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Top News - Oil

Shale oil wraps up an underwhelming year, girds for lower growth

The shale oil patch this week closes the door on a disappointing year while bracing for weaker output gains in 2023, hamstrung by rising costs, dwindling reserves and pressures to hold down spending.

U.S. oil production this year will rise by an average of 620,000 barrels per day, according to the latest government estimates, a third less than the roughly 1 million bpd some forecasts called for at the start of the year. That shortfall has undercut shale's influence on global markets and helped lift prices for the second year in a row.

Gains next year will be harder to come by, said Scott Sheffield, chief executive officer of top Permian producer Pioneer Natural Resources. He predicted 300,000 bpd to 400,000 bpd of increased shale production in 2023.

"Most companies are drilling tier two and tier three inventories now," having tapped their best prospects, Sheffield said in an interview on Friday. "Less quality production is coming out of the Permian, out of the Bakken," he said, referring to the top two U.S. shale basins.

Weakening output gains come despite historically strong demand in the wake of Russia's invasion of Ukraine. Oil on Friday traded at $84.90 per barrel, a level that typically would spur producers to pursue higher prices with drilling increases.

LOOKING FOR $90/BARREL

Sheffield predicts global crude to average about $90 per barrel in 2023, with an potential upside of about $120, higher than current levels.

A more optimistic production view from energy technology firm Enverus - which forecasts an about 500,000 bpd increase next year - is still below this year's tepid level.

"These headwinds are expected to persist," said Chetan Sharma, a senior associate with Enverus who cited supply chain constraints and uncertainty over what the OPEC cartel will do.

Denver-based Civitas Resources, Colorado's largest producer, said the regulatory environment also has made it difficult for companies to ramp up production quickly.

"If we want to increase significantly as an industry, we would need to shorten permit cycle times," said CEO Chris Doyle, pointing to an 18-month lead-time for a new drilling permit.

Civitas grew volume about 4% year-over-year, and anticipates similar growth this coming year as it prioritizes free cash flow and balance sheet strength over growth.

OLD WELLS PUMP LESS

Pioneer and other shale producers are experimenting with oil recovery techniques that could eventually squeeze more oil out of older wells. The maturing of shale fields became a bigger problem for industry growth this year.

In the near-term, Sheffield warned oilfield inflation, which ran around 10% to 15% this year, will persist and limit production growth. Another restraint is investor demands to focus on returns over volume increases.

Pioneer and other oil firms are no longer contracting with drillers or fracking firms to have new equipment built because of the financial demands.

"We're not doing that this year because they would charge another 30% to 40% more, and we don't know what is going to happen in three or four years, by the time we've made that investment," Sheffield said.

Brazil's Petrobras to play leading role on refinery expansion -new energy minister

Brazil's new mines and energy minister Alexandre Silveira said on Monday that state-run oil company Petrobras would play a leading role in expanding the refining sector, and stressed the importance of developing renewable resources.

Petrobras would encourage other groups to join the process, Silveira said during an official event to start his term in office.

"It is urgent that we enlarge and expand our refineries, taking them to the country's regions and modernizing the plants," he said, without detailing where they would be expanding.

Silveira added that a nationwide deficit in refining capacity makes the population "hostages to the importation of oil products and natural gas," leaving Brazil's market exposed to "constant and abrupt fluctuations."

The ministry and Petrobras' new management would work "very closely" on the country's essential issues, he said.

The ministry would seek to "revalue" biofuels and include them in Brazil's main energy system through safe and efficient long-term policies, Silveira said.

Constant changes in the percentages of mandatory blends of biofuels in fuel sold at service stations hurts the sector, he added, saying the government would search out the technical parameters to identify an ideal blend.

Silveira also announced the creation of a National Energy Transition Secretariat, which would be dedicated exclusively to structuring public policies aimed to position

Brazil as a world leader in clean energy - a top challenge for the new ministry.
Natural gas and biomass could be especially prominent as Brazil looks to build a medium- and low-carbon economy, added Silveira.
"The future of our generation should be guided towards innovation and the expansion of renewable resources," he said.

