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Top News - Oil

Keystone pipeline break spilled diluted bitumen, complicating cleanup

The oil spilled from TC Energy Corp's ruptured Keystone pipeline was diluted bitumen, the U.S. Environmental Protection Agency (EPA) said on Thursday, adding complications to the cleanup.

The 622,000 barrels per day (bpd) pipeline was shut last week after it spilled 14,000 barrels of oil in rural Kansas, including into a creek. Bitumen tends to sink in water, making it harder to collect than oils that float.

The parts of the pipeline carrying oil from Alberta, Canada, to refineries in Illinois opened on Wednesday at reduced capacity. The ruptured portion that extends from south of Steele City, Nebraska, to a storage hub in Cushing, Oklahoma, remains closed.

Bitumen from Canada's oil sands is a dense, thick form of oil that shippers dilute with lighter oils so it can move through pipelines. The resulting product is called dilbit for short.

A 2016 National Academy of Sciences study for the U.S. Department of Transportation examined whether transporting dilbit carries different environmental risks than other oils, following a 2010 spill in Michigan.

The report said that when diluted bitumen spills, a thick, dense material forms as a residue after exposure to the environment. The residue tends to stick to surfaces, sometimes sinking to the bottom of a water body.

“For this reason, spills of diluted bitumen pose particular challenges when they reach water bodies,” the report said.

Crews are using equipment to skim oily water off the surface of Mill Creek in Kansas and to vacuum crude into trucks. Colder temperatures may hamper the cleanup, the EPA said.

Cleanup of the 2010 Enbridge Inc pipeline spill lasted years because of the difficulties collecting dilbit, said Keith Brooks, campaigns director at Environmental Defence, adding that recovery in Kansas may be no different.

"I would expect it's going to be a long, long time.

The Sierra Club, another environmental advocacy group, questioned why parts of the pipeline reopened before TC Energy had identified the leak's cause.

"How can we be assured that other segments of the pipeline aren't equally prone to failure?" said Zack Pistoria, Sierra's lobbyist in Kansas.

More than 400 people are involved in the cleanup including personnel from EPA, U.S. Pipeline and Hazardous Materials Safety Administration, state and local agencies, TC Energy and TC Energy contractors, the agency said.

The response team has so far recovered 5,567 barrels of oil-water mixture from Mill Creek.

The EPA said four dead mammals have been recovered, and 71 fish.

TC said in a statement that it has excavated around the ruptured pipeline segment, calling it a milestone in the repair and investigation process.

Enbridge meanwhile increased its rationing of space on its oil Mainline for January, in a sign that demand to ship Canadian barrels south is outpacing pipeline capacity after the Keystone outage.

Germany's Schwedt refinery no longer needs Russian oil after Polish supply deal - German official

Germany's Schwedt refinery will no longer need Russian oil after Poland committed to provide enough supply for it to run at a capacity of 70% from January, an economy ministry official in Berlin said on Thursday.

Berlin aims to eliminate Russian oil imports by the end of the year as per European Union sanctions and has for months been working with Poland to try to secure supply for Schwedt, which provides 90% of Berlin's fuel.

Both sides want to ensure Polish refineries in Gdansk and Plock as well as German refineries in Schwedt and Leuna near Leipzig are adequately supplied with crude oil, ministers from both countries said earlier this month.

"Poland wants to take this step together with us," said Michael Kellner, state secretary in Germany's economy ministry. Germany would look to increase supplies from elsewhere, including from Kazakhstan. "Security of supply can be ensured," he told parliament and added: "So we guarantee that work can continue in Schwedt."

The supply proposal assumes that two to three ships with 100,000 tonnes each a month of non-Russian oil would be unloading for Schwedt in Gdansk in Poland as of next year, a source familiar with the negotiations on the Polish side said.

That would amount to some 3.5 million tonnes per year, the rest would come via Rostock on the Baltic, the person said.

Schwedt then could meet the needs of the Berlin region, supply the nearly 600 German gas stations owned by Poland's Orlen and provide some fuels for the western Poland region, the source said.

Germany in September took control of the Schwedt refinery, which was majority owned by Russia's Rosneft, as part of efforts to shore up the country's energy supply. It put Rosneft Deutschland under a trusteeship of the German industry regulator but Rosneft still holds 54.17% of the refinery.

