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## Top News - Oil

**India set to skip buying Russia's ESPO crude in Sept as freight costs jump**

Indian refiners are set to skip purchases of Russia ESPO crude oil this month due to higher freight rates, turning to Africa and the Middle East instead, industry sources said.

India, which rarely used to buy Russian oil, has emerged as Moscow's second biggest oil customer after China since Moscow's invasion of Ukraine in late February.

Refiners in India have been snapping up nearly all grades of Russian crude, taking advantage of discounts after some entities in the West halted purchases.

However, higher prices are set to cool off Indian demand, channeling supplies to China.

"On net back basis after factoring in the freight, the landed cost of ESPO is turning out to be $5-$7 a barrel costlier in comparison to similar grades from other countries such as UAE's Murban," said an Indian industry source familiar with the matter, adding that Russian oil has previously been cheaper.

Instead of ESPO, Indian companies are buying other grades such as those from West Africa that give better yields, he said.

The price gap between Brent and Dubai benchmarks has also narrowed, opening the arbitrage window for Atlantic Basin grades to Asia.

AFRICAN VOLUMES UP

India's monthly Russian oil buying has fallen since hitting a record high in June.

About 2 million tonnes (14.35 million barrels) of Russian crude have been loaded for India so far this month versus 3.55 million tonnes of August, including 585,090 tonnes of ESPO crude, Refinitiv data showed on Thursday.

In contrast, India has loaded 2.35 million tonnes of African oil so far this month versus 1.16 million tonnes in August, the data showed.

Overall, India is likely to lift less crude in September due to planned maintenance shutdowns of units at some refineries operated by companies including Indian Oil Corp Reliance Industries, Bharat Petroleum and Nayara Energy.

Middle East producers have also cut official selling prices for their supplies in October, hitting the appeal of Russian oil, said Ehsan Ul Haq, an analyst with Refinitiv.

While supplies from Russia to India takes about a month, Middle Eastern crude arrives in a week, he added.

Shiptracking data from Kpler showed that all but one seaborne ESPO cargo for September departure are heading to China.

Russian ESPO exports in September slipped to 720,000 barrels per day (bpd) from more than 800,000 bpd in July and August, the data showed. "ESPO from the Far East is a short-haul journey for China and freight rates have also risen. So China is taking more oil from the Far East and not so much from Baltic or Black Sea ports," Haq said.

Russia's local crude processing has also increased, curtailing supplies for export, he said.

**EXCLUSIVE- Poland will only supply Germany's Schwedt refinery if Rosneft removed as shareholder**

Poland will only help supply oil to Germany's PCK Schwedt refinery if Russia's Rosneft is completely removed as a shareholder, Poland's climate ministry said, raising pressure on Germany to completely nationalise the refiner.

Germany took control of the Schwedt refinery, which was majority owned by Rosneft Deutschland, last Friday as Berlin strives to shore up energy supplies. It put Rosneft Deutschland under a trusteeship of the German industry regulator but Rosneft still holds 54% of the company's shares.

The German economy ministry is in talks with potential buyers, including a Polish company, two government sources in Berlin said. Reuters reported last week that Poland's top refiner PKN Orlen is interested in buying a controlling stake in Schwedt, which supplies 90% of Berlin's fuel.

Berlin is aiming to meet its European Union commitment to eliminate Russian oil imports by the end of the year, a move triggered by Russia's invasion of Ukraine.

The Schwedt refinery previously received most of its crude from Russia and Berlin is now looking to other countries to supply Schwedt.

"In Polish-German technical talks on additional oil supplies for Germany that are underway, the Polish side is declaring that potential help is possible under condition that Rosneft Deutschland is removed from the list of shareholders of PCK Schwedt," Polish climate ministry said in response to Reuters questions.

Germany's economy minister Robert Habeck said last week that talks with Poland on supplying oil for Schwedt were very advanced. Talks with Poland continue, his ministry said on Thursday.

