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Top News - Oil

Western officials finalizing plans for Russia oil-price cap

U.S. and Western officials are finalizing plans to impose a cap on Russian oil prices amid a warning from the World Bank that any plan will need active participation of emerging market economies to be effective.

Officials said no price range has been decided yet, however one person familiar with the process said the cap will be determined in line with the historical average of $63-64 a barrel - a level that could form a natural upper limit.

Such a level is in line with recent comments by Treasury Secretary Janet Yellen that a price cap in the $60 range would give Russia an incentive to keep producing oil.

The administration of President Joe Biden has seen the price cap as a way to cut oil revenues for Russia, a major source of its funding for its war against Ukraine, while keeping Russian oil flowing and avoiding price spikes.

The actual price will be set in coming weeks ahead of the planned Dec. 5 launch of a European embargo on Russian oil and associated restrictions on transportation and insurance of seaborne oil.

A senior Biden administration official said reports of any price range were wrong, but declined to elaborate.

U.S. officials pushed back against a report by Bloomberg News quoting unnamed sources saying they were being forced to scale back plans for the price cap, with fewer participating countries and a higher price level.

The administration has told reporters for weeks that the price cap was already bearing fruit by empowering countries to demand bigger discounts from Moscow.

Bloomberg also reported South Korea had privately told G7 nations it planned to comply and G7 officials were also trying to bring New Zealand and Norway on board.

"The White House and the administration are staying the course on implementing an effective, strong price cap on Russian oil in coordination with the G7 and other partners," a spokeswoman for the White House's National Security Council, Adrienne Watson, said in a statement to Reuters.

Yellen told reporters earlier this month the coalition pushing for the price cap included the Group of Seven, the European Union and Australia, and they were "not trying to sign up additional countries."

"For us, success is going to be not how many countries raise their hand to say 'We endorse what you're doing, we're part of the coalition.' We're not looking for that. What we want to see is that Russian oil continues to flow into the market, and that countries are using the leverage provided by the existence of this cap to bargain lower prices."

DOWNWARD PRESSURE

Western diplomats say the price cap is already giving India and other buyers of Russian oil better leverage in negotiations with Moscow, enabling them to secure good discounts.

Indonesian Finance Minister Sri Mulyani Indrawati told the Jakarta Post in an interview published on Wednesday that Yellen told her the cap would be set at a level that was just enough to create profit, but not "supernormal profit."

"If it was 60 (dollars per barrel), that would really fit with my budget. That would be nice," Sri Mulyani told the newspaper.

The World Bank on Wednesday said the G7 oil price cap could affect the flow of oil from Russia, but was an "untested mechanism" and needed the participation of large emerging markets and developing countries to be effective.

It noted Russia has said it will not trade with countries participating in the price cap.

U.S. officials say the price cap will be policed by attestations taken from buyers in local jurisdictions.

U.S. crude exports surge to record, stocks up again – EIA

U.S. crude oil stockpiles rose in the most recent week, even as the volume of exports hit an all-time record, the Energy Information Administration said on Wednesday.

Crude inventories rose by 2.6 million barrels in the week to Oct. 21 to 439.9 million barrels, nearly triple h analysts' forecasts in a Reuters poll for a 1 million-barrel rise.

Crude exports surged to a weekly record of 5.1 million barrels per day, cutting net crude imports to just over 1 million bpd, also a record. The United States has ramped up exports sharply in recent years since the Obama administration ended a 40-year ban in 2015.

"That export number is huge. It's the all-time record but that's no surprise" because of the big discount for U.S. crude to international benchmark Brent, said Robert Yawger, director of energy futures at Mizuho in New York. Coming into Wednesday's trade, the discount on U.S. crude was more than $8 per barrel to Brent.

Refinery crude runs fell by 114,000 bpd last week, EIA said, dropping refinery utilization rates by 0.6 percentage point to 88.9%.