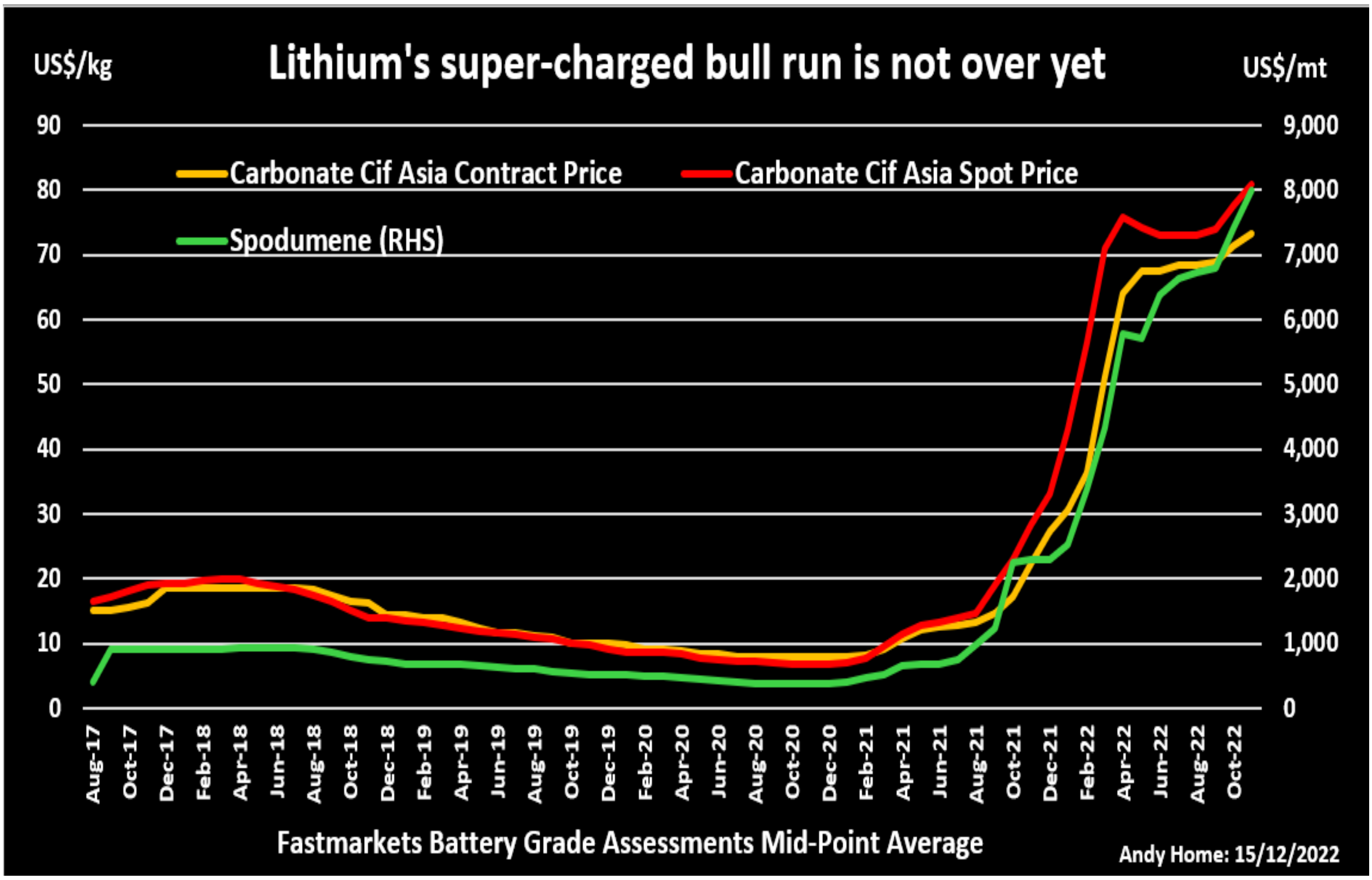
Schwedt's co-shareholders are oil major Shell with a 37.5% stake, and Italy's Eni, which holds 8.33%.

