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Top News - Oil

APPEC: Vitol expects Russian oil to flow to Asia and Mideast

Russian oil is expected to come to Asia and the Middle East, while refined fuel produced in these regions will flow to the West as the global oil trade is disrupted by sanctions, Vitol's Chief Executive Officer Russell Hardy said on Monday.

The Russia-Ukraine war has made energy security the top issues for governments as they grapple with inflation, and with bans on Russian oil looming and Moscow slashing gas supplies to Europe, policymakers are setting aside sustainability concerns for now.

"Energy Security is number one. Price is number two. Sustainability is number three," Hardy said of key priorities in the short term. More than a million barrels per day of U.S. crude is expected to go to Europe to fill the gap in Russian supplies, he told a forum at the 38th Annual Asia Pacific Petroleum Conference (APPEC) 2022 conference, adding that Russian commodities would need to find a home in places outside the United Kingdom, United States and European Union.

"It's going to go further and longer distances and find different markets, and in doing that it's going to have to trade at a discount," Hardy said.

"You're beginning to see that with fuel coming East that would otherwise have stayed in Europe, and fuel in the East going to the West to cover the shortfall."

The EU is set to ban Russian crude oil from December in a move to strip the Kremlin of revenue, following Moscow's invasion of Ukraine. Russian crude oil imports into the EU and UK last fell to 1.7 million barrels per day (bpd) in August from 2.6 million bpd in January, according to data from the IEA, though the EU was still the biggest market for Russian crude. The IEA also forecasted that the United States could soon overtake Russia as the main crude supplier to the EU and the UK combined.

LNG INFRASTRUCTURE NEEDED

Russia's gas supply cuts have placed enormous strain on the European market, with high gas prices expected to affect 60-80% of demand, Hardy said.

Europe will also need more infrastructure for liquefied natural gas (LNG) discharge as the continent's infrastructure is "basically full," he added.

"We're going to need more supply but the slots are more important at the moment because the need is immediate," Hardy said. Global gas prices rose to record levels this year, as Russia cut supplies to Europe while oil prices touched multi-year highs in March.

Brent crude futures eased in recent weeks on worries that recession would reduce demand but are expected to hit $100 again on tight supplies when the European Union sanctions on Russian oil are implemented in December and February.

APPEC:-Ecopetrol sells more Colombian oil to Europe as competition in Asia grows

Colombian state energy company Ecopetrol is selling more of its oil production to Europe, replacing Russian supplies, while it sees growing competition for market share in Asia.

About 40-50% of Ecopetrol's crude production is exported to Asia this year compared with 60% last year, Ecopetrol's Chief Executive Officer Felipe Bayon told Reuters on the sidelines of APPEC 2022.

Bayon said there is growing competition with Russian, Mexican, Canadian Heavy and Venezuelan crude in Asia.

Ecopetrol established an office in Singapore earlier this year. The team of four will mainly focus on trading Colombia's heavy sour Castilla Blend crude and look into hydrogen, renewables, carbon capture and storage.

Bayon said the proven hydrocarbon reserves at Ecopetrol have reached an equivalent of eight years' worth of consumption, higher than about 7.5 years in the previous year.

"We are drilling 600 new oil wells this year ... oil production is going up and we want to ensure that it continues to grow," Bayon said.

Top News - Agriculture

Brazil govt admits to problems with coffee crop views, plans revision

Brazil's government admitted that its estimates for coffee crops over recent years have problems and need improvements to better reflect the reality, since the numbers for production have been smaller than the sum of local consumption plus exports.

In an interview with Reuters on Thursday, the director of Agricultural Policy at Brazil's food supply and statistics agency Conab, Sergio De Zen, said that due to those discrepancies there is a process going on do revise numbers and methodology for Conab's coffee crop forecasts.

