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Top News - Oil

Big Oil offers record returns to lure investors back
Big Oil firms are handing shareholders more money than ever and are promising more going forward in an attempt to reassure investors of their discipline and resilience in the face of an uncertain outlook for fossil fuels.
The top five Western oil and gas firms -BP, Chevron, Exxon Mobil, Shell and TotalEnergies - returned to shareholders over $111 billion in dividends and share repurchases in 2023, according to Reuters calculation.
That was slightly higher than the $110 billion they returned in 2022, when the group's profits soared to a record $196 billion after energy prices soared following Russia's invasion of Ukraine. Net profits dropped sharply in 2023 to $123 billion. All five companies have reported results over the past week.
"During a time of geopolitical turmoil and economic uncertainty, our objective remained unchanged: safely deliver higher returns and lower carbon," Chevron CEO Mike Wirth told investors last Friday. Investors such as pension funds have traditionally held on to oil majors' shares because of their steady, long-term dividends.
But the rise of the tech sector, a sharp drop in oil majors' performance last decade due to excessive spending and oil price volatility as well as the growing environmental concerns have led to a decline in interest in the sector.
The energy sector accounted for 4.4% of the overall weighting of the S&P 500 index by the end of January, down from around 14% in the last decade, according to S&P data.

COMPLETE PREDICTABILITY
The group has revealed a clear transatlantic divide in strategies in recent years, with Chevron and Exxon focusing on growing oil production while BP, TotalEnergies and Shell invest a higher proportion of capital in low-carbon and renewables.
But the messaging to investors on returns was largely identical in recent days - stick with us and we'll pay you.
"We're very much focused on ensuring we have a compelling distribution to our shareholders," Shell Chief Financial Officer Sinead Gorman told investors last week, vowing "complete predictability" over returns.
Shell, Chevron and TotalEnergies increased their dividend in the fourth-quarter results, while BP increased the rate of its buybacks. Exxon returned $32 billion to shareholders last year, the sector's highest.
"Oil and gas is investors' least favourite sector so spending gazillions on large mega-projects for cash flows in 5 years time with uncertain demand trends is very hard to stomach for many investors," Berstein analyst Oswald Clint said.
"Inside the companies, they absolutely remember the sins of the past investment cycles and are pretty determined not to repeat those," he added.
The sector is expected to make minimal spending increases in 2024, according to Tobias Wagner, Vice President, Senior Credit Officer at Moody's Investors Service.
The increased discipline is a result of a few factors including investors' demands for returns as well as an uncertain energy demand outlook, he said.
"Companies are being more selective and investments face greater hurdles in terms of returns, emissions and regulations."
"The credit quality of the sector has improved with more upgrades than downgrades in recent years also reflecting discipline in maintaining balance sheet strength and flexibility," Wagner said.

U.S. Permian deal frenzy dims U.S. oil output growth prospects for 2024
Oil production in the prodigious Permian shale basin in Texas and New Mexico this year will see the slowest annual growth since 2021, according to market participants, as a slew of acquisitions reduces activity among private drillers.
Reduced growth in the Permian, the largest U.S. oilfield, will be a drag on overall gains in U.S. production. The slowdown comes even as output cuts from the Organization of the Petroleum Exporting Countries and allies (OPEC+) have supported prices, giving an incentive for non-OPEC+ producers to pump more.
U.S. oil output reached a record 12.93 million barrels per day (bpd) in 2023. The U.S. Energy Administration this month cut its growth forecast for 2024 by 120,000 bpd to 170,000 bpd, sharply down from growth of over 1 million bpd in 2023.
The Permian is expected to produce a record high 5.974 million barrels per day in February, though that will be the smallest month-over-month growth since July, EIA data showed.
Oil production in the U.S. has been coming in above many analysts' and government expectations for the last several years, according to an analysis of Energy Information Administration data.
Independent analysts have higher forecasts for Permian growth, and they are well above what the EIA expects for total U.S. production growth. For the year, Rystad Energy forecasts Permian output will grow by 320,000 to 360,000 bpd, compared with estimated growth of 520,000 bpd in 2023.
Energy consultancy Wood Mackenzie expects output