Top News - Agriculture

U.S. announces $2.5 billion in food assistance for Africa

U.S. President Joe Biden on Thursday announced billions of dollars in additional humanitarian assistance to address acute food insecurity in Africa, which is facing a bigger and more complex food crisis than ever before.
The United States pledged an additional $2.5 billion in emergency assistance and medium- to long-term food security assistance for resilient African food systems and supply markets, the White House said in a statement.
"We're facing a global food crisis, and nowhere is it felt more keenly than on the African continent," Biden said on the last day of a three-day summit in Washington with African leaders from 49 countries and the African Union.
"Today, famine once more stalks the Horn of Africa. High food prices and high trade barriers are taking a toll on the lives and livelihoods of millions of people across the continent."
Food insecurity has worsened in much of Africa in recent years, driven by protracted armed conflicts and the impacts of climate change, which has led to prolonged droughts in some areas and crop-destroying floods in others.
But the situation was aggravated by a pandemic-provoked economic downturn, rising debt levels and, more recently, the fallout from Russia's invasion of Ukraine, which is partly responsible for food, fuel and fertiliser price spikes.
The United States and African Union on Thursday also announced a strategic partnership to accelerate their work toward food security in the region and laid out several goals, according to a separate statement from the White House.
The short-term goals for the partnership included identifying means for Africa to secure more diverse and resilient sources of grain and fertilizer supply to meet its immediate needs and providing humanitarian assistance.
Among the medium- and long-term goals were exploring ways to improve Africa's access to global markets, increasing reliable and sustainable access to fertilizers and their inputs and diversifying the production of agricultural commodities.

Chart of the Day



Argentine soybean planting still challenged by drought -grains exchange

Rainfall over recent days has not been enough for successful planting of soybeans after an extended drought in Argentina's core agricultural areas, the Buenos Aires grains exchange (BdeC) said on Thursday.

Argentina is the world's leading exporter of processed soy, but its usually green Pampas plains are being hit by a historic drought that is preventing many farmers from planting their fields.

"Despite some rains recorded last Friday over the center of the agricultural area, water supplies continue to be inconsistent and insufficient," it said in its weekly report.

Farmers had as of Wednesday planted 50.8% of the 16.7 million hectares planned for 22/23 soybeans, according to a report from the exchange, marking a 14.2 percentage point delay from last year.

The grains exchange added that in the country's core agricultural zone, planting was between 20 and 22.3 percentage points behind last year's cycle. The longer planting is delayed, the smaller the harvest is likely to be.

Regarding the 2022/23 cycle for corn, the exchange said sowing was 42.6% complete - 5.1 percentage points behind the previous campaign. The planting area for the cereal is estimated to reach 7.3 million hectares.

The exchange said the condition of the fields varied extensively, even after the December rains. Argentina is the third largest exporter of corn in the world.

Argentina is also a key world supplier of wheat, but the 2022/23 campaign has also suffered from lack of rain as well as late-season frosts.

The exchange said 53.8% of the 12.4 million tonnes planted has been harvested, 10 million tonnes less than in the previous harvest.

The Rosario Stock Exchange had on Wednesday again cut its forecast for Argentine wheat production to 11.5 million tonnes, due to the impacts of the drought.

Top News - Metals

Panama tells First Quantum to halt flagship mine after talks fail; shares sink

Panama's government ordered Canada's First Quantum Minerals on Thursday to pause operations at its flagship copper mine in the country after missing a deadline to finalize a deal that would have increased payments to the government from the mine.

The government had given Minera Panama, which is majority-owned by First Quantum Minerals, until Wednesday to sign an agreement reached in January to pay $375 million a year to the government from its Cobre Panama mine.

Panama's government ordered the commerce and industry ministry to suspend Minera Panama's operations at the mine after a midnight deadline was missed. First Quantum shares tumbled 14.7% in Toronto trading.

First Quantum estimates the Cobre mine to produce 340,000 to 350,000 tonnes of copper in 2022, accounting for more than 40% of its overall copper output. The company has invested $6 billion in the open-pit mine, where operations began in 2019.

It is considered the largest private investment in the Central American country and accounts for roughly 3.5% of Panama's gross domestic product.

Months of talks between the miner and the government continued until early Thursday morning, the commerce and industry ministry said. It added that the miner then sent a new proposal that "fundamentally" changed the deal's economics.

The miner said earlier Thursday the deal was not finalized because "necessary legal protections on termination, stability and transition arrangements could not be agreed."

First Quantum company earlier said it was open to further dialogue but did not immediately respond to the announcement that its operations would be suspended.

"While we view the deadline's expiration to be a setback, we are encouraged by the fact that almost all of the terms of the economic package have been agreed upon in principle," Eight Capital said in a research note Thursday.

Authorities and the company began negotiating a new concession contract late last year after Panamanian President Laurentino Cortizo promised to extract better benefits for the country from the copper mine.

The Panamanian government has hired financial advisers to explore alternatives with other companies within the last months, according to sources familiar with the matter.