That figure is still seasonally strong, however, as refining facilities run at higher-than-usual levels to meet expected increase in heating oil demand and as overall U.S. capacity has dropped in the last two years. East Coast refiners were running at 102.5% of their stated capacity due to low inventories in the region ahead of the winter months.
"East Coast refiners are moving heaven and earth to produce fuels, especially diesel," said John Kilduff, partner at Again Capital in New York.
Valero, the second-largest U.S. crude refiner, says it plans on operating its seven U.S. Gulf Coast refineries at about 95% of capacity through the fourth quarter due to tight supply.
Demand was marginally lower this week overall, but gasoline, jet fuel and distillate demand all rose. Over the past four weeks, U.S. refiners are supplying 20.4 million bpd in supply, down 2% from the year-ago period.
U.S. gasoline fell by 1.5 million barrels in the week to 207.9 million barrels, while distillate stockpiles, which include diesel and heating oil, rose by 170,000 barrels.

Top News - Agriculture

Bunge lifts 2022 outlook after quarterly earnings beat, shares rally
Agricultural commodities trader Bunge Ltd on Wednesday raised its full-year earnings outlook after adjusted third-quarter profit topped expectations, sending its shares up more than 5%.
Tight global crop supplies and strong demand have benefited supply chain middlemen including Bunge, which buys and sells crops like soybeans and corn and processes them into food, feed and biofuel.
But grains merchants have this year had to weather soaring energy costs and supply chain disruptions, including export delays at Ukraine's Black Sea ports following its invasion by Russia.
"We delivered strong quarterly results against the backdrop of a shifting operating environment," Chief Executive Gregory Heckman said.
Rival agribusiness Archer-Daniels-Midland Co on Tuesday reported its strongest ever third-quarter profit and raised its earnings outlook.
Bunge lifted its full-year 2022 earnings guidance to $13.50 per share as the profit outlook for its core business segments improved. If realized, it would be Bunge's third straight year of record-high earnings.
Tight global supplies and rising vegetable oil demand for producing biofuel are likely to drive above-normal earnings over the coming years, Heckman said.
Bunge's agribusiness unit posted mixed results in the quarter ended Sept. 30 as higher energy costs in Europe and weaker demand in China due to COVID-19 restrictions offset stronger oilseed processing results in the Americas.
The refined and specialty oils segment however turned in stronger quarterly earnings.
Heckman said low Mississippi River water levels had shifted crop exports during the peak U.S. export season from Gulf Coast facilities to the Pacific Northwest and South American ports.
The company also accelerated its U.S. processing pace to absorb excess supplies, he said.
Net income attributable to Bunge fell to $380 million, or $2.49 cents per share, from $653 million, or $4.28 per share, a year earlier.
Adjusted for one-time items, earnings were $3.45 per share, down from $3.72 a share in the same quarter last year but above the consensus analyst estimate for $2.49.

Argentine wheat harvest forecast slashed again amid drought
Argentina's 2022/23 wheat harvest will come in at 13.7 million tonnes, the Rosario grain exchange said on Wednesday, a sharp cut from its previous forecast of 15 million tonnes amid a protracted drought that has hammered farmers in the country.
Argentina is a major international supplier of wheat, a role that has come into greater focus amid Russia's invasion of Ukraine that has dented global grains supply. Ukraine and Russia are both major wheat producers.
But the South American nation has faced several months of dry weather and late frosts that have hit wheat yields hard, with the harvest set to be the worst in seven years and well below the record 23 million tonnes a year earlier.
The Rosario and separate Buenos Aires grains exchange have both repeatedly cut their forecasts for wheat production over the last month.
"There is an unprecedented drought," said Cristian Russo, a Rosario agronomist, adding that more than half of the province of Buenos Aires, the main farming region in Argentina, was suffering the lowest level of water reserves in 30 years.
A production of 13.7 million tonnes of wheat would be the lowest since 10.9 million tonnes in the 2015/16 campaign.
"We are beginning to realize that we have to adjust lost area," Russo added, indicating that 9.2% of the area planted with 2022/23 wheat will not be harvested due to its poor condition, from the 6.6% previously forecast.

Top News - Metals

Chile's government, miners still clashing over mining royalty bill

Chile's government and mining industry continued to disagree over a proposed mining royalty bill on Wednesday despite recent adjustments.

