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Top News - Oil

EXCLUSIVE-G7 coalition has agreed to set fixed price for Russian oil -source

The Group of Seven rich nations and Australia have agreed to set a fixed price when they finalize a price cap on Russian oil later this month, rather than adopting a floating rate, sources said on Thursday.

U.S. officials and G7 countries have been in intense negotiations in recent weeks over the unprecedented plan to put a price cap on sea-borne oil shipments, which is scheduled to take effect on Dec. 5 - to ensure EU and U.S. sanctions aimed at limiting Moscow's ability to fund its invasion of Ukraine do not throttle the global oil market.

“The Coalition has agreed the price cap will be a fixed price that will be reviewed regularly rather than a discount to an index," said a coalition source, who was not authorized to speak publicly. "This will increase market stability and simplify compliance to minimize the burden on market participants.”

The initial price itself has not been set, but should be in coming weeks, multiple sources said. Coalition partners agreed to regularly review the fixed price and revise it as needed, the source said, without disclosing further details.

Pegging the price as a discount to some index would have resulted in too much volatility and potential price swings, the source added.

The coalition worried that a floating price pegged below the Brent international benchmark might enable Russian President Vladimir Putin to game the mechanism by reducing supply, a second source with knowledge of the discussions said.

Putin could benefit from a floating price system because the price for his country's oil would also rise if Brent spiked due to a cut in oil from Russia, one of the world's largest petroleum producers. The downside of the agreed fixed price system is that it will require more meetings of the coalition and bureaucracy to review it regularly, the source said.

U.S. Treasury Secretary Janet Yellen and other G7 officials argue the price cap, set to begin Dec. 5 on crude and Feb. 5 on oil products, will squeeze funding to Russia without cutting supply to consumers. Russia has said it will refuse to ship oil to countries that set price caps.

Shipping services are eager to see more details about the G7 plan which is due to take effect in a month.

A steady price cap could enable insurers to more confidently roll over contracts and initiate new ones without fear that the price could be adjusted by the countries buying Russian oil, which could have potentially exposed insurers to sanctions.

No immediate comment was available from Treasury or the embassies of coalition members, which include the G7 rich nations, the European Union and Australia.

Booming Guyana sets offshore oil auction under revamped fiscal terms

Guyana, one of the world's hottest oil drilling zones, will offer 14 offshore exploration blocks under terms that "significantly" increase its share of oil revenue, the South American nation's vice president said on Thursday.

Officials this week approved an oil lease auction with timing details to be disclosed by the Ministry of Natural Resources. The auction will include three deepwater and 11 shallow-water exploration blocks, Vice President Bharrat Jagdeo said in an address.

A new profit-sharing agreement that will cover future oil production agreements is under development and will be finalized before the auction ends, he said. It will include a 50/50 split of oil profits and tack on a 10% royalty rate and a 10% corporate tax rate, Jagdeo said.

Contract terms "shift significantly" the revenue split, with Guyana receiving a "greater share of the proceeds" compared to the existing Production Sharing Agreement terms, Jagdeo said. But they should accelerate the tiny country's oil boom by bringing in new producers.

A group led by Exxon Mobil that includes Hess Corp and China's CNOOC Ltd has discovered 11 billion barrels of recoverable oil in a 6.6 million acre (26,800 sq km) block off the country's coast. That agreement has been criticized for providing Guyana, an impoverished nation of fewer than 800,000 people, with only about 15% of oil revenues - including a 2% royalty rate.

Oil producers can bid for as many blocks as they wish, but no more than three blocks will be awarded to any one company. Each bid must include a development plan that will be considered along with the financial bid, Jagdeo said.

Winning bidders must pay a $10 million signing bonus for shallow water blocks and twice that for deepwater awards, he said. They also will be required to put up a guarantee of at least 20% of the work development plan.

Top News - Agriculture

Russia urges United Nations to help ease its food and fertiliser exports

Moscow on Thursday urged the United Nations, which sponsored a deal to free Ukraine's grain shipments from a Russian blockade of its Black Sea ports, to help fulfil the parts of the deal intended to ease Russia's food and fertiliser exports.

