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Top News - Oil

Keystone operator recovers about 2,600 barrels of oil from Kansas creek

Canada's TC Energy Corp said it had cleaned up almost 2,600 barrels of oil from the largest U.S. crude spill in nearly a decade, but the timetable to restart the Keystone Pipeline following its rupture last week remained unclear.

TC Energy shut the pipeline after the spill of roughly 14,000 barrels of crude was discovered on Wednesday in Kansas. The company told officials in Washington County on Monday that it has not yet determined the cause and it started excavating around the pipeline.

It is the third spill of several thousand barrels of crude from the Keystone line in the last five years. The 622,000 barrel-per-day Keystone line, which ships heavy Canadian crude from Alberta to U.S. refiners in the Midwest and the Gulf Coast, had received special permits to run at a higher rate than any other crude lines in the United States, and has been doing so since 2017.

TC Energy and county officials met briefly Monday to discuss efforts to contain and clean up the spill, a company official said. The company provided no timeline on the cleanup, Dan Thalmann, owner of the Washington County News and who attended the meeting, said.

The company has been vacuuming oil from Mill Creek into trucks, and there are more than 300 people on-site now, TC said in a late Monday statement.

Aerial pictures show a swath of oil sprayed upward out of the pipeline onto a hillside. The oil spilled down a pasture north of Washington, Kansas, staining the grass, said Randy Hubbard, emergency preparedness coordinator for the county. Farmers raise grain, corn and cattle in the area, located in a county of roughly 5,500 people about two hours from Kansas City.

The affected segment of the line cannot resume operation until regulators approve a restart plan in its entirety, according to a U.S. Department of Transportation document.

The U.S. Environmental Protection Agency and pipeline regulator the Pipeline and Hazardous Materials Safety Administration (PHMSA) are also on the scene. Additional EPA personnel will arrive to monitor the clean-up efforts, the EPA said on Monday.

MARKET WORRIES ABOUT SUPPLY

The shutdown is expected to 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.

"For the most part, there is concern in the trading community (the pipeline) is not up yet," a U.S.-based dealer said.

If the outage lasts for more than 10 days, it could push Cushing, Oklahoma, storage levels to near the operational minimum of 20 million barrels, analysts said.

Concerns over the pipeline outage's shrinking supplies at Cushing, also the delivery point for West Texas Intermediate crude futures (WTI), helped boost the U.S. benchmark by over 3% to about $73.50 on Monday.

Prices for sour crude grades in the U.S. Gulf of Mexico were strengthening on Monday, as the shutdown means more demand for heavier Gulf barrels. Differentials at Magellan at East Houston and WTI Midland crude were weakening, keeping levels at Cushing stronger and exports weaker, one trader said.

Oil refiners could be forced to cut production rates by Christmas week if the pipeline does not restart by then, a crude analyst said. Refiners typically hold 10 days of crude supply on hand, the analyst added.

U.S. shale oil output to keep growing, at snail's pace – EIA

Oil output from the Permian shale basin in January is set to touch a record 5.6 million barrels per day (bpd), the U.S. forecast on Monday, but the increase is a third of September's pace.

Output in the biggest U.S. shale oil basin is set to rise by about 37,000 bpd, the smallest gain in seven months, based on projections from the U.S. Energy Information Administration (EIA) in its monthly drilling productivity report.

Gains slowed as some of the largest firms are warning of overworked oilfields and less productive new wells.

Overall U.S. output is forecast to reach a record 9.32 million bpd in January, according to the EIA, up only 94,500 bpd over the prior month. In August, the month-over-month increase was 207,500 bpd.

