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Top News - Oil

COLUMN-China's weak crude imports, Trump risks give OPEC+ headaches: Russell

The scale of OPEC+'s China problem is evident in yet another month of weak crude oil arrivals, with the world's biggest importer recording a sixth consecutive decline in October.
Customs data last week showed imports of 44.7 million metric tons in October, equivalent to 10.53 million barrels per day (bpd), down from 11.07 million bpd in September and 11.53 million bpd in October last year.
For the first 10 months of the year China's imports were 10.94 million bpd, down 3.7% on a per day basis from the 11.36 million bpd for the same period in 2023.
That decline of 420,000 bpd in China's imports is a massive headache for the Organization of the Petroleum Exporting Countries (OPEC) and their allies, including Russia, in the wider OPEC+ group.
In OPEC's latest monthly report the group cut its forecast for China's oil demand growth to 580,000 bpd, down from a peak expectation of 760,000 bpd in the July report.
But even the lowered forecast seems wildly out of whack with the reality of China's stumbling imports.
Of course, there is a difference between imports and total demand, which also includes domestic crude output and changes in inventory levels.
China's domestic production has grown slightly over 2024 so far, and while the country doesn't disclose inventory levels, it's certain that they have been building stockpiles given that the volume of crude refined is well short of the total available from imports and local output.
It's also worth noting that it's the volume of imports from the seaborne market that will have the largest bearing on crude oil prices, and that feeds directly into OPEC+'s production policy.
The eight members of OPEC+ said on Nov. 3 that they will push back their planned increase of 180,000 bpd in December by another month. The group had been due to raise output in December as part of a plan to gradually unwind a total of 2.2 million bpd of production cuts over 2025.
OPEC+ has been consistent in signalling that it will only ease output curbs when the market demand is there, so delaying the December plan was expected.
But the problem for the group is that it's hard to see China's crude demand recovering strongly while the world's second-biggest economy struggles for growth momentum and oil prices remain higher than the global economic conditions most likely warrant.
Benchmark Brent futures have traded in recent weeks in a range between $70 and $80 a barrel, and have generally trended lower since the high so far in 2024 of $91.95 on April 15. But the price also remains well above where it would be if OPEC+ members weren't restricting output as much as they are.

TRUMP IMPACT

The geopolitical tensions in the Middle East as Israel battles against Iran and the militants it backs such as Hamas and Hezbollah are also adding a risk premium into the price of oil.
The number of risks for the crude oil market have also been increased by the election of Donald Trump to a second term as U.S. President.
There is considerable uncertainty as to how much of Trump's rhetoric on the campaign trail will translate into actual policies, and some of them may exert contradictory influences on oil supply and prices.
Trump is in favour of loosening regulations on the oil sector and encouraging higher U.S. output, something that would be bearish for prices.
But with U.S. crude production already around record levels, there are questions as to whether the industry can pump more, and even if they could, would they want to given that this would lower prices and profits for their shareholders.
Trump also says he will bring peace to the Middle East, without presenting any details as yet. Assuming he can, this is also bearish for oil prices.
But at the same time Trump also wants to go hard against Iran over its nuclear programme, and any effective tightening of sanctions and rising tensions would be bullish for prices.
But the main risk of a Trump presidency is his stated intention of imposing tariffs of 10%-20% on all imports into the United States, and up to 60% on those from China.
If this includes crude it will hurt the margins of U.S. refiners that process imported oil, but it will also potentially harm U.S. exports of crude and refined products if other nations retaliate with tariffs of their own.
A new trade war with China would also likely hurt economic growth in China, delaying any recovery in crude oil demand.
The opinions expressed here are those of the author, a columnist for Reuters.

EXCLUSIVE-Biden administration buys last oil for emergency reserve as fund taps out

