Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

EXCLUSIVE-Rosneft moves into tanker chartering as EU ban looms

Russia's biggest oil exporter Rosneft has expanded its tanker chartering business to ease oil shipments for buyers amid looming Western sanctions on insurance of Russian oil shipments, three sources familiar with the matter said.

Previously, state-controlled Rosneft, which produces more than 40% of Russian oil, would sell its oil at the port of loading, meaning the buyer would have to find tankers and handle freight and insurance costs for the voyage.

But with new, tighter Western sanctions looming, Rosneft's customers are asking the company to handle delivery to the final destination by assuming costs of insurance and freight, the three sources familiar with the matter said.

Many of Rosneft's customers do not have trading businesses that handle operations such as shipping.

Rosneft's move to offer freight services will help customers which are not based in regions subject to sanctions to avoid delays, traders said.

Russia has increased exports to Asia, Africa and South America following the imposition of Western sanctions for its actions in Ukraine. The West accuses Moscow of invading Ukraine, while Russia calls it a special military operation.

Russia's seaborne Urals crude exports to Asia have jumped six times during January-September this year compared with the same period of 2021, Refinitiv Eikon data and Reuters calculations showed.

Indian imports of Russian oil over the first eight months of 2022 rose by 1,252% year-on-year, based on Reuters calculations using Refinitiv Eikon data and Russia became China's top crude supplier from May to July 2022.

Significant volumes of oil and products still flow from Russia to the European Union but Moscow will have to reroute a quarter of its total oil exports from December, when a full EU embargo comes into effect on Dec. 5.

Some of the G7 countries are working to introduce a price ceiling on Russian oil though it is not yet clear how this will work in practice.

Russia has threatened to cut supply to countries that accept the price cap.

FIRST CHARTER

The three sources said Rosneft is using its Rosnefteflot subsidiary to handle the shipping costs for buyers.

Previously, Rosnefteflot was focused on non-chartering activities like towing, refuelling of ships and inspection.

A Rosneft spokesperson said the company "has enough experience and readiness to find effective options for transportation of its cargoes in any, even very turbulent, market conditions."

The spokesperson said, "using resources of Rosnefteflot, which is mostly dedicated to port services, is not always necessary," referring to Rosneft's capacity to also provide these services.

Rosneft chartered its first Suezmax ship capable of carrying 140,000 tonnes in June this year, based on Refinitiv Eikon ship tracking data, when it sent a cargo of Urals crude from the Black Sea to India.

The volumes have steadily increased and in October Rosneft chartered almost 1 million tonnes, mainly via Rosnefteflot, based on trade sources and Refinitiv Eikon data.

That represents nearly 40% of the planned 2.5 million tonnes of Rosneft Urals crude tanker exports scheduled for October, according to Refinitiv Eikon and traders' data.

FROM INDIA TO CUBA

Rosnefteflot, which owns only five tankers, including two Aframaxes, its website said, has chartered more vessels on the open market and often uses tankers of Russian state shipping company Sovcomflot (SCF), the three sources said.

Other tankers chartered by Rosnefteflot delivered oil to India, Turkey, Spain, Italy, Greece and Cuba in recent months, the sources said and Refinitiv Eikon data showed.

Rosneft had previously relied on so-called free-on-board sales of its oil and had long-term deals with major trading groups that handled most of the shipping, insurance and trading operations costs.

Unlike Russia's second biggest oil company, Lukoil, and oil producer Gazpromneft, Rosneft does not have a chartering arm.

Attempts to develop a full-fledged trading arm like Lukoil's Litasco were derailed after the United States added Rosneft's trading unit RTSA in Switzerland to the sanctions list in 2020.

EXCLUSIVE-Exxon exits Russia empty-handed with oil project 'unilaterally terminated'

Exxon Mobil Corp said on Monday that it left Russia completely after President Vladimir Putin expropriated its properties following seven months of discussions over an orderly transfer of its 30% stake in a major oil project.

