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Top News - Oil

Oil demand growth slowing as non-OPEC supply expands, says IEA

Global oil demand growth is losing momentum, the International Energy Agency (IEA) said on Thursday as it trimmed its 2024 growth forecast, in sharp contrast to the view held by producer group OPEC.

The IEA, which represents industrialised countries, has predicted that oil demand will peak by 2030 as the world shifts to cleaner energy. OPEC, meanwhile, expects oil use to keep rising for the next two decades.

Monthly reports this week from the two forecasters underlined their starkly different estimates for 2024 oil demand.

The IEA's monthly report on Thursday said it expects global oil demand to grow by 1.22 million barrels per day (bpd) this year, slightly down from last month's estimate.

OPEC on Tuesday stuck to its much steeper growth forecast at 2.25 million bpd.

In the IEA's view, the deceleration this year - about half of the growth in 2023 - is linked to a slowdown in Chinese consumption. The IEA had previously forecast 2024 demand growth of 1.24 million bpd.

"The expansive post-pandemic growth phase in global oil demand has largely run its course," the IEA said, adding that a harsher global macroeconomic climate is also likely to constrain growth this year.

The Brent oil benchmark has risen about 6% so far this year as attacks on shipping in the Red Sea have raised supply fears, with January outages in major non-OPEC oil producing countries such as the United States adding to concerns alongside a fresh round of supply cuts by the wider OPEC+ group in the first quarter.

Gains, however, have been capped by worries over demand as major economies continue to grapple with high interest rates aimed at curbing sticky inflation.

Japan slipped into recession at the end of last year, surrendering its title as the world's third-biggest economy to Germany. Britain's economy, the sixth-largest, also fell into recession in the second half of 2023, official data showed on Thursday.

Oil prices traded lower on Thursday after publication of the IEA report, with Brent crude dipping 0.2% towards $81 a barrel by 1340 GMT.

SUPPLY GROWTH

On the supply side, IEA raised its projection for 2024, estimating supply will grow by 1.7 million bpd versus its previous forecast of 1.5 million bpd. The agency cited supply from producers outside OPEC+.

The IEA now expects supply to grow to a record high of about 103.8 million bpd, almost entirely driven by producers outside OPEC+, including the United States, Brazil and Guyana.

Given the robust outlook for supply outside OPEC+, the IEA expects a slight build in inventories in the first quarter, it said, adding that OPEC+ could be pumping above requirements if the extra voluntary cuts are unwound in the second quarter.

A new OPEC+ voluntary cut of 2.2 million bpd for the first quarter took effect last month.

OPEC+ crude oil output from all 22 member countries fell by 330,000 bpd to 41.52 million bpd in January, the IEA said, after protests shut in Libyan production and some of the bloc's members deepened output cuts – though not by as much as pledged.

The IEA sees demand for OPEC+ crude plus inventories averaging 41.2 million bpd in the first quarter – less than January's output - before rising to 41.5 million bpd in the second quarter.

ANALYSIS-Going green at 50? IEA climate pivot debated at anniversary meeting

Energy ministers, oil executives and green investors gathered this week to mark a half-century since the formation of the International Energy Agency and to assess its new role as the world's shepherd toward a green future from a fossil fuel past.

The industrialised world's energy watchdog has shifted its focus on traditional oil and gas supply security to championing renewables and climate action — and for some at the gathering, this undermines its role as an impartial energy authority.

The green pivot aligns with the climate policy of the agency's top financial backer, the U.S.

Top OPEC+ oil producers, international oil company executives and some analysts have, however, questioned the IEA's recent policy recommendations and its interpretation of the oil market data it collects from its 31 member nations.

That was triggered by a controversial 2021 IEA report in which the agency said there should be no investment in new oil, gas and coal projects if the world was serious about meeting climate targets.

