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Top News - Oil

EXCLUSIVE-Oil group MOL's refineries shift to non-Russian crude faces delay

Hungarian oil group MOL expects its refineries to be able to process both Russian and non-Russian crude oils by the end of 2026, a year later than planned as some adjustment projects have been delayed, a senior MOL executive said.

Following Russia's invasion of Ukraine in 2022, the European Union prohibited its member states from importing Russian oil, but exempted Hungary, Slovakia and the Czech Republic to allow them to find alternative routes and supplies.

But some within the bloc, most recently European Commission President Ursula von der Leyen, have said Hungary has not done enough to wean itself off Russian oil and gas. MOL, whose two refineries in Slovakia and Hungary are fed with Russian crude via the Druzhba pipeline's southern spur, has been investing in technology needed to diversify away from Urals oil, but progress has been slower than expected.

Viktor Sverla, MOL's vice president for strategy and sustainability, told Reuters on Thursday that MOL can refine up to 30%-40% non-Russian crude at its refineries in Slovakia and Hungary now. "There are investments under way that we could increase this to 100% by the end of 2026," Sverla said.

MOL's executive chairman Zsolt Hernadi had told Reuters in April 2023 that MOL would be able to choose between Russian or non-Russian crude for its refineries by end-2025 or early 2026. Sverla said the delays were due to unforeseen complexities in executing the 24 planned projects to upgrade the refineries and the need for more logistical investments in storage and blending capacities.

He added that MOL could complete the projects in the next two years for $500 million, the lower end of a $500 million-$700 million investment range it gave in 2023.

ADRIATIC PIPELINE CONTRACT

Sverla also said MOL was in talks with Croatia's oil pipeline operator Janaf about a long-term contract to transport crude via the Adriatic pipeline but declined to comment on planned volumes or elaborate on the transit fees, which MOL has criticised for being too high.

"We are not really content with the present transit fees, and we trust we will be able to reduce these fees in the future, but an even more important issue for us is that we should have a long-term contract," he said. "However, the Druzhba pipeline is vital for us and our aim is to have a diverse crude oil procurement relying on both Russian and non-Russian oil."

Asked whether MOL was prepared for an expiry of the exemption on Dec. 5 which the European Union granted Slovakia to export fuel produced from Russian oil, Sverla said MOL could increase its share of non-Russian crude at its Slovak refinery to 50% if needed. MOL shares closed 0.6% higher at 2,670 forints ($7.27) per share on Thursday.

Diamondback Energy flags lower oil and gas prices for third quarter

Diamondback Energy on Thursday signaled lower prices for its third-quarter oil and gas production, making it the third U.S. shale producer to do so in just a week. Oil prices declined in the July-September quarter due to concerns about global oil demand growth.

Meanwhile, U.S. natural gas prices have collapsed to multi-year lows in 2024, with prices in the Waha hub in West Texas turning negative a record number of times.

Diamondback said average hedged realized prices for the third-quarter oil production were $72.32 per barrel, down from $78.55 in the second quarter.

The company realized 60 cents per thousand cubic feet (Mcf) of natural gas sales after hedging in the three months ended Sept. 30, compared with $1.03 per Mcf in the April-June period.

However, it realized a loss of 26 cents Mcf of unhedged natural gas sales during the third quarter.

Diamondback's warning comes just a day after Occidental Petroleum flagged lower prices for its production. Industry bellwether Exxon Mobil warned last week that it could take a hit of up to $1 billion to its upstream profits.

The company reported a non-cash gain of $135 million from derivatives during the third quarter, compared with a non-cash gain of $46 million in the prior quarter. Earlier this month, Diamondback had raised its third-quarter production forecast to reflect the $26 billion acquisition of Endeavor Energy.

It expects to produce between 565,000 to 569,000 barrels of oil equivalent per day in the quarter.

Top News - Agriculture

Russia announces better-than-expected grain, wheat harvest estimates

Russia lowered its final grain and wheat crop estimates on Thursday but the figures were higher than analysts had expected, setting the stage for this season's export forecasts ahead of a key meeting with exporters on Oct. 11.