Exxon did not say if it received any compensation for the assets, which it had valued at more than $4 billion. An Exxon spokesperson declined to comment on whether it will proceed to contest the seizure through an international arbitration process, a possibility flagged in August.
Its departure illustrates the clash between the West and Russia over energy following Moscow's invasion of Ukraine in late February and threats of using nuclear weapons against the country and its supporters. BP, TotalEnergies, Equinor, and Shell have all transferred properties to Russian partners or left operations behind.
"We made every effort to engage with the Russian government and other stakeholders," the Exxon spokesperson said.
The company said it "safely exited" Russia after the government earlier this month "unilaterally terminated" its interests in the Sakhalin-1 oil and gas project, its largest in the country.
Exxon has been trying to relinquish operation of Sakhalin-1 since March 1, when it announced it would abandon all of its more than $4 billion in assets, leaving open the possibility to sell Sakhalin-1. It said it would "closely coordinate" the transfer of operation with its partners - Russian company Rosneft, India's ONGC Videsh and Japan's SODECO to ensure it would be done in a secure way.
In April, Exxon disclosed a $3.4 billion write down on the Russia exit and this month signaled a third-quarter $600 million impairment charge for unidentified assets. Exxon had valued its Russia holdings at more than $4 billion.
On Oct. 7 Putin seized Exxon shares in the oil production joint venture and transferred them to a government-controlled company. In August, Putin had signed a first decree that Exxon said made a secure and environmentally safe exit from Sakhalin-1 difficult. The U.S. producer reacted to August's decree by issuing a "note of difference," a legal step before arbitration.
The harsh language of Exxon's formal exit shows a desired outcome for Exxon - leaving Russia - but in unamicable terms that could translate in multi-year legal disputes, starting with arbitration in European courts.

PHASING OUT
Exxon has been reducing its presence in Russia since 2014, following sanctions against Moscow after it annexed the Crimean peninsula from Ukraine.
The U.S. company had removed earlier this year its expatriate workers and closed its lubricant and chemical businesses in Russia. By July, output at the Sakhalin-1 project fell 10,000 barrels per day (bpd), from 220,000 bpd before Russia invaded Ukraine.
The volume was just enough to provide natural gas to keep the lights on in the Russian cites of Khabarovsk and Vladivostok. About 700 Russia-based employees that kept operations running will be transferred to the new Russia company taking over the asset, Exxon said.
"We are thankful for the professionalism, expertise and commitment demonstrated by ENL’s employees during these difficult circumstances," the Exxon spokesperson said.
Exxon had pledged to take its time and provide for a safe transfer to a new operator to avoid spills, environmental accidents or shutting down the lights of cities supplied by the project.
Russian terms blocked it from transferring operations or negotiating a potential sale to Indian or Japanese partners, which indicated interest in keeping Sakhalin-1's supply.
India's Oil and Natural Gas Corp plans to take a stake in the new Russian entity that will manage the Sakhalin-1 project as it seeks to retain a 20% share in the asset, three sources familiar with the matter said.
Japan will decide what to do about the Sakhalin-1 oil and gas project in Russia's Far East in consultation with its partners as it reviews details of a decree by Moscow, Industry minister Yasutoshi Nishimura said last week.
According to Putin's Oct. 7 decree, Sakhalin-1's foreign partners will have one month after the new Russian company is created to ask the Russian government for shares in the new entity.
Equinor last month agreed to sell Russian assets value at $1 billion for 1 euro. The formal sale allowed Norway's Equinor to forgo future liabilities and investment commitments. On Friday, Danone also sold its assets but kept a minority stake.

