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Top News - Oil

Exxon smashes Western oil majors' profits with $56 billion in 2022

Exxon Mobil Corp posted a $56 billion net profit for 2022, the company said on Tuesday, taking home about $6.3 million per hour last year, and setting not only a company record but a historic high for the Western oil industry.

Oil majors are expected to break their own annual records on high prices and soaring demand, pushing their combined take to near $200 billion. The scale has renewed criticism of the oil industry and sparked calls for more countries to levy windfall profit taxes on the companies. Exxon's results far exceeded the then-record $45.2 billion net profit it reported in 2008, when oil hit $142 per barrel, 30% above last year's average price. Deep cost cuts during the pandemic helped supercharge last year's earnings. "Overall earnings and cash flow were up pretty significantly year on year," Exxon Chief Financial Officer Kathryn Mikells told Reuters. "So that came really from a combination of strong markets, strong throughput, strong production, and really good cost control." Exxon said it incurred a $1.3 billion hit to its fourth-quarter earnings from a European Union windfall tax that began in the final quarter and from asset impairments. The company is suing the EU, arguing that the levy exceeds its legal authority. Excluding charges, profit for the full year was $59.1 billion. Production was up by about 100,000 barrels of oil and gas per day over a year ago to 3.8 million bpd. Adjusted per-share profit of $3.40 beat consensus of $3.29 per share, according to Refinitiv data. Shares were up nearly 2% at $115.63. "It's a headline beat," Biraj Borkhataria from RBC Capital said in a note, despite lower chemical margins, lower-than-expected downstream gains and plans for higher maintenance works in refineries this quarter.

WINDFALL TAXES

The results set up another confrontation with the White House. Companies could increase production but decided instead to "plow those profits into padding the pockets of executives and shareholders," the White House said in a statement. Exxon distributed $30 billion in cash to shareholders last year, more than any of its Western rivals, and invested $22.7 billion in the business.

Windfall profit taxes are "unlawful and bad policy," countered Mikells. Slapping new taxes on oil earnings "has the opposite effect of what you are trying to achieve," she said, adding that it would discourage new oil and gas production. Exxon boasted that its cash flow from operations soared to $76.8 billion last year, up from $48.1 billion in 2021. And it decided to hold $30 billion in cash balance. The company said it learned from the pandemic, when it found itself empty handed and raised debt to pay dividends to shareholders. "Having a really strong balance sheet is a competitive advantage for us," Mikells said, adding that it allows the company to wait for potential acquisition opportunities and sustain its dividend program intact even if energy prices eventually fall. Exxon posted $12.8 billion in fourth-quarter net profit excluding charges, 44% more than the same period last year but down 35% from the previous quarter as oil prices eased and some operations suffered from cold-weather-related outages.

PROJECT SPENDING

Exxon's spending on new oil and gas projects bounced back last year to $22.7 billion, up 37% from the prior year. The company increased outlays on discoveries in Guyana, in the top U.S. shale field, and on fuel refining and chemicals. "The counter-cyclical investments we made before and during the pandemic provided the energy and products people needed as economies began recovering," Exxon Chief Executive Officer Darren Woods said in a statement. Investments can go up to $25 billion this year, Woods said. Part of it is explained by rising costs in the Permian, with inflation in the double digits, amid "really, really hot" demand for equipments and services, he said. Exxon guided Permian production this year to 600,000 bpd, up 50,000 bpd from last year but slightly below market expectations. On the other hand, Woods projected that strong refining margins will continue in 2023. Exxon's results come ahead of what are expected to be strong earnings from Shell plc on Thursday and from BP plc and TotalEnergies next week.

OPEC oil output falls as Nigerian rebound falters - Reuters survey

OPEC oil output fell in January, a Reuters survey found on Tuesday, as Iraqi exports declined and Nigerian output did not recover further while Gulf members maintained strong compliance with an OPEC+ deal on production cuts to support the market.

The Organization of the Petroleum Exporting Countries (OPEC) pumped 28.87 million barrels per day (bpd), the survey found, down 50,000 bpd from December. In September, OPEC output hit its highest since 2020. Output from OPEC and allies including Russia, known collectively as OPEC+, increased for most of 2022 as demand recovered. For November, with oil prices weakening, the group made its largest cut to production targets since the early days of the COVID-19 pandemic in 2020. Its decision from November called for a 2 million bpd cut to the OPEC+ output target, of which about 1.27 million bpd was meant to come from the 10 participating OPEC countries. The same target currently applies.