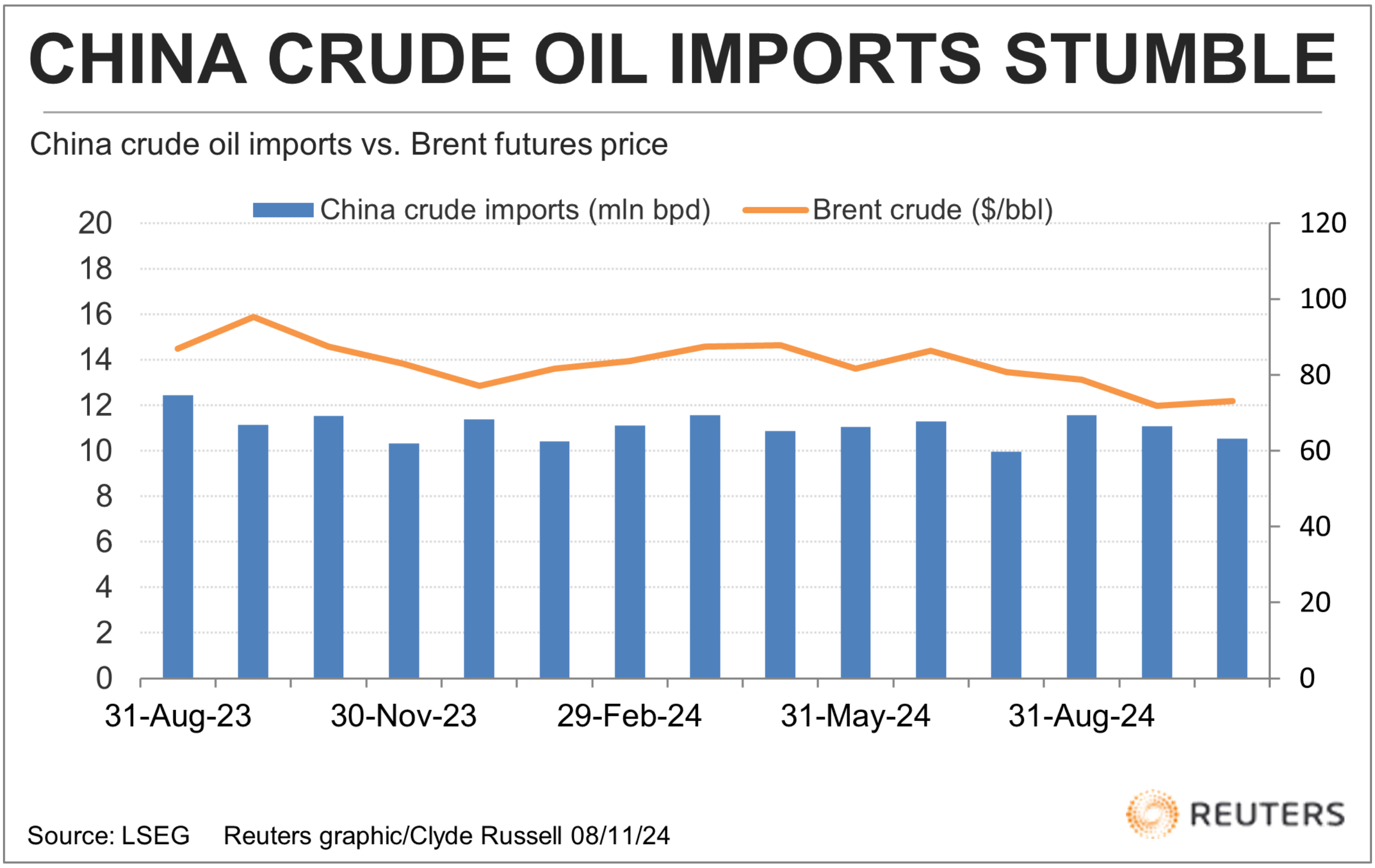
The Biden administration said on Friday it has bought its last batch of oil for the Strategic Petroleum Reserve after selling a record amount from the facility in 2022 to counter fuel prices that had risen after Russia's invasion of Ukraine.
The Department of Energy said it had bought 2.4 million barrels of oil for the reserve for delivery from April through May to the SPR's Bryan Mound, Texas site.
The purchase depleted the department's fund to buy back more oil for the reserve, it said. The 2022 sale of 180