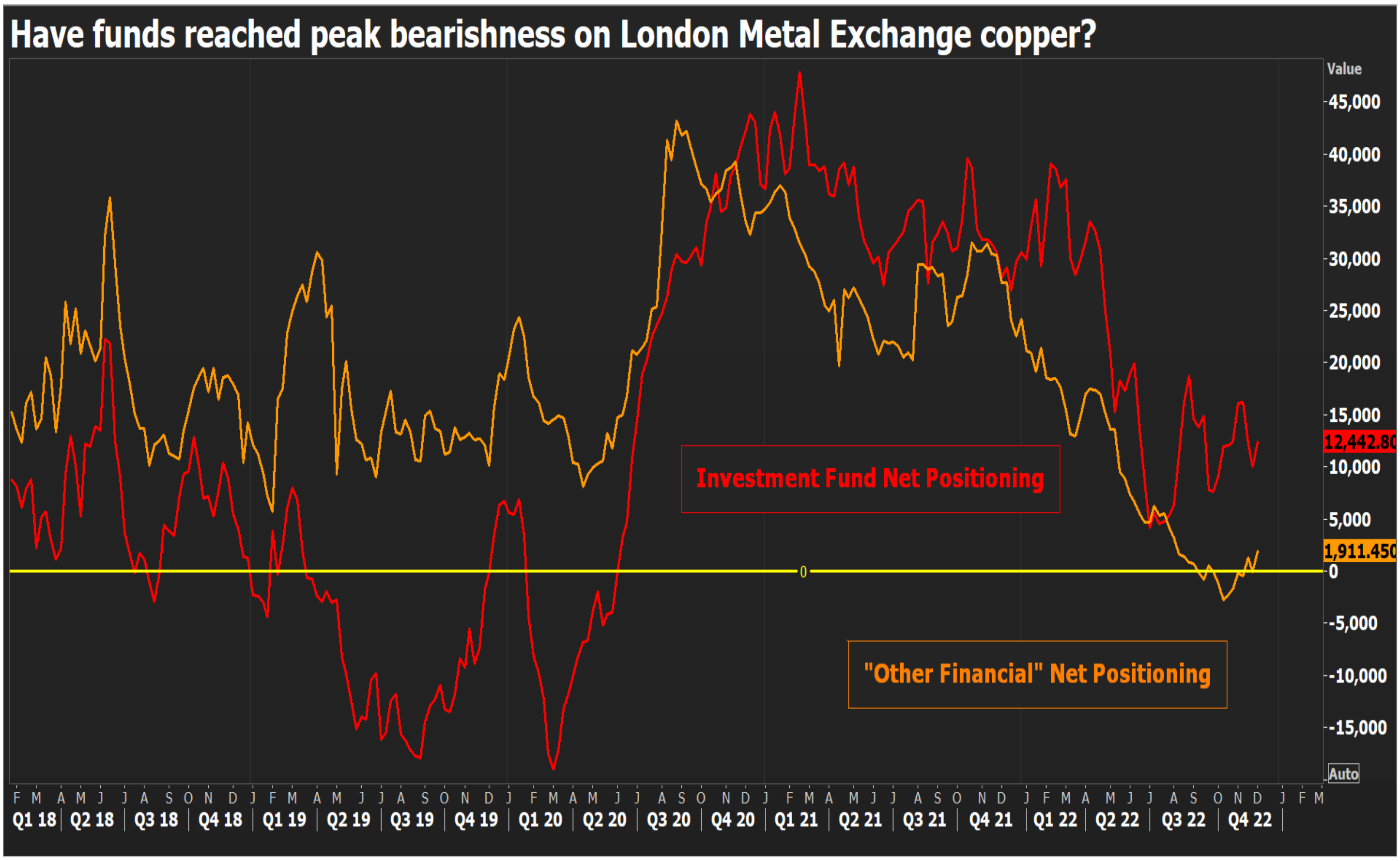
Legacy oil production change, which excludes output from new wells, will show steeper declines in all major shale producing regions in January. Production from new wells, defined as one that began producing for the first time in the previous month, also is expected to fall.

In the Bakken region of North Dakota and Montana, the EIA forecast oil output next month will rise 21,000 bpd to 1.22 million bpd, the largest total since November 2020.

In the Eagle Ford shale in South Texas, output will rise 10,000 bpd to 1.24 million bpd in January, its highest total volume since April 2020. Natural gas production also is

expected to grow by 535 million cubic feet per day to a record 96.28 billion cubic feet of gas per day. U.S. gas production is rising sharply amid growing global need for the fuel.
In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, January output will rise to 35.53 bcfd, the highest since hitting a record 36 bcfd in December 2021.
Gas output in the Permian and the Haynesville field in Texas, Louisiana and Arkansas will rise to record highs of 21.39 bcfd and 16.41 bcfd in January, respectively.
EIA said producers drilled 1,005 wells in November, the most since March 2020. Total drilled-but-uncompleted (DUC) wells rose by 22 to 4,443 in November, the first monthly increase since June 2020.