"Our Polish friends have welcomed the decision to put Rosneft Deutschland under trusteeship. This gives us new opportunities for cooperation and we are happy to continue our talks," a spokeswoman at the economy ministry said.

Rosneft has said it could go to court to challenge Berlin's decision to take the firm's German subsidiary under trusteeship.

## Top News - Agriculture

**IGC raises forecast for 2022/23 global wheat crop**

The International Grains Council (IGC) on Thursday raised its forecast for 2022/23 global wheat production, partly reflecting an upward revision for the crop in Russia.

In its monthly update, the inter-governmental body saw global wheat production rising to 792 million tonnes in 2022/23, up from a previous projection of 778 million and now above the prior season's 782 million tonnes.

The main revision was for Russia which was now expected to produce 93.4 million tonnes, up from a previous forecast of 87.6 million.

Russia's wheat exports in the 2022/23 season were still seen at 36.5 million tonnes, despite the higher production forecast, leading to an expected build-up in stocks in the country.

Stocks of wheat in Russia at the end of the 2022/23 season were projected at 22.5 million tonnes, almost double the prior season's level of 11.3 million tonnes.

The IGC also downwardly revised its 2022/23 world corn (maize) crop outlook by 11 million tonnes to 1.168 billion tonnes, mainly driven by a cut in its forecast for U.S. production to 354.2 million tonnes from 364.7 million.

**Crop merchant Louis Dreyfus' profits rise as it navigates Ukraine crisis**

Global crop merchant Louis Dreyfus Company (LDC) reported higher first-half sales and profits, saying it had used its wider supply network to adapt to disruptions linked to the Ukraine war to boost volumes and benefit from higher prices.

LDC, whose rivals include ADM, Bunge and Cargill, said net sales for the six months ending June 30 rose to $30.3 billion from $24 billion a year earlier, while net income rose to $662 million from $336 million.

International crop traders' earnings have been boosted by high prices and tight supplies, with market tension heightened by Russia's Feb. 24 invasion of Ukraine.

"Despite very limited origination possibilities from the Black Sea, we nevertheless grew volumes shipped in the first half of the year," Chief Executive Michael Gelchie said in an interim report on Thursday.

Rising sales reflected a 0.9% year-on-year increase in volumes and higher prices, LDC said in the report.

Like other foreign grain firms, LDC scaled back operations in Ukraine and Russia this year due to the war. Products sourced from two countries made up less than 4% of its sales last year.

In Ukraine operations continue at a reduced level, LDC said. It reported provisions and impairments of $118 million for Ukraine within its cost of sales as of June 30.

No war casualties had been reported among employees in Ukraine, though wheat inventories in a third-party silo were destroyed, it said.

For Russia, the group had resumed operations to the extent made possible by commercial commitments and sanctions, it added.

Family-controlled LDC is one of the world's largest traders of agricultural commodities.

Improved results and the sale of a stake last year to Abu Dhabi holding firm ADQ have eased financial pressure on LDC and main shareholder Margarita Louis-Dreyfus after several years of modest profits and mounting debt.

The group awarded a dividend of $348 million during the first half, the report showed.

## Top News - Metals

**OZ Minerals to invest $1.1 bln in West Musgrave copper-nickel project**

Australian miner OZ Minerals Ltd said on Friday it would invest about A$1.7 billion ($1.13 billion) to develop the West Musgrave copper-nickel project in Western Australia, as it looks to cash in on increasing demand for battery metals.

The final investment decision comes amid media reports that the world's largest listed miner BHP Group might be awaiting OZ's decision on West Musgrave to hike its takeover offer, more than a month after its $5.8 billion bid was rebuffed.

Adelaide-based OZ in early August said BHP's offer was undervaluing and opportunistic as it aimed at boosting its copper output to capitalise on soaring demand for its core metals.

BHP did not immediately respond to a Reuters query on whether it was considering hiking its offer.

