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Top News - Oil

Saudi energy minister sees no clear results yet from Russia price cap

Saudi energy minister Prince Abdulaziz bin Salman said on Sunday the impact of European sanctions on Russian crude oil and price cap measures "did not bring clear results yet" and its implementation was still unclear.
The Group of 7 price cap on Russian seaborne oil came into effect Dec. 5 as the West tries to limit Moscow's ability to finance its war in the Ukraine.
Russia has said it would not abide by the measure even if it has to cut its production.
"What is happening now in terms of sanctions and price caps imposed and all of it really did not bring clear results, including measures implemented on Dec. 5, we see a state of uncertainty in implementation," Prince Abdulaziz told a forum held following the country's 2023 budget announcements.
Prince Abdulaziz said Russia's reaction and what actions it would take in response to these tools was another aspect that needed to be taken into consideration when looking at the state of play in global markets.
"These tools were created for political purposes and it is not clear yet whether they can achieve these political purposes," he said, referring to the price cap.
Other factors affecting the market going into 2023 include China's COVID-19 policies. The impact on China's economy from easing Covid restrictions still "needs time", he said.
Central banks' actions to tame inflation were also still a factor.
"Central banks are still preoccupied with managing inflation, no matter the cost of these measures and their possible negative impact on global economic growth."
The OPEC+ alliance decision to cut production by 2 million barrels per day on Oct. 5 was proven to be the correct one when recent developments are taken into consideration, he said.
The alliance, which groups together members of The Organization of Petroleum Exporting Countries and allies including Russia, last met on Dec. 4 and decided to keep output unchanged amid a weakening economy and uncertainty over how the Russian price cap would affect the market. Separately on Sunday, Saudi foreign minister Prince Faisal bin Farhan Al Saud told a policy conference in Abu Dhabi that oil prices have "to be fair to consumers and suppliers" to ensure producers invest in building spare output capacity.
The Saudi energy minister told the forum in Riyadh that OPEC+ would continue to focus on market stability in the year ahead.
Prince Abdulaziz also said he insisted that OPEC+ involve all members in decisions.
"Group action requires agreement and therefore I continue to insist that every OPEC+ member, whether a big or small producer...be a part of decision-making," he said. "Consensus has positive implications on the market."

TC Energy says has not found cause of Keystone oil pipeline leak

Canada's TC Energy said on Sunday it has not yet determined the cause of the Keystone oil pipeline leak last week in the United States, while also not giving a timeline as to when the pipeline will resume operation.
TC shut the pipeline after more than 14,000 barrels of crude oil spilled into a creek in Kansas on Wednesday, making it one of the largest U.S. crude spills in nearly a decade.
"Our teams continue to actively investigate the cause of the incident. We have not confirmed a timeline for re-start and will only resume service when it is safe to do so, and with the approval of the regulator," TC said in an update posted to its website.
The pipeline operator said that it has more than 250 people working on the leak, including third-party environmental specialists, adding that it is continuously monitoring air quality and presently there are no indications of adverse health or public concerns.
Crews are also preparing for rain forecast to begin on Monday, TC said.
The 622,000 barrel-per-day Keystone line is a critical artery shipping heavy Canadian crude from Alberta to refiners in the U.S. Midwest and the Gulf Coast.
Keystone's shutdown will hamper deliveries of Canadian crude both to the U.S. storage hub in Cushing, Oklahoma and to the Gulf, where it is processed by refiners or exported.

Top News - Agriculture

China's 2022 soybean output rebounds, corn slightly rises

China's 2022 soybean crop jumped almost 24%, while corn and wheat output also saw small increases, official data showed on Monday.