Chart of the Day



Top News - Agriculture

U.S. agriculture agency extends climate funding to small farmers
The U.S. Department of Agriculture will distribute an additional $325 million in funding for projects tailored to smaller-scale farmers to reduce their greenhouse gas emissions, taking its total annual investment in climate-friendly farming to more than $3 billion, the agency announced Monday.
USDA's efforts are part of a broader Biden administration goal to cut U.S. emissions, targeting the approximately 10% generated from farming annually, according to the Environmental Protection Agency.
Agriculture Secretary Tom Vilsack told Reuters a key goal of the program is to enable more farmers to serve the growing consumer market for sustainably produced food.
"We want to encourage farmers and producers to accelerate use of these practices and we want the market to recognize and value (that) work," he said.
The money will fund 71 projects, ranging from $250,000 to just under $5 million, which will aid small and historically underserved farmers in adopting and assessing lower-emission farming practices.

The funded groups include Black farmer associations, Native American tribes and organizations that serve women, veteran and beginning farmers.
Some projects will monitor and verify the benefits of climate-friendly farm practices like rotating crops, installing solar panels in farm fields and reducing fertilizer application. Others will provide technical assistance to help farmers adopt new practices and skills.
The money will come from USDA's Commodity Credit Corporation (CCC), which is funded by the U.S. Treasury to support the farm economy. USDA also drew on CCC money for the $2.8 billion round of funding for 70 climate-friendly farm projects of $5 million to $100 million the agency announced in September.
Republican U.S. Representative G.T. Thompson of Pennsylvania, incoming chairman of the House Agriculture Committee, has argued USDA's use of CCC money for the projects is outside of its authority and has said he will audit the program.
"I am sure there are worthy projects, but USDA is abusing the authorities of the (CCC) and this will be reviewed in the new year," Thompson said in an email.
Vilsack told Reuters he was not concerned about a potential audit.
"We're helping to create a market opportunity for farmers, which is precisely what the CCC was designed to do," he said.

Nutrien expects normal fertilizer prices in 2023 - LatAm CEO
After a year of price volatility for agricultural inputs, 2023 is set to be a "normal" year for fertilizer and pesticide costs, an official at top Canadian fertilizer maker Nutrien told Reuters on Monday.
Nutrien's chief executive for Latin America Andre Dias said the war in Ukraine raised concerns in the sector and initially increased fertilizer prices this year.
"The war in Ukraine generated all sorts of expectations around a shortage of products. After May, prices began to fall," he said, adding the value of inputs were cut by half.
Brazil, which imports around 85% of its fertilizer supply, faced challenges with product prices in 2022, Dias said.
He added that 2023 will be a more normal year with less volatility than 2022, with a more "settled" market despite what Dias said was expected Russian surcharges on fertilizers.
Dias reaffirmed the company's plans to grow in Brazil via acquisitions and organic expansions, given the country's agriculture and consolidation opportunities.
Over the past three years, Nutrien has acquired eight companies in the country, seven of which are retailers of agricultural inputs. In 2022, Nutrien invested $500 million in Brazil, including acquisitions.
Revenues in Brazil have increased 20 times in the period, and should end 2022 close to 8 billion reais ($1.50 billion).
Nutrien, which sells inputs under its own and third-party brands, also seeks to provide services for farmers, including financing and agronomic consulting.
Unlike the operation in North America, where Nutrien is also notable for its potassium fertilizer mines, in Brazil the company has four mixers for imported fertilizer raw materials and is in the process of investing in two more, Dias noted.
The executive added that, acquisitions aside, the company expected to end 2022 with organic expansion of 70% year-on-year.

Top News - Metals

COLUMN - Fund managers still see no reason to be bullish on copper: Andy Home
Copper's future in the energy transition may be bright but it's the problematic here and now that is weighing on fund managers' minds.
Money manager positioning on the CME's copper contract shifted back to a net long at the start of November for the first time since early May.
But the change in stance has been all about covering short positions into the recent price rally, which saw London Metal Exchange three-month copper power up to a five-month high of $8,618 per tonne on Friday.
Bulls remain conspicuous by their absence, waiting to see how Doctor Copper prices the confusing combination of Western recession and tentative recovery in China.
BEARS RETRACT THEIR CLAWS
Money managers reached peak negativity on copper's prospects in July, when the cumulative CME short position stood at 65,962 contracts, the largest collective bear bet since COVID-19 first emerged in early 2020.
Soaring inflation, interest rates hikes, dollar strength and rolling lockdowns in China formed a heady bearish brew, with funds increasing their short commitment as London copper slumped from over $9,800 per tonne in June to a 20-month low of $6,955 in July.
The price has since rallied sharply, sentiment turning more positive as Chinese policy-makers ease some of the COVID-19 restrictions that have constrained the country's economic activity.
The bounce has forced an unwind of fund short positions, which have more than halved to 31,177 contracts as of last Tuesday.
Money manager long positions, by contrast, have barely changed since May. They currently total a modest 47,128 contracts, compared with an April peak of 76,837.

