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Top News - Oil

TotalEnergies accelerates refinery wage talks as fuel supply shrinks

TotalEnergies on Sunday offered to bring forward wage talks, in response to union demands, as it sought to end a strike that has disrupted supplies to almost a third of French petrol stations and led the government to tap strategic reserves.
"Provided the blockades will end and all labour representatives agree, the company proposes to advance to October the start of mandatory annual wage talks," it said in a statement.
The talks were initially scheduled to start in mid-November.
Union representatives earlier told Reuters the strikes staged by the CGT, historically one of France's more militant unions, would continue. They have disrupted operations at two ExxonMobil sites as well as at two TotalEnergies sites.
Over roughly two weeks of industrial action, France's domestic fuel output has fallen by more than 60%, straining nerves across the country, as waiting lines grow and supplies have run dry.
Almost a third of France's petrol stations had problems getting deliveries of at least one fuel product on Sunday, up from 21% the day before, the office of the energy minister said.
France has released strategic reserves and raised imports, Energy Minister Agnes Pannier-Runacher said in a statement, adding these should mean the supply situation improves on Monday.
Speaking to BFM TV, she welcomed TotalEnergie's offer and said she expected a move from ExxonMobil's Esso France unit "so that the French people are not taken hostage by this social dispute and can go to work with confidence".
Esso France, ExxonMobil's local unit, said it would hold a new round of wage talks with unions on Monday "with the aim of enabling the group's refineries to resume operations as soon as possible."

WINDFALL PROFITS
Wage talks have been underway for weeks at ExxonMobil, while the CGT at TotalEnergies said it has been trying to get the management to the negotiation table earlier than formal talks scheduled next month.
Workers at TotalEnergies are seeking a 10% pay rise starting this year after a surge in energy prices led to huge profits that allowed the company to pay out an estimated eight billion euros ($7.8 billion) in dividends and an additional special dividend to investors.
The company's CEO last week said "the time has come to reward" workers, but the company had refused to start negotiations.
A CGT representative said the union would not make any official comment on TotalEnergie's offer before internal discussions and informing workers.
The CFDT union, France's largest, which chose not to call for strikes despite demanding a similar pay rise, said in a statement it was prepared to start wage talks in October.
Aurore Berge, the head of the governing Renaissance group in the lower house of parliament, said workers had a legitimate right to seek a share in exceptional profits that were made with their help, but not to hurt ordinary people.
"It is not acceptable that workers stage preemptive walkouts which will hit whom? The French people who have no other choice (but to use their car)," she told BFM TV in an interview on Sunday.

COLUMN-Asia's crude oil imports recover on European winter demand hopes: Russell

Asia's imports of crude oil recovered in September, but the increase is likely more a reflection of expectations of improved product demand from Europe over the coming winter rather than a sign of economic strength.
The world's top-importing region brought in 26.58 million barrels per day (bpd) of crude in September, up from 24.90 million bpd in August, according to data compiled by Refinitiv Oil Research.
It was the third-highest month for imports this year and the most since May's 26.62 million bpd.
But a breakdown of the September imports shows that just two countries accounted for 85% of the increase from August and this was mainly because they increased refinery utilisation after maintenance periods.
China, the world's biggest oil importer, saw arrivals of 10.19 million bpd, up 650,000 bpd from August, and the strongest month since May.
Singapore saw imports rise to 1.57 million bpd in September, up from 790,000 bpd in August, when refinery processing rates were just 47.7% of capacity.
Put together, the increase in September imports for China and Singapore was 1.43 million bpd, which is 85% of the gain of 1.68 million bpd from August's total for the whole of Asia.

