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Top News - Oil

Russia says Ukrainian drone attack on pipeline carrying 1% of global crude could disrupt flows

A senior Russian official said on Tuesday that Ukrainian drones had attacked a pipeline in Russia which pumps about 1% of global crude supply, a strike that he said could disrupt flows to world markets and damage U.S. companies.

The Caspian Pipeline Consortium (CPC) said on Monday that a crude oil transportation facility, the Kropotkinskaya station in the southern Krasnodar region, was struck by several drones loaded with explosives and shrapnel. The CPC did not say who was behind the drone attack but said that the Kropotkinskaya facility had been taken out of service and that crude through the Tengiz-Novorossiysk pipeline system was being maintained at reduced flow rates and bypassing the pumping station.

Kropotkinskaya is the largest pumping station on the pipeline in Russia. "Ukrainian drones attacked a pumping station that provides oil transportation through the main oil pipeline of the Caspian Pipeline Consortium," Dmitry Medvedev, deputy chairman of Russia's powerful Security Council, said. "A blow to an oil consortium could stop oil pumping, unbalance the market, increase oil price spikes and cause direct damage to American companies," he said. An official at Ukraine's SBU security service said that Kyiv had hit the pumping station and nearby Ilsky oil refinery using drones. Medvedev said that the attack by Ukraine on a pipeline partly owned by U.S. companies was a blow against U.S. President Donald Trump who has sought lower oil prices and that it remained to be seen what Trump would do about it. The CPC pumps oil from the vast Tengiz field on the northeastern shores of the Caspian and from Russian producers, taking oil 1,500 km (939 miles) across Kazakhstan and Russia to the Black Sea where it is loaded onto tankers for supply to world markets.

Russia has a 24% stake, Kazakh state oil and gas company KazMunayGas has a 19% stake, Chevron has a 15% stake, Lukoil has a 12.5% stake and Exxon Mobil has a 7.5% stake. In 2024, CPC exported 63.01 million metric tons of oil, known as the CPC blend.

OPEC+ is not considering delay to April oil supply hike, Novak says

OPEC+ producers are not considering delaying a series of monthly oil supply increases that is scheduled to begin in April, Russian Deputy Prime Minister Alexander Novak said on Monday, Russia's RIA state news agency reported.

Bloomberg News reported on Monday, citing delegates, that OPEC+, which groups the Organization of the Petroleum Exporting Countries with Russia and other allies, was examining whether to postpone the supply increases, despite calls from U.S. President Donald Trump to lower oil prices.

Three OPEC+ delegates told Reuters that so far there had been no discussion on delaying the increase. One of them said the oil market may be able to absorb extra supply from April as a result of tougher sanctions and higher Chinese demand, although it was too early to make that call.

All sources declined to be identified by name.

Some analysts, such as Morgan Stanley, have said they expect OPEC+ to extend its current output levels again. OPEC and the Saudi government communications office did not immediately respond to requests for comment. OPEC+ is cutting output by 5.85 million barrels per day (bpd), equal to about 5.7% of global supply, agreed in a series of steps since 2022.

In December, OPEC+ extended its latest layer of cuts through the first quarter of 2025, pushing back the plan to begin raising output to April.

The extension was the latest of several delays due to weak demand and rising supply outside the group. Based on that plan, the unwinding of 2.2 million bpd of cuts - the most recent layer - and the start of an increase for the United Arab Emirates, begins in April with a monthly rise of 138,000 bpd, according to Reuters calculations.

The hikes will last until September 2026.

Based on OPEC+'s previous practice, a final decision to go ahead with the April increase is expected around early March.

Top News - Agriculture

Brazil's 2024/25 soybean harvest 23% complete, AgRural says

Brazil's soybean harvest for the 2024/25 season reached 23% of the planted area as of last Thursday, agribusiness consultancy AgRural said on Monday, up 8 percentage points from the previous week.

At the same time last year, 32% of the total area had been

reaped, AgRural added.

Delays to reap the soy affects planting of Brazil's second corn crop, which is cultivated in the same areas as oilseed and represents about 75% of national production in a given year.

AgRural said planting of the 2025 second corn harvest reached 36% of the estimated area in the Center-South

of Brazil as of last Thursday, compared to 20% a week earlier and 59% in the same period last year. There are delays in Mato Grosso and Goias to plant second corn, and farmers are scrambling to plant it inside the ideal climate window, AgRural said. In Parana and Mato Grosso do Sul, were second corn sowing had been progressing relatively well, dryer and hotter weather limited the advance of work, according to the consultancy.

Crucial weekend rains brought relief to Argentina's agricultural heartlands, report says

Rainfall recorded over the weekend in Argentina was crucial in preventing further losses in the 2024/25 soybean and corn cycle, the Rosario grains exchange said in a report on Monday. The exchange cut its soybean and corn harvest estimates last week to 47.5 million and 46 million metric tons respectively due to the impact of a drought in January.

Argentina, the world's top exporter of soyoil and meal and the third-largest exporter of corn, has seen better-than-expected rains in the first half of February, which have boosted water levels in dried-up areas in the core farming regions.