Top News - Agriculture

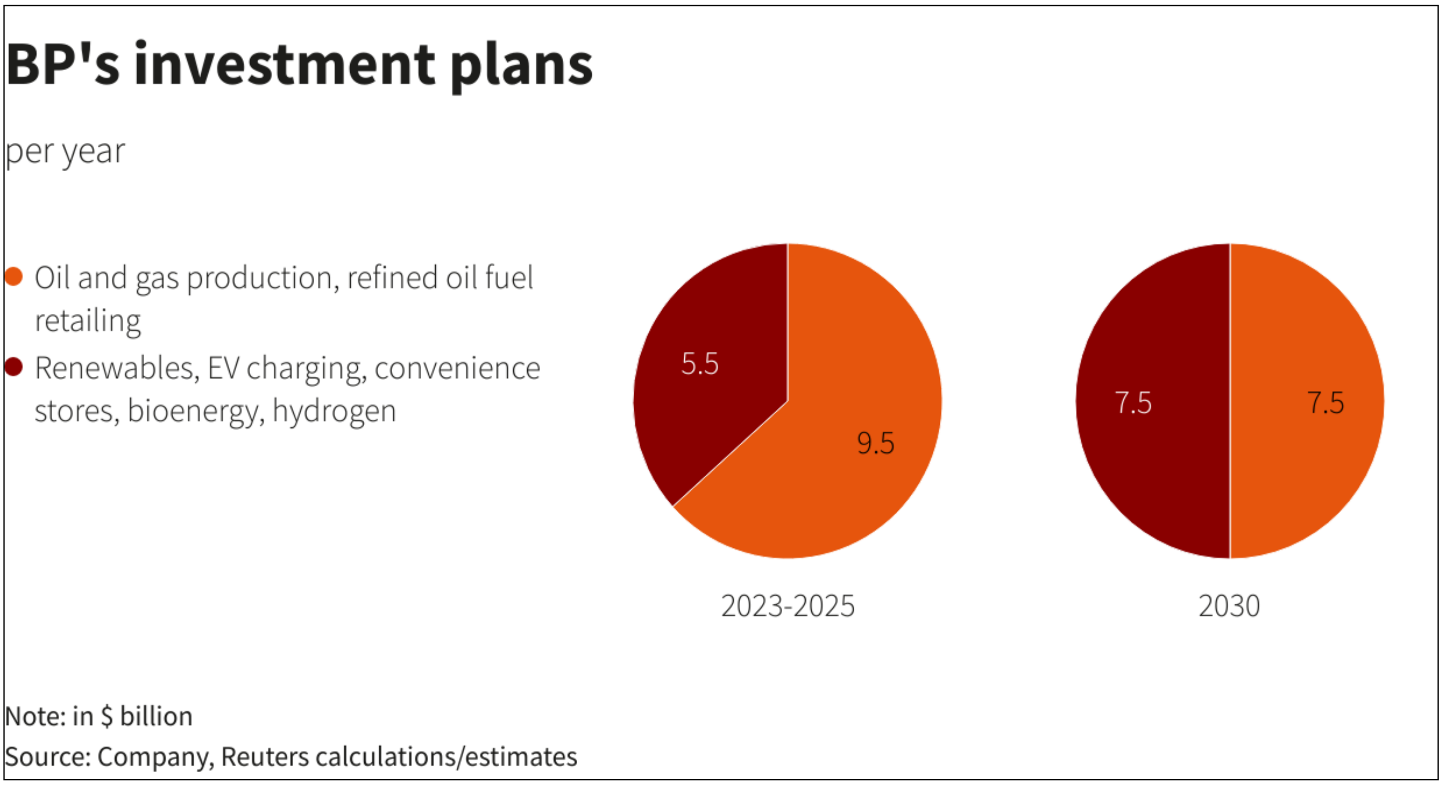
India has sufficient stocks of grains, could sell wheat in open market
India has sufficient stocks of rice and wheat and the government will sell wheat in the open market if needed to control prices, the most senior civil servant at the Ministry of Consumer Affairs, Food and Public Distribution, said on Monday.
"We've enough stocks of rice and wheat and there's nothing to worry," Sudhanshu Pandey told a press conference.
"We'll intervene if needed," he said, replying to a query on whether the government would sell food stocks in the open market to keep a lid on local prices.

