

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****Oil demand growth set to slow but stay robust in 2023 -IEA**

Global oil demand growth will slow next year but will still be at a robust 1.7% as China recovers from COVID-related economic doldrums, the International Energy Agency (IEA) said on Wednesday.

This year China is still headed for a contraction in oil demand of 400,000 barrels per day (bpd) to 15.4 million bpd, the IEA added, before recovering by almost one million bpd in 2023.

Russia's oil output will fall by 1.4 million barrels per day (bpd) next year the IEA predicted, further tightening balances as a Dec. 5 price cap imposed by the G7, the European Union and Australia takes effect seeking to curb Moscow's wartime revenue.

Russia's output rose by 90,000 bpd in November to 11.2 million bpd, just 200,000 bpd below levels seen before Moscow sent troops into Ukraine.

Its output has consistently outstripped IEA predictions though lower global prices and steeper discounts on Russian oil meant Moscow's revenue fell by \$700 million to \$15.8 billion, the IEA said.

"While lower oil prices come as a welcome relief to consumers faced by surging inflation, the full impact of embargoes on Russian crude and product supplies remains to be seen," the IEA said.

Brent oil prices stood at \$81.57 a barrel at 1150 GMT on Wednesday, down from a high near \$140 a barrel reached briefly in March.

Global economic challenges and concerns over demand in top oil importer China have helped erase most oil price gains this year, but the IEA said demand in some areas was surprisingly robust.

China, India and the Middle East picked up some of the slack left by flagging oil uptake in Europe and elsewhere in East Asia, the IEA said.

The data prompted the IEA to raise its estimate for oil demand growth this year by 140,000 bpd to 2.3 million bpd and for next year by 100,000 bpd to 1.7 million bpd for a total of 101.6 million bpd.

"While restriction levels in (China) remain high, the stage is now set for a progressive reopening in 2023. We have raised our estimates for 2022 and next year's growth by 50,000 bpd and 40,000 bpd, respectively."

"As we move through the winter months and towards a tighter oil balance in Q2 2023, another price rally cannot be ruled out," the IEA said.

TC Energy restarts segment of Keystone pipeline unaffected by oil spill

Canada's TC Energy Corp is resuming operations in a section of its Keystone pipeline a week after a leak of more than 14,000 barrels of oil in rural Kansas triggered the whole pipe's shutdown.

The company said in a statement on Wednesday that it had given notice to regulators and customers about the restart of pipeline sections unaffected by the incident. The segment of the pipeline where the incident occurred remains sealed off.

"This restart facilitates safe transportation of the energy that customers and North Americans rely on and extends from Hardisty, Alberta, to Wood River/Patoka, Illinois," TC Energy said.

The 622,000 barrels per day (bpd) pipe has been shut since Dec. 7, when the leak was discovered. Oil sprayed nearby pastures and leaked into Mill Creek before being shut by operator TC Energy.

More than 300 people are involved in the clean-up. The timeline for the full restart of the pipeline remained uncertain, and neither a root cause failure analysis nor a full restart plan had been submitted, the U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA) said.

Keystone is a crucial artery shipping Canadian crude to U.S. refineries and traders have been awaiting news of when it might restart operations. The spill is the largest in nearly a decade and the clean-up operation is expected to take weeks.

The spill occurred in Washington County, Kansas, about 20 miles (32 kilometers) south of a junction in Steele City, Nebraska, where Keystone splits into two. Market players had speculated that TC Energy might first restart the leg of the pipeline that delivers to Patoka, Illinois.

Canadian crude prices have been relatively steady since Keystone shut down because of ample spare capacity in Alberta storage hubs, but the discount on Western Canada Select (WCS), the benchmark heavy grade, has started to creep wider as the outage drags on.

WCS for January delivery in Hardisty, Alberta, settled around \$29 a barrel below U.S. crude on Tuesday, from a discount of around \$27 a barrel before the leak. WCS for December delivery traded at \$31.40 a barrel below U.S. crude on Wednesday, according to a Calgary broker.

WCS traded at Gulf Coast also firmed to a discount of \$10.50 to U.S. crude, from minus \$13 on Tuesday. In the short term, more Canadian oil will go into storage, as alternative transportation options are limited, said Matt Murphy, director of energy research at TPH & Co.