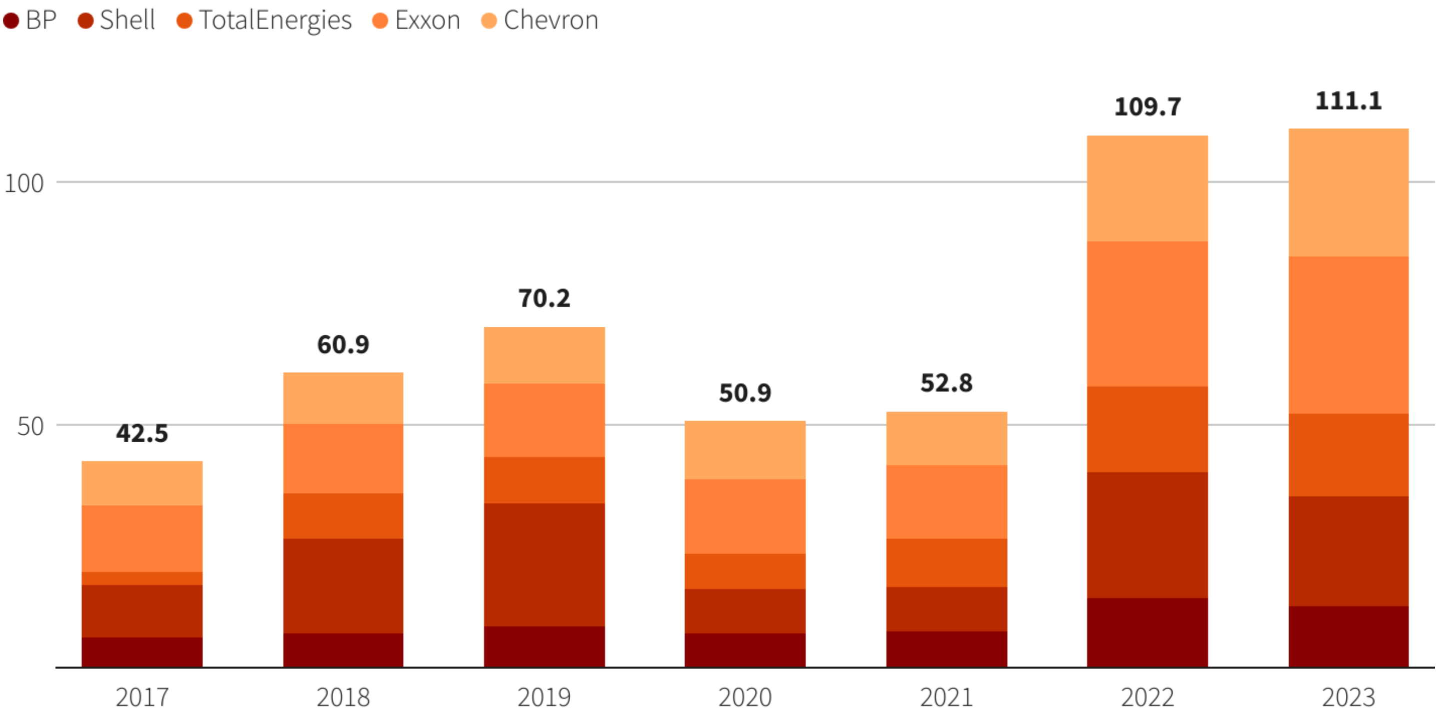
increases of 290,000 bpd.
Slower growth comes as a frenzy of deals in the region has led to tens of billions of dollars changing hands between operators that gobbled up some of the private producers that were most keen to bump output.
Publicly traded producers in recent years shifted their focus to dividends and share buybacks instead of aggressive growth after investors fled the energy sector due to years of low returns.
In 2023, some 39 private companies were acquired by public companies, Enverus data showed.
As public producers absorb private producers, the growth profiles of those assets change to focus on shareholder returns, said Jesse Jones at Energy Aspects.
"The publics are not drilling as much as they could," said Michael Oestmann, chief executive of Tall City IV, a producer based in Midland, Texas. "Their investors now require a certain amount of cash be returned to them instead of invested in new drilling."
Vital Energy last year acquired Tall City, then called Tall City Property Holdings III, as part of a larger $1.17 billion deal.
Although deal-making in the oil patch is anticipated to slow in 2024, a few private operators could still be swept up, according to Enverus. Privately owned Endeavor Energy, which produces some 400,000 barrels of oil and gas per day in Texas, is up for sale for about $30 billion, Reuters reported in December.