Deputy Prime Minister Dmitry Patrushev was quoted by Russian news agencies as saying Russia will harvest 130 million tons of grain, down from an earlier forecast of 132 million tons, and 83 million tons of wheat, down from 84-86 million tons.

"Given the high technological capabilities of our producers, we expect a good harvest by the end of the year, which will fully meet the domestic market demand and maintain a high export potential," Patrushev was quoted as saying.

The new estimate is a an 12% drop from 148 million tons in 2023 and a 18% drop from a record 158 million tons in 2022. However, the estimate is better than the 124.5 million tons in the latest estimate from the IKAR consultancy.

Russia domestic grain consumption is estimated at 85-87 million tons. The rest of the harvested grain could be exported.

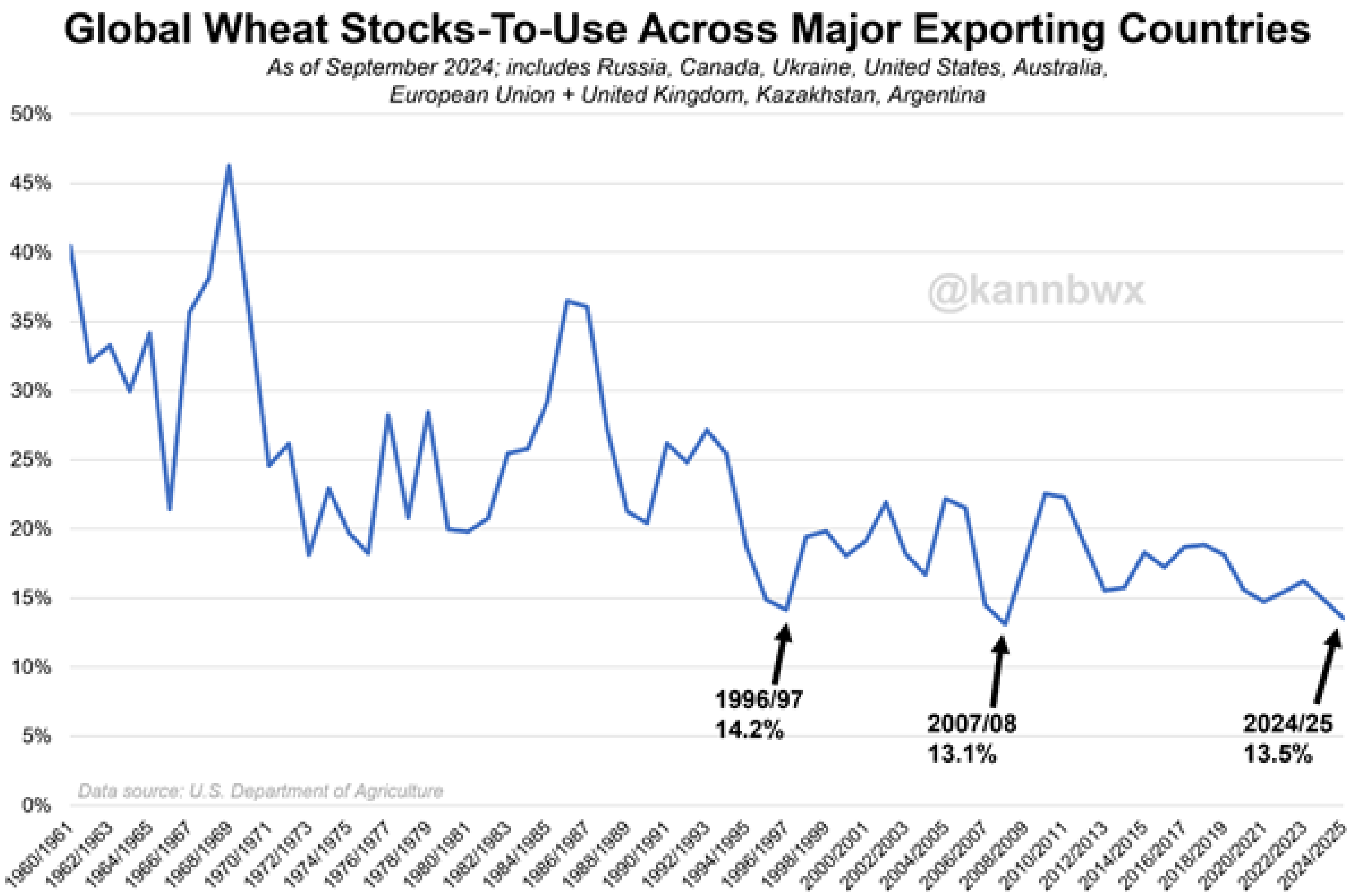
Russia's Agriculture Ministry has called the country's major grain exporters to a meeting on Oct. 11, three sources close to the matter told Reuters, days after the grain exporters' union accused some exporters of shipping too much at low prices.