Food inflation, which accounts for nearly 40% of the consumer price index basket, rose 8.60% in September, compared to 7.62% in August.
Retail food prices accelerated due to a rise in the prices of cereals and vegetables.
Pandey said the rates of staples have risen only at a moderate pace, and the steps initiated by the government have helped keep a lid on grain prices.
After a sudden rise in temperatures in mid-March shrivelled the wheat crop, India, the world's second-biggest producer of the grain, banned overseas sales of the staple to secure supplies for its 1.4 billion people.
Wheat exports from India, also the world's second biggest consumer of the staple, surged after Russia's invasion of Ukraine hit supplies from the Black Sea region, resulting in a jump in global prices.
Close on the heels of the ban on overseas sales of wheat, India restricted rice exports as scant rains in the country's east affected planting of the most water-thirsty crop.
At the beginning of the next fiscal year on April 1, India's wheat stocks at state warehouses are expected at 11.3 million tonnes, and rice stocks are seen at 23.7 million tonnes, Pandey said.
On April 1, the government aims to keep at least 4.5 million tonnes of wheat and 11.5 million tonnes of rice to run the world's biggest food welfare programme and meet any emergency requirements.

Scarce rains in Argentina pile on trouble for grain crops

Scarce and patchy rain forecast for Argentina's main breadbasket regions will likely compound a difficult start to the season for key crops including wheat and corn, a farm weather expert said on Monday, as drought conditions mostly prevail.
Rains are expected only for northern portions of the fertile Pampas region later this week, while key farming areas like northern Buenos Aires and southern Santa Fe provinces are likely to see no rainfall at all, said German Heinzenknecht, a CCA consultancy meteorologist.
Meanwhile, only around 0.2 inches (5 mm) of rain was registered late last week in the country's parched farmlands, with isolated showers generating 0.8 inches (20 mm), said Heinzenknecht.
"The demand for rain is much higher," he said.
The dry weather comes just as wheat farmers approach the crucial wheat harvest months of November through January, when the 2022/23 crop is gathered.
Argentina is a top global grains supplier, and farm exports also supply crucial revenue for the country's cash-strapped government.

Chart of the Day



Last week, dry conditions dating back to May forced another round of downward revisions to crop forecasts.
A senior analyst at the key Rosario grains exchange told Reuters the 2022/23 wheat harvest would likely come in at 16 million tonnes, a 500,000-tonne cut from the entity's previous formal forecast.
A separate wheat crop estimate from the Buenos Aires grains exchange (BCR) estimated a 16.5 million-tonne harvest, down from the exchange's prior forecast of 17.5 million tonnes.
The BCR also pointed late last week to insufficient soil humidity in some areas that has already led to delays in corn plantings. The exchange estimates that around 90% of eight million hectares will be so-called late corn, which is less productive than early corn.
Only around 16% of the 2022/23 corn crop has been planted so far, according to official data, or about 12 percentage points behind last season's plantings at the same time.

Top News - Metals

Rio Tinto tempers annual iron ore shipments outlook as demand weakens

Rio Tinto forecast annual iron ore shipments at the lower end of its guidance on Tuesday, after third-quarter iron ore deliveries fell amid weak global demand, particularly in top metals consumer China.
Rio has been battling with a surge in production costs, while iron ore prices are on track to end 2022 at their lowest in the last three or four years, as China and Europe cut steel output amid mounting pressure from additional supply.
Weakness in prices and cooling China demand had led Rio to more than halve its interim dividend payout in July.
The miner said it now expects annual iron ore shipments at the low end of its forecast range of 320 million tonnes (Mt) to 335 Mt, adding that its outlook was dependent on ramping-up the Gudai-Darri and Robe Valley projects, and the availability of skilled labour.
"Rio Tinto's recovery in iron ore and maintaining the annual guidance should come as a relief to investors, even if it is most likely going to only hit the low end," analysts at RBC Capital Markets said.
Rio shares reversed their initial gains and were last down 0.5%, compared to the benchmark index's 1.3% jump.
The world's biggest iron ore producer shipped 82.9 Mt of the steel-making commodity in the three months ended Sept. 30, compared with 83.4 Mt a year earlier.
Rio, however, said that on a quarter-on-quarter basis, shipments rose 4%, despite two rail outages, including one on the Guidai-Darri line.
The company raised annual cost estimates for copper to between 150 cents and 170 cents per pound from 130 cents to 150 cents a pound, but lowered its annual refined copper production guidance to 190,000 to 220,000 tonnes, from 230,000 to 290,000 tonnes.
It also lowered its capital investments for 2022 by $500 million to $7.0 billion, due to a stronger U.S. dollar and "reassessment on timing of decarbonisation investment".
Separately, Rio said it would "modernise" a nearly 50-year-old agreement with Wright Prospecting to develop the Rhodes Ridge iron ore project, and aims to operationalise a plant by this decade end, with an initial annual capacity of up to 40 Mt.
Rio last month said it would team up with China Baowu Steel Group to develop an iron ore project for $2 billion as it looks to prop up its production from the Pilbara region.
BHP Group is expected to report its first-quarter production results on Wednesday.