Moving crude by rail requires a long lead time and the Enbridge Inc Mainline system is running at nearly full capacity this month, Murphy said.

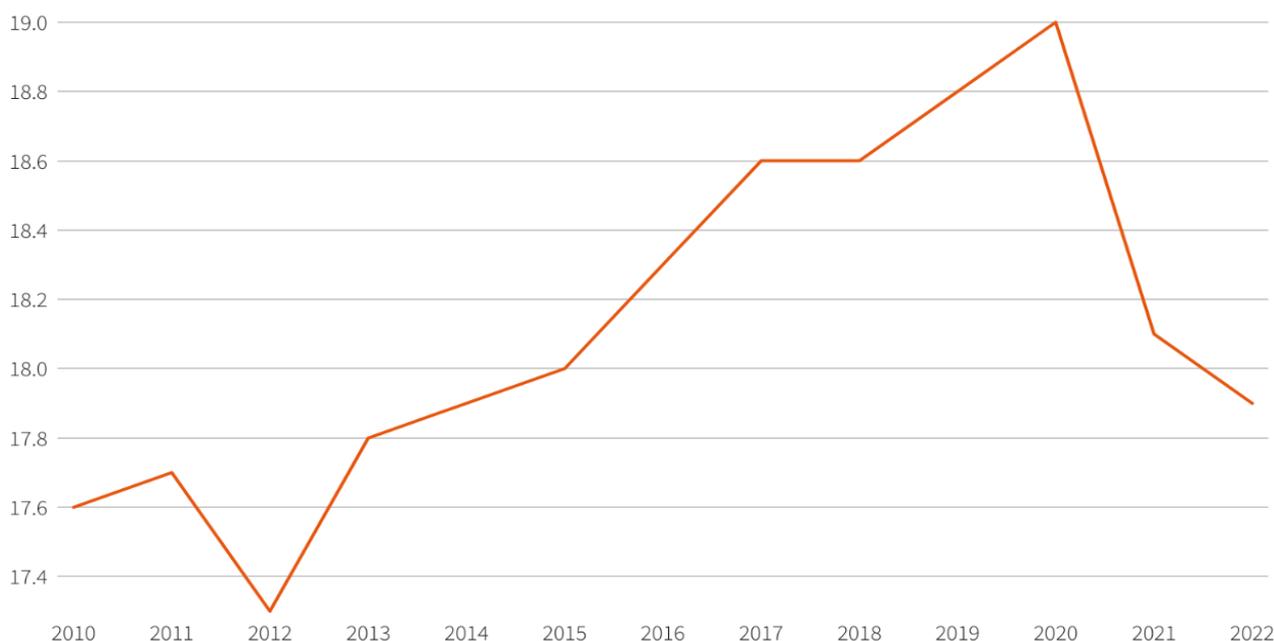
The Mainline moves 3.1 million bpd of Canadian crude to refineries in the U.S. Midwest and eastern Canada. Enbridge will ration December deliveries by the most since last winter, according to company data.

Chart of the Day

U.S. Refining Capacity Dips In Last Two Years

A series of closures have caused U.S. processing capacity to decline even as refiners have become more profitable.

— Refining Capacity (in millions of barrels per day)



Source: U.S. Energy Department

Top News - Agriculture

INSIGHT - Africa's food crisis is the biggest yet – five reasons why

In October, Nadifa Abdi Isak brought her malnourished daughters to hospital in Mogadishu. That day, a nurse said, 42 other children had already been checked into the emergency unit, ravaged by hunger. There were 57 the day before that.

Staff at the Benadir maternity and paediatric hospital said admissions of malnourished children have more than doubled their patient numbers over the past year. They are now treating over 1,000 emergency cases each month.

Half a million children's lives are at risk from a looming famine in Somalia, according to the United Nations – that's more than in any country worldwide this century. Across Africa, from east to west, people are experiencing a food crisis that is bigger and more complex than the

continent has ever seen, say diplomats and humanitarian workers.

One in five Africans – a record 278 million people – were already facing hunger in 2021, according to data from the U.N. Food and Agriculture Organization (FAO). It says the situation has worsened.

The number of East Africans experiencing acute food insecurity – when a lack of food puts lives or livelihoods in immediate danger – has spiked by 60% in just the last year, and by nearly 40% in West Africa, according to the World Food Programme (WFP).