Other major Asian crude importers showed relatively steady imports for September, with India, the continent's second-largest buyer, landing 4.11 million bpd, slightly down from 4.15 million bpd in August.
Japan imported 3.14 million bpd in September, up from August's 2.94 million bpd, while South Korea imported 2.70 million bpd, down from 3.05 million.
The overall increase in Asia's crude oil imports in September comes as the region's refiners build inventories ahead of the northern winter, and as more plants return from maintenance.
There are expectations that Europe may call on Asia for refined products, especially diesel, during winter as the continent plans to stop imports of Russian crude in December, and of products two months later.
Europe's product imports from outside the region were 4.6 million tonnes in September, which Refinitiv said was a two-year high.
Of that 4.6 million tonnes, 1.64 million came from Russia, which is classed as outside Europe by Refinitiv.
Assuming Europe goes ahead with its import bans on Russian crude and products, it means the continent will likely be seeking around 1.6 million tonnes a month from elsewhere, with Asia, and particularly China, best placed to provide extra fuel given the continent's surplus refining capacity.

CHINA FUEL EXPORTS
China has boosted its export quotas for the rest of the year by 15 million tonnes, but it's unlikely that actual exports will reach that level given shipping constraints.
Nonetheless, it's likely that China will boost exports of refined fuels, which may lead to some recovery in its crude oil imports.
But it's also possible that China uses up crude inventories built up this year to boost product exports, with the country having added about 1.46 million bpd to stockpiles in the first eight months of 2022, as refinery processing fell by more than imports.
Boosting product exports but not crude imports would provide an economic boost to China, which is struggling to fire up its economy after a series of strict COVID-19 lockdowns and funding issues in its key property construction sector.
It would also allow Beijing to send a message to the OPEC+ group of exporters that China is displeased with last week's announcement by the group to cut 2 million bpd from their output quotas, a move widely seen as an attempt to keep oil prices above $90 a barrel even as the global economy heads towards a likely recession.
Overall, the gain in Asia's crude imports in September is unlikely to be the start of a sustained run of strong import numbers.
The looming economic slowdown and the impact of the strong U.S. dollar, which is keeping retail prices close to record highs in many Asian countries, is probably more of a drag on demand than any boost from increased shipments of products to Europe.

Top News - Agriculture

Europe's farmers bring in drought-scarred maize crop
The European Union's maize harvest is in full swing and field work is confirming widespread drought damage that analysts expect to push the feed grain crop to a 15-year low.
A historic drought and successive heatwaves in Europe affected maize, or corn, during crucial summer growth stages, and showers in the past month appeared too late.
"In the EU, impacts of the summer drought, despite the sparse return of rainfall, have brought the yield outlook for crops to a rather uniform poor status," intergovernmental crop monitoring body AMIS said in a note.
The European Commission last Friday cut its EU maize crop forecast to 55.5 million tonnes, joining other observers in projecting the lowest volume since 2007.
Hungary could be the worst-hit, with the agriculture ministry this week estimating the crop will more than halve from last year to 3 million tonnes, echoing industry expectations that the country will flip to being a net importer.
The Commission expects total EU maize imports in 2022/23 of 21 million tonnes, a four-year high. Imports are currently running at almost double last season's pace, despite the war in leading supplier Ukraine.
In France, where the lowest production in three decades is expected, the non-irrigated crops that represent two-thirds of the planted area have been particularly hard hit.
Growers group AGPM this week forecast production at 10 million tonnes, in line with market estimates and below last month's farm ministry forecast of 11.3 million that was already a 32-year low.
Farmers had cut two-thirds of the crop by Monday, according to farm office FranceAgriMer, and could make more progress in sunny weather this week before showers forecast for next week.
In Romania, which vies with France as the EU's largest maize grower, the crop also suffered to varying degrees.
“Corn was the crop most affected by drought this year, although in the areas where we could maintain the temperature comfort through irrigation yields were