The government had on Tuesday announced modifications to a proposed mining royalty bill, lowering a variable "ad valorem" rate to a flat 1% for large producers and tying another rate to operating margins, instead of the price of copper as was originally proposed.

Jorge Riesco, president of Chile's National Mining Society (Sonami) which represents small, medium and large companies including Anglo American, BHP and Glencore, said that while the adjustments benefited medium-sized miners, he believed the tax burden would still be too high.

"It is undeniable that this proposal still lacks if it wants to be at a level comparable to other countries for attracting investment in terms of total tax burden," Riesco said in a local radio interview.

He added that dialogue between the government and companies was frank "but not totally fruitful" and that according to Sonami's calculations, the tax burden on mining companies could be between 50% and 55%.

Chile's finance ministry estimates the tax burden with copper prices of $3.74 per pound would reach 39.8%, marginally below Peru and Queensland, Australia.

Speaking to congress on Wednesday, Finance Minister Mario Marcel defended the bill and said state participation in copper income would go from 45% to about 55%-56% when copper prices surpass $4 a pound.

"We're confident that this is a plan that better balances the aim of increased revenue with the objective of maintaining the mining sector's development opportunities," Marcel said.

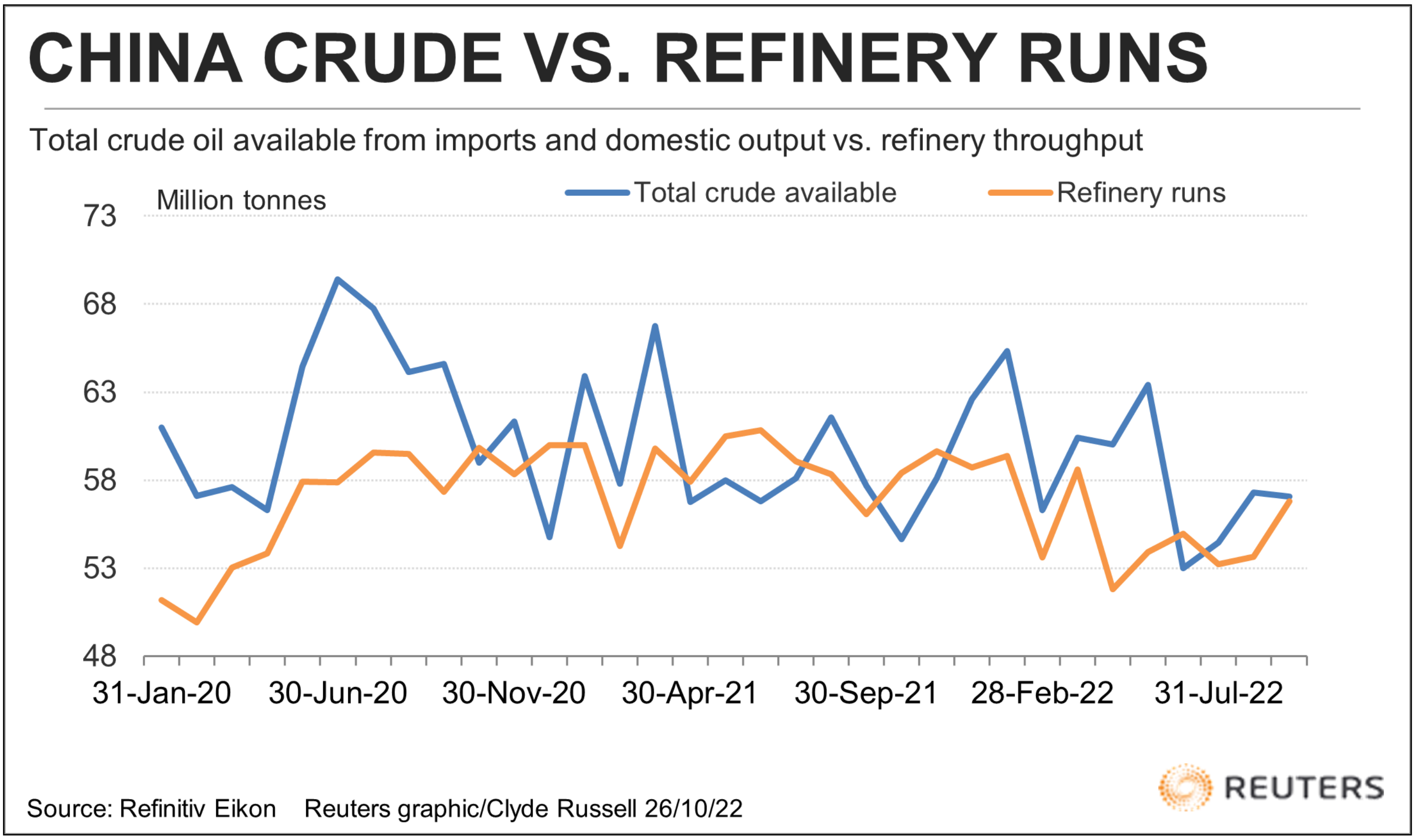
Marcel added that the bill would allow Chile to remain competitive with Peru while greatly reducing the gap in collected revenue.

