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

Top News - Oil

Oil flows on Druzhba pipeline suspended in parts of Eastern Europe

Oil supply to parts of Eastern and Central Europe via a section of the Druzhba pipeline has been temporarily suspended, according to oil pipeline operators in Hungary and Slovakia.

The extent of the disruption was not immediately clear, and came concurrent with an explosion in a village in eastern Poland near the Ukrainian border that raised alarm among NATO countries.

Hungary's MOL said its Ukrainian partner told the company that a Russian rocket hit a power station close to the Belarus border that provides electricity for a pump station, and this led to the stoppage. Slovakia's Transpetrol confirmed the suspension as well, citing "technical reasons on the Ukrainian side" but did not specify a rocket strike.

The Druzhba pipeline network originates in Russia and splits in Belarus into Ukraine, where it splits again, supplying several countries in Eastern and Central Europe that depend on that oil, including refineries in landlocked Hungary, Slovakia and the Czech Republic.

"The reason for the suspension of supplies has not yet been officially confirmed by the Ukrainian side," said Transpetrol in a statement, adding that it expects to have more information about the cause of the shutdown by Wednesday.

Czech pipeline operator MERO has not observed disruptions so far in the flow of oil through the Druzhba line, a spokeswoman said on Tuesday. Polish pipeline operator PERN said late on Tuesday that oil is flowing normally via the Polish section of the line.

Hungarian Prime Minister Viktor Orban convened a meeting of the defence council on Tuesday after Druzhba shipments were suspended, Orban's press chief told state news agency MTI.

Russia's state-owned pipeline monopoly Transneft has been notified by Ukraine that the supply to Hungary was temporarily suspended, the RIA news agency quoted Transneft as saying.

Oil prices jumped on the news, with the Brent benchmark rising 0.8% on the day.

COLUMN-Oil investors set for supply fall to offset weak economy: Kemp

Investors expect a planned U.S. and EU price cap to disrupt Russia's crude exports by enough to offset the impact of an economic slowdown on oil consumption, boosting prices.

Hedge funds and other money managers bought the equivalent of 41 million barrels in the six most important petroleum futures and options contracts in the week ending on Nov. 8.

Fund managers have been large buyers of petroleum in five of the most recent six weeks, purchasing a combined 169 million barrels since Sept. 27.

In the most recent week, purchases were concentrated on the crude side in NYMEX and ICE WTI (+19 million barrels) and Brent (+10 million).

There was smaller buying in U.S. gasoline (+7 million barrels) and U.S. diesel (+4 million) and no change in European gas oil.

In total, funds have purchased 130 million barrels in crude contracts over the last six weeks, accounting for most of the petroleum buying since late September.

As a result, the combined crude position has climbed to 443 million barrels (39th percentile for all weeks since 2013), up from 314 million barrels (10th percentile).

The ratio of bullish long positions to bearish short positions has risen to 5.36:1 (62nd percentile) from 3.78:1 (37th percentile).

Positioning suggests most fund managers are bullish about the outlook for prices, but with only low levels of conviction.

Portfolio managers have re-entered the crude market even as the outlook for the economy and oil consumption has deteriorated:

- Scheduled output cuts by OPEC+ and disruption stemming from the price cap on Russia’s crude exports from Dec. 5 are expected to more than offset the reduction in forecast consumption.
- The current phase of the drawdown in the U.S. Strategic Petroleum Reserve (SPR) will be completed soon, reducing available crude supplies, unless further releases are ordered.
- Refiners are assumed to boost crude processing as they attempt to stabilise and then rebuild depleted inventories of diesel and other middle distillates, which will tighten crude supplies further.

For the time being, investors expect the tightening supply side to offset weakness from the demand side driven by the economic slowdown, supporting prices.

Top News - Agriculture

Russia wants no disruption of global food security efforts, official says

Russia wants no disruption of global food security efforts, Russia's deputy foreign minister said in an interview with the Izvestia daily, signalling that a deal allowing Ukraine to export grain via the Black Sea could be rolled over smoothly.

The deal is due to roll over on Nov. 19 unless there are objections. Moscow has said its agreement depends on provisions to ensure it can export its own grain and fertiliser despite the obstacles created by Western sanctions.

"We are people for whom the humanitarian dimension of the issue is not an empty word," Sergei Vershinin was quoted as saying in the interview released by Izvestia early on Wednesday.

Both Ukraine and Russia are major global grain exporters. Russia is the world's largest wheat exporter and a major supplier of fertilisers, crop and soil nutrients, to global markets.