Russia on Wednesday resumed participating in the initiative after a four-day suspension, relieving pressure on food prices and easing fears of a renewed global food crisis.

The arrangement is due to expire on Nov. 19, and Moscow has made clear it wants more done to ensure it can export its own huge food and fertiliser output despite the barrage of Western sanctions imposed in response to its invasion of Ukraine.

"We still do not see any results regarding a second aspect: the removal of obstacles to the export of Russian fertilisers and grain," Foreign Minister Sergei Lavrov told a news conference in Amman, Jordan.

"We have once again called on the United Nations Secretary General to ensure that he fulfils the obligations he agreed to through his own initiative," Lavrov added.

He said the situation needed to be resolved "in the very near future".

"If we're talking about the volumes of fertilisers and grain in question, then these volumes from the Russian side are incomparably higher than from the Ukrainian side."

Russian agricultural exports do not fall explicitly under sanctions imposed by the United States, European Union and others, but Moscow says they are badly hindered by the restrictions imposed on its financial, logistics and insurance sectors.

The initiative - brokered by Turkey and the United Nations - was agreed in July for 120 days.

Asked on Thursday whether Russia's decision to return to the deal meant it was ready to agree to an extension, Kremlin spokesman Dmitry Peskov said: "No, it does not mean that."

"It is necessary to assess ... how all aspects of the deal are being implemented, all the parameters of the agreements, and then come to a decision."

Russia had suspended its participation over an attack on its Crimean naval port of Sevastopol, but returned to the deal on Wednesday having secured little in return and promising that, even if it withdrew again, it would not impede shipments from Ukraine to Turkey.

Cuba cuts plans to export sugar with output expected to stagnate

Cuba kicks off the country´s annual sugar harvest this month, but experts and state officials say the crisis-racked Caribbean island will struggle to produce enough of the sweetener even for its own consumption, dashing plans for export.

Cuba's communist-run government has said it plans to produce 455,000 tonnes of raw sugar this harvest cycle, 14,000 tonnes less than the previous one which hit a hundred-year low and forced the country to scrap plans for $150 million in exports.

Sugar was once the pride of Cuba, critical to its rum production, driving foreign exchange though export sales and providing employment across the island's vast countryside.

"This is the first plan since the 1959 Revolution that does not include significant exports, though they may export some if the price is right then import later [for local consumption]," said a sugar expert consulted by Reuters, who asked to remain anonymous because he was not authorized to speak with foreign journalists.

The expert said Cuba had worked a similar deal after last year's disastrous harvest, importing some sugar from Brazil.

Cuba historically consumes between 600,000 to 700,000 tonnes of sugar annually and has a long-standing agreement to export 400,000 tonnes to China, a deal that is now suspended, the expert and another source with access to the industry said.

State-run sugar monopoly AZCUBA has also said that sugar produced this harvest will go mainly to domestic consumption and derivatives such as rum and animal feed.

The loss of that export cash would be yet another shock to Cuba´s ailing economy, already stricken by the coronavirus pandemic and U.S. sanctions.

Just 23 mills of 56 total, hobbled by lack of fuel, supplies, spare parts and staff, will grind sugar cane during this season´s harvest, which typically ends in April.

In 1989, by contrast, Cuba had more than 100 mills and produced 8 million tonnes of raw sugar, most destined for the Soviet Union.

