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Top News - Oil

APPEC-China's oil demand set to recover as COVID restrictions ease

China's economy is recovering from a trough hit in the second quarter, with oil demand expected to rebound next year as Beijing eases COVID-19 restrictions, senior Chinese refining executives said on Wednesday.

The recovery will come on the back of an expected contraction in oil demand in the world's biggest energy consumer in 2022, the first in two decades, as China's zero-COVID policy ravaged its economy and restricted movements.

"This year we have seen the decline of imports of crude oil, first time in many, many years in China," Chen Hongbing, deputy general manager at Rongsheng Petrochemical, told a forum at the 38th Annual Asia Pacific Petroleum Conference (APPEC).

"We have seen output of gasoline and jet fuel is down but the output for diesel is actually up and demand is still healthy," he said, adding that China's diesel inventories are currently low.

Beijing is expected roll out more measures to shore up its economy, with a focus on reviving consumption and boosting investment, while easing strict measures to contain the spread of COVID-19 infections.

"We look at high frequency data like airlines bookings, road congestion, consumption, and we see a little better activity in China," Wu Qiunan, chief economist at PetroChina International said, pointing to better demand growth in the fourth quarter versus the third.

Easing mobility restrictions could lift gasoline consumption next year although strong electric vehicle (EV) sales, which hit 6 million units in the first eight months this year, will affect growth in the motor fuel, he added.

"That's a big replacement of gasoline consumption," he said, adding this may lower gasoline demand growth even as consumption is expected to recover when China eases COVID-19 restrictions.

Both executives also expect jet fuel to recover with aviation demand.

However, the recovery in aviation fuel demand may take longer than other fuels because of difficulties in international travel, Rongsheng's Chen said.

As for fuel exports, the executives said export economics will determine the volume of oil products Chinese refiners ship abroad.

"Even if the government says (refiners) can have the quota to export, they will wait and see when to export, when is the right time," PetroChina's Wu said.

Chinese refiners are expecting Beijing to release up to 15 million tonnes worth of oil product export quotas for the rest of the year to support sagging exports in the world's second-largest economy.

For petrochemical production, China has also become more competitive than Europe due to lower feedstock and energy costs, Sun Xin, director of China's privately-owned Shenghong Petrochemical said.

China's production costs for ethylene, a basic building block for plastics, are lower than Europe's by $1,200-$1,300 per tonne, he added.

Russia seen suggesting OPEC+ cuts oil output by 1 mln bpd - source

Russia is likely to propose that OPEC+ reduces oil output by around 1 million barrels per day at its next meeting in October, a source familiar with the Russian viewpoint said on Tuesday.

The meeting will take place on October 5 against the backdrop of falling oil prices and months of severe market volatility which prompted another top OPEC+ producer, Saudi Arabia, to say the group could cut production.

Four OPEC+ sources told Reuters that discussions among ministers have not yet begun ahead of next week's meeting.

OPEC+, which combines OPEC countries and allies such as Russia, has refused to raise output to lower oil prices despite pressure from major consumers, including the United States, to help the global economy.

Prices have nevertheless fallen sharply this month due to fears about the global economy and a rally in the U.S. dollar after the Federal Reserves raised rates.

Brent crude oil prices, which were already trading higher on Tuesday due to U.S. Gulf supply cuts, rose further on the news of the potential Russian proposal, with the contract rising nearly 4% to a session high of $87.15 a barrel.

The impact of any OPEC+ agreement to cut output is likely to be mitigated by the inability of many members of the group to produce at their agreed targets.