million barrels of crude had raised nearly $17 billion in emergency revenue for buybacks, but Congress had rescinded about $2.05 billion to help offset the national deficit.
The Biden administration has bought back 59 million barrels after the 2022 sale at an average price of less than $76 a barrel, far lower than the $95 a barrel it sold oil in 2022. That resulted in a profit of about $3.5 billion, the DOE said.
U.S. Secretary of Energy Jennifer Granholm said the effort cements the administration's "commitment of putting the economic and energy security of the American people first with actions that steadied prices at the pump, provided certainty to industry, and maintained the SPR as the world's largest supply of emergency crude oil."
The Biden administration also worked with Congress to cancel congressionally-mandated sales of 140 million barrels of SPR oil through 2027 that both Democratic and Republican lawmakers had voted for.
President-elect Donald Trump, a Republican, will have to work with Congress to replenish the department's purchasing fund. Trump has said he would put oil into the SPR.
The 2022 sale of 180 million barrels over six months was the biggest sale ever from the SPR. It helped to counter U.S. gasoline prices that spiked to record prices of more than $5 a gallon in June, 2022.
It also sank SPR levels to the lowest in 40 years of under 350 million barrels, sparking criticism from some lawmakers who said it cut into the U.S. energy security buffer. The SPR currently has nearly 390 million barrels. The most oil it ever held was nearly 727 million barrels in 2009.The U.S., however, is now the world's largest oil and gas producer, thanks to techniques such as fracking and horizontal drilling. It is more energy secure than in the mid-1970s, when Washington created the SPR, the world's largest emergency oil stash, after supply shocks including the Arab oil embargo.

Top News - Agriculture

West Europe sowings resume but delays dent wheat crop potential
Drier weather has sped up sowing campaign in western Europe possibly allowing the continent to avoid a repeat of one of the worst harvests in decades seen this year, analysts said. Field work has resumed in most parts of the bloc due to drier conditions in the last two weeks, and the trend is expected to continue in the coming 10 days, with warm conditions set to boost crop development.
Sowing delays have, however, already dented crop potential.
"It won't be a good year, that's pretty much certain," said Strategie Grains crop analyst Vincent Braak. In France, by far the European Union's largest soft wheat producer,

Chart of the Day



farmers had sown only 62% of the expected soft wheat area for by Monday, against 41% a week earlier, farm office FranceAgriMer said on Friday. That compared with 65% by the same stage last year and a five-year average of 77%.
"It has been complicated for farmers in many parts of Europe to find the optimal window for sowing because of the irregular rainfall, sometimes far too wet, sometimes far too dry," Braak said.
Strategie Grains has not given detailed EU grain production forecasts for 2025, but Braak expects soft wheat output to be about 1% above the 10-year average, provided there are no hiccups before harvest.
Soft wheat sowings would be 5% above the rain-hit crop last year at 21.45 million hectares.
Even with good weather conditions until harvest, he does not expect yields to be very good, citing poor implementation after sowing in some countries and revenue-hit farmers' tendency to cut costs on crop protection and fertilisers.

GERMANY, POLAND AND UK ALSO WET
In Germany, which also experienced a wet September and early October, farmers still expected to sow all winter grains and rapeseed they had intended, with the soft wheat area remaining in an average range, an analyst said. "Overall, Germany is not experiencing the problems feared following rain in France, and overall German planting has progressed well," he said.
"There have been local difficulties, but not on the serious scale seen last year."
He estimated that German farmers will sow about 2.7-2.8 million hectares of winter wheat for the 2025 crop, up from a rain-reduced 2.4 million hectares last season.
There were similar conditions in the UK, with drier weather in late October and early November, allowing farmers to catch up with winter crop sowings.
In Poland, the EU's third-largest wheat producer, crop condition was generally satisfactory, said Wojtek Sabaranski of analysts Sparks Polska.
"Very quick maize harvesting this year was conducive to winter crop planting for the 2025 harvest," he said.
Rapeseed crops, which were sown in the summer, were developing well in the two largest producers, France and Germany, analysts said.
September flooding in southern Poland meant that some rapeseed needed replanting, but the area is not seen as significant nationally.

India's rice inventories hit record high, triples govt target
India's rice inventories surged to an all-time high of 29.7 million metric tons in November, sources said on Friday, nearly three times the government's target, as export curbs imposed over the past two years bumped up local supplies.
Higher stocks would allow the world's biggest rice exporter to boost shipments without worrying about domestic supplies, which were limited last year and led New Delhi to restrict exports of all grades. Rice reserves in state granaries totalled 29.7 million tons at the start of this month, up 48.5% from a year ago, said the sources who did not wish to be named in line with official rules.
In the middle of overflowing grain bins, Indian farmers have gathered a record rice crop of 120 million tons from this year's summer season, which accounts for nearly 85% of total rice output.
As the new crop rolls in, stocks at the Food Corporation of India (FCI) - the state stockpiler - are set to increase further in the months to come, raising storage concerns in the world's second-biggest rice producer.
The FCI is expected to buy 48.5 million tons of the new summer-sown rice in the marketing year that began on Oct. 1, up from 46.3 million tons bought from farmers in 2023-24. "Rice stocks are substantially higher, and stock levels will go up only because of bumper production in the new season," a senior government official said.
This year's copious monsoon rains also prompted farmers to expand planting areas.
Concerned over patchy monsoon rains, India imposed export curbs last year. However, New Delhi allowed exports of all grades except 100% broken rice this year.
Removing export curbs would accelerate exports in the coming months and reduce the government's pressure to procure rice, said B.V. Krishna Rao, an exporter.
Farmers from India's breadbasket states of Punjab and Haryana complain that FCI has slowed down its purchases of the new season rice crop due to storage issues, forcing growers to wait at wholesale grain markets.Rice stocks have backed up at the wholesale markets, leading to losses for farmers, said Ramandeep Singh Mann, a farmer from Punjab. Farmers incur extra costs because they are forced to wait at the markets with their crops loaded onto tractor trolleys, and long delays in the open could also spoil the crop, Mann said.
"Seeing the delays in wholesale markets, some farmers have not even harvested their rice crop," said Devinder Sharma, an independent farm food policy expert. "The time is running out for harvests."