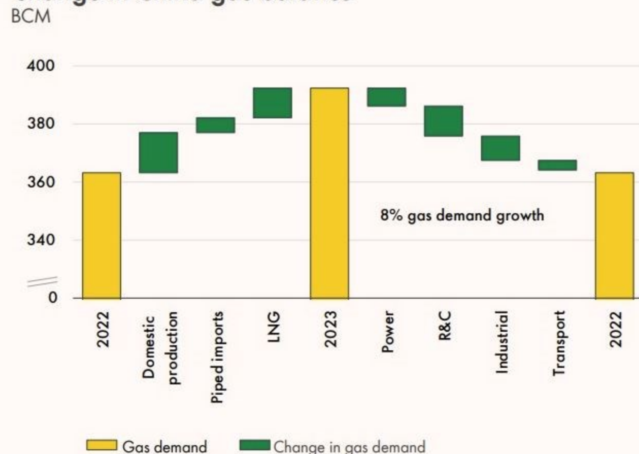
Crammed over two days into the historic Chateau de la

Muette in Paris — on grounds where Marie Antoinette once walked freely among her people — some attendees praised the architect of the IEA's green pivot, Fatih Birol.
"Thanks to the genuinely extraordinary job Fatih has been doing, the IEA is now probably the principal arbiter ... with respect to our policies," said outgoing U.S. Special Presidential Envoy for Climate John Kerry.
Since his 2015 appointment, Birol — who once worked at the Organization of the Petroleum Exporting Countries — has piloted the revamp in which the IEA's agency scenarios now project oil, gas, and coal demand to peak by 2030.
The turnaround in his message was swift.
As recently as 2017, Birol urged a Houston conference hall full of U.S. shale oil executives to "invest, invest, invest" to extract 670 billion barrels of new oil by 2040.
By 2021, however, Birol shocked the energy world when he said "if governments are serious about the climate crisis, there can be no new investments in oil, gas and coal, from now – from this year."
Birol's change in message coincided with the change in U.S. government to President Joe Biden's climate agenda from former President Donald Trump's pro-fossil fuel policies. If Trump wins the U.S. presidential election this year, Birol and the IEA may face pressure from its top backer to change the message.
Trump has pledged to slash funding to international organizations and promote fossil fuel output should he win the November election, moves seen by the agency as a potential risk.
Birol publicly batted away any notion that the IEA's focus would change if the U.S. administration did.
"The economic and technology dynamics, the policy dynamics are very strong, I believe the clean energy transition will continue to move fast whoever the next president is," the IEA chief said.
Few of the IEA's member governments publicly share the view that fossil fuel demand will soon peak or have enacted policies to slow investment in new projects.
Russia's 2022 invasion of Ukraine marked a setback for the energy transition and climate goals. Many Western governments have pushed for more investment in fossil fuels, not less, to boost output and cut dependence on Russia.

EMBARGO TO ENVIRONMENT
Founded in 1974 after the Arab oil embargo caused global energy prices to soar and plunged many countries into recession, the IEA focused on stockpiling oil supplies to stave off future emergencies.
It now regards the use of fossil fuels and the greenhouse gases they emit as the world's new energy crisis.
IEA member governments maintain their own energy analysis teams but look to IEA recommendations to guide policy. Some experts say the blurred line between objective data analysis and pro-renewable policy recommendations is a problem.
"IEA forecasts now appear to be too optimistic with respect to how fast the transition away from hydrocarbons can take place," said John E. Paisie, president of Stratas Advisors LLC in Houston.
"The forecasts, however, are still useful because (they)

Chart of the Day

China gas demand outpaced moderate economic growth
Robust domestic supply, piped imports and term LNG limited spot buying



Source: Shell interpretation of National Bureau of Statistics of China and Wood Mackenzie data

provide a view of the future that illustrates the potential effect of decarbonization policies."
The IEA forecast that global demand is nearing a peak as electric vehicle fleets grow quickly is not shared by some oil majors, analysts and OPEC producers.
OPEC Secretary General Haitham Al Ghais this week took aim at the IEA's forecast: "Oil and gas will continue to be a major component of the energy pie, that will continue to grow in future years after 2045."
OPEC stopped using IEA data in its assessments of oil markets in 2022. TotalEnergies CEO Patrick Pouyanne also said "we should exit debate about peak oil demand, be serious, and invest," before heading to the IEA gathering. Pushing for a halt in investment in new fossil fuel projects could also undermine the IEA's own clean energy initiatives by encouraging the use of dirtier fuels in the developing world, said Brenda Shaffer, senior fellow at the Atlantic Council's Global Energy Center.
"If you don't enable access to fossil fuels, you get dung and wood burning," she said. "That's the reality, and that's more polluting, more climate-altering and more harmful to human health."