ACTIVITY SLOWS
The oil rig count in the Permian dropped to 311 in December, compared with 350 the year prior, according to EIA data. Year-to-date privately run rigs dropped 17%, compared with an 11% decline in rigs for public companies, data from energy consultancy Enverus showed.
Tall City was running a drilling rig at the time of the acquisition but dropped it when the deal closed, Oestmann said.
"It will likely be late 2024 or 2025 before we add a rig," Oestmann said. There are other signs that overall activity is on track to slow this year. The U.S. frac spread count - which measures the number of active hydraulic fracturing fleets - totaled 250 most recently, down by 20 from last year, according to data from Primary Vision.
With U.S. West Texas Intermediate oil prices trading just

Chart of the Day

Many happy returns

The top western energy companies are returning to shareholders more money than ever



Note: Dividends and share buybacks, in billions of $
Source: Company results, (BP and TotalEnergies 2023 figures are Reuters estimates)

below $74 a barrel on Wednesday, the potential profits for following an aggressive growth strategy are limited, said Alexandre Ramos-Peon, head of shale research at Rystad. "It all ties down to the industry being less interested in growth, and more in generating positive cash flows, which they have now done successfully for a few years," he said.
Oil production in the federal Gulf of Mexico is expected to rise to 1.94 million bpd in 2024, up 70,000 bpd from 2023, EIA data showed.

Top News - Agriculture

Abundant rain seen bringing relief to Argentina's soybean, corn crops

Argentina's main farmland will receive significant rainfall over the next few days, the Buenos Aires Grains Exchange (BdeC) announced on Wednesday, adding this should boost the country's current soybean and corn crops.
In recent weeks, Argentina's top agricultural areas have experienced mostly dry conditions and high temperatures during the Southern Hemisphere summer.
The South American farming powerhouse is a top global supplier of processed soybeans, corn and wheat, and proceeds from the key cash crops are a major source of hard currency for the central bank's depleted foreign reserves.
Heavy rains late last year boosted the country's expected grains production, but then drier and hotter conditions hit during the second half of January.
BdeC expects the 2023/24 harvesting season to yield 52.5 million metric tons of soybeans and 56.5 million tons of corn.
The grains exchange noted in its weekly weather report that over the next seven days it sees most of Argentina's Pampas farmland as well as a large swath of farms in neighboring Uruguay receiving "between abundant and very abundant" rainfall of between 25-100 millimeters.
Along with the expected rains, temperatures in the Pampa region are expected to dip from above average levels to normal temperatures typical for the summer, according to the report.
Last week, farmers finished planting the current soybean crop while corn planting is in its final stages.
The harvesting of both crops is set to begin in April.

Column: US farm exports hit three-year low in 2023 as China slows buying -Braun

U.S. exports of agricultural and related products reached a value of $191 billion in 2023, down 10% from 2022’s record as both commodity prices and shipment volumes declined.
That marks a three-year low though is similar to the 2021 levels, and it reflects competition from key suppliers, particularly when it comes to satisfying Chinese demand.
Data published by the U.S. Census Bureau on Wednesday shows exports of bulk commodities, which include top-grossing items like soybeans, corn, wheat and cotton, hit a 10-year low by volume in 2023. That volume was down 17% from 2022, the largest year-on-year tumble since 1985.
Last year’s U.S. bulk commodity exports were still a 10-year low even when subtracting China’s portion, though the annual decline shrinks to 10%, the same as in 2022, China excluded. These declines were driven by high prices and a supply increase in rival exporting countries.
Top exporter Brazil is a prime example as its combined corn and soy shipments in 2023 totaled nearly 158 million metric tons, some 29% higher than 2022’s record. U.S. corn-plus-soy exports last year totaled 94 million tons, down 18% on the year to a four-year low.
This uncomfortable predicament for U.S. exporters was emphasized in December as China was the destination for 38% of the cargoes, down from the month’s three-year average of 59%. Outside of the 2018 trade war, that was China’s lowest share of December U.S. soybean shipments since 2002.
Despite the decline in the farm sector, all U.S. exports, including goods and services, rose 1% in 2023 to a new record of $3.05 trillion. However, that annual growth rate is slim compared with 18% and 19% observed in 2022 and 2021, respectively.
Agriculture and related products accounted for 6.2% of all U.S. exports last year, a four-year low and down from shares above 7% in the previous three years.