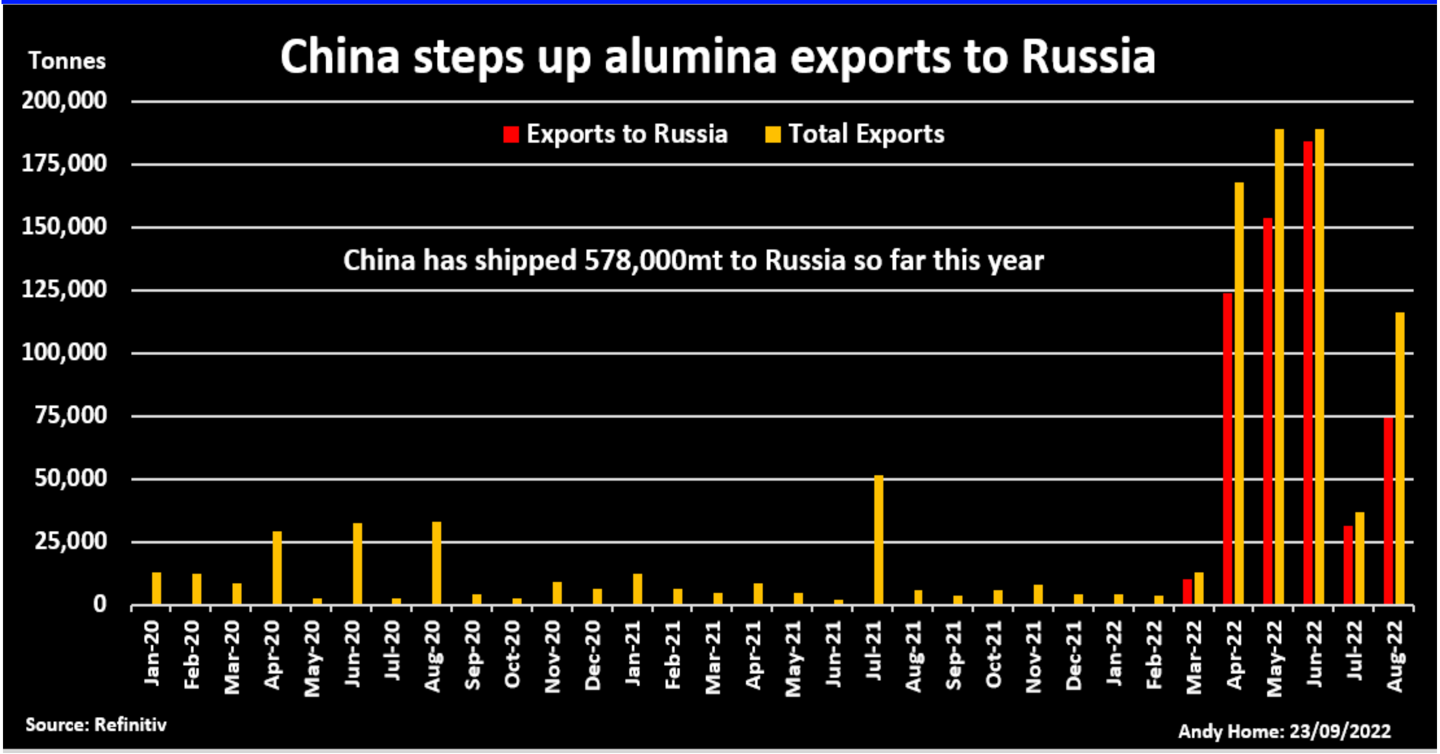
Conab's coffee numbers for Brazil, the world's largest producer and exporter, have for years been subject of debate among coffee traders and analysts, who generally

consider production estimates to be too low.
Trading houses and independent analysts usually have higher crop numbers for Brazil than Conab. For this year, for example, while Conab sees the crop at 50.4 million 60 -kg bags, the U.S. Department of Agriculture (USDA) expects 64.3 million, Rabobank sees 63.2 million and consultancy Safras & Mercado, 58.2 million bags.
"We've been talking to co-ops, farmers and exporters, trying to work together to be able to have a crop projection that better reflects the reality," said De Zen.
The director's comments came after Reuters questioned Conab's forecasts with numbers for Brazil's consumption and exports. There is a clear supply gap when they are compared. When numbers for local consumption plus exports are compared with crop projections for the last five years there is a large deficit of more than 32 million bags.
"We've done that calculation before..." the director said, admitting to the problem.
Stock numbers could help solve the equation, but Conab has stopped publishing those.
"We have not publish them because the supply balance calculation does not make sense," he said, confirming the gap.
De Zen said, however, that stocks at farms are not negligible and could help to solve the S&D equation, but he said the number and quality of answers to the stocks poll was low.
The director said that Conab plans to revise the numbers for the crops in recent years in the same way it did with soybean data in 2020, when the revision resulted in millions of tonnes added to the S&D table.
He partially blamed the problems to the bad state of Conab's structure when the current government took over four years ago.
He said Conab is hiring people to boost the coffee projection, adding that it will use satellite data to better measure planted area and improve agricultural yields calculation.

