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Top News - Oil

Kremlin says OPEC+ cuts will kick in later, confirms Putin to visit Gulf

Oil production cuts agreed by the OPEC+ group will take time to kick in, the Kremlin said on Tuesday as it confirmed that President Vladimir Putin would visit the United Arab Emirates and Saudi Arabia on Wednesday.

Putin will also host Iranian President Ebrahim Raisi in Moscow the following day, Kremlin spokesman Dmitry Peskov said.

Russia cooperates with all three countries in the OPEC+ group of oil producers, which last week announced new voluntary supply cuts that were greeted with scepticism by the oil market because of doubts whether they would be implemented fully.

Oil prices fell 2% last week after the OPEC+ announcement, but Brent crude futures were firmer on Tuesday.

"There are certain processes of inertia in the oil market; it is very big and heavy. Therefore, sometimes the effect is delayed. Therefore, coordination will continue," Peskov said.

Asked if Putin would discuss oil market cooperation on his Gulf trip, Peskov said: "These discussions are held within the OPEC+ format, but of course, cooperation in this area is always on the agenda."

Separately, Putin's foreign policy adviser Yury Ushakov said Saudi-Russian cooperation within OPEC+ was "fruitful".

"Fairly close Russian-Saudi coordination in this format is a reliable guarantee of maintaining a stable and predictable situation in the global oil market," Ushakov was quoted as saying by Russian news agencies.

The Kremlin later confirmed that Putin would hold talks with Saudi Arabia's Crown Prince Mohammed bin Salman, the kingdom's de facto ruler, on cooperation within OPEC+.

Putin and the crown prince have developed close ties and were instrumental in forging the 2016 deal that formed the OPEC+ group comprising the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia.

SUPPLY CUTS

Putin's visit to the Gulf comes after OPEC+ agreed last Thursday to voluntary supply cuts totalling about 2.2 million barrels per day (bpd), including an extension of existing Saudi and Russian voluntary cuts of 1.3 million bpd.

Apart from energy issues, Putin is keen to cultivate the Gulf states as part of his drive to build global alliances with non-Western countries and demonstrate what he says is the failure of the United States and its allies to isolate Russia with sanctions over the conflict in Ukraine.

Ushakov said Russia's "special military operation" in Ukraine would also be discussed during Putin's trip.

Dubai, the UAE's largest city, is currently hosting the COP28 global climate summit. However, a Russian representative at the event told Reuters that Putin would be going to Abu Dhabi, not to Dubai, and would not take part in the summit.

Peskov said the agenda for Thursday's visit to Moscow by Iran's Raisi was likely to include regional issues including the war in Gaza.

Iran backs the militant Palestinian group Hamas, Israel's enemy. Russia has angered Israel by hosting a Hamas delegation in Moscow.

Saudi Arabia cuts Jan Arab Light crude price to Asia – sources

Top oil exporter Saudi Arabia on Tuesday lowered the price of its flagship Arab Light crude to Asian customers in January for the first time in seven months, sources familiar with the matter said, reacting to weakening premiums in the physical market amidst supply overhang concerns.

Saudi Aramco cut the official selling price (OSP) for January-loading Arab Light to Asia by 50 cents a barrel from December to $3.50 a barrel over Oman/Dubai quotes, the sources said.

The price reduction is smaller than the market expectation of a trim of about $1, showed a Reuters survey.

"Saudi set the price too high. That could prompt some buyers to nominate less cargoes and turn to buy cheaper crude from other suppliers from the spot market," said a purchase manager from an Asian refinery.

Oil at similar quality as Arab Light, such as Oman crude and Upper Zakum from Abu Dhabi, is valued at around $0.5 a barrel over the Dubai quotes.

The OPEC+ last week announced a combined 2.2 million barrels-per-day (bpd) voluntary output cuts for the first quarter of 2024, but the market was unimpressed and showed skepticism about compliance over the cuts.