OZ's West Musgrave project is expected to produce on average about 35,000 tonnes of nickel and about 41,000 tonnes of copper every year for the first five years, the final feasibility study showed. The miner, which is targeting first production from there in the second half of 2025, said the project will be capable of processing 13.5 million tonnes per year.

OZ recorded annual production of 125,486 tonnes of copper in 2021 and expects to produce between 120,000 and 135,000 tonnes in 2022.

"Investment approval for West Musgrave unlocks one of the largest undeveloped nickel projects in the world and, with expected lowest quartile costs, it is set to generate about A$9.8 billion undiscounted cashflow over its 24-year operating life," OZ Chief Executive Officer Andrew Cole said in a statement. The miner will be taking up an A$1.2 billion loan to support development of the project. The company also said it was considering the option to sell a minority stake in the project to take benefit of the "significant in-bound interest" it received recently.

**Mexico values its Sonora lithium deposits at $600 bln**

A potentially vast lithium deposit in Mexico's northern Sonora state could be worth as much as 12 trillion Mexican

pesos ($602 billion), according to a recent finance ministry report, or over a third of the country's projected economic output this year.
Mexico hopes its reserves of the key battery component will help it benefit from a global shift toward electric vehicle production that has turbo-charged demand, but experts are skeptical it will be able to quickly mobilize its industry.
Lithium prices have soared to surpass $70,000 per tonne this year.
While the ultra-light white metal is typically extracted from rock or brine deposits, lithium in Sonora is mostly trapped in clay soils, from which it has not yet been mined on a commercial scale.
President Andres Manuel Lopez Obrador has urged the private sector to work with the new state miner, saying the size of the investment needed means the government needs partners. But analysts argue that companies are more likely to focus near-term investments in Chile or Argentina's sprawling salt flats, where industries are more established and policies more market-friendly.
The massive projected lithium demand should, however, eventually draw interest to Mexico, they added.
"We have a product which can define what will happen with the world's energy," Bolivia's Mexico ambassador Jose Crespo said in a statement published on Thursday.
Mexican newspaper La Jornada reported the government's lithium valuation earlier on Thursday.
Though Mexico does not currently produce the metal, the finance ministry estimated the Sonora reserves could add some 0.3 percentage points to potential GDP in the medium-term.

