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Top News - Oil

EXCLUSIVE-Russian oil cap doubts spur insurer fears of ships left at sea

Oil-laden tankers risk being left languishing at sea if insurers do not urgently get clarity on an unfinished G7 and European Union plan to cap the price of Russian crude, two senior industry executives told Reuters.
The Group of Seven (G7), which includes the United States, Britain, Germany and France, agreed in September to enforce a low price on sales of Russian oil. U.S. officials said the move, which is due to start on Dec. 5, was aimed at allowing it to continue to flow, heading off a potential price shock after total EU bans were ratified in June.
And with just three weeks to go, time is running out to fully convince the shipping services industry it will work.
Concerns are centred around a scenario in which insurers discover that oil in transit at sea, which was believed to have been sold below the price cap, was in fact sold above it.
This would trigger the withdrawal of insurance cover as well as a refusal by buyers to accept delivery, leading to financial and logistical headaches and risking environmental dangers.
"If the time is too short, I think everyone will have a Plan B to de-risk, terminate, stay away, not maybe conclude any new contracts until there is some clarity," said George Voloshin, Global Anti-Financial Crime Expert at ACAMS, the Association of Certified Anti-Money Laundering Specialists which consults with oil industry bankers, traders and insurers.
If insurance was withdrawn mid-voyage, buyers and traders would have to figure out what to do with a stranded cargo potentially exposed to sanctions, complicating a strategy to deprive Russia of funds over its invasion of Ukraine.
"It will probably be quite messy," Voloshin said.
A European Commission official said the EU is aware that much more additional detail will be needed as time runs short for businesses to learn about their obligations, but that the issue must be dealt with at the G7 level.
The official spoke to Reuters on condition of anonymity because they are not authorized to speak about the matter. U.S. State Department Ambassador James O'Brien, who heads the coordination of sanctions against Russia, said G7 countries will be ready with all the operational details and that technical talks were underway on pricing and governance.

'SANCTION ISLANDS'

But if information gaps remain on the cap, it is possible oil -filled tankers could be left without insurance and marooned near ports, posing a major safety issue for nearby countries in the event of a spill, as well as any cleanup costs.
"In that situation, the vessel will go off risk and financial and technical services will be withdrawn and no one is going to take delivery of the cargo," Mike Salthouse, head of claims at British-based global ship insurer North, told Reuters.
"This would be a bad development as no one will want uninsured ships sitting off coasts," he added.
Salthouse said an owner of a ship which was potentially not earning anything for many months "will price that into any decision they make about carrying cargo in the future", adding that this was likely to act as a disincentive.
"If that happens too often, it will run contrary to what the EU/G7 Coalition is trying to achieve."
Although the EU ratified the price cap last month, insurers point to still unpublished legal details which must align with incomplete but more detailed U.S. Treasury guidance, especially over guarantees that insurers will not face surprise obstacles in the middle of a ship's voyage.
"We need regulation in the G7 community which is similar, that is, the U.S. - where we have interim guidelines in the meantime - the U.K. and the EU," said Lars Lange, secretary general of the International Union of Marine Insurance (IUMI).
"We fear that if we get different regulations from these three 'sanction islands' we will struggle to comply with all at the same time," Lange said, adding that any vessels which are spurned by ports pose serious consequences.
The IUMI and the separate International Group insurance association have let G7 and EU governments know that their guidelines must include guarantees that the proof that a Russian cargo was sold in line with the cap is all that an owner is required to check before agreeing to load and carry the cargo.

India's Iraqi oil imports fall to lowest in 20 months - trade sources

India's oil imports from Iraq plunged to a 20-month low in October as refiners continued to buy discounted Russian barrels and boosted purchases of West African crude, preliminary tanker arrival data obtained from trade sources showed.
The world's third-biggest oil importer and consumer bought 907,500 barrels per day (bpd) of oil in October from its top supplier Iraq, a decline of 9.6% from a year earlier and the lowest since February 2021, the data showed.

