Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

Keystone pipeline shut after 14,000-barrel oil spill in Kansas

Canada's TC Energy shut its Keystone pipeline in the United States after more than 14,000 barrels of crude oil spilled into a creek in Kansas, making it one of the largest crude spills in the United States in nearly a decade.
The cause of the leak, which occurred in Kansas about 20 miles (32 km) south of a key junction in Steele City, Nebraska, is unknown. It is the third spill of several thousand barrels of crude on the pipeline since it first opened in 2010.
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. It is unclear how long the closure will last.
There have been no effects on drinking water wells or the public, the U.S Environmental Protection Agency said in a statement, though surface water of Mill Creek was affected.
Kellan Ashford, spokesperson for EPA Region 7, which includes Kansas, said the cause of the leak was still unclear on Thursday evening.
TC had mobilised around 100 people to respond to the spill, while the EPA had dispatched two coordinators, Ashford said. Washington County Emergency Management and Kansas's Department of Health and Safety were also on the scene.
Keystone shut the line at about 8 p.m. CT Wednesday (0200 GMT Thursday) after alarms went off and system pressure dropped, TC said in a release. It said booms were being used to contain the spill.
The U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA) ordered the pipeline to remain shut until the regulator authorizes a restart, it said in a statement late Thursday. In addition, Keystone will have to operate at a lower pressure in the affected segment of the line when it is restarted.
LARGEST ONSHORE SPILL IN YEARS
According to PHMSA data, this would be the largest crude oil leak since a Tesoro pipeline leaked more than 20,000 barrels of oil in North Dakota in October 2013.
PHMSA is also investigating the leak, which occurred near Washington, Kansas, a town of about 1,000 people.
There have been seven Keystone spills since it became operational in June 2010, according to PHMSA data. The largest were in December 2017, when more than 6,600 barrels spilled in South Dakota, according to PHMSA figures.
“It is troubling to see so many failures and so much oil spilled from any pipeline, but it is especially troubling from such a relatively new pipeline,” said Bill Caram, executive director of the nonprofit Pipeline Safety Trust, in a statement.
The spill comes about two months after TC said it would temporarily increase capacity on the system to test certain operations. TC has a special permit to operate Keystone at a higher stress level than other U.S. crude lines, according to a 2021 Government Accountability Office report.

LENGTH OF SHUTDOWN UNCLEAR
TC declared force majeure over the outage, according to a source with direct knowledge, referring to unexpected external circumstances that prevent a party to a contract from meeting its obligations. TC did not respond to a request for comment.
Two Keystone shippers said TC had not yet notified them how long the pipeline may be shut.
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.
The shutdown is expected to increase the discount on Western Canada Select (WCS) heavy oil from Alberta to U.S. crude, which was already high due to lackluster demand for heavy, sour Canadian oil.
WCS for December delivery traded at $33.50 a barrel below WTI, compared with Wednesday's settle of $27.50 a barrel below the benchmark, according to one broker.
"It's really a worst-case scenario if this outage is long-lasting," said Rory Johnston, founder of energy newsletter Commodity Context, noting that if the price falls further, shippers may opt to move crude by rail.
In addition, heavy Gulf Coast grades and Latin American grades may see their prices spike, analysts said.
Steele City is roughly the junction where Keystone splits, with one segment moving crude to Illinois refineries and the other carrying oil south to Oklahoma and the Gulf Coast.
If the spill is located south of the junction, TC may be able to quickly restart the segment to Illinois, RBC analyst Robert Kwan said in a note.
Past shutdowns have generally lasted about two weeks, but this could last longer as it involves a water body, Kwan said.
TC shares ended down 0.1% in Toronto.

Exxon, Chevron to spend billions more on oil projects next year

The two largest U.S. oil companies - Exxon Mobil Corp and Chevron Corp - disclosed plans to increase outlays on energy projects next year amid high oil demand and prices.
While spending more, it will be less than half the combined $84 billion they spent in 2013, when oil prices often traded above $100 per barrel as it has this year.

