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Top News - Oil

FOCUS-Big traders strike deals with middlemen to tap Venezuela's free-flowing oil

A broad easing of U.S. sanctions on Venezuela's oil industry has forged marriages of convenience between global commodities traders and little-known middlemen that dominated its exports during the period of restrictions.
Washington in mid-October issued a general license lifting through April sanctions on the country's oil production and exports.
With a view to ensuring a fair presidential election, the authorization is contingent on an electoral pact between President Nicolas Maduro's government and Venezuela's political opposition.
The U.S. has said it wants to see progress towards a transparent election as well as a release of political prisoners by Nov. 30 or it could reimpose the sanctions.
At least two trading houses - Trafigura and Gunvor Group - in recent weeks have gained access to Venezuelan cargoes by buying from intermediaries approved by state oil firm PDVSA, according to company documents and four people familiar with the matter.
Trafigura and Gunvor declined to comment on the Venezuela oil activity. PDVSA did not reply to a request for comment.
The original purchases made by middlemen from PDVSA have bypassed the state company's traditional tender system and often been subject to fixed price negotiations because the company, which remains under some sanctions, had no access to pricing services.
In all cases, PDVSA has demanded at least a portion of payment upfront in euros, limiting the pool of participating companies, according to two of the people and the documents.
The unusual arrangements have led to large differences in terms. "Price gaps from one offer to another for similar products can be as big as $15 per barrel," one of the people said.
All of the sources declined to be named because they were not authorized to speak to the press.
For PDVSA, access to extra cash is an incentive to gain new customers and to limit the number of oil swaps and oil-for-loan deals that were the only options allowed by the U.S. sanction regime before the October license.

POLICY SHIFT

The U.S. imposed sanctions on Venezuela's oil industry to try to oust President Nicolas Maduro, whose 2018 re-election it considers a sham. President Joe Biden's administration has eased sanctions in the last year in a shift of policy.
In the last three weeks, PDVSA has signed new term deals to sell products, including fuel oil and asphalt cement with little known firms. It has yet to restore pre-sanctions supply contracts or reach long-term agreements with its traditional customers, but it has started negotiations.
Most global trading houses remain excluded from state oil company PDVSA's commercial registry since a lawsuit was filed in a U.S. court in 2018 accusing a some traders, banks, and individuals of paying bribes to Venezuelan officials in exchange for inside information, fixed prices and rigged bids.
PDVSA, which in March made public that billions of dollars had been lost to failed cargo payments, last week sent an internal email reminding trade and supply executives to follow rules to give clearance to any new customers, another person said.

LINING UP

Shortly after sanctions were eased last month, Trafigura chartered a vessel to pick up a fuel oil cargo at a Venezuelan port.
The chartering contract is linked to an offer by PDVSA to sell up to 1 million barrels of fuel oil, the product of which it has the highest available inventories. The firm that won the offer is Romania-registered Ke Lo Ke Mgmt, PDVSA documents seen by Reuters showed.
The tanker in late October loaded a first 100,000-barrel parcel at the Cardon port on Venezuela's western coast, and is waiting to load its remaining 300,000-barrel cargo, according to the documents and tanker tracking data.
It remains unclear if Ke Lo Ke made a back-to-back sale to Trafigura. Ke Lo Ke, which had not previously been a PDVSA customer, could not be reached for comment.
Days later, Gunvor offered 2 million barrels of Venezuela-origin heavy crude to U.S. refiners, according to Bloomberg.
PDVSA has distributed these and other sale offers by email to specific companies only, and it has requested fuel imports in the same way, two of the people said.
This week, PDVSA also limited the list of shipping agencies that are authorized to work with customers loading at its ports, one of the documents showed.
"These offers don't meet compliance rules in many other oil companies. It's a risk, and will pay off only for some," one trader said.