India's oil imports from No. 2 supplier Russia also slowed in October as Nayara Energy, part owned by Russian oil major Rosneft, reduced purchases ahead of maintenance at its refinery from this month, the data showed.
Refiners in India have been snapping up Russian barrels at a discount after some Western governments shunned purchases from Moscow following its late-February invasion of Ukraine.
New Delhi has not yet publicly condemned Moscow's special military operation in Moscow and has maintained that Asia's third-largest economy needs cheaper oil to cut its import bill and shield customers from high energy costs.
India will continue to buy Russian oil as it benefits the South Asian nation, foreign minister S. Jaishankar said on Tuesday, days ahead of the U.S. Treasury Secretary's visit to New Delhi for talks on issues including a cap on Russian oil prices.
Overall, India shipped in 4.48 million bpd of oil in October, up 14.6% from September, when imports were low due to maintenance work at some refineries.
"Iraq and Saudi supplies to Europe have gone up significantly, which leaves lower volume to Indian refiners for whom Iraqi crude was proving to be exceptionally expensive compared to Russian oil," said Ehsan Ul Haq, a Refinitiv analyst.
India's imports from Saudi Arabia, which remained its No. 3 supplier, fell to a four-month low of 661,400 bpd in October, the data showed.
A narrower price spread between Brent and Dubai, also known as Exchange For Swaps, in August and September offered some Indian refiners an opportunity to buy better quality West African grades, said Haq.
West African oil is priced against Atlantic Basin benchmark dated Brent, whose values have narrowed against Middle East marker Dubai.
The Middle East's share in India's overall monthly imports fell marginally to 55%, while that of C.I.S. nations reduced to about 22.5% from 28%. In contrast, African grades accounted for about 12% of India's imports, rising from 7%.

Top News - Agriculture

India weighs steps to cool record wheat prices, government sources say
Soaring wheat prices in India could prompt price-cooling measures such as the release of state reserves into the open market while axing the 40% tax on imports, trade and government sources said on Thursday.
The government has been trying to rein in food inflation, but its efforts have been complicated by wheat prices that have climbed to record highs.
Stung by a sudden drop in crop yields, India banned exports of the grain in May.
Market arrivals from the previous harvest, meanwhile, have slowed to a trickle as farmers have run out of stocks, growers and traders said.
Local wheat prices jumped to a record 26,500 rupees ($324.18) a tonne on Thursday, up nearly 27% since the May ban on exports.
"Demand is robust, but supplies are dwindling," said Mansukh Yadav, a wheat trader from the central Indian city of Indore. "Prices are rising and will remain firm until the new-season crop starts next year."
India, which is the world's second-biggest wheat producer but also the biggest consumer of the commodity, could consider offloading state stocks in the market for bulk consumers such as flour and biscuit makers to reduce prices, government sources said.
"We are monitoring the price situation closely and we will intervene," said one of the sources, who asked not to be identified so not to breach official rules. "The key question is how much stock do we need to release."
Traders said New Delhi could not release massive stocks owing to low inventories.
At the start of October wheat stocks in state warehouses totalled 22.7 million tonnes, down from 46.9 million tonnes a year earlier, after 2022 domestic wheat purchases fell 57%.
The government could also drop the 40% wheat import tax, the sources said.
"The rise in prices confirms traders' estimate of this year's production of around 95 million tonnes, far lower than the government's projection of 106.84 million tonnes," said an employee at a global trading company.

Ukrainian farmers turn to UN-supplied grain sleeves to save their business
On a crisp and sunny November morning, Ukrainian farmers lined up to collect U.N.-supplied grain sleeves to store crops over winter as the country faces a significant shortage of storing capacity caused by Russian shelling.
Ukraine has said it may lack up to 15 million tonnes of regular grain storage capacity this season to store its 60 million- to 65 million-tonne grain and oilseed harvest after a large number of silos were destroyed or damaged during the hostilities.
The United Nations Food and Agriculture Organisation (FAO), says it has secured over 30,000 bags which will help to alleviate the storage deficit by 6 million tonnes.
Over 7,500 bags have already been given to 356 farms.
Nearly 1,500 farms across Ukraine are being given the sleeves. Each of them can hold around 200 tonnes of grains for up to nine months.
The sleeves, which are 60 metres (197 feet) long and 2.7 metres (8.9 feet) wide, are loaded by a machine which slowly stretches the bag out across the ground while pouring in grain which comes from a separate trailer.

Local grain prices have fallen after Russia's Feb. 24 invasion of Ukraine, and Ukrainian farmers say they face difficulties exporting and high costs because of power outages after Russian missile and drone attacks on energy facilities.
"We are trying to encourage (farmers) to keep the grain and wait for a better price... This is important for their economy, they need money," said the FAO's spokesperson in Ukraine, Viktoria Mykhalchuk.
Volodymyr Tsekhmister, who tends 2,000 hectares (4,940 acres) of land in the Kyiv region, said he was picking up 76 bags to store corn, as low market prices were forcing him to wait.
"At this time in previous years, we would have fully sold (our crops), but today a very high percentage of our production is not yet sold... Last year's harvest still hasn't been sold," he said.
Lyudmylla Martyniuk, director of another farm Kivshovata Agro, which tends 2,300 hectares (5,680 acres) of land in the Kyiv region, echoed these sentiments while collecting 39 bags to store corn. "Prices for diesel, petrol and spare parts have grown, while prices for our produce, for wheat, corn, they have decreased significantly," she said.