Top News - Agriculture

US farmers to plant less corn and more soy in 2024 as prices fall
U.S. farmers will plant less corn and more soybeans in 2024 than they did a year earlier with prices of both commodities hovering around three-year lows, the U.S. Department of Agriculture said on Thursday.
As the world's supplies of corn and soy increase after years of tightness during the COVID-19 pandemic and start of the Ukraine war, farmers have few good options to turn a profit in 2024 and farm incomes are forecast to fall sharply for a second consecutive year.
The USDA forecast corn seedings of 91.0 million acres, down from 94.6 million in 2023 and soybean seedings of 87.5 million acres, up from 83.6 million last year. The Department expects wheat plantings of 47.0 million acres, down from 49.6 million in 2023.
When demand from exporters, biofuel makers and livestock feedmakers is accounted for, the USDA forecast that U.S. farmers will have more corn in storage than they have in nearly 40 years.
The U.S. will have 2.532 billion bushels of corn and 435 million bushels of soy left at the end of the 2024/25 marketing year, up from 2.172 billion bushels of corn and 315 million bushels of soy a year earlier. That would be the most corn in storage since 1988, a time of economic crisis for U.S. farmers.
The USDA expects soybean area to increase as biofuel production drives demand for oilseeds in the United States, it said in its annual outlook report.
Based on the increased acreage, the USDA forecast record soybean production of 4.505 billion bushels. But the U.S. will face slowing demand from top importer China and steep competition from South American producers Brazil, Argentina and Paraguay, said Seth Meyer, USDA chief economist. "We can handle that production at a global level and support prices when Chinese demand was growing at more than 4% up to 8% a year," Meyer said. "That demand has slowed."
Even though U.S. farmers are expected to plant fewer acres of wheat, the USDA expects stocks of the grain to grow to 769 million bushels by June 1, 2025, from 658 million a year earlier. That would be a four-year high as global importers continue to buy from top exporter Russia and as Ukraine production recovers.
"We have seen pretty amazing performance too out of Ukraine despite the fact that they had to declare a unilateral pathway to get their grain out," Meyer said. "The Russians have had two huge crops of wheat and they are pushing that wheat out."

Ukraine 2024 grain, oilseed crop may fall 15-20%, says UCAB business association
The combined Ukrainian grain and oilseed harvest may fall 15% to 20% in 2024 because of A smaller sowing area, the Kyiv-based UCAB business association said on Thursday.
Ukraine is a major global grain and oilseeds producer but its harvests have decreased since Russia invaded and occupied significant swathes of territory.
The war, now in its 24th month and with no end in sight, has driven up global grain prices and disrupted supplies, especially to poorer countries.
"Depending on the planted areas and yields, we can expect the gross harvest of grains and oilseeds to decrease by 15-20%," UCAB said on Facebook.
"The volume of planted areas will become clearer after the start of the spring sowing season. However, it is already known that 4.8 million hectares of winter crops were planted in autumn, which is 6% less than last year," it noted.
The Ukrainian government has said the 2023 grain and oilseed crops could total around 81 million metric tons.
Farm minister Mykola Solsky told Reuters this month Ukraine expected its 2024 spring sowing area to be the same as last year, though it could see a slight decrease in the worst case scenario.
Later, the farm ministry issued a survey, which showed that the overall 2024 spring sowing area could fall by 500,000 hectares or 3.7% compared to the previous year. The ministry said farmers could reduce the area sown to corn by 9% but will boost sowing areas of rapeseed, sugar beet and soybeans.

Top News - Metals

Mexican mining sector balks at plan to ban open-pit mines

Mexican President Andres Manuel Lopez Obrador's proposal to ban open-pit mining will generate uncertainty and curtail investment for the key sector, mining industry representatives said this week.

Lopez Obrador announced the proposal to prohibit new concessions for open-pit projects last week amid a slew of initiatives as he looks to shape political debate ahead of a June presidential election that his protégé is expected to win.