Aluminium price drops on jump in LME stocks and Russian metal

Aluminium prices dropped on Monday as inventories in London Metal Exchange (LME) warehouses jumped, fuelling fears of unwanted Russian-origin metal in the LME system, traders said.
Benchmark aluminium on the LME was down 2.3% at $2,252 a tonne at 1037 GMT.
Western countries have imposed sanctions on Russian banks and wealthy individuals connected to President Vladimir Putin since Russia's invasion of Ukraine in February, but so far there are no restrictions on buying Russian metal.
However, metal industry sources say there is concern that Rusal will be unable to sell its metal and will deliver it into the LME system, which would distort prices.
Stocks of aluminium in LME warehouses jumped by 65,825 tonnes to 433,025 tonnes on Friday. Of that, 23,525 tonnes were delivered to Gwanyang in South Korea and 44,675 tonnes to Port Klang in Malaysia.
"Port Klang is normally Indian material, Korea could be Russian," one aluminium trader said. "The LME is a market of last resort; that's where metal nobody wants normally goes."
Another trader said it was not possible at this stage to determine the origin of the aluminium delivered to LME warehouses and that you would need access to LMEsword, the exchange's electronic transfer system for warrants.
The LME declined to comment.
Rusal told Reuters that the company did not deliver its metal to LME warehouses and does not plan to do so in future

The company is the world's largest aluminium producer outside China, accounting for 6% of global supplies estimated at about 70 million tonnes this year.
Some of Rusal's clients are securing price discounts when purchasing the company's metal, traders told Reuters last month. Rusal has denied this.
The LME launched a discussion paper this month on the possibility of banning Russian aluminium, nickel and copper from being traded and stored in its system.
Aluminium prices spiked more than 7% last Thursday after Bloomberg reported that the U.S. government was considering restrictions on Russian aluminium imports.
Aluminium is used widely in the transport, construction and packaging industries.