Concerns over Russia's smaller-than-expected grain harvest due to extreme weather ranging from early spring frost to drought to heavy rains supported international wheat prices in recent months.

EXCLUSIVE-Iraq set to pay high price for bumper wheat harvest

A bumper harvest and a hefty grain surplus in Iraq, typically one of the Middle East's biggest wheat importers, has left the government with the prospect of a

Chart of the Day



net loss of nearly half a billion dollars, according to Reuters calculations.

The 1.5 million metric ton wheat surplus, helped by better-than-expected rains but above all by government subsidies, is excellent news for farmers.

For the government, however, which pays them more than double the global market price to encourage cultivation of the food staple in often arid conditions, the price is high.

According to the calculations, based on official figures and conversations with more than 10 government officials, farmers, mill owners, analysts and exporters, the government will have made a loss of $458.37 million, once it has paid the farmers and assuming it manages to sell the excess to private millers in Iraq at an agreed price.

Critics say it needs to better balance the challenges of motivating farmers and limited financial and other resources.

"This is poor planning," said Adel Al Mokhtar, former adviser to the Iraqi parliament's agriculture committee.

"Why do we produce more than we need, which also leads to wasting water?" he asked.

To meet the needs of its subsidy programme, the government needs between 4.5 and 5 million tons annually.

Historically, Iraq, as part of the Fertile Crescent from the Mediterranean to the Gulf is where farming developed more than 10,000 years ago.

In recent years, Iraqi agriculture has suffered from a lack of rainfall linked to climate change, less water flowing through its two main rivers, the Tigris and the Euphrates, and decades of conflict that have interfered with cultivation.

The United Nations puts Iraq among the five most vulnerable countries to climate change globally, making food security a priority for the government.

But the country, the second largest producer in the Organization of the Petroleum Exporting Countries (OPEC) is also facing a reduced budget in 2025 after lower oil prices.

"If oil prices start coming down the government has first to pay salaries of public service employees so how much will be left to subsidise the agriculture sector, that's the question nobody knows the answer to," Harry Istepanian, an independent energy and water expert in Washington and a senior fellow at the Iraq Energy Institute, said.

STORAGE PROBLEM

Baghdad could try to export its surplus but said it prefers to keep it inside the country and support its millers.

Limited storage space means it cannot store the surplus for next year, Haider Nouri, director general of Iraq's grain board, told Reuters.

Although the government was buying for 850,000 Iraqi dinars ($649.35) and selling for 450,000 dinars, it did not consider that a loss because the grain was staying in the country, Nouri said.

"There is no loss considering that the money is spent inside the country and in Iraqi currency, employing workers, supporting flour (mills), relying on the local product, and abandoning flour imports from Turkey, the Emirates, and Kuwait," he said. Farmers said rains had helped them, but the government subsidy was crucial.

Ashour Al Salawi, a farmer in Iraq's southern province of Najaf, said the government price had led him to increase the area he planted with wheat by 50% to a total of 15 dunums. A dunum is a land measure of less than an acre.

In contrast to previous years, he said the money was paid on time.

"There's a huge difference between this year and previous years," Abbas Obeid, another farmer in Najaf, said.

"It was the compensation but we were also provided with water, electricity and subsidised fertilisers."