With the decline in output this month, compliance with the agreement rose to 172% of pledged cuts, according to the survey, against 161% in December. Output is significantly undershooting targeted amounts because many producers - notably Nigeria and Angola - lack the capacity to pump at the agreed levels. The 10 OPEC members required to cut production pumped 920,000 bpd below the group's January target, the survey found. The shortfall in December was 780,000 bpd.

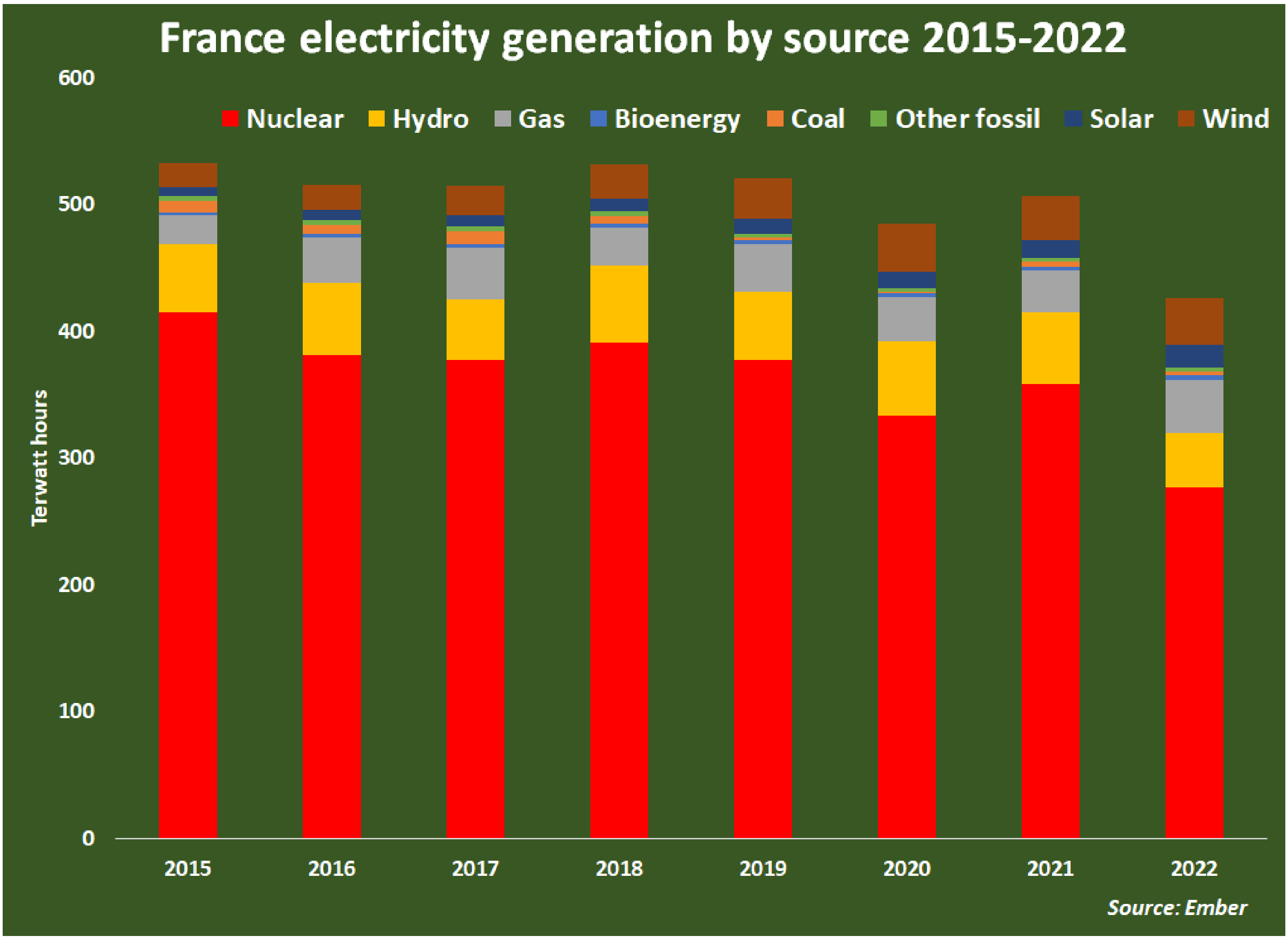
IRAQ AND NIGERIA
OPEC's second-largest producer, Iraq, has exported fewer barrels this month from its southern fields, according to Eikon data and two companies that track the flows. Nigerian output, which rebounded in December, held at similar levels in January, the survey found, leaving more to do if the country is to meet a target to lift output to 1.6 million bpd this quarter. OPEC's Gulf producers complied relatively closely with their targets under the OPEC+ agreement, the survey found. Saudi Arabia was also thought by some sources in the survey to have trimmed exports. Output in the United Arab Emirates edged up by about 10,000 bpd.
Among Libya, Iran and Venezuela, the three producers exempt from OPEC cuts, Venezuela's output was slightly higher and there was a small decline in Iran, which registered a surge in exports in December.
The Reuters survey aims to track supply to the market. It is based on shipping data provided by external sources, Refinitiv Eikon flows data, information from companies that track flows, such as Petro-Logistics and Kpler, and information provided by sources at oil companies, OPEC and consultants.