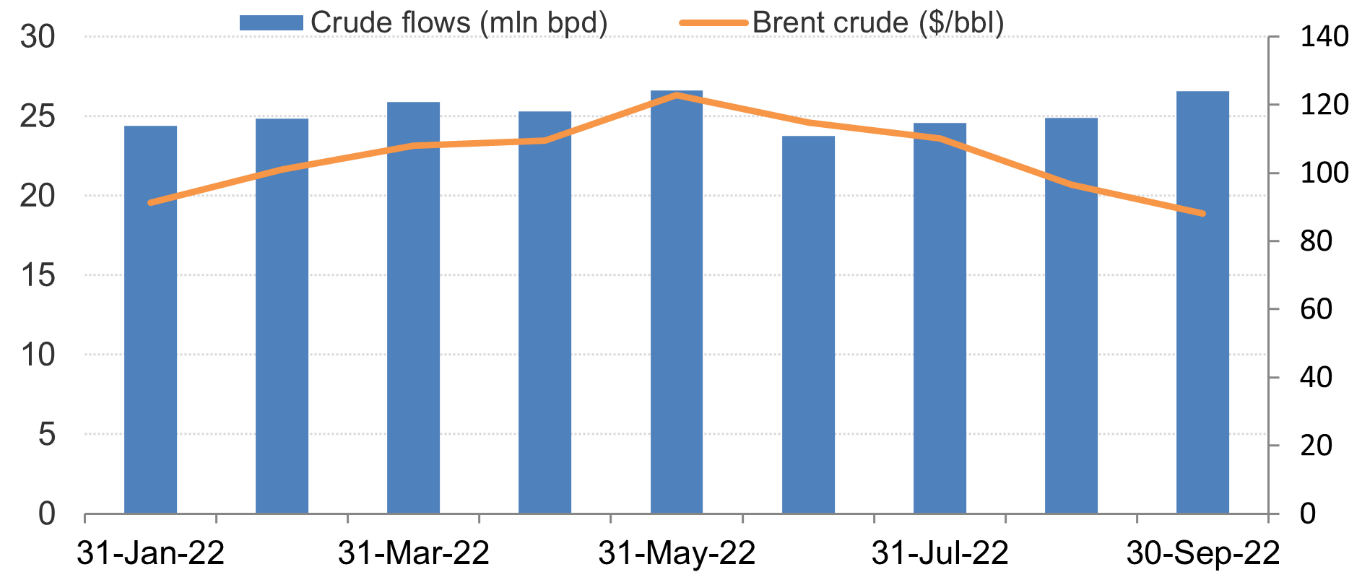
alright," Romanian Agriculture Minister Petre Daea told Reuters.
He did not give a production forecast but said the crop should cover domestic needs and allow reduced exports.
In Italy, indications suggest the crop could fall by about 40% from last year, said Lorenzo Bazzanam, chief economist at farming group Coldiretti, adding that some fields were abandoned because of drought constraints on irrigation.
In Germany, where the harvest is nearing completion, the crop is likely to fall about 19% to around 3.5 million tonnes, analysts say.
"It is pretty much confirmed that the heatwave and dryness this summer has cut Germany's crop by about 600,000 tonnes," one analyst said.
However, tight supply may be partly offset by difficulties in the livestock sector that could curb overall feed consumption, the analyst added.
One bright spot could be Poland, where some analysts see maize production exceeding last year's, helped by increased planting and moderate drought impact.

COLUMN-Funds shed CBOT soy bets but keep corn as supply narratives diverge -Braun
Soybean fundamentals have not been particularly friendly to market bulls as of late, but speculators are still not ready to pull the trigger on short bets, as Chicago futures hover near two-month lows.
Investors remain satisfied with a sizable bullish stance in Chicago corn, which has been trading at the second-highest levels for the time of year, just below $7 per bushel.
Traders had been favoring corn futures over soybeans ever since troubles with the U.S. corn crop emerged in August, but that preference escalated on Sept. 30 when the U.S. Department of Agriculture found smaller-than-predicted corn stocks but larger bean ones.
USDA's next report is due on Wednesday, and analysts expect a smaller corn crop than previously projected while soybeans are seen rising a hair. CBOT November soybeans ended Friday at exactly two times the price of December corn, the date's smallest ratio since 2011.
In the week ended Oct. 4, which included USDA's latest report, money managers' net long in CBOT corn futures and options edged up by nearly 6,000 to 243,728