If Western statements about exemptions from sanctions for Russia's food exports are put into practice, "everything would continue on normal terms" for the Black Sea grain deal, he said.

When asked if Russia would support Turkey's recent proposal to remove a time-frame from the deal, he said that the current duration period - 120-days - seems "justified."

Vershinin also said that the state lender Rosselkhozbank, which has been a main part of Russia's demands in the topic, was ready to provide guarantees for dealing with food and fertiliser transactions only if its access to the international SWIFT bank payments system was restored, Izvestia said.

USDA to consult exporters in early 2023 on new sales reporting system

The U.S. Department of Agriculture has no time frame for re-launching upgrades to its weekly export sales reports after a failed roll-out in August, and will spend the first quarter working with exporters to address any problems, a USDA official said on Tuesday.

Exporters are required by law to report sales of U.S. agricultural commodities to the USDA's Foreign Agricultural Service, which reports weekly export sales each Thursday.

The reports are closely watched by grain and livestock traders.

Technical problems forced the USDA to retract its first export sales report on the new system on Aug. 25, sending traders scrambling.

The agency then withheld further reports for three weeks, until Sept. 15, when the government resumed releasing reports through its legacy system.

In early 2023, the USDA plans to hold training webinars with exporters and collect feedback about the government's new 2.0 export sales reporting system, and resolve any issues before the government attempts another roll-out.

"We have yet to develop a time frame for another launch attempt for the 2.0 system, but we hope that much of the engagement with industry will occur in the first quarter of the next calendar year," Patrick Packnett, a deputy administrator with the Foreign Agricultural Service, said in an online USDA data meeting on Tuesday.

"We understand how important this data is to our agricultural stakeholders and we truly regret the lapse in data availability that resulted from the unsuccessful launch of the system," Packnett said.

The USDA plans to survey data users and test its new system with exporters before assessing when to schedule another launch, he said.

The government is also working on a way to offer a preview of the new export sales system, Packnett said.

He described the existing legacy system as "antiquated."

Top News - Metals

Indonesia proposes to Canada setting up OPEC-like group for nickel

Indonesia has proposed in talks with Canada establishing an OPEC-like organisation for nickel producing countries, the Southeast Asian nation's investment ministry said in a statement on Wednesday.

Indonesia and Canada are the first and sixth biggest nickel producers in the world, respectively.

The proposal was made when Indonesian Investment Minister Bahlil Lahadalia met Canada's International Trade Minister Mary Ng on Tuesday on the sideline of the G20 summit in Bali.

The minister raised the prospect of trying to "coordinate and integrate nickel policy" like the Organization of the Petroleum Exporting Countries (OPEC), the group of 13 oil-producing nations that often determine global output, the statement said.

Bahlil previously raised the idea of such a grouping in an interview with the Financial Times last month, though at the time he said Indonesia was still formulating a structure and had yet to approach other nickel producers.

In Wednesday's statement, Bahlil said a group of nickel producing countries could make sure that they get an optimal return from the electric vehicle (EV) industry, accusing countries where EVs are made of conducting protectionist trade policies.
"Through this collaboration, we hope that all nickel producing countries can benefit an evenly distributed value addition," Bahlil said.
Ng said, in the statement, the two countries could explore such collaboration and that both shared a vision on optimising natural resources in a sustainable way.
Indonesia is keen to utilise its nickel reserves to attract investment into metal processing and further down in the supply chain, including producing EV batteries and manufacturing EVs in the country.
Since 2020, Jakarta has banned exports of unprocessed nickel ore to ensure sufficient supplies for investors, which include major metal companies from China, as well as South Korean companies.
Indonesia's move to bar nickel ore export has sparked a trade dispute with the European Union. The World Trade Organization (WTO) is due to rule on the dispute in the current quarter, but Indonesian President Joko Widodo has said Jakarta has likely lost.

Chile's Escondida mine workers announce strike amid labor demands
Workers of Chile's Escondida mine, the world's largest copper mine, decided to go on strike on Nov. 21 and 23 due to labor demands, their union said on Tuesday.
Members of the union, Sindicato 1, had threatened to strike in early September as they expressed concerns over security in the mine, which led to inspections by government authorities.
Union members will stop operations in all their shifts during the strike but will provide minimum services, Sindicato 1, which represents more than 2,000 workers, said in a statement.
Infractions by Minera Escondida, which manages the mine and is controlled by BHP Group, have continued, with the company failing to adopt preventive measures despite security incidents, like fires, the union said in the statement.
The union said it notified the company of the strike.
Minera Escondida has denied the union's accusations.
The mining company and the union have faced off before, including in 2017, when workers went on strike for more than 40 days.