EXCLUSIVE-Russian fuel export ban to be lifted next week -industry sources

Russian fuel producers have been told by the government to prepare for the scrapping of all remaining restrictions on the export of diesel and gasoline, three industry sources told Reuters on Thursday.

Russia, the world's top seaborne exporter of diesel, introduced a ban on fuel exports on Sept. 21 to tackle high domestic prices and shortages.

The government eased restrictions on Oct. 6, allowing the export of diesel by pipeline, but kept measures on gasoline exports in place. Overseas supplies of gasoline by trucks and railways are also prohibited.

Energy Minister Nikolai Shulginov on Wednesday said that Russia was considering lifting the export ban on some grades of gasoline.

"They told the producers that exports will be opened up from next week," said a Russian oil company source who spoke on condition of anonymity owing to the sensitivity of such decisions.

Another industry source said the ban would be lifted next week.

"They promised to lift the exports ban next week. In regards to this promise, we have formed an export schedule and a plan for refining," said the source, who also spoke on condition of anonymity.

The Russian energy ministry did not immediately reply to a request for comment.

Diesel is Russia's biggest oil product export, at about 35 million metric tons last year. Almost three quarters of that was transported via pipeline. Russia also exported 4.8 million tons of gasoline in 2022.

Another company source said that a gasoline glut had emerged because of the restrictions.

"It's a low season now; we can't sell so much on the domestic market," he said.

Officials have said the ban would be lifted once the domestic market stabilises. Analysts had expected the restrictions to be scrapped after completion of the recent grain harvesting season.

Deputy Prime Minister Alexander Novak on Sunday said that Russia would continue an additional voluntary supply cut of 300,000 barrels per day from its crude oil and petroleum product exports until the end of December, as previously announced.

Top News - Agriculture

Conab raises Brazil 2023/24 soy forecast despite erratic weather

Brazil, the world's top soybean grower and exporter, will produce an estimated 162.420 million tons of the oilseed in the 2023/24 cycle even as erratic weather disrupts some planting, crop agency Conab said in a new, higher forecast on Thursday.

Some farmers remained skeptical of the optimistic forecast from Conab, which cited better yields and a 2.8% rise in the soy area, while recognizing that planting delays and weather uncertainty pose risks.

"In top grower Mato Grosso, irregular rains and high temperatures interrupted planting in several regions, and in some areas replanting will be necessary," Conab said, citing the effects of the El Nino weather pattern.

"In the southern region, excessive rainfall is pushing back the implementation of the crop, in addition to harming the initial establishment of soybeans."

Through last Monday, some 48.4% of soy fields had already had been sown in Brazil, while in the 2022/23 cycle at this time 57.5% of the areas had been planted in the South American nation.

Conab's still-bullish forecast surprised farmers facing difficulties to advance field work in the Center-West due to dryness and heat.

One Mato Grosso farmer found Conab's new projection exaggerated, saying planting had stopped in his region due to lack of rain. He estimates that Brazil's production will not exceed 154 million tons in the 2023/24 cycle.

Another Mato Grosso grower said lack of rains has forced replanting in certain areas.

Brazil's weather agency Inmet on Wednesday issued a heatwave warning, as forecasts indicate temperatures could be 5 degrees Celsius above average for a period of two to three consecutive days in the center west and southeast, suggesting conditions will remain challenging for farmers.

Reacting to Conab's new projections, Sicredi analyst Filipe Kalikoski said the weather may frustrate expectations for another "super crop". For now, Sicredi sees soy output at a record 161.5 million tons.

"If the rains forecast for November and early December do not materialize, we may see more significant reductions in soybean harvest projections," Kalikoski wrote.

Soy planting delays also represent a threat to Brazil's second annual corn crop following the soy harvest, which could miss the ideal climate window next year, according to analysts.

For the 2023/24 corn harvest, Conab forecasts total production of around 119 million tons, down 9.6% from the prior season.

"The drop in total corn production is the result of an expected shrinkage of the corn area ... together with lower yields," Conab said.