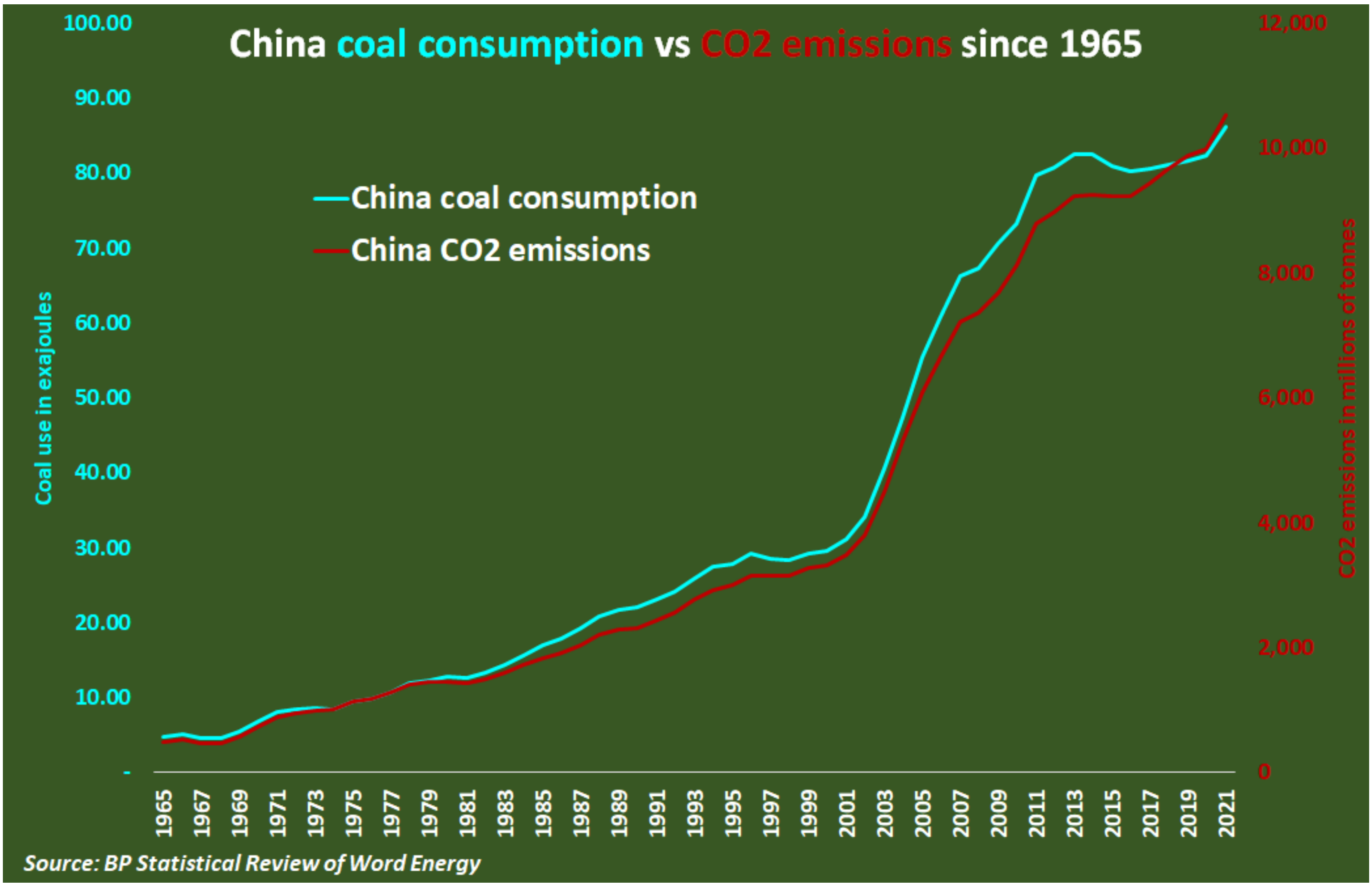
The century-old Uruguay mill in Escambray is among those to be shuttered this year, according to a report in

the Sancti Spiritus provincial Communist Party newspaper.
“It was the most shocking decision that the collective and the emblematic factory have experienced in a long time,” the paper reported. “It was as if a relative had died; there was silence, insecurity, tears."
The mill and surrounding plantations, like much of Cuban agriculture and industry, have seen production and efficiency dramatically decline over the last five years.

