of farm products to prevent market distortions -- a plan he described as a compromise scenario. "We once again call on our neighbours to abandon harmful and illegal restrictions, political populism and embark on the path of constructive dialogue, from which everyone will actually benefit," he said.

HELPING THE WORLD
President Volodymyr Zelenskiy, who is attending U.N. meetings in New York, said he told the Sustainable Development Goals summit that Ukraine's exports were "helping the world be more stable and stronger".
Polish President Andrzej Duda, also in New York, told reporters: "It would be good for Ukraine to remember that it receives help from us and to remember that we are also a transit country to Ukraine." Ukraine's Trade Representative, Taras Kachka, told national television that Kyiv strictly sought the removal of the bans.
"We want to see Polish farmers develop, we want to see Ukrainian farmers develop...Each has their own situation and a great many problems," Kachka said.
"Poland banned imports. So you have to understand our actions are a reaction. We have been in talks with them for half a year in different situations."
Signalling its intention to move forward with the compromise proposal on Tuesday, the Ukrainian government approved the introduction of export licences for a number of agricultural products for export to Ukraine's five EU neighbours.
"The government of Ukraine approved a new procedure for exporting certain types of products to certain EU member states," the agriculture ministry said in a statement. "It stipulates that four crops -- corn, rapeseed, sunflower seed, wheat, which are exported to 5 countries -- must be licensed by the economy ministry in agreement with agriculture ministry."
The ministry said Kyiv would agree on the list and volume of products with importing countries, which would determine whether they are ready to accept these goods. "Only then do we issue permits to our companies to export certain products. Ukraine controls its exports and coordinates them with the receiving countries," it added. Russia's war on Ukraine has disrupted Kyiv's ability to export farm products through its ports, leading to a surge in shipments via road, rail and barge through its five neighbours.

Brazil's 2023/2024 grain production to shrink slightly -Conab
Brazil's overall grain production in the 2023/2024 cycle is set to shrink 1% compared with the previous season, totaling 319.5 million metric tons, the food supply and statistics agency Conab predicted on Tuesday.
The lower forecast was driven by an expected 9.1% drop in Brazil's total corn crop, to 119.8 million tons, fueled by a predicted 4.8% drop in harvest area to 21.2 million hectares, Conab said in its first forecast for the 2023/2024 cycle. Soybean output meanwhile is expected to increase by 5.1% to 162.4 million tons, with a 2.8% increase in its production area to 45.3 million hectares, it added.
Brazil's cotton production is expected to reach 2.9 million tons, down 5.6% from the previous cycle.

Top News - Metals

China exported no germanium, gallium in Aug due to export curbs
China's exports of germanium and gallium products in August plunged to zero, customs data showed on Wednesday, due to new export controls on the two chip-making metals.
Beijing exported no wrought germanium products last month, compared to 8.63 metric tons in July when volumes more than doubled from June as overseas buyers rushed to lock in supply ahead of the curbs.
There were also no exports of wrought gallium products in August. In July, exports were 5.15 tons and 7.67 tons in the same month in 2022, the data showed.
In July, China announced restrictions on the export of eight gallium and six germanium products starting Aug. 1, the latest salvo in an escalating war between Beijing and Washington over access to materials used in making high-tech microchips.
Under the new rules, exporters of germanium and gallium products now need to obtain an export licence for dual-use items and technologies, meaning those with potential military and civilian applications. Permit applications take around 45 working days to process, said a Chinese germanium trader and a germanium producer, who declined to be named because of the sensitivity of the matter.
"We did not ship any volumes abroad last month as we are still waiting for a permit," the trader added.
Chinese spot gallium prices slid last month as stocks

piled up in the domestic market due to the export controls and subdued demand.
The spot price of gallium metal fell by 9% on the month to 1,655 yuan per kg on Aug. 31, according to data from Shanghai Metals Market (SMM).
The spot price of germanium ingot, however, climbed by 1% during the month to 9,700 yuan per kg at the end of August, SMM data showed, helped by tightening supply. China's exports of wrought germanium totaled 36.45 metric tons in the first eight months of 2023, up 58% on the year while shipments of wrought gallium fell 58% on the year to 22.72 tons over the January-August period.