The proposal is unlikely to pass in the short-term, as Lopez Obrador does not have the two-thirds super majority in Congress needed to change the constitution. But the frontrunner to succeed him, former Mexico City Mayor Claudia Sheinbaum, has said she will adopt his proposals as part of her platform.

The industry says such a move would be disastrous for the sector, which fuels 2.5% of gross domestic product. Mexico is the world's top silver producer and a major gold and copper producer.

Of the 124 mines affiliated with the Camimex mining chamber, fewer than half are open-pit yet they represent 60% of Mexico's output, according to the chamber.

"Prohibiting open-pit mining would imply the destruction of a strategic sector," the chamber said in a statement this week. It said open-pit mines represent more than $3.9 billion in investment and 200,000 direct jobs, and warned that a ban would eventually affect supply chains, forcing Mexico to import minerals at a higher cost.

Since taking office in 2018, Lopez Obrador has not granted mining concessions of any type, arguing that past governments gave too many approvals.

Mining executives have previously raised concerns over that practice as well as a 2023 law that shortened concessions and tightened water extraction permits.

"It's no secret that this administration has been averse to mining," said Jorge Ganoza, president of Canada's Fortuna Silver Mines, which operates an underground silver and gold mine in southern Mexico. "If it were to continue, we would certainly see Mexico lose ground compared to other mining nations."

Fortuna Silver has cut investment in Mexico from nearly half of its global spending to around 10% in recent years, he said. That trend could continue if the proposal passes, said Riyaz Dattu, an attorney who advises Canadian companies on international arbitration.

Canada represents 70% of foreign mining investment in Mexico. "Companies cannot operate without an understanding on whether their investments will hold true in the next 10-20 years," he said. "This will drive investments away."

MARKET MONITOR as of 07:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.06 / bbl	0.04%	8.95%
NYMEX RBOB Gasoline	$2.56 / gallon	-0.39%	21.32%
ICE Gas Oil	$856.75 / tonne	-0.75%	14.12%
NYMEX Natural Gas	$1.59 / mmBtu	0.82%	-36.60%
Spot Gold	$2,004.60 / ounce	0.03%	-2.81%
TRPC coal API 2 / Dec, 24	$89.35 / tonne	-4.23%	-7.89%
Carbon ECX EUA	€57.73 / tonne	-0.31%	-28.17%
Dutch gas day-ahead (Pre. close)	€24.60 / Mwh	-0.28%	-22.76%
CBOT Corn	$4.30 / bushel	0.12%	-11.11%
CBOT Wheat	$5.63 / bushel	-0.75%	-11.96%
Malaysia Palm Oil (3M)	RM3,823 / tonne	-1.34%	2.74%
Index	**Close 15 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	312.11	0.42%	3.55%
Rogers International	26.94	-0.15%	2.32%
U.S. Stocks - Dow	38,773.12	0.91%	2.88%
U.S. Dollar Index	104.36	0.06%	2.98%
U.S. Bond Index (DJ)	420.44	0.33%	-2.39%

Environmentalists say open-pit mining carves out swaths of earth and uses dangerous chemicals, and Mexican Environment Minister Luisa Albores has called it "the most polluting" type of mining. The ministry is also seeking to end fracking and prohibit concessions in water -scarce areas.

Australia lists nickel as 'critical mineral' to unlock billions in support

Australia classified nickel as a "critical mineral", opening the way for the crisis-hit industry to access billions of dollars in cheap government loans, as its prime minister prepared wider policy support for the green energy industry.

Australia wants to build a battery chemicals industry to reap more value from its mineral wealth, but the nickel sector is facing thousands of job cuts after a jump in Indonesian supply saw prices plunge 40% in a year.

"The international nickel price is forecast to stay relatively low through 2024, and likely for several years to come until the surplus of nickel in the market is corrected," Resources Minister Madeleine King said in a statement. "In the meantime, this puts further Australian nickel operations at risk," she said.

Placing nickel on the critical minerals list means nickel companies will have access to financing under Australia's A$4 billion($2.6 billion) Critical Minerals Facility which offers low interest loans, and related grant programmes.