Top News - Metals

Alcoa sent three letters to the LME requesting action on Russian metal
United States-based aluminium producer Alcoa wrote to the London Metal Exchange (LME) three times in September and October, asking for a boycott of Russian metal and greater disclosure on how much was in the LME system, the company said.
In the letters, seen by Reuters, Alcoa expressed concerns that large amounts of Russian aluminium flowing into LME-registered warehouses could distort the exchange's aluminium contract by making it reflect the price of unwanted material.
While Russia has escaped official sanctions on its aluminium, copper, and nickel of the kind imposed on other sectors following its invasion of Ukraine, some Western companies have stopped accepting Russian metal.
These include Alcoa and most of its customers, according to a letter the company sent to the LME dated Sept. 29 and signed by chief commercial officer Kelly Thomas.
The letter said that without buyers, more metal made by Russian aluminium producer Rusal could be deposited on the exchange, which functions as a market of last resort, leaving the LME with stocks that Alcoa said many companies and banks may not want to deal with.
"As we move into 2023 ... it is easy to see a scenario where well over one million metric tons per year of Rusal metal could be put on warrant," it said. "The LME aluminium contract will be distorted because it will

Chart of the Day



disproportionately reflect the discounted value of the Rusal brand."

Rusal said efforts by its competitor to ban it from the exchange were "clearly for their own benefit".

"There are no plans to deliver aluminium to the exchange, by virtue of a strong sales and order book moving in to 2023," it said in an emailed statement. "The data and evidence to support this has been provided directly to the LME."

The exchange declined to comment on the letters.

The LME, the world's biggest metals trade venue, asked its users on Oct. 6 if they thought the exchange should ban Russian metal, setting an Oct. 28 deadline for responses. It said last week it could take action on Russian metal if it became a problem, without saying what it would do.

Alcoa is one of several U.S. and European metals producers that have lobbied for the LME and Western governments to restrict trade in Russian metal. Some metals consumers have argued against this, saying restrictions would harm them while benefiting non-Russian producers.

Letters sent by Alcoa to the LME dated Oct. 18 and Oct. 27 said around 250,000 tonnes of aluminium that entered LME-registered warehouses in October could be Russian, and asked the LME to publish daily disclosures showing how much Russian metal was in its system.

Rusal said it was confident that most of the metal delivered to the exchange in October was not Russian.

"Suggestions by competitors to the contrary are quite simply false, and damaging to market order," it said.

Alcoa said in its Oct. 27 letter, which was a response to the LME's request for opinions from the market, that it urged the exchange "to immediately delist all Russian brands, regardless of the production date".

The company has also lobbied the U.S. government to impose restrictions on Russian aluminium, something sources have said the government is considering.

Blockades at Peru's Las Bambas copper mine again hit operations

The huge Las Bambas copper mine in Peru has started to reduce operations due to recent blockades, the mine said in a statement Thursday

Las Bambas, owned by Chinese firm MMG Ltd, is one of the largest copper mines in the world, but has suffered frequent disruptions from largely poor indigenous communities.

Peru is the world's No. 2 copper producer.

"We have been forced to begin a progressive slowdown of our operations since Oct. 31," the company said in a statement.

"There is also the threat of new interruptions to our Las Bambas operations in the very near term."

On top of frequent road blockades, Las Bambas fully stopped operations for over a month this year when two communities that had sold land to make way for the company re-entered those areas.

While one community was evicted, the other - called Huancuire - remains in the property, the company said.

"The weakening of the state's capacity to combat conflicts is notable," Peruvian mining industry group SNMPE said in a statement.

The disruptions against Las Bambas follows protests at another large mine, Hochschild Mining PLC's Inmaculada, which produces gold and silver.

Hochschild said on Wednesday that protest had been lifted.

Top News - Carbon & Power

EXCLUSIVE-Shell's flagship LNG trading made nearly $1 billion loss in Q3 -sources

Shell's liquefied natural gas (LNG) trading division recorded a loss of nearly $1 billion in the third quarter of the year, three industry sources told Reuters, after traders were caught out by a sharp rally in European gas prices when Russia halted supplies.

Shell, the world's top LNG trader, last week reported its second largest quarterly profit of $9.45 billion, but said it was impacted by weaker gas trading results.

Shell does not disclose its trading results and often uses general terms to describe trading conditions.