Rice output, however, fell 2% to 208.5 million tonnes due to declining acreage and severe drought and high temperatures in southern China that hurt yields, said the National Statistics Bureau.
Wheat output rose 0.6% from a year earlier to 137.72 million tonnes.
China issued a series of policies this year to promote higher production of soybeans, including double-cropping with corn, amid concerns the country was too reliant on imports.
Soybean output rose 23.7% to 20.3 million tonnes, as the acreage planted with the oilseed jumped 21.7%.
High temperatures and rainy weather in Northeast China also helped soybean yields, said Ma Wenfeng, senior analyst at the Beijing Orient Agribusiness Consultant Co Ltd, in a report ahead of the data's release.
The increase brought production back to slightly higher than 2020 when output reached 19.6 million tonnes. The crop had shrunk last year after record corn prices encouraged farmers to plant more corn instead.
Corn output was up 1.7% to 277.2 million tonnes, even as the acreage sown with corn shrank slightly and less high-yield corn was planted due to the change in planting more soybeans, said the bureau. Good weather across the northern China region increased corn production in a major growing area, more than compensating for a hit to output in the parched south.

UAE asks state entities to buy local in food security push – minister

The United Arab Emirates has directed government entities such as the armed forces and hospital authorities to buy locally grown produce to support agri-tech efforts in the desert country, the minister of climate change and environment said on Sunday.
The UAE, which imports 90% of its food, took the decision at an annual government meeting last month to support local production while continuing to embrace open trade policy, Mariam Al Mheiri told the World Policy Conference in Abu Dhabi.
"We want to let the trade keep going, but where you have hands on your procurement and what you can buy, this is where you can encourage that a certain percentage of certain food items are bought locally," she said, without providing details.
The Gulf Arab oil producer, which will host the COP28 climate conference next year, is making a big push on food security in the region and beyond.
At home, Mheiri noted that an Abu Dhabi accelerator programme has invested more than $150 million to attract agri-tech companies to operate in the UAE, which faces water scarcity and has little arable land.
Among initiatives is a vertical farm producing leafy greens under a joint venture between Emirates Flight Catering and U.S.-based Crop One. Vertical farming uses a series of stacked levels to produce crops.
The Emirati minister said berries, salmon and quinoa were also being farmed in the UAE, and that the country has ambitions to grow grains in closed-system farms where water is recycled.