Sonami's Riesco argued that the government should consider promoting more mining production instead of increasing taxes, arguing this would make a greater contribution to the treasury.

Australia's Fortescue quarterly iron ore shipments, costs rise

Australia's Fortescue Metals Group reported a 4.2% rise in first-quarter iron ore shipments on Thursday, boosted

Chart of the Day



by higher production at its key operations in Western Australia, and said rising prices of diesel and labour bumped up costs.
The production report from the world's No.4 iron ore miner came against the backdrop of sliding prices of the steel-making commodity as top consumer China's strict COVID-19 curbs and under-pressure property sector have slammed its economy.
Last week, rival Rio Tinto forecast annual iron ore shipments at the lower end of its earlier forecast, while BHP said it expected macro-economic uncertainties to continue to affect supply chains, energy costs and labour markets in the short term. (
Iron ore prices are on track to end 2022 at their lowest in the last three or four years and are expected to remain weakened next year too, a Reuters survey showed earlier this month.
Fortescue shipped 47.5 million tonnes (mt) of iron ore in the quarter ended September, compared with 45.6 mt a year earlier. RBC Capital Markets analyst Kaan Peker said the quarterly result was broadly in line with the brokerage's estimates.
However, the miner's direct costs jumped 16% to $17.69 per wet metric tonne (wmt).
The company kept its full-year guidance unchanged, expecting to ship between 187 mt and 192 mt of ore in fiscal 2023.
The miner said its Iron Bridge project would deliver 22 mt per annum of high grade magnetite concentrate, with first production scheduled for the March 2023 quarter, and reaffirmed its cost estimate at between $3.6 billion and $3.8 billion.
Fortescue's shares inched up 0.8% to A$16.26 by 2327 GMT, while the broader market rose 0.3%.

Top News - Carbon & Power

EU energy chief says gas price cap possible this winter if countries agree
The European Union could introduce a gas price cap this winter to limit excessive price spikes, but only if countries give Brussels a mandate to propose the measure, the bloc's energy chief said on Wednesday.
After months of high gas prices driven by Russia slashing supplies, the 27-country EU is considering whether to cap prices - although with countries still split over the idea after weeks of talks, Brussels has not yet made a formal proposal to make it happen.
The European Commission said last week it could make a legal proposal for a temporary "dynamic" cap on the Dutch Title Transfer Facility (TTF) gas exchange, if EU countries asked for such a proposal.
EU energy commissioner Kadri Simson said it would still be possible to have that cap in time for winter. The Commission has said the price limit would be designed to kick in as a "last resort measure" if prices spike.
"This Dutch TTF gas benchmark cap, we can introduce this winter already if we get the mandate," Simson told a committee of EU lawmakers.
EU countries could provide that mandate at an emergency meeting of EU energy ministers on Nov. 24, when they will decide whether to ask Brussels to propose the cap.
But a consensus on the idea appeared elusive when energy ministers met on Tuesday, with countries still split.
Germany leads a small group of states opposed to price caps, warning that limiting the price companies can pay for gas could compromise their ability to buy enough fuel as Europe heads into winter with scarce Russian supplies.
Italy, Belgium, Poland and 12 other states want an EU-wide price cap, citing the inflationary pressure that recent gas price spikes have unleashed on their economies.
Uusually, a reinforced majority of 15 ministers from EU countries would be able to pass the measure. But German chancellor Olaf Scholz said last week that the ministers' decision would be "unanimous" - suggesting one country would be able to block it.

