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Top News - Oil

US oilfield firms face pricing squeeze as fracking demand slumps

Top U.S. oilfield services firms are facing weaker pricing and revenue this year as oil producers become increasingly efficient and keep a cap on spending, according to oilfield executives and analysts.

U.S. producers, mainly shale companies which led a fracking revolution that unlocked vast new supplies of crude from rock, are pumping record amounts of oil, but using fewer rigs to do it after the COVID-19 pandemic crushed prices and spurred a boom in company mergers and new efficiencies.

The number of oil rigs has dropped to its lowest since December 2021, according to oil service provider Baker Hughes. In the Permian basin, the top U.S. oilfield located in West Texas and eastern New Mexico, the rig count is at its lowest since February 2022.

The number of active frac fleets totaled 183 in the week to Jan. 23, its lowest since March 2021, according to data from consultancy Primary Vision.

This year, the oilfield services sector is set to be squeezed again as operators eye weaker crude price forecasts due to oversupply.

U.S. benchmark West Texas Intermediate crude futures, which ended last year largely flat at just below $72 a barrel, will average around $63 in 2025, according to Citi.

Roughly half the Texas and New Mexico-based oil executives surveyed by the Dallas Fed in December said they were using $70-$75 a barrel for capital planning.

Amid softer demand, land rig day rates are set to end the year at their lowest level since the second quarter of 2022, according to consultancy, Rystad Energy.

"Day rates are not great," said Jasen Gast, CEO of Houston-based Oilfield Service Professionals (OSP).

Halliburton, one of the top U.S. fracking firms, saw its revenue fall 9% to $2.2 billion in the fourth quarter and is anticipating a low to mid-single digit decrease from 2024 levels due to lower negotiated prices for some of its equipment.

"We're not immune to pricing," said CEO Jeff Miller.

Rivals are also feeling the pinch. JP Morgan expects Liberty Energy will see its EBITDA per frac fleet decline to $19.9 million in 2025, from $24.7 million in 2024 as pricing pressures hit margins.

"The combination of significant improvements in shale completion efficiency and a softer macro picture is leading to further weakness in the frac market," the analysts said.

LESS WORK, MORE DEBT

The U.S. rig count peaked at 2,031 in September 2008, according to Baker Hughes, when U.S. oil production was around 4 million barrels per day (bpd), data from the U.S. Energy Information Administration showed.

That compares with just 585 rigs operating when production hit a record high at 13.46 million bpd in October 2024, the data showed.

"In 2023 we were thinking the 2024 (rig count) would likely be down 1-2% compared with 2023, but it was actually down 10-11%, so we did overestimate how resilient some of these companies could be," said Rystad Energy's senior vice president, Thomas Jacob.

"Across the board, any E&P that we talk with, any OFS company, pressure pumper that we've spoken with, they all agreed that the amount of work this year could be slightly down, and pricing is definitely down," Jacob added.

As oilfield firms face lower prices and less work, their debt is rising and more are filing for bankruptcy, according to Hal Wallace, president of Texas-based debt collector Ryan and Jacobs.

Energy companies in hot water would usually owe between $20,000 and $250,000, but that has spiked since November 2023, with some companies' debt mounting to $5 million-$8 million, Wallace said.

In the first two weeks of 2025, energy companies owed a collective $9.59 million, compared with $75.78 million for all of 2024, and $45.55 million for 2023, according to Wallace.

"I've seen more bankruptcies in the last 18 months than I have in a long time. A lot of them seem to be the service companies," Wallace said.

Saudi, other OPEC+ ministers meet after Trump calls for lower oil price

Saudi Arabia's energy minister and several of his OPEC+ counterparts have held talks following U.S. President Donald Trump's call for lower oil prices and ahead of a meeting next week of OPEC+ oil-producing countries, according to official statements and sources.

Trump last week called on Saudi Arabia and OPEC to lower oil prices. OPEC+ has yet to respond, but five OPEC+ delegates said a meeting of the group's top ministers on Feb. 3 is unlikely to adjust its current plan to start raising output from April.

On Monday, Saudi Energy Minister Prince Abdulaziz bin Salman held talks with Iraq's Hayan Abdel-Ghani and Libya's Khalifa Abdulsadek in Riyadh, the Saudi Press Agency (SPA) reported.