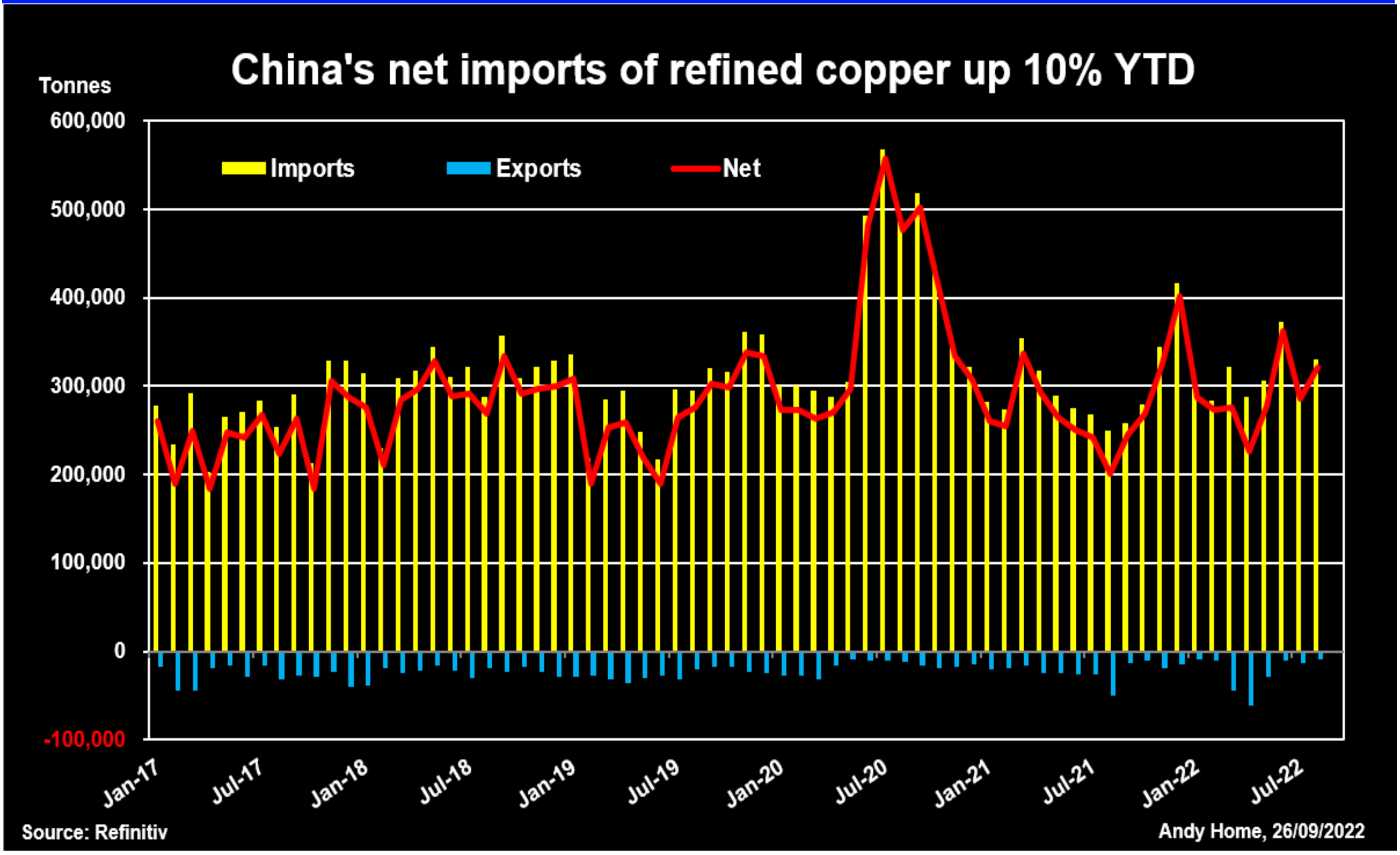
In August, OPEC+ was producing 3.58 million bpd below its targets as members struggle with sanctions and underinvestment.

Iraq Oil Minister Ihsan Abdul Jabbar on Monday said OPEC+ is monitoring the oil price situation, wanting to have a balance in the markets.

Earlier this month, JP Morgan said it believed OPEC+ might need to intervene with a cut of up to 1 million bpd "to stem the downward momentum in prices and realign physical and paper markets which appear disconnected".