Top News - Carbon & Power

U.S. regulator releases report blaming Freeport LNG blast on inadequate processes
Federal pipeline safety regulators released on Tuesday a heavily redacted consultant's report that blamed inadequate operating and testing procedures, human error and fatigue for the June 8 explosion that shut Freeport LNG's export plant in Texas.
The Pipeline and Hazardous Materials Safety Administration (PHMSA) issued the report after Freeport disclosed earlier in the day a summary of the consultant's review. PHMSA said it accepted the redacted report but would later make its own determination on what to exclude.
The fiery explosion at the Texas Gulf Coast plant, the second-largest in the United States, caused global liquefied natural gas (LNG) prices to spike amid falling Russian supplies to Europe and other outages. Neither Freeport's statement on Tuesday nor the consultant's report indicated when the plant could restart.
The PHMSA said its investigation is ongoing.
Causes of the incident were deficiencies in valve testing procedures, failure to adjust alarms that could warn operators of rising temperatures during operations and operating procedures that allowed "operator discretion" to close valves that might cause LNG to be isolated in pipes, the report said.
It described a control room that did not adequately show when temperatures soared in the pipeline that breached.
Other alarms were "constantly indicating" on equipment out of service for years, leading to what some operators described as alarm fatigue.
"Severely damaged" electrical wiring likely ignited the released gas from the pipeline breach and led to fireball, the report said.
Freeport's statement said it has adopted procedural changes including enhanced safety valve testing processes and revised its control systems to alert operators about valve positions or temperature readings.
In August, Freeport announced plans to restart partial gas processing at the plant by early to mid-November and aimed to reach full capacity by March 2023. As of Monday it had not filed a full repair plan with the PHMSA, which must review and approve the company's plan prior to any restart.
Commercial processing likely could not begin until early next year , given the lack of a plan, time needed to review it and approaching U.S. holidays.
When fully operational, Freeport LNG processes about 2 billion cubic feet per day of natural gas and exports up to 15 million tonnes of LNG per year.

COLUMN-A gasier Asia would emit less CO2, but may lift global power costs: Maguire
Power producers across Asia that are looking to cut emissions are likely cheering the warmer reception that

delegates from the gas sector have received at this year's United Nations climate summit in Egypt.

Fossil fuel producers got the cold shoulder at previous rounds of climate talks, and have frequently been berated for being major contributors to the global climate crisis due to the pollution resulting from the fuels they extract and sell.

But several African nations made it clear at the ongoing COP27 talks in Egypt that they intended to develop their fossil fuel resources in order to alleviate local fuel shortages and develop critical export markets.

Climate activists hoping for cuts in fossil fuel use will be disappointed by plans to boost supply.

In top power-consuming region Asia, however, natural gas is viewed as a cleaner alternative to high-polluting coal, so the prospect of increased supplies from Africa will be welcome news.