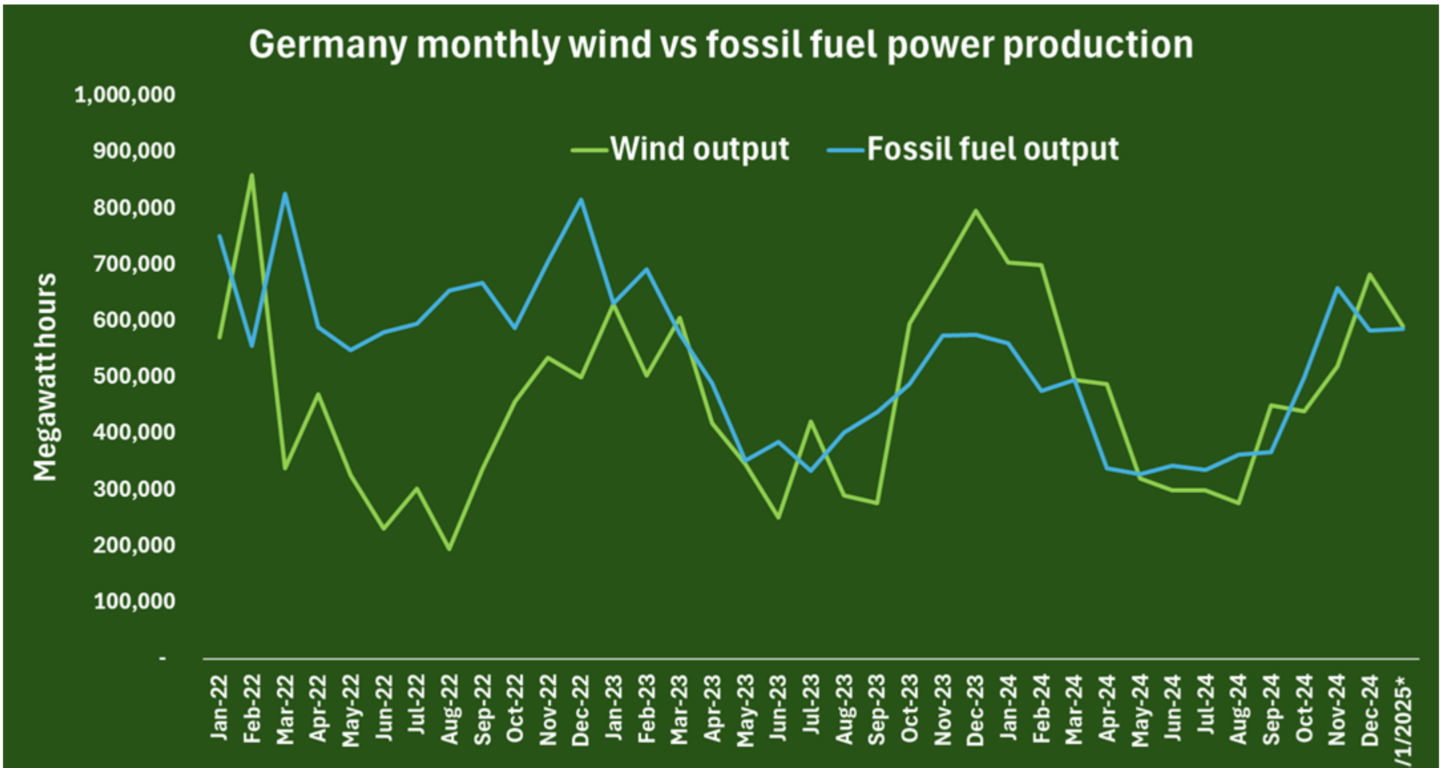
The Saudi minister and his Libyan counterpart discussed "strengthening joint efforts to support the stability of global energy markets" to serve their mutual interests, SPA reported. He also discussed cooperation to achieve

