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## Top News - Oil

**Norway's massive Johan Sverdrup oilfield shut by power outage**
Norway's Equinor has halted output from its Johan Sverdrup oilfield, western Europe's largest, due to an onshore power outage, the company said on Monday.
Oil prices rose on the news, adding to earlier gains stemming from escalation in the Russia-Ukraine war. Brent crude futures were up $1.88, or 2.65%, at $72.92 a barrel by 1547 GMT, while U.S. West Texas Intermediate crude futures were at $68.8 a barrel, up $1.78 cents, or 2.66%. An Equinor spokesperson said work was underway to re-establish production, but it was not immediately clear when it would resume.
The outage was caused by smoke developing in an onshore electricity converter station which sends power to phase 1 of the Johan Sverdrup development, the spokesperson added.
The situation was quickly clarified, but resulted in a temporary shutdown of production on the whole Johan Sverdrup field, he said.
The Sverdrup Phase 2 converter station, which supplies power to Sverdrup and other fields in the North Sea's Utsira High area, was operating as normal, the spokesperson added.
Equinor said last month that it expected the Sverdrup field to come off peak production levels around 755,000 barrels of oil equivalent per day (boed) from early next year.
Equinor is the operator and owns 42.63% of the Sverdrup licence while Aker BP holds 31.57%, Norwegian state-owned oil firm Petoro 17.36%, and TotalEnergies holds the remaining 8.44%.

**Trafigura hunts missing $500 million in Mongolian fuel fraud, trading sources say**
Swiss trading house Trafigura is trying to track down $500 million in Mongolia following a year-long probe of staff and associates over a billion-dollar fraud scheme at its local fuel supply business, according to three trading sources familiar with the case.
The Mongolia case, the second large-scale fraud Trafigura has uncovered in the past two years, has rattled bank trade financiers who are now questioning the strength of oversight at one of the world's biggest energy and commodity traders, two banking sources who work with Trafigura and lend money to the company said.
Trafigura said last month it had made provisions of $1.1 billion after discovering what it described as "misconduct" at its Mongolian unit, including manipulation of data and concealment of overdue receivables.
The company said its principal counterparty in Mongolia recognized it owed Trafigura "a substantial proportion" of the $1.1 billion but gave no further detail and did not name the counterparty.
Lex Oil was Trafigura's main local counterparty, the three trading sources familiar with the case and Trafigura's Mongolia operations told Reuters. They spoke to Reuters on condition of anonymity because they were not authorised to speak publicly about the matter.
Lex has acknowledged to Trafigura it owed the company over half of the $1.1 billion while the remaining $500 million is still unaccounted for, the three sources said.
Trafigura has not accused any counterparty or individual of fraud as the investigation is still ongoing, the three sources said. Lex did not respond to a request for comment.
Trafigura said the probe into the misconduct was still ongoing. Asked about risk oversight at Trafigura, a company spokesman said that since the Mongolia case had been discovered, Trafigura performed a risk review of its global network. The company identified higher-risk locations and the review of those places resulted in no significant findings, the spokesman said. The spokesman did not give details on which countries were considered higher risk locations.
Trafigura has over $77 billion in open credit lines from around 150 banks that it uses for trade in oil, gas and metals, according to its annual report.
The company said last month it would likely need to restate comparisons with previous years in its 2024 financial statements due to what it had uncovered in Mongolia. That came after Trafigura took a charge of nearly $600 million in early 2023 after discovering it had been the victim of a nickel supply fraud.
The potential size of the Mongolian loss is large relative to the country's consumption of about $1 billion worth of fuel every year, according to U.S. government data.
The government of Mongolia did not reply to a request for comment.
The Mongolian fuel business has generated high margins for Trafigura, which blended various imported fuels and also made money on loans to the cash-strapped local coal and fuel distribution industries, according to the three trading sources.
Trafigura began its internal probe in 2023, when it first discovered irregularities. The company later brought in an external auditor to complete the investigation, the three trading sources said. It did not disclose the name of the external auditor. Reuters was unable to ascertain the name of the external auditor.
Trafigura said last month the misconduct occurred over five years and involved "manipulation of data and documents, resulting in inflated sums being paid by Trafigura, and deliberate concealment of overdue receivables".