Mohsen Abdul Amir Hadhud, head of the agricultural cooperative in Najaf, said most farmers had seen a major improvement in their lives.

"The farmers' living conditions have improved due to government support for the wheat crop. They have restored their homes, increased the cultivated areas, and purchased good agricultural supplies," Hadhud said.

The government also provided support for other crops such as rice, buying it at a price between 850,000 and 1 million Iraqi Dinars depending on its quality.

MILLERS BARGAINING POWER?

The decision to keep the surplus wheat in Iraq could lead to pressure on the government from the millers for lower selling prices given that they potentially can import for less.

"The price set by the government, which is 450,000, is not final, and we expect the price to be reviewed by the government, since the price that the government will sell to mills is higher than the global price," Ali Fadhel, director of Al-Aswar Company, a private sector mill, said.

Farmers, meanwhile, may find themselves less well rewarded in the 2025 season, when Nouri said Baghdad was considering cutting the price it pays them. "It is possible that the price of purchasing wheat will decrease [next year]...but it will not be significant, and will be higher than the global market," he said.

The farmers in Najaf, say that undoubtedly will mean less wheat. "It would be a disaster if they decrease the price next year," Hussein El Morshedy, whose production increased more than 60% this year, said.

Top News - Metals

EXCLUSIVE-China's Tongling to delay copper output at new plant until H2 2025, sources say

Chinese copper giant Tongling Nonferrous Metals Group will postpone production at its new plant until the second half of 2025 due to shortages of the raw materials used to make the red metal, three sources with knowledge of the matter said.

Tongling's project in Anhui province is the biggest copper plant to be built in China in more than a decade. Its construction is expected to be completed in January, with capacity of 500,000 metric tons a year.

The company did not respond to inquiries from Reuters via email or telephone.

The delay has raised doubts about China's massive copper expansion pipeline over the next few years and challenges a long-held belief that state-owned smelters would keep producing copper even if they are losing money.

Without Tongling's metal from the new plant, the refined copper market surplus is likely to be narrower than forecast, which will support prices.

Disruptions at operations of First Quantum and Anglo American have intensified competition for concentrates since last year. Treatment charges (TCs), the fees a smelter earns for converting concentrate into refined metal, fell below zero in April for the first time ever.

This means smelters had to pay to turn concentrate into refined copper, instead of being paid. Tongling has not been able to source enough concentrate to start production in January, the company told concentrate suppliers, sources said.

Copper producers typically start stockpiling concentrate three months before starting production in new plants.

When Tongling announced construction of its new flagship copper smelting and wire plant two years ago, it was aiming to surpass rivals like Jiangxi Copper and China Copper.

Once the Anhui plant is producing, Tongling will be the world's biggest copper smelter with a capacity to produce more than 2 million tons of copper a year. But this could be delayed by concentrates shortages, as disruptions and countries such as Indonesia, Democratic Republic of Congo (DRC) limit exports to help local smelters.

There is still a staggering 3.2 million-ton expansion pipeline of Chinese copper smelting capacity in the next five years, analyst Craig Lang at consultancy CRU said. If all the new capacity comes online, it would account for a 24.6% of 12.99 million tons of refined copper produced by China in 2023.

Chinese copper smelters called for a rare joint cut in

MARKET MONITOR as of 06:34 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$75.33 / bbl	-0.69%	5.14%
NYMEX RBOB Gasoline	$2.11 / gallon	-0.55%	0.16%
ICE Gas Oil	$706.75 / tonne	1.98%	-5.86%
NYMEX Natural Gas	$2.69 / mmBtu	0.41%	6.84%
Spot Gold	$2,641.63 / ounce	0.46%	28.07%
TRPC coal API 2 / Dec, 24	$126.25 / tonne	0.40%	30.15%
Carbon ECX EUA	€64.64 / tonne	-0.55%	-19.57%
Dutch gas day-ahead (Pre. close)	€40.01 / Mwh	5.57%	25.62%
CBOT Corn	$4.37 / bushel	0.06%	-9.81%
CBOT Wheat	$6.26 / bushel	-0.08%	-2.11%
Malaysia Palm Oil (3M)	RM4,322 / tonne	2.10%	16.15%
Index	**Close 10 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	345.97	1.58%	14.79%
Rogers International	28.27	1.09%	7.37%
U.S. Stocks - Dow	42,454.12	-0.14%	12.64%
U.S. Dollar Index	102.92	-0.06%	1.57%
U.S. Bond Index (DJ)	445.86	0.00%	3.52%

production earlier this year due to losses. But China bought 18.6 million tons of copper concentrates from January to August this year, up 3.2% year-on-year.