Eight Capital said next year could be “a campaigning year” in the run-up to Panama's general elections, scheduled for May 2024.

"So we believe prioritization of an agreement is high, and we believe an ultimate resolution will be successful," Eight Capital said, despite the risk of government commentary.

COLUMN-Lithium still super-charged as supply chases after demand: Andy Home

The world has been running short of lithium this year, a surge of new supply failing to catch up with a still faster demand wave as the electric vehicle (EV) revolution accelerates.

Lithium's price narrative is fiercely contested territory, but the clearest signal of market shortfall is price. From spodumene ore through lithium carbonate to lithium hydroxide, prices have more than doubled again this year after an explosive rally in 2021.

Last month's average spot Asian price for battery-grade carbonate was assessed by Fastmarkets at $80,800 per tonne, a rise of over 1,000% since the start of last year.
Even Goldman Sachs, which outraged lithium bulls with a bearish market call in May, now thinks global supply will fall 84,000 tonnes short of demand this year. ("Lithium's delayed decline", Nov. 9, 2022)
True, the remarkable bull run has shown signs of losing momentum in recent weeks, but lithium is still holding close to the peaks even as other industrial metals prices retreat on fears of recession.
What happens next? There is a broad analyst consensus that prices should ease over the course of 2023, but lithium's supply-chain dynamics are evolving so fast there is elevated uncertainty around any forecast.

MARKET MONITOR as of 07:25 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.12 / bbl	0.01%	1.21%
NYMEX RBOB Gasoline	$2.17 / gallon	0.17%	-2.60%
ICE Gas Oil	$931.25 / tonne	0.98%	39.62%
NYMEX Natural Gas	$6.70 / mmBtu	-3.93%	79.52%
Spot Gold	$1,780.50 / ounce	0.22%	-2.62%
TRPC coal API 2 / Dec, 22	$225 / tonne	-3.85%	82.93%
Carbon ECX EUA / Dec, 22	€85.98 / tonne	0.56%	6.61%
Dutch gas day-ahead (Pre. close)	€135.50 / Mwh	1.88%	103.76%
CBOT Corn	$6.54 / bushel	0.11%	10.28%
CBOT Wheat	$7.57 / bushel	3.98%	-1.75%
Malaysia Palm Oil (3M)	RM3,946 / tonne	1.34%	-15.99%
Index (Total Return)	**Close 15 Dec**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	297.51	-0.68%	20.44%
Rogers International	28.34	-1.39%	21.60%
U.S. Stocks - Dow	33,202.22	-2.25%	-8.63%
U.S. Dollar Index	104.28	-0.03%	8.66%
U.S. Bond Index (DJ)	406.91	0.15%	-13.79%

SUPER-CHARGED DEMAND
Lithium supply is ramping up fast as operators rush to scale up existing production and bring new projects online.
It's just that demand has been growing even faster.
Total new battery capacity deployed on the world's roads in the first half of 2022 totalled 195.5 GWh, up 79% on the first half of 2021, according to Adamas Intelligence. ("State of Charge - 7th Biannual")
That translated into 117,200 tonnes of lithium carbonate equivalent usage, a 76% jump on the previous year.
Lithium demand in EV batteries has been given an extra booster by high prices for nickel and cobalt which have caused many Asian EV manufacturers to pivot to lower-cost but more metal-intensive lithium-iron-phosphate chemistry.
The amount of nickel and cobalt deployed in new cars in the first half of 2022 rose strongly by 50% and 44% relative to 2021, but both lagged lithium by some margin.
New EVs rolling off the automotive production line are the end of the lithium supply chain, but the chain itself is also expanding fast.
Battery plants are springing up everywhere as governments stimulate the shift from fossil fuels to renewable energy. All of them need raw materials, so their collective stock-building accentuates the rising EV demand curve.

PAUSE FOR BREATH?
Spot lithium prices have softened slightly this month, with the market currently highly sensitive to the state of play in the Chinese EV sector.
China is the world's largest EV market and still growing. New energy vehicle sales in November were up 72.3% year-on-year even as total passenger vehicle sales fell 7.9%, the first year-on-year decline since May.

EV sales have been driven by government subsidies which are due to end this year, the looming deadline acting to bring forward future demand.
There is much speculation there may be some leeway for extensions of the subsidies, but absent official confirmation battery-makers are facing a significantly softer Chinese market in the coming months.
Micro uncertainty is overlaid by the broader uncertainty around China's policy of loosening of COVID-19 restrictions while trying to avoid a wave of new infections.
The clouded short-term outlook is why the lithium price rally has paused for breath and why analysts are looking for a pull-back over the course of next year.
The lithium market needs it. Current high prices are feeding through to higher battery prices, the biggest single cost differentiator in a new energy vehicle.
That's a headache for automakers striving for price parity with internal combustion engines.