Top News - Metals

Australia extends $165 million in loans to local lithium miner
Australia will provide up to A$250 million ($164.95 million) in long-term financing to support the expansion of a Pilbara Minerals hard rock lithium mine in Western Australia state.
The 10-year debt facility will go toward expanding mining and processing at the Pilgangoora project, which sits on one of the world's largest lithium ore deposits, according to the company's website.
"The global path to net zero runs through the Australian resources sector and producing battery materials is a vital contributor to a lower carbon economy," resources minister Madeleine King said in a statement.
Roughly 40% of the funds will go to adding 100,000 tons per year of spodumene concentrate production at the

Chart of the Day

Europe's gas price rollercoaster

Europe is paying close to five times more for gas than the United States

Source: Refinitiv Datastream | Reuters, Nov. 8, 2022 | By Vincent Flasseur

miner's Pilgan plant. The remainder will go to replacing a crushing and ore sorting facility and funding future expansions.
The facility consists of two loans -- A$125 million from Export Finance Australia and A$125 million from the Northern Australia Infrastructure Facility (NAIF). The latter is subject to final approval from the Western Australian state government.
"We look forward to continuing to work with the Australian Government as we pursue our growth and diversification strategy to further realise our ambition to become a fully integrated, sustainable battery materials supplier," said chief executive Dale Henderson in a statement posted to the stock exchange.
Australia, the world's biggest producer of rare earths outside of China, has been pouring money into diversifying procurement of critical minerals amid souring relations between Western governments and Beijing.
In September the federal government approved A$50 million in grants to six critical minerals projects, including an electric battery grade graphite business.

Petra Diamonds' Tanzania mine ops suspended for three months

Petra Diamonds has suspended operations at its Williamson mine in Tanzania for up to three months after a wall of the tailings dam at the site was breached earlier this week, the company said on Thursday.
Petra Diamonds, which operates three mines in South Africa as well as Tanzania's biggest diamond mine, said there had been no fatalities as a result of the incident and three minor injuries had been reported, adding a probe was underway to establish the cause of the breach.
A total of 13 dwellings have been affected by the breach, with those impacted getting aid and accommodation, Petra added.
The company said it would bring forward a planned maintenance programme to minimise the impact of lost production.
Petra owns 75% of the Williamson mine, with the rest held by the Tanzanian government. The mine produced 228,070 carats of diamonds in Petra's financial year to June 30, generating $76 million in revenue.
Faults with tailings dams - large embankments built to store mine waste - have caused several environmental disasters and fatalities, the worst of which was a dam collapse that killed 270 people in January 2019 at Brumadinho in Brazil.
A tailings dam collapse at a disused South African diamond mine on Sept. 11 killed at least one person and injured scores of others, putting the spotlight on how mines across the world are managing their waste.

Top News - Carbon & Power

EXCLUSIVE-Energy firms' multi-trillion derivative bets under ECB scrutiny -sources

The European Central Bank is examining the use of derivatives by energy companies to make huge bets on future power and fuel prices, to see if such activity poses a wider risk to financial stability, three people familiar with the matter said.
Two of the people said the inquiry was prompted by Germany's rescue of top gas importer Uniper, which like other energy firms hedged its exposures with derivatives worth tens of billions of euros, far outstripping the value of the energy it sold.
The ECB's move is the first major effort in Europe to identify whether the use of derivatives by power companies poses a wider financial threat, and exposes the largely unregulated trading, which totals trillions of euros, to rare scrutiny.
One of the people said ECB officials had initially been concerned that energy companies were acting as de facto traders but without the regulatory oversight applied to banks, which are required to hold cash buffers against potential losses.
But there was also a wider question for the officials: could the energy companies' use of such complex instruments threaten financial stability?
So the ECB has widened its scrutiny to examine potential domino effects, including on the banks which it supervises.
The ECB, the euro zone's primary financial authority and guarantor of financial stability, declined to comment. It will outline some of its findings in the coming days, two of the people said.
One of the people said derivatives posed a risk because of the regular demands for lodging cash security to underpin trades, so that trading by energy firms could also damage banks.
ECB officials have discussed Uniper's use of derivatives, two of the people said, and whether that compounded its problems when Moscow turned off gas supplied to Germany through the company in response to Western sanctions over Russia's invasion of Ukraine.
Earlier this month, Uniper revealed a 40 billion euro ($39 billion) loss for the first nine months of this year, the biggest in German corporate history.
As gas prices soared this year, some traders and banks lobbied the ECB to help brokers and clearing houses, as they grappled with a liquidity crunch that Equinor, Europe's top gas trader, estimated at 1.5 trillion euros.
While ECB President Christine Lagarde said the ECB stood ready to provide liquidity to banks, she said it would not do the same for energy firms.