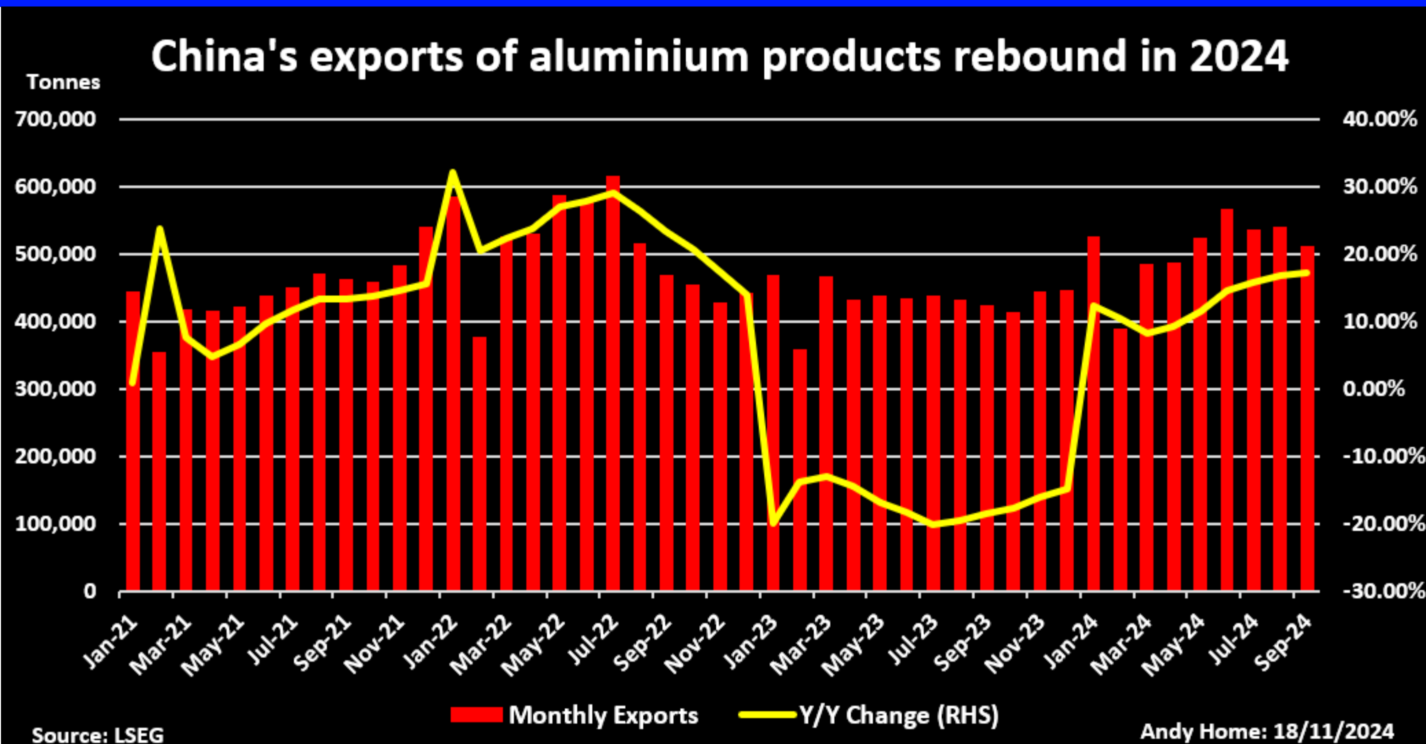
PARTNERSHIP
Trafigura became Mongolia's key fuel supplier around 2014, according to the three trading sources. The