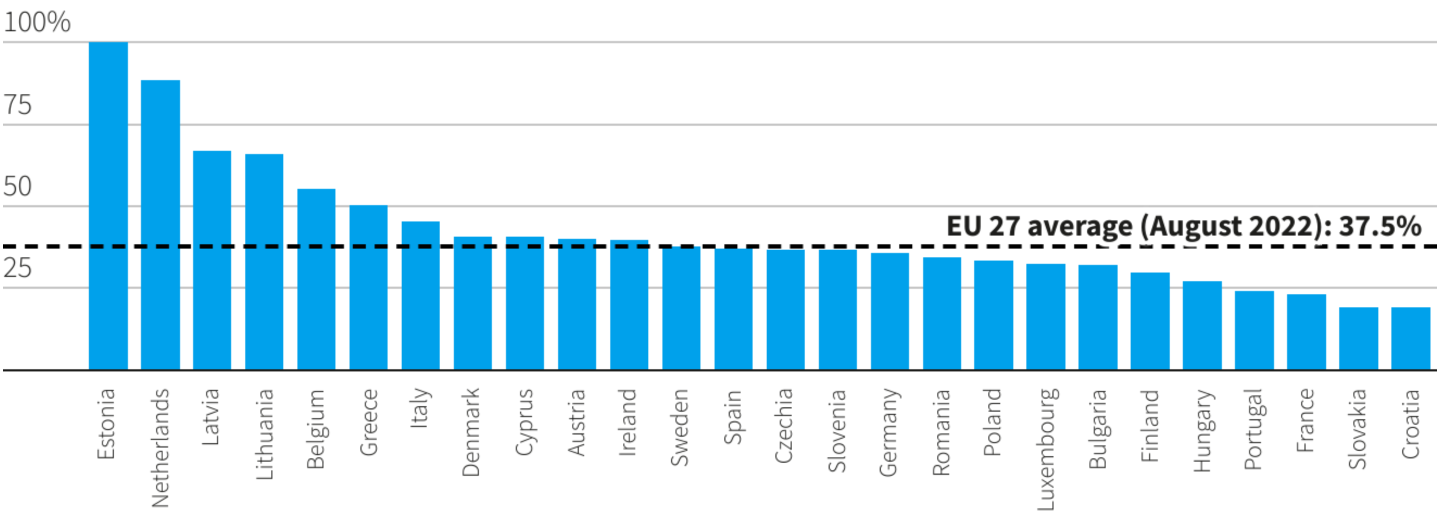
## Top News - Carbon & Power

**EU watchdog proposes emergency brake for energy markets**
A temporary brake on gas and electricity derivatives when prices spike could improve how energy markets operate, the European Union's securities watchdog proposed on Thursday, along with more fundamental changes over time.
The European Securities and Markets Authority (ESMA) said the number of trading halts in energy derivatives has been very low in recent weeks despite rules on circuit breakers already in place and prices racing higher following Russia's invasion of Ukraine in February.
"It would, therefore, appear useful to consider implementing, on a temporary basis and for energy derivative markets only, a new type of trading halt mechanism," ESMA said in a statement.
The parameters of such a mechanism should be set at the EU level to apply to all platforms that trade energy

## Chart of the Day

# EU's rocketing energy bill

Year-on-year change in energy prices as measured in national inflation data (HICP) across the European Union, August 2022




Source: Eurostat | Reuters, Sept. 21, 2022 | By Vincent Flasseur

derivatives, it said - step that would override exchanges.
"We would envisage these mechanisms to trigger halts for a limited period of time only and in exceptional circumstances, for instance, in case of extreme volatility spikes that may lead to disorderly trading conditions," ESMA said.
Such a mechanism would need to be implemented as part of emergency measures tackling the current energy crisis, it added.
ESMA was responding to a call for "concrete plans" from the EU's executive arm, the European Commission, to address issues raised in energy markets by high prices that are forcing governments to offer help to energy companies.
Energy firms sell their output using derivatives markets, requiring them to post "margin" in the form of cash, in practice, to cover positions at clearing houses in case they turn sour.
ESMA said on Thursday it could formally clarify that commercial paper and EU government bonds already qualify as collateral. But it rejected an industry suggestion that EU carbon emission allowances could also be used, given their "high volatility and limited legal protections".
It also had concerns about making uncollateralised commercial bank guarantees eligible for use as collateral, and said strict conditions would need to apply.
ESMA said such conditions include a time limit on their use, such as for the winter period when stresses in energy markets are expected to continue.
"ESMA believes that prudential requirements should continue to underpin any such exposures and limit banks' concentration risk, which would then have impact on the practical use of such type of collateral," the watchdog said, referring to banks' putting aside capital to cover risks from guarantees turning sour.
Clearing houses should also set limit to ensure that a bank guarantee only represented a "small share" of total initial margin requirements.
Such safeguards will be welcomed by banking regulators in the bloc, worried about a loosening of capital rules.
A top European banking supervisor said lenders should not be encouraged to give guarantees that are not commercially priced and backed by appropriate capital.
EU states hold a summit next week to decide on emergency measures to help energy companies.

MORE TRANSPARENCY

ESMA signalled a need for regulators to have a much broader grip on commodity markets to not just include exchanges, but also over-the-counter or off-exchange trading, and transactions in the physical market. It was "crucial" that national supervisors in EU states have increased visibility over OTC trades that cover the same market as those traded on exchanges, ESMA said.
Furthermore, physically settled gas and electricity products should at least have to comply with minimum transaction and daily position reporting requirements to increase transparency, it said. Regulatory waivers to large non-financial firms that can trade in commodity derivatives should be scrapped so they require an investment firm licence, ESMA said.
"This would ensure that such significant entities active in commodity derivatives markets conducting essentially the same business as investment firms would be subject to the stringent requirements established in financial regulation," ESMA said.