Top News - Metals

China opens up copper blending business to private firms, sources say
China has allowed more private firms to blend more polluting complex copper concentrates domestically as the country that smelts half the world's copper struggles to secure enough standard grades, three people with knowledge of the matter said.
That could significantly widen the scope of copper concentrates, which are currently subject to strict customs rules, that China can import. Its Ministry of Ecology and Environment did not immediately respond to a request for comment. China is the world's largest copper consumer but only the fourth biggest mined producer, meaning it has to import concentrate - a material produced from crushed copper ore which is later processed into refined metal - to meet its needs.
Its import standards allow only around 20% of the world's copper concentrates to be shipped into the country, with the remainder considered too polluting.
Only giant state-owned enterprises have typically been

allowed to buy and blend copper concentrates that contain more toxic chemicals like arsenic than standard grades. Foreign traders, also barred from processing polluting concentrates within China, have to blend concentrates in South Korea, Malaysia and Taiwan prior to sale to Chinese smelters.

But the government has granted at least three new licenses to private firms to process lower grades over the past few months as a shortage of standard copper concentrates worsened, three sources said.

One of them includes the new blending facility in Dalian port, the Liaoning provincial government of northeast China said on Nov. 1. China has rapidly expanded in copper smelting over the years, accelerating a global shortage of copper raw material and making concentrates costlier than ever. A lack of copper concentrates has already led to forced stoppages of some of China's most ambitious copper projects, including the postponement of Tongling Nonferrous's new plant to the second half of 2025. Around 3.2 million tons of new Chinese copper smelting capacity is also waiting to come online in the next five years, according to consultancy CRU.

ANALYSIS-New green steel firms could reap rewards as EU carbon tariffs loom

On Thailand's eastern coast, plans are underway to build an electric arc furnace that will deliver green steel to Europe and benefit from contentious new rules that will force buyers to pay tariffs on high-carbon imports. Governments and industry associations in Asia have lobbied ferociously against Europe's Carbon Border Adjustment Mechanism (CBAM) and it could cast a shadow over COP29 climate talks in Baku, Azerbaijan, next week, with China and others calling for an end to green trade barriers.

CBAM was designed to stop European firms evading carbon compliance costs by sourcing commodities from regions with laxer environmental rules. Formally launched in 2023 as part of the European Green Deal, it will force importers to buy credits to cover the emissions of the steel, aluminium, cement, electricity and chemicals they buy from outside the EU.

From 2026, CBAM will start imposing levies on steel production, a sector responsible for around 7% of global carbon dioxide emissions, and the levies will be fully phased in by 2034.

But while CBAM might price some manufacturers out of Europe, it will make cleaner but costlier technologies more competitive and open up the market for firms like Meranti Green Steel, which is building the Thai plant. "We see (CBAM) as an opportunity," Meranti's chief executive Sebastian Langendorf told Reuters. "We do believe that new, focused green steel players have an advantage: we have no CO2 legacy."