government declined to comment. Trafigura says they were one of the top suppliers of Mongolia.
The firm specialised in blending Russian diesel with supplies of jet kerosene from Singapore to produce winter diesel for Mongolia, where temperatures drop well below freezing in winter months. Mongolia's coal industry is the top consumer of the fuel, used in heavy machinery to produce coal for export to China.
Trafigura and Lex established a partnership in 2019, the three trading sources said. Trafigura provided credit to Lex to supply local customers. Mongolian importers such as Lex were also involved in supplying Trafigura with Russian diesel, the three trading sources said.
The Swiss trader then blended the Russian fuel with Singaporean jet and sold the blend back to the Mongolian companies such as Lex. Trafigura loaned them the money to finance the fuel purchases, according to two of the three trading sources.
Trading houses like Trafigura provide trade finance in some countries where international banks would struggle to offer credit due to internal compliance rules around operations in higher risk countries.
The scheme crumbled in 2020 when the COVID pandemic halted Mongolian coal exports to China, reducing the country's mining activity and fuel consumption, the three trading sources said.
Lex Oil, however, continued to import and blend the fuel, building up debt to Trafigura while expanding its storage facilities and lending to local importers, according to the three trading sources.
Lex did not respond to a request from Reuters for comment about how it accumulated its debts to Trafigura.
As Mongolia's fuel consumption dropped, Lex Oil charged diesel consumers for storing unused fuel, which continued for over two years between 2020 and 2022.
A number of Mongolian businesses defaulted on their debts to Lex Oil due to lack of income during the pandemic, the three trading sources said. Reuters was unable to identify the names of the companies which defaulted.
Trafigura only discovered the debts and defaults in 2023 when it did additional reviews of its offices following the nickel fraud, one of the three trading sources said.
Trafigura declined to comment on what triggered additional checks of the Mongolian offices.
In 2023, Trafigura's executives travelled to Mongolia to meet local officials but were unable to get help to recover the debts, according to two of the three trading sources.
Trafigura declined to comment on its contacts with Mongolian authorities. The government of Mongolia declined to comment. "What Trafigura thought they had in Mongolia somehow disappeared," one of the three trading sources said.

## Top News - Agriculture

**ADM's Q3 earnings fall, report delayed after more accounting errors found**
Global grain trader Archer-Daniels-Midland reported lower third-quarter profits on Monday due to weakness in its grain business, an announcement delayed by the need to correct irregularities in accounts of its operating units.
Prices for staple crops like corn and soybeans have slid to near four-year lows, hurting ADM's profits and margins, especially in its grain origination and crushing business. That division sources grains from growers and processes them for food, animal feed and other uses.
Weak grain markets have added to the 122-year-old

## Chart of the Day



company's challenges after it was forced in Marchto correct six years of financial data. That followed an internal investigation which found sales between its nutrition business and other core units were not recorded properly.
Further accounting irregularities surfaced more recently, and the Chicago-based company on Nov. 5 delayed its earnings release so it could amend financial statements for 2023 and the first two quarters of 2024.
The emergence of more accounting errors has heaped pressure on ADM's leadership under CEO Juan Luciano and rattled investor confidence in the company.
When it announced plans to delay its earnings report, ADM also cut its 2024 profit outlook, citing government policy uncertainty, slow demand and "internal operational challenges."
ADM on Monday affirmed that updated guidance of $4.50 to $5.00 in earnings per share this year. The company's shares rose about 0.2% in after-hours trading to $52.83.
Its filing with the Securities and Exchange Commission restated financial statements for 2023 and the first and second quarters of this year, although ADM said the revisions did not affect its consolidated results.
Luciano on Monday said the company is focusing on improving internal controls. "Looking ahead, while we foresee softer market conditions into next year, we are taking actions to improve performance," he said.
The company's total segment operating profit fell 28.3% to $1.04 billion in the quarter ended Sept. 30 after restatement, while profit for Ag Services & Oilseeds, its largest segment, slumped 43% in the same period.
It reported net earnings of $18 million, or 4 cents per share, for the quarter, compared with $821 million, or $1.52 per share, a year ago.

