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

Top News - Oil

US West Coast refiners boost imports of light Canadian crude

Canadian waterborne exports of light crude to the U.S. West Coast have surged since the Trans Mountain pipeline expansion (TMX) began operating in May, data shows, surprising some market participants who thought it would mainly be used to send heavy crude to Asia and California. The increase in Canadian light crude flows into the U.S. is displacing imports from Latin American countries. It also underpins the role the U.S. plays as the most important customer for Canadian oil exports, even as TMX - which can carry a wide range of crude grades - boosts heavy crude shipments to Asia. Waterborne imports of light synthetic and sweet crude into the U.S. West Coast rose to nearly 100,000 barrels per day (bpd) in September from just 7,000 bpd in June, the first full month of operations on the Trans Mountain pipeline expansion, data from trade analysis group Kpler showed. Softer prices for synthetic crude, the bulk of the Canadian light grades that U.S. refiners buy, likely encouraged the surge in imports, said Rory Johnston, founder of the Commodity Context newsletter. Synthetic traded at a half-cent-a-barrel premium to West Texas Intermediate crude futures for most of the summer and through September, down from over $4 in April, Johnston noted. The barrels delivered by tankers are in addition to the roughly 240,000 bpd being imported into Washington state via the Trans Mountain Puget Sound Pipeline, an offshoot of the main pipeline that can ship up to 890,000 bpd of crude from Alberta to Canada's Pacific Coast. A section of the Puget Sound Pipeline will be shut for about seven days in mid-November for planned maintenance. That could lead to even higher waterborne imports of Canadian light barrels into the U.S. West Coast in the weeks ahead, as those shipped through Puget Sound are typically light grades, said Johnston.

GAINING MARKET SHARE

Other crude grades that U.S. West Coast refiners have historically imported include medium-sweet barrels from Argentina and Brazil. However, higher Canadian export capacity is helping Canada displace those barrels and gain market share on the U.S. West Coast, Kpler analyst Matt Smith said. "Since the TMX expansion started, Canadian barrels have been the leading waterborne supplier to Washington refineries in July, August and September - and so far in October too," Smith said. U.S. West Coast refiners also see Canadian light crude as a good alternative to medium-sour Alaska North Slope crude, a Calgary-based trader said. "They have always wanted more Canadian light but they couldn't really access it," the trader said, adding that demand to move light crude barrels on TMX was more than market participants had anticipated before the startup. "It's not all heavy in the expanded line. That was the expectation and in the first month or so it was the case, but it's slowly pivoted and now there's a bit more light." A total of 14 shipments of crude oil have been delivered from Vancouver to Washington state since Trans Mountain started operating in May, Reuters ship tracking data shows. September was the busiest month with four shipments. The shipments were delivered to Ferndale, Anacortes and Puget Sound, where Phillips 66, Marathon Petroleum and HF Sinclair have refineries. Phillips 66 and Marathon declined to comment on their crude buying operations. HF Sinclair did not respond.

Saudi energy minister commits to crude capacity levels and climate targets

Saudi Arabia is "committed" to maintaining crude capacity at 12.3 million barrels per day, Energy Minister Prince Abulaziz bin Salman said on Tuesday. Speaking at the Future Investment Initiative conference in Riyadh, he said the world's largest oil exporter would maintain its crude targets while also pursuing its climate aims. "We will monetize every molecule of energy this land has, period," Prince Abdulaziz said. That policy would be carried out hand in hand with other goals, such as emission reduction, he added. "We are committed to maintaining 12.3 million (barrels per day) of crude capacity and we are proud of that," he said. He was speaking ahead of an announcement, expected on Tuesday, about a carbon credit exchange involving the kingdom's sovereign wealth fund. Saudi Arabia backed a deal at last year's U.N. climate conference, COP28, giving countries more leeway to follow their own pathways to cleaner sources of energy. More than 100 countries had lobbied at that summit, held in the United Arab Emirates, for the "phase out" of fossil fuels, but faced opposition from the Saudi-led oil producer group OPEC, which argued that the world can cut emissions without shunning specific fuels. "We are not ashamed of our record when it comes to emissions," Prince Abdulaziz told the FII conference. "We are proud of it, but the pundits try to create a smoke screen not to allow us to be on the so-called higher moral ground." He also said Saudi Arabia would update its national climate pledge under the Paris Agreement to raise its target. "We ensure we will have a refreshed Nationally Determined Contribution next year, and I can guarantee you out of knowing the number will be higher."