"Only a production cut by OPEC+ can break the negative momentum in the short run," UBS analysts Giovanni Staunovo and Wayne Gordon said.
Russia faces challenges in maintaining oil production due to Western sanctions on its energy and financial sectors after it sent troops Ukraine earlier this year. The West accuses Russia of invading Ukraine, but the Kremlin calls it a special military operation. Saudi Arabia has not condemned Moscow's actions amid difficult relations with the administration of U.S. President Joe Biden. Russian President Vladimir Putin and Saudi Crown Prince Mohammed bin Salman spoke last week and praised efforts within the OPEC+ framework, confirming their intention to stick to existing agreements, the Kremlin said.

Chart of the Day



Top News - Agriculture

Ukraine 2023 winter wheat sowing 16% complete - ministry
Farms in regions controlled by the Ukrainian government have sown 622,000 hectares to winter wheat for the 2023 harvest, or 16% of the expected area, the agriculture ministry said on Tuesday.
The ministry did not provide a forecast, although Agriculture Minister Mykola Solsky told Reuters last month that the area could fall to 3.8 million hectares from 4.6 million a year earlier because of Russia's invasion.
Kyiv-based Barva Invest consultancy said last week the area sown to winter wheat could total around 3.4 million hectares, 10.5% less than the agriculture minister expected.
Ukraine sowed more than 6 million hectares of winter wheat for the 2022 harvest, but a large area has been occupied by Russian forces since the invasion in February.
The ministry said in a statement that farmers had also sown 65,000 hectares of winter barley, or 10% of the expected area, and 27,000 hectares of rye, or 31% of the forecast.
It also said farmers had completed winter rape sowing, seeding a total of 961,000 hectares.
Ukraine harvested 19 million tonnes of wheat this year, compared with around 32.2 million tonnes in 2021. The sharp decline was the result of hostilities in many regions and the occupation of large areas by Russian forces.
First Deputy Agriculture Minister Taras Vysotskyi said last week Ukraine's 2023 wheat harvest may decrease to 16-18 million tonnes from 19 million tonnes in 2022 because of an expected fall in the winter wheat sowing area.

Argentine weekly soy sales slow after FX crackdown - government

Argentina's grain producers have sold 65.2% of the 2021/22 soybean harvest so far, the country's agriculture ministry said on Tuesday, lagging behind the sales rate reported at the same time in the previous season.
Argentina is the world's leading exporter of oil and meal derived from soybean. Its production of the grain in the 2021/22 cycle was 44 million tonnes.
The ministry said that between Sept. 15-21, the country's producers sold 1.6 million tonnes, a 30.4% decrease if compared to the 2.3 million tonnes sold in the previous week, which had been boosted by a preferential foreign exchange rate for soy exporters.
The slowdown in sales happened after the country's central bank decided to prevent the purchase of foreign currency for companies that had settled soybeans for the 21/22 season using the preferential exchange rate.
The preferential rate will expire at the end of September.
Meanwhile, producers have already sold 66.7% of the 59 million tonnes of corn for the 2021/22 cycle, an increase if compared to the 61.7% sold in the previous cycle.
Corn planting for the 2022/23 season, already under way, is facing less rainfall than normal, according to the National Meteorological Service, as a result of the La Niña phenomenon.

Top News - Metals

MMG to invest $2 bln at its troubled Peruvian Las Bambas mine

Chinese miner MMG Ltd expects to invest $2 billion in the next five years to expand its troubled Las Bambas copper mine in Peru and is eyeing potential acquisitions to further increase production, an executive said on Tuesday.
Las Bambas General Manager Edgardo Orderique said at the Perumin mining conference that the company is hoping to double copper production by 2025 and double it again by 2030.
The mine is expected to produce 240,000 tonnes of copper in 2022, after years of production drops due to falling ore grades and social conflicts.
Peru is the world's No. 2 copper producer and Las Bambas is one of the largest producers of the red metal in the world.
Las Bambas opened in 2016 in the Peruvian Andes, but has suffered recurrent disruptions from indigenous communities who say its vast mineral wealth has not translated into better living conditions.
Those disruptions reached a new peak this year when members of two neighboring communities settled inside Las Bambas, forcing the company to suspend all operations for over 50 days.
"The cost of the conflict since 2016 to date is of about 528 days of interrupted operations, almost a year and a half that we have gone through this situation," Orderique said.
Most of the disruptions affected copper trucking, rather than copper mining.
Las Bambas is currently trying to build a second pit but work has been halted due to opposition from the indigenous Huancuire community, which used to own the land where the project is slated to be built.
Orderique said he hoped that the pit can be built in the "following months" to compensate for falling ore grades at its current pit.
MMG has previously said it will not go forward with the project until it can reach an enduring agreement with the Huancuire community.