**COLUMN-US agriculture in crosshairs as Brazil and China cozy up -Braun**
U.S. agricultural exporters have seen a marked decline in business to China over the past year or so as trade tensions simmer, and Brazil's increasing ability to supply product has not helped the U.S. cause.
But now Brazil is looking to beef up – literally – its agricultural trade ties with China and capitalize on potential tariff escalations between the United States and China once President-elect Donald Trump begins his second term in January.
Brazil Agriculture Minister Carlos Favaro said on Monday that farm agreements with China would be announced on Wednesday ahead of meetings with Chinese President Xi Jinping on the sidelines of the G20 summit in Brazil.
Favaro told Brazilian media last week that Brazil would seize the opportunity if Trump clashes with China, as he did in his first term, effectively putting U.S. exporters on notice.
Depending on the nature of Wednesday's unveiling, it could deliver a blow to U.S. producers and be a boon to Brazilian ones as China is both countries' biggest agricultural trade partner.
The deals are expected to focus on fruit, beef and pork, and they could likely expand the number of approved Brazilian meatpackers for exports to China. No further details have been offered.
Brazil and the United States are the world's leading meat suppliers and China is a primary destination. The U.S. Department of Agriculture projects that in 2025, China will account for 18% of global beef, pork and chicken meat imports while 48% of total meat exports will come from the United States or Brazil.

BEYOND BEEF
Brazil has incentive to shore up business ties with China especially related to beef because as with soybeans, China is overwhelmingly Brazil's top beef destination. U.S. beef customers are comparably more diversified, which is usually advantageous.
Things looked promising for U.S. beef producers a few years ago when China burst into their market, but exports to China in the first nine months of 2024 were a four-year low for the period.
Meanwhile, China's 2024 beef imports are projected to be record high and Brazil's year-to-date beef shipments to the Asian giant are also at all-time highs.
A decline in U.S. beef production has contributed to lower exports, but China's overall share of U.S. exports has also fallen versus the prior two years, yet another example of how U.S. agriculture is being increasingly edged out of China in favor of Brazil.
Wednesday's announcement may not offer a huge shakeup. Hailed as a historic move, China back in March cleared an additional 38 Brazilian meat exporters, bringing the total to 144. Shipments have not significantly increased since then, but some of this is explainable, such as China's pullback in overall pork imports this year.
While China remains an important market for U.S. livestock and products, nothing would be more damaging than a further loss of bulk commodity business like soybeans. It is unclear if grains or oilseeds are part of the impending Brazil-China deals, though their inclusion would not be unprecedented.
U.S. corn shipments to China plummeted last year after China two years ago cleared the way for Brazilian corn imports, and similar moves are possible in the future pending the direction of U.S. trade policy.

## Top News - Metals

**COLUMN-China's export tax bombshell rocks aluminium market: Andy Home**
China's announcement that it will end tax rebates on exports of aluminium semi-manufactured products caused market mayhem on Friday and may have major long-term ramifications for the global aluminium supply chain.
The Shanghai price sank and the London price surged as traders factored in the potential annual loss of over 5 million metric tons of Chinese products in the international market.
That's a worst-case scenario and the reality may turn out to be less dramatic, depending on how China's aluminium processors cope with what for many is a loss of vital income.

FINANCIAL LIFELINE
The Ministry of Finance's elimination of the 13% VAT

refund effective Dec. 1 also applies to exports of copper products.
China's shipments of copper products are not insignificant at around 700,000 tons a year but aluminium volumes are on a different scale.
The country's exports of semi-manufactured products such as bars, sheet and tubes totalled a massive 5.2 million tons in 2023. They will be higher still this year. Outbound shipments grew by 17% in the first nine months of 2024.
Just about all of that tonnage qualifies for the VAT refund, which acts as a financial life-line for many smaller product manufacturers in a ferociously competitive market.
There will be a predictable rush to export before the Dec. 1 deadline and those processors that can will no doubt look to pass on some of the cost hit to international buyers.
The market reaction has been to open a financial arbitrage window to facilitate continued flows of aluminium product from east to west.
The most likely outcome is a sharp drop in export volumes next year followed by some stabilisation as exporters adjust to the new financial reality. This is what happened to galvanized steel exports after the authorities eliminated the tax rebate for plate and sheet in 2020.
Much, though, will depend on Chinese processors' ability to operate without the VAT lifeline.
China's mid-stream aluminium processing sector is plagued by over-capacity with utilisation rates typically below 65% and as low as 40% in some sectors, according to research house AZ Global.
Not everyone is going to survive.