The shifting fund landscape on the CME contract has been broadly mirrored in London.
Investment funds slashed their net long position from a high of 39,028 contracts in February to a two-year low of 4,123 in July, since when bullish bets have gyrated higher to 12,443.
Market participants captured by the LME's "other financial" category - a mix of passive index and insurance money - turned net short of LME copper in September for the first time since the exchange started publishing its Commitments of Traders Report in January 2018.
The short flexed out to 2,717 contracts in October but positioning has since switched back to net long, albeit to the tune of a highly modest 1,911 contracts.
Bears have retracted their claws on both exchanges but there's been no corresponding surge in bullish exuberance among fund managers.

RECOVERY AND RECESSION
Funds' reticence to commit to copper is understandable given the market is trying to price two conflicting trends.
China's shift away from its previous zero-tolerance approach to the Omicron variant should stimulate growth in a manufacturing sector which has been stuck in neutral for much of the year. So too should the government's 16-point plan to revitalise the foundering property sector and more promised green-energy infrastructure.
However, full manufacturing recovery remains dependent on full COVID-19 recovery, which may be delayed if looser quarantine rules translate into significantly more cases.
The return of Chinese support for industrial metal markets looks set to be a protracted two-steps-forward-one-step-back affair.
Meanwhile, Europe's energy crisis is sending the region into recession, if it is not there already, with economists now also expecting a mild recession in the United States next year.
Copper's fortunes will depend on whether the Western downturn plays out faster than the Chinese recovery.
Citi analysts think it will. The bank's base case is "for substantial downside in base metal prices over the next 3 -6 months."
Copper, according to Citi, is pricing in a demand recovery which "is unlikely to materialise".
Macquarie Bank also "maintains its bearish outlook for next year", expecting the copper price to bottom in the first or second quarters with a quarterly average low of $7,200 per tonne.
Goldman Sachs remains the contrarian bull voice, arguing the market is ignoring low inventories, particularly in China where economic recovery could trigger a major restocking exercise.

MARKET MONITOR as of 07:26 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.25 / bbl	1.48%	-1.28%
NYMEX RBOB Gasoline	$2.11 / gallon	1.38%	-5.33%
ICE Gas Oil	$853.75 / tonne	1.07%	28.00%
NYMEX Natural Gas	$6.82 / mmBtu	3.58%	82.92%
Spot Gold	$1,788.21 / ounce	0.40%	-2.20%
TRPC coal API 2 / Dec, 22	$250 / tonne	0.00%	103.25%
Carbon ECX EUA / Dec, 22	€89.67 / tonne	-0.55%	11.18%
Dutch gas day-ahead (Pre. close)	€137.00 / Mwh	-2.28%	106.02%
CBOT Corn	$6.42 / bushel	0.08%	8.18%
CBOT Wheat	$7.33 / bushel	2.84%	-4.90%
Malaysia Palm Oil (3M)	RM3,874 / tonne	3.67%	-17.52%
Index (Total Return)	**Close 12 Dec**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	291.61	1.20%	18.05%
Rogers International	28.42	0.57%	21.93%
U.S. Stocks - Dow	34,005.04	1.58%	-6.42%
U.S. Dollar Index	104.87	-0.25%	9.27%
U.S. Bond Index (DJ)	403.54	0.13%	-14.62%

Judging by current positioning on both sides of the Atlantic, funds are unpersuaded either way, deciding the safest bet right now is no bet at all.

Western countries forge green alliance for getting electric vehicle minerals

The United States and other western countries on Monday announced an alliance to produce and buy critical minerals from countries with stronger environmental and labor standards, a move that could reduce business with market leader China.

Announced at the COP15 talks on biodiversity in Montreal, the Sustainable Critical Minerals Alliance would support these standards for elements like lithium, cobalt and nickel, Canada's Natural Resources Minister Jonathan Wilkinson said.

“Unless China and Russia are willing to put in place ... measures required to be able to legitimately say that they are supporting these kinds of standards then it would essentially mean ... we will be buying alternatives as we can," Wilkinson said in an interview.