mutual interests with his Iraqi counterpart, SPA reported.
The Saudi minister also met with UAE Energy Minister Suhail al-Mazrouei in Riyadh for informal talks, two sources with knowledge of the matter said.
The Saudi government communications office, UAE energy ministry and OPEC did not immediately respond to emailed requests for comment. One of the sources said the talks took place on the sidelines of the Arab Energy Fund's 50th anniversary celebrations which are taking place in Riyadh and were not a planned meeting of some OPEC ministers. Oil prices have risen this year, with Brent crude reaching almost $83 a barrel on Jan. 15, its highest level since August, supported by concern about the supply impact of U.S. sanctions on Russia. Prices have since eased, trading below $78 on Tuesday.
OPEC+ groups members of the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia.
On Feb. 3, its Joint Ministerial Monitoring Committee (JMMC), a group of top ministers which can recommend policy changes, is scheduled to meet.
The ministers will likely make no changes at the meeting to their existing plan to start raising production from April, five OPEC+ delegates, who declined to be identified, have told Reuters since Trump's comments last week. Two others said it was too early to say.
OPEC+ members are currently holding back 5.86 million barrels per day of production, or about 5.7% of global demand, after making a series of cuts since 2022 to support the market.
April's planned increase follows several delays due to weak demand.
Asked about Trump's comments, Saudi Economy Minister Faisal al-Ibrahim told a panel at the World Economic Forum in Davos on Friday that Saudi Arabia and OPEC were seeking long-term oil market stability.

Top News - Agriculture

Brazil's coffee production to fall 4.4% in 2025, Conab says
Brazil's 2025 coffee output is expected to total 51.8 million 60-kg bags, national food supply agency Conab said on Tuesday, a 4.4% drop compared to the previous year as adverse weather conditions affected yields.
Conab's first estimate for this year's crop comes as global coffee prices hit record highs amid concerns about supplies from Brazil, where farmers remain reluctant to sell given doubts over the upcoming crop and hopes for still higher prices.
The South American country had its harshest drought in

Chart of the Day



Source: LSEG; * January 2025 data for Jan 1-28

history in 2024 and coffee fields felt the lack of moisture. Rains arrived later in the year, but a smaller crop in 2025 is widely expected after already-low production in 2024.
Conab said Arabica coffee output from the world's largest coffee producer and exporter is set to fall 12.4% to 34.7 million bags in 2025, an 'off-year' in the biennial arabica cycle which alternates between years of higher and lower production.
"Long periods of water restriction and high temperatures that preceded the flowering stages affected the plants' potential, reducing yields," the agency said in a statement.
Brazil's robusta coffee crop, meanwhile, was forecast to grow 17.2% year-on-year to 17.1 million bags as rains benefited areas in top producing state Espirito Santo, helping drive yields up.

EU 2024/25 soft wheat exports down 37% by Jan. 26
European Union soft wheat exports since the start of the 2024/25 season in July reached 12.18 million metric tons by Jan. 26, up compared to 11.74 million the previous week, but down 37% from a year earlier, European Commission data showed on Tuesday.
However, the Commission said export data for Italy has been incomplete for the past seven weeks. For France, data has been incomplete since the beginning of 2024, while export data for Bulgaria and Ireland has been incomplete since the beginning of the 2023/24 marketing year.
A breakdown of this season's volumes showed Romania was still the largest EU soft wheat exporter, with 3.38 million tons so far, followed by Lithuania with 1.78 million tons, Latvia with 1.57 million tons, Germany with 1.38 million tons and France with 1.35 million tons.
Competition from Black Sea supplies and a poor harvest in France have curbed EU exports this season, though the trend has been amplified by the missing data.
EU barley exports totalled 2.47 million tons, compared to 2.36 million tons a week earlier and down 29% from the corresponding period of 2023/24.
In imports, the volume of maize shipped into the EU so far this season had reached 11.41 million tons, up from 11.06 million tons the previous week and 4% above a year earlier.

Top News - Metals

Vale posts highest annual iron ore output since 2018 despite fourth-quarter slide
Brazilian miner Vale posted on Tuesday its highest annual iron ore production since 2018, even after a decline in output in the fourth quarter when the company prioritized higher-margin products.
One of the world's largest iron ore suppliers, Vale's production of the steel ingredient reached almost 328 million metric tons in 2024, up 2% from a year earlier. It expects to produce between 325 million and 335 million tons of iron ore in 2025.
"Vale's performance in 2024 was marked by greater operational stability and the start-up of key projects," the miner said in a statement.
In the fourth quarter, iron ore production fell 4.6% from the same period a year earlier to 85.3 million tons.
Vale said the decline followed its decision to prioritize the output of higher-margin iron ore products, which led to lower production from its Southern System operations in Brazil, which produce iron ore with lower ferrous content than its other mining assets. Iron ore sales fell about 10% in the fourth quarter from a year earlier to 81.2 million tons, as Vale decided to reduce sales of high-silica products in the period to improve all-in pricing premiums.
BTG Pactual analysts said weaker iron ore sales were the main highlight of the report.
"Vale is making a sensible decision to protect iron ore price realizations and product mix," Leonardo Correa and Marcelo Arazi wrote in a note to clients.
They added that going forward the market will need further clarity on the strategy ahead in order to understand the extent of the gap between the company's shipments and production.
The average realized price of Vale's iron ore fines was about $93 per ton in the quarter, falling about 21% year-on-year, but up nearly 3% from the third quarter.