The pre-tax loss of around $900 million in its LNG trading offers rare insight into its trading operations that can also sharply boost the group's earnings.

The loss was a result of a wrong bet on the difference between benchmark Asian and European gas prices over the summer months, according to the three sources.

Shell declined to comment.

Shell's LNG trading performance contrasts with rivals BP and TotalEnergies which both reported strong earnings from their trading divisions in the quarter, without providing details.

European gas prices hit an all-time high of nearly $90 per million British thermal units (mmBtu) on Aug. 22 as the region scrambled to secure gas supplies after Russian halted pipeline gas deliveries.

The rally in European prices far outpaced Asian prices, leading to a collapse in the spread between the two benchmarks.

Asia has historically set the highest LNG prices in order to attract supplies during the summer months to allow countries like Japan and China to refill storages ahead of winter.

SEASONALITY

Traders also use paper derivatives to protect, or hedge, physical cargo trades from price fluctuations.

But the paper bets badly backfired in the third quarter.

Shell's Chief Financial Officer Sinead Gorman said last week that LNG trading was impacted by "seasonality and supply constraints, coupled with substantial differences between paper and physical realisation in a volatile and dislocated market."

"Our trading and optimization organization manages risk through hedging our physical volumes," Gorman told analysts on Oct. 27.

"Due to a breakdown in correlations, some hedges were less effective. LNG trading and optimization were also impacted by a combination of seasonality and supply constraints where the business is geared towards supplying the Northern Hemisphere during the winter."

Gorman added that for the first three quarters of 2022, LNG trading results were higher than the same period a year earlier.

Asian prices have been weakened by muted Chinese demand since the start of the year due to covid and slow economic growth.

LNG prices in Europe have been benchmarked against the TTF Dutch gas prices for years and the European Union is exploring alternative benchmark after the drop in Russian pipeline supplies.

IEA says Europe must act now to avoid winter 2023 gas shortages

Europe needs to act now to avoid a natural gas shortage next year given the loss of Russian supply and expectations Chinese demand will increase, the International Energy Agency (IEA) said on Thursday.

The European Union has succeeded in filling storages to 95% ahead of this winter, 5% or 5 bcm above their 5-year average, but the IEA said the challenge next year was likely to be greater and there was a danger mild weather had led to a sense of complacency.

"We are ringing the alarm bells for the European government and for the European Commission for next year," IEA head Fatih Birol told journalists when presenting a report on Europe's supply-demand balance for 2023/24.

The report found that Europe could face a gap of as much as 30 billion cubic metres (bcm) of natural gas during the summer period of lower demand that is crucial for refilling its gas storage sites in 2023.

Such a gap could see storages only 65% full ahead of next winter, instead of a targeted 95% level, Birol said.

Governments needed to speed up improvements in energy efficiency and accelerate the deployment of renewable energy and heat pumps, among other measures, Birol said.

Depending on the weather, storage levels by the end of the 2022/23 heating season could be "anywhere between 5% and 35%", resulting in summer 2023 injection between 60 bcm and 90 bcm, the IEA said.

Supply, already disrupted, could fall further next year if Russian pipeline gas flows stop completely, while competition for liquefied natural gas (LNG), on which Europe has relied heavily this year, is likely to increase as Chinese demand grows, the agency said.

While demand from China could take up 85% of an expected 20 bcm increase in global LNG supply in 2023, Europe will almost certainly have far less Russian gas than this year.

In 2022, Russian pipe gas supplies to Europe were 60 bcm for the first 10 months despite a drop in flows due to the war in Ukaine.

"In 2023, they will in all probability drop to less than half that amount – and could cease completely," the IEA said.

Top News - Dry Freight

U.N. seeks exports of 'stranded' Russian fertilisers ahead of Black Sea grains deadline

A senior U.N. official said on Thursday that the global body was prioritising efforts to export stranded Russian fertilisers from European ports and hopes to make advances before a deadline for renewing the Black Sea grains deal this month.