Norway's Norsk Hydro cuts aluminium output as demand falls

Norwegian aluminium producer Norsk Hydro will cut output at two of its Norway plants due to falling European demand, the company said in a statement on Tuesday.
"The extraordinary situation in the European economy and energy market is causing market uncertainty and a decline in demand for our aluminium products," Hydro said.
The combined cuts at Karmoey and Husnes correspond to an annual production capacity reduction of 110,000-130,000 tonnes of primary aluminium, including production recently taken out for ordinary maintenance and not yet restarted, Hydro said.
Hydro's Norwegian plants produce just over 1 million tonnes of aluminium annually, according to a company spokesperson.
"Even if 50% of Europe's primary aluminium production capacity has been curtailed during the last year, (the) recent drop in demand is causing a buildup of stock, forcing us to take firm actions," the company added.
The curtailment will lead to a power consumption reduction of around 170-200 megawatts once it is in full effect at the end of 2022.
There will be no staffing changes at the affected plants, and the company will bring forward investment plans during the curtailment period, the company said.
"Underlying market trends longer-term will remain positive due to the rising need for aluminium in support of the European green transition," Hydro said.

Top News - Carbon & Power

Europe investigates 'attacks' on Russian gas pipelines to Europe

Europe was investigating on Tuesday what Germany, Denmark and Sweden said were attacks which had caused major leaks into the Baltic Sea from two Russian gas pipelines at the centre of an energy standoff.

But it remained far from clear who might be behind the leaks that were first reported on Monday or any foul play, if proven, on the Nord Stream pipelines that Russia and European partners spent billions of dollars building.

German Economy Minister Robert Habeck told business leaders the leaks were due to targeted attacks on the infrastructure and Berlin now knew for sure "that they were not caused by natural occurrences or events or material fatigue."

Sweden's and Denmark's prime ministers said the leaks were clearly caused by deliberate actions, with information suggesting likely sabotage, while Poland's premier blamed sabotage, without citing evidence.

Russia, which slashed gas deliveries to Europe after the West imposed sanctions over Moscow's invasion of Ukraine, also said sabotage was a possibility and that the leaks undermined the continent's energy security.

A senior Ukrainian official called the incident a Russian attack to destabilise Europe, without giving proof.

"We see clearly that it's an act of sabotage, related to the next step of escalation of the situation in Ukraine," Polish Prime Minister Mateusz Morawiecki said at the opening of a new pipeline between Norway and Poland.

Sweden's Prime Minister Magdalena Andersson told a news conference that two blasts had been detected in relation to the leaks and though this did not represent an attack on Sweden, her government was in close contact with partners such as NATO and neighbours such as Denmark and Germany concerning the developments.

Seismologists in Denmark and Sweden said they had registered two powerful blasts on Monday in the vicinity of the leaks.

"The signals do not resemble signals from earthquakes. They do resemble the signals typically recorded from blasts," the Geological Survey of Denmark and Greenland (GEUS) said.

And seismologists at Sweden's Uppsala University, which cooperates with GEUS, said the second, bigger explosion "corresponded to more than 100 kilos (kg) of dynamite", adding the blasts were in the water not under the seabed.