Chart of the Day

ASIA CRUDE OIL IMPORTS RECOVER

Asia crude imports vs. Brent crude futures price



Source: Refinitiv Eikon Reuters graphic/Clyde Russell 10/10/22

contracts, nearly identical to a year earlier. Market makeup and open interest are also very similar to 2021, though futures are 29% higher now.
Data from the U.S. Commodity Futures Trading Commission on Friday also showed money managers through Oct. 4 made the largest cut in three months to their net long in CBOT soybeans, which fell to 77,488 futures and options contracts from 94,831 a week earlier. That compares with a soybean net long near 50,000 contracts a year ago and futures near $12.40 per bushel versus Friday's settle of $13.67.
Although CBOT soybean futures on Friday ended more than 9% off the month-ago peak, money managers' gross shorts remain near historic lows and have trended largely flat for the last several months.
Their gross corn shorts numbered near 77,000 contracts in mid-August, still lower than in most years, but those have dwindled to near 28,000 as of last week as risks to corn supply have risen.
Commodity index traders since late June have reduced overall soybean positions by 35%, and those positions are now at five-year lows for the date. But their corn bets have been recently steady and similar to the same dates in the last two years.
Most-active Chicago wheat futures on Sept. 30 hit a three -month high as USDA pegged the U.S. wheat crop well below market expectations on large cuts to area. But futures through Friday ended down 4.5%, their biggest weekly loss since mid-July.
Money managers through Oct. 4 trimmed their net short in CBOT wheat futures and options for a sixth consecutive week, resulting in 12,219 futures and options contracts, somewhat average for the date. Open interest remains safely at 17-year lows for the week.

Top News - Metals

Peru won't cancel Quellaveco copper mine permits, says prime minister

Peru will maintain licenses for the Quellaveco copper mine owned by Anglo American and Mitsubishi Corp companies, Prime Minister Anibal Torres said on Sunday on social media.
The remarks come two days after global miner Anglo American expressed concern that the Peruvian government might be reconsidering the company's license to use water for its copper mine in southern Peru.
"The government has not talked about canceling Quellaveco's licenses," Torres said, adding that private investment in Peru is fully guaranteed, as long as it meets contractual obligations and respects the country's environmental and labor standards.
Previously, the Peruvian Ministry of Agrarian Development and Irrigation said it was evaluating the use of 22 million cubic meters of water from two rivers near Quellaveco, due to comments submitted by agricultural producers.
Anglo American maintains that its activities will not affect water availability in the area and that the authorities granted the water license in a legal and transparent manner.
Peru is the world's second-largest producer of copper, but the sector has struggled, particularly with an increase in protests by impoverished indigenous communities against mining companies in the past year.
Mining is vital for the economy of the South American country, responsible for 60% of all national exports. In late September, the government proposed a "new approach" to close social gaps and avoid conflicts in the sector.
The Quellaveco mine, which has received $5.5 billion in investment, began pilot production of copper concentrate last July, and is owned by Anglo American and Japan's Mitsubishi Corp, holding 60% and 40% of capital, respectively.
Anglo American estimates that the Quellaveco project, located in the southern region of Moquegua, will have a production of 300,000 tons per year in its first 10 years, a figure that could be affected or postponed if it runs into trouble with government licenses.