The agency said it projects a 5% reduction in the total corn area farmers will plant in 2023/24.

Argentine farmers could plant more land with soybeans after rains, exchange says

Argentine farmers could plant more fields with soybeans than initially estimated, the Buenos Aires Grain Exchange said on Thursday, as rains put an end to a drought that affected large parts of the agricultural heartlands.

In a report days after farmers began planting the 2023/24 soybean crop in Argentina, one of the world's leading exporters of soybean oil and meal, the exchange said the planted area could extend beyond the 17.1 million hectares first forecast.

Rainfall arrived too late for fields originally intended for some crops, such as early corn in the north part of Argentina's agricultural core and sunflower crop to the west, the exchange said, causing them to be re-destined for soybeans.

Some 6.1% of the intended soybean fields have now been sowed, the exchange added, boosted by the rain but still 13 percentage points behind the average pace over the last five campaigns.

The rains also allowed planted cornfields to recover from damage caused by late frosts, it said. Farmers have planted 24.7% of the intended 7.3 million hectares dedicated to the crop in the world's No. 3 corn exporting country.

Farmers were meanwhile harvesting their 2023/24 wheat crops, the exchange said, with 14.4% of 5.9 million hectares of sown wheatfields already threshed.

The exchange estimates Argentina's wheat harvest at 15.4 million metric tons, though the latest report warned of the possibility of late frosts damaging some lots.

This comes after a historic drought last year devastated the agricultural sector and halved Argentina's wheat output to around 12 million tons.

Top News - Metals

LME simplifies off-warrant stock reporting rules

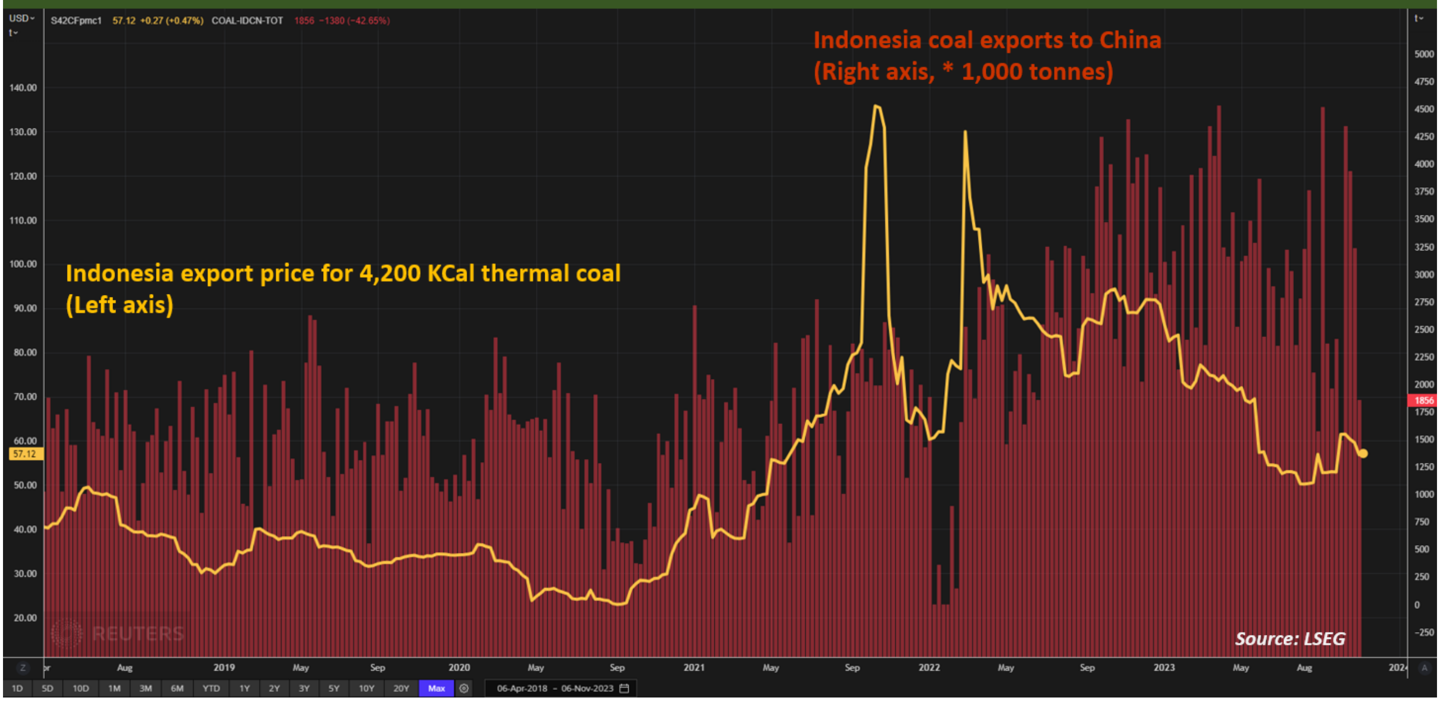
The London Metal Exchange (LME) said on Thursday it will require warehouses in its network to report all inventory that can be delivered against its contracts, in a move that reduces the complexity of previous rules. The changes are part of sweeping reforms announced by the 146-year old exchange to boost confidence in the LME, its management and systems damaged by the nickel crisis in March 2022.