Top News - Metals

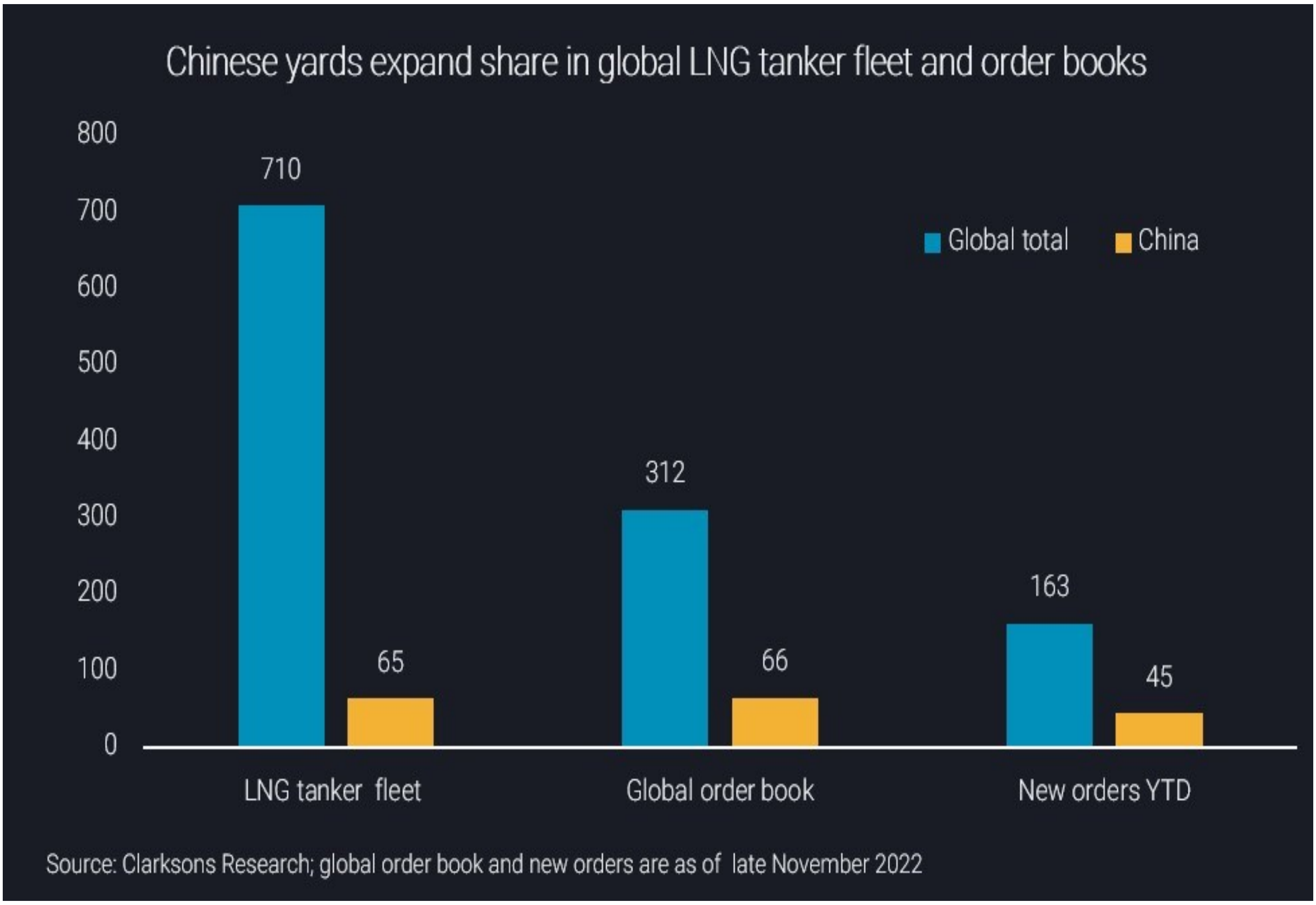
ANALYSIS - Turbulence still haunts LME nickel, months on from trade debacle
With memories still fresh of the nickel market meltdown in March, the industry didn't need a reminder about just how dysfunctional the London Metal Exchange's (LME) nickel contract has become; but last month it got one anyway.
Months after turbulence highlighted shortcomings in LME oversight, the nickel contract remains broken. Volumes and liquidity are sliding, leaving the nickel industry without a global reference price - with far reaching consequences.
A major component of stainless steel, nickel is now also a key material for the electric vehicle industry, where it is used in the cathode component of batteries.
Declining liquidity, together with low stocks, has led to high LME nickel prices this year, pushing up costs for industrial users already grappling with surging inflation.
Global trade in metals is typically priced on the basis of LME contracts, but the lack of a reliable benchmark has led some nickel producers to take advantage by trying to go back to a system, used before there was a nickel contract, when they imposed prices on consumers, industry sources say.
The Shanghai Futures Exchange offers nickel futures, but because the Chinese government only allows domestic companies to trade it, the contract cannot be used as a global benchmark.

LIQUIDITY SLUMPS
Many investors, traders, consumers and producers have abandoned LME nickel in the aftermath of the chaos in March.
Worries about supplies from major producer Russia after it invaded Ukraine and the cutting of large short positions, or bets on lower nickel prices, culminated on March 8 in disorderly trade which saw prices double to above $100,000 a tonne in a matter of hours.
The exchange annulled all nickel trades on that day, for which it is facing legal action, and suspended the market for the first time since 1988.
Average daily nickel volumes have since crashed, down 54% to 196,868 tonnes in October from a year earlier,

following year-on-year losses of 40%, 51% and 42% in September, August and July respectively.
As liquidity has slumped, excessive price moves have become more frequent.
LME nickel typically trades at a discount to the Shanghai Futures Exchange (ShFE) contract because China is a net importer of nickel and the ShFE nickel price takes into account logistical costs and local taxes.
But on Nov. 14 and 15 the LME's nickel contract traded at a premium to ShFE for the first time since March, which sources said was a sign of a dysfunctional market as it didn't reflect fundamentals.
Optimism fuelled by expectations of stronger industrial metals demand in top consumer China due to easing COVID curbs helped drive the price rise on Nov. 14, with the move inflated by some participants cutting short positions.
Unusually, there were periods on Nov. 14 and 15 when one buyer was consistently bidding nearly $1,000 above the rest of the market for the metal.
This combined with contract maturity fuelled an explosive upward move in nickel trading that was only stopped by the daily price limits of 15% imposed by the exchange in March.
The LME said its quick action in November calmed the market.
"The LME has the power to investigate unusual trading activity and to take disciplinary action as appropriate," the exchange said in response to a request for comment.
"The LME's daily price limits... operated as designed and limited the impact of the move. The LME immediately identified and queried specific underlying order and trade activity. Shortly after the LME queried this behaviour the price normalised."