BASE METALS
Vale's copper production increased nearly 3% year-on-year to 101,800 tons in the fourth quarter, helped by Brazil's Salobo and Canada's Sudbury operations, and the ramp-up of underground mines in Canada's Voisey's Bay, the report said. Copper sales rose 1.5% to 99,000 tons in the same period. "As the company works to turn around the base metals division and stabilise operations, the outperformance at copper is a good sign of things to come, in our view," RBC Capital Markets analysts said in a note. The company also produced 45,500 tons of nickel in the fourth quarter, up around 1% from a year earlier, due to a stronger performance at its Onca Puma, Sudbury and Voisey’s Bay operations. It sold 47,100 tons of nickel, down nearly 2% from the same period a year earlier.

Congo rebel gains to boost illicit mineral trade through Rwanda, analysts say
A lightning advance in Congo's mineral-rich eastern borderlands is set to boost the M23 rebellion's illegal mining revenues, with analysts predicting a further surge in illicit trade in minerals including coltan and gold through neighbouring Rwanda.
The Rwanda-backed insurgency entered Goma, eastern Democratic Republic of Congo's largest city, this week, marking a major turning point in a conflict with

government forces that has raised fears of a spillover into a broader regional war.
The rebels, which Rwanda denies supporting, have long been funded at least in part by the illicit mineral trade. Those revenue flows intensified after M23 - the latest in a long line of Tutsi-led rebellions - seized the coltan-rich Rubaya area in April, U.N. experts found.
Congo is the world's top producer of tantalum and cobalt, a key component in batteries for electric vehicles and mobile phones, and is also home to significant coltan and gold deposits. "Mineral exports from Rwanda are now over a billion dollars a year," said Jason Stearns, a political scientist at Simon Fraser University and former U.N. investigator. "That's about double what they were two years ago. And we don't know how much, but a fair chunk of that is from the DRC." Rwanda's ambassador-at-large for the Great Lakes region Vincent Karega rejected the idea that M23 was trafficking Congolese minerals. He did not directly address allegations that his government is involved in their illicit trade. "Do you think it's possible to fight and still have time to mine natural resources and refine them?" said Karega, who has been sent to the border with Congo to oversee the crisis.

LACK OF TRANSPARENCY

Rebels recently captured the mining town Lumbishi in South Kivu province. Numbi, an eastern mining area in South Kivu rich in gold, tourmaline, and tin, tantalum and tungsten - so-called 3T minerals used in computers and mobile phones - is also under threat.
"Lumbishi and its gold mines are likely to prove a significant source of revenue for M23, in part because gold is much easier to monetise than coltan and tin," said Gregory Mthembu-Salter, director of Phuzumoya Consulting. He said gold was likely to make its way to Dubai via Rwanda and possibly Kenya. In 2023, UAE declared importing about $885 million in gold from Rwanda, a 75% jump from the previous five-year average, according to a Reuters analysis of U.N. Comtrade data. Rwanda is not a major gold producer.
In addition to exerting administrative control over Rubaya, M23 has also created a monopoly for the export of coltan to Rwanda from the nearby Bibatama mine, U.N. experts said in a December report. The mine is one of the world's largest deposits of coltan, used in cellphones and laptops. The group collected at least $800,000 per month in taxes on coltan production and trade, according to the report, with Congolese output mixed in with Rwandan production.
Jean Pierre Okenda, a Congo-based rights lawyer specialised in extractive industries, said Rwanda was not a member of any international transparency initiatives, making it hard to track its minerals.
"There is a lack of transparency of the mining operations and... a lack of transparency of the geological information," he said.