Top News - Agriculture

Green Pool expects global sugar deficit in 2023/24
A global sugar deficit of 1.01 million tonnes is projected for the 2023/24 season, ending a run of three successive surpluses, analyst Green Pool said on Tuesday in its initial forecast for the crop year.
The Australia-based sugar and biofuels analyst's report said that it expect global production to falter, particularly in India, Pakistan and the European Union. Consumption, meanwhile, is projected to rise, albeit at a slower rate than in the previous season.
Green Pool's forecasts, which are based on national crop years, predict that global production will fall slightly to 192.8 million tonnes, down from the previous season's 193.2 million tonnes, bringing an end to the upturn after a poor crop in 2019/20.
India was expected to register the steepest decline with a drop of 2.3 million tonnes to 34.5 million tonnes.
However, that should be partially offset by production in Centre-South Brazil rising to 35.8 million tonnes from 33.65 million tonnes.
Global consumption was forecast to rise by 1.24% to 192.8 million tonnes, representing a slight slowdown from the previous season's 1.36% growth.
Green Pool forecasts a global surplus of 1.77 million tonnes in the 2022/23 season, slightly larger than the previous season's 1.44 million tonne surplus.

Central European states ask EU to ease problems caused by influx of Ukrainian grain
Six Central European states have asked the European Union to take steps to mitigate problems caused by increased Ukrainian grain imports into the region, saying the influx has cut prices and hurt local farmers, government officials said.
Ukraine is a major global grain producer and exporter, but production and exports have fallen since Russia invaded the country last February and started blockading its seaports.
In order to help Ukrainian grain and other agricultural goods reach markets, the EU started so-called solidarity lanes last year to facilitate transports.
Zsolt Feldman, state secretary of the Hungarian Ministry of Agriculture said late on Monday that Hungary, Poland, the Czech Republic, Slovakia, Romania and Bulgaria had made a joint request at the EU Agriculture and Fisheries Council meeting in Brussels for immediate measures.
"If the EU acts in unity to help overland grain exports, then the burden should also be shared equally among member states," the Hungarian statement said. Feldman said the EU did not promise any steps to alleviate the market disruptions.
Polish Agriculture Minister Henryk Kowalczyk told Polish state news agency PAP on Monday, "we are ready to continue helping Ukraine... But we also want to include the entire EU in this aid... so that Polish farmers or farmers from other neighbouring countries do not only suffer the effects, but that these effects can be mitigated".
He said Central European states had asked the EU to transport the Ukrainian grain beyond Ukraine's immediate neighbours and to provide assistance.
The European Commission did not reply to emailed Reuters questions on Tuesday.
An upcoming EU-Ukraine summit on Friday is due to discuss the opening up of EU markets to more Ukrainian products, including grains, to help Ukraine raise revenue as it fights against Russian forces.
Bulgaria's agriculture ministry said in a statement on their website that the creation of temporary warehouses for Ukrainian grain, as well as new transport corridors, including railways, could reduce pressure from increasing imports from Ukraine.