Top News - Agriculture

No rain in Ivory Coast's cocoa regions, Harmattan increases- farmers

No rain fell last week in most of Ivory Coast's cocoa regions and a strong seasonal dry wind in central regions raised fears over the quality and the size of the April-to-September mid-crop, farmers said on Monday.
Ivory Coast, the world's top cocoa producer, is in its dry season, which runs from around mid-November to March, when rains are poor and scarce.
The dry Harmattan wind blows from the Sahara Desert for a variable period between December and March and can damage the crop when strong.
Farmers in central regions said the intensity of the Harmattan had picked up.
Without good rainfall this week or next, the last stage of the main crop could be of poor quality, farmers said.
The start of the mid-crop could also see fewer beans of poorer quality if the Harmattan remains strong until February and there is poor rainfall, leading to damaged flowers and pods.
"The farmers are worried. The Harmattan has become stronger and there is no rain. It's not good for cocoa," said Roger Koffi, who farms near the centre-western region of Daloa, where 0 millimetres (mm) fell last week, 2.7 mm below the five-year average.
No rain fell last week in the western region of Soubre, in the southern regions of Agboville and Divo and in the eastern region of Abengourou. Farmers there said the Harmattan was not yet alarming and the availability of beans was good.
"We are in the last big pickings," said Salame Kone, who farms near Soubre, where 0 mm fell last week, 4.9 mm below the average.
Temperatures ranged from 25.2 to 26.5 degrees Celsius in Ivory Coast last week.

COLUMN-Funds end 2022 upbeat in CBOT soy complex, mixed on grains -Braun

Speculators finished 2022 on a less bullish note across Chicago grains and oilseeds than in the previous two years and were far less enthused with corn and wheat, though their optimism in the soy complex is stronger than a year ago.
Ongoing drought in top soybean meal exporter Argentina lifted money managers’ net long position in CBOT soybean meal futures and options to near record levels as of Dec. 27, marking funds’ fifth consecutive week of buying.
The managed money meal net long of 129,989 contracts, up about 8,700 on the week, rivals May 2018’s high of 133,549. However, other reportable speculators were a bit more bullish in 2018 versus now.
Most-active CBOT soymeal futures on Friday hit $476.10 per short ton, its highest since March 31, and the contract rose more than 5% in the last three sessions. Most-active meal added 18% in 2022, the largest gain across CBOT grain and oilseed contracts.
Data published Friday by the U.S. Commodity Futures Trading Commission also showed the overall speculative CBOT soybean long as of Dec. 27 was slightly larger than the year-ago level. That is supported by a heavier managed money net long: 128,616 futures and options contracts now versus about 98,000 a year ago.
Most-active CBOT soybean futures on Friday settled at $15.24 per bushel, their highest since June. The contract rose 13.8% on the year, including 2.8% gains over the final three sessions.
CBOT soybean oil futures expanded 13.3% in 2022 after increasing by a third in 2021, though they declined 3.5% in the latest three sessions. Through Dec. 27, money managers added nearly 7,500 contracts to their soyoil net long, which reached 65,587 futures and options contracts. That compares with 45,394 a year earlier.
The four-session week ended Dec. 27 featured money managers’ largest weekly round of corn buying since November 2021 on a 3.5% bump in futures, and new longs accounted for three-fourths of the move.
However, funds’ new CBOT corn net long of 159,315 futures and options contracts, up 45,500 on the week, is far smaller than the year-ago 373,345. Most-active corn rose 14.4% in 2022, including a two-month high of $6.85 per bushel Friday. That compares with a near 23% boost in 2021.
CBOT wheat futures reached a one-month high of $7.99 per bushel Friday, though the contract added only 3% this year after a 20% jump in 2021. Friday’s settle of $7.92 is just 9% above the year’s low, set Dec. 6.
Money managers bought 3,100 CBOT wheat futures and options contracts in the week ended Dec. 27, trimming their net short to 56,212 contracts, much more bearish than the year-ago 11,773.