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.92 / bbl	0.20%	3.07%
NYMEX RBOB Gasoline	$2.08 / gallon	0.18%	3.50%
ICE Gas Oil	$705.75 / tonne	0.68%	1.51%
NYMEX Natural Gas	$3.38 / mmBtu	-2.65%	-6.99%
Spot Gold	$2,757.39 / ounce	-0.21%	5.09%
TRPC coal API 2 / Dec, 25	$113.4 / tonne	-0.09%	1.84%
Carbon ECX EUA	€81.24 / tonne	1.22%	11.29%
Dutch gas day-ahead (Pre. close)	€48.35 / Mwh	1.36%	-0.41%
CBOT Corn	$5.01 / bushel	0.91%	7.46%
CBOT Wheat	$5.64 / bushel	0.85%	0.18%
Malaysia Palm Oil (3M)	-	-	-
Index	**Close 28 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	369.46	0.30%	3.55%
Rogers International	30.02	0.57%	2.77%
U.S. Stocks - Dow	44,850.35	0.31%	5.42%
U.S. Dollar Index	107.92	0.05%	-0.52%
U.S. Bond Index (DJ)	439.26	0.02%	0.74%

Top News - Carbon & Power

Chevron to build gas plants to power data centers amid AI boom

Oil and gas producer Chevron said on Tuesday it plans to build natural gas-based power plants next to data centers in the U.S., as energy demand to support the growth of artificial intelligence is expected to boom.

The second-largest U.S. producer is partnering with investment firm Engine No. 1 and electric services company GE Vernova on the project.

Chevron's announcement comes a day after Chinese startup DeepSeek unveiled an AI model that it says uses far less computing power than industry-leading models in the United States, prompting investors toquestion the billions of dollars spent on AI infrastructure and sparking a massive sell-off in tech and power stocks.

Despite the market's reaction, DeepSeek demonstrates the energy requirements that will be needed to support the United States' ability to compete in the global AI race, said Jeff Gustavson, president of Chevron New Energies, during a press briefing.

"It underscores how competitive and fast-moving this is," he said. "We still see the growth in electricity demand."

The project will use GE Vernova's natural gas turbines to deliver up to 4 gigawatts of power - enough to power roughly 3 million homes - to data centers located in the U.S. Southeast, Midwest and West regions.

The power will initially bypass the existing transmission grid, which reduces the risk of raising electricity costs for households and consumers, the company said.

Chevron said it is in conversations with multiple potential customers to determine the locations of the data centers and power plants, declining to name who it is speaking with. Chevron expects to begin initial service by the end of 2027, with the potential for project expansion beyond the 4-GW capacity.

"President Trump's pro-American energy policies and commitment to energy and AI dominance give us the confidence to invest in projects that will create American jobs and strengthen our national security," Chevron CEO Mike Wirth said in a statement.

The projects are also expected to be designed to potentially integrate carbon capture and storage, and renewable energy resources.

COLUMN-Germany's weak winds stoke Europe-wide power market worries: Maguire

Wind power generation in Germany - Europe's largest wind producer - is on track to record its longest stretch of below-normal production since early 2021 due to a spell of low wind speeds since October.

Wind power is Germany's primary source of electricity, and wind output historically peaks over the winter months when wind speeds at turbine level tend to hit their highest for the year.

However, the current four-month long period of sub-par output has forced German power firms to sustain high levels of output from fossil fuel power plants to balance system needs, and to boost power imports from neighbouring nations.

In turn, higher German power imports have contributed to a rise in regional power prices across Europe, which have started 2025 at their highest in nearly two years and roughly 70% above their average from 2020 through 2021, according to LSEG.

If Germany's wind farms continue to generate at below capacity, German power firms may be forced to further increase fossil-fired power output and imports, and trigger a further tightening in Europe's power markets as 2025 unfolds.

WIND WOES

German wind electricity output contracted by 3% in 2024 from 2023's levels to around 131 terawatt hours (TWh), according to data from Ember.

That was only the second year-over-year contraction in wind production since 2015, and came despite an increase in German installed wind generation capacity in 2024.

The shortfall in wind production versus 2023 came mainly during the final quarter of 2024, when cumulative wind electricity output dropped by 22% from the same months of 2023 due to sharply below-normal wind speeds across wind farm areas.

Those lackluster output levels have extended into 2025, with wind power generation over the first 28 days of January amounting to around 590,000 megawatt hours, according to LSEG, and 16% less than the same dates in 2024.

To compensate for that dip in wind output, German power producers have increased output from fossil fuel-fired plants.

Cumulative production from lignite, hard coal and natural gas plants was around 587,000 megawatt hours over the first 28 days of 2025, which is up 4.5% from the same period in 2024.