Conflict and climate change are the long-term causes. Heavy debt burdens following the COVID-19 pandemic, rising prices and war in Ukraine have made things much worse as European aid has been sucked away, data and testimony from more than a dozen experts, donors, diplomats, medical staff and men and women in farms

and marketplaces across nearly a dozen countries in Africa and beyond shows.

Benadir Hospital is coping, said Dr. Aweis Olow, head of its paediatric department. But referrals from other clinics are accelerating: "Without a lot of help from the rest of the world, the situation will be out of control."

Here, alongside Isak's story, are five reasons Africa is suffering from the worst food crisis ever recorded:

1. CLIMATE CHANGE

East Africa has missed four consecutive rainy seasons, the worst drought in 40 years, Michael Dunford, the WFP's East Africa director said.

"The situation has never been as bad from a regional perspective as it is today," he told Reuters.

African countries account for only around 3% of the global emissions responsible for climate change, but suffer more than any other region from its impact.

Of the 20 nations ranked as most vulnerable to climate change, all but four are African, according to the Notre Dame Global Adaptation Index, which measures countries' vulnerability.

Some 22 million people across Ethiopia, Kenya and Somalia face high levels of acute food insecurity due solely to the drought, a number projected to rise to up to 26 million by February if the rains again fail, the WFP said.

The lack of rainfall has caused crops to fail. In northern Kenya, pastoralists dig deeper and deeper in search of water for their livestock. Traditional Maasai herders, whose culture revolves around their cows, face the choice of selling them or watching them die.

On the other side of the continent, parts of West Africa have been hit by flooding after the most intense rainfall in 30 years. By mid-October, 5 million people and 1 million hectares of farmland were affected, according to the WFP.

In Chad, over 19,000 head of livestock were swept away after rivers broke their banks, and in neighbouring Nigeria, flooding has hit 29 of the 36 states.

In October in Benue state, part of Nigeria's agricultural heartland, farmer Abraham Hon looked out over water stretching to the horizon, covering some 20 hectares of his ruined rice fields.

"You have drought in some places, then you have floods in some places," he said. "That is a real shift."

"SAVING OUR CHILDREN"

Isak's hometown, Dinsoor, is about 370 km (230 miles) from the capital in Somalia's Bay region. In June, she and her husband and children set out on foot, hoping to escape drought. The journey to Mogadishu took 12 days. They brought their savings of around \$15, and some milk and food.

They walked. "We fled in the hope of saving our children," she said, seated on a hospital bed with her two girls – Nasib, 4, and Fardawsa, 3 – and an infant on her back.

A day into the journey, they were ambushed by bandits. The robbers took their money and food, but spared their lives. They kept walking. A stranger gave the children a lift on his donkey cart.

After four days they reached the regional capital, Baidoa, but couldn't find help there. Someone gave them a lift to Mogadishu. There, they found a spot on government land and built a shelter with other displaced people.

Mohamud Abdi Ahmed, an official for the Garasbaley district where the family set up camp, said there were 50,000 displaced families there.

"Sometimes it's difficult to count them, because more arrive every minute."

2: CONFLICT IN AFRICA

Conflict has long been a driver of hunger. War forces civilians from their homes, livelihoods, farms and food sources. It also makes it dangerous to deliver assistance. The number of displaced people in Africa has tripled over the past decade to a record 36 million in 2022, according to U.N. data. That represents almost half the displaced people in the world. Most were displaced internally within their own countries by conflict.

Conflicts are worsening across the continent, according to the Armed Conflict Location & Event Data Project (ACLED), a crisis monitoring group.

In 2016, it recorded 3,682 "battles" between armed groups in Africa. There were 7,418 in 2021.

Isak's country, Somalia, has been unstable since a civil war in the early 1990s and today is a patchwork of clan strongholds, government-controlled areas and zones in the grip of al Shabaab, an al Qaeda-linked militant group fighting to impose its own rule based on a strict interpretation of Islamic Sharia law.

A U.S. non-profit, Fund for Peace, ranks global states by how fragile they are. In 2022, 15 African nations occupied the top 20 slots of its rankings.

SUFFOCATION

Whenever Isak had food, her youngest children were given top priority.