Saudi Energy Minister, Prince Abdulaziz bin Salman, told Bloomberg News on Monday that OPEC+ oil production cuts can "absolutely" continue past the first quarter if needed.

Saudi Aramco also lowered the prices for other grades it sells to Asia, with Extra Light crude by 50 cents, while Arab Medium and Arab Heavy by 60 cents and 30 cents, respectively. All the reductions are smaller than the market forecasts.

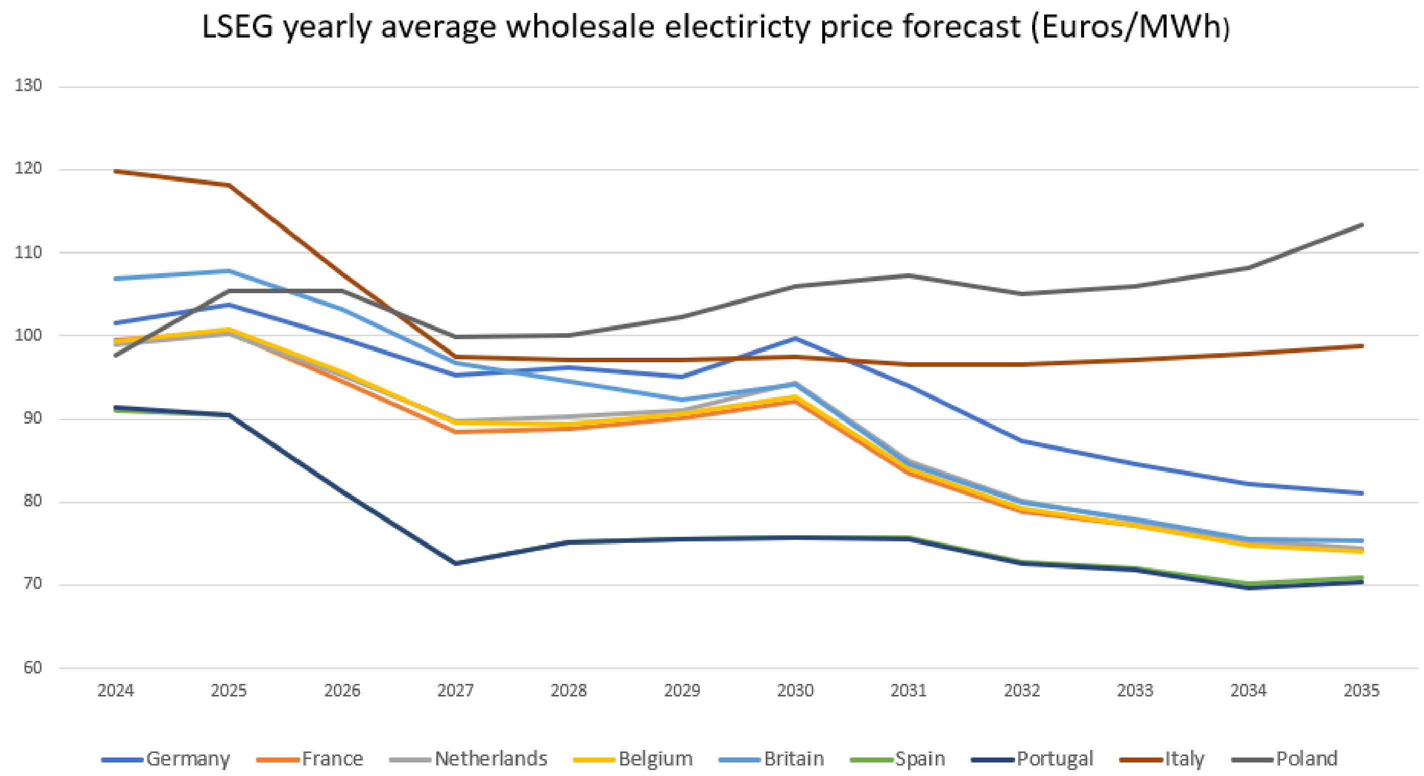
For other regions, the top oil exporter slashed its January Arab Light OSP to northwest Europe by $2 to $2.90 a barrel above ICE Brent.
Meanwhile, the OSP of Arab Light to the United States was cut by 30 cents to $7.15 versus ASCI in January.