However, central banks could, indirectly, be left on the hook as they act as a lender of last resort, said one person, meaning they could extend credit to banks, who would then lend on to energy companies to cover trades.
Germany's financial regulator BaFin said that the risks in derivatives trading by energy companies has long been under scrutiny and warned that any such company that had not applied for the relevant financial licence was breaking the law.
"Energy companies pose specific risks not only to financial stability. They are often also of systemic importance for the economy as a whole," a BaFin spokesperson said.
"We are therefore in close dialogue with energy supervisors to address all kinds of risks," the spokesperson added.
Policymakers in Brussels are also concerned and circulated a paper this week suggesting extending tough rules applied to banks to energy firms that trade derivatives.
In the document seen by Reuters, they say applying stricter controls would prevent "that risks spread from the real economy to the financial sector".

MARGIN CALLS

Energy companies are known for buying and selling oil, gas and electricity rather than trading derivatives, such as an option to buy or sell gas at a fixed price in the future.
They say derivatives are chiefly to hedge or protect themselves against swings in prices. If the market price falls far short of or soars past an option price, the cost of keeping this trade can jump for both sellers and buyers.
To ensure that deals are not derailed by price movements, traders lodge security, often cash, with clearing houses processing the deals. With recent price spikes, the demands for such 'margin calls' rocketed.
A Uniper spokesperson said its problems resulted from the spike in gas prices, which determined the cost of its rescue.
But Uniper's financial statements gave a glimpse of the scale of losses linked to derivatives as prices gyrated.
The company said it had made a series of writedowns and adjustments, including a 3 billion euro writedown on derivatives and a 9 billion euro loss from derivatives used for hedging.
Uniper said there had been an 11 billion euro impact on profit from 'remaining derivatives', something a spokesperson told Reuters was due to accounting rules, declining to outline the overall impact of derivatives.
Germany's economy ministry, which is finalising Uniper's nationalisation, said it could not comment on its business risks.
Rating agency Moody's, meanwhile, said that energy companies did not provide enough information about their derivatives.
"We are struggling to identify precisely what is linked to operational activities and what is linked to speculative trading," Knut Slatten, a credit analyst, told Reuters in comments on companies across the sector.
In a recent report on derivatives, Moody's addressed Uniper's case but also criticised RWE and E.ON.
"You rarely find information about counterparties. You can't really find much information about how long these hedges last for," Slatten said.
E.ON said it was transparent. RWE said its rating with Moody's was stable and that it was in contact about the impact of the Ukraine crisis, declining to give details of its hedging.

EXCLUSIVE-U.S. blocks more than 1,000 solar shipments over Chinese slave labor concerns

More than 1,000 shipments of solar energy components worth hundreds of millions of dollars have piled up at U.S. ports since June under a new law banning imports from China's Xinjiang region over concerns about slave labor, according to federal customs officials and industry sources.
The level of seizures, which has not previously been reported, reflects how a policy intended to heap pressure on Beijing over its Uyghur detention camps in Xinjiang risks slowing the Biden administration’s efforts to decarbonize the U.S. power sector to fight climate change.
U.S. Customs and Border Protection has seized 1,053 shipments of solar energy equipment between June 21, when the Uyghur Forced Labor Protection Act went into effect, and Oct. 25, it told Reuters in response to a public records request, adding none of the shipments have yet been released.
The agency would not reveal the manufacturers or confirm details about the quantity of solar equipment in the shipments, citing federal law that protects confidential trade secrets.
Three industry sources with knowledge of the matter, however, told Reuters the detained products include panels and polysilicon cells likely amounting to up to 1 gigawatt of capacity and primarily made by three Chinese manufacturers - Longi Green Energy Technology Co Ltd, Trina Solar Co Ltd and JinkoSolar Holding Co.
Combined, Longi, Trina and Jinko typically account for up to a third of U.S. panel supplies. But the companies have halted new shipments to the United States over concerns additional cargoes will also be detained, the industry sources said.
The sources asked not to be named because they were not authorized to speak publicly on the matter.
China denies abuses in Xinjiang. Beijing initially denied the existence of any detention camps, but then later admitted it had set up "vocational training centers" necessary to curb what it said was terrorism, separatism and religious radicalism in Xinjiang.
Neither China’s foreign ministry nor the China Photovoltaic Industry Association responded immediately to requests for comment.