INTERNATIONAL TENSIONS

Why has China pulled the tax trigger? And why now?
The decision appears to be motivated by both international and domestic considerations.
China's exports of aluminium products have long been a point of tension with Western trading partners, who have accused the country of unfair subsidies and damaging trade practices.
Removing the tax export booster may be a pre-emptive concession at a time when the diplomatic heat is rising.
China has been locked in talks with the European Union over the bloc's imposition of tariffs of up to 45% on Chinese exports of electric vehicles with both sides keen to avoid a broader trade war.
Meanwhile, the prospect of a new U.S. administration promises more tariff trouble for China given Donald Trump's threat to impose import duties of up to 60% on all Chinese products entering the United States.
It's worth noting that Friday's announcement also included a cut in the VAT refund for both photovoltaic cells and batteries, two other major sources of international trade tension.

DOMESTIC REALIGNMENT

Reducing exports of aluminium products may also address a fundamental tension in China's domestic supply chain.
The government has imposed a capacity cap of 45 million tons on its smelting sector. National output of primary metal is currently running at an annualised rate of 43.5 million tons, suggesting little further growth potential.
Yet China is going to need more aluminium, a metal that is closely tied to the clean energy revolution in the form of

## MARKET MONITOR as of 07:35 GMT

| Contract | Last | Change | YTD |
|---|---|---|---|
| NYMEX Light Crude | $69.12 / bbl | -0.06% | -3.53% |
| NYMEX RBOB Gasoline | $1.98 / gallon | -0.02% | -5.92% |
| ICE Gas Oil | $689.25 / tonne | 0.40% | -8.19% |
| NYMEX Natural Gas | $2.96 / mmBtu | -0.34% | 17.86% |
| Spot Gold | $2,619.79 / ounce | 0.29% | 27.01% |
| TRPC coal API 2 / Dec, 24 | $128.25 / tonne | 0.98% | 32.22% |
| Carbon ECX EUA | €69.44 / tonne | -0.10% | -13.60% |
| Dutch gas day-ahead (Pre. close) | €46.95 / Mwh | 2.96% | 47.41% |
| CBOT Corn | $4.39 / bushel | -0.11% | -9.25% |
| CBOT Wheat | $5.64 / bushel | -0.31% | -11.81% |
| Malaysia Palm Oil (3M) | RM4,939 / tonne | 0.82% | 32.73% |
| **Index** | **Close 18 Nov** | **Change** | **YTD** |
| Thomson Reuters/Jefferies CRB | 339.75 | 1.57% | 12.72% |
| Rogers International | 28.20 | 0.80% | 7.10% |
| U.S. Stocks - Dow | 43,389.60 | -0.13% | 15.12% |
| U.S. Dollar Index | 106.32 | 0.04% | 4.92% |
| U.S. Bond Index (DJ) | 437.97 | 0.28% | 1.68% |

packaging for solar panels and electric vehicle bodies.
Rising demand and static output imply an ever tighter domestic market balance as long as 5 million tons of product are shipped overseas.
Incentivising the sector for that material to stay at home is one way of ensuring self-sufficiency over the coming years, a key goal for Chinese policymakers across the commodities board.

GLOBAL NO MORE
The short-term impact of the tax rebate removal may not be as bad as the market fears, but it marks another big step in the fracturing of what was until recently a globalised marketplace.
The United States has been erecting ever higher trade barriers on Chinese aluminium, most recently in the form of a 25% import tariff. Canada has done the same while Mexican shipments to the United States must now come with evidence they haven't been fabricated from Chinese metal.
The EU has imposed import tariffs on some Chinese aluminium products and a bigger barrier is coming in the form of the bloc's carbon border adjustment mechanism.
China's move to limit exports merely adds to the sense that the global aluminium market is breaking down into distinctive regional markets defined by trade barriers.
Western smelters, many of them shuttered due to low prices, and product manufacturers may be the eventual winners from a reduction in Chinese exports.
To what extent, however, depends on how hard the Ministry of Finance's tweaks to its tax code hit China's domestic operators.