Top News - Agriculture

Indonesia expects 10 mln metric tons of rice during peak harvest in 2024
Indonesia is targeting ten million metric tons of rice output during peak harvest in March to April next year, the agriculture ministry said on Tuesday.
Rice harvested in March is projected at around 5.56 million tons, with harvest in April seen at 4.51 million tons, the ministry said on a statement.
"National rice production has been affected by the El Nino phenomenon," said Arnen Sri Gemala, an official from the agricultural ministry.
The ministry plans to plant rice on 10.54 million hectare areas, with output expected to reach 32 million tons in 2024.
Based on temporary data from the statistics agency (BPS), rice planting from September to November in 2023 has reached a total area of 840,298 hectares, a decline of 53.61% from last year.
Rice is a staple for most of Indonesia's 270 million people and price movement is politically sensitive, especially with elections due in February.
The extreme El Nino phenomenon has disrupted rice production in Southeast Asia's largest economy, which has resorted to imports to secure domestic stocks.
Indonesia's state food procurement agency (BULOG) said it has imported a total of 3.3 million tons of rice as of Nov. 26, 87.15% of the 3.8 million tons imports quota for the year.
Indonesia's government is planning to set next year's rice import quota at 2 million tons. However, the imports would depend on domestic supply and demand, BULOG said.

ICE rejects 41% of coffee in new grading round, new lots arrive
Coffee graders working for the Intercontinental Exchange (ICE) rejected 41% of the arabica coffee lots sent to the

Chart of the Day



Source: LSEG analysts

exchange's warehouses to be certified for delivery against futures contracts in a new grading round, ICE said on Tuesday.
Graders evaluated 11,051 bags of a total volume of 27,834 bags that was pending grading, passing 6,475 bags while rejecting 4,576 bags.
The rejection rate is high, considering past rounds. It could indicate that a large part of the lots presented to the exchange was coffee that had been previously certified and then de-certified, with traders seeking fresh certification to escape aging penalties.
The practice, known in the market as recertification, has been banned by ICE from Nov. 30, but some lots presented before that date are still being evaluated by the graders.
According to the report on Tuesday, 2,785 additional bags arrived for grading, so the volume pending evaluation by the exchange is now at 19,568 bags.
There is a large variety of origins among those lots, and some very small lots, which could mean some traders are trying to certify coffee that has been sitting at warehouses at destination countries (importing countries) for some time.
Since arabica prices spiked last week to the highest in six months, traders who are short could try to certify coffee for delivery.

Top News - Metals

Trafigura lent nickel receipts to uninvolved firms, Gupta says in court document

Employees at commodity trader Trafigura worked with Indian businessman Prateek Gupta to keep secret a deal to substitute scrap and other low-value metal for nickel, Gupta alleged in a court document released on Tuesday.
Geneva-based Trafigura filed a lawsuit against Gupta in February, alleging seven companies that Trafigura said were controlled by him carried out systematic fraud involving nickel cargoes.
Gupta earlier on Tuesday asked a London court to lift a freezing order on his personal and business assets because he said the commodity trader failed to disclose full information when it demanded the freeze in the case.
In a court document made public at the hearing, Gupta produced chat exchanges and emails with Trafigura staff that he alleges are proof that he was not alone in the operation to switch high- and low-value metals.
Responding to Gupta's allegations, Trafigura said in a separate document that the new evidence was vague and did not prove that its staff knew about the substitution.
Lawyers for Gupta in July rejected Trafigura's allegations that he was responsible, but the new documents go into extensive detail.
Gupta alleged that Trafigura's head of nickel trading Sokratis Oikonomou came up with the scheme, which the parties were careful not to write down, because he wanted to expand to "a position of dominance in the market".