The two are awash in cash from those prices and past cost-cuts, and have sharply raised shareholder payouts.
The focus on shareholder returns have led to pressure from the White House. The Biden administration has criticized oil companies for not raising their oil production to help lower prices to consumers. Still, next year's budgets remain within the ranges each set before the war in Ukraine fed a global shortage of energy.
Exxon said it would increase project investments next year to between $23 billion to $25 billion, up from a projected $22 billion this year. Chevron said it plans to spend $17 billion, up from about $15 billion this year.
Increases include new monies for emissions reduction projects and the impact of inflation.
The higher spending will not immediately lead to more production. Exxon has said it expects output next year to be flat at about 3.7 million barrels of equivalent oil per day (boed), while Chevron has forecast a greater than 3% compound average annual increase through 2026.
Exxon will miss its goal of pumping 1 million boed from its Permian operations by about two years, Exxon Chief Executive Darren Woods said on Thursday. It now aims to reach between 900,000-1 million boed in 2027.
The biggest change will be the amount of cash earned.
Exxon sees potential for $100 billion in surplus cash by 2027, assuming global oil prices of $60 per barrel.
Chevron should generate about $34 billion in free cash flow next year, according to Jefferies equity research, twice its oil investments levels.
"This leaves ample room for opportunistic M&A, increases to the buyback or simply even lower leverage with an eye toward increasing buybacks at a lower share price," said Jefferies equity analysts Lloyd Byrne and Sam Burwell.
U.S. and European producers have also been partially recovering project spending slashed during the pandemic.
Shell this year increased capital spending 22% to between $23 billion to $27 billion. BP this year expanded project spending by 21% to $15.5 billion from last year.
The five western majors posted record profits this year, and Exxon and Chevron shares have hit historical highs this quarter.

Top News - Agriculture

EU palm oil use and imports seen plummeting by 2032

The share of palm oil in biodiesel and in food in the European Union is expected to fall significantly within the next 10 years, leading to a sharp drop in imports, the European Commission said on Thursday.
In its 2022-2032 Agricultural Outlook, the Commission projected palm oil would account for 9% of total biodiesel output by 2032, down from an average 23% for 2019/2021.
Under the EU's renewable energy directive, palm oil-based fuels, accused to be linked to deforestation, are to be phased out progressively by 2030. The move raised outcry from the world's two largest palm oil producers Malaysia and Indonesia.
In contrast the share of advanced biodiesels was expected to grow to 42% by 2032 from 29% in 2019/2021. Of this biodiesel from waste oils and fats would account for 26%, up from 23%, and other advanced biodiesels for 16%, up from 6%.
"This increase is mainly driven by specific fuel blending targets for advanced biofuels and the fact that they can be double counted towards the overall mandatory blending targets," it said.
The use of other vegetable oils, primarily rapeseed oil, in biodiesel was expected to remain relatively stable at around 50% of biodiesel feedstock.
In food, the use of vegetable oils was expected to rise by 2.9% compared with the 2020/2022 average to 10.6 million tonnes in 2032.
But efforts to cut the use of palm and soybean oil in the EU would lead to a significant change in balance between the different types of vegetable oils, the Commission forecast.
Palm oil use in food would fall by 35.7% and soybean oil by 23.5% while rapeseed oil would gain 12.6% and sunflower oil would rise 27.5%, the Commission said.
This would eventually lead palm oil imports into the bloc to fall to 3.3 million tonnes in 2032 from 6.0 million tonnes in 2020/2022, it said.