The Nord Stream pipelines have been flashpoints in an escalating energy war between capitals in Europe and Moscow that has damaged major Western economies,

MARKET MONITOR as of 06:10 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.38 / bbl	-1.43%	2.89%
NYMEX RBOB Gasoline	$2.47 / gallon	-0.76%	11.03%
ICE Gas Oil	$951.00 / tonne	-1.68%	42.58%
NYMEX Natural Gas	$6.71 / mmBtu	0.92%	79.95%
Spot Gold	$1,623.59 / ounce	-0.32%	-11.20%
TRPC coal API 2 / Dec, 22	$320 / tonne	2.31%	160.16%
Carbon ECX EUA / Dec, 22	€67.87 / tonne	-0.13%	-15.85%
Dutch gas day-ahead (Pre. close)	€207.80 / Mwh	5.04%	212.48%
CBOT Corn	$6.65 / bushel	-0.41%	12.05%
CBOT Wheat	$8.72 / bushel	-0.41%	13.07%
Malaysia Palm Oil (3M)	RM3,344 / tonne	-5.08%	-28.81%
Index (Total Return)	**Close 27 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	285.55	0.64%	15.60%
Rogers International	30.57	0.53%	31.15%
U.S. Stocks - Dow	29,134.99	-0.43%	-19.82%
U.S. Dollar Index	114.53	0.37%	19.34%
U.S. Bond Index (DJ)	375.81	-6.96%	-19.15%

sent gas prices soaring and sparked a hunt for alternative supplies.

"Germany is a country that knows how to defend itself. And Europe is a continent that can protect its energy infrastructure," Germany's Habeck said, adding the energy supply of Europe's largest economy was not affected.

Denmark's armed forces said the largest gas leak had caused a surface disturbance of well over 1 km (0.6 mile) in diameter.

'RISK OF EXPLOSIONS'

The leaks were very large and it could take perhaps a week for gas to stop draining out of the Nord Stream 2 pipeline, the head of Denmark's Energy Agency Kristoffer Bottzauw said.

Ships could lose buoyancy if they entered the area.

"The sea surface is full of methane, which means there is an increased risk of explosions in the area," Bottzauw said.

The Swedish Maritime Administration (SMA) said two leaks on Nord Stream 1, one in the Swedish economic zone and another in the Danish zone, were northeast of Denmark's Bornholm.

"We are keeping extra watch to make sure no ship comes too close to the site," an SMA spokesperson said.

Kremlin spokesperson Dmitry Peskov called it "very concerning news. Indeed, we are talking about some damage of an unclear nature to the pipeline in Denmark's economic zone." He said it affected the continent's energy security.

Neither pipeline was pumping gas to Europe at the time the leaks were found, but the incidents will scupper any remaining expectations that Europe could receive fuel via Nord Stream 1 before winter.

Operator Nord Stream said the damage was "unprecedented."

Gazprom, the Kremlin-controlled company with a monopoly on Russian gas exports by pipeline, declined comment.

"There are some indications that it is deliberate damage," said a European security source, adding it was still too early to draw conclusions. "You have to ask: Who would profit?"

Norway, meanwhile, said it will strengthen security at its oil and gas installations in the wake of leaks and reports of drone activities in the North Sea, Energy Minister Terje Aasland said in a statement. Authorities in Denmark asked that the level of preparedness in its power and gas sector be raised, a step that would require heightened safety for power installations and facilities.

CUTTING SUPPLIES

Russia reduced gas supplies to Europe via Nord Stream 1 before suspending flows altogether in August, blaming Western sanctions for causing technical difficulties. European politicians say that was a pretext to stop supplying gas.

The new Nord Stream 2 pipeline had yet to enter commercial operations. The plan to use it to supply gas was scrapped by Germany days before Russia sent troops into Ukraine, in what Moscow calls a "special military operation," in February.

"The multiple undersea leaks mean neither pipeline will likely deliver any gas to the EU over the coming winter, irrespective of political developments in the Ukraine war," Eurasia Group wrote in a note.

European gas prices rose on the news, with the benchmark October Dutch price climbing almost 10% on Tuesday. Prices are still below this year's peaks but remain more than 200% higher than in early September 2021.

Germany plans to extend lifespan of two nuclear power plants -minister

Germany expects to extend the lifespan of two of its last nuclear power plants Isar 2 and Neckarwestheim beyond their planned phase-out as declines in France's nuclear power supply have worsened, Economy Minister Robert Habeck said on Tuesday.