Top News - Carbon & Power

Dozens of LNG-laden ships queue off Europe's coasts unable to unload

Dozens of ships carrying liquefied natural gas (LNG) circling off the coasts of Spain unable to secure slots to unload have prompted grid operators for the country to warn they may have to suspend loading to deal with this "exceptional situation".
Europe is facing an energy supply squeeze as Russia has progressively cut gas flows after the West imposed sanctions in response to Russia's invasion of Ukraine in late February.
The region has had to find alternative supplies, including LNG, but the arrival of multiple cargoes of the superchilled fuel has exposed Europe's lack of "regasification" capacity, as plants that convert the seaborne fuel back to gas are operating at maximum limit.
If the backlog is not cleared soon those ships may start looking for alternative ports outside Europe to offload their cargo.
There are more than 35 LNG-laden vessels drifting off Spain and around the Mediterranean, with at least eight vessels anchored off the Bay of Cadiz alone, traders, analysts and sources at LNG terminals familiar with the situation said on Monday.
Spain is offering just six slots at its regasification terminals for cargoes this week, an industry source said, less than a fifth of the number of vessels queuing off its coasts. The country has six terminals in total.
In a statement issued late on Monday and entitled "declaration of exceptional operational situation", Spain's national gas grid operator Enagas said it may have to reject unloads of LNG due to overcapacity at its terminals.
It added that high occupation levels at the country's regasification plants was expected to remain at least until the first week of November.
There are also LNG vessels at anchor near other European countries which could mean dozens more are waiting, one source with knowledge of the situation said.
"Floating storage levels in LNG shipping is at all time high levels with slightly more than 2.5million tonnes tied up in floating storage," said Oystein Kalleklev, chief executive of shipowner FLEX LNG Management.
The shortage of regasification plants, or pipelines connecting countries that have those facilities to other European markets, means that the LNG floating offshore cannot be used.
"We have seen a high number of cargoes waiting offshore in southern Spain or circling in the Med, as well as some cargoes waiting off the UK," said Alex Froley, LNG analyst at data intelligence firm ICIS.
The bottlenecks have been compounded by lower industrial demand as Europe's economy slows as well as lower-than-expected domestic consumption in Spain due to unseasonably warm weather.
ICIS's Froley said another reason for the congestion is that prices are expected to rise as winter approaches and heating demand increases, so some ships are waiting to sell their cargoes at a higher price that can offset the extra shipping costs incurred by sitting offshore.
Price of an LNG cargo delivered in late November or early December is around $2/mmBtu higher than current prices.
"This strategy partly works because some companies have flexibility in their shipping portfolios due to outages like the closure of the U.S. Freeport plant," Froley said.
He was referring to the second-largest U.S. exporter of LNG that halted operations in June after an explosion and fire.
"If more cargoes were being produced companies might not be able to leave their ships waiting around so long," he said.
Earlier on Monday, China halted LNG sales to foreign buyers to ensure its own supply, which market players say might push more vessels to head to Asia.
Spain has the biggest regasification capacity in the European Union, accounting for 33% of all LNG and 44% of LNG storage capacity.
This week, the leaders of France, Germany, Spain and Portugal are scheduled to meet to try to reach an agreement on the MidCat pipeline that could carry Spanish gas - and in the future hydrogen - to central Europe.
MidCat would create a third gas connection between France and Spain, which its main backers, Madrid, Lisbon and more recently Berlin, say would help Europe reduce its Russian gas reliance.

EU Commission to propose potential 'dynamic' gas price cap

The European Commission is set to propose this week a last-resort "dynamic" price cap for natural gas in the European Union and mandatory limits on the degree to which traded prices can fluctuate in a single day, according to a draft proposal.

The EU is seeking to wean itself off Russian fossil fuels, but Moscow has in past months largely cut the bloc off from its gas pipelines, spiking prices and leading to supply concerns.

Under the proposal seen by Reuters, which will need to be agreed by EU governments, the European Agency for Cooperation of Energy Regulators (ACER) would be charged with producing a price benchmark by March 23 for liquefied natural gas, of which the EU is buying more.

The Commission is recommending potential interventions in the Dutch Title Transfer Facility (TTF) price that is widely used in Europe for contracts and hedging.

The EU executive would "as a last resort" propose establishing a market "dynamic" price at which natural gas transactions can take place in the TTF spot market under specific conditions.

The measures should not affect security of supply, nor lead to an increase in gas consumption, nor affect the orderly functioning of energy derivative markets, the draft said.

EU governments would have to agree to this and it would last for no longer than three months. Other EU gas trading hubs would be linked to the corrected TTF spot price via a dynamic price corridor.

The proposal is far short of the EU-wide gas price cap 15 EU countries have called for, but opposed by others such as Germany, Austria and the Netherlands that argue caps could lead to a gas shortage and fail to incentivise energy saving.

"As a result of falling gas prices, this proposal shows that the appetite for ambitious reform, such as a price cap, is fading," said Georg Zachmann, an energy expert at think tank Bruegel.