Historically, warehouses only reported inventories that were on warrant -- title documents that confer ownership -- to the LME, the world's largest and oldest forum

Chart of the Day

Indonesia coal export price vs Indonesia coal exports to China

China is the top market for Indonesian coal in 2023, and has bought roughly 100 Mln tonnes more than no. 2 market India



REFINITIV

An LSEG Business

for trading metals including copper, aluminium, zinc, lead and nickel.
Three years ago, in an attempt to boost transparency, the LME changed the rules obliging warehouses to report stocks that could be warranted in the future, an administrative burden for warehouses which had to check each contract.
This rule will no longer apply.
The new rules will require LME-registered warehouses to report all LME-branded material that is being stored off-warrant "with only one overall tonnage figure per metal required", the exchange said in a statement.
"Providing greater transparency and increased reporting of metal stocks stored in LME-registered warehouses is important in ensuring ongoing confidence in the operation of the LME's markets," said Robin Martin, LME head of market development.
The new off warrant stock reporting rule will be effective from Feb. 29, and the first report showing February data will be available from April on a one-month delayed basis.
The changes are in response to consultations the exchange launched in May, following up on an action plan set out in March in response to recommendations to prevent market distortions and improve risk monitoring.
"Off-warrant stock reporting reduce the attraction of the LME warehouse network," a warehousing source said.
"But they are under pressure to increase transparency, so they picked something midway."
In March 2022, after nickel prices more than doubled in a matter of hours in disorderly trade to records above $100,000 a metric ton the exchange suspended nickel trading for more than a week.
Hedge fund Elliott Associates and Jane Street Global Trading are suing the exchange for $472 million after the LME cancelled all nickel trades on March 8, 2022 during the turbulence.

Breakthrough in wildcat strike sees some Congo copper drivers resume work
Trucks carrying thousands of tons of copper in the Democratic Republic of Congo accompanied by security escorts have resumed travel toward the border with Zambia following a wildcat strike, two sources told Reuters on Thursday.
About 2,700 trucks carrying around 89,000 tons of copper had been stuck in Kolwezi after drivers went on a wildcat strike demanding a risk allowance of $700 per journey, Reuters reported on Nov. 7 citing sources.
"The sudden release of the trucks will exacerbate the situation at the border. There were already bottlenecks at the border so the pileup will take sometime to clear," said Hippy Tjivikua, chief executive of Walvis Bay Corridor Group. Tjivikua said.
The trucks were likely to be stuck in queues at the Zambian border for some time, said Jackson Banda, secretary-general of the SADC Drivers Association.
Truck drivers face an arduous journey from mines on the central African copperbelt to ports in Namibia, South Africa and Tanzania. Truckers also deliver materials and equipments to the mines.
The strike started almost a week ago and stranded copper and cobalt from Ivanhoe Mines' Kamoa Kakula, CMOC Group's Tenke Fungurume, Glencore's Kamoto and Sicomines' Mashamba West.