Judge rules in favor of U.S. Sugar purchase of Imperial, rejects antitrust concerns

A U.S. judge on Friday ruled in favor of U.S. Sugar Corp's plans to buy rival Imperial Sugar Co, rejecting a Justice Department argument that the proposed deal would drive up the price of sugar for households as well as for food and soda makers.
The Justice Department said in a lawsuit filed last November that the $315 million deal would give some 75% of refined sugar sales in the U.S. southeast to U.S. Sugar, owner and member of a cooperative with three other companies, and American Sugar Refining, which sells under the Domino brand.
U.S. Sugar said in a statement that it was "pleased" with the decision.
The Justice Department, which can appeal the loss, said it was reviewing its options and that it was "disappointed."
Judge Maryellen Noreika of the U.S. District Court for Delaware issued the opinion under seal and said a redacted version would be available.
The government, which called U.S. Sugar "the world's largest vertically-integrated cane sugar milling and refining operation," argued that the deal would lead to higher sugar prices in the southeastern United States,

Chart of the Day



saying the two companies often compete to win contracts from companies that make drinks, snacks and other prepared foods. The companies argued that sugar was easy to transport so that restricting the market to the southeast was a mistake. They also argued that Imperial is a high-priced competitor that purchases raw sugar to refine and does not compete to lower prices.
They also argued that the U.S. Department of Agriculture monitors sugar prices and can increase imports if needed to address price increases.

Top News - Metals

Chinese copper trader Maike will sell assets and restructure - FT
Maike Metals International, one of China's biggest copper traders, is selling assets and studying a broader restructuring pattern as it battles to survive a liquidity crisis, the Financial Times reported on Monday, citing chair He Jinbi.
The company was discussing an investment with state-owned groups in the north-eastern city of Xian, the FT report quoted He as saying, but the government has told him to scale down the business first.
Maike, which handles a quarter of the country's refined copper imports, is an important intermediary between Chinese metal consumers and global merchants such as Glencore and Trafigura.
Reuters could not immediately reach Maike for comment.
Market participants say Maike will struggle to maintain its dominant role in the Chinese copper market even if it can secure support from the banks and the government, according to the report. But He was philosophical about the company's future.
"We're actively selling assets and equities to replenish our liquidity and reduce debt," He said to FT, adding that the final plan could involve "shareholding restructuring, asset restructuring and debt restructuring.
The company was "breaking arms to survive."
Last month, Reuters reported that Maike was seeking help from the government and financial institutions to alleviate liquidity issues caused by measures aimed at curbing COVID-19 outbreaks.

COLUMN- Russian supply uncertainty weighs on aluminium market
When aluminium hit its all-time high of $4,073.50 per tonne in March, it did so in direct reaction to Russia's invasion of Ukraine.
The market was pricing the potential loss of metal from Russia's Rusal, which produced 3.76 million tonnes in 2021.
Aluminium traders had seen this movie before back in 2018, when U.S. sanctions on Rusal's owner Oleg Deripaska caused massive upheaval along the entire length of the global supply chain.
This time around, however, there have been no government sanctions on Rusal's aluminium in response to the Kremlin's self-styled "special military operation" in Ukraine.
Indeed, Russian supply shows every sign of increasing as Rusal ramps up a new smelter and looks to export more metal as domestic demand weakens.
But who will buy all this aluminium?
Self-sanctioning is likely to disrupt normal sales channels next year with the possibility of Russian metal flowing to the market of last resort, the London Metal Exchange (LME).

PLUGGING THE RAW MATERIALS GAP
The only government to take direct action against Russia's aluminium sector has been Australia, which in March banned the export of bauxite and intermediate product alumina to the country.
That effectively froze Rusal's alumina off-take stream from the Queensland Alumina joint venture. Another key alumina supply channel was shut off by the closure, also in March, of the Nikolaev refinery in Ukraine.
The alumina gap, however, is being filled by Chinese producers, which have dramatically stepped up exports to Russia.
China has shipped 577,000 tonnes of alumina to Russia since March, compared with just 1,250 tonnes in 2020 and 1,750 tonnes in 2021.
The flows have been strong enough to tilt China towards being a net exporter for the first time since early 2019 and appear to have allowed Rusal to lift production despite the disruption to its own raw materials supply chain.
Rusal has stopped publishing its production numbers, which makes it hard to assess what operational challenges it may or may not be experiencing in running its Siberian smelter network.
The company started energising the new taishet smelter in December last year and was planning to ramp up to first-stage capacity of 428,500 tonnes over the course of this year.
The International Aluminium Institute's (IAI) monthly production reports suggest that Taishet may indeed be boosting Rusal's output.
Annualised production in the IAI's "Russia and Eastern Europe" category was 4.12 million tonnes in August, unchanged from March. Yet these regional figures include Romania, Slovakia and Slovenia, all of which have seen smelter capacity shuttered due to high energy prices.