Chart of the Day



Top News - Metals

Vale's fourth-quarter iron ore output edges down
Brazil's Vale SA, one of the world's largest mining companies, on Tuesday reported a fourth-quarter 1% fall in iron ore production from a year earlier, while the sales volume of nickel soared

The company said it produced 80.85 million tonnes of iron ore during the last three months of 2022, sending its annual output to 307.8 million tonnes, slightly below its 310 million tonne forecast.

Vale blamed seasonally higher rainfall levels in its mines in Brazil for missing its forecast, as well as slower licensing processes in its Northern System.

Sales volumes of iron ore, a key material for making steel, fell 0.7% in the quarter, but still came in 24.2% above the previous three months, the company said.

Vale's production of nickel fell 1.3% to 47,400 tonnes in the quarter, after scheduled maintenance stoppages at plants in Canada. Its sales volumes, however, soared 30.2% to 58,200 tonnes, as the company shifted pent-up stocks to fulfill supply contracts.

Last month, Vale predicted an 2023 nickel output below last year's levels while iron ore production should remain flat.

The metal is also a key material for the booming electric vehicle industry, where it is used in the cathode component of batteries. Vale has struck contracts to supply nickel to major auto makers including Tesla and General Motors.

Looking to capitalize on soaring demand for nickel and copper from the EV market, Vale has been seeking a partner to buy a minority stake in its base metals unit.

Earlier this month, it said it had received non-binding offers for the stake, but did not disclose any names.

Japan buyers agree to pay Q1 aluminium premiums of $85-$86/T, sources say

The premiums for aluminium shipments to Japanese buyers for January to March were set at $85-$86 a tonne, down 13%-14% from the previous quarter, reflecting slack demand and high stocks, six sources directly involved in pricing talks said.
The figures are lower than the $99 per tonne paid in the October-December quarter and mark a fifth consecutive quarterly decline and the lowest premium since the July-September quarter of 2020.
Japan is Asia's biggest aluminium importer and the premiums for primary metal shipments it agrees to pay each quarter over the benchmark London Metal Exchange (LME) cash price set the benchmark for the region.
Producers initially offered $95-$105 per tonne, but were forced to lower the levels in lengthy negotiations as repeated delays in automobile production recovery and ample inventories kept local demand sluggish, the sources said.
Aluminium stocks at three major Japanese ports stood at 381,830 tonnes at the end of December, against 296,500 tonnes a year earlier, Marubeni Corp said this month.
The quarterly pricing talks began in late November between Japanese buyers and global suppliers, including Rio Tinto Ltd and South32 Ltd.
Some buyers had settled at $86 a tonne late last year, but other buyers fought for lower levels, achieving $85 a tonne from a producer in mid-January, the sources said.
As the negotiations dragged on for a month longer than usual, another producer and several buyers responded with an $86 offer and an $85 bid, the sources said.
A source at a producer said all deals agreed had been at $86 a tonne, and predicted an outstanding deal would be agreed in a $85-$86 range, while a source at a Japanese trading house said all deals were done at $85 a tonne.
A third source at a Japanese fabricator said it settled at $86 a tonne.
The sources declined to be identified because of the sensitivity of the discussions.

Top News - Carbon & Power

COLUMN-Europe needs France to get its nuclear act together in 2023: Maguire

A steep drop in France's nuclear power output in 2022 exacerbated Europe's power crisis by forcing French utilities to flip from net power exporters to importers just as Russia's invasion of Ukraine snarled energy markets across the continent.
A combination of planned maintenance shutdowns along with unplanned shortages of reactor cooling water forced French nuclear power operators to cut electricity generation by 23% in 2022 from the year before to record lows, data from think tank Ember shows.
As France historically relies on nuclear for more than 70% of total electricity supplies, this shortfall in reactor output forced French utilities to drastically adjust their power fuel mix by increasing imports and the use of natural gas by nearly 30% to record levels.
In turn, France's higher gas consumption tightened regional natural gas markets at the worst possible time, just as other major European gas consumers scrambled for alternatives to Russian pipelined supplies that were being curtailed amid the fallout from Moscow's so-called special operation in Ukraine.
Going forward, a sustained recovery in French nuclear output would help cut France's appetite for power and gas imports, and potentially help utilities export surplus power to other European nations that are still struggling with tight and expensive energy markets.