DECREASES AND INCREASES
By value, last year’s U.S. bulk commodity exports declined 22% from 2022’s high. The average export cost of U.S. soybeans in 2023 fell 5% on the year and the corn cost eased 10%, though both were still higher than in 2021.
U.S. wheat export prices were down 16% last year and cotton prices fell 19%, and those combined with large annual volume declines. U.S. cotton shipments fell 18% on the year to a seven-year low, and wheat shipments were the lightest since 1971, down 13% on the year.
U.S. soybean oil exports in 2023 plunged 76% on the year as the focus increasingly shifts toward domestic use, and the volume was by far the smallest in records back to 1967.
Beef and beef product exports slipped 12% from 2022’s high, hitting a three-year low due to a pullback from Asian buyers.
Not everything was grim for U.S. ag exports last year as soybean meal shipments reached a record 14.1 million tons, some 10% above the prior high set in 2018. Both years featured big crop losses in top meal exporter Argentina, and better 2024 harvest prospects mean the U.S. meal boost may have been temporary.

Pork and pork product exports rose 8% by volume in 2023 though stayed below the strong Chinese demand years of 2020 and 2021. A bump in domestic corn processing allowed U.S. ethanol exports last year to rise 9% to a four-year high.

BY COUNTRY

By value, Canada, China and Mexico accounted for about half of all U.S. agricultural and related exports in 2023, with Canada slightly edging China for the first time in four years.

Mexico claimed a record 15.6% share of last year's U.S. ag exports, up from the prior high of 13.9% in 2022.

Canada accounted for 17.3% of the total U.S. value, its highest since 2006.

China's portion dropped to a four-year low of 16.6% from a record 19.2% in 2022, and China's 2023 share was similar to those observed in 2014 and 2016, for example.

Top News - Metals

China's CMOC eyes further growth in Congo and beyond after taking cobalt crown

Chinese mining firm CMOC Group could buy more assets in copper and cobalt-rich Democratic Republic of Congo, and sees further potential for growth in South America and Indonesia, an executive told Reuters on Wednesday.

"If there are opportunities, if there are assets that meet our criteria, of course we do consider increasing our presence in the DRC. Why not? We already have investments," Julie Liang, CMOC vice president for ESG, said in an interview on the sidelines of the Africa Mining Indaba.

Copper and cobalt are among the metals that are expected to see strong demand in the years to come due to their use in green technologies, such as electric vehicles, that are key to helping governments globally meet climate targets.

CMOC last year became the world's No. 1 cobalt mining company with production of some 55,000 tons, and could further outpace rivals including Glencore after raising its output forecast this year to 60,000 tons-70,000 tons.

The group's copper production is projected at 520,000 tons-570,000 tons from about 420,000 tons last year. In the long run there is potential to further increase production beyond 600,00 tonnes, Liang said.

"We do have ambitions to become one of the biggest copper producers in the world," she said. CMOC's current 2024 forecasts would put it seventh or eighth in the world this year.

Like other copper producers in DRC, CMOC is struggling with electricity shortages and issues shipping the metal to ports.

But Chinese cobalt producers have seemed unconcerned by oversupply that has knocked down cobalt prices, with some said to benefit from state support for a sector seen as vital to China's electric vehicle industry.

MARKET MONITOR as of 07:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.21 / bbl	0.47%	3.57%
NYMEX RBOB Gasoline	$2.50 / gallon	0.70%	18.69%
ICE Gas Oil	$870.75 / tonne	1.07%	15.98%
NYMEX Natural Gas	$1.97 / mmBtu	0.05%	-21.72%
Spot Gold	$2,032.94 / ounce	-0.06%	-1.44%
TRPC coal API 2 / Dec, 24	$96 / tonne	0.00%	-1.03%
Carbon ECX EUA	€62.15 / tonne	-0.42%	-22.67%
Dutch gas day-ahead (Pre. close)	€28.58 / Mwh	-1.11%	-10.27%
CBOT Corn	$4.46 / bushel	-0.17%	-7.90%
CBOT Wheat	$6.05 / bushel	-0.45%	-5.36%
Malaysia Palm Oil (3M)	RM3,914 / tonne	0.95%	5.19%
Index	**Close 07 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	310.67	0.50%	3.08%
Rogers International	26.78	-0.11%	1.73%
U.S. Stocks - Dow	38,677.36	0.40%	2.62%
U.S. Dollar Index	103.99	-0.06%	2.62%
U.S. Bond Index (DJ)	426.16	-0.26%	-1.06%