FINANCING SCHEME

Gupta said Oikonomou proposed in May 2019 to boost nickel trading between Trafigura and Gupta's firms to 50,000 metric tons a year, but Gupta said he replied that there was not enough high-grade nickel and proposed to include scrap and alloys.
When Gupta asked Trafigura's Indian-based trader Harshdeep Bhatia in an email on May 31, 2019 whether he should include a presentation on stainless steel scrap, according to the document, Bhatia replied:
"Suggest we test waters with credit limits first and bring scrap during discussion".
Reuters was unable to contact Oikonomou and Bhatia for comment, both of whom no longer work for Trafigura.
Oikonomou rejected trading low-grade nickel in the open, because Trafigura's bank Citi would only finance high-grade nickel, Gupta said.
Citi has repeatedly declined to comment on the case.
Gupta alleged that Oikonomou proposed a "transit financing" operation, in which some Gupta-owned or linked companies would sell nickel to Trafigura and when they arrived at another port, other Gupta associated firms would buy them back, to ensure others did not discover the substitution.
Trafigura acknowledges that the two parties operated a transit financing operation, but denies it was devised to surreptitiously trade low-grade nickel.

WRONG COMMODITY CODES

Trafigura has also acknowledged it paid for pure nickel without verifying its authenticity, but said the lack of valid documents, commodity codes and testing was an oversight.
Gupta alleged, however, it was a key part of the secret deal.
"The bills of lading were always sent in draft to Trafigura in advance for their team to check and approve," Gupta said.
As trading increased, most volumes consisted of other metals masquerading as nickel in the transit scheme, but there were still occasional one-off sales of real high-grade nickel, Gupta said.
For those sales, Trafigura traders closely examined bills of lading for the correct commodity code and the document cited emails in January and March 2020 from Trafigura requesting that codes needed to be corrected.
In 2022 when a spike in nickel prices meant that the value of nickel cargoes were exceeding credit lines while

shipment periods were also lengthening, Citi demanded a pullback, Gupta said.
On March 14, 2022, Bhatia asked Gupta in a WhatsApp message to find at least one container of real nickel in case Citi requested a warehouse inspection, the document said.
Bhatia's following reply to Gupta on WhatsApp on March 15, 2022 was evidence Trafigura was part of the scheme, Gupta alleged:
"Intent to do Warehousing is critical to buy time for everyone... so can keep things under control at our side."
No inspection took place in March, but Citi renewed the request in November and Gupta replied that an inspection could not be allowed.
Bhatia replied to Gupta in a message on Nov. 7, 2022, according to the document: "Sirjee, Appreciate and have all support. Banks will need to (be) kept at bay and will need plan."
Later, the document says Gupta sold metal to a Chinese third party to raise cash, hoping he could buy it back before it was exposed, and Bhatia warned in messages of the danger on Dec. 1, 2022: "We'll buy this back can not be exposed in China (too) long bro... seriously its gonna explode ... we all need to get out of it ASAP as consequences are beyond words".

Norway parliament deal marks major step towards seabed mining
Norway's minority government and two opposition parties have agreed to allow seabed mineral exploration in the Arctic region, they said on Tuesday, in a key step towards full-scale ocean mining.
The deal comes as Norway hopes to become the first country to make deep-sea mining happen on a commercial scale and secure critical minerals and jobs despite concerns over the environmental impact and international calls for a moratorium.
The amended version of the government's proposal, which parliament will formally debate on Jan. 4 followed by a vote, sets stricter environmental survey requirements during the exploration phase than originally planned.
The compromise also gives parliament the final say at a later date on whether to approve full-scale mining based on data gathered from the deep-sea environment during the initial exploration.
The deal was agreed between the two parties in the minority government - Labour and the Centre Party - and the opposition Conservatives and the Progress Party, securing a comfortable majority.
Baard Ludvig Thorheim, a member of parliament for the Conservatives, told Reuters the environmental bar for