"The children were getting weaker for months," she said. She and other mothers say malnourished children swell up and their skin thins. They bruise easily.

Just a week after the family arrived in Mogadishu in June, two of Isak's daughters - 6-year-old Muna and 7-year-old Hamdi - fell ill one after another.

They were weak and ran fevers, their legs bowed and limbs swelled. They began to cough and struggled to breathe.

People who don't get enough minerals or vitamins can develop iron-deficiency anaemia, which means they do not have enough healthy red blood cells to carry oxygen to tissues throughout the body.

So as children starve, their bodies slowly suffocate. Dr Olow said such cases are becoming commonplace. Children arriving at Benadir Hospital receive oxygen,

emergency feeding and, if needed, blood transfusions. Just 3% die, Olow said.

By the time Isak brought Muna and Hamdi for treatment, it was too late.

"The doctors could not help them, because they were about to die when we reached the hospital," Isak said.

3. CONFLICT IN EUROPE

Russia's invasion of Ukraine in February, which Moscow calls a "special military operation," added to Africa's problems.

The crisis distracted wealthy governments' humanitarian agencies for the first half of this year, said a senior Western government official involved in humanitarian response in Africa, who asked not to be named because he was not authorised to speak to the media.

"When Ukraine happened, it sucked all the oxygen out of the room," he said.

As the food crisis deepened earlier this year, the African Development Bank set up an emergency food production fund of \$1.5 billion aimed at helping African farmers produce 38 million tonnes of wheat, corn, rice and soybeans.

But needs across Africa's crises have risen by 13% over the past year alone, the data shows. While total donor funding over that time has increased 12%, it currently meets just half of requirements.

European countries in particular have cut aid in Africa. European governments contributed 21% of humanitarian relief aid to African countries in 2022, down 16 percentage points since 2018.

Some countries – such as the United States – have since boosted humanitarian assistance budgets, but the shortfalls remain, a Reuters analysis of U.N. data shows. Four of the five African countries receiving the most humanitarian funding under the 2022 aid appeal are located in or border the drought-stricken Horn of Africa region.

That's leading to some tough choices.

The WFP has, in some cases, been forced to reduce rations, said Ollo Sib, a senior researcher for the agency in West Africa.

"We can keep people alive, but we don't just want to keep people alive," he said.

Chad, for example, currently hosts 577,000 refugees from other countries – the largest group in West Africa. Since 2020, conflict there has also more than doubled the number of internally displaced Chadians to around 381,000.

Faced with overwhelming needs, the WFP has already begun reducing rations for some refugees. And it told Reuters that, without more funding soon, it could be forced to suspend food assistance for all but the 10% of refugees considered the most vulnerable.

Moscow's Ukraine campaign also throttled grain exports. The U.N. and Turkey brokered a deal in July to unblock three Black Sea ports. Under that initiative, 615 vessels left Ukrainian ports between Aug. 1 and Dec. 13 carrying

over 13.8 million tonnes of corn, wheat, rapeseed and sunflower oil.

Just 11 ships were destined for sub-Saharan Africa, however.

"It's making a contribution. But there is no silver bullet," said the WFP's Dunford.

Disruptions caused by that war have also provoked a fertiliser shortage. Where stocks are available, prices have risen beyond the means of many farmers. The result will be smaller harvests next year: In West Africa, the WFP estimates cereal production could fall 20%.

"THEY DON'T KNOW THEY'RE DEAD"

The Benadir hospital can't always help.

"Sometimes mothers bring us dead children," said Farhia Moahmud Jama, head nurse at the paediatric emergency unit. "And they don't know they're dead."

Weakened by hunger, camp residents are vulnerable to disease and people are dying due to a lack of food, said Nadifa Hussein Mohamed, who managed the camp where Isak's family initially stayed.

"Maybe the whole world is hungry and donors are bankrupt, I don't know," she said. "But we're calling out for help, and we do not see relief."

Isak and her husband said some nights, armed men threaten and beat the residents: "They want to sell the land."

Ahmed, the district official, said security around the camps was tight.

4. DEBT

COVID-19 left Africa facing the strongest economic headwinds in years, according to the International Monetary Fund (IMF).

