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Top News - Oil

Russia lifts export ban on low-quality diesel, marine fuel

Russia has made some changes to its fuel export ban including lifting restrictions on fuel used as bunkering for some vessels and on diesel with high sulphur content, a government document showed just days after Moscow first announced the restrictions.
Russia also lifted restrictions on the export of fuel already accepted for export by the Russian Railways and Transneft before the initial ban had been announced last week.
The indefinite Russian ban on all types of gasoline and high-quality diesel remains in place, according to the document dated Sept. 23. Analysts expect it to be short-lived and completely lifted once the harvest is over next month. Russia announced on Thursday that it had temporarily banned exports of gasoline and diesel to all countries outside a circle of four ex-Soviet states with immediate effect in order to stabilise the domestic market.
Wholesale prices for diesel and gasoline sharply declined last week in Russia. On Monday, they slowed down the decline, almost halting to a stop.
Russia in recent months has suffered shortages of gasoline and diesel. Wholesale fuel prices have spiked, although retail prices are capped to try to curb them in line with official inflation.
The crunch has been especially painful in some parts of Russia's southern breadbasket, where fuel is crucial for gathering the harvest. A serious crisis could be awkward for the Kremlin as a presidential election looms in March.
Russia had already cut its seaborne diesel and gasoil exports by nearly 30% to about 1.7 million metric tons in the first 20 days of September compared to the same period in August, according to traders and LSEG data.
Russia exported 4.817 million tons of gasoline and almost 35 million tons of diesel last year.

Chevron readies new oil drilling push in Venezuela to boost output

Chevron Corp plans to add 65,000 barrels per day (bpd) of Venezuelan oil output by the end of 2024 through its first major drilling campaign in the nation since Washington allowed it to restore production clipped by U.S. sanctions, three people familiar with the matter said.
The effort could help Venezuela keep lifting crude production and speed Chevron's goal of recouping $3 billion in unpaid dividends and debt from its projects in the country.
Chevron's joint ventures with Venezuelan state oil company PDVSA now produce some 135,000 bpd and have exported an average 124,000 bpd to the U.S. this year, according to independent estimates and shipping data, near levels they had before Washington imposed sanctions in 2019.
Current oil flows mark a 70%-increase from average output in 2022.
Chevron's recent contribution to Venezuela's crude output has been meaningful as the OPEC-member country tries to stabilize and increase production to pre-sanctions levels.
Almost all of the country's 70,000-bpd output increase so far this year has come from the Chevron-PDVSA projects. But to go further requires large specialized drilling rigs that might be difficult to find in Venezuela, the people said.

TARGET: 1 MILLION BARRELS PER DAY
Chevron's production target of reaching 200,000 bpd by the end of next year could go far to helping Venezuela achieve its aim to surpass 1 million bpd, from an average of 785,000 bpd so far in 2023.
The California-based company's campaign calls for addition of at least two powerful drilling rigs. The equipment will be installed initially at the Petroindependencia project in the Orinoco Belt, Venezuela's main oil-production region, one of the people said.
Two other joint ventures, Petropiar also in the Orinoco Belt and Petroboscan near Lake Maracaibo in the country's Western region, will next receive the rigs. The idea is to drill two wells per month at the Orinoco, that person said.
PDVSA did not reply to a request for comment. The U.S. Treasury declined to comment. Chevron said it continues to conduct business in compliance with laws and regulations, as well as the sanctions framework provided by the U.S. Office of Foreign Assets Control (OFAC).