**Orla Mining to buy Newmont's Ontario mine in $850 mln deal**
Orla Mining will buy the Musselwhite Gold Mine in Ontario from Newmont in a deal valued at $850 million that will help more than double its production of the precious metal, the Canadian miner said on Monday.
The deal will enable Newmont to generate up to $2.9 billion in gross proceeds from non-core divestitures. The world's largest gold miner had set a target of more than $2 billion in such sales following its $17 billion purchase of Newcrest.
Newmont's shares were down 3.6% and shares of Orla Mining were up 8% at 11.15am ET (1615 GMT).
"It is nothing newsy for Orla to pick up assets that are a bit too small for majors, show them a bit of love and attention and liberate tremendous value," said Jason Simpson, CEO of Orla Mining. The company counts mining entrepreneur Pierre Lassonde and Fairfax Financial as its top investors.
Adding that a combination of its Canadian asset and its mine in Mexico will fund the construction of its next gold mine in Nevada.
Orla's gold production will scale up to more than 300,000 ounces immediately following the purchase and also increases exposure to the current record gold prices, the company said.
Simpson also said that for the mining industry and for Orla the new U.S. administration led by Donald Trump would be helpful.
"The reality is that there was a difference between the two administrations and the Republican administration coming in will be helpful to businesses including ours."
Mining companies are hoping that under Trump the time taken to build a new mine will ease. U.S. has the second longest timeline to build a mine according to S&P Global.
Gold prices have rallied to new highs this year, boosted by the U.S. Federal Reserve's larger-than-expected interest rate cut and demand for the safe-haven asset.
The Musselwhite mine is expected to generate more than $150 million in average annual free cash flow over the next six years, Orla said.
The company will pay Newmont $810 million in cash and rest in two tranches if gold prices exceed $2,900/ounce and $3,000/ounce for the initial one-year and second full-year period following the deal close, expected in the first quarter.
Spot gold was trading 1.2% higher at $2,591.43 per ounce by 1027 GMT on Monday. U.S. gold futures were up 1% at $2,595.80.
Musselwhite was one of the two Canadian projects, alongside Eleonore in Quebec, Newmont was looking to divest alongside the earlier deals.

## Top News - Carbon & Power

**ANALYSIS-Can a COP29 deal clean up scandal-ridden carbon offsets?**
A deal at the COP29 climate talks on trading carbon credits could see billions of dollars move into emissions-reduction projects this decade but after a string of scandals, the market will first need to win over wary countries and communities.
Carbon trading is seen as one way for richer countries to meet their emissions reduction targets at the same time as helping poorer countries move to greener energy and to improve their resilience against climate change.
A U.N.-backed global market for creating and trading carbon credits has been discussed for at least 10 years.
In its absence, a patchwork of voluntary standards has led to a number ofsituations where credits were found to not be delivering the climate benefits they claimed.
While an early deal last week saw nations agree on some quality standards, points still to be hammered out include what a global registry to track trades and label carbon credits would look like, and what information projects will need to disclose.
If a deal can be reached this week in Baku, Azerbaijan, "the main impact would be a confidence boost", said Andrea Bonzanni, international policy director at the International Emissions Trading Association (IETA).
"It would provide both countries and the private sector with the signal that there is consensus on the rules of the game. And that would mean that companies would invest with more confidence," he added.
IETA has said a U.N.-backed market could be worth $250 billion a year by 2030, and count towards offsetting an extra 5 billion metric tons of carbon emissions annually.
Governments including Bolivia, Singapore and Switzerland have struck dozens of agreements already to

do carbon credit trades under the impending U.N. rules, backing investments in clean cookstoves and solar power.
Others are expected to join in as they face pressure to show progress towards their national emissions-cutting targets. Private sector buyers could include airlines, under a U.N.-backed plan to scale up their purchases launching in 2027, as well as companies looking to burnish their green credentials with customers and investors. The boss of carbon project backer Key Carbon, Luke Leslie, said his firm would look to expand its investments in countries that quickly get their local market up and running.