EXCLUSIVE-TotalEnergies secures temporary control of Lebanese offshore gas project -sources
TotalEnergies and the Lebanese government have reached a deal handing the French oil major temporary majority control of an offshore exploration block and paving the way for negotiations with Qatar over a stake in the gas project, two sources said.
TotalEnergies and the Lebanese government have been tussling over the fate of Russian group Novatek's 20% stake after Beirut announced in September that Novatek would exit.
TotalEnergies can now pursue talks to find a new partner for what must be a three-way consortium in which the Lebanese state may take a share of any financial windfall, the two sources said.
They added it also allows the Lebanese government to remain compliant with a landmark maritime border agreement with longtime foe Israel, due to come into force on Thursday.
Offshore areas in the eastern Mediterranean and Levant have yielded major gas discoveries in the past decade. Interest in them has grown since Russia's invasion of Ukraine disrupted flows.

The sources, both familiar with details of the arrangement, spoke on condition of anonymity because they are not authorised to talk publicly about the matter.
Lebanon's cabinet issued an unpublished decision on Oct. 21, a copy of which was seen by Reuters on Wednesday, assigning the stake previously held by Novatek to a company called Daja 216 and transferring TotalEnergies's 40% stake to another company, Daja 215.
They gave no details on who controls Daja 215 and Daja 216.
The two sources told Reuters that Daja 215 and Daja 216 are vehicles for TotalEnergies.
"They are just vehicles, ready-made," one of the two sources said. "This effectively and temporarily gives Total 60% of the consortium."
TotalEnergies, asked if it controlled Daja 215 and Daja 216, did not immediately respond.
Official French records show that Daja 215 and Daja 216 are both registered to the same address as TotalEnergies' headquarters in the French capital's La Defense business district.
A Lebanese energy ministry source said Daja 215 and Daja 216 were "transition entities".

TEMPORARY TRANSFER
The initial exploration license was held by a tripartite consortium of TotalEnergies, Italy's Eni and Novatek.
Previously, the Lebanon government said Qatar expressed an interest in joining the consortium.
The transfer of stakes to Daja 215 and Daja 216 was temporary, Lebanon's caretaker government said in its decision. The two sources said the understanding between TotalEnergies and the Lebanese government was that the French group would enter negotiations with state-owned QatarEnergy over the former Novatek stake.
They added that Qatar was expected to enter the consortium within three months and was seeking a 30% stake, comprised of Novatek's former 20% stake, and a 5% stake from each of TotalEnergies and Eni.
TotalEnergies did not immediately respond when asked if it planned talks with the Qataris.
Qatar's government media office, contacted outside business hours, also did not immediately respond to a request for comment.
The exploration license for Bloc 9 expired on Oct. 22 and under the terms of the license, three signatures were required for renewal, the two sources said.
Block 9 lies mostly in Lebanese waters but a segment lies south of the newly delineated border with Israel. Total and Israel have agreed a separate deal for any revenues emanating from there.
According to the exploration and production agreement for Block 9, a copy of which was seen by Reuters, the consortium exploring the field must consist of three partners.
The maritime border agreement to be signed by Lebanon and Israel on Thursday stipulates the Block 9 operators will not include "Israeli or Lebanese corporations".