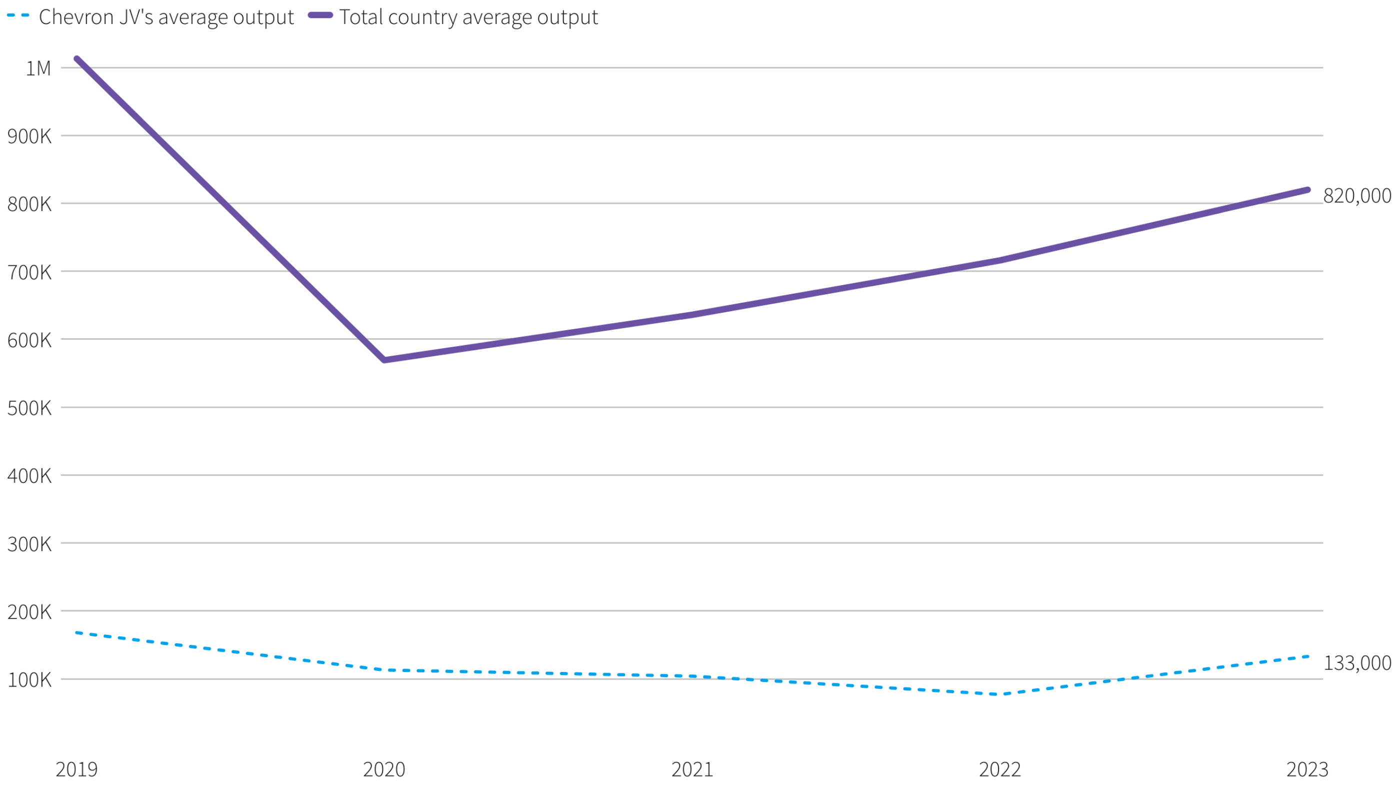
FEW OPTIONS
The drilling plan will not require new U.S. approvals because the areas involved are included in Chevron's license, received in November, the sources said.
But it will require an oilfield supplier able to provide 1,000-1,500 horsepower rigs - a difficult task in the current environment in Venezuela, the people added.
U.S. oil service providers in Venezuela remain constrained by a U.S. license that only allows them to keep existing assets and employees in the country. They need authorization to import new equipment or take on contracts with PDVSA or its joint ventures.
Some of them have unsuccessfully pressed Washington to expand their license, which will expire in November if not renewed. Chevron either must hire local contractors, whose access to modern equipment is limited, or await a

modification to the U.S. oilfield firms' licenses.
Other foreign oil companies in joint ventures with PDVSA also have begun early planning for possible drilling campaigns. Chevron's experience on finding the rigs and hiring service providers is expected to be a benchmark, another person said.

Chart of the Day

Chevron joint ventures' crude output vs Venezuela's

Venezuela's overall oil production has been steadily recovering since 2020, while output by the joint ventures operated by Chevron and PDVSA fell between 2020 and 2022 as U.S. sanctions hit them.