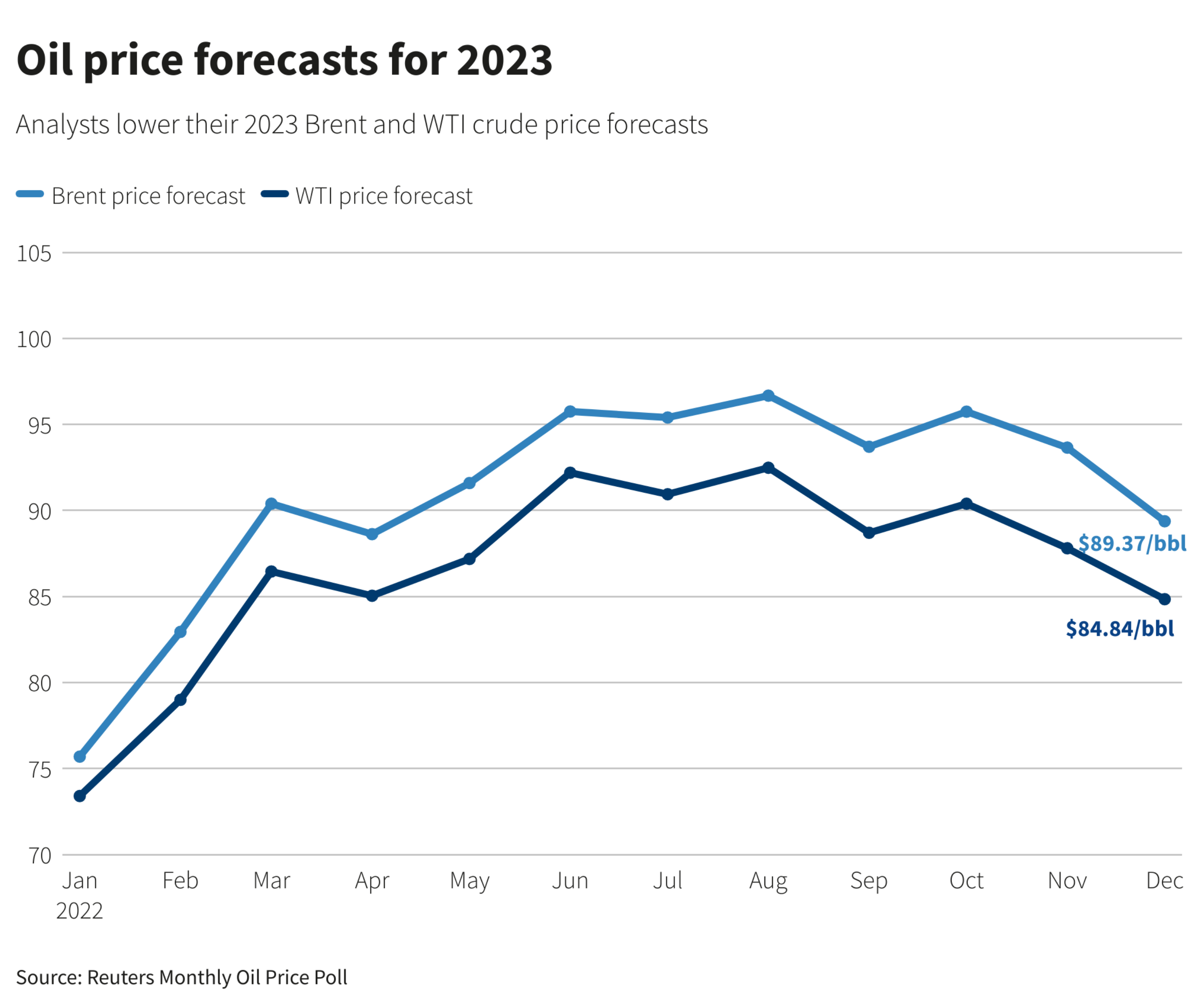
Open interest in CBOT wheat futures and options had ended 2021 at the lowest point for the date since 2008. But as of Dec. 27, it was 11% lighter than a year ago, though still safely above 2008.