Top nickel producer Indonesia will not approve any new mining quotas for 2023

Top nickel producer Indonesia will not approve any new mining output quotas this year, government official Septian Hario Seto told Reuters, a move likely to further tighten supplies of nickel ore.
Indonesia's mining quota distribution has already been delayed after the government reverted to an older approval process due to an ongoing investigation into illegal mining. Prices of nickel ore in Indonesia have surged in recent weeks, local buyers say, with production affected by the delayed quotas, known locally as RKAB.
Septian, a deputy minister in Indonesia's Coordinating Ministry for Maritime Affairs and Investment, said a new mining quota application system will be available to nickel miners from October and applications can be filed from November. The government will then start processing quotas for 2024, Septian said on the sidelines of a Fastmarkets battery raw materials conference in Amsterdam.
The deputy minister acknowledged some plants in Indonesia have curbed and even suspended production due to a lack of nickel ore. About two-thirds of global nickel supplies are used to make stainless steel, and its use in electric vehicle batteries is growing fast.
Indonesia's Attorney General's Office is investigating a former senior mining official, alleging his easing of a quota approval process led to illegal activities that led to 5.7 trillion rupiah ($372.84 million) of state losses.
Under the RKAB, Indonesian authorities allocate each miner's production and sales quota every year, which can be revised when they need more.
The government in May announced plans to launch a nickel price index by the end of 2023 to avoid market volatility linked to the London Metal Exchange pricing benchmark, which needs to be in place before it goes ahead with an export levy on nickel products.
Septian told Reuters an announcement on the index will come in November. He had previously said it could consist of nickel pig iron, mixed hydroxide precipitate and possibly nickel matte prices.
Indonesia exported 450,000 metric tons of nickel in the second quarter of this year, or 53% of global supply, according to Macquarie.

MARKET MONITOR as of 06:21 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$90.38 / bbl	-0.90%	12.61%
NYMEX RBOB Gasoline	$2.59 / gallon	-0.53%	4.55%
ICE Gas Oil	$977.50 / tonne	0.10%	6.13%
NYMEX Natural Gas	$2.77 / mmBtu	-2.88%	-38.19%
Spot Gold	$1,930.81 / ounce	-0.01%	5.83%
TRPC coal API 2 / Dec, 23	$130 / tonne	-0.08%	-29.63%
Carbon ECX EUA / Dec, 23	€81.30 / tonne	0.09%	-3.18%
Dutch gas day-ahead (Pre. close)	€37.55 / Mwh	9.48%	-50.31%
CBOT Corn	$4.90 / bushel	-0.15%	-27.77%
CBOT Wheat	$6.17 / bushel	1.07%	-23.60%
Malaysia Palm Oil (3M)	RM3,737 / tonne	-0.32%	-10.47%
Index (Total Return)	**Close 19 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	326.38	0.23%	8.31%
Rogers International	29.56	0.42%	3.10%
U.S. Stocks - Dow	34,517.73	-0.31%	4.13%
U.S. Dollar Index	105.2	0.00%	1.62%
U.S. Bond Index (DJ)	400.88	-0.19%	2.34%

Top News - Carbon & Power

Power costs, patchwork rules hinder global energy transition, Repsol says

High electricity costs and patchwork regulations are holding back global efforts to reduce reliance on oil and gas, such as clean hydrogen, the CEO of Spanish oil major Repsol said on Tuesday.

Carbon capture technology, however, is already cheap enough to justify large-scale construction in some places, CEO Josu Jon Imaz said at the World Petroleum Congress in Calgary. He did not identify the places where it was affordable.

"We need an open-minded regulator, not banning (some products), not promoting with a stick, promoting with a carrot," Imaz said. High costs of electricity, used to produce hydrogen fuel without emissions, are an impediment to development, as are varying tax and regulatory policies around the world, Imaz said.

Imaz said the U.S. Inflation Reduction Act, which provides government incentives for development of low-emissions technology like carbon capture and clean hydrogen production, is a good model for the European Union to emulate.

Repsol has embarked on a broad plan to develop renewable energy and has plans to install wind, solar and hy--power plants with a combined capacity of 20 gigawatts by 2030, and is set to invest a chunk of the $4.8 billion it raised from the sale of a 25% stake in its oil business into renewable projects.

On the same panel at the Congress - a gathering of global oil-producing companies and countries - the CEO of Canada's second-biggest airline WestJet said the aviation sector faces the biggest problem of eliminating its emissions due to the cost of sustainable aviation fuel (SAF).

"The last barrels of hydrocarbons produced on this planet are likely to be run on a jet engine," said CEO Alexis von Hoensbroech.

There is only modest SAF production currently, from feedstocks like oilseed crops, but larger-scale production is only realistic from electricity.

"I don't see this scaling up so far and the talk about sustainable aviation fuel is older than a decade," von Hoensbroech said.

Producing SAF from power would represent a need for more additional electricity than wind and solar alone can generate, but nuclear plants could in time, he said.

Aviation accounts for 3% of the world's emissions.

COLUMN-Clean energy investing loses lustre despite climate crisis: Maguire

Despite the heat waves, wildfires and floods that have amplified calls to accelerate the global energy transition away from fossil fuels, investors withdrew record funds from the world's largest clean energy investment vehicles so far this year.