Top News - Agriculture

Ukraine winter grain sowing 90% complete, ministry says

Ukrainian farmers had sown 4.68 million hectares of winter grains for the 2025 harvest as of Oct. 28, or 90.2% of the expected area of 5.19 million hectares, the agriculture ministry said on Tuesday. It said the area included 4.13 million hectares of winter wheat, or 92.2% of the projected area. Winter wheat generally accounts for 95% of overall Ukrainian wheat output each year. Farmers had also sown 486,100 hectares of winter barley and 66,000 hectares of rye. Ukraine's state weather forecasters said last week that most of the country's winter crop was under threat as almost all seedlings were under-developed. A record long drought this summer and in the early autumn led many farmers to sow grain in dry soil, and only recent rains have improved the situation. There was no comparative data or further details in the ministry's statement.The ministry said last year that farmers had sown 5.34 million hectares of winter crops as of Oct. 31, including 3.73 million hectares of winter wheat. The 2025 winter wheat area is seen at around 4.5 million hectares, the ministry said. Ukraine has completed the 2024 wheat harvest, threshing around 22 million metric tons, the same volume it harvested in 2023.

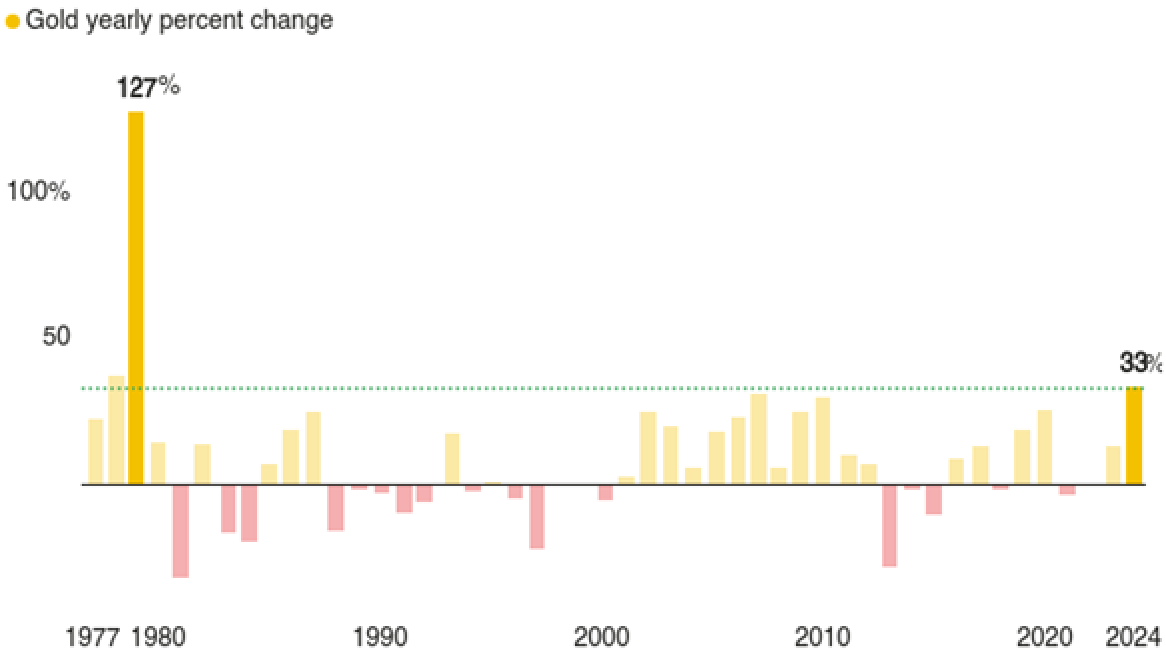
Brazil farmers, government slam Danone for cutting out Brazilian soy