The copper deposits held by CMOC's Congolese business are lower cost than some, Liang said, which allows it to ramp up cobalt production as a by-product even as rivals are scaling down due to a price slump.
CMOC is likely to churn out even more cobalt as it ramps up copper output, she added. Silvery-blue cobalt was once seen as an indispensable element of EV lithium-ion batteries, with prices soaring in May 2022 to four-year highs, but they have since slipped back nearly 70%.
EV sales have been slowing as inflation hits consumers and governments cut subsidies, while batteries without the mineral have been rising in popularity.
While the company sees lower cobalt prices remaining for longer, its production is aligned to longer-term demand fundamentals that could benefit from the future outlook for the energy transition sectors globally, Liang said.
Short-term weakness in cobalt prices does not represent a threat to its operations, she said, as it mines the metal as a by-product and can afford to keep producing at lower prices.

Tsingshan's 2023 nickel output jumps to record high
Chinese nickel giant Tsingshan Group's nickel output rose 27% in 2023 to a record 1.12 million metric tons nickel unit, company data showed.
The higher output contributed to the world's growing supplies, pressuring prices of the metal used in stainless steel and battery making.
The benchmark nickel contract on the London Metal Exchange fell 45% last year in its biggest decline since 2008. And, prices are expected to fall further amid expectations of a growing supply surplus.
Tsingshan Group will step up investment in quality projects, Chairman Xiang Guangda told an annual meeting of the board of directors held last month, according to a company post published on Jan. 28.
The Zhejiang-based company was among the first Chinese producers that set up operations in Indonesia more than a decade ago, boosting production in the Southeast Asian country which is now the world's No.1 nickel producer.
Tsingshan also holds lithium mining and processing assets in Zimbabwe.
It had its first IPO in December with the listing of its battery-making subsidiary REPT Battero Energy in Hong Kong.
Tsingshan's stainless steel output also set a new record in 2023 at 16.28 million tons.

Top News - Carbon & Power

Wind power giants find little shelter from sector troubles
The world's three biggest wind power groups - Siemens Energy, Orsted and Vestas - on Wednesday gave a sober view of the year ahead for an industry buffeted by project delays, equipment problems and inflation.
Siemens Energy, the world's largest maker of offshore wind turbines, expects a 2024 loss before special items of around 2 billion euros ($2.2 billion) at Siemens Gamesa. The wind division has had to deal with the cost of addressing quality problems affecting some onshore models.
Siemens Energy CEO Christian Bruch said the overall energy sector had strong fundamentals, but "one still has to note that ... the speed at which grids and renewables are expanding is still not sufficient".
He said the current expansion, most of which is happening in China, put the world on track to increase global renewable capacity two-and-a-half-fold by 2030, below the three-fold target agreed at last year's COP28 climate summit in Dubai.
In addition, rising prices for raw materials and components as well as regulatory delays have caused writedowns and losses across the wind industry despite robust demand for renewable technology. Turbine makers have been particularly hit.
"You see the terms and conditions of the projects being too difficult for investors and project developers to take. So we are in a standstill," said Danny van Doesburg, senior portfolio manager at Dutch APG Asset Management, which according to LSEG data owns stakes in Vestas, Orsted and Siemens Energy.
"The market is not functioning anymore," he added, calling for a stronger role for governments to help deliver a functioning market model that distributes profits throughout the value chain.

'NO FREE GIFTS'
Anders Schelde, chief investment officer at Danish fund Akademikerpension, also said market conditions in offshore wind needed to be reset to make the sector profitable again.
Vestas, the world's top maker of wind turbines, swung to a fourth-quarter profit, but said it would not pay a dividend for 2023, and its CEO Henrik Andersen said challenges would continue to weigh on the sector this year.
"We love our clients ... but none of our shareholder wants us to hand out free gifts," he told Reuters, adding the company was working closely with developers and governments to ensure a fair split.
Shares in Siemens Energy and Vestas were up 1.3% and 6.7% respectively, while those in Orsted, the world's biggest offshore wind project developer, fell 1.8% in the wake of its capital markets day.
Orsted announced a portfolio review as well as job cuts following major writedowns on delayed U.S. projects.
The Danish group said it aimed to reduce fixed costs by 1 billion Danish crowns ($144 million) by 2026, which would include 600-800 job cuts globally, flagging around 250 redundancies in 2024 as part of the review.