Top News - Carbon & Power

ConocoPhillips' $8 billion Willow project approvals upheld by US judge
A federal judge in Alaska on Thursday upheld U.S. approvals for ConocoPhillips' multibillion-dollar Willow oil and gas drilling project in the state's Arctic, rejecting environmental and tribal groups' concerns that the project poses too large of a climate threat.
U.S. District Judge Sharon Gleason in Anchorage dismissed a lawsuit filed by environmental and tribal groups challenging the $8 billion project's approvals, which the U.S. Interior Department had issued in March.
Opponents claim the project would release hundreds of millions of tons of carbon pollution into the atmosphere, aggravating climate change and damaging pristine wilderness.
Gleason said in her decision that the U.S. government had adequately analyzed how greenhouse gas emissions from the project would impact the climate and adequately considered how the project would impact endangered species like polar bears.
Erik Grafe, an attorney for Earthjustice, which challenged the approvals, called the decision disappointing but said environmental and tribal groups are "considering all legal options" to continue the fight, including a potential appeal.
The Interior Department and ConocoPhillips didn't immediately respond to requests for comment.
Alaskan officials and the oil industry applauded the Interior's Bureau of Land Management signing off on the project in March, but the move was criticized by tribal and environmental advocates, including the Center for Biological Diversity, the Sierra Club and the Sovereign Iñupiat for a Living Arctic.
Those opponents said the 30-year project's approval conflicted with President Joe Biden's highly publicized efforts to fight climate change and shift to cleaner sources of energy.

The approvals give ConocoPhillips permission to construct three drill pads, 25.8 miles of gravel roads, an air strip and hundreds of miles of ice roads.
ConocoPhillips has said the project will produce up to 180,000 barrels of oil per day at its peak, and the federal government estimates that it could release over 260 million metric tons of greenhouse gas emissions.
The environmental and tribal groups challenged the approvals in two lawsuits filed in March. They said the government didn't adequately account for the climate impact of those emissions or the project's harm to endangered species, among other concerns.
They said those deficiencies violated the National Environmental Policy Act's requirements that projects with significant environmental impacts receive thorough reviews, and other legal requirements.
Gleason refused to temporarily suspend the approvals in April, paving the way for initial construction this past winter.
The U.S. had argued in court that it thoroughly and adequately analyzed expected environmental impacts from the project, including greenhouse gas effects and potential alternatives.
The cases are Sovereign Iñupiat for a Living Arctic et al. v. Bureau of Land Management et al. and Center for Biological Diversity et al. v. Bureau of Land Management et al., in the U.S. District Court for the District of Alaska, case Nos. 3:23-cv-00058 and 3:23-cv-00061.
For the plaintiffs: Erik Grafe, Ian Dooley and Carole Holley of Earthjustice and Bridget Psarianos and Suzanne Bostrom of the Trustees for Alaska
For the U.S.: Rickey Turner and Paul Turcke of the U.S. Department of Justice
For ConocoPhillips: Ryan Steen, Whitney Brown, Jason Morgan and Luke Sanders of Stoel Rives