The inference is that Rusal's production growth is offsetting falling run-rates in the rest of the region.

CONTINUED METAL FLOWS

Certainly, the flow of Russian metal into Western markets has been robust since march.
European average monthly imports were up by 13% year-on-year in March through June, while the United States soaked up 21% more Russian metal in the same period.
The unfettered flow of Russian metal into the U.S. market is causing serious problems for local producers, according to Jakob Stausholm, chief executive officer of Rio Tinto, which holds extensive smelting assets in Canada. "It just looks strange", Stausholm told Bloomberg News.
From a purely market perspective, though, it's not strange at all, given the U.S. physical premium flexed out to $880 per tonne over the LME cash price at one stage in April.
That extreme premium sucked in every spare unit of aluminium, including a lot of surplus Russian metal.
Which buyers have obviously been taking. Absent formal sanctions on Russian aluminium, most Rusal customers seem to be accepting deliveries under existing contracts or taking up spot metal from intermediates.
That, however, is going to change next year.

NEW BUYERS PLEASE

Novelis, a division of Hindalco Industries, and Norsk Hydro's extrusions unit have already said they will not enter into new Russian purchase contracts for 2023.
Plenty more smaller operators are also joining the self-sanction movement, which spells trouble for Rusal and potentially the aluminium price.
A partial boycott will coincide with increased Russian supply as Rusal's domestic market weakens further under the broader economic sanctions package.
Goldman Sachs thinks Russian metal exports will increase by around 340,000 tonnes this year and by another 200,000 to 3.6 million tonnes in 2023.
("Aluminium: Feeling Winter's Chill", Sep 21, 2022)
Increased exports will hit a European market that is now rapidly heading into recession as high power prices, another consequence of Russia's action in Ukraine, stifle demand.
There is obviously potential for Rusal to direct more metal to physical buyers in Asia, particularly China.
Chinese imports of primary aluminium collapsed by 77% over the first eight months of this year but those from Russia were down by only 9%. Indeed, Russian imports of 231,000 tonnes accounted for 78% of all inbound shipments.

MARKET MONITOR as of 06:23 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.77 / bbl	-1.23%	3.40%
NYMEX RBOB Gasoline	$2.35 / gallon	-1.33%	5.51%
ICE Gas Oil	$946.00 / tonne	-1.77%	41.83%
NYMEX Natural Gas	$6.84 / mmBtu	0.21%	83.43%
Spot Gold	$1,639.39 / ounce	-0.23%	-10.34%
TRPC coal API 2 / Dec, 22	$312 / tonne	2.31%	153.66%
Carbon ECX EUA / Dec, 22	€64.93 / tonne	-1.28%	-19.49%
Dutch gas day-ahead (Pre. close)	€168.00 / Mwh	5.04%	152.63%
CBOT Corn	$6.70 / bushel	-1.00%	12.94%
CBOT Wheat	$8.81 / bushel	-0.41%	14.24%
Malaysia Palm Oil (3M)	RM3,483 / tonne	-6.77%	-25.85%
Index (Total Return)	**Close 23 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.13	-2.20%	16.64%
Rogers International	30.55	0.02%	31.07%
U.S. Stocks - Dow	29590.41	-1.62%	-18.57%
U.S. Dollar Index	113.86	0.59%	18.64%
U.S. Bond Index (DJ)	387.07	-4.17%	-17.99%

Imports of Russian alloy have also surged in recent months, totalling 42,000 tonnes in January-August, compared with 33,000 tonnes over all of last year.
China's aluminium sector, though, runs on its own internal cycle and it may not be able to absorb immediately what Western buyers don't want.
You can understand why the aluminium market is starting to worry about the prospect of large volumes of unsold Russian metal being dumped into LME warehouses.
Rusal is looking at the option of shipping from Russia's eastern seaboard to LME warehouse locations in Asia, according to Bloomberg. The fear is that significant inflows of Russian metal into the LME system could turn the aluminium contract into a "de facto" Russian contract with a corresponding discount to Western market pricing.
The LME has said it is monitoring the situation. It's in a tricky situation, given the lack of official sanctions against Russian metal.
Yet the Russian question is likely to cause more ructions in physical aluminium pricing, adding an extra dimension to existing regional and nascent low-carbon premium structures.
It's hard to see how the LME aluminium contract isn't going to be affected in some way by the shifts in physical pricing, even if Rusal can find an alternative home for its metal.