Top News - Dry Freight

U.N. aid chief 'relatively optimistic' on Black Sea grain deal
United Nations aid chief Martin Griffiths said on Wednesday that he was "relatively optimistic" that a U.N.-brokered deal that allowed a resumption of Ukraine Black Sea grain exports would be extended beyond mid-November.
Griffiths traveled to Moscow with senior U.N. trade official Rebeca Grynspan earlier this month for discussions with Russian officials on the deal, which also aims to facilitate exports of Russian grain and fertilizer to global markets.
Under the July 22 agreement, Ukraine was able to restart its Black Sea grain and fertilizer exports, which had stalled when Russia invaded its neighbor on Feb. 24. The Ukraine export deal was initially agreed for 120 days.
"We are keen to see that renewed promptly, now. It's important for the market. It's important for just continuity. And I'm still relatively optimistic that we're going to get that. We're working hard," Griffiths told reporters.
The United Nations is working to extend the deal for up to a year and smooth the joint inspections of ships by U.N., Turkish, Russian and Ukrainian officials. The United Nations recently warned there was a backlog of more than 150 ships.
"I think we should have another look at some of those (procedures) to see if they may be simplified in some way," Griffiths said.
A U.N. official has also suggested that Ukraine could seek to expand the export deal to include another port: Mykolaiv.
Russia has criticized the deal, complaining that its own exports were still hindered and not enough Ukraine grain was reaching countries in need.
Russia's U.N. Ambassador Vassibly Nebenzia cited issues with ship insurance, transactions and port calls, telling reporters on Wednesday: "We recognize that the secretary-general and his team are trying to do their best to resolve those issues, but unfortunately it's not just on them that it depends upon."
Moscow could object to extending the pact on Ukraine's exports beyond late November.

"This agreement was signed by all people on the basis that it's a commercial enterprise," Griffiths said.
"We would not have the volume if it hadn't been a private sector-driven enterprise. Everybody knows this - Russia, Ukraine, Turkey and us knew that that's the basis of the operation," he said. "It was not intended at the time to be an operation which was all humanitarian."
He said the deal had brought down prices, boosted export quantities and improved confidence, adding that it was "doing what we negotiated, and I don't think anybody need have any doubt about that."

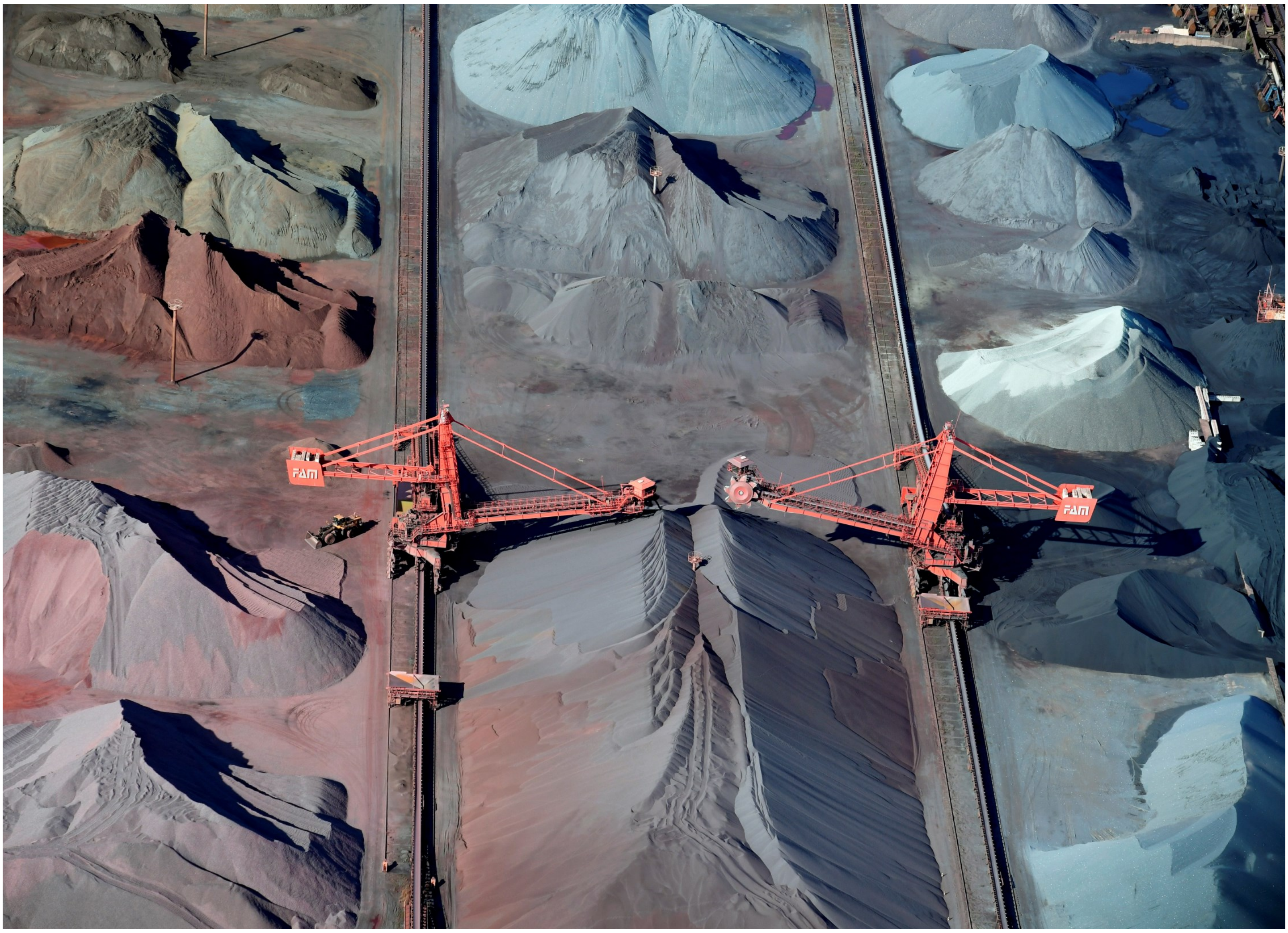
Bolivia to temporarily suspend exports of food products amid protests