Moscow on Wednesday resumed its participation in a U.N.-brokered Black Sea Grain Initiative after a four-day suspension, easing pressure on food prices and allaying fears of a renewed global food crisis.

However, Russia has stopped short of giving its support for a renewal of the deal beyond its Nov. 19 expiry and is urging the United Nations to help fulfil parts of the deal intended to ease Russia's food and fertiliser exports.

"We will try to have important advances in that direction before the deadline," Rebeca Grynspan, Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), told journalists in Geneva.

"We think...we will able to ease the pain in this respect and one of these indicators of progress will be if we will be able to ship with the help of WFP some of the fertilisers that were stranded in some European ports," she said.
The U.N. World Food Programme confirmed to Reuters that it stands ready to help ship an initial 20,000 tonnes of Russian fertiliser to Malawi.
Western sanctions in response to Moscow's invasion of Ukraine do not explicitly target Russian food and fertilisers but nevertheless have complicated shipments because of their impact on finance, logistics and insurance.
Grynspan conceded that removing the obstacles was proving "difficult".
"We have been clarifying together and engaging with the EU, with the US with the UK to solve these problems. And I think that we are making progress (but) not all the progress that I would want to see right now," she said.
She warned of a crisis of "food availability" next year if farmers did not receive fertilisers before the end of their sowing seasons.
Overall, she was upbeat on the Black Sea deal's renewal, citing the wide support it enjoys from all countries. "That gives me the hope that the parties will be responsible and will extend and expand the (deal)."

Iraq buys about 150,000 tonnes wheat in tender
Iraq's state grains buyer purchased about 150,000 tonnes of hard wheat expected to be sourced from Canada, Lithuania and Australia in an international tender, European traders said on Friday.
This confirmed the volume in initial assessments by traders on Thursday evening.
The purchase was believed to involve at least 50,000 tonnes of Canadian wheat, said to have been bought at the lowest price of an estimated $489.80 a tonne c&f, they said. Trading house Viterra was said to be the seller.
About 50,000 tonnes of wheat sourced from Lithuania was also said to have been bought at about $499 a tonne c&f from trading house Hanalico.
Some 50,000 tonnes of Australian wheat was purchased at about $480 a tonne c&f from trading house Tiryaki, they said.
Iraq does not release results of its tenders and reports are based on trade estimates. More detailed estimates are still possible later.
The wheat could be sourced from optional origins but Russian wheat could not be offered, they said. Volumes in Iraq's tenders are nominal and the country often buys more than sought.
Iraq said on Oct. 17 the country needs to import 5 million tonnes of wheat in 2023, including at least 2 million in the first four months of the new year.

MARKET MONITOR as of 07:31 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$90.23 / bbl	2.34%	19.97%
NYMEX RBOB Gasoline	$2.75 / gallon	1.96%	23.26%
ICE Gas Oil	$1,116.75 / tonne	0.86%	67.43%
NYMEX Natural Gas	$6.14 / mmBtu	2.79%	64.66%
Spot Gold	$1,646.42 / ounce	1.06%	-9.95%
TRPC coal API 2 / Dec, 22	$232 / tonne	3.11%	88.62%
Carbon ECX EUA / Dec, 22	€76.57 / tonne	0.38%	-5.06%
Dutch gas day-ahead (Pre. close)	€78.00 / Mwh	83.53%	17.29%
CBOT Corn	$6.83 / bushel	0.59%	15.17%
CBOT Wheat	$8.41 / bushel	-0.65%	9.05%
Malaysia Palm Oil (3M)	RM4,419 / tonne	1.89%	-5.92%
Index (Total Return)	**Close 03 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.93	-0.82%	21.42%
Rogers International	31.67	0.62%	35.89%
U.S. Stocks - Dow	32,001.25	-0.46%	-11.94%
U.S. Dollar Index	112.59	-0.30%	17.32%
U.S. Bond Index (DJ)	373.22	-0.67%	-20.39%

Picture of the Day

Combines load wheat into trucks in a field during harvest near the village of Solyanoye in the Omsk region, Russia. REUTERS/Alexey Malgavko

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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