In addition, Germany power firms have increased overall power imports and reduced power exports so far in 2025 from January 2024, according to industry portal energy-charts.info.

PRICE IMPACT

Reduced natural gas supplies from Russia since late 2024, as well as increased jitters among power suppliers about potential gas scarcity in 2025, have helped stir up bullish power price sentiment across Europe so far this year.

So far in January 2025, German spot wholesale base power prices have averaged around 113 euros per megawatt hour (MWh), which is up 47% from January 2024, according to LSEG.

Because of the scale of Germany's power needs - the largest in Europe - other regional power prices have

trended higher in tow, with the average price across 21 countries tracked by LSEG also holding around 113 Euros/MWh.
Power prices in Italy and The Netherlands have also climbed by over 40% from a year ago, while power prices in France - the region's largest net power exporter - are up by 33%.

FORWARD GUIDANCE
Wind power generation in Germany has peaked during the first quarter in four of the past six years, and has otherwise peaked during the final quarter of the year, Ember data shows.
In all years, wind generation tends to contract to annual lows during spring and summer, when wind speeds are lowest.
For German power suppliers, that means Germany's wind farms still have the potential to lift output from current levels this winter, and could allow for a rise in overall power output as well as potential cuts to fossil fuel use.
However, the latest wind generation forecasts through mid-February continue to call for below-normal wind output levels, according to LSEG.
That suggests that Germany's overall clean power output may remain constrained this year despite steady additions to renewable generation capacity.
If that's the case, then additional use of fossil fuels in power generation can be expected, which will raise power emissions, as well as further power imports that will continue to tighten regional power balances and prop up prices.

(The opinions expressed here are those of the author, a market analyst for Reuters.)

Top News - Dry Freight

Brazil port finds 51 'adulterated' soymeal truck cargos
The Parana state port authority, which oversees operations at the port of Paranagua and Antonina in Southern Brazil, said sand had been detected in soymeal cargoes during an inspection, according to a statement sent to Reuters on Tuesday.
That is considered "product adulteration", the statement said.
The Association of Terminals of the Paranagua Export Corridor (ATEXP), which handled the inspection, contacted the other oversight agencies after detecting the issue, the statement added.
The European Union is the main destination for Brazilian soymeal exports.
A spokesperson for the port could not immediately confirm the soymeal cargoes' destination, but said a total of 51 trucks carrying 2,200 tons had been identified as moving the adulterated product.
The port declined to disclose the name of the exporter or exporters, citing data protection laws. The port said the trucks had come from Mato Grosso state.
The agriculture ministry will now verify whether companies have complied with administrative regulations, including the correct disposal of the adulterated soymeal, the port said.
The adulteration incident comes as China stopped receiving Brazilian soybean shipments after certain cargoes showed non-conformity.
The Port of Paranagua enforced new cargo inspection control rules last year, the statement added, "to ensure maximum safety and quality of the products handled."
The public port said that the responsibility for the cargo lies on the exporter and the terminal, and not on the port authority.
In 2024, more than 392,000 trucks were inspected and almost 9,000 truck-loads were "rejected" for non compliance with minimum quality requirements or for being defrauded, the port authority said.
Those inspections covered the various types of cargoes that pass through the port, including grains such as soy and corn and soymeal, the port said.

Jordan buys estimated 50,000 T wheat in tender, traders say
Jordan's state grains buyer purchased about 50,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said.
It was believed to have been bought from Bulgarian trading house Buildcom at an estimated $265.25 a ton cost and freight included (c&f) for shipment in the first half of June, they said.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
Traders said they received indications Jordan will issue a new tender in the coming days for 120,000 tons of wheat.
Offers are expected to be submitted on Feb. 4, with shipment expected to be sought in various combinations in the second half of April, full month of May and first half of June.
Traders said other trading companies to participate in Tuesday’s tender, with offers per ton c&f, were: CHS $273, Viterra $278, Al Dahra $270, Cereal Crops $293.50 and Ameropa $270.87.
In its previous wheat tender on Jan. 21, Jordan purchased about 60,000 tons at an estimated $268 a ton c&f for shipment in the first half of April.
A separate tender from Jordan seeking 120,000 tons of animal feed barley closes on Wednesday.

Picture of the Day

Grain storage domes are seen at the P&H Milling Group facility in Hamilton, Ontario, Canada, January 27. REUTERS/Carlos Osorio

(Inside Commodities is compiled by Nachiket Tekawade in Bengaluru)

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