Top News - Carbon & Power

EU's green shift depends on mammoth investment in energy grid - draft

Investments of more than half a trillion euros will be needed to modernise Europe's energy grid this decade, if countries are to succeed in ramping up wind and solar power to break free from Russian gas, a draft EU document showed.
The European Commission is set to publish next week a plan to "digitalise" Europe's energy system, as well as laying out new emergency measures to tame sky-high gas prices and help cash-strapped energy firms this winter.
The draft plan, seen by Reuters, said electricity grid investments of 584 billion euros are needed until 2030, to support the planned rapid uptake of electric vehicles, renewable energy and heat pumps, and shift away from fossil fuels.
Of this, around 400 billion euros would target the distribution grid. Some 170 billion of that would focus on digitalisation, including the so-called "smart grids" that respond faster to local supply and demand fluctuations, helping waste less energy and benefit from cheaper periods.
"Reducing greenhouse gas emissions by 55% and reaching a share of 45% renewables in 2030 can only happen if the energy system is ready for it," the draft said, referring to the EU's climate targets.
EU countries are largely responsible for their national energy policies, although the EU offers funding for cross-border energy projects and has urged countries to channel cash from the bloc's huge COVID-19 recovery fund into making energy systems greener.
To hit its green targets and quit Russian fossil fuels within a few years, the EU will need 30 million zero-emission vehicles on the roads by 2030, plus solar panels on all new homes by 2029, said the draft.
Investments in grid upgrades and digital energy technologies would make the system more flexible and adapt it to a larger share of renewable energy - enabling consumers to channel spare power from solar panels back into the market, or use electricity stored in their electric car to power their homes.
The EU "action plan", which does not include legal proposals, said the bloc would propose new legislation next year to address cybersecurity risks in energy and gas networks.

Countries try to dodge EU's carbon market fundraising plan

European Union countries are hunting for alternatives to an EU plan to use a carbon market reserve to help finance their exit from Russian gas, as some fear the proposal would undermine the bloc's main climate change policy.
As part of its aim to end Europe's reliance on Russian gas this decade, the European Commission has said countries could raise 20 billion euros for new energy investments by selling CO_2 permits stored in the EU carbon market's "market stability reserve".
The proposal ran in to resistance from some countries who said opening up the reserve would undermine the EU's carbon market and depress the carbon price - making it cheaper for power plants and industries to pollute.
EU countries are negotiating the proposal, and plan to largely rewrite the EU's idea. A draft of their latest negotiations text, seen by Reuters, would use CO_2 permits from the reserve to raise only 4 billion euros.
Instead, the other 16 billion euros would come from an EU Innovation Fund - an existing pot of carbon market revenue that is currently spent on breakthrough green technologies.
Denmark had previously suggested using this fund to raise the cash, while the Netherlands proposed combining this fund with proceeds from CO_2 permit sales held earlier than planned.
One EU country diplomat said there was consensus among countries to avoid using the ETS reserve "as a cash cow", but that an alternative deal had not yet been struck. Diplomats will discuss the latest proposal next week and are aiming for an early October deal.
France also weighed into the debate this week, with a

paper that advocated pulling forward auctions of ETS permits to raise the cash.
Brussels' original proposal risked "eroding the ETS market's integrity and credibility," said the French paper, seen by Reuters. The EU carbon market reserve launched in 2019 to tackle a problem of oversupply that had weighed on ETS prices for years. Since then, carbon permit prices have surged. The Commission had said any surplus caused in the carbon market by its proposal would be reabsorbed by the reserve in future years.

Top News - Dry Freight

Seven more crop-laden ships leave Ukrainian ports on Sunday

Seven more ships laden with agricultural produce left Ukrainian ports on Sunday, the country's infrastructure ministry said, bringing the total to 218 since a U.N.-brokered corridor through the Black Sea came into force at the start of August.
Ukraine, a major agricultural producer, was left unable to export through the Black Sea after Russia's invasion on Feb. 24 until the agreement of the grain deal, which promises safe passage for ships carrying crops.
In a post on Facebook, the ministry said this brought the total amount of agricultural produce shipped through the corridor to 4.85 million tonnes.
"On September 25 ... 7 ships with 146.2 thousand tons of agricultural produce for countries in Africa, Asia and Europe left the ports of Odesa, Chornomorsk and Pivdennyi," the ministry said.
Ukraine shipped up to 6 million tonnes of grain per month before the war.

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

The Tereos sugar factory is seen behind a sugar beet field in Escaudoeuvres, France. REUTERS/Pascal Rossignol

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

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