Critics have suggested that the nickel downturn could dash Australia's value-adding ambitions, suggestions that Prime Minister Anthony Albanese is expected to dismiss in a speech.

Australia plans to unveil a substantial funding package for the green energy sector in a bid to drive the domestic development of clean energy technology, the Australian Financial Review (AFR) said in a report.

The nickel industry's woes were highlighted on Thursday when said that it was considering putting on care and maintenance its Nickel West division, for which it also announced a $2.5 billion writedown.

The operations employ 3,000 people and the announcement comes on the back of several closures this year. Glencore, Australia’s second largest nickel producer behind BHP, said it was "very concerned" by the recent closures and nickel announcements and that a comprehensive government policy response was needed to support the sector amid "challenging market conditions."

Including contractors, its Murrin Murrin operations employ more than 1,200 people. The news sparked a rally in Australian nickel miners, with IGO shares closing up 8.7%.

GREEN PREMIUM

Australia and some producers have been pushing for a "green premium" in nickel to account for stronger regulations on environmental issues, governance and worker safety, but so far that has not emerged as a must-have for buyers.

King said discussions have been progressing with counterparts in the U.S., Canada and the EU to "ensure the high standards applied in Australian mining and production of nickel and other critical minerals are reflected in future pricing on international markets."

"When the playing field is fair, Australian resources stand a fair chance," she said.

But South32 CEO Graham Kerr said that the green premium concept was "a hard one to get behind" because it relied on governments picking and choosing industries to support. "Where do a large volume of nickel units go?" he asked in a Thursday interview with Reuters. "To China. Do they care whether it's got a green premium ?"

South32's Columbian nickel project Cerro Matoso is also under review due to low prices.

Top News - Carbon & Power

US House passes bill to reverse Biden's LNG pause

A bill to strip the power of President Joe Biden's administration to freeze approvals of liquefied natural gas exports passed in the Republican-controlled U.S. House of Representatives on Thursday, but faces an uphill battle in the Senate.

The House approved the bill sponsored by Representative August Pfluger of gas-producing Texas 224-200 on a mostly party-line vote. The legislation needs to be passed in the Democratic-controlled Senate and signed by Biden to become law, both of which are unlikely.

ClearView Energy Partners, a nonpartisan policy research group, called the bill more of a "messaging effort and a start to debate than an end to the pause," and said it was unlikely to clear the Senate.

The bill strips the power to approve the exports from the Department of Energy and leaves the independent Federal Energy Regulatory Commission as the sole body approving LNG projects.

Biden paused the approvals late last month for exports to big markets in Europe and Asia in order to take a "hard look" at environmental and economic impacts of the booming business. The United States became the largest LNG exporter last year, and its exports are expected to double by the end of the decade.

Pfluger said U.S. LNG supports allies and partners, including those in Europe, which is weaning itself off gas from Russia after Russia's invasion of Ukraine in 2022.

"The world needs U.S. LNG, this catastrophic, politically

based, and legally dubious ban must be reversed immediately," he said. Representative Maxwell Frost, a 27-year-old Democrat, said climate advocates who fought LNG projects are heroes. "I can only hope and pray and fight to make sure that we build off" Biden's pause to "get to a green, clean future."

The pause has met with outcry from Republicans who say it will hurt jobs and harm energy security for allies. Some moderate Democrats have also been skeptical of the pause, saying they will push to stop it if it hits jobs.

European Commission Executive Vice President Maros Sefcovic said this week after meeting with Biden officials that the pause will have no impact on U.S. supplies to Europe over the next two or three years. Sefcovic said the U.S. is now the "global guarantor of energy security" and its responsibility goes beyond Europe.

The White House said this week it strongly opposes the House bill but stopped short of a veto threat.

COLUMN: Shell's lofty ambitions for Asian LNG demand face price hurdle

Shell's forecast that global demand for liquefied natural gas (LNG) will surge by more than 50% by 2040 is both bold and questionable, with some of the underlying assumptions not supported by current trends, especially in the key Asia markets.

The oil major released its LNG market outlook on Wednesday in which it estimated LNG demand will reach 625-685 million metric tons per year in 2040.