Brazilian soybean producers on Tuesday said there is good reason for products of Danone to be boycotted after the French dairy giant said it would stop sourcing soy from Brazil, while the Brazilian government criticized "unreasonable" moves by European companies. Danone's finance chief told Reuters last week that the company was instead buying soybeans from countries in Asia, ahead of a European Union rule requiring companies to prove they are not sourcing from deforested land. Aprosoja Brasil, a group representing farmers in the world's largest soybean producer and exporter, said in a statement that Danone's move showed "lack of knowledge" of Brazil's production process and was "discrimination against the country." "There is no doubt that Brazilian producers, tired of being unfairly singled out as villains, will start to have more than enough reasons to put Danone and other global brands on the list of companies to be boycotted in Brazil," the group said. Brazil's agriculture ministry in a separate statement listed the country's environmental efforts and called the EU legislation "arbitrary, unilateral and punitive," while also criticizing companies. "Brazil is ready to cooperate, but

Chart of the Day

Gold's yearly performance

The price of gold hit record highs above $2700 per ounce and is on track for its biggest annual gain since 1979.



• Source: LSEG Data

demands to be treated with the fairness and balance that guide international trade," the statement said. "Untimely and unreasonable stances as announced by European companies with a strong presence in the Brazilian market must be rejected." Danone's Brazilian unit said in a statement that it continues to buy Brazilian soybeans that meet local and international regulations. The firm's headquarters did not immediately return a request for comment. The EU Deforestation Regulation, covering imports of commodities like cocoa, coffee and soy, is scheduled to come into effect on Dec. 30, though the EU Commission this month proposed a 12-month delay. Companies such as Nestle and Unilever have been gearing up to meet the new regulation before they face potential fines of up to 20% of turnover. Brazilian law states that farmers must preserve between 20% and 80% of legal reserves, depending on the biome where they are planting. But rainforest destruction rates in the country remain high despite a drop under President Luiz Inacio Lula da Silva. While major traders have vowed to stop sourcing soybeans from newly cleared land in the Amazon rainforest, soy farming continues to be a major driver of deforestation in the nearby Cerrado savanna. Aprosoja said that "although there is deforestation, there is also a lot of natural regeneration." The group suggested that Brazil's government could file complaints before the World Trade Organization and look for "compensation measures" from the EU as Brazilian farmers are now facing losses due to the European legislation.

Top News - Metals

BHP has moved on from Anglo American, company chairman says

BHP has moved on to focus on other growth opportunities after its failed bid for Anglo American earlier this year, the company's chairman said, weeks before a block on making another offer expires. The world's biggest miner walked away from a $49 billion bid to acquire Anglo in May after it was rebuffed three times. The upcoming end in late November to a six-month freeze on BHP making another approach under UK takeover rules had raised speculation a deal may again be under scrutiny.
"We made an approach to Anglo American earlier this year ... we thought there was an opportunity here to create something unique and special, a bit of a sort of a one plus one equals three opportunity," BHP Chairman Ken MacKenzie said at the miner's annual meeting. "Unfortunately, Anglo American shareholders had a different view, and they thought there was more value in the plan that their management wanted to execute. And so they moved on. And quite frankly, so have we."
As evidence, MacKenzie pointed to BHP's C$4.5 billion ($3.25 billion) deal with Canada-listed Lundin Mining in July to jointly take over developer Filo Corp in a move to grow their copper holdings in South America. At the meeting, a vote for BHP's climate action transition plan was supported by 91.77% of shareholders, despite some investors including Norway's sovereign wealth fund recommending a vote against the resolution due to a lack of details on the timing and scale of its emissions reduction plans. BHP is slightly ahead of its target of reducing operational emissions by at least 30% by 2030 from 2020 levels, MacKenzie said. Its long-term goal is to achieve net zero operational emissions by 2050. Among the four biggest iron ore miners, BHP has the least ambitious near-term target with the most aggressive, Fortescue aiming for zero operational emissions by 2030. BHP was asked by one shareholder why it has applied to expand the life of its Queensland metallurgical coal mines that it jointly owns with Japan's Mitsubishi by as many as 93 years if it is serious about mitigating climate change. "I think the expansions you were referring to are actually a continuation of operations," CEO Mike Henry said. "So even as we back efforts that would ultimately see the use of coal in steelmaking fall away, we recognise them for the foreseeable future," he said, adding that time period was likely to be decades, as forecast by BHP and others. "Coal is likely to be required, and we believe we have a role to play in that," he added.