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.38 / bbl	-0.90%	-9.82%
NYMEX RBOB Gasoline	$2.11 / gallon	-1.02%	-14.76%
ICE Gas Oil	$790.00 / tonne	-0.38%	-14.22%
NYMEX Natural Gas	$2.70 / mmBtu	0.15%	-39.71%
Spot Gold	$2,030.96 / ounce	0.06%	11.32%
TRPC coal API 2 / Dec, 23	$109 / tonne	-2.68%	-41.00%
Carbon ECX EUA	€68.64 / tonne	-2.46%	-18.26%
Dutch gas day-ahead (Pre. close)	€38.10 / Mwh	-4.15%	-49.58%
CBOT Corn	$4.91 / bushel	1.18%	-27.54%
CBOT Wheat	$6.29 / bushel	1.41%	-21.22%
Malaysia Palm Oil (3M)	RM3,691 / tonne	-3.48%	-11.57%
Index	**Close 05 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	303.18	-0.47%	0.61%
Rogers International	26.86	-0.98%	-6.31%
U.S. Stocks - Dow	36,124.56	-0.22%	8.98%
U.S. Dollar Index	103.98	-0.06%	0.45%
U.S. Bond Index (DJ)	414.26	0.75%	5.55%

seabed mining had been set fairly high in the amended proposal. "We believe, and hope, it will become the international standard for this activity," he said. "At the same time it is important that it is a framework that is predictable for commercial players, on which we rely on for these activities."
He said the parties had hotly debated how to balance the need for environmental requirements against commercial viability for companies seeking to start marine mining. "If the demands are too steep and too complicated, there won't be any interest, but at the same time it is also in these companies' interest to partake in an activity that has a good reputation and adheres to demands on sustainability," he said.
Seabed mining start-up Loke Marine Minerals, which is backed by investors such as oil service company Technip FMC and Norwegian maritime group Wilhelmsen, welcomed the decision.
"Great day not only for Norway but for the world," Loke CEO Walter Sognnes Norway told Reuters. "We need to have a fact- based evaluation of deep sea minerals as a provider of critical minerals for the green energy transition."
Environmental group WWF, however, said the decision to move forward damaged Norway's reputation for ocean preservation but added it hoped parliament would eventually block any move to full-scale mining.

Top News - Carbon & Power

Fossil fuel phase-out among options on COP28 table
Countries at the COP28 climate conference are considering calling for a formal phase-out of fossil fuels as part of the U.N. summit's final deal to tackle global warming, a draft negotiating text seen on Tuesday shows.
The proposal is set to spark heated debate among the nearly 200 countries at the two-week conference in Dubai, with some Western and climate-vulnerable states pushing for the language to be used and many oil and gas producers keen to leave it out.
Research published on Tuesday showed global carbon dioxide emissions from burning fossil fuels are set to hit a record high this year, fuelling concerns among scientists that efforts to combat climate change are not enough to avert its worst impacts.
The draft of what could be the final agreement from COP28, released by the U.N. climate body on Tuesday, proposed "an orderly and just phase-out of fossil fuels" which if adopted would mark the first global deal to end the oil age.
On the COP28 main stage, the CEOs of several major energy firms argued in favour of oil and gas, highlighting their progress in areas such as cutting the greenhouse gas methane.
"We are big guys and we can do big things. We can deliver results and we will have to report them very soon," said Jean Paul Prates, CEO of Brazil's state-run oil company Petrobras. "The energy transition will only be valid if it's a fair transition," he added.
At least 2,400 fossil fuel lobbyists registered for this year's summit, an analysis of U.N. registration data published by Kick Big Polluters Out showed, outnumbering the delegates from the 10 most climate vulnerable countries combined.
Climate activists staged several small protests against the presence of the fossil fuel industry.
The Marshall Islands, meanwhile, unveiled a national plan to adapt to rising sea levels, a recognition that the impacts of warming are already hitting its shores.
"While we hope for a world where the world fulfils the promise of the Paris Agreement to contain climate change, as an extremely climate vulnerable country we need to be realistic and honest about the difficult path ahead," said Kathy Jetnil-Kijiner, the country's climate envoy.