The EU imported 16 million tons of finished steel products

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.18 / bbl	-0.28%	-2.05%
NYMEX RBOB Gasoline	$1.99 / gallon	0.08%	-5.38%
ICE Gas Oil	$670.25 / tonne	0.26%	-10.72%
NYMEX Natural Gas	$2.82 / mmBtu	5.77%	12.29%
Spot Gold	$2,670.15 / ounce	-0.51%	29.46%
TRPC coal API 2 / Dec, 24	$120 / tonne	0.63%	23.71%
Carbon ECX EUA	€67.31 / tonne	-1.04%	-16.25%
Dutch gas day-ahead (Pre. close)	€41.72 / Mwh	1.63%	30.99%
CBOT Corn	$4.43 / bushel	-0.28%	-8.47%
CBOT Wheat	$5.79 / bushel	-1.53%	-9.54%
Malaysia Palm Oil (3M)	RM5,084 / tonne	-0.33%	36.63%
Index	**Close 08 Nov**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	336.55	-1.57%	11.66%
Rogers International	28.01	-0.23%	6.38%
U.S. Stocks - Dow	43,988.99	0.59%	16.71%
U.S. Dollar Index	105.12	0.12%	3.74%
U.S. Bond Index (DJ)	442.28	0.48%	2.68%

LSEG DATA & ANALYTICS

from Asia in 2023, with mills from South Korea, Japan, Taiwan, China, India and Turkey competing in a highly price-sensitive market.
CBAM has helped turn low-carbon production into a "market differentiator", said Antonio Della Pelle, senior operations manager at the World Bank's International Finance Corporation, which is investing $60 million in a green steel plant in Indonesia.

TWO-TIER MARKET
Singapore-headquartered Meranti is investing $2 billion in a 2.5 million metric ton-per-annum electric arc furnace in the Thai city of Rayong that will start producing greener steel in 2028.
Up to 70% of its products will be exported to Europe in the first phase, and it has already signed six EU-focused offtake agreements, Langendorf said.
Emissions at the plant are expected to stand at around 600 kg per ton of steel, significantly lower than the 2,000 kg from coal-fired blast furnaces. Using current carbon prices, that could represent a 100 euro ($107.80) difference per ton of steel in the CBAM levy.
Meranti expects to take advantage of a European green steel supply gap likely to exceed 20 million tons by 2030 – as well as a green premium as high as $300 per ton - with rising carbon costs forcing old European blast furnaces to close.
Established players are also ramping up their green steel capabilities, including Indian steelmaker JSW, which is planning a 4 million ton per annum plant at Salav on the country's western coast.
"Obviously the CBAM and carbon tax regulations that are coming elsewhere are accelerating our decisions," said Prabodha Acharya, JSW's chief sustainability officer.
Once CBAM tariffs hit their maximum in 2034, JSW aims to produce all its exports to the EU in furnaces powered by renewables and using recycled scrap as feedstock, he said.
But unlike Meranti, only a small proportion of JSW's total output will be produced by lower-emission plants, and critics warn CBAM is creating a "two-tier market" allowing giant mills to produce green steel for Europe and dirty steel for everyone else. Proponents of CBAM argued that as well as tackling carbon leakage, it would also help encourage the decarbonisation of industries abroad, but under a two-tier market, firms could game the system, building only a limited amount of green capacity merely to serve Europe.
The two-tier loophole would narrow once CBAM-type regimes are introduced elsewhere. Britain is already set to implement its own carbon tariff mechanism in 2027, and Australia, Canada and the United States are considering similar moves.
The EU has also promised to assess the impact and extent of such "resource shuffling" in a review of CBAM to be delivered to the European parliament before January 2028.

TAKING ACTION
Though countries continue to complain about CBAM, they are also taking action to minimise its impact and even benefit from it.
According to a Reuters analysis of Global Energy Monitor (GEM) data, China now has 18 electric arc furnaces (EAFs) under construction, with total additional capacity of 18 million tons. Most are replacing higher-carbon plants, including blast furnaces. Two will be powered entirely by solar panels.
By contrast, South Korea is building one, and Japan none, which could explain why steelmakers from the two countries have been more vocal in their opposition to CBAM, according to InfluenceMap, an organisation that tracks lobbying activity.
Although it opposes CBAM, China has taken action to help firms comply with the scheme's disclosure requirements. The expansion of its carbon market to include steel and other commodities, a surge in renewable capacity, as well as soaring scrap recycling rates, could also help reduce China's exposure.
With around a quarter of its steel exports now going to Europe, India is also building six new EAFs with more than 6 million tons of capacity, according to GEM data.
In a sign that Indian businesses are coming to terms with CBAM, the Associated Chambers of Commerce and Industry of India said in August that it was an opportunity to develop stronger climate policies and ensure long-term competitiveness.
"We understand that taxes on carbon will increase, Europe might be the maximum but there will be taxes everywhere - tomorrow, in Australia, the UK, Canada, India," said JSW’s Acharya. "We accept that it is a reality."