RECKLESS BEHAVIOUR
Adding to the volatility on Nov. 14 were some offers to sell nickel at prices above the 15% daily price limit.
"It's surprising they (LME) haven't found a way to stop reckless behaviour that creates an existential threat to its nickel contract, one of the most important contracts this decade," a source at a nickel consuming company said.
Benchmark Mineral Intelligence (BMI) estimates nickel demand from the battery sector will account for 30% of

Chart of the Day



the total at 4.8 million tonnes by 2030, up from 14% of three million tonnes this year, with most of that growth coming from electric vehicle batteries.

Nickel that can be delivered against the LME's contract is just 20% of global supplies, but many contracts between producers and consumers still reference the LME benchmark.

"The nickel contract will survive because there is no alternative, but it could take some time for a full recovery," said Guy Wolf head of market analytics at commodity broker Marex.

Benchmark nickel at $30,000 a tonne is up 50% from last December.

Industry sources say the only way to restore LME nickel's reputation as a global benchmark is the return of volumes and liquidity, but when and how that happens remains to be seen.

"There's a major disconnect between LME nickel (futures) and the physical market," a nickel trader said.

"People were beginning to tiptoe back into the market, this has put them off again."

WTO rules against United States on Trump metal tariffs

The World Trade Organization ruled on Friday that U.S. tariffs imposed on steel and aluminium imports by then President Donald Trump contravened global trading rules in a judgment immediately criticised by Washington.

In one of the most high-profile and potentially explosive cases to come to the WTO, the three-person adjudicating panel said the U.S. measures were inconsistent with WTO rules and recommended the United States bring them into conformity.

The United States said it strongly rejected the "flawed" interpretation and conclusions of the panel.

It could appeal the ruling, which would send it into a legal void because Washington has blocked appointments to the WTO Appellate Body, rendering it incapable of giving a judgment.

China said it hoped the United States would respect the panel ruling and "correct its wrongful conducts as soon as possible".

The office of the U.S. Trade Representative said in a statement that the United States would not "stand idly by" while Chinese overcapacity posed a threat to its steel and aluminium sectors and its national security.

"We do not intend to remove the Section 232 duties as a result of these disputes," it said, adding the panel report reinforced the need for WTO reform.

The U.S. steel sector also criticised the WTO panel, the Steel Manufacturers Association saying it supported the government's refusal to accept its conclusions.

Trump imposed 25% tariffs on steel imports and 10% on aluminium in 2018, using Section 232 of a 1962 act that allows the president to restrict imports if they are threatening national security. Free trade partners Canada and Mexico were later exempted.

MARKET MONITOR as of 07:36 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.65 / bbl	0.89%	-4.73%
NYMEX RBOB Gasoline	$2.06 / gallon	-0.05%	-7.79%
ICE Gas Oil	$809.75 / tonne	-1.34%	21.40%
NYMEX Natural Gas	$6.86 / mmBtu	9.86%	83.94%
Spot Gold	$1,789.30 / ounce	-0.41%	-2.14%
TRPC coal API 2 / Dec, 22	$250 / tonne	0.00%	103.25%
Carbon ECX EUA / Dec, 22	€87.65 / tonne	-0.22%	8.68%
Dutch gas day-ahead (Pre. close)	€140.20 / Mwh	2.52%	110.83%
CBOT Corn	$6.37 / bushel	0.28%	7.29%
CBOT Wheat	$7.13 / bushel	-1.59%	-7.53%
Malaysia Palm Oil (3M)	RM3,790 / tonne	-5.13%	-19.31%
Index (Total Return)	**Close 9 Dec**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.16	0.00%	16.66%
Rogers International	28.26	0.00%	21.26%
U.S. Stocks - Dow	33,476.46	-0.90%	-7.88%
U.S. Dollar Index	104.98	0.16%	9.39%
U.S. Bond Index (DJ)	403.00	-0.90%	-13.84%