Global imports of the super-chilled fuel were 404 million tons in 2023, according to data compiled by commodity analysts Kpler, which was a record high and up from 395 million in 2022.

LNG imports have risen every year since 2012, when Kpler estimated global demand at 240 million tons.

Given the rapid and sustained growth in LNG imports over the past 11 years, Shell's forecast may seem reasonable and achievable.

However, the details may give some pause for thought. Shell's case is largely built around robust demand growth in Asia, especially in China, which reclaimed the title of the world's top LNG buyer in 2023 from Japan.

"China is the market that we are most bullish about this decade. And one of the reasons for that is the massive amount of new gas infrastructure that is coming on stream at the moment," Steve Hill, executive vice president for Shell Energy, told analysts on a call after the report was released.

It is accurate that China is building significant new natural gas infrastructure, with one example being the 51.5 gigawatts (GW) of new power plants currently being built, according to data compiled by the Global Energy Monitor (GEM).

While that figure does look impressive, it fades in comparison to the 139.8 GW of coal-fired capacity China is currently building. China has an operating fleet of 1,136.7 GW of coal-fired generation, but only 121.1 GW of gas- and oil-fired generation, according to the GEM.

What the GEM numbers show is that while China's demand for natural gas is likely to rise in coming years, it's reliance on coal as the mainstay of its electricity generation is locked in for decades to come.

There is a reason for this, and put simply it's because China has vast resources of coal, and it can easily import any additional fuel it requires.

But most importantly coal is cheap, and is likely to remain considerably cheaper than LNG in coming years, unless Shell is also predicting a sharp decline in LNG prices, which would seem unlikely given the company expects a tight market for LNG in coming decades.

LNG TOO PRICEY?

Cost is the reason why LNG is going to struggle to make the huge inroads into Asia that Shell is predicting.

The spot price of LNG delivered to north Asia averaged around $18 per million British thermal units (mmBtu) in 2023, down sharply from a Ukraine invasion peak of $70.50 in August 2022, but still higher than the historic range of the past decade, which is closer to $10.

Even if a long-term spot price of around $10 per mmBtu is assumed, thermal coal from top exporter Indonesia is about half the price on a contained energy basis.

While gas-fired plants are more efficient than coal equivalents, LNG prices would have to retreat sharply for the fuel to be competitive with coal.

What it appears China is doing is keeping its reliance on coal to provide the bulk of its electricity, while at the same time boosting the use of electricity in its transport and energy systems.

This has the impact of lowering import bills for crude oil, and potentially for LNG as well, while still delivering a small cut in carbon emissions as running an electric vehicle from a 60% coal-fired grid results in lower emissions than using diesel or gasoline once the vehicle travels a certain number of kilometres (miles).

Coal also has a rock solid foothold in India and Indonesia, which both have vast domestic resources and a price incentive to use their own coal rather than expensive imported fossil fuels, such as LNG and crude oil.

LNG does have advantages over coal insofar as it may help lower carbon emissions, which may become a more pressing concern for Asian countries, especially if their trade with Western countries becomes subject carbon adjustment taxes.

LNG is also flexible and could conceivably be used to replace coal in industrial processes such as steel- and cement-making, but again, cost disadvantages will have to be overcome. If LNG in Asia is going to reach Shell's lofty ambitions, it will likely have to be significantly cheaper than what it is currently, or has been in the past.

Top News - Dry Freight

Egypt's GASC buys 180,000 MT of wheat in tender
Egypt's state grains buyer, the General Authority for Supply Commodities, said on Thursday it had bought 180,000 metric tons of wheat in a tender.
The purchase comprised 120,000 tons of Ukrainian wheat and 60,000 tons of Romanian wheat, it said.

Japan buys 115,035 metric tons of food wheat via tender
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 115,035 metric tons of food-quality wheat from the United States, Canada and Australia in a regular tender that closed on Thursday.
Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple after rice, buying a majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

Striking truck drivers block a highway in Jorobas to protest lawlessness on the roads that has led to a rise in robberies and extortion, in Jorobas, State of Mexico, Mexico February 15, 2024. REUTERS/Henry Romero

(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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