China's Baosteel expects Simandou to mine first cargo by end 2025

China's biggest listed steelmaker, Baoshan Iron & Steel, expects the Simandou iron ore project in Guinea to complete infrastructure construction and mine its first cargo by the end of 2025, the company said. With annual production capacity of 120 million metric tons, the project in the African nation's southeast is set to be the world's largest mine for the highest grade of iron ore, key to the green transition in the global steel value chain. Simandou has four mining blocks with two in the northern region developed by a consortium of Singapore-based Winning International Group, Weiqiao Aluminium, which is part of China Hongqiao Group, and United Mining Suppliers. Baowu has become a key shareholder after completion of the transfer in June of shareholding rights by Winning Consortium Simandou (WCS), as it is known. "Because Simandou is rich in high grade-resources with favourable mining conditions, production cost will be relatively competitive," the company said in a briefing on its third-quarter result. The company hopes to optimise its ore blending structure after Simandou starts production, it added. Baosteel is a unit of state-owned China Baowu Steel Group, the world's largest steelmaker by output. The company also said the building for its zero-carbon plant, with an investment of 4.5 billion yuan ($631 million) and powered by green hydrogen and green electricity in Zhanjiang in the southern province of Guangdong, will be completed in 2025. On Tuesday, Baosteel reported a plunge of nearly 65% in its third-quarter net profit, undermined by a fall in steel prices. Its export orders in the first three quarters hit a record high of 4.66 million tons, well on track for its 2024 target of 6 million tons.

Top News - Carbon & Power

ANALYSIS-Tentative green energy shoots at risk from US vote uncertainty

Renewable energy shares, reeling from an investor retreat, face extended uncertainty as the U.S. election has added to wariness, leaving only selected stocks poised to benefit from any boost lower interest rates could provide to funding. The sector achieved bubble-like valuations in 2020-21, as major funds piled in, attracted by falling development costs. Since then, the gains have been reversed by factors including renewable competition from China, a resurgence in the returns on conventional energy, and structural issues for renewable sources linked to supply chain disruption, a shortage of grid connections and planning issues. For the United States, the Inflation Reduction Act (IRA) has proved a spur to renewable investment, including in some Republican states, which leads some analysts to say its benefits will continue. Others say the prospect of former Republican President Donald Trump returning to the White House will channel funding into fossil fuels as he has promised more oil drilling. They say a win by Democrat Kamala Harris would be needed to restore confidence in renewables. Even then, a recovery would not be of the scale of the 2020-21 boom, they say. "Rates are coming down, fine, but that actually doesn't solve competition issues or end-market demand, which is still there, but on a lower growth trajectory than before," said Will McIntosh-Whyte, fund manager at Rathbones Asset Management in the UK, which manages both sustainable and traditional investment mandates. Alternative energy funds have recorded net outflows for 17 straight months, the longest losing streak on Lipper data going back to September 2019. So far in 2024, investors have withdrawn more than $11 billion, bringing assets to $54.2 billion. During the boom of 2021 at this point in the year, net inflows topped $29 billion. In 12 months, the retreat has meant a 28% drop in the number of outstanding units in the iShares Global Clean Energy ETF, whose biggest holdings include U.S. solar tech company First Solar along with British utility SSE and China's Yangtze Power. The MSCI Global Alternative Index is set for its fourth year of declines, down 18% year-to-date, whereas global stocks have gained 17%. The index is trading at a 2.7% discount to world stocks, on a forward price-to-earnings metric, compared with peak premium of 25-50% in 2020-22.