Note: Figures in barrels per day / The 2024 figures are Aug averages / Total country averages include Chevron's joint ventures
Source: OPEC, GasEnergy

Top News - Agriculture

US corn harvest 15% complete, soy 12%; soy ratings fall -USDA

The U.S. corn harvest was 15% complete by Sunday and the soybean harvest 12% finished, government data showed on Monday, both slightly ahead of five-year averages, while soybean condition ratings fell to their lowest since 2013 as dry conditions persisted in much of the Midwest.
The soy ratings add to concerns over production prospects after the U.S. Department of Agriculture (USDA) on Sept. 12 forecast U.S. soybean production would fall to a four-year low of 4.146 billion bushels this year. The United States is the world's No. 2 supplier of soybeans and corn after Brazil.
The USDA in a weekly crop progress report rated 50% of the soybean crop in good to excellent condition, down 1 percentage point from a week ago, and the lowest for this time of year since 2013.
Corn ratings improved, with 53% of the crop rated as good to excellent, up from 52% previously. Ten analysts surveyed by Reuters on average had expected no change in ratings for either crop.
Both crops have ripened ahead of normal, underscoring the impact of dry weather. The USDA said 70% of the U.S. corn crop was mature by Sunday, ahead of the five-year average of 60%. For soybeans, 73% of the crop was dropping leaves, a sign of maturity, compared with the five-year average of 62%.
The share of U.S. corn production located in a drought area had risen to 58% by Sept. 19, from 54% in the prior

week, the USDA said in a separate report. A year earlier, only 34% of the crop was located in an area experiencing drought.
Meanwhile, farmers have begun seeding the U.S. winter wheat crop that will be harvested in 2024. The USDA reported winter wheat plantings as 26% complete, behind the average analyst estimate of 27% and the five-year average of 29%.
For the 2023 spring wheat crop, the USDA said the harvest was 96% complete, matching the five-year average but behind the average analyst estimate of 97%.

Ivory Coast cocoa farmers hope for sunny spells in October

A sunny spell would be needed next month to strengthen the October-to-March main crop and help fight the fungal black pod disease, farmers from Ivory Coast's main cocoa growing regions said on Monday.
Ivory Coast, the world's top cocoa producer, is in its rainy season which runs officially from April to mid-November.
Rains were below average last week but soil moisture content was enough to help with the growth of the main crop, farmers said.
They added that the harvest would be abundant and of good quality until late January if the weather remained sunny with adequate rains in October.
In some pockets of southern and eastern regions, farmers reported cases of the disease but added that the situation was not yet alarming.
In Abengourou and in Agboville, where rains were above average, as well as in Divo, where rains were below average, farmers said there were some cases of black pod disease on plantations. However, they added the cocoa prospect was good.
Farmers across the country said the harvest would be modest in October before increasing sharply from November to January and possibly experiencing a tight supply from mid-February.
"We don't have very large quantities on hand at the moment, but it's a good start because everyone is waiting for the new farmgate price," said Eugene Dali, who farms near the western region of Soubre, where 26.5 mm fell last week, 7.5 mm above the five-year average.
In the centre-western region of Daloa and in the central regions of Bongouanou and Yamoussoukro, where rainfall was below average, farmers said they were also waiting for the new farmgate price to rush into the bush.
"There are enough almost ripe pods on trees. There will be plenty of picking in October when the new price is announced," said Albert N'Zue, who farms near Daloa, where 5.3 mm fell last week, 24.7 mm below the average.
The new farmgate price is expected to be announced at the end of September or at the beginning of October.
Ivory Coast's average temperatures ranged from 25.5 to 27.5 degrees Celsius last week.

Top News - Metals

China sets 2023 rare earth mining quota at 240,000 T, up 14% y/y

China has doubled its rare earth mining quota for this year to a record high of 240,000 metric tons, government data showed on Monday.
Rare earths are a group of 17 elements used in products from lasers and military equipment to magnets found in electric vehicles, wind turbines and consumer electronics such as iPhones.
China's quotas are closely watched as a supply indicator and typically issued twice a year.
The full-year mining output quota for this year, including 120,000 tons issued in March, represents a 14% rise over 2022, China's Ministry of Industry and Information Technology (MIIT) and the Ministry of Natural Resources said in a joint statement.
That is, however, a smaller increase than the 25% implemented from 2021 to 2022.
The country's annual quota for smelting and separation of rare earths also rose by nearly 14% from 2022 to 230,000 tons, including 115,000 tons announced in March, the statement showed.
China is the world's largest producer and consumer of rare earths and rare earth magnets.
Rising supply has pushed down prices of rare earths and partly contributed to shrinking profits among major producers in the first half of the year. Spot prices of praseodymium oxide in China have fallen 24% this year to stand at 530,000 yuan ($72,510) per ton on Friday, data from information provider Shanghai Metals Market showed.
One major producer, China Rare Earth Resources and Technology, posted an 85.13% year-on-year drop in first half profit, according to its interim report.
China's exports of rare earths in August rose 30% from a year earlier to 4,775 tons, according to customs data.