Germany had planned to complete a phase-out of nuclear power by the end of this year but a collapse in energy supplies from Russia because of the war in Ukraine has prompted the government to keep two plants on standby until April.

Earlier this month, French President Emmanuel Macron said Paris will send gas to Germany if needed while Germany stands ready to provide it with electricity.

The status of France's nuclear power supply would be a big factor in Germany's final decision on whether to extend the lifespan of the plants and should be made this year, Habeck said at a news conference.

"Today, I have to say that the data from France suggests that we will then call up and use the reserve," Habeck said.

The German energy market is well positioned, but the gap in France is comparatively large, he said, adding that the use of two nuclear power plants can close the French gap to a certain extent.

"The situation in France is not good and has already developed much worse than expected in the last few weeks," he said, adding that the forecast of the French had been too optimistic in recent years.

France's nuclear fleet has come under scrutiny, with a wave of repairs at power stations forcing a record number of reactors offline and sending nuclear power production to a 30-year low.

"The operators will now make all the preparations needed for the southern German nuclear power plants to produce electricity in winter and beyond the end of the year, naturally in compliance with safety regulations," Habeck said.

Operators E.ON and EnBW welcomed the agreement on the possible temporary prolonged operation of their plants.

Top News - Dry Freight

Senegal to seek talks with India over rice export ban

Senegal plans to hold talks with India to secure a much-needed rice supply after India banned exports of broken rice globally and imposed tariffs on some other types, the West African nation's president told business leaders late on Monday.

India and Pakistan are Senegal's two top sources of rice, a major food staple in the country. Senegal grows only about half the rice it consumes.

India, the world's biggest rice exporter, banned exports of broken rice and imposed a 20% duty on exports of various other types on Sept. 8 as it tries to boost local supplies and calm prices after below-average monsoon rainfall curtailed planting.

The ban could have a severe impact on countries particularly in the West and Central Africa region that depend on imports to make up for the shortfall in their local production.

"We must open negotiations with the Indian and Pakistani government on broken rice imports," Senegal's President Macky Sall told a meeting with business leaders to discuss measures to curb rampant food inflation.

"I want to remind everyone that Senegal is an exporter of phosphoric acid which allows India to make its fertilizer," Sall added, saying Senegal should get some exemption for that reason.

Although Senegal has increased its local rice production to more than 1.2 million tonnes annually from around 200,000 tonnes in 2007, it still needs to import over a million tonnes a year to meet local demand, which is more than 2 million tonnes, according to government data.

West Africa has faced its worst food crisis on record this year, with millions going hungry due to poor harvests and insecurity, while the war in Ukraine has made the region especially vulnerable to food price hikes and shortages.

South Korea's MFG buys estimated 137,000 tonnes corn in tender - traders

South Korea's Major Feedmill Group (MFG) has purchased an estimated 137,000 tonnes of animal feed corn expected to be sourced from South America or South Africa in an international tender which closed on Tuesday, European traders said.

One consignment of 69,000 tonnes was bought for shipment by Nov. 10 and arrival in South Korea around Dec. 20 at an estimated $333.38 a tonne c&f plus a $1.25 a tonne surcharge for additional port unloading. Seller was believed to be trading house Cargill with South America the likely origin.

A second 68,000 tonne consignment for arrival in South Korea around Jan. 17, 2023, was bought at an estimated $332.88 a tonne c&f plus a $1.75 a tonne surcharge for additional port unloading. It can be sourced from either South America or South Africa.

Seller was believed to be trading house Olam. If South African-origin corn is used for the second consignment, only 52,000 tonnes can be supplied.

Asian corn purchase interest was sparked this week after Chicago corn futures fell to a two-week low on Monday, with Korean groups NOFI and FLC also buying corn.

Picture of the Day

Gas leak at Nord Stream 2 as seen from the Danish F-16 interceptor on Bornholm, Denmark. Danish Defence Command/Forsvaret Ritzau Scanpix/via REUTERS

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

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