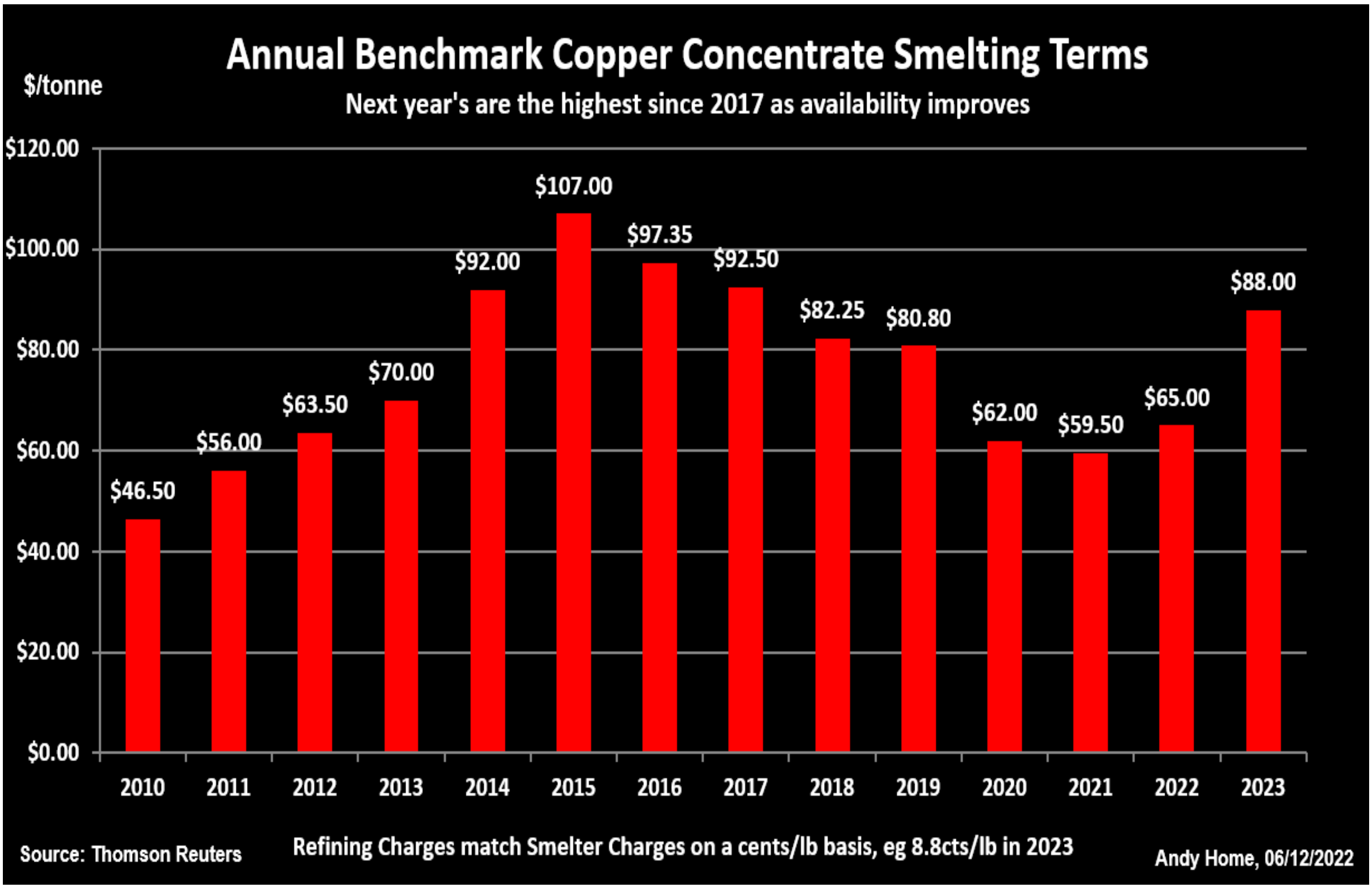
Global coffee supply balance surplus expected next season -report

The global coffee supply balance will shift from a deficit of 2.17 million bags in 2022/23 (April-March) to a surplus of 3.74 million bags in 2023/24 as Brazil's output partly recovers, according to a report by consultancy HedgePoint.
It projected Brazilian 2023/24 coffee production to be between 64.9 and 68.9 million bags, compared to 59 million bags projected for 2022/23.
HedgePoint coffee analyst Natalia Gandolphi said in the report that despite a Brazilian recovery next season compared to the two previous crops, which were impacted by frosts and drought, production will still be 14% smaller than the 2020/21 record of 72.6 million bags.
Gandolphi said many coffee fields in Brazil are still recovering after pruning.
The consultancy projects 2023/24 arabica coffee production between 44.4 and 46.4 million bags, versus 36 million bags in 2022/23.
Robusta coffee output is expected to be between 20.5 and 22.5 million bags compared to 23 million bags in 2022/23.