Money managers are mildly bearish Minneapolis wheat versus decently bullish a year ago, and they are nearly flat in Kansas City wheat compared with a record net long for the date last year.

Top News - Metals

Growth constraints to shackle industrial metals for a few more months
Industrial metals markets hoping for improving demand and a price rally may have to wait a few more months with the headwinds of slow growth likely to dominate the economic landscape for some time.
Since hitting record highs in March on a rally fuelled by worries about disruptions to commodity supplies from Russia, copper has plummeted 22%, aluminium 41% and zinc 39%.
Nickel and tin have slumped 50% and 70% respectively. Battery metal lead, sustained by tight supplies, low inventories and inclusion in a commodity index from January, has fared better, dropping only 15% since March.

Chart of the Day



Spiralling inflation, COVID lockdowns in top consumer China and aggressive interest rate rises are behind economic weakness and dwindling demand growth for industrial metals such as copper, used in the power and construction industries.
"The macro picture in 2023 rhymes with 2022 and many of the crises that developed this year will reverberate into the next," Bank of America analysts said in a note.
However, BoA noted that metals prices had already fallen significantly and that they would outperform energy in the first half of next year.
The knee-jerk reaction to China's recent easing of COVID controls was to drive up prices of metals such as aluminium, used in transport, packaging and construction, but a surge in infections has prompted a rethink.
Higher U.S. interest rates mean a stronger U.S. currency; a double whammy for dollar-priced copper, which was trading at $8,450 a tonne at 1210 GMT, and aluminium at $2,420, zinc at $3,000, lead at $2,290, tin at $25,350 and nickel at $30,530.
"We expect copper to fall to $7,800 a tonne over the next three months as an end to finished goods restocking, higher smelter output, seasonal weakness, and weakness in global end-use consumption drives the market into surplus," Citi analysts said in a note.
The picture for nickel is clouded by March's trading fiasco on the London Metal Exchange, which created a confidence crisis in the contract leading to sliding volumes and liquidity.
"While these conditions persist, we can expect continued episodes of elevated nickel price volatility, although we think our bearish fundamental view will ultimately win out," Citi said.
Used mainly to make stainless steel, nickel is now also a key material for electric vehicle batteries.
For soldering material tin, a major theme is consumer belt tightening, which has hit demand for electronic goods.
"Slowing (tin) demand is perhaps best illustrated by global semiconductor billings, which had retraced 18% by September, since reaching an all-time high in February," Macquarie analysts said in a note.

Panama president says final contract to miner First Quantum has been presented

Panama's president, Laurentino Cortizo, said on Monday the government has presented Canadian miner First Quantum Minerals a final contract to regulate operations.
Cortizo, during a speech to the nation, vowed to abide by the constitution in the negotiations and to establish a "fair relationship" between the parties.
The two sides are at odds over such issues as contract stability and the government's plan to increase annual royalties to $375 million, which has been at the forefront of discussions.
Crispiano Adames, president of the country's National Assembly, said during a separate speech he had proposed a new mining code to avoid the needs of Panama being put behind those of multinational companies.

Top News - Carbon & Power

Indonesia approves $3 bln development plan for South China Sea gas block

Indonesia has approved the first plan of development for the Tuna offshore gas field with total estimated investment of $3.07 billion up to the start of production, upstream oil and gas regulator SKK Migas said on Monday.
The Tuna field, located in the South China Sea between Indonesia and Vietnam, is expected to reach peak production of 115 million standard cubic feet per day (MMSCFD) in 2027, SKK Migas spokesperson Mohammad Kemal said.
Natural gas from Tuna field, which is operated by a local unit of London-listed Harbour Energy, is expected to be exported to Vietnam starting in 2026, Indonesia's energy minister has previously said.
SKK Migas chairman Dwi Soetjipto on Monday said that aside from economic benefits, development of the project would underline Indonesia's maritime entitlements.
"There will be activity in the border area which is one of the world's geopolitical hot spots," Dwi said in a statement.
"The Indonesian navy will also participate in securing the upstream oil and gas project so that economically and politically, it becomes an affirmation of Indonesia's sovereignty."
Energy activities in the South China Sea have in recent decades been held hostage by disputes over which country has sovereign rights, with work by Vietnam, Malaysia and the Philippines in their exclusive economic zones disrupted by Chinese coast guard or marine surveillance vessels.
China claims sovereignty over almost the entire South China Sea citing its own historical maps, claims that an international arbitration tribunal in 2016 ruled have no legal basis.
In 2021, China told Indonesia to stop drilling for oil and natural gas in maritime territory that both countries regard as their own, people familiar with the matter told Reuters at the time.