**Ban on gas fracking in England lifted in push for energy independence**

Britain on Thursday formally lifted a moratorium on fracking for shale gas in England that has been in place since 2019, saying strengthening the country's energy supply was an "absolute priority".
Energy prices have soared in Europe after Russia invaded Ukraine, and Britain is subsidising bills for households and businesses at a predicted cost of more than 100 billion pounds ($113 billion).
New Prime Minister Liz Truss said earlier this month that fracking - extracting shale gas from rocks by breaking them up - would be allowed where it was supported by communities.
Business and Energy Secretary Jacob Rees-Mogg said on Thursday all sources of energy needed to be explored to increase domestic production, "so it's right that we've lifted the pause to realise any potential sources of domestic gas".
Fracking, which has been opposed by environmental groups and some local communities, was banned after the industry regulator said it was not possible to predict the magnitude of earthquakes it might trigger.
Rees-Mogg, however, said the practice was "safe", and the limits on seismic activity should be re-assessed so it could take place in an "effective and efficient way".
Cuadrilla, 96% owned by Australia's AJ Lucas AJL.AX, had the most advanced fracking wells in Britain and found a natural gas resource, but the rules around earth tremors meant its operations had to keep halting, meaning that neither of its two wells could be fully flow-tested.
The company welcomed the decision and said it was committed to returning a portion of any shale gas revenue to local communities.
"Lifting the moratorium will help the shale industry unlock UK onshore natural gas in quantities sufficient to meet the UK's needs for decades to come," Cuadrilla CEO Francis Egan said.
Chemicals and energy giant INEOS, which holds several British shale gas exploration licences, said the government should treat shale gas development as "a national infrastructure priority."
Experts say restarting the industry will do nothing to ease energy prices this winter, however, since it would take many years for an industry to develop and it remains unclear whether a significant amount of gas could be extracted.

"Even if the risks proved to be manageable and acceptable, shale gas would only make a significant impact to UK supply if, over the next decade, thousands of successful wells were to be drilled," said Andrew Aplin, Honorary Professor at Durham University.
Moratoriums on fracking in Scotland or Wales will continue, their devolved governments have said.

TREMORS
A report, requested by the government and published on Thursday by the British Geological Survey (BGS) said since little fracking had taken place in the country it "remains challenging" to estimate the seismic impact it could have.
The largest tremor caused by fracking took place at Cuadrilla's site in Blackpool, northern England, in 2011, registering a magnitude of 2.3 which residents said woke them in the night.
After this, the government introduced a traffic-light system which suspended work if seismic activity of 0.5 or above on the Richter scale was detected.
The BGS said that threshold was the most conservative of any region where fracking has taken place, with some states in the Unites States, where fracking is commonplace, having a magnitude 4 threshold.
Rees-Mogg said activity of 2.5 and below happened "millions of times a year across the world", adding that the limits on ground level movement for the construction industry were double those ever achieved by fracking in England.
Allowing drilling to restart would generate data to understand how shale gas could be safely extracted where there was local support, the government said.
It also confirmed its support for a new oil and gas licensing round, expected to be launched by the North Sea Transition Authority (NSTA) in early October.