After years of borrowing, countries are struggling to service their debts. According to the IMF, 19 of sub-Saharan Africa's 35 low-income countries are in debt distress – where a government is unable to fulfil its financial obligations and debt restructuring is required – or at high risk of it.

Ghana is an example. The country of 32 million people owed 476 billion cedis – or around \$42 billion in September – over \$1,300 per person. In July, the government turned to the IMF for relief. In December, Finance Minister Ken Ofori-Atta said debt had topped 100% of Ghana's Gross Domestic Product.

Ghana's currency, the cedi, is Africa's weakest. At its lowest level this year, in November, it sank by 59% against the dollar, straining the country's ability to pay for imports. Shopkeepers shut their doors temporarily in October in protest.

In October, Ghana's inflation rate hit a new 21-year high of 40.4%, driven in large part by higher food costs. Cereal prices have gone up over 51%. Dairy and eggs by nearly 59%.

Globally, prices of cereals, dairy, meat, vegetable oils and sugar climbed over 23% in 2021, the fastest in more than a decade, according to an index from the FAO.

Food expenses constitute 40% of households' consumer spending in sub-Saharan Africa – the highest share in the world, according to the IMF.

For Ghanaian Evelyn Lartey, a trip to market in the capital Accra has become a race.

"The maths you use one day expires the next, and you don't know what are the real prices," she said. "You just have to pay what you're told or else keep walking."

HEART PAIN

On Wednesday Oct. 19, months after Muna and Hamdi's deaths, two of Isak's other daughters – Nasib and Fardawsa – could not sleep.

"They were complaining of heart pain. It was 2 a.m.," she said.

They set off for the hospital. There were few vehicles on the road, and none stopped when they tried to wave them down, so Isak and her husband carried the children for four km.

A normal three-year-old child has between 11 and 13.7 grams of haemoglobin, the iron-rich protein that carries oxygen around the body, per decilitre of blood.

Doctors told Isak that Fardawsa's blood contained 1 gram of haemoglobin per decilitre. She needed a blood transfusion.

The medics couldn't find a vein on her hands, so they transfused the blood through a vein in her head.

"It's not yet her time to die," her mother said, relieved.

5. GOVERNMENTS

African governments have done little to prevent food crises from recurring.

In a move to boost production, reduce import reliance and improve food security, leaders in 2003 pledged to commit at least 10% of their national budgets to agriculture and rural development within five years.

By 2021, nearly two decades later, just two countries in sub-Saharan Africa – Mali and Zimbabwe – met that target.

Instead, an analysis of 39 African countries by UK charity Oxfam found, spending on agriculture fell as a share of budgets between 2019 and 2021.

Agriculture makes up nearly 20% of Africa's GDP and more than half of Africans work in the sector, according to the World Bank. Most of this is low-productivity subsistence farming, and the region is a net importer of staples including wheat, palm oil and rice, the FAO says. Productivity and crop yields have increased, but they are still the lowest in the world and the FAO says they come nowhere close to keeping up with the continent's growing population, which the U.N. forecasts will more than triple to 4.3 billion by the end of the century.

So agricultural production per capita is falling, according to the FAO.

Self-sufficiency for major food commodities is decreasing. Without action, the World Bank says Africa's food import bill, which stood at \$43 billion in 2019, could rise to \$110 billion in 2025.

"We have 65% of the world's available arable land. We have to wake up," Akinwumi Adesina, president of the African Development Bank, told Reuters. "For me, the bare minimum is that Africa is able to feed itself."

"STRENGTH, BUT NO WORK"

Nasib and Fardawsa spent a week in the hospital, receiving blood transfusions, medicine and nutritional biscuits. They recovered, but then Isak's four-month-old, Farhan, needed care.

He received an emergency transfusion and treatment. The doctor prescribed syrups and supplementary iron tablets that the family cannot afford.

"I don't have any money," she said.

In search of aid and security, in November the family moved onto an abandoned military camp closer to the city centre.

They are no longer harassed, but attacks by Islamist militants periodically send the city into lock-down. Isak's husband, Mohamed Ibrahim, hoped he could earn money for food in town, working as a porter.

"I have strength but no work. I have a wooden wheelbarrow," he said. But most people use the services of tuk-tuks instead.

After months on the move – from her village to the city, from camp to camp, and hospital to hospital – Isak is running out of energy. She believes she herself and two other children are now also anaemic.