CLEAR-CUT REDUCTIONS

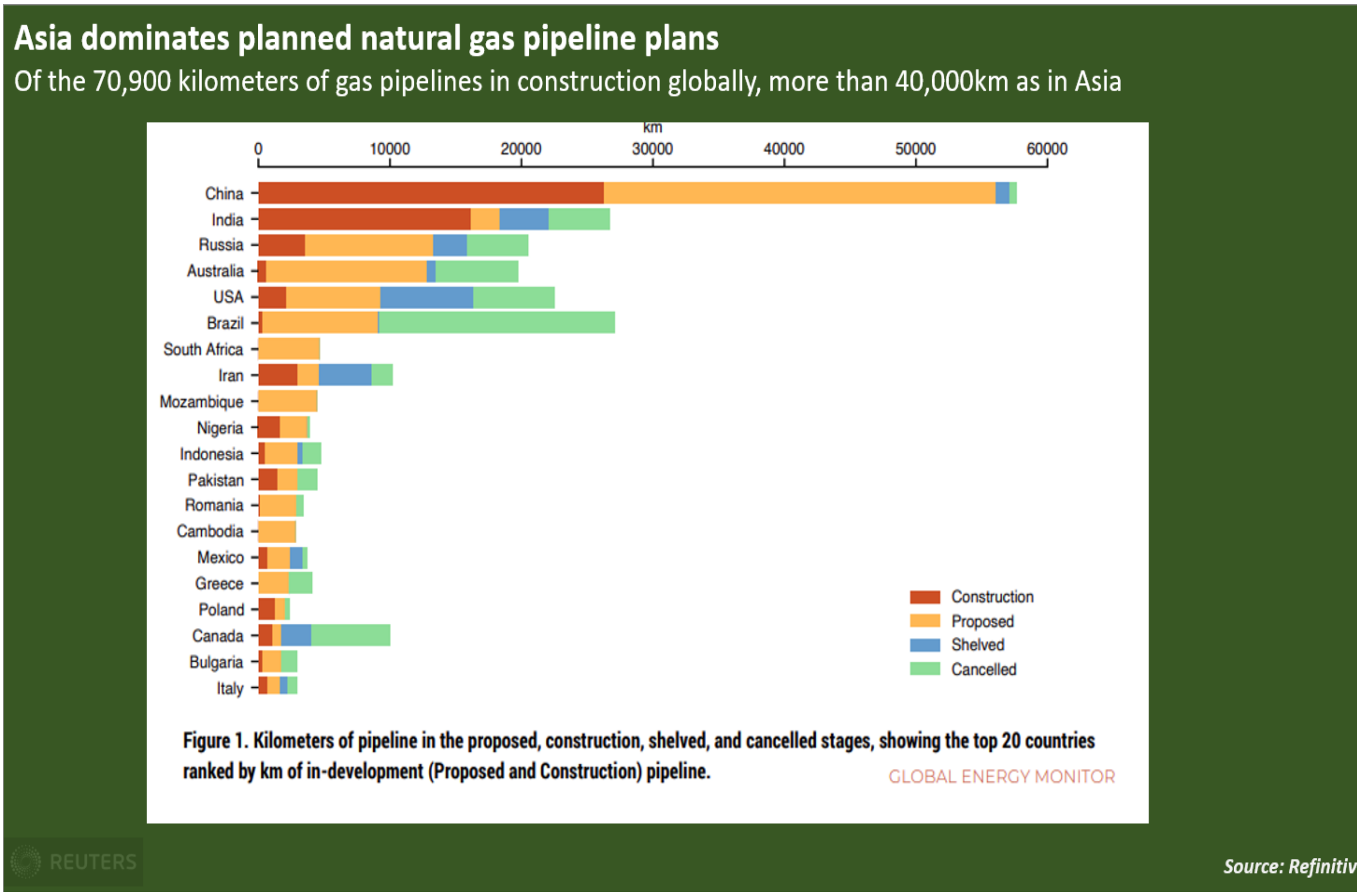
Natural gas emits roughly 40% to 50% less carbon dioxide than thermal coal per megawatt hour of power produced, according to data from energy think tank Ember.

Top polluter Asia relies on coal for roughly 57% of electricity production, BP Statistical Review of World Energy data shows, so switching out coal for gas offers a potential way for power producers there to cut emissions without drastically overhauling current power supply systems.

Power producers looking to make the switch from coal to gas can often replace the boilers and add gas turbines to existing power plants, thereby keeping much of their current power generation and distribution infrastructure intact.

In contrast, firms looking to develop large amounts of renewable energy capacity must frequently make costly alterations to the footprint of their energy installations, including securing land for solar or wind farms in remote locations and expanding their power grids to link that supply to consumer hubs.

Chart of the Day



HOOKED UP
A major capital-intensive aspect to the development of a gas-based power system is the need for an extensive pipeline system that can distribute the gas to where it is needed at the lowest possible cost.
Asia currently has a relatively sparse pipeline network compared with Europe and North America, with a vast majority of existing pipelines located in China and India.
However, power producers across the region are planning to expand existing networks and link major consumer hubs to distant suppliers.
According to a Global Energy Monitor study released in February 2022, more than 70,000 kilometres (43,000 miles) of gas pipelines are under construction globally, with more than 45,000 kilometres in Asia.
Countries across East Asia alone - including China - have committed close to $100 billion to construct the pipelines, which may take years to complete.

COLD FEET?
Global gas markets have been drastically disrupted by Russia's invasion of Ukraine since the Global Energy Monitor study was published, and surging gas prices have clearly cooled Asia's near-term appetite for gas in some areas.
However, many of the pipeline networks are already substantially constructed, and authorities in India and China in particular view the build-out of energy infrastructure as an essential component of broader economic competitiveness.
As a result, a majority of the planned pipeline projects are expected to be completed, especially those within China and India, which together accounted for 48% of Asia's gas consumption in 2021, according to BP.