COLUMN- China powers global aluminium output to record high: Andy Home

Global production of primary aluminium hit an all-time high in August, with the world's smelters running at an annualised rate of 71.2 million metric tons.
It was the second consecutive month that run-rates were above the 70-million metric ton mark. Prior to July the level had been exceeded only once, in August 2022.
The International Aluminium Institute (IAI) made some significant revisions to its primary production numbers in its latest monthly update, lifting previous assessments of output in both China and the rest of the world.
It's now clear that China, the world's largest producer, is experiencing a production surge thanks to improved power supply in previously drought-hit parts of the

country's hydro-electric system.
What's not clear is whether Chinese demand can absorb the new wave of production.

MARKED HIGHER
Non-Chinese aluminium production has been running higher than previously assumed.
The IAI has revised upwards its estimates from the start of last year, adding around 577,000 metric tons of annualised output to its "unreported" category.
Most of the increase is down to previously uncounted production in Malaysia and Iran, neither of which reports output numbers directly to the Institute.
China's production through the first half of the year has also been revised significantly higher.
The IAI had previously estimated Chinese production fell by an annualised 118,000 metric tons in the first seven months of 2023. It now estimates national output rose by 1.3 million metric tons. Global production in August came in at 6.0 million metric tons, up 1.6% on August last year, while cumulative production of 46.5 million metric tons was up 1.7% on the year-ago period.
China registered growth of 2.5% in January-August, while the rest of the world lagged with more modest growth of 0.5%.

CLOSE TO THE LIMIT?
Chinese primary metal output fell in the first three months of 2023 due to power curtailments in hydro-powered provinces such as Yunnan and Sichuan.
However, the country's energy-hungry smelters are now benefiting from improved electricity supply thanks to the rainy season in southern provinces.
The country's annualised run-rate has increased by 2.1 million metric tons since March and registered a fresh all-time high of 42.4 million tons in August.
Production rates are now closing in on the 45-million-metric-ton level, which marks the capacity cap placed on the sector several years ago.
It's unclear how hard that cap will be enforced. It's possible it won't be fully tested if China's power generation problems recur.
Everything depends on rainfall levels in Yunnan, which has emerged as a major aluminium production hub due to its "green", low-carbon credentials.

DEMAND STRENGTH
China's consumers appear to be absorbing the extra metal being generated.
There has been no build in visible inventories registered with the Shanghai Futures Exchange (ShFE). Indeed, at a current 90,293 metric tons, exchange stocks are historically low. This time last year ShFE warehouses held 210,000 metric tons of aluminium.
Domestic supply is rising in tandem with higher imports of primary unwrought metal. Import volumes of 602,000

MARKET MONITOR as of 06:14 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$89.25 / bbl	-0.48%	11.20%
NYMEX RBOB Gasoline	$2.49 / gallon	-0.68%	0.32%
ICE Gas Oil	$959.75 / tonne	-0.54%	4.21%
NYMEX Natural Gas	$2.63 / mmBtu	-0.38%	-41.25%
Spot Gold	$1,913.11 / ounce	-0.13%	4.86%
TRPC coal API 2 / Dec, 23	$130 / tonne	0.78%	-29.63%
Carbon ECX EUA / Dec, 23	€84.90 / tonne	-0.43%	1.11%
Dutch gas day-ahead (Pre. close)	€44.35 / Mwh	9.10%	-41.31%
CBOT Corn	$4.95 / bushel	-0.20%	-27.03%
CBOT Wheat	$6.16 / bushel	0.04%	-22.94%
Malaysia Palm Oil (3M)	RM3,718 / tonne	0.05%	-10.92%
Index (Total Return)	**Close 25 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	320.98	-0.32%	6.52%
Rogers International	29.28	0.14%	2.13%
U.S. Stocks - Dow	34,006.88	0.13%	2.59%
U.S. Dollar Index	106.	0.39%	2.39%
U.S. Bond Index (DJ)	396.56	-0.18%	1.22%

metric tons in the first seven months were more than double last year's equivalent tally.
So far at least there has been no spill-over into higher exports of semi-fabricated products, which has in the past been the result of domestic market surplus. Exports of aluminium in primary, alloy and product form were down by 20% over the first half of the year.
The inference is that Chinese off-take has been surprisingly strong given the well-flagged weakness both in the property sector and the broader manufacturing sector.
It's possible that energy transition sectors such as electric vehicles and power transmission lines have been sufficiently robust to offset sluggish activity in other parts of the downstream user base.
However, with domestic production still rising and an import-positive arbitrage with the London Metal Exchange pointing to more inflows over the coming months, the strength of China's aluminium appetite is going to be tested.