Bolivia's government said on Wednesday it will temporarily suspend exports of food products including soy and beef amid protests in the key farming region of Santa Cruz.
The move is aimed at safeguarding food security in Bolivia, said the minister of Productive Development and Plural Economy, Nestor Huanca, adding that the export suspension will include soybean grain, soybean flour, soybean meal, sugar, oil and beef.
"This measure comes into effect from midnight on October 27, 2022 until normal supply conditions are restored to the entire Bolivian population," he told a media conference.
Leftist President Luis Arce has been facing protests across the country. Earlier on Wednesday, his government struck a deal with gold mining cooperatives to stop protests in the administrative capital La Paz.

MARKET MONITOR as of 06:34 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$87.73 / bbl	-0.20%	16.65%
NYMEX RBOB Gasoline	$2.92 / gallon	0.76%	31.09%
ICE Gas Oil	$1,112.75 / tonne	0.68%	66.83%
NYMEX Natural Gas	$5.66 / mmBtu	0.87%	51.61%
Spot Gold	$1,663.29 / ounce	-0.07%	-9.03%
TRPC coal API 2 / Dec, 22	$228 / tonne	-6.56%	85.37%
Carbon ECX EUA / Dec, 22	€75.76 / tonne	-0.04%	-6.06%
Dutch gas day-ahead (Pre. close)	€44.05 / Mwh	10.13%	-33.76%
CBOT Corn	$6.84 / bushel	-0.11%	15.34%
CBOT Wheat	$8.41 / bushel	0.69%	9.05%
Malaysia Palm Oil (3M)	RM4,238 / tonne	2.84%	-9.77%
Index (Total Return)	**Close 26 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	298.61	1.24%	20.89%
Rogers International	30.61	0.49%	31.35%
U.S. Stocks - Dow	31,839.11	0.01%	-12.38%
U.S. Dollar Index	109.73	0.03%	14.34%
U.S. Bond Index (DJ)	373.60	0.58%	-21.30%

Picture of the Day



An aerial view of a dry bulk terminal of German company Hansaport, which is specialised in handling coal and ore, in the harbour of Hamburg, Germany. REUTERS/Fabian Bimmer

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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