SHORT SHIFT

The outbreak of the Ukraine war in 2022 led to record returns for major energy companies and in some cases to a rethink on strategies to shift to renewable energy.

Rathbones' McIntosh-Whyte and other fund managers said the renewables sector was still worthy of investment but through companies where that is not the only driver of growth.

Analysts have said one way to gain exposure is through grid operators, such as Italy's Terna and Spain's Iberdrola, whose regulated business is less volatile than pure renewable plays. Some fund managers have shifted from being long to short on the green energy transition. Offshore wind developer Orsted is among the STOXX's top-40 shorted stocks, according to Mediobanca Research. Investors are waiting for Orsted to sell more assets to help it repair its finances and have voiced concern that a Trump win could put some of its U.S. projects at risk of not getting permits.

Swiss wealth manager LFG+ZEST has opened a short position on Danish wind turbine maker Vestas and Portugal's EDP Renovaveis on the view that, regardless of the U.S. election, sector profits will remain under pressure. "Most of these firms are highly indebted, profitability is low, and, while growing, margins are getting incrementally worse," said Alberto Conca, chief investment officer at LFG+ZEST.

Vestas, the fifth-worst performer on the region-wide FTSE Eurofirst 300 index this year, experienced a 39% drop. It reports quarterly results on U.S. Election Day, along with Orsted. Vestas and Orsted declined to comment to Reuters, while EDP Renovaveis did not respond immediately.

Nordea strategist Hertta Alava in Helsinki said Chinese competition, which she says has been aggressive in solar panels and intensifying in wind turbines was a major concern for Western investors. Rate cuts so far have not been enough to stimulate clean energy investments, she said, and many decisions had been put on hold pending clarity on the outcome of the U.S. vote.

Saying clean energy had become "a stock-pickers' market," she said some actively managed renewables funds have outperformed indices by a wide margin. She did not give examples.

Those that have bucked the trend include Robeco Smart Energy, an actively managed $3.2 billion fund, which is up around 10% this year.

Other outperformers are India's Suzlon Energy, which has installed wind energy farms in 17 countries, is up over 80%. First Solar is up 19%.

EXCLUSIVE-Panama Canal seeks LNG comeback after 65% decline in traffic

The Panama Canal aims to regain vessel traffic carrying U.S. liquefied natural gas to Asia as demand in that market rises and a new reservation system allows shippers to lock in slots, following a 65% decline in the transit of its second-most important segment, the Panama Canal Authority told Reuters. A U.S. LNG switch to Europe in the aftermath of Russia's invasion of Ukraine, combined with long waiting times and expensive fees to transit through Panama due to severe drought, have kept many LNG ships out of the canal. Many gas exporters continue to take longer routes around South America even after the waterway's authority lifted the restrictions this year. The canal is the shortest route to Asia for U.S. gas exporters, whose sales to Japan, China, South Korea and India have grown substantially in the last decade.
"In the case of LNG, we lost 65% (of traffic), which is the traffic that now goes through Cape Horn, compared to what we had last year, two years ago," said the Canal's administrator, Ricaurte Vazquez, in an interview in Panama City. Europe's large appetite for U.S. LNG and delays authorizing new LNG projects in the United States have been the main drivers of the switch, he added, although the canal's drought-related restrictions also played a key role, shippers said. "The challenges of the last drought were very visible for everybody," said Anatol Feygin, an executive vice president at Cheniere Energy, the top U.S. LNG producer. Because the Panama Canal Authority charges a set fee per passage, it can be more convenient for U.S. producers to take longer routes to Asia depending on global LNG prices, delivery terms in contracts and seasonal demand. "Sometimes people forget that going through the canal ... is not a free shortcut," Feygin said, referring to transit fees.
"Economically, the solution of going around the Cape is not far from the economics of going through the canal."
But a recovery in Asian LNG demand, likely to continue next year, might require increased shipments through the canal. "We do think that growth in LNG demand will be driven by Asia," Feygin added, referring to China, South Asia and Southeast Asia. "And we do think that U.S. Gulf Coast volumes will continue to be the single largest exporting node in the world."