REUTERS NEXT-France sees no big risk to European gas from sanctions on Russian LNG project
U.S. sanctions against a major Russian liquefied natural gas project in which French oil major TotalEnergies is a shareholder do not appear to pose a big risk to European gas supplies, Finance Minister Bruno Le Maire told Reuters on Thursday.
Le Maire, who said France was in contact with U.S. authorities over the impact of the new sanctions announced last week, was speaking from Paris to the Reuters NEXT conference in New York.
"As of today it looks that these sanctions do not pose any major risk for European gas supplies," Le Maire said.
TotalEnergies, which has a direct 10% stake in Arctic LNG 2 and a total interest of 21.5% via its holding in Russian gas firm Novatek, also said last week it was assessing the impact of the U.S. decision on its investments in the project.
As the sanctions were imposed last week, the Office of Foreign Assets Control, part of the U.S. Treasury Department, also issued a general license that authorises the wind down of transactions involving Arctic LNG 2 through Jan. 31, 2024.
Asked if the French oil firm should remain in the venture, Le Maire said it was too early to say.
"We are monitoring the situation and assessing the consequences of the U.S. decision," he said.
"We are in constant contact with the U.S. authorities on this," he added.

Top News - Dry Freight

Ukraine: Alternative Black Sea export corridor is working despite attack
Ukraine's alternative Black Sea export corridor is working despite a recent Russian attack on a civilian vessel, Deputy Prime Minister Oleksandr Kubrakov said on Thursday.
Ukrainian officials said on Wednesday a Russian missile damaged a Liberia-flagged civilian ship entering a Black Sea port in the Odesa region, killing one person and injuring four others. The vessel was supposed to transport iron ore to China.
"#Ukrainian_Corridor: vessel traffic continues both to and from the ports of Big Odesa (region)," Kubrakov said on the X social media platform.
He said that six vessels with 231,000 tons of agricultural products on board had left ports within the Odesa region and were heading towards the Bosphorus Strait in Turkey.
"Five vessels are waiting to enter ports for loading. Traffic along the #Ukrainian_Corridor continued despite Russia's systematic attacks on port infrastructure," Kubrakov added.
After pulling out of a U.N.-brokered deal that guaranteed safe shipments of Ukrainian grain via the Black Sea, Russia has been repeatedly attacking Ukrainian port infrastructure.
In August, Ukraine launched a "humanitarian corridor" for ships bound for African and Asian markets to try to circumvent a de facto Russian blockade in the Black Sea of Kyiv's seaborne exports, imposed after Russian forces invaded Ukraine in 2022.
Later, a senior agricultural official said the route - which runs along Ukraine's southwest Black Sea coast, into Romanian territorial waters and onwards to Turkey - would also be used for grain shipments.

Kubrakov said 91 vessels had exported 3.3 million metric tons of agricultural and metal products since the corridor started operating in August.
The UCAB agricultural business association said this month that Ukrainian grain agricultural exports rose by 15% to 4.8 million metric tons in October thanks to the new corridor.

COLUMN-Indonesia fires thermal coal exports to new highs: Maguire
Indonesia's exports of thermal coal surpassed 413 million metric tons over the first ten months of 2023, a new high cementing its status as the largest exporter of the high-emission power fuel.
Indonesian shipments jumped 11.5% from the same period in 2022, roughly twice the growth rate of total global coal exports that are on track to touch new highs in 2023 despite efforts to transition several major energy systems away from fossil fuels.
For the first time, Indonesia accounted for more than 50% of global thermal coal exports during the January to October window, data from Kpler shows, indicating its success in wresting share from rival exporters.
Second-largest coal exporter Australia's share was 19.4% for the opening 10 months of 2023, down from 20% in 2022, while No.3 exporter Russia had an 11% share, down from 12.3% in 2022.
South Africa and Colombia, the fourth- and fifth-largest exporters respectively, also lost share to Indonesia in 2023. The United States, the sixth-largest exporter, slightly gained global share.