Last month, Li Gao, the head of the climate change office at the Ministry of Ecology and Environment, said some countries "fabricate reasons to suppress China's photovoltaic enterprises...damaging the global collective effort to fight climate change".
In an email, Jinko said it is working with CBP on documentation proving its supplies are not linked to forced labor and is "confident the shipments will be admitted."
Longi and Trina did not respond to requests for comment.
The bottleneck is a challenge to U.S. solar development at a time the Biden administration is seeking to decarbonize the U.S. economy and implement the Inflation Reduction Act (IRA), a new law that encourages clean energy technologies to combat climate change.
Solar installations in the United States slowed by 23% in the third quarter, and nearly 23 gigawatts of solar projects are delayed, largely due to an inability to obtain panels, according to the American Clean Power Association trade group. ACP urged the Biden administration to streamline the vetting process for imports.
"After more than four months of solar panels being reviewed under UFLPA, none have been rejected and instead they remain stuck in limbo with no end in sight," it said in a statement. The UFLPA essentially presumes that all goods from Xinjiang are made with forced labor and requires producers to show sourcing documentation of imported equipment back to the raw material to prove otherwise before imports can be cleared.
CBP would not comment on the length of the detainments or say when they might be released or rejected.
"Ultimately, it is contingent upon how quickly an importer is able to submit sufficient documentation," CBP spokesperson Rhonda Lawson said.
Longi, Trina and Jinko source most of their polysilicon from U.S. and European suppliers such as Hemlock Semiconductor, a Michigan-based joint venture between Corning Inc and Shin-Etsu Handotai Co Ltd, and Germany's Wacker Chemie, the industry sources said.
A Wacker spokesperson would not comment on the U.S. detainments but said the company sources quartzite from suppliers in Norway, Spain and France.
"Our procurement strategy gives us every reason to be confident that the products used in our supply chain are made in a manner that respects human rights," spokesperson Christof Bachmair said.
Hemlock said in a statement that it sources all metallurgical-grade silicon from suppliers using quartz mined in North and South America.
CBP has previously said that it had detained about 1,700 shipments worth $516.3 million under UFLPA through September but has never before detailed how many of those shipments contained solar equipment. The EU has also proposed a ban on products from Xinjiang but has not implemented one.

MARKET MONITOR as of 07:26 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$88.49 / bbl	2.34%	17.66%
NYMEX RBOB Gasoline	$2.61 / gallon	1.81%	17.24%
ICE Gas Oil	$1,008.75 / tonne	2.46%	51.24%
NYMEX Natural Gas	$6.23 / mmBtu	-0.16%	67.00%
Spot Gold	$1,759.86 / ounce	0.29%	-3.75%
TRPC coal API 2 / Dec, 22	$180 / tonne	-22.41%	46.34%
Carbon ECX EUA / Dec, 22	€73.84 / tonne	1.08%	-8.44%
Dutch gas day-ahead (Pre. close)	€87.15 / Mwh	-11.07%	31.05%
CBOT Corn	$6.59 / bushel	0.80%	11.00%
CBOT Wheat	$8.04 / bushel	-0.37%	4.25%
Malaysia Palm Oil (3M)	RM4,323 / tonne	3.47%	-7.96%
Index (Total Return)	**Close 10 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	304.26	0.85%	23.17%
Rogers International	30.80	-0.96%	32.16%
U.S. Stocks - Dow	33,715.37	3.70%	-7.22%
U.S. Dollar Index	107.83	-0.35%	12.36%
U.S. Bond Index (DJ)	382.52	2.26%	-20.75%

Top News - Dry Freight

Japan buys 94,603 tonnes of food wheat via tenders
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 94,603 tonnes of food-quality wheat from the United States and Canada in regular tenders that closed on Thursday.
Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of the country's second most important staple behind rice and buys the majority of the grain for milling via tenders typically issued three times a month.

UK's Liverpool port workers agree pay deal and end strike
Around 600 workers at Liverpool port, one of Britain's busiest ports, will end strike action after agreeing a pay deal with employer Peel Ports, the Unite union said on Thursday. Unite said workers had voted "overwhelmingly in favour" of pay rises worth 14.3%-18.5% negotiated earlier this week, ending a wave of strike action that began on Sept. 19. The port in Liverpool, northwest England, handles more than 70 million tonnes of cargo from across the globe, according to Peel Ports.

Picture of the Day

A worker burns cotton plants damaged by rain water and floods to prepare the soil for the next crop, following monsoon season in Kunri, Umerkot, Pakistan. REUTERS/Akhtar Soomro

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(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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