Wilkinson acknowledged that the voluntary alliance of the United States, Canada, Australia, France, Germany, Japan and the United Kingdom would not shun China which dominates the market for the minerals used in EV batteries.

"Obviously right now there are some critical minerals that are processed in large measure in China so this will be something that will need to happen over time," he said.

Western countries have been trying to wean themselves from dependence on authoritarian regimes for strategically important materials. Canada last week unveiled a strategy to ramp up production and processing of critical minerals. In June, the United States and allies set up a partnership aimed at securing supplies.

China said it has taken steps to curb pollution in its mining sector, but has faced criticism.

Mining, along with other sectors are under scrutiny at the Montreal talks due to their impact on nature.

“China is actually free to up its game with respect to environmental standards and with respect to labor standards and eventually join the alliance," Wilkinson said. "But it would have to make those kinds of changes.”

A strategist from environmental group Greenpeace welcomed the alliance's support for higher environmental, indigenous rights and labor standards but questioned how it would be enforced.

"Will there be teeth to that? For the moment it's more like a memorandum," said Keith Stewart, senior energy strategist, Greenpeace Canada.

Top News - Carbon & Power

EU unity at stake as countries try to break gas price cap impasse

European Union countries will try on Tuesday to agree an EU-wide cap on gas prices, after months of talks that have so far failed to break the deadlock between governments at odds over whether the measure will ease Europe's energy crisis.

Energy ministers from 27 member countries meet in Brussels to attempt to approve a price cap proposed by the European Commission last month - the latest EU response to an energy crunch caused by Russia slashing gas deliveries to Europe this year, leading to severe price spikes.

"Probably not one member state is happy with the proposal we are discussing," said one senior EU diplomat, who described the gas price cap as "one of the most complicated and difficult files you can imagine".

Countries including Belgium, Poland and Italy say a cap is needed to shield their economies from high energy prices, while Germany, the Netherlands and Austria fear it could divert much-needed gas cargoes away from Europe.

Other EU diplomats said they were not sure if there would be a deal on Tuesday. One option could be to escalate the talks to a meeting of EU country leaders on Thursday, and then try again to have ministers approve the price cap next week.

TECHNICAL DETAILS

Any deal could rest on technical details including how high the price limit is, which gas contracts it applies to, and safeguards such as enabling the EU to immediately suspend the cap if it has unintended consequences.

"We are moving in the right direction but we are not there yet," another senior EU diplomat said.

A draft compromise that countries discussed over the weekend would trigger the cap if prices exceeded 220 euros per megawatt hour for five days on the front-month contract in the Dutch Title Transfer Facility gas hub, and were also 35 euros higher than a reference price for liquefied natural gas (LNG) based on existing LNG price assessments.

That limit is below the 275 eur/MWh limit proposed by the European Commission, but a dozen countries including Greece and Italy want an even lower cap.

The pro- and anti-cap camps of countries each potentially have enough votes to block a deal. A potentially decisive nation is France, which initially backed a price cap but last week expressed concerned over the potential fallout in financial markets, three EU country diplomats said.

Last week the Intercontinental Exchange warned the EU proposal could in fact drive gas prices higher, while the European Central Bank said it may jeopardise financial stability.

The EU has already agreed a raft of emergency energy measures this year, including gas storage filling requirements. But the cap may also decide the fate of other EU energy policies - including faster permits for renewable energy projects - after countries opted not to approve those files last month without a deal on the gas price cap first.