"The past and coming weeks are crucial for late soybeans and corn, and the rainfall over the weekend is crucial to sustaining yields and setting a floor for the core zone harvest," wrote Cristian Russo, the exchange's head of agricultural estimates.

According to the exchange, over the weekend the rainfall ranged from 10 to 90 millimeters in the Pampas plains, with the majority concentrated in the north of this area. Russo added that the rainfall would continue in the northern parts of the country over the next 48 hours, where crops also need more water.

Much of Argentina's soybeans and corn crops are still in key stages of development, with corn harvesting beginning in late March and soybeans in April.

Top News - Metals

BHP sees recovery in steel and copper demand, logs lowest profit in six years

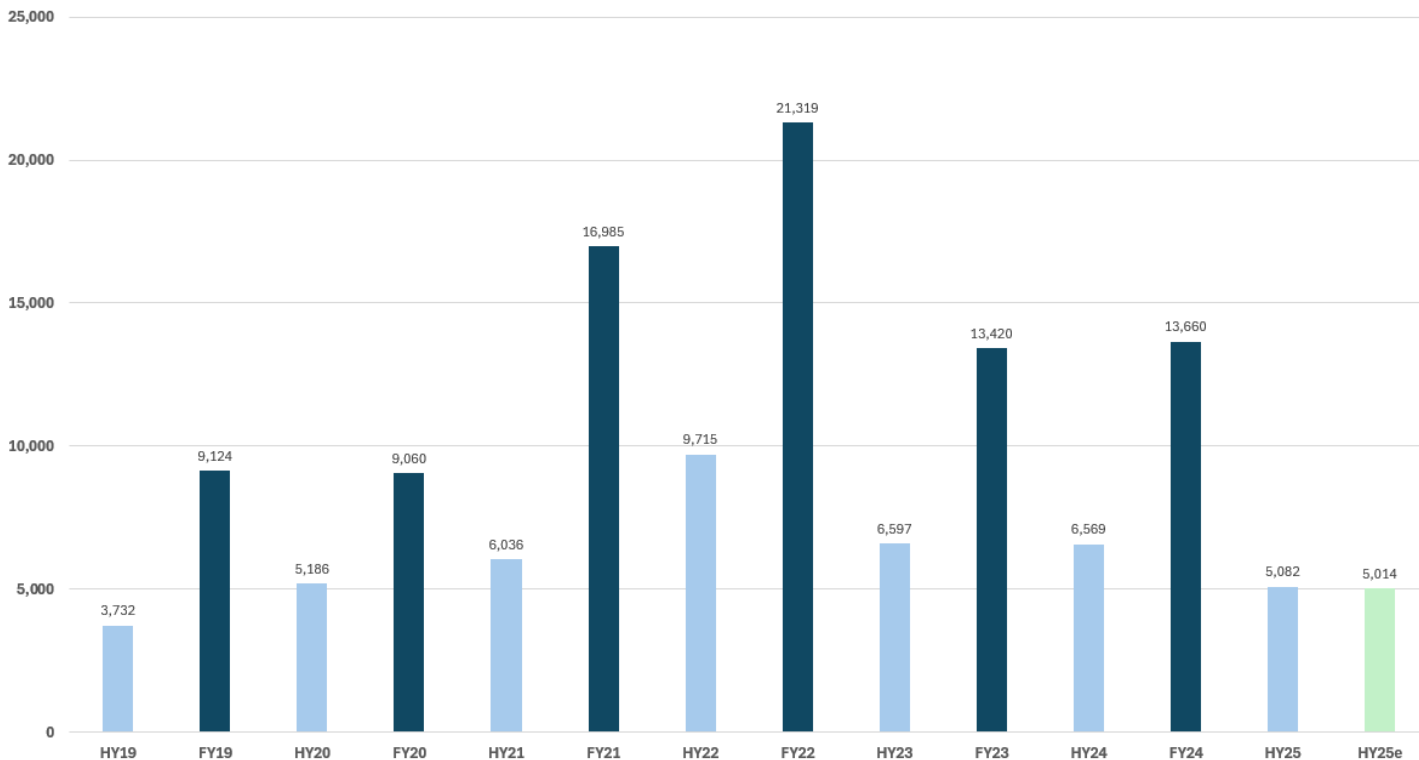
BHP sees signs of economic recovery in China and central bank rate cuts reviving demand for steel and copper but flagged risks to global growth from potential

trade tensions, as it logged its lowest first-half profit in six years.

After scrapping a \$49 billion bid to acquire Anglo American, which last year rebuffed its bigger rival's effort to snare control of prized copper assets in Latin America,

Chart of the Day

BHP Underlying Earnings (USD million)



BHP CEO Mike Henry said the company was not looking at acquisitions now. "Our current focus is 100% on organic growth options," Henry told reporters. The world's largest listed miner on Tuesday reported an underlying attributable profit of \$5.08 billion for the six months ending December 2024, down 23% from a