The report said that despite a surplus in 2023/24, the stocks-to-use ratio will improve only slightly since global inventories are expected to remain historically low, particularly during the second quarter of next year.

Only a few estimates for Brazil's new coffee season have been released so far. Dutch bank Rabobank expects production to grow at least 8% to 68.5 million bags, while consultancy SpillingTheBeans expects between 50 and 56 million bags.

Chart of the Day



Top News - Metals

LME leaves core fees unchanged in 2023 but raises some charges

The London Metal Exchange (LME) on Thursday said it would raise some ancillary charges next year but leave its core trading and clearing fees unchanged.

The exchange, the world's biggest and oldest metals trading venue, also said it was reviewing whether to raise the booking fee it charges on over-the-counter (OTC) contracts that reference its prices.

Industrial metal trading volumes have fallen across the world this year as economic threats from higher interest rates to the war in Ukraine deter buyers.

"The LME recognises the currently challenging market conditions – and, in the interests of supporting on-exchange trading and liquidity, no change is proposed to the LME Group's core trading and clearing fees," it said in a market notice.

It said that given high inflation in Britain, this represented a significant real-terms cut. The LME last raised trading and clearing fees in 2020.

The exchange said the review of the OTC booking fee was part of a broader probe of the nickel market begun after it suspended activity and annulled billions of dollars worth of trades in March when prices more than doubled

in a matter of hours, due in part to OTC positions held off-exchange.
"The LME is also conscious that the Financial OTC Booking Fee is lower than the corresponding on-exchange fees – which may create financial incentives to use the OTC, rather than the on-exchange, market," the LME said.
"This review may result in an increase to the Financial OTC Booking Fee," it added.
The ancillary charges that will rise include options exercise/assignment fees, TAPO cash settlement fees and delivery fees, as well as membership fees and charges for market data.
"These increases are a reflection of increased operational and regulatory costs," the LME said.

COLUMN -Copper mine supply wave arrives but will it be the last? Andy Home
A wave of new copper mine supply is washing through the market, with smelters reaping the benefits in higher treatment and refining charges (TCRCs).
Next year's benchmark terms, negotiated by U.S. producer Freeport McMoRan and Chinese smelters, will be $88 per tonne and 8.8 cents per lb, up 35% on this year and the highest annual charges since 2017.
Smelter charges for converting mined concentrate to refined metal offer a mirror on what is happening at the raw materials stage of the copper supply chain, rising during times of surplus and falling during times of deficit.
The jump in the 2023 benchmark signals a step-change in mined output after years of low or no growth and one which, many analysts argue, will keep a lid on prices as the concentrates surge feeds through to the refined metal market.
However, once this wave of new production breaks, what comes afterwards? Not nearly enough, according to Glencore, which is warning of a 50-million-tonne supply shortfall by 2030.

NEW MINES, OLD PROBLEMS
Only two major copper mines were brought on stream between 2017 and 2021, according to the International Copper Study Group (ICSG).
Four big supply additions are now arriving almost simultaneously. The Kamoa Kakula mine in the Congo and the Quellaveco mine in Peru are both greenfield projects and currently ramping up.
In Chile, the Quebrada Blanca II and Spence-SGO mines are boosting output as they switch from oxide to sulphide ores.
The ICSG estimates world copper mine production expanded by 3.5% in the first nine months of this year, compared with a modest 1.9% expansion over the course of 2021.
Its October forecast was for full-year growth of 3.9%, a downgrade from its May forecast of 5.1% growth reflecting a slew of production misses by many of the sector's top operators.