CAUTION REMAINS
While the prospect of selling credits could offer a boost to cash-strapped governments, some remain wary - or outright opposed.
Environmental group Greenpeace has called offsets a "smokescreen" while the WWF opposes the use of most offsets. Some local communities are also against using them. Marty Spitzer, senior director for climate and renewable energy at WWF U.S., said companies could use credits and other market methods in a limited manner to directly reduce activities like deforestation or land degradation if they are directly linked to their businesses. "Offsets are only appropriate for the last mile of residual emissions," he said.
Eriel Deranger, executive director of campaign group Indigenous Climate Action, and a member of the Athabasca Chipewyan First Nation in northern Alberta, Canada, said carbon credits distracted from calls for more public funds for climate action, and for companies to simply cut their own emissions. "It's going to do substantively nothing to actually reduce our emissions," she said.
For those countries which do opt to sell credits, African Development Bank Chief Executive Akinwumi Adesina warned against doing so too quickly or too cheaply, to avoid being "short changed".
Uganda's energy minister, Ruth Nankabirwa, said her country was seeking to attract investment in clean cookstove projects, but had yet to use credits. "It isn't clear how one can benefit, how the auditing is done of carbon credits," she said.
Nkiruka Maduekwe, director general of Nigeria's national council on climate change, agreed, describing high integrity carbon credits as "the key".
The rules of the registry being addressed at the COP talks this week will be central to answering those concerns, but governments are struggling to agree.
The European Union - which has ruled out using credits to meet its domestic climate goals - wants a registry that can issue and manage credit trades, to help poorer countries access the market, people familiar with the negotiations told Reuters.
The United States, however, is advocating for a registry that only tracks credit trading, arguing that empowering it to execute trades could risk giving a U.N. seal of approval to credits with weak environmental credentials, the sources said.
Even if a deal is reached between countries, companies may still need government incentives to buy in, given their pledges so far have been voluntary and boards are concerned about reputational risk, said Sheri Hickok, chief executive at carbon project developer Climate Impact Partners.
Flooring company Interface and Australian telco Telstra Group, previously big buyers of credits, both told Reuters a U.N. deal would not change their decisions to exit the carbon markets, as they focus on cutting their emissions directly.

**Brazil and Argentina agree to studies on gas exports from Vaca Muerta**
Brazil and Argentina signed an agreement on Monday to study the development of infrastructure for natural gas exports to Brazil, with Brazilian authorities saying the deal could lead to imports of as much as 30 million cubic metres of gas per day by 2030.
The memorandum of understanding (MOU) will create a working group to identify the measures needed to make the supply of gas from Argentina to Brazil viable, with emphasis on gas from Argentina's massive Vaca Muerta formation, Brazil's Mines and Energy Ministry said in a statement.
Brazil is Latin America's largest crude oil producer, but its gas output is insufficient to meet growing domestic demand, which made increasing gas supply a priority for Brazil President Luiz Inacio Lula da Silva.
Vaca Muerta is the world's second-largest shale gas reserve and fourth-largest shale oil reserve. Argentina's state oil firm YPF is leading activity there in hopes of turning the country into a major energy exporter.
The working group will analyze possible routes for the gas to reach Brazil, the Brazilian ministry said.
Brazilian Mines and Energy Minister Alexandre Silveira told reporters the initial potential is for Brazil to import 3 million cubic metres per day from Argentina, potentially reaching up to 30 million by 2030.
The routes to be analyzed include the reversal of flow of Bolivia's pipeline, a route going through Paraguay, and another one through Uruguay, according to the ministry.
Brazil and Argentina will also analyze the possibility of a direct connection at Uruguaiana, a Brazilian city that borders Argentina, it added.

## Top News - Dry Freight

**Chinese exporters to hike prices, renegotiate contracts after tax rebate cuts, sources say**
Chinese exporters of a wide range of products from aluminium goods to used cooking oil and solar power gear will raise prices and renegotiate contracts to pass on the cost of Beijing's tax incentive cuts, traders and analysts said.
The world's second largest economy said on Friday that, from Dec. 1, it will reduce the export tax rebate rate for some refined oil products, photovoltaics, batteries and certain non-metallic mineral products from 13% to 9%.
It said it will also cancel the rebate for aluminium and copper products and for chemically modified animal, plant or microbial oils and fats, including used cooking oil