"If he gets a dollar or two, this is not even enough for food for the children."

Argentine grains exchange cuts wheat forecast 3% on drought

A major Argentine grains exchange cut its wheat production forecast for the 2022/23 season by about 3% on Wednesday, after the crops suffered in drought and late-season frosts during the start of the southern hemisphere spring.

The Rosario Grains Exchange sees the wheat harvest at around 11.5 million tonnes, down from a previous estimate of 11.8 million tonnes.

Argentina is a top global wheat supplier, primarily shipping to Brazil and Indonesia, and a leading exporter of soybean oil and meal and corn.

The new wheat production forecast is far below the 19 million tonnes estimated in May.

Drought and low temperatures have hit Argentina's wheat harvests amid a worldwide supply crunch worsened by Russia's invasion of Ukraine in late February.

"Wheat in the central region has suffered a devastating season, between the constant lack of water ... and the frosts," said the exchange, adding that average wheat yields hit the lowest in a dozen years.

Entre Rios province has bucked the trend, raking in more wheat than expected, the exchange said.

Argentine producers have harvested 62% of the 5.9 million hectares planted with wheat, according to the

exchange, but some 900,000 hectares have been written off because of drought.

The exchange also maintained its 2022/23 season soy production forecast at 48 million tonnes and corn production at 56 million tonnes.

The planting area for soy will likely be smaller than the 17.1 million hectares estimated, however, also due to dry conditions.

Soy planting "continues to be threatened by the lack of water and very high temperatures that have been ongoing since November," said the exchange. It cited delays that have led to just 49% of the crop planted, compared with 65% at the same point last season.

Corn planting has also suffered delays, standing at 47% progress versus 66% last season.

MARKET MONITOR as of 07:25 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$76.57 / bbl	-0.92%	1.81%
NYMEX RBOB Gasoline	\$2.22 / gallon	-0.96%	-0.25%
ICE Gas Oil	\$924.50 / tonne	0.19%	38.61%
NYMEX Natural Gas	\$6.50 / mmBtu	1.01%	74.13%
Spot Gold	\$1,792.29 / ounce	-0.83%	-1.97%
TRPC coal API 2 / Dec, 22	\$234 / tonne	-6.40%	90.24%
Carbon ECX EUA / Dec, 22	€86.54 / tonne	-0.08%	7.30%
Dutch gas day-ahead (Pre. close)	€133.00 / Mwh	-3.87%	100.00%
CBOT Corn	\$6.50 / bushel	-0.15%	9.48%
CBOT Wheat	\$7.49 / bushel	-0.07%	-2.79%
Malaysia Palm Oil (3M)	RM3,940 / tonne	-0.25%	-16.12%
Index (Total Return)	Close 14 Dec	Change	YTD Change
Thomson Reuters/Jefferies CRB	299.54	0.59%	21.26%
Rogers International	28.74	-0.10%	23.32%
U.S. Stocks - Dow	33,966.35	-0.42%	-6.53%
U.S. Dollar Index	103.91	-0.03%	8.27%
U.S. Bond Index (DJ)	406.91	0.15%	-13.92%

Top News - Metals

China Nov aluminium output rises as power controls ease

China's primary aluminium production in November climbed 9.4% from a year earlier as looser power restrictions allowed some regions to ramp up output and as new smelters started operation.

The world's top aluminium producer churned out 3.41 million tonnes of primary aluminium last month, according to data from the National Bureau of Statistics.

China's output has risen in each of the last nine months compared with year-ago figures, after strict electricity usage restrictions in 2021 had caused significant declines in output.

The long-term demand outlook for the metal, used heavily in construction and transportation, is also improving after

China relaxed its COVID 19-related restrictions and the government issued new measures to support the ailing property sector.

The most-traded aluminium contract on the Shanghai Futures Exchange averaged 18,845 yuan (\$2,707) a tonne in November, up 6.1% from the previous month. Many producers also saw better profits last month, boosted by lower thermal coal prices, according to information provider Mysteel. Average profit at smelters was 1,173 yuan a tonne in November, up 348 yuan from the prior month, it said.

"Many aluminium producers are looking to ramp up production as long as the power supply allows, given profit of more than 1,000 yuan and good demand

prospects next year," a Shanghai-based aluminium trader said.