MARKET MONITOR as of 07:39 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.96 / bbl	0.70%	-4.32%
NYMEX RBOB Gasoline	$2.07 / gallon	0.87%	-7.25%
ICE Gas Oil	$818.25 / tonne	1.55%	22.68%
NYMEX Natural Gas	$5.85 / mmBtu	-1.88%	56.84%
Spot Gold	$1,792.61 / ounce	0.19%	-1.96%
TRPC coal API 2 / Dec, 22	$250 / tonne	-4.58%	103.25%
Carbon ECX EUA / Dec, 22	€88.23 / tonne	-0.50%	9.40%
Dutch gas day-ahead (Pre. close)	€136.75 / Mwh	-7.60%	105.64%
CBOT Corn	$6.33 / bushel	0.16%	6.70%
CBOT Wheat	$7.24 / bushel	-0.38%	-6.03%
Malaysia Palm Oil (3M)	RM3,978 / tonne	0.89%	-15.31%
Index (Total Return)	**Close 8 Dec**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.26	0.20%	16.70%
Rogers International	28.08	-0.60%	20.47%
U.S. Stocks - Dow	33,781.48	0.55%	-7.04%
U.S. Dollar Index	104.63	-0.14%	9.03%
U.S. Bond Index (DJ)	406.68	-0.06%	-13.78%

Chile, the world's largest producer, has experienced a particularly high disruption rate this year, output sliding by 6.7% year-on-year in January-September, according to the ICSG.
Peru managed growth of only 1.4% over the same period with output still 5.0% below pre-COVID levels in 2019.
Miners are suffering multiple operating headwinds and the scale of collective disruption is partly offsetting the extra tonnage from new mines.
However, mine production growth this year will still be stronger than the last few years. Moreover, what is not produced for whatever reason in 2022 will be deferred into 2023, when the ICSG expects the world's copper mines to produce 5.3% more metal.
The benchmark TCRCs for next year's shipments capture the trend towards a growing surplus of mined concentrate.

SMELTER BOTTLE-NECK
The impact of improved supply on treatment charges has been accentuated by a series of smelter shutdowns, both planned and unplanned, in South America and Europe this year.
While mined production was up by 3.5% in January-September, refined copper production growth lagged at 2.3%, according to the latest ICSG estimates.
The Group is expecting an acceleration to 3.3% next year but that's still behind the forecast rise in mine production.
Smelters have their own problems, particularly the rising cost of energy, and are warning that treatment charges will have to stay higher for longer if they are to build more processing capacity.
"It would be good to have some incentive from the mining side to increase capacity and invest in our primary smelting sites," Roland Harings, chief executive officer at Europe's biggest copper smelter Aurubis, told delegates at last month's CRU World Copper Conference Asia in Singapore.
But if new smelting capacity is built, will there be enough copper concentrates to feed it?

EMPTY HORIZON
Not according to Glencore.
"Whatever was planned to be built has been built," Chief Executive Gary Nagle told analysts on the company's investor day conference call.
Those are the projects now ramping up into production but, he warned, "there is nothing coming behind".
Glencore estimates that if the world is going to meet its net zero emissions targets, it will be cumulatively short of copper to the tune of fifty million tonnes by 2030 as the global pivot towards green energy transition boosts copper usage in grid upgrades, solar panels and electric vehicles.
New mines can't be built and commissioned that fast, even if the will is there. The sector's low capital expenditures on expanding production suggests many are still loath to commit to the mega-billion investments needed for the next generation of supply.
Glencore says it can raise its copper production by around 60% to 1.6 million tonnes per year through relatively low-cost brownfield expansions.
It won't do so until the expected deficit becomes tangible in the form of higher copper prices. "We don't want to promise tonnes to a market that is not absolutely screaming for the extra additional volumes," Nagle said.
The company is also working on the greenfield El Pachon mine project in Argentina, but that would represent what Nagle termed "the last taxi on the rank" in a world crying out for more mine supply.
Glencore has skin in the game when it comes to talking up copper's price prospects, but there is broad concern among analysts about the lack of investment in the next generation of copper mines.
Smelters can surf the current wave of new supply for at least another year and quite possibly into 2024 if the level of disruption moves down a gear or two next year.
Copper's problem is the lack of visibility on where the next wave is coming from. Right now the horizon looks disconcertingly empty.