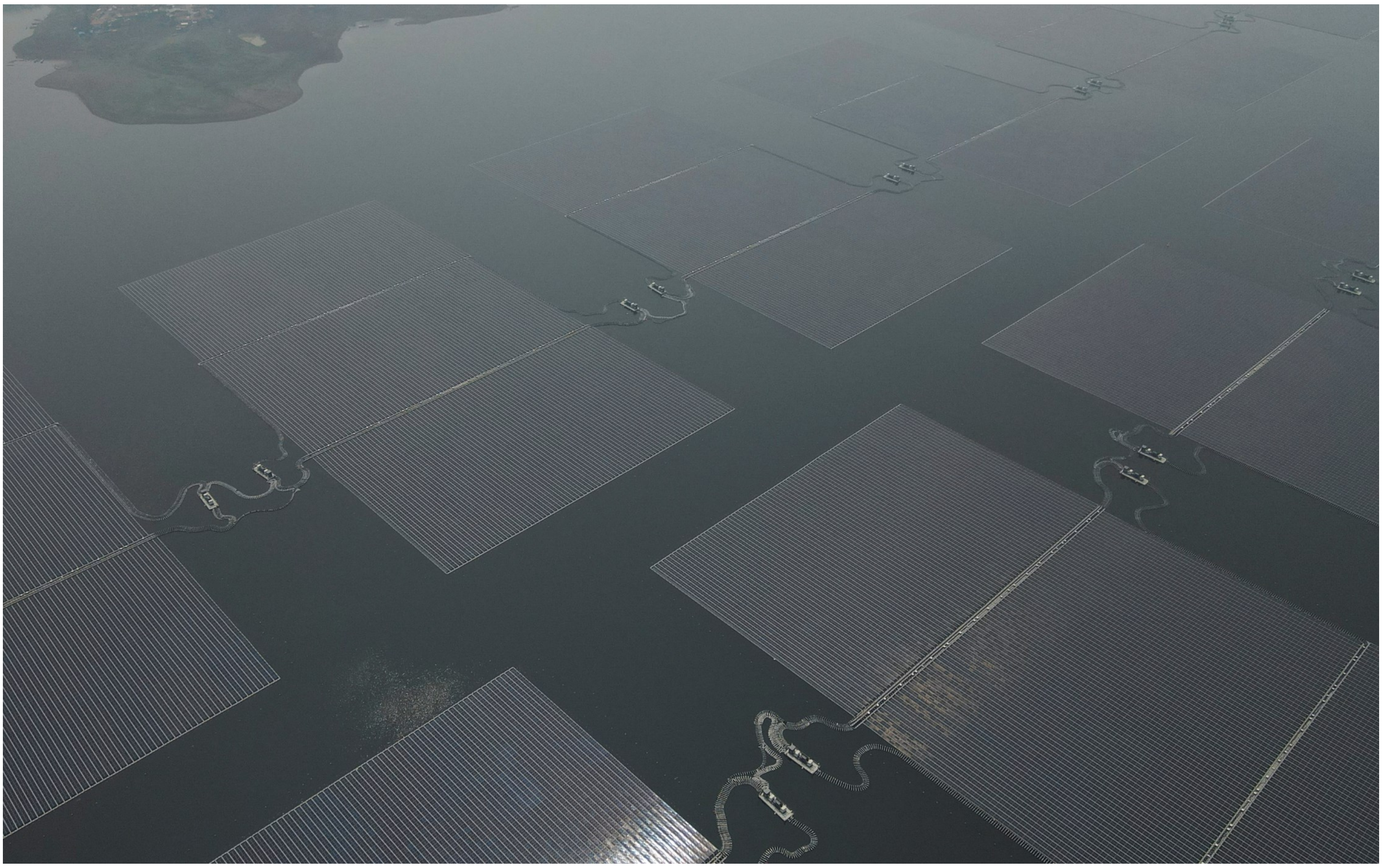
TOP MARKETS
China was the top destination for Indonesian coal, along with Hong Kong, importing 183 million tons through October, or around 44% of Indonesia's total exports.
That tally was up 33% from the same period in 2022 and is illustrative of 2023's pick-up in Chinese industrial activity compared with the COVID-stunted demand levels of last year.
India was the second largest buyer of Indonesian coal, grabbing a roughly 20% share of the total (82 million tons). The Philippines was the third largest market with a 7.2% share (30 million tons).
Japan, South Korea and Taiwan were also major buyers, and, same as China, can be expected to crank up their coal imports over the final months of the year as utilities stock up ahead of the seasonal climb in power demand for heating.