Sibanye ordered to pay damages over cancelled $1.2 bln Brazilian mines deal

South African miner Sibanye Stillwater is liable to pay compensation to investment firm Appian Capital Advisory over the termination of a $1.2 billion deal to buy Appian's Brazilian nickel and copper mines, London's High Court ruled on Thursday.

The advisory firm lodged its compensation case against Sibanye after the Johannesburg-based precious metals producer cancelled a deal to buy the Santa Rita and Serrote mines in Brazil in January 2022.

Judge Christopher Butcher ruled that Sibanye was "under an obligation to close" the deal and had no grounds to terminate the purchase. Appian said it would seek to recover losses from the failed deal "in full, including the significant interest that would have accrued since January 2022".

"If Sibanye cannot pay in full the damages awarded to Appian in the quantum trial, Appian will pursue all enforcement options," it said in a statement. The statement also said the amount of compensation would be decided following a London High Court hearing in November 2025.

Sibanye in a separate statement said a trial may be needed to determine potential damages it may be required to pay to Appian. Sibanye had announced a deal in Oct. 2021 to buy the mines that are owned by affiliates of funds advised by Appian, in what was to become its biggest foray in battery minerals. Three months later, it abandoned the purchase, citing geotechnical instability at the Santa Rita mine, which it said would have had a material and adverse impact on future operations.

Top News - Carbon & Power

Hungary says TurkStream could help supply Europe with gas if transit via Ukraine ends

The TurkStream pipeline that ships Russian gas to Turkey via the Black Sea could help Europe to cope with the expected loss of gas pumped via Ukraine, Hungarian Foreign Minister Peter Szijjarto said on Thursday.

A five-year deal between Kyiv and Moscow on Russian gas transit via Ukraine to Europe will expire on Dec. 31. An extension is seen as unlikely, given the military conflict between the two countries. Szijjarto said the loss of Russian gas routed via Ukraine will not hurt Hungary as the country receives Russian gas via the TurkStream pipeline.

"This alternative route may help not only Hungary, but other countries of Central Europe if they face a serious situation in case there is no transit via Ukraine," he told the St Petersburg International Gas Forum.

Hungary, in contrast to most European Union countries, seeks to maintain close political and business ties with Russia.

Ukraine has said it will not renew its deal with Russia, and Moscow has said the decision lies with Ukraine and Europe.

Russia shipped about 15 billion cubic metres (bcm) of gas via Ukraine in 2023. That was equivalent to just 8% of peak Russian gas flows to Europe via various routes in 2018-2019.

Russian energy giant Gazprom said later on Thursday that it had signed a memorandum of understanding with Hungary on a possible increase in supplies of Russian gas, at a meeting attended by Gazprom chief Alexei Miller and Szijjarto. No details were revealed.

Szijjarto said Hungary is satisfied with its cooperation with Gazprom and that it has no attractive alternatives.

"This year we are receiving 6.7 billion cubic metres of gas altogether from Gazprom in Hungary... This will make TurkStream totally utilised in its full capacity," Szijjarto said.

EXCLUSIVE-Italy eyes Westinghouse, EDF as partners for nuclear-power firm, sources say

Italy is considering U.S. energy group Westinghouse or France's EDF as potential international partners for a state-backed company that will build advanced nuclear reactors in the country, two sources familiar with the matter said on Thursday. Nuclear-fired power plants are prohibited in Italy following referendums in 1987 and 2011.