Top News - Carbon & Power

EU's gas price cap scheme could backfire, raise volatility -ECB
Proposed European Union rules aimed at tempering natural gas price spikes may actually jeopardize financial stability and need to be redesigned, the European Central Bank said on Thursday in a formal opinion.
The EU proposed a "market correction mechanism" last month aimed at tempering natural gas prices and market volatility after a spike in energy costs pushed inflation to record highs and raised financial market stress in energy derivatives trading.
The ECB, a guardian of the bloc's financial stability, acknowledged that the goal was to moderate extreme price levels and volatility, but warned that the rules could achieve the exact opposite.
"The ECB considers that the current design of the proposed market correction mechanism may, in some circumstances, jeopardise financial stability in the euro area," the ECB said an opinion signed by President Christine Lagarde.
"The mechanism's current design may increase volatility and related margin calls, challenge central counterparties' ability to manage financial risks, and may also incentivise

migration from trading venues to the non-centrally cleared over-the-counter market," it added.
The ECB also asked the European Commission to curb its role in the process of activating and ending the price mechanism as the current proposal may encroach on its independence and confer a new task on the bank without a necessary EU Treaty change, all the while other agencies may be better suited for the role.
Instead, the EU should merely have the "possibility" to seek the ECB's advice, the ECB added.

Shell injects $1.5 bln into UK retail power business to help it weather volatility
Shell has injected nearly $1.5 billion in cash and credit into its British energy retail business this year to help it weather huge volatility in power prices that caused the collapse of several rival UK power utilities, Shell Energy said in a filing on Thursday.
Britain's power utilities have been rocked by huge fluctuations in energy prices since the end of 2021 due to a shortage in natural gas supplies, which was exacerbated after Russia sharply reduced supplies to Europe following its invasion of Ukraine in February.
The volatility led to several bankruptcies in the sector, including Bulb, which the British government is set to rescue at a cost of up to 6.5 billion pounds ($8 billion).
Shell Energy's operating loss rose to 102.4 million pounds in 2021 from 83.6 million pounds a year earlier, according to the company's financial results, released on Thursday.
The loss was "principally driven by market conditions. In particular, the unprecedented rise in energy prices in the latter part of 2021 adversely impacted financial performance, including increased costs as a result of supplier failures in the market and the inability to pass on higher energy costs," according to the results filing.
To help its subsidiary, Shell injected a total of 1.2 billion pounds to Shell Energy this year, Shell Energy said.
That includes 200 million in one-off cash injections in February and March and a 288 million "capital contribution" to "enable (the) company to meet its obligations until 31 December 2023."
Shell also extended to Shell Energy a working capital facility of 680 million pounds "to meet its short-term working capital needs" until the end of next year.
Shell declined to comment.
Shell Energy was formed after Shell acquired First Utility in 2018 as part of its long-term strategy to turn Britain into a hub for supplying renewable energy.
The company has sharply grown its customer base in recent years with the acquisition of Post Office's rival business as well as taking on over 500,000 customers from failed businesses since 2021.
It now has around 1.5 million customers.
The cash injection did little to dent Shell's profits, which rose to a record $30 billion in the first nine months of 2022.

Top News - Dry Freight

South Korea’s NOFI buys estimated 69,000 tonnes corn in tender
South Korean animal feed maker Nonghyup Feed Inc. (NOFI) has bought an estimated 69,000 tonnes of animal feed corn from South American origin in an international tender for up to 138,000 tonnes which closed on Thursday, European traders said.
The corn was bought in one consignment for shipment between Jan. 10 and Feb. 10, 2023.
One was bought at an estimated outright price of $329.99 a tonne c&f plus a $1.25 a tonne surcharge for additional port unloading. Seller was said to be trading house Bunge.

Japan buys 154,957 tonnes of food wheat via tenders
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 154,957 tonnes of food-quality wheat from the United States, Canada and Australia in regular tenders that closed on Thursday.
Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of the country's second most important staple behind rice and buys the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

Russian roll-on/roll-off container carrier 'Lady R' docks at Simon's Town Naval Base, in Cape Town, South Africa, December 7. REUTERS/Esa Alexander

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: **Refinitiv** for more information.

Privacy statement