NEGOTIATING TEXT
The draft text for a COP28 final deal includes three options for dealing with fossil fuels.
The first is "an orderly and just phase-out". In U.N. parlance, the word "just" suggests wealthy nations with a long history of burning fossil fuels would phase out fastest.
The second calls for "accelerating efforts towards phasing out unabated fossil fuels". And a third would be to avoid mentioning a phase-out at all.
The United States, the 27 countries of the European Union and climate-vulnerable small island states are pushing for a fossil fuel phase-out to drive the deep CO2 emissions reductions scientists say are needed this decade.
Even so, none of the world's major oil and gas-producing countries have plans to eventually stop drilling for those fuels, according to the Net Zero Tracker, an independent data consortium including Oxford University.
"We're not talking about turning the tap off overnight," German Climate Envoy Jennifer Morgan said. "What you're seeing here is a real battle about what energy system of the future we are going to build together."
Big producers including Saudi Arabia and Russia have resisted past proposals for a phase-out.
David Waskow, director of World Resources Institute's international climate initiative, said he does not think a COP28 outcome was possible without a clear mandate for moving away from global reliance on oil, gas and coal.
"I don't think we're going to leave Dubai without some clear language and some clear direction on shifting away from fossil fuels," he added.

The draft text also includes language calling for the scaling up of carbon capture technology, which is likely to draw pushback from some countries worried such nascent technologies are being used to justify the continued use of fossil fuels.

FOSSIL FUEL EMISSIONS RISING

On the sidelines of COP28, U.S. special climate envoy John Kerry launched an international plan involving 35 countries to boost nuclear fusion, a nascent technology that would seek to harness the intense process that powers the sun.

"There is potential in fusion to revolutionize our world," Kerry said.

Fusion is among a number of ambitious and sometimes unlikely ideas aimed at helping speed decarbonization.

Countries are expected to emit a total 36.8 billion metric tons of CO_2 from fossil fuels in 2023, a 1.1% increase from last year's record, according to the Global Carbon Budget report by scientists from more than 90 institutions.

The emissions performance pulls the world further away from preventing global warming exceeding 1.5 degrees Celsius above pre-industrial times, it said.

COLUMN-U.S. wind power generation on course to surpass coal: Maguire

U.S. electricity generation from wind power is on course to surpass coal-fired electricity generation, potentially by 2026, as wind supply growth expands at a record pace just as coal-fired generation is cut across the country.

Coal-fired power remains the second largest source of U.S. electricity behind natural gas, and over the first 10 months of 2023 coal-fired output was roughly 60% greater than total generation from wind sources, data from think tank Ember shows.

But with wind power generation rapidly rising in most regions while utilities steadily cut coal capacity, wind output is on track to eventually overtake coal output within the U.S. electricity generation mix, which will mark a significant milestone in U.S. energy transition efforts.

COAL CUTS

Power generation firms throughout the United States are rolling out renewable power at a record clip while cutting back on production from coal-fired power stations in a bid to curb emissions and slow further climate change.

In 2015 - before U.S. power producers accelerated renewable power development - coal-fired electricity generation was nearly 700% greater than electricity output from U.S. wind farms.

But since 2015 U.S. utilities have cut coal-fired capacity by 30% and boosted wind capacity by over 90%, Ember data shows, making wind power the largest source of clean electricity.

For 2023 as a whole, total coal output may only be around 50% larger than wind output, as wind generation traditionally picks up late in the year due to higher wind seeds which may allow utilities to further throttle back coal-fired production.

Additional cuts to coal capacity are expected in the coming years, with current announcements by utilities indicating that overall coal capacity will drop to 159 gigawatts (GW) by the end of 2026, from 318 GW in 2011, according to the Institute for Energy Economics and Financial Analysis (IEEFA).