The tariffs prompted several WTO members China to challenge the measure and on Friday, a three-person WTO panel issued its findings in the cases brought by China, Norway, Switzerland and Turkey. Cases brought by India and Russia are still pending.
Washington last year agreed to remove tariffs on EU imports, prompting Brussels to suspend the EU case.
The administration of President Joe Biden has otherwise kept in place the metals tariffs that were one of the centrepieces of Trump's America First strategy.
The case hinged on the exemption from global trade rules the WTO allows in cases of national security.
The central U.S. argument was that national security is for countries themselves to judge and certainly not something to be assessed by three WTO adjudicators sitting in Geneva.
Complainant Switzerland said the finding did not call into question the right of WTO members to take measures to protect security with broad discretion, but they did have to meet certain minimum requirements that could be examined at the WTO.

Top News - Carbon & Power

EU at odds over gas price cap as 12 countries criticise latest proposal
A dozen countries including Belgium, Italy, Poland and Slovenia have made a push to "significantly" lower a planned European Union cap on gas prices, as the bloc struggles to strike a deal on the measure.
Gas prices in Europe have soared this year after Russia slashed gas deliveries following its invasion of Ukraine, pushing up fuel costs and stoking inflation.
EU countries held emergency negotiations on Saturday as they attempt to line up a deal to cap prices at a Dec. 13 meeting of their energy ministers, but states remain split over the plan.
An official from one EU member states said countries were "narrowing down the differences" in their positions, but others said little progress had been made on Saturday. Diplomats will hold more negotiations on Monday.
Twelve of the EU's 27 member states have circulated a paper demanding that the price cap be "significantly" lower than the latest compromise being negotiated by countries.
"The text has not gone far enough towards what we could consider a satisfactory compromise," they said.
The paper, seen by Reuters, was put forward by Belgium, Bulgaria, Croatia, Greece, Italy, Latvia, Lithuania, Malta, Poland, Romania, Slovenia and Slovakia.
EU countries have wrangled for months over whether to cap gas prices, but have so far failed to bridge the gap between their divergent views.
Some diplomats are sceptical a deal will be reached next week, and point out that countries unhappy with the latest proposal have enough support to block it from being approved.
While pro-cap countries say the measure would shield their economies from high energy costs, Germany - Europe's biggest economy and gas market - and the Netherlands have opposed it.
They warn it could disrupt the normal functioning of energy markets, and deter gas producers from sending much-needed fuel to Europe.
The latest draft proposal being considered by countries would see the cap triggered if prices exceeded 220 euros ($231.66) per megawatt hour for five days on the front-month contract in the Dutch Title Transfer Facility (TTF) gas hub, and were also 35 euros higher than a reference price for liquefied natural gas (LNG) based on existing LNG price assessments.
That proposed cap is below the 275 eur/MWh limit proposed by the European Commission, but the 12 countries said it was still not low enough.

FOCUS - China shipyards feast on record LNG tanker orders as S.Korea builders are full up
China is making fast inroads in the market for newbuild liquefied natural gas (LNG) tankers as local and foreign shipowners turn to its shipbuilders for the specialty vessels because long dominant yards in South Korea are fully booked.
Three Chinese shipyards - only one of them having experience building large LNG tankers - won nearly 30% of this year's record orders for 163 new gas carriers, claiming ground in a sector where South Korea usually captures most of the business.
LNG tanker order books for Chinese yards tripled as China's gas traders and fleet operators sought to secure shipping after freight rates soared to records following the upending of global energy supply flows by Russia's invasion of Ukraine.
With South Korean shipbuilders swamped by orders to service Qatar's massive North Field expansion, Chinese yards also attracted more foreign bookings, including first overseas orders for some ship makers only recently certified to build membrane-type LNG carriers.
"As more Chinese gas traders engage local shipyards, they will be forced to climb the learning curve and eventually grow the whole industry," said Li Yao, founder of Beijing-based consultancy SIA Energy.
Chinese shipyards this year won 45 LNG tanker orders worth an estimated $9.8 billion, about five times their 2021 order values, according to shipping data provider Clarksons Research. By late November, Chinese yards had grown their LNG order books to 66 from 21, giving them 21% of global orders worth around $60 billion.