PRICE PRESSURE
Key to Indonesia's market share growth has been the relatively low price of Indonesian coal compared to the higher grades peddled by rivals such as Australia.
The benchmark grade of Indonesian thermal coal - with a calorific value of 4,200 kilocalories per kilogram (kcal/g) - has averaged around $65 a ton so far in 2023, according to LSEG.
That compares to an average $184 per ton for the roughly 6,200 kcal/kg coal shipped from Newcastle in Australia.
Export prices from Colombia, South Africa, Mozambique and Russia have ranged roughly midway between Indonesian and Australian prices, highlighting that Indonesia enjoys a sustained price advantage relative to peers because of the lower quality of Indonesian coal compared to other grades.
Indonesia also enjoys a significant freight cost advantage to top coal consumers China and India, making it a popular supplier for cost-sensitive importers throughout Asia.
The price to ship a ton of coal from Indonesia to China is currently around $8-$10, compared to $14-$15 a ton for the Australia to China voyage, according to Shanghai Shipping Exchange data.
The journey time from Indonesia to major coal import hubs in China and India is also roughly half that from Australia, which gives Indonesian exporters an advantage in securing spot deals for urgent cargoes.
This combination of proximity and low price looks set to keep Indonesia in the mix for further coal exports over the remainder of year, when coal consumption tends to peak across the northern hemisphere.
A recent decline in Australian coal prices to their lowest since mid-2021 should also trigger increased interest in higher quality Australian grades by utilities looking to maximize power output while limiting emissions.
But for power producers who remain primarily focused on generating as much power as possible at the lowest possible price, Indonesian coal will remain their first choice.
And that means Indonesia's full-year coal exports will smash previous records for 2023 as a whole.

The opinions expressed here are those of the author, a columnist for Reuters.

MARKET MONITOR as of 07:37 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$76.06 / bbl	0.42%	-5.23%
NYMEX RBOB Gasoline	$2.15 / gallon	0.61%	-13.26%
ICE Gas Oil	-	-	-
NYMEX Natural Gas	$3.04 / mmBtu	-0.10%	-32.11%
Spot Gold	$1,954.23 / ounce	-0.20%	7.12%
TRPC coal API 2 / Dec, 23	$107.5 / tonne	-1.83%	-41.81%
Carbon ECX EUA / Dec, 23	€77.20 / tonne	1.98%	-8.06%
Dutch gas day-ahead (Pre. close)	€42.65 / Mwh	-3.46%	-43.56%
CBOT Corn	$4.83 / bushel	0.10%	-28.72%
CBOT Wheat	$6.04 / bushel	-0.37%	-24.10%
Malaysia Palm Oil (3M)	RM3,794 / tonne	1.36%	-9.10%
Index (Total Return)	**Close 09 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	310.02	0.01%	2.88%
Rogers International	27.66	-0.04%	-3.51%
U.S. Stocks - Dow	33,891.94	-0.65%	2.25%
U.S. Dollar Index	106	0.30%	2.31%
U.S. Bond Index (DJ)	394.75	-1.00%	1.60%

Picture of the Day



A view shows solar panels of the 192 megawatt peak (MWp) floating solar power plant built on Cirata dam, that was developed by PLN Nusantara Power, a unit of Indonesia's state utility company Perusahaan Listrik Negara (PLN) and United Arab Emirates renewable energy company Masdar, a unit of Mubadala Investment Company, in Purwakarta, West Java province, Indonesia, November 9. REUTERS/Willy Kurniawan

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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