CAN SUPPLY CATCH UP?
But softer prices will also require supply to keep growing at an equally super-charged rate.
Analysts at Fastmarkets NewGen estimate global lithium production surged by 36% year-on-year in 2021 and expect total supply will rise from 540,400 tonnes of LCE in 2021 to more than three million tonnes by 2030.
There are as many calculations as there are forecasters out there, but the scale of investment in new lithium capacity is immense and set to grow further as the United States and the European Union actively try to nurture domestic supply chains.
The problem is that greenfield projects for any industrial mineral are prone to over-run, the potential for missed time-lines accentuated in the case of lithium by the need to certify chemical purity with customers.
Moreover, much of lithium's supply growth is coming from new sources such as China's lepidolite deposits which come with their own new disruption potential.
That includes such things as the pollution of the Jinjiang river which flows through Yichin in the province of Jiangxi.
Yongxing Special Materials was forced to suspend production last month after government testing found local river water was "abnormal", according to Benchmark Mineral Intelligence (BMI).
Jiangxi is the hub of China's newly emerging lepidolite mining sector, but the resources, BMI notes, "are lower grade than Australian spodumene and result in more carbon emissions and waste production".
The authorities' intervention in November may be a taster of a bigger environmental battle to come and one with massive disruption potential given the concentration of lepidolite processing in and around Yichin.
Lithium's supply pipeline is full of known unknowns with a few totally unknowns thrown in for good measure, which is why there are so many competing narratives around likely price evolution.
Fastmarkets NewGen, for example, expects supply to do its job with a shift into market surplus from 2025.
"However, it will remain a tight market... and some oscillation between deficit and surplus in certain years is likely, with consequently high volatility in prices," it said in a Dec. 8 research note.
The road to surplus, in other words, isn't going to be smooth. Upside and downside price risks abound.
Lithium's pause for breath may not last long.

Top News - Carbon & Power

Global coal consumption to reach all-time high this year – IEA
Global coal consumption is set to rise to an all-time high in 2022 and remain at similar levels in the next few years if stronger efforts are not made to move to a low-carbon economy, a report by the International Energy Agency (IEA) said on Friday.
High gas prices following Russia's invasion of Ukraine and consequent disruptions to supply have led some countries to turn to relatively cheaper coal this year.
Heatwaves and droughts in some regions have also driven up electricity demand and reduced hydropower, while nuclear generation has also been very weak, especially in Europe, where France had to shut down nuclear reactors for maintenance.
The IEA's annual report on coal forecasts global coal use is set to rise by 1.2% this year, exceeding 8 billion tonnes in a single year for the first time and a previous record set in 2013.
It also predicts that coal consumption will remain flat at that level to 2025 as falls in mature markets are offset by continued strong demand in emerging Asian economies.
This means coal will continue to be the global energy system’s largest single source of carbon dioxide emissions by far.
The largest increase in coal demand is expected to be in India at 7%, followed by the European Union at 6% and China at 0.4%.
"The world is close to a peak in fossil fuel use, with coal set to be the first to decline, but we are not there yet," said Keisuke Sadamori, the IEA’s director of energy markets and security.
Europe's coal demand has risen due to more switching from gas to coal due to high gas prices and as Russian gas has reduced to a trickle.
However, by 2025 European coal demand is expected to decline below 2022 levels, the report said.

Global coal-fired power generation is set to rise to a new record of around 10.3 terawatt hours this year, while coal production is forecast to rise by 5.4% to around 8.3 billion tonnes, also an all-time high.
Production is expected to reach a peak next year but by 2025 should fall to below 2022 levels.
The three largest coal producers - China, India and Indonesia - will all hit production records this year but despite high prices and comfortable margins for coal producers, there is no sign of surging investment in export-driven coal projects.
This reflects caution among investors and mining companies about the medium- and longer-term prospects for coal, the report said.