MORE PASSAGES NEEDED

A new reservation system and lower costs allowed the canal's net income to rise 9.5% to $3.45 billion in the fiscal year that ended in September, despite the drought. But commodities producers believe the canal's administration still has room to arrange more transits of LNG and liquefied petroleum gas (LPG) vessels. The parties have been in touch since last year to consider proposals. Panama now offers two transit slots per day for LNG ships, but a long-term reservation system starting in January will allow producers to reserve slots up to a year in advance. The first auction of this type, completed this month, raised $394 million and will account for 40% of all transits through its largest locks in 2025, administrator Vazquez said.
Shorter waiting times and the set-aside of a limited number of slots for vessels arriving at the canal without reservations will allow Panama to better handle arrivals. And some other measures to improve are in discussion, including some in anticipation of dry years, Vazquez added. "It (the canal) still has some constraints that we are working through, like the fact that LNG carriers do not have night-time transit capabilities through the new locks," Feygin said. The canal, which is monitoring the expansion of global LNG fleets and the status of new U.S. LNG projects, expects that larger LNG vessels, including floating storage units that feed LNG to onshore facilities, will be passing through Panama's largest locks in the next 18 months.

Top News - Dry Freight

Jordan buys about 60,000 T wheat in tender, traders say

Jordan's state grains buyer purchased about 60,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said. It was believed to have been bought from trading house Ameropa at an estimated $269.00 a ton cost and freight included (c&f) for shipment in the first half of January 2025, they said. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later. Traders reported these estimated offers from other trading houses participating in the tender, all per ton c&f: Cereal Crops $302, CHS $275.20, Viterra $280 and Al Dahra $276. Traders said they received indications Jordan will issue new tenders in coming days to buy 120,000 tons of wheat expected to close on Nov. 5 and for 120,000 tons of animal feed barley to close on Nov. 6. The new tenders are both expected to seek shipment in the first and second half of January and the first and second half of February.

South Korea's NOFI buys estimated 136,000 T corn, traders say

Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) bought an estimated 136,000 metric tons of animal feed corn to be sourced optionally from the United States, South America or South Africa in an international tender on Tuesday seeking up to 207,000 tons, European traders said. It was bought in two 68,000 ton consignments for 2025 arrival, both from trading house Olam. The first corn consignment was sought for arrival in South Korea around Jan. 5 and was partly bought at the outright price of $239.99 a ton cost and freight (c&f) included and partly at a premium of 185 U.S. cents a bushel c&f over the Chicago March 2025 corn contract. If sourced from the U.S. Pacific Northwest coast, consignment shipment is sought between Dec. 3-Dec. 22, from the U.S. Gulf between Nov. 13-Dec. 2, from South America between Nov. 8-Nov. 27, or from South Africa between Nov. 18-Dec. 7. The second consignment for arrival around Jan. 20 was partly bought at the outright price of $243.99 a ton c&f and partly at a premium of 195 U.S. cents a bushel c&f over the Chicago March 2025 corn contract. If sourced from the U.S. Pacific Northwest coast, shipment is between Dec. 18-Jan. 6, from the U.S. Gulf between Nov. 28-Dec. 17, from South America between Nov. 23-Dec. 12, or from South Africa between Dec. 3-Dec. 22. If South African corn is sourced, only 53,000 tons need be supplied for each consignment. Both consignments have an additional $1.50 a ton surcharge for additional port unloading. No purchase was reported of a third consignment also sought in the tender. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later. Traders said Asian purchase interest was sparked after Chicago corn futures fell on Monday.

Picture of the Day

President and CEO of Saudi's Aramco, Amin H. Nasser, appears on a screen during the Future Investment Initiative (FII) in Riyadh, Saudi Arabia, October 29. REUTERS/Hamad I Mohammed

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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