Comparatively, Chinese shipyards built just 9% of the existing global LNG fleet, according to Clarksons.

STEEP CURVE

Shanghai-based Hudong-Zhonghua Shipbuilding is the only Chinese yard with experience building large LNG carriers, delivering dozens going back to 2008. This year, it took 75% of China's new orders.

Hudong-Zhonghua shared 26 orders from local owners - versus nine the last two years - with fellow China State Shipbuilding Corporation units, Dalian Shipbuilding Industry and Jiangnan Shipyard (Group), according to Clarksons and industry officials.

Two other yards - China Merchants Heavy Industry (CMHI) and Yangzijiang Shipbuilding - were certified to build large LNG carriers this year and have attracted interest from local and foreign shippers.

LNG tankers, like aircraft carriers, are among the most difficult vessels to build, taking up to 30 months. For membrane-type containment tanks alone, 200 workers spend two months welding barrier walls made of paper-thin steel and 130 km (81 miles) of connecting lines.

Workers on these systems for housing gas chilled to minus 160 Celsius (minus 260 Fahrenheit) for shipping also have to be certified by Gaztransport & Technigaz (GTT), a French engineering company that holds the patents and licences its designs to shipbuilders.

"The learning curve will be steeper for the newer builders ... We'll also face a shortage of skilled workers," said Hu Keyi, corporate technology chief at Jiangnan Shipyard.

Jiangnan is building its first 80,000 cubic metre (cu m) tanker for Guangdong-based trader JOVO Energy and won an order in March from Abu Dhabi National Oil Company (ADNOC) for two 175,000 cu m LNG carriers.

"Considering relatively low financing costs thanks to Chinese banks' support ... investing in a newbuild offers greater security versus term chartering," said Jacky Cai, a director at JOVO Energy, which is considering ordering a larger tanker.

U.S. GAS

China's demand for LNG tankers is propelled by a need to ship 20 million tonnes a year of gas from the United States, part of a boom set to swell the global LNG fleet by a third over the next five years, said Robert Songer, analyst at commodity consultancy ICIS.

China needs about 80 vessels to transport U.S. LNG, said SIA Energy's Li.

"Apart from servicing Chinese demand ... the vessels may also be used to trade cargoes on other routes," said Stephen Gordon, managing director of Clarksons Research.

Strong local shipbuilding benefits state energy giants PetroChina, China National Offshore Oil Corporation (CNOOC) and Sinopec, and private firm ENN Natural Gas Co, helping to better secure a fuel key to meeting China's 2060 carbon-neutral target.

PetroChina and CNOOC lined up orders at Hudong-Zhonghua earlier than their peers, mostly via joint ventures with state shippers COSCO Shipping Energy Transportation and China Merchants Energy Shipping (CMES), following President Xi Jinping's call for energy security.

Sinopec, a minority stakeholder of CMES, is also in talks to secure newbuilds at Jiangnan and Dalian, industry officials told Reuters. Sinopec declined to comment.

COSCO Shipping Energy is "ready to work hand-in-hand with shipowners and yards," Qin Jiong, a company vice president, told an industry seminar last month, pointing to another advantage of using local shipyards.

FOREIGN ORDERS

While their labour costs are higher, Korean yards - such as Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering - are more efficient in design and construction and have a local supply chain, said Sunny Xu, founder of Singapore-based LNG solution provider C-LNG.

"Shipowners seem to have a more positive view about Korean shipyards ... to realise the design shipowners want, ability to meet deadlines, and problem-free operation," said a South Korean shipbuilding industry source who declined to be identified.

Still, Chinese yards received 19 foreign orders for LNG tankers this year and that number is likely to grow.

"Chinese yards have become more attractive because of the South Korean backlog, as well as rising costs," said ICIS analyst Songer.

Chinese yards' relationship with GTT also helps, he said.