"In order to improve our competitiveness, ensure value creation, and ensure our ability to attract capital to the renewable build-out, we will make Orsted a leaner and more efficient company," CEO Mads Nipper said.
Norwegian oil and gas group Equinor said it remained committed to offshore wind and other renewables despite lower returns, in line with its long-term plan to diversify its income.

COLUMN: Spain on a clean power roll as wind output swells: Maguire
Spain's electricity system hit a new clean milestone in 2023 as electricity generated from wind exceeded electricity output from fossil fuel sources for the first time.
Wind power generated 61.09 terawatt hours (TWh) of electricity in 2023, according to energy think tank Ember, exceeding the 61.04 TWh generated from all fossil fuel sources in Spain last year.
Wind's cumulative generation tally was Spain's highest from all sources in 2023, surpassing totals generated from natural gas (54.4 TWh), nuclear (54.4) and hydro dams (24.25 TWh).
Along with solar output (40.4 TWh), Spain's hefty wind-powered total pushed the share of clean fuels in the country's electricity generation mix to 75.1 % for 2023, a new record and sharply up from the 66% share recorded in 2022.

GROWTH PATH
Spain's wind generation total in 2023 was 25% more than was generated in 2018, and comes on the back of a 27% expansion in wind generation capacity between 2017 and 2022 to 29.3 gigawatts (GW), Ember data shows.
That growth in capacity was exceeded only by that of solar power over that period, which grew by 192% to 20.52 GW.
Spain's drive to clean its power system was further aided by a 72% reduction in coal-fired generation capacity from 2017 to 2022.
Additional renewable generation capacity is under development, with 5.6 GW of wind and 14.4 GW of solar capacity announced or under construction through 2027, according to Global Energy Monitor (GEM).
With roughly 2.4 GW of new hydro power capacity also in pre-construction, and no natural gas power plants planned for development, Spain's electricity generation system will become even cleaner in terms of power sources by the end of the decade.

EMISSIONS IMPACT
The ramp up in Spain's clean electricity generation in recent years has resulted in a sharp decline in Spain's power sector pollution. Total national emissions from power generation have dropped by 45% between 2018 and 2023 to 38.75 million tonnes of carbon dioxide and equivalent gases, Ember data shows.
As a result, Spain's power system has established itself as one of the cleanest in all of Europe, coming in second only to France in terms of the share of electricity generated from clean sources.
In January 2024, France's clean power generation share was 92.36% while Spain's clean share was 78.3%, Ember data shows.
In comparison, the average for all of Europe was 59% in January, 54% in Germany, and 43% in Italy, so Spain has already established a formidable lead over several other major regional economies in terms of energy transition momentum.
And with further rapid growth expected in the build out of more wind and solar power generation facilities, Spain's pace of clean power progress has the potential to accelerate further in the years ahead.

Top News - Dry Freight

Tunisia buys about 100,000 metric tons durum wheat in tender- traders
Tunisia's state grains agency is believed to have purchased about 100,000 metric tons of durum wheat in an international tender on Wednesday, European traders said.
Three 25,000 ton consignments were bought from trading house Casillo at $414.68, $415.49 and $417.42 all a ton cost and freight (c&f) included, traders said.
Another 25,000 tons was bought from EuroAgricola at $415.00 a ton c&f, they said.
The durum was sought in four 25,000 ton consignments for shipment between March 5 and April 15, depending on origin supplied. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
In its last durum tender on Jan. 17, Tunisia bought 50,000 tons at $444.89 and $446.49 a ton c&f.

Iran's SLAL said to have bought about 50,000 T soymeal in tender- traders
Iranian state-owned animal feed importer SLAL is believed to have purchased about 50,000 metric tons of soymeal expected to be sourced from Brazil in an international tender which closed on Wednesday, European traders said.
It was believed to have been bought at about 483 euros ($520.0) a ton c&f. The tender had sought up to 120,000 tons of soymeal.
No purchase was initially reported of 120,000 tons of animal feed barley also sought in the tender.
Both the soymeal and barley were sought for shipment in March and April.

Picture of the Day

A child moves between tractors during a farmers protest over price pressures, taxes and green regulation, grievances shared by farmers across Europe, in Barcelona, Spain, February 7, 2024. REUTERS/Nacho Doce

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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