PEAKS AND TROUGHS

U.S. wind generation already briefly surpassed total coal-fired power output in April this year, when wind electricity generation totalled 42.85 terawatt hours compared to the 39.8 TWh generated by coal plants, according to Ember.

But since that point total U.S. wind generation has slumped below potential due to unusually low wind speeds.

Total U.S. wind output was down by around 20% in both May and June from the same months in 2022, despite roughly 5,000 megawatts of new capacity brought online in late 2022 and early 2023, data from Ember and S&P Global shows.

Wind output levels recovered to well above the corresponding months in 2022 in August through October, and should remain strong over the remainder of the year if the traditional pick up in wind speeds are seen as winter sets in.

Of course, the intermittent nature of wind-fed electricity means that utilities must keep some fossil-fuel powered plants online to produce dispatchable electricity as needed whenever renewable electricity supplies drop off.

But power firms are already committed to using gas-fired plants to provide that baseload role, as gas plants emit less pollution than their coal-fired counterparts.

That means that within the current decade U.S. wind power will be able to surpass coal-fired power in the electricity generation mix, and help accomplish a major U.S. energy transition target.

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

Top News - Dry Freight

EU 2023/24 soft wheat exports down 18% by Dec 3
Soft wheat exports from the European Union since the start of the 2023/24 season in July had reached 12.52 million metric tons by Dec. 3, down 18% compared with 15.26 million a year earlier, data published by the European Commission showed on Tuesday.
EU barley exports totalled 2.79 million tons, down 1% from 2.81 million tons in the corresponding period in 2022/23, while EU maize imports were at 7.36 million tons, 43% below a year-earlier 12.88 million.
However, the Commission said grain export data for Bulgaria was still lacking since mid-September, while import and export data for Italy was missing since Nov. 17.
Bulgaria is usually among the EU's largest wheat exporters, while Italy is one of the bloc's biggest cereal importers.
The Commission's current figures showed Romania was the biggest EU soft wheat exporter so far in 2023/24, with 3.46 million tons shipped, followed by France with 2.52 million, Poland with 2.12 million, Germany at 1.19 million and Lithuania at 1.14 million. The incomplete total for Bulgaria was given as 937,000 tons.
EU wheat exports this season have been curbed by strong Russian competition, including in Algeria, though upcoming French shipments to China may boost volumes.
For maize imports, Spain remained by far the largest EU buyer so far in 2023/24 with 3.31 million tons.
EU soft wheat imports were up 12% from a year earlier at 3.88 million tons.
Drought-hit Spain was again the leading recipient with 2.22 million tons, while Ukraine was the main supplier with nearly two-thirds of the total.
Imports of durum wheat, the variety used in pasta, reached 1.37 million tons, up 169% from the year-earlier volume, with Italy the main destination and Turkey the largest supplier.

Lowest FOB offer at Egypt wheat tender at $250/T - traders
The lowest free-on-board offer presented at an Egyptian state purchasing tender for wheat on Tuesday was $250 a metric ton, traders said.
Several offers were submitted at that price point.
Egypt's state grains buyer, the General Authority for Supply Commodities, is seeking wheat in an international tender for shipment Jan. 5-15 and/or Jan. 16-25 and/or Jan. 26-Feb. 4.
It asked suppliers to submit offers on a free-on-board (FOB)basis and for both at sight payment and via 270-day letters of credit and GASC will choose between them.
The deadline for offers is Tuesday, with results expected to be announced later in the day.
"$250 FOB is the current Russian state minimum export price for this shipment period," one trader said.
The Russian government is believed to be imposing an unofficial export price floor on traders to brake wheat exports and cool domestic Russian flour prices. The price has not been officially announced and changes regularly.

Picture of the Day

Excavators push coal near the largest domestic electricity production facility REK Bitola, in Bitola, North Macedonia, November 28. REUTERS/Ognen Teofilovski

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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