California reduces rooftop solar incentive it says favored the rich
California households with solar panels will receive lower credits for exporting surplus power to the grid, utility regulators decided in a vote on Thursday, saying the move would be fairer to low-income ratepayers and would still maintain a healthy solar industry.
For decades, Californians with rooftop panels have been credited for excess power at or near the full retail electricity rate. The unanimous vote by the five-member California Public Utilities Commission (CPUC) has lowered the rate, which will be determined by the cost the utility would have spent to buy clean power elsewhere. The rates vary by utility and time of day.
The decision is a blow to the state's solar companies, who have said the new policy would slow installations and hamper the Golden State's clean energy goals.
Supporters say this incentive has been crucial to fighting climate change, but critics contend it has unfairly favored only those wealthy enough to afford solar.
"This decision is significantly more equitable than the status quo," CPUC President Alice Reynolds said ahead of the vote.
The new policy, first proposed last month, changes the so-called "net metering" policy and will take effect in the first half of next year.
It will offer new credits to systems paired with batteries that allow homes to keep excess power in reserve when demand is low, then feed it into the grid after dark when solar energy resources stop producing but demand is high. That would help stabilize California's grid, maintaining reliability during its ambitious transition away from fossil fuels, the CPUC said.
The vote was being watched nationwide because policies made in California often serve as a template for other states seeking to replace fossil fuels with renewable energy.
A solar industry trade group criticized the decision.
"The changes to net metering approved by the CPUC are a step backwards when we really need to be moving forward with solar and battery storage," Bernadette Del Chiaro, executive director of the California Solar & Storage Association, said in a statement.
Utilities and ratepayer advocates supported changing the policy, arguing the existing scheme pushes most of the cost burden of maintaining the grid onto the shoulders of customers without panels, who tend to be less affluent.
But a utility-backed group, Affordable Clean Energy For All, said the decision did not go far enough.
"This final decision was a missed opportunity that will prolong the harm to low-income Californians and renters for decades to come," spokesperson Kathy Fairbanks said.
The CPUC's ratepayer advocate, the Public Advocates Office, called the vote "a win for all parties" because it will encourage solar paired with batteries and boost reliability.

Top News - Dry Freight

Ukraine grain deal unlikely to include new ports in near term - UN aid chief
United Nations aid chief Martin Griffiths said on Thursday it was unlikely the Black Sea grain deal would be expanded in the near term to include more Ukrainian ports or reduce inspection times.
Kyiv has called for an expansion of the deal with Moscow which was mediated by the United Nations and Turkey and allows Ukraine, a major global grain exporter, to ship food products from three of its Black Sea ports despite Russia's invasion.
"I don't see that happening in the next, near term," the U.N. under-secretary-general for humanitarian affairs and emergency relief coordinator told Reuters in an interview in the Ukrainian capital.
"I think it would be great if it could be expanded, the more grain that gets out into the world, the better clearly from our point of view, from the world's point of view. But I don't think that's immediately likely."
Griffiths travelled to Ukraine this week, visiting the southern cities of Mykolaiv and recently liberated Kherson as Ukraine grapples with winter power outages caused by Russian air strikes on critical infrastructure.
The official, who said he was not in Ukraine to mediate and that he was strictly there to review the humanitarian aid programme, said on Nov. 30 that a deal was "close" to agreeing a resumption of Russian ammonia exports via Ukraine.
Ammonia, which is used to make fertiliser, would be pumped through an existing pipeline to the Black Sea.

The pipeline was shut down when Russia invaded this year.
On Thursday, Griffiths said work on that agreement was still under way and that he did not know when it would go through.
"We continue to... obviously want it because ... fertiliser at the moment is almost more important than grain in terms of export to the global south," he said. "So we're still working at it. I don't know when it will go through."
Russian and Ukrainian representatives have discussed the possibility of linking a prisoner swap that would release a large number of prisoners on both side to the resumption of ammonia exports.
Rebeca Grynspan, Secretary-General of the U.N. Conference on Trade and Development, voiced optimism earlier on Thursday that there would be a breakthrough in negotiations.
At a news conference earlier on Thursday with Ukraine's prime minister, Griffiths said international humanitarian aid agencies had reached just under 14 million people with assistance since the beginning of the war.

Tunisia buys 125,000 tonnes durum wheat in tender
Tunisia's state grains agency is believed to have purchased around 125,0000 tonnes of durum wheat in an international tender which closed on Thursday, European traders said.
The tender had sought 100,000 tonnes of durum for shipment between Jan. 10 and Feb. 25, depending on origin.
Traders had earlier reported the lowest offer in tender at $504.50 a tonne c&f.

Picture of the Day

A general view of Cobre Panama mine owned by Canada's First Quantum Minerals in Donoso, Panama December 6. REUTERS/Aris Martinez

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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