EU leaders are set to debate options later this week.

The proposals will need approval by EU governments, which have bickered for more than a month since the Commission first proposed a price cap only on Russian gas in early September.

The Commission's draft proposal also says EU trading venues should by Jan. 31 have to set a limit on the degree to which front-month energy derivatives can move up or down in a single day.

It also includes the idea of joint gas purchases, a solidarity mechanism to avoid sharp disparities in supply across the bloc and a push to reduce gas demand.

Top News - Dry Freight

U.S. corn, soy exports lag normal autumn pace amid river shipping woes

U.S. soybean exports are trailing their normal autumn pace despite rising supplies from an accelerating harvest, as low river levels have slowed the flow of grain barges to export terminals, according to U.S. Department of Agriculture (USDA) data issued on Monday.

Corn exports are also lagging their typical harvest-time rate, weekly USDA export inspections data showed.

Low water on the Mississippi River and its tributaries has slowed the delivery of grain barges to export terminals along the Gulf Coast, where some 60% of U.S. crop exports exit the country.

The latest supply-chain snarl comes at the start of what is normally the busiest period for U.S. crop exports, including top cash crops corn and soybeans.

Shippers have reduced barge tows by nearly 40% and cut the amount of grain loaded in each barge to prevent groundings in drought-parched waterways. The Army Corps of Engineers, meanwhile, has been dredging sections of the Mississippi and Ohio rivers to deepen their shipping channels.

But without more rain, shippers worry that Louisiana Gulf terminals will struggle to source enough grain to meet their export commitments.

The Mississippi River at Memphis, Tennessee, one choke

point that was closed for several days of dredging earlier this month, is projected to drop to its lowest level on record this week, according to the National Weather Service.

The USDA said 1.882 million tonnes of soybeans were inspected for export in the week ended Oct. 6, up from 976,877 tonnes the prior week but below the 2.451 million tonnes inspected in the same week last year. Just 32% of that volume was inspected at Louisiana Gulf terminals, while total season-to-date inspections were down 23% from last year.

Corn inspections totaled just 448,423 tonnes last week, compared with 1.049 million last year. Season-to-date inspections were down 21%.

Philippines bought about 165,000 tonnes Australian feed wheat – traders

An importer group in the Philippines is believed to have bought around 165,000 tonnes of animal feed wheat expected to be sourced from Australia in an international tender which closed late last week, European traders said on Monday.

It was sought in three 55,000 consignments for shipment in 2023 in January, February and March.

It was purchased at about $345 a tonne c&f. Sellers were believed to include trading houses ETG and CBH.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$86.26 / bbl	0.94%	14.69%
NYMEX RBOB Gasoline	$2.62 / gallon	0.93%	17.44%
ICE Gas Oil	$1,116.00 / tonne	0.34%	67.32%
NYMEX Natural Gas	$5.92 / mmBtu	-1.32%	58.71%
Spot Gold	$1,654.00 / ounce	0.25%	-9.54%
TRPC coal API 2 / Dec, 22	$245 / tonne	2.31%	99.19%
Carbon ECX EUA / Dec, 22	€67.11 / tonne	-0.59%	-16.79%
Dutch gas day-ahead (Pre. close)	€60.50 / Mwh	5.04%	-9.02%
CBOT Corn	$6.81 / bushel	-0.40%	14.75%
CBOT Wheat	$8.61 / bushel	-0.41%	11.71%
Malaysia Palm Oil (3M)	RM4,070 / tonne	4.71%	-13.35%
Index (Total Return)	**Close 17 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	296.15	-0.46%	19.89%
Rogers International	31.09	-1.11%	33.40%
U.S. Stocks - Dow	30,185.82	1.86%	-16.93%
U.S. Dollar Index	111.94	-0.09%	16.64%
U.S. Bond Index (DJ)	372.59	-7.76%	-21.11%

Picture of the Day

A section of gas pipeline is seen at a National Grid facility near Knutsford, Britain. REUTERS/Phil Noble

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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