Investors withdrew a net $765 million through August from the world's largest clean energy exchange traded fund, the iShares Global Clean Energy ETF (ICLN), which is by far the largest net outflow on record of investor money from that fund during any January-August period, LSEG data shows.

Investors withdrew a further net $197 million from the First Trust NASDAQ Clean Edge Green Energy Index (QLN), and a net $23.6 million from the VanEck Low Carbon Energy ETF (SMOG) - the largest withdrawal for that time slot since 2010.

LOST LIMELIGHT

A key driver behind the withdrawals from clean energy investment funds this year has been the relative attractiveness of other sectors, such as artificial intelligence.

Investors opted to redeploy some holdings away from energy to join the scramble for AI exposure.

The Global X Robotics & Artificial Intelligence ETF (BOTZ), the largest ETF in the AI space, saw net inflows of over $614 million through August, which was the highest for that fund during that period since 2018.

The clean energy space had outperformed other sectors, including technology, over the past two years, and so was likely due for a bit less investor attention this year.

However, an equally important factor behind the outflows in clean energy has been the spate of high profile corporate and national disappointments in critical areas of the clean energy industry.

WIND BLOWS

The most prominent letdown this year has been the wind power sector, which has suffered from disappointing national offshore auction results for operating sites in Britain and the United States, as well as ongoing corporate hiccups.

Earlier this month, Britain's latest subsidy auction for renewable projects failed to attract any bidders at all from the offshore wind industry, while in late August the first ever offshore auction in the Gulf of Mexico unearthed only a single bid, dealing a blow to U.S. green energy ambitions.

The bad news didn't stop there. This month, the European solar industry warned of a "precarious" situation for solar photovoltaic (PV) manufacturers as PV prices hit record lows.

And earlier this year solar inverter maker Enphase Energy warned of below-estimate earnings on weak demand in the United States, where consumers are reining in expenditures due to high interest rates.

Even the electric vehicle (EV) market, one of the clear bright spots for supporters of the energy transition, looks set to run into problems after the European Commission threatened an investigation into subsidies for Chinese EV makers, which have been rapidly gaining market share at the expense of Europe's car giants.
In all, weak spots have emerged on key frontiers of the clean energy industry, which have justified the retreat in investment.
But it is far from clear whether these setbacks will turn into sustained reversals, as the broader push for cleaner energy sources retains wide support at the societal, political and corporate levels.
And for long-term investors, even modest success stories tied to government or corporate renewable energy projects, or improving earnings momentum among key clean energy-focused companies, could be enough to flip the recent fund flow trends from outbound to inbound.
Short-term traders may be even easier to entice, as following the recent waves of outflows, the prices of major clean energy ETFs are hovering at their lowest in more than three years, and this could be viewed as an attractive entry point given the enduring scale of support and investment into the broader energy transition.
Overall, investors in ETFs and other funds are far from the main drivers of the global energy transition, which is set to continue whether or not retail investors tag along for the ride. But investment trends do offer an effective read on broader sentiment in the clean energy arena, which has been battered by downbeat news but could be primed for a turnaround once upbeat earnings and development auction results start to come in.

Top News - Dry Freight

South Korea’s MFG bought some 68,000 T corn in private deal - traders
HAMBURG, Sept 19 (Reuters) - South Korea's Major Feedmill Group (MFG) purchased an estimated 68,000 metric tons of animal feed corn expected to be sourced from South America or South Africa in a private deal on Tuesday without issuing an international tender, European traders said.
It was bought at a premium estimated at 185 U.S. cents a bushel c&f over the Chicago March 2024 corn contract.
Seller was believed to be trading house Cargill with corn arrival in South Korea around Jan. 20, 2024, and shipment if sourced from South America between Nov. 12-Dec. 11. If the corn is sourced from South Africa, only 50,000 tons need be supplied.
South Korean animal feed maker Nonghyup Feed Inc. (NOFI) also bought an estimated 136,000 metric tons of feed corn in an international tender Tuesday partly at the same premium levels, European traders said.

Algeria bought about 30,000 metric tons feed barley last week -traders
Algerian state agency OAIC is believed to have purchased about 30,000 metric tons of animal feed barley to be sourced from optional origins in a tender which closed on Thursday, European traders said on Tuesday.
No purchase was reported of 80,000 tons of corn from Argentina also sought in the tender, traders said.
The barley was thought to have been bought at around $223 to $225 a ton c&f for shipment between Oct. 1-15.

Picture of the Day

Palau-flagged general cargo vessel Resilient Africa loaded with grain, leaves the sea port of Chornomorsk, amid Russia's attack on Ukraine, near Odesa, Ukraine September 19. Minister for Communities, Territories and Infrastructure Development of Ukraine Oleksandr Kubrakov via Facebook/Handout via REUTERS

(Inside Commodities is compiled by Anjana J Nair in Bengaluru)

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

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