"It is a fair assumption that China will start building a lot more vessels in the future."

Top News - Dry Freight

EXCLUSIVE - Ukraine port of Odesa not operating after Russian drone attack on energy facilities - minister

The Ukrainian port of Odesa was not operating on Sunday after the latest Russian attack on the region's energy system, Agriculture Minister Mykola Solsky said, but added that grains traders were not expected to suspend exports.

Two other ports - Chornomorsk and Pivdennyi - authorised to export grains from Ukraine under a deal between Russia and Ukraine were partially operating, he said.

"Chornomorsk port is now operating at about 80% of capacity," Solsky told Reuters in a phone call.
More than 1.5 million people in the southern Odesa region were without power after Russian drone strikes hit two energy facilities, Ukrainian President Volodymyr Zelenskiy said in a video address late on Saturday.
Solsky said that Odesa port was not operating at the moment because the power generators had not been switched on yet. Grains traders continued to ship grains via the two other ports, he said.
"There are problems, but none of the traders are talking about any suspension of shipments. Ports use alternative energy sources," Solsky said.
Since October, Moscow has been targeting Ukraine's energy infrastructure with large waves of missile and drone strikes.
Odesa regional authorities said electricity for the city's population will be restored "in the coming days," while complete restoration of the networks may take two to three months.
"The situation is difficult to predict because we are dealing with an enemy for whom there are no principles," the Ukrainian infrastructure ministry quoted Oleksiy Vostrikov, the head of Ukraine's state seaport authority, as saying.
"As for exports, Russia has already slowed them down by creating problems with inspections in the Bosporus, and the lack of energy supply will certainly slow them down even more," Vostrikov said.
Ukraine is among the world's largest producers and exporters of corn and wheat but its exports have fallen significantly due to the Russian invasion.
After an almost six-month blockade caused by the invasion, the three Black Sea ports in the Odesa region were unblocked at the end of July under the deal between Moscow and Kyiv brokered by the United Nations and Turkey.
Kyiv had sought to have the agreement expanded to include more ports, but that has not been concluded so far.
The three ports involved in the deal - Odesa, Chornomorsk and Pivdennyi - have the combined capacity to ship around three million tonnes of grains a month.
Ukraine wanted to include the ports of the southern Mykolaiv region, which shipped 35% of Ukrainian food exports before Russia's invasion.
Mykolaiv was Ukraine's second-largest grain terminal according to 2021 shipment data, so its addition would allow for a much larger volume of grains and oilseeds to be exported.
Grain exports from Ukraine in the first eight days of December fell 47.6% from a year earlier to 1.09 million tonnes, agriculture ministry data showed.

India Nov thermal coal imports at 9-month low as local output soars

India's thermal coal imports fell to the lowest levels in 9 months during November, data from consultancy Coalmint showed, mainly due to a rise in domestic coal production.
The country imported 10.83 million tonnes of thermal coal in November, the Coalmint data showed, compared with 12.03 million tonnes in October and 9.45 million tonnes in November 2021.
Imports fell mainly due to higher production by state-run Coal India, which accounts for 80% of India's coal output. The world's largest coal miner has seen output increase by a sixth to 412.6 million tonnes during the first eight months of this financial year, putting it on track to meet annual production targets for the first time since at least 2010.
The decline in shipments of the power generation fuel in November marked the fifth straight month when imports fell compared with the previous month, the data showed.
Imports of coking coal — used mainly in steelmaking — fell to 4.56 million tonnes from 4.95 million tonnes in October and 5.3 million tonnes in November 2021.
India is the world's second-largest importer, consumer and producer of coal, and counts Indonesia, Australia, South Africa, Russia and United States as its major suppliers.
Overall imports of coal and coke products metcoke and petcoke rose 8.5% to 17.87 million tonnes, the Coalmint data showed.
The share of coal and coke imports from Indonesia and Russia rose at the expense of Australia and South Africa.

Picture of the Day

A view shows apartment buildings without electricity during a power outage after critical civil infrastructure was hit by Russian drone attacks, as Russia's invasion of Ukraine continues, in Odesa, Ukraine December 10. REUTERS/Serhii Smolientsev

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(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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