Aluminium producers in China's southwestern region, chiefly Sichuan province and the Guangxi region, ramped up production last month while new capacity was launched in northern China's Inner Mongolia region. That offset production cuts in central China's Henan province and lower production in southwestern Yunnan province due to tight hydropower supply since September. November's number is equivalent to average daily output of 113,667 tonnes, compared with 111,290 tonnes in October. In the first 11 months of the year China produced 36.77 million tonnes, a rise of 3.9 % from the same period last year, the data showed. Production of 10 nonferrous metals - including copper, aluminium, lead, zinc and nickel – rose 8.8% in November from a year earlier to 5.88 million tonnes. Year-to-date output was up 4.2% at 61.81 million tonnes. The other non-ferrous metals are tin, antimony, mercury, magnesium and titanium.

Chile's Cochilco cuts copper price projection for 2023 to \$3.70/lb

The state-owned Chilean Copper Commission (Cochilco)

on Wednesday cut its projection for the price of copper for 2023 to \$3.70 per pound due to greater supply.

The agency in July had estimated a copper price of \$3.95 per pound in 2023.

"The lower copper price expectation is due to the fact that the supply of the metal would grow by around 3.9%," Mining Minister Marcela Hernando said in Cochilco's statement. "While demand would increase by only 2.4%, causing a significant surplus."

Cochilco's executive vice-president, Joaquin Morales, added that other factors, like "further deterioration of China's growth, more persistent inflation, interest rates at high levels for a prolonged period and a deeper recession than expected in Europe" also contributed to the lower projection.

Cochilco also slightly lowered its 2022 forecast to \$3.98, from the average \$4.00 it estimated in July.

In addition, the agency projected a production volume for Chile of 5.3 million tonnes of copper for 2022, which is a year-on-year decline of 5.8%. For 2023 the agency projects growth of 7.5% to 5.7 million tonnes.

Chile is the world's largest producer of copper.

Top News - Carbon & Power

EU countries plan for gas deals to replace Russian fuel – draft

European Union countries intend next year to push for more gas deals - including long-term contracts - to replace Russian supplies, draft conclusions for an EU leaders' summit on Thursday showed.

The draft, seen by Reuters, said the EU should move quickly to start jointly buying gas - an idea suggested by the EU last year to use the bloc's heft as the world's biggest gas market to negotiate lower prices, but which it has yet to put into practice.

At the same time, countries should also accelerate talks with reliable suppliers "to secure the supply of gas in view of winter 2023/2024 with a view to concluding long-term contracts," said the draft, which could change before it is adopted by leaders.

Russia was Europe's top gas supplier but has cut off the majority of European deliveries since its invasion of Ukraine in February, sending energy prices soaring and driving EU countries to secure extra supplies from Algeria, Norway and the United States.

Brussels has said the majority of Russian supplies should be displaced by locally-produced renewable energy and energy savings, to ensure the EU meets its climate change targets. The draft leaders' statement also said such investments should be stepped up.

The EU is negotiating a proposed law that would ban countries from concluding CO2-emitting gas contracts

with a duration beyond 2049, to avoid such contracts thwarting the EU's aim to achieve net zero greenhouse gas emissions by 2050.

The EU has also committed to cut its net greenhouse gas emissions 55% by 2030, from 1990 levels. By the EU's own estimates, that would see total gas consumption drop by 30%, or 100 billion cubic metres, by 2030.

"Having to replace most of Russian gas supplies, it makes sense for Europe to sign up to long-term contracts," said Simone Tagliapietra, Senior Fellow at think-tank Bruegel.

Tagliapietra said such contracts need not be in breach of the bloc's climate targets, but they should not prevent the EU from re-directing gas flows to Asian countries planning a slower shift away from gas on the way to reaching net zero emissions, if the fuel is no longer needed in Europe.

China's daily coal output hits record high in November to meet heating demand

China's daily coal output hit an all time high in November as miners increased operations to meet higher demand for heating despite the logistics problems and resulting stock builds caused by Beijing's heavy-handed zero-COVID curbs.

China churned out about 390 million tonnes of coal last month, data from the National Bureau of Statistics (NBS)

showed on Thursday, equivalent to 13.04 million tonnes per day.