Chile permanently closes mining areas connected to giant sinkhole

Chile's mining minister announced on Friday the permanent closure of mining stopes directly related to a giant sinkhole that appeared in the northern part of the country in July.
Mining minister Marcela Hernando made the announcement after meeting with union members, mine workers and technical experts studying the sinkhole.
"The sector of the Gaby stopes, that are directly related to the subsidence, are closed definitively and will never be exploited again," Hernando said, referring to a sector of stopes in the Alcaparrosa copper mine in northern Chile.
The minister added that the government is working on recovering water from an aquifer that was damaged by the sinkhole.
"We're interested in recovering 1.3 million cubic meters of water that are currently stagnant in the depth," Hernando said. "Our intention is to return them to the aquifer, for which we're studying multiple alternatives."
Chile's SMA environmental regulator announced the charges against the Canadian-owned Lundin Mining Corp's copper mine on Thursday for the sinkhole.

SMA filed a charge labeled as "very serious" for "irreparable environmental damage" to the aquifer, in addition to a "serious" charge for overextraction and two minor ones related to transporting minerals.
The government said it was planning to reopen parts of the mine where conditions allowed to avoid the loss of jobs.
Canada's Lundin Mining Corp owns 80% of the property, while the remaining 20% is held by Japan's Sumitomo Metal Mining and Sumitomo Corp.
The company could face closure, have its environmental permit revoked or be fined the equivalent of $13 million or more.
In mid-August, the SMA ordered "urgent and transitory" measures while investigating the causes of the 36.5-meter-diameter (120-foot-diameter) hole in Tierra Amarilla, some 665 km (413 miles) north of the capital.

Top News - Carbon & Power

Putin orders seizure of Exxon-led Sakhalin 1 oil and gas project
Russian President Vladimir Putin signed a decree on Friday that establishes a new operator for the Exxon Mobil Corp-led Sakhalin-1 oil and gas project in Russia's Far East.
Putin's move affecting Exxon's largest investment in Russia mimics a strategy he used to seize control of other energy properties in the country.
The decree gives the Russian government authority to decide whether foreign shareholders can retain stakes in the project.
Exxon holds a 30% operator stake in Sakhalin-1, with Russian company Rosneft, India's ONGC Videsh and Japan's SODECO as partners.
Oil production at the Sakhalin-1 project fell to just 10,000 barrels per day (bpd) in July from 220,000 bpd before Russia invaded Ukraine.

NAVIGATING AN EXIT
Exxon has been trying to exit its Russia operations and transfer its role in Sakhalin-1 to a partner since March, after international sanctions imposed on Moscow.
Russia's government and Exxon have clashed, with the oil producer threatening to take the case to international arbitration.
Exxon declined to comment on Friday's decree.
Japan's SODECO was not immediately available to comment, but an official of the industry ministry, which owns a 50% stake in the firm, said it was gathering information and talking with partners. Japan has stopped buying crude from Russia since June.
Exxon took an impairment charge of $4.6 billion in April for its Russian activities and said it was working with partners to transfer Sakhalin-1's operation. It also reduced energy production and moved staff out of the country.
In August, Putin issued a decree that Exxon said made a secure and environmentally safe exit from Sakhalin-1 difficult. The U.S. producer then issued a "note of difference," a legal step prior to arbitration.
Friday's decree said the Russian government was establishing a Russian company, managed by Rosneft subsidiary Sakhalinmorneftegaz-shelf, that will own investors' rights in Sakhalin-1.
Foreign partners will have one month after the new company is created to ask the Russian government for shares in the new entity, the decree said.
Putin used a similar strategy in a July decree to seize full control of Sakhalin-2, another gas and oil project in the Russian Far East, with Shell and Japanese companies Mitsui & Co and Mitsubishi Corp as partners.
Russia has approved applications by the two Japanese trading houses seeking to transfer their stakes to a new operator.