(UCO).
Metal exporters could rush through exports before the December deadline while UCO exporters may delay shipments to renegotiate contracts, analysts and company officials said.
"For December-loading UCO, export shipments could be delayed or cancelled due to the policy change as parties will seek to renegotiate contracts," Ye Bin, chairman of Chinese UCO exporter Sichuan Jinshang, told Reuters.
Beijing's announcement drove up aluminium prices on the London Metal Exchange and U.S. soyoil prices on Friday on concerns that it may curb Chinese shipments abroad, although prices have cooled off on Monday.
China is the world's biggest aluminium producer and a major exporter of semi-finished aluminium used in everything from transportation to packaging.
"The cancellation of tax rebate for aluminium products will lift costs of exporters, curbing their interest in shipping cargoes abroad," analysts at consultancy Shanghai Metals Market (SMM) said in a note on Saturday.
Almost all the aluminium products exported by China will be affected by the tax change. From January to September this year, China exported 4.62 million metric tons of the kinds of aluminium products that will be affected, SMM said.
Western countries have repeatedly accused China of unfairly subsidising its aluminium and steel sectors, saying the country's excess capacity is swamping global markets.
However, a Singapore-based aluminium trader said the overseas market will still need Chinese cargoes, even at a higher cost, to fill a supply gap.
"Domestic prices may fall another 2%-3% to offset the loss for aluminium exporters," added the trader who asked not to be named as they are not authorised to speak to the media.
Citi analysts expect the tax change to have a smaller impact on copper products as export volumes are smaller, at about 800,000 metric tons a year, and some of the products are made under tolling services which would not be affected.
Zhao Yongcheng, principal analyst at Benchmark Minerals Intelligence (BMI), said Beijing's move was partly to ensure sufficient domestic copper supply, and to encourage producers to use imported copper ore to make higher-value-added goods.
The previous tax rebates had encouraged exports of low-value-added copper products, which was "equivalent to wasting valuable imported resources", Zhao said. China is a big importer of copper ore. "It will definitely accelerate the integration of copper fabricators, eliminating some out of the market," Zhao added.

SOLAR AND FUEL
The reduction of tax rebates for fuel exports comes as China grapples with excess refining capacity as well as lacklustre and volatile domestic demand.
"This is going to hit (refined fuel) export margins," a state oil official said, estimating margins would fall by 200-300 yuan ($27.62-$41.43) per ton.
Citi analyst Oscar Yee said in a note that the tax change will reduce revenues for state refiners Sinopec and PetroChina, and should cap fuel exports from China which could support refiners' margins elsewhere in Asia.
In October, China's refined products exportsfell to their lowest levels in 18 months amid weak export margins.
Bi Xinxin, a managing consultant at energy consultancy Wood Mackenzie, expects Chinese oil majors to continue exports if margins are healthy and if they have sufficient export quotas in the long run.
For the solar sector, which is struggling with overcapacity, the downward tax adjustment could result in a 0.02-0.03 yuan-per-watt increase in solar module prices for overseas buyers, Citi analyst Pierre Lau said in a note.
Chinese solar modules would remain competitive even with the price increase as the cost would be passed on to end-users overseas, Lau said.
That will mean limited impact on the earnings of Chinese solar equipment exporters such as Longi Green Energy, he said.

**Value of Uganda's coffee exports jump 76% in October**

The value of Uganda's coffee exports jumped 76.3% in October from a year ago, helped by a surge in global prices of the commodity, the state-run regulator said.
Uganda shipped 496,820 60-kilogram bags of coffee in October, earning $139.05 million, the Ugandan Coffee Development Authority (UCDA) said in a report published late on Monday.
The quantity exported rose by 5.8% from the same period last year. "The value of coffee exports was higher due to the increase in global coffee prices as a result of dry conditions in Brazil and Vietnam," UCDA said in the report. Coffee is one of Uganda's top foreign exchange earners and the east African country is Africa's largest exporter of the commodity. It earns more than a billion dollars from shipments annually.

## Picture of the Day

*A drone view shows farmer Labeau, 51, working with his tractor on his farm, ahead of a protest against the prospect of a trade agreement between the European Union (EU) and South America's Mercosur bloc, on the outskirts of Agen, France November 18. REUTERS/Nacho Doce*

(Inside Commodities is compiled by Kishore Barker in Bengaluru)

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

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