But the government plans to draft by the end of this year rules to allow the use of new nuclear-power technologies, the energy minister said on Wednesday, reiterating his intention of lifting the ban.

The right-wing administration headed by Prime Minister Giorgia Meloni thinks small modular reactors and advanced modular reactors could help decarbonise the country's most polluting sectors, including steel, glass and tile makers.

EDF confirmed to Reuters it was interested in supporting the Italian project.

"We are keen to support the SMR option in Italy", an EDF spokesperson said, adding the French group was in active talks with Italian companies and institutions through its Italian subsidiary Edison.

In July, EDF and Edison signed a memorandum of

understanding with Italian state-owned Ansaldo Nucleare and the association of Italian steel makers Federacciai for the use of nuclear power in the sector.
Ansaldo Nucleare and start-up Newcleo would also be part of the government project to build SMRs, the sources said. Newcleo declined to comment.
"Westinghouse and EDF would be the best (international) partners," one senior government source told Reuters.
Westinghouse was not immediately available to comment. Italy's Energy Minister Gilberto Pichetto Fratin recently appointed a legal expert to help him draft a new law to be submitted to parliament next year.
During a recent parliamentary hearing, Pichetto said Italy would be able to save 17 billion euros ($19 billion) on the cost of decarbonising the economy by 2050, should it include at least 11% of nuclear power in its energy mix.
Despite the nuclear ban, Italy has retained key expertise in the sector.
State-controlled utility Enel operates nuclear power stations in Spain and energy major Eni is investing in a project to develop a nuclear-fusion reactor in the United States.

Top News - Dry Freight

Japan may take action to respond to China's growing steel exports, ministry official says

The Japanese government may take trade action if needed in response to growing steel exports from China, the world's biggest steel producer, an official at Japan's industry ministry said on Thursday.
"We are concerned that in many cases Chinese steel is being exported at significantly low prices, affecting global supply and demand as well as pricing," Manabu Nabeshima, director of the metal industries division at the Ministry of Economy, Trade and Industry (METI), told a news conference.
"At this point, we have not decided on any specific immediate action, but we believe we need to take measures in a swift manner, if necessary," he said, hinting at potential measures permitted under World Trade Organisation (WTO) rules.
Nippon Steel Vice Chairman Takahiro Mori told Reuters in August that it and other Japanese steelmakers are urging Tokyo to consider curbing cheap steel imports from China to protect the Japanese market. Weak steel demand at home has encouraged China to offload its surplus stocks by offering competitive prices to overseas buyers, according to Japanese steel industry sources.
Canada, following the lead of the United States and European Union, announced a 25% tariff in August on imported steel and aluminium from China. In Asia, India is planning to raise tariffs on Chinese steel.
China's commerce ministry said earlier this month it has asked the WTO to rule on Canada's imposition of steep tariffs on Chinese steel and aluminium products as well as on electric vehicles.
"It is clear that Chinese steel exports will shift to regions that have not implemented trade measures, and we are very concerned that steel inflow to Japan could rise rapidly in the future given global trends," Tadashi Imai, chairman of the Japan Iron and Steel Federation, told reporters last month.
"We will closely monitor production capacity and local demand in each country and will urge the government to take appropriate trade measures if necessary," he said.

South Korea’s FLC buys 60,000 metric tons soymeal, traders say

South Korean import group the Feed Leaders Committee (FLC) on Thursday purchased up to 60,000 metric tons of soymeal to be sourced from South America or optionally from the United States or China, European traders said.
The FLC is believed to have made the purchase from trading house Cofco at an estimated $398.50 a metric ton c&f including a surcharge for additional port unloading, they said.
The soymeal is for shipment from South America between Feb. 10 and March 10, 2025. If sourced from Argentina, only 45,000 tons need be supplied. If the option is used to source from the United States, only 50,000 tons need be supplied and 40,000 tons if sourced from China. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A drone view shows moored boats at the dry banks of Rio Amazonas during a drought in Santarem, Para state, Brazil October 8. REUTERS/Amanda Perobelli

(Inside Commodities is compiled by Rohit James in Bengaluru)

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