COLUMN-China’s reliance on gas imports threatens security: Kemp
China’s reliance on imported gas is increasing despite government efforts to boost domestic output, creating an intensifying problem for both energy and national security.
China’s gas production increased by 6% in the first eight months of 2022 compared with the same period in 2021, according to the National Bureau of Statistics (“Output of energy products”, NBS, Sept. 16).
Production has increased at a compound annual rate of 7% over the last ten years, doubling between 2011 and 2021, as the government encouraged the development of major fields in Sichuan, Xinjiang and the Ordos Basin.
But consumption has grown even faster, at a compound rate of almost 11% over the same period, as more households have been connected to the distribution network.
Replacing wood, coal and bottled gas for residential and commercial heating and cooking has played a key role in reducing urban air pollution and improving quality of life.
The population with access to gas had climbed to 413 million in 2020, up from 286 million in 2015 and 170 million in 2010 (“China statistical yearbook”, NBS).
The decade from 2010 to 2020 saw massive increases in gas access in Guangdong (+24 million), Shandong (+22 million) and Jiangsu (+19 million).

There were also big increases in Sichuan (+14 million), Henan (+14 million) and Zhejiang (+14 million), Hubei (+12 million), Anhui (+10 million) and other provinces (+115 million).
Chartbook: China gas production, consumption and imports
Gas accounted for more than 8% of China's primary energy consumption in 2020 up from 4% in 2010 and just 2% in 2000.
China had become the world's fourth-largest gas producer by 2021 (after the United States, Russia and Iran) but it was also the third-largest consumer (after the United States and Russia).
In contrast to the United States and Russia, both of which were net exporters, China has increasingly been forced to turn to imports to meet its needs, becoming the largest importer of gas in the world.
China's net import requirement climbed to 170 billion cubic metres in 2021 up from 29 billion cubic metres in 2011 ("Statistical review of world energy", BP, 2022).
The country relied on imported gas to meet 45% of its domestic consumption in 2021 up from 34% in 2016 and 21% in 2011.

STRATEGIC VULNERABILITY
Growing reliance on imported gas has emerged as one of China's biggest strategic vulnerabilities as relations with the United States and its allies have deteriorated.
One-third of China's gas imports arrive overland by pipeline, but two-thirds arrive by sea in the form of LNG, and the share is increasing.
Pipeline imports have grown at a compound annual rate of 15% over the last decade while LNG imports were up by 21% per year.
Pipeline arrivals come mostly from central Asia (41 billion cubic metres) and Russia (8 billion), which have friendly diplomatic relations with China.
But more than half of the total LNG imported comes from unfriendly countries, in particular, Australia (44 billion cubic metres) and the United States (12 billion).
Smaller LNG volumes are sourced from more neutral Qatar (12 billion cubic metres) and Malaysia (12 billion), as well as Russia (6 billion).
As a consequence, China is increasingly vulnerable to anything which disrupts the physical arrival of fuel.
The vulnerability is concentrated on seaborne LNG, with a commercial or diplomatic embargo, sanctions or a military blockade becoming major risks.

POLICY RESPONSES
Despite a high priority on indigenising the energy system and reducing reliance on imports in the 13th Five-Year Plan (2016-2020) and 14th Five-Year Plan (2021-2025), the government has made limited progress.
The most conspicuous success has been building out a deepwater navy to protect sea lines of communication (SLOCs) and counter any attempt to intercept energy imports.
But gas import reliance is increasing not reducing, and there has been little progress towards diversifying the source of supply to more friendly countries.
More pipelines from Siberia could eventually reduce reliance on LNG; Russia is anxious for new customers to replace markets lost in Europe as a result of its invasion of Ukraine.
But the build-out of new pipelines would take years and is likely to result in only a marginal reduction in LNG requirements.
Increased deployment of renewables, which China has in abundance, and the electrification of domestic and commercial heating could eventually reduce the need for gas.
But at the moment, most additional electricity is being used for power, not heating, and the number of residential gas connections is rising, not falling.
The best strategic option is still to increase domestic production and wait for the gas connection programme to be completed and for consumption to level off.