Top News - Carbon & Power

US says to complete offshore wind auctions on schedule next year

The Biden administration will complete its ambitious offshore wind leasing schedule on time next year, the Interior Department told Reuters, despite delays to preparatory work for the auctions and sagging demand from the industry.
President Joe Biden’s White House is depending on rapid adoption of offshore wind to help decarbonize the U.S. power sector to fight climate change, with a goal to install 30 gigawatts by the end of this decade.
It unveiled a plan to do so in October 2021 that included offering lease sales in seven U.S. regions before 2025, and it has so far held auctions in four of them – off New York and New Jersey, the Carolinas, California, and in the Gulf of Mexico. In an emailed statement, a spokesperson for Interior's Bureau of Ocean Energy Management said the agency was planning to hold offshore wind lease sales for the remaining three – the Central Atlantic, the Pacific coast of Oregon and the Gulf of Maine - in 2024.
Observers had been concerned about the sales due in part to delayed preparations.
The Central Atlantic sale, for example, was expected to take place this year. But the 1.7-million-acre area has yet to be whittled down and divided into proposed lease areas, a process that takes several months.
In the Gulf of Maine, Interior has also yet to carve up a 10 million-acre area it identified earlier this year into smaller "wind energy areas," which must then be sliced up again into smaller lease areas – a process that can drag on due to multiple rounds of public comment.
If the administration fails to get this work done and hold these auctions by the end of the third quarter of 2024, it could run into additional hurdles, because federal law requires offshore wind lease auctions to happen within 12-months of the most recent oil and gas lease sale.
The Interior Department is holding an oil and gas lease sale in the Gulf of Mexico this Wednesday, the last in its five-year plan. A new five-year plan for oil and gas leasing will be released later this month, and it is unclear if it will include any sales in 2024.
U.S. Senator Joe Manchin, a Democrat from conservative West Virginia, tethered oil and offshore wind lease sales in last year’s Inflation Reduction Act to encourage Biden to continue to hold drilling auctions.
BOEM spokesperson Tracey Moriarty said the agency was committed to finalizing the five-year oil and gas plan and achieving its goals for offshore wind.
"In carrying out these activities, BOEM will act in compliance with the Inflation Reduction Act," Moriarty said.
Demand for offshore wind leases has also flagged in recent months as cost inflation darkens the industry’s outlook. Huge wind developer Orsted last month said it may see U.S. impairments of $2.3 billion due to industry headwinds, and a lease sale in the Gulf of Mexico in August yielded just one winning bid of $5.6 million.

COLUMN- US thermal coal exports jump to 5-year highs on Asian demand: Maguire

United States thermal coal exports hit their highest levels since 2018 during the first eight months of 2023, climbing 20% from the same period in 2022 thanks to strong demand from key consumers including China, India and South Korea.
Total U.S. exports of coal used for power generation hit 22.5 million tonnes through August, up from 18.3 million in the same period in 2022, according to ship tracking data from Kpler.
In percentage terms, the increase in U.S. exports was the largest among all major thermal coal exporters, surpassing even the 15.7% expansion seen from top coal exporter Indonesia. The strong gains in U.S. coal exports contrast with the declines seen in domestic coal use for power generation, with U.S. coal-fired power production down over 50% since 2010 as part of efforts to reduce national fossil-fuel emissions.
The diverging trends in coal use and exports leave the United States vulnerable to accusations that it contributes to harmful global emissions trends by sustaining high exports of coal even as it reduces coal consumption at home. But the strong exports pace also highlights the enduring demand for U.S. coal even as domestic power producers steadily reduce coal's share of the power generation mix.

TOP MARKETS

Asia accounted for 48% of total U.S. exports, or around 10.6 million tonnes, with 7 million tonnes going to India, 1.3 million tonnes to Japan, 1.1 million tonnes to China and 600,000 tonnes to South Korea.