RIPPLE EFFECT
As extensive as the planned pipeline network may be, none will likely directly link suppliers in Africa with consumers in Asia.
Instead, any exported gas from Africa will likely be fed into Southern Europe and the Middle East, displacing gas in those markets that in turn may be redirected to Asian consumers.
In addition, some of the gas that Russia formerly sent to Europe may be rerouted to Asian buyers, which are less likely than some of their European counterparts to reject Russian shipments on political grounds.
As Russian gas supplies are currently heavily discounted compared with gas from elsewhere in order to generate revenue for Moscow, any increase in Asian purchases may drain some of the cheapest gas off the global market and result in higher prices for other consumers.
Asian buyers are also likely to increase purchases of liquefied natural gas (LNG) as more coal powered plants across the region are shut down as part of broader efforts to reduce coal emissions. This combined increase in pipeline consumption and LNG imports into Asia will likely outweigh the impact of higher potential supplies out of Africa, and potentially result in a broad tightening in overall gas supplies even as alternative sources of power are rolled out. However, more Asian gas supplies and use will also allow power producers to lower emissions, which for many of the attendees of the COP27 talks is of greater consequence for global energy markets.

Top News - Dry Freight

EU 2022/23 soft wheat exports up 10% on year after weekly jump
European Union soft wheat exports so far in the 2022/23 season have reached 13.35 million tonnes, now nearly 10% ahead of last year's pace following a large volume last week, data published by the European Commission showed on Tuesday.
The total from the start of the season on July 1 until Nov. 13 was 9.5% above the 12.19 million shipped by the same week in 2021/22.
It also marked a bigger than usual 830,000 tonne weekly increase compared with the running total reported in the Commission's previous report.
EU exporting countries saw brisk demand at the start of the season amid war disruption to supplies from Ukraine and Russia, which traders say is continuing to be shipped.
A breakdown of the EU data showed France remained the leading EU soft wheat exporting country this season, with 5.46 million tonnes shipped, followed by Romania with 1.70 million tonnes, Germany with 1.56 million tonnes, Latvia with 1.14 million tonnes and Poland with 1.07 million tonnes.

Macron: France and Turkey will keep up work to allow Ukrainian grain exports
French President Emmanuel Macron on Tuesday said France and Turkey will keep working towards facilitating grain exports from Ukraine which were hit by Russia's invasion of Ukraine.
Macron made the remarks on Twitter, posting a photograph of a meeting with Turkish President Tayyip Erdogan at the G20 summit in Bali.
In a statement from the Elysee palace, Macron added that the two two presidents had reaffirmed their commitment to the sovereignty and territorial integrity of Ukraine and reiterated their "determination to continue to work for the export of Ukrainian grain for the benefit of world food security."

The statement also said that Macron is "counting on Turkey's vigilance to help fight against attempts to circumvent European sanctions put in place against Russia and Belarus."

MARKET MONITOR as of 07:25 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$86.04 / bbl	-1.01%	14.40%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.78%	12.03%
ICE Gas Oil	$986.75 / tonne	-0.35%	47.94%
NYMEX Natural Gas	$6.00 / mmBtu	-0.63%	60.75%
Spot Gold	$1,773.61 / ounce	-0.26%	-3.00%
TRPC coal API 2 / Dec, 22	$204 / tonne	13.33%	65.85%
Carbon ECX EUA / Dec, 22	€76.25 / tonne	-0.52%	-5.46%
Dutch gas day-ahead (Pre. close)	€116.00 / Mwh	5.45%	74.44%
CBOT Corn	$6.62 / bushel	-0.71%	11.59%
CBOT Wheat	$8.28 / bushel	1.19%	7.46%
Malaysia Palm Oil (3M)	RM4,026 / tonne	-0.98%	-14.29%
Index (Total Return)	**Close 15 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	306.86	0.79%	24.23%
Rogers International	30.56	-0.67%	31.13%
U.S. Stocks - Dow	33,592.92	0.17%	-7.56%
U.S. Dollar Index	106.45	0.04%	10.92%
U.S. Bond Index (DJ)	388.50	1.11%	-18.59%

Picture of the Day

A worker attends to machinery at a smelter plant at Anglo American Platinum's Unki mine in Shurugwi, Zimbabwe. REUTERS/ Philimon Bulawayo

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

Refinitiv
3 Times Square, New York, NY 10036