Top News - Dry Freight

U.N. working to expand, extend for a year Ukraine Black Sea grain export deal
U.N. Secretary-General Antonio Guterres and his team are working to expand and extend for a year a U.N.-brokered deal allowing Ukrainian Black Sea grain exports, which could expire in late November.
"We're trying to remove the uncertainty to ensure that people are publicly saying that 'yes, this will be extended a further year,' but we're not there yet," said U.N. spokesman Stephane Dujarric, adding that U.N. officials are also working to facilitate Russian grain and fertilizer exports.
U.N. aid chief Martin Griffiths and senior U.N. trade official Rebeca Grynspan are set to travel to Moscow in about a week to discuss both issues with senior Russian officials, Dujarric told reporters.
"The Secretary General and his team are engaged in intense contacts on these issues. Mr. Guterres and the team are working hard on having an expanded and extended Black Sea Grain Initiative," he said. "They're

working actively to remove also the last obstacles to facilitate the export of Russian grain and fertilizer."
Facilitating Russia's food and fertilizer shipments is a central aspect of a package deal brokered by the United Nations and Turkey on July 22 that also restarted Ukraine's Black Sea grain and fertilizer shipments.
Russia has criticized the deal, complaining that its exports were still hindered. Moscow could object to extending the pact allowing Ukraine's exports beyond late November.
The deal included ammonia - a key ingredient in nitrate fertilizer. A pipeline transporting ammonia from Russia's Volga region to Ukraine's Black Sea port of Pivdennyi (Yuzhny) was shut down when Russia invaded Ukraine on Feb. 24.
The United Nations is now trying to broker a resumption of those ammonia exports.
Ukraine and Russia are both key global grain and fertilizer exporters. The United Nations said the agreement on Russian and Ukrainian exports is needed to tackle a global food crisis that it said had been worsened by Russia's war in Ukraine, pushing some 47 million people into "acute hunger".

Algeria tenders to buy nominal 50,000 tonnes soft milling wheat -traders

Algeria's state grains agency OAIC has issued an international tender to buy soft milling wheat to be sourced from optional origins, European traders said on Sunday. The tender sought a nominal 50,000 tonnes but Algeria often buys considerably more in its tenders than the nominal volume sought. The deadline for submission of price offers in the tender is Tuesday, Oct. 11, with offers having to remain valid until Wednesday, Oct. 12.
The wheat is sought for shipment in two periods from the main supply regions including Europe: Nov. 1-15 and Nov. 16-30. If sourced from South America or Australia, shipment is one month earlier. Algeria is a vital customer for wheat from the European Union, especially France.

MARKET MONITOR as of 06:37 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$92.18 / bbl	-0.50%	22.56%
NYMEX RBOB Gasoline	$2.71 / gallon	-0.84%	21.68%
ICE Gas Oil	$1,242.25 / tonne	-1.23%	86.24%
NYMEX Natural Gas	$6.69 / mmBtu	-0.84%	79.38%
Spot Gold	$1,685.49 / ounce	-0.53%	-7.82%
TRPC coal API 2 / Dec, 22	$290 / tonne	2.31%	135.77%
Carbon ECX EUA / Dec, 22	€69.25 / tonne	-0.86%	-14.14%
Dutch gas day-ahead (Pre. close)	€105.00 / Mwh	5.04%	57.89%
CBOT Corn	$6.88 / bushel	0.66%	15.93%
CBOT Wheat	$8.80 / bushel	-0.41%	14.21%
Malaysia Palm Oil (3M)	RM3,841 / tonne	3.81%	-18.22%
Index (Total Return)	**Close 07 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	306.92	-	24.25%
Rogers International	32.10	0.02%	37.72%
U.S. Stocks - Dow	29,296.79	-2.11%	-19.38%
U.S. Dollar Index	112.85	0.05%	17.59%
U.S. Bond Index (DJ)	381.71	-5.50%	-19.13%

Picture of the Day

A general view of the Njord oil platform being renovated at the yard in Stord, Norway. REUTERS/ Nerijus Adomaitis

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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