Europe accounted for 26.6% of U.S. exports, with the Netherlands the second-largest buyer overall with 3.2 million tonnes of imports. Germany, Spain and Poland were other notable European buyers, bringing in 1 million, 712,000 and 217,000 tonnes, respectively.
Elsewhere, Egypt (1.9 million tonnes), Morocco (1.0 million tonnes) and the Dominican Republic (662,000 tonnes) were other large buyers, underscoring a wide geographic span of markets for U.S. coal so far in 2023.

POLLUTION IMPACT
While China and India, the world's two largest coal consumers, secure a majority of their coal needs from domestic production, imported coal contributes to total emissions from power plants.
In 2022, those two countries accounted for just over 70% of total global power emissions from coal use, discharging over 5.4 billion tonnes of carbon dioxide and equivalent gases, data from think tank Ember shows.
Japan, South Korea, the Philippines, Germany and Poland accounted for a further 8%.
Over the near term, the wide range of coal importing markets bodes well for U.S. coal exporters, and outbound shipments should climb again over the winter months as long as U.S. prices remain competitive to other suppliers.
But over the longer term, U.S. coal exporters may start to struggle to profitably find willing buyers for their production, as a growing number of power generation companies have pledged to boost renewable energy supplies and will cut back on coal imports.
In addition, some major coal producers, including China, may increase coal exports over time even as power producers there follow the U.S. lead and reduce coal use in their own generation mixes.
That may lead to greater competition with the U.S. for coal export market share, and lead to steady declines in U.S. export potential over time.

Top News - Dry Freight

India to cut floor price for basmati rice exports - sources
India will cut the floor price for basmati rice exports in the coming days, sources familiar with the matter said, after millers and traders complained about a sharp drop in overseas sales of the premium aromatic grain.
India will lower the basmati floor price to $850 a metric ton, down from $1,200 a ton, to help millers and traders ship out the rice grade, said the sources, who didn't wish to be identified as they are not authorised to talk to media. Last month, India fixed the floor price, or the minimum export price (MEP), for basmati rice shipments at $1,200 a metric ton.
Authorities said the MEP was imposed to help New Delhi ensure that non-basmati rice was not exported as basmati rice.In July, India surprised buyers by imposing a ban on the export of widely consumed non-basmati white rice, following a ban on broken rice exports last year.
"The decision to lower the basmati MEP would help farmers who were losing money on account of falling exports," said Prem Garg, president of the Indian Rice Exporters Federation.
"The move will also help India retain its pre-eminent position in the global basmati rice market."
Since basmati rice is not widely consumed in India, and the new season crop will start arriving in the market from next month, India would have faced a glut of the superior grade, Garg said."A large stockpile would have hammered prices and hurt farmers and India's rice sector, so the move to lower the MEP will be quite helpful," he said.
India and Pakistan exclusively grow premium, aromatic basmati rice. India ships out around 4 million tons of basmati rice to countries such as Iran, Iraq, Yemen, Saudi Arabia, the United Arab Emirates and the United States.
"The MEP of $1,200 a ton was too steep, and that's why most millers and traders were not able to export basmati rice," said Vijay Setia, a leading exporter from the northern state of Haryana, one of India's breadbasket states.

Ukraine's September grain exports down 51%, ministry says
Ukrainian grain exports over Sept. 1-24 totalled 1.57 million metric tons, down sharply from the 3.21 million tons in the corresponding period last year, agriculture ministry data showed on Monday.
The ministry gave no explanation for the decline.
Traders and agricultural unions have said that Ukrainian the blocking of Black Sea ports and recent Russian attacks on Ukrainian ports on the Danube River are the main reasons for the reduced exports.
The ministry data showed that Ukraine has exported a total of 6.2 million tons of grain so far in the 2023/24 July-June season, versus 7.5 million tons in the same period of the previous season.
The volume included almost 3 million tons of wheat, 2.5 million tons of corn and 599,000 tons of barley.
Ukraine has traditionally shipped most of its exports through its deep-water Black Sea ports. An agreement brokered by the United Nations and Turkey to allow such exports collapsed in July when Russia walked away from the deal, saying its demands for an easing of sanctions on its own grain and fertiliser exports had not been met.
Ukraine is able to export limited volumes through small river ports on the Danube and via its western land border with the European Union.Ukraine is expected to harvest at least 80 million tons of grain and oilseed in 2023 and the 2023/24 exportable surplus totals about 50 million tons.

Picture of the Day

Oil gushes from a ruptured pipeline following an accident, in Oklahoma City, Oklahoma, U.S. September 25. Oklahoma City Fire Department/Handout via REUTERS

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

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