That leapfrogged the previous peak of 12.89 million tonnes in September, and was up from 12.36 million tonnes a year before.

Production over the January-November period was 4.09 billion tonnes, 9.7% higher than in the same period a year earlier, the bureau's data showed.

The increased coal output followed repeated calls from the central government to keep energy supplies steady through the winter. Northern China began its four-month heating season from mid-November and most heating facilities are fueled by coal.

The record high production surprised some market players as hundreds of COVID-19 cases have been reported daily in China's major coal mining regions since October, resulting in authorities shutting down coal washing plants and imposing strict mobility curbs for truck drivers serving the mines, which led to them building stocks.

Many coal mines adopted a so-called "closed loop management" approaches, such as barring workers from

taking leave, in order to reduce the risk of COVID outbreak and to maintain production.

Daqin railway, China's biggest coal transport line connecting the coal mining hubs with Qinhuangdao port, also resumed last month after an extended overhaul, helping miners to ship out their coal.

Output is expected to stay at high in December following Beijing's sudden loosening of COVID rules, which included scrapping compulsory COVID tests and relaxing quarantine requirements.

That will allow truck drivers to resume cross-region coal transport and ease inventory pressure at coal mines. Daily coal consumption at coastal provinces reached 2.01 million tonnes last Thursday, up 3.1% from a year ago, according to data compiled by the China Coal Transportation and Distribution Association.

However, coal demand from non-utility end users, such as chemicals and cement producers, is expected to take a longer time to recover, as they could suffer labour shortages as a fresh wave of COVID infections gathers momentum. Industrial plants will also soon shut for the Lunar New Year holiday next month.

Top News - Dry Freight

Colombia mining exports forecast to hit all-time high in 2022 -industry group

Exports by Colombia's mining sector in 2022 are expected to hit an all-time high, the Colombian Mining Association (ACM) said on Wednesday, driven by higher commodity prices, particularly coal.

While the ACM expects Colombia's coal output to hit 65.3 million tonnes this year, up around 10% on 2021 but below the 80.3 million tonnes reported in 2019, higher prices have boosted the mining sector's export value, the organization said.

"This year the Colombian mining sector is going to have record exports in terms of value," ACM President Juan Camilo Narino told journalists, adding the forecast export-value for the sector in 2022, including gold and other minerals, was \$22.16 billion.

Average export value of the mining sector from the previous five or six years has been "around \$12 billion" Narino said, adding that such an increase had never been seen before in the country.

Royalties from mining operations are expected to hit 4.84 trillion pesos (\$1.01 billion) this year, Narino added, saying the figure was more than double that seen in either of the last two years. The country's gold production in 2022 is forecast at 1.56 million troy ounces, the ACM said, of which just 625,000 troy ounces are produced by mining companies. The lion's share of Colombia's gold output comes from informal miners.

Earlier this week, government entities including the Ministry of Mines and Energy signed an agreement to establish

a new national mining company to buy gold from small-scale miners in a bid to make the industry safer and greener. The sector will have to wait and see what type of gold the state mining company will buy, as well as what process it employees to formalize small scale miners, Narino said.

"I think there is a possible potential there but ... we'll have to see how it materializes," he said.

Algeria buys about 500,000 tonnes wheat in tender -traders

Algeria's state grains agency OAIC has bought about 500,000 tonnes of milling wheat in an international tender which closed on Wednesday, European traders estimated. Initial purchases reported were around \$348 to \$349 a tonne cost and freight (c&f) included, they said. Most traders put the purchase at about 500,000 tonnes, with estimates ranging from 480,000 to 520,000 tonnes. The wheat is of optional origin, but traders said they expect most to be sourced from the Black Sea region and some from the European Union. Suppliers are expected to include Russia, Bulgaria and France. More detailed assessments prices and tonnage bought are still possible later. The wheat is sought for shipment in two periods in 2023 from the main supply regions including Europe: Feb. 1-15 and Feb. 16-28. If sourced from South America or Australia, shipment is one month earlier. Algeria is a vital customer for wheat from the European Union, especially France. Algeria does not release results of its tenders and reports are based on trade estimates.

Picture of the Day



The coal is unloaded from a vessel in Port Gdanski Eksploatacja, Gdansk, Poland, December 5. REUTERS/Kacper Pempel

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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

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