Gas producers warn Australian supply at risk under price cap plan

Australia's biggest natural gas producers on Tuesday warned that the government was putting supply at risk, escalating an outcry after the government landed a surprise proposal to control prices beyond a one-year cap.
In the first move that could hit supply, global major Shell paused accepting bids for gas under a plan to boost supply for Australia's populous east coast in 2023 and 2024 while it assesses the government's proposal.
The government on Friday announced a 12-month cap on gas and coal prices to keep a lid on bills for households and businesses hit by soaring global energy prices following Russia's invasion of Ukraine.
But producers are more concerned about the government's proposed long-term "reasonable pricing" regime that would set gas prices at the cost of production plus an agreed profit margin after the one-year price cap expires.
Top independent gas producer Woodside Energy Group said Labor's plan would deter investment in new supply, rather than meeting the government's goals of beefing up energy security, lowering energy bills and boosting renewable power.
"Unfortunately, the proposed market intervention will make it very difficult for industry to economically invest to increase supply," Woodside Chief Executive Officer Meg O'Neill said in a statement on Tuesday.
"No one wants to see energy shortages and gas rationing," she said.
Shell said the government's proposal might undermine the terms of an agreement that three east coast liquefied natural gas (LNG) exporters - Australia Pacific LNG, run by ConocoPhillips, Gladstone LNG, run by Santos Ltd and Queensland Curtis LNG, run by Shell - reached with the government in September to prevent a forecast supply crunch.
Under that deal, Shell's QGC arm had offered gas for 2023 and 2024 for domestic customers through an expression of interest (EOI), but on Tuesday said it was pausing the process.
"QGC needs to consider whether the design of the current EOI will meet the new regulatory requirements," Shell said.
Energy Minister Chris Bowen shrugged off Shell's move, saying the global major was just protecting its own interests.
"Our job is to protect Australian people, but the CEO of Shell can try and protect its profits. We will be protecting the Australian people," Bowen said at a media conference in Sydney.
An Australia Pacific LNG spokesperson said APLNG would continue to honour its commitments under the agreement, "which we recognise plays an important role in giving confidence around the security of gas supply to the market".
Parliament will hold a special session on Thursday to vote on the plan to cap uncontracted gas prices at A$12 ($8.09) per gigajoule (GJ) and coal prices for power producers at A$125 per tonne for one year.

Top News - Dry Freight

Russia's logistic logjam worsens in winter, curbs coal exports to China

Infrastructure bottlenecks in Russia worsened with the winter season as rising demand for Asia-bound cargoes amid European sanctions on Moscow led to rail jams and worsened prospects for coal sales to China, according to data and market sources.
Russian President Vladimir Putin has urged domestic businesses to forge closer ties with Asia and Latin America after Europe introduced sweeping sanctions against Moscow after it sent thousands of troops into Ukraine on Feb. 24.
The European Union also introduced an embargo on Russian coal imports starting from Aug. 10 as part of the Ukraine-related sanctions.
"There has been a large-scale logistical turn towards the east this year, which could not have been predicted in advance. Today this direction is seeing very heavy demand, not only for coal exports but for the transportation of goods in all sectors of the economy," a spokesman for the Russian Railways said.
China's coal imports from Russia continued to slip in October from previous months, according to the latest available data, as logistics bottlenecks in Russia hampered supply and lower demand in China also capped appetite for the fossil fuel.
Arrivals of Russian coal stood at 6.43 million tonnes in October, down from 6.95 million tonnes in September and a record 8.54 million tonnes in August, the General Administration of Customs said.
But it was still 26% higher than the level in October 2021.
Russian coal export constraints could prove even more painful for China as fuel demand in the power generation and heating sectors picks up in winter. Shortages of available railcars have also exacerbated the transportation problems.

According to Russian Railways data seen by Reuters, total eastward cargo exports dropped to 132.4 million tonnes in January-November from 135 million tonnes in the same period last year.
Russia's key coal producing region of Kuzbass in Western Siberia will likely miss its coal export target this year and next over persistent logistic bottlenecks, the local governor Sergei Tsivilyov said last month.
He said the region was due to supply 58 million tonnes for exports to the east this year, while Russian Railways will manage to export only 48.5 million tonnes "at best".
For next year, the plan stands at 63 million tonnes, while Tsivilyov said the railways had offered to transport 52.5 million tonnes.

Brazil coffee exports jump 19% in Nov. as shipping improves

Brazil exported 3.4 million 60-kg bags of green coffee in November, a 19% increase over the same month a year ago amid improving shipping conditions, exporters association Cecafe said in a report on Monday.
Exports of arabica coffee, the milder type preferred by coffee chains such as Starbucks and Pandora, rose 25% in November to 3.39 million bags, while shipments of robusta coffee, which is mostly used to make instant coffee, fell 55% to only 98,995 bags, Cecafe said.
The overall increase from this time last year happens even as the country failed to produce a much larger crop in 2023, after climate setbacks such as frosts and a harsh drought hit plantations.
Cecafe's president Günter Häusler said in a note that foreign demand remains positive, while the logistic situation continues to improve as container freight prices drop and more boxes are available in the market.
The group said that revenues from coffee exports, including processed product such as instant coffee, reached $885 million in November, the highest amount for that month ever.

Picture of the Day

The cooling tower of Bouchain power station, a 585-megawatt (MW) gas-fired power plant is seen during sunset in Bouchain, northen France, France, December 12. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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