Top News - Carbon & Power

UK energy regulator proposes new rules to cut backlog of projects awaiting grid link-up
Britain's energy market regulator on Friday proposed new regulations for grid companies to cut down the backlog of renewables projects waiting to connect to the grid.
In a consultation document, Ofgem said projects waiting to be connected has reached more than 730 gigawatts, well above the 220-225 GW of generation projects the National Electricity System Operator has estimated need to be connected by 2030.
Ofgem said as well as the queue being over-subscribed, the rate of growth and mix of energy technologies in the current queue do not align with Britain's future energy needs, with for example more storage and solar than will likely needed by 2050.
If approved, the new rules would slim down the volume of projects in the queue, with schemes prioritised if they can be operational within five years and contribute to the right mix of renewable generation types.
While network companies are handling a record number of connections, "tough but fair new regulations" are needed to stop timelines slipping to ensure they hit

deadlines, Ofgem said.
It proposes that grid companies could face stronger licences, financial penalties, and tougher enforcement if they don't hit stricter milestones and deadlines – with the tougher regime in place within 12 months.
The proposals are part of a consultation which Ofgem expects to respond to in the spring of next year.

Freeport LNG hits gas-processing record after plant overhaul
Freeport LNG drew record natural gas volumes on several days this week, according to financial firm LSEG, following completion of an overhaul that increased processing capacity.
Freeport LNG drew a record 2.414 billion cubic feet (bcf) of feedgas on Friday, preliminary LSEG data showed.
That volume continued a series of record gas pulls that each topped the plant's prior record of 2.261 bcf, which was reached in April 2023.
Freeport LNG had announced in April that a debottlenecking intended to streamline processing likely would add an additional 1.2 million metric tons per annum (MTPA) of LNG capacity. The plant's capacity was then 15.3 MTPA.
A spokesperson declined to comment on Friday.
Texas-based Freeport LNG has suffered several outages, including one a week ago due to a power disruption. The outages have become less frequent in the last two months, LSEG data show.
"High feedgas is driven by the debottlenecking efforts in July coming to fruition and adding an additional 1.5 MTPA of capacity," researchers at financial firm Tudor Pickering Holt said on Friday.
Freeport exported 20 cargoes of LNG in both September and October from its Quintana, Texas, facility. In the first eight days of November, it exported 10 cargoes, according to LSEG data.

Top News - Dry Freight

South Korea's MFG bought around 65,000 metric tons feed wheat
South Korea's Major Feedmill Group (MFG) purchased about 65,000 metric tons of animal feed wheat in a private deal without issuing an international tender, European traders said.
One consignment was purchased at an estimated $261.80 a ton c&f plus a $1.50 a tonne surcharge for additional port unloading. It was believed to have been sold by trading house Olam for arrival in South Korea around Feb. 28, 2025.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
If sourced from the U.S. Pacific Northwest coast, Australia or Canada, shipment is between Jan. 15 and Feb. 15.
If sourced from the United States Gulf, the Black Sea region or European Union, shipment is between Dec. 25 and Jan 24.
If European shipments are routed via the Cape of Good Hope, a route often being taken to avoid attacks on ships in the Red Sea, shipment is between Dec. 11 and Jan. 10.
South Korean importers NOFI and FLC also bought feed wheat in two separate deals on Friday.

Indonesia may not import rice in 2025, says senior minister
Indonesia may not import rice in 2025, Zulkifli Hasan, a senior minister overseeing food affairs, said.
Indonesia's rice output is estimated to fall 2.43% this year to 30.34 million metric tons, due to a delay in planting and the harvest season after dry weather in 2023, the statistics bureau said last month.
Indonesia's rice imports have jumped in the past two years, reaching over 3 million metric tons each year.
Zulkifli told reporters that if imports were needed it would likely be a small amount of rice, depending on supplies, and some of this year's import allocation that cannot be delivered would be carried over into next year.
The Southeast Asian country aims to import up to 3.6 million tons of rice this year. It also plans to open between 750,000 hectares and 1 million hectares (1.85 million acres and 2.47 million acres) of new rice fields in 2025 to achieve President Prabowo Subianto's target of food self-reliance.

Picture of the Day

The chimney of an old heating and power plant, Moorburg, is demolished as part of its transformation to provide an infrastructure for green hydrogen in the future, in Hamburg, Germany, November 10. REUTERS/Fabian Bimmer

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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