ROLE REVERSAL

From 2019 through 2021, France's average annual power exports were roughly 54 Terawatt hours (TWh), or as much as Greece's total electricity generation in 2021, according to data Ember and energy technology firm EnAppSys.
In 2022, however, due to reduced nuclear output as well as a drop in hydropower generation because of dry conditions, France slashed power exports to less than 8 TWh, and lifted power imports to a record 26.84 TWh, EnAppSys data shows.

This flip in French power flows not only tightened Europe's power markets, but also made a major dent in France's trade balance: The nearly 10 billion euro cost of 2022's power imports surpassed France's total earnings from power exports from the previous three years, EnAppSys data shows.

POWERING UP

So far in 2023, France's nuclear power output remains 17.5% below the average from 2020 and 2021, Refinitiv data shows, due in part to strikes against planned pension reforms for unionised workers.
However, utilities have previously stated that nuclear output will climb once maintenance work is completed, although the ailing system may struggle to reach previous annual output levels of around 400 TWh as much-needed repairs and upgrades drag on.
Even if average output remains below that previous

target, any sustained increase in nuclear production from 2022 totals stands to have an impact on local power prices, as well as France's overall power import needs.
For example, in December, some previously curtailed reactors resumed operations and that boosted national nuclear output by 40% from the average of the previous eight months, Refinitiv data shows.
In January, average output was higher still, and even if production rates over the remainder of the year only match the average from the past three years - which includes 2022's record low sum - cumulative output by year end would still be roughly 14% above 2022's total.
In turn, because a majority of France's electricity comes from nuclear stations, that potentially higher nuclear output total could help utilities curb generation from other sources, such as natural gas, freeing up those fuels for other users.
Higher nuclear output in 2023 could also help France resume its status as a net exporter of power, with an ability to charge the prevailing record high market rates that could help the country recoup some of its expenses from 2022 while alleviating pressure on other power consumers.
So after a tumultuous 2022 that saw power markets upended by Russia's actions in Ukraine, Europe's power consumers may look to France in 2023 in the hopes that the country gets its nuclear shop in order and helps free up surplus power for other users in the months ahead.

Fire-idled Freeport LNG seeks U.S. approval to start one unit

Freeport LNG asked U.S. regulators for approval to add natural gas to one of the three idled units at its liquefied natural gas (LNG) export plant in Texas, a milestone in efforts to restore production after a seven-month outage, according to a federal filing made available on Tuesday.
The Freeport plant, the second-largest in the United States, shut after a fiery blast last June, cutting supplies as global LNG demand soared over Russia's invasion of Ukraine. Federal officials barred the producer from resuming production until they could complete an extensive safety evaluation.
The June 8 shutdown drove up global prices for the superchilled gas to record levels last summer just as Europe was struggling to replace supplies of Russian gas cut in response to European sanctions on Russia for the Ukraine invasion.
Freeport LNG in a filing dated Monday asked the U.S. Federal Energy Regulatory Commission (FERC) for permission to put gas into one of the plant's three liquefaction units for "initial LNG production."
Even with the steps proposed, analysts believe it could be months before the plant's three units will be fully operational.
"Our expected timeline for restart remains mid-March," Rystad Energy analyst Ade Allen wrote in a report published before the FERC filing was posted.
"We expect it will take about 60 days from restart to 100% utilization," Allen added.
JERA, one of Freeport's five big customers, said it was not counting on getting LNG from the plant by the end of March.
The outage forced big customers including JERA and Osaka Gas to book hundreds of millions of dollars of losses. Its other big buyers include BP, TotalEnergies and SK E&S.
The shutdown left more gas available to domestic customers, helping contribute to depressed U.S. gas prices. U.S. gas futures traded at a 21-month low this week.
Freeport can draw up to 2.1 billion cubic feet per day (bcfd) of gas and turn it into LNG when operating at full power. That is about 2% of what U.S. gas producers pull out of the ground each day.
In addition to deciding on Freeport's latest request, regulators at FERC and the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) must decide whether to allow public hearings, as some of Freeport's community groups have requested, and whether to open Freeport's filings, as the Sierra Club environmental group has requested.
That is because almost all documents filed by Freeport have been "privileged and confidential" so only regulators and Freeport know what the company is doing.
"We can't know if Freeport is doing enough to come back online because we still know very little about the source of the explosion and next to nothing about the changes that have been made to restart," said Rebekah Hinojosa, senior Gulf Coast campaign representative for Sierra Club's Beyond Dirty Fuels Campaign.