Britain opens nuclear fuel fund with aim to cut reliance on Russia

Britain said on Monday its 75-million-pound fund aimed at helping boost domestic production of nuclear fuel for power plants and cutting reliance on Russian uranium supplies was now open for applications.

The fund, announced in July, will award grants to businesses involved in uranium conversion, a key stage in the process of creating nuclear fuel from the metal. It will remain open for applications from Monday until Feb. 20.

Russia currently owns around 20% of global uranium conversion capacity.

"Record high global gas prices, caused by Putin's illegal invasion of Ukraine, have highlighted the need for more home-grown renewable energy, but also UK generated nuclear power – building more plants, and developing domestic fuel capability," Minister for Energy and Climate Graham Stuart said.

Up to 13 million pounds from the fund has already been awarded to the Springfields nuclear fuel manufacturing site in northwest England, the government said.

Energy supply has become a key focus since its invasion of Ukraine drove costs sharply higher. Planned additions to nuclear electricity generation capacity will reduce Britain's reliance on natural gas, which fuelled around 45% of generation in 2021.

Britain in November said it would become a 50% shareholder in the nuclear project by providing 700 million pounds in funding to the plant, which is planned for southeast England.

Top News - Dry Freight

Sovecon raises 2022/23 Russian wheat export forecast

Sovecon, a leading Black Sea agricultural markets research firm focused on Russia and Ukraine, has increased its 2022/23 Russian wheat export forecast by 0.2 million tonnes to 44.1 million tonnes, it said on Friday.

Sovecon expects record or near-record monthly export volumes in the second half of the July-June season.

Shipments will be supported by relatively high global prices, the weakening of the rouble, and the pressure of record stocks on the domestic market.

Indonesia to import 3.6 mln T raw sugar, 991,000 T white sugar

Indonesia plans to import 3.6 million tonnes of raw sugar for industrial use and about 991,000 tonnes of white sugar for consumers, its trade minister said on Monday.

Zulkifli Hasan did not provide a time frame for the imports.

MARKET MONITOR as of 07:19 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$80.57 / bbl	0.39%	-
NYMEX RBOB Gasoline	$2.49 / gallon	0.30%	-
ICE Gas Oil	$936.75 / tonne	1.71%	-
NYMEX Natural Gas	$4.09 / mmBtu	-8.72%	-
Spot Gold	$1,843.20 / ounce	1.07%	-
TRPC coal API 2 / Dec, 23	$229 / tonne	28.29%	-
Carbon ECX EUA / Dec, 24	€90.00 / tonne	-0.37%	-
Dutch gas day-ahead (Pre. close)	€75.57 / Mwh	-4.82%	-
CBOT Corn	-	-	-
CBOT Wheat	-	-	-
Malaysia Palm Oil (3M)	RM4,223 / tonne	1.17%	-
Index (Total Return)	**Close**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.33	0.64%	-
Rogers International	28.52	-0.51%	-
U.S. Stocks - Dow	33,147.25	-0.22%	-
U.S. Dollar Index	103.52	-0.30%	-
U.S. Bond Index (DJ)	392.46	-0.34%	-

Picture of the Day

Dead sunflowers stand in a field near dormant oil drilling rigs which have been stacked in Dickinson, North Dakota. REUTERS/Andrew Cullen

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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