## Top News—Dry Freight

**India's Russian thermal coal imports set to fall for first time in 4 months**
India's thermal coal imports from Russia are expected to fall for the first time in four months in September, two research consultancies said, potentially resulting in lower revenues for Moscow at a time it is mobilising more troops to fight in Ukraine.
Indian consultancy Coalmint expects September thermal coal imports from Russia to decline 30% from August to 1.4 million tonnes, it said in a note to clients.
London-based analytics firm DBX Commodities estimates Indian shipments of the power generation fuel to fall to 1.5 million tonnes this month from 1.9 million tonnes in August, Chief Executive Alexandre Claude told Reuters

**MARKET MONITOR as of 06:30 GMT**

| Contract | Last | Change | YTD |
|---|---|---|---|
| NYMEX Light Crude | $83.21 / bbl | -0.34% | 10.64% |
| NYMEX RBOB Gasoline | $2.51 / gallon | -0.16% | 12.71% |
| ICE Gas Oil | $997.00 / tonne | -0.92% | 49.48% |
| NYMEX Natural Gas | $7.26 / mmBtu | 2.47% | 94.75% |
| Spot Gold | $1,673.79 / ounce | 0.19% | -8.46% |
| TRPC coal API 2 / Dec, 22 | $312 / tonne | 2.31% | 153.66% |
| Carbon ECX EUA / Dec, 22 | €69.68 / tonne | -1.08% | -13.60% |
| Dutch gas day-ahead (Pre. close) | €170.00 / Mwh | 5.04% | 155.64% |
| CBOT Corn | $6.83 / bushel | -0.84% | 15.04% |
| CBOT Wheat | $9.11 / bushel | -0.41% | 18.16% |
| Malaysia Palm Oil (3M) | RM3,805 / tonne | -0.55% | -18.99% |
| **Index (Total Return)** | **Close 22 Sep** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 298.16 | -0.13% | 20.70% |
| Rogers International | 31.43 | 1.37% | 34.86% |
| U.S. Stocks - Dow | 30,076.68 | -0.35% | -17.23% |
| U.S. Dollar Index | 111.35 | 0.00% | 16.03% |
| U.S. Bond Index (DJ) | 387.07 | -4.17% | -16.76% |

on Thursday. Energy exports to India and China have been crucial revenue sources to sanctions-hit Russia, but have also helped bridge supply gaps and place a lid on surging global fuel prices.
Russian President Vladimir Putin on Wednesday called up 300,000 reservists to fight in Ukraine, a major escalation and the first mobilisation of this kind since World War Two, which would require higher spending.
The value of India's coal imports from Russia since troops marched into Ukraine on Feb. 24 rose to about $2.4 billion as of Wednesday, said a source who requested anonymity, citing nonpublic Indian government data. This is a four-fold increase compared with shipments during the same period last year. Traders and analysts say logistical issues have resulted in lower imports in September by India from Russia. Coal shipments from Russia had risen in July and August despite a decline in overall Indian imports of the fuel, making Russia India's third largest coal supplier. A longer waiting period for vessels, higher traffic congestion in the Baltic region due to Europe's scramble for energy supplies and difficulties in securing insurance were resulting in lower Indian imports from Russia, Coalmint said. Sanctions have cut many European countries off from supply of power-generation fuels from Russia, the continent's top supplier, resulting in a scramble for coal, natural gas and electricity in Europe amid record high prices. "India's coal imports from Russia are likely to be in a tight range in the coming months with vessel availability likely to be an issue with the start of winter restocking by various countries, starting October," Coalmint said in the note. DBX expects India's total thermal coal imports to fall to about 13 million tonnes from 15 million tonnes in August, Claude said. "(Overall Indian) thermal coal imports have been declining since June as the heatwave then started to recede and the economy started to falter," he said.

**Philippines bought about 45,000 tonnes Australian feed wheat - traders**

An importer group in the Philippines is believed to have bought around 45,000 tonnes of animal feed wheat to be sourced from Australia in an international tender which closed on Thursday, European traders said in assessments on Friday.
The wheat was purchased at about $355 a tonne c&f for January 2023 shipment, traders estimated.

## Picture of the Day

*An employee of Mexican state oil company Pemex speaks on his phone at the site of the explosion of a gas pipeline during maintenance work performed by Pemex personnel, in Amozoc de Mota, Puebla state, Mexico. REUTERS/Imelda Medina*

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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