MARKET MONITOR as of 07:17 GMT			
Contract	Last	Change	YTD
NYMEX Light Crude	$79.06 / bbl	0.24%	-1.50%
NYMEX RBOB Gasoline	$2.73 / gallon	6.49%	10.29%
ICE Gas Oil	$913.75 / tonne	-0.16%	-0.79%
NYMEX Natural Gas	$2.75 / mmBtu	-6.69%	-38.61%
Spot Gold	$1,927.49 / ounce	-0.02%	5.65%
TRPC coal API 2 / Dec, 23	$140 / tonne	-4.11%	-24.22%
Carbon ECX EUA / Dec, 24	€96.63 / tonne	-0.48%	9.81%
Dutch gas day-ahead (Pre. close)	€57.65 / Mwh	2.22%	-23.71%
CBOT Corn	$6.76 / bushel	-0.55%	-0.37%
CBOT Wheat	$7.59 / bushel	-0.36%	-3.88%
Malaysia Palm Oil (3M)	RM3,813 / tonne	-3.13%	-8.65%
Index (Total Return)	Close 31 Jan	Change	YTD Change
Thomson Reuters/Jefferies CRB	302.92	1.35%	0.53%
Rogers International	28.36	1.09%	-1.08%
U.S. Stocks - Dow	34,086.04	1.09%	2.83%
U.S. Dollar Index	102.1	-0.18%	-1.38%
U.S. Bond Index (DJ)	411.22	0.51%	4.25%

Top News - Dry Freight

Export curbs fail to arrest India's booming rice shipments -sources

India's rice exports in 2022 jumped to a record high despite the government's curbs on overseas sale, as buyers continued to make purchases from the South Asian country because of competitive prices, according to government and industry officials.

The record exports allowed Asian and African countries to import the staple at a time when supplies of wheat and other grains were hit by drought and Russia's invasion of Ukraine.

India, the world's biggest rice exporter, in September banned exports of broken rice and slapped a 20% export tax on some non-basmati varieties as erratic monsoon cut production.

India's rice exports in 2022 rose 3.5% from a year ago to 22.26 million tonnes, or more than the combined exports of the next four largest exporters Thailand, Vietnam, Pakistan and United States, a top government official told Reuters.

He declined to be named as he was not authorized to speak with media.

"Exports fell after government imposed the export duty, but very soon exports revived. In December, India managed to export more than 2 million tonnes," the official said on Tuesday.

In 2022, non-basmati rice shipments stood at 17.86 million tonnes, while premium basmati rice exports were 4.4 million tonnes, the official added.

India exports non-basmati rice mainly to Africa and Asia, while basmati rice goes to the Middle East, the United States and Britain.

An export duty on Indian non-basmati rice shipments spiked prices but buyers soon returned, as Thailand and Vietnam were offering rice at an even higher price, said Nitin Gupta, vice president of Olam India's rice business.

Indian rice is the cheapest and that's why exports would remain strong in 2023, he said.

India has been offering 25% broken white rice at around $430 per tonne, while Vietnam was offering the same

grade at around $440 and Thailand at around $500, a dealer said.
Despite higher exports, India has ample domestic stocks, said B.V. Krishna Rao, president, Rice Exporters Association of India.

Jordan buys about 60,000 tonnes wheat in tender – traders
Jordan's state grains buyer purchased about 60,000 tonnes of milling wheat to be sourced from optional origins in a tender which closed on Tuesday, traders said.
The wheat was thought likely to be sourced from the Black Sea region, with Romanian origin expected to be supplied. It was bought from trading house The Andersons at an estimated $336.50 a tonne c&f for shipment in the second half of June, they said.
Traders said these other trading houses participated in the tender with their offers in dollars a tonne c&f: CHS $345.70, Cargill $346.75, Viterra $354, Ameropa $347.50, Buildcom $347.77, Aston $357 and Grainflour $345.
Traders said Black Sea region wheat, including Russian, Romanian and Bulgarian, was offered in the tender although the purchase can be sourced from optional origins.
A new tender for wheat is expected to be announced by Jordan in coming days probably closing on Feb. 7, traders said.

Picture of the Day

Oil vessels, including many supertankers, wait near state-run PDVSA's Jose port in the Eastern coast amid delays to load crude and fuel for exports, in Bahia de Barcelona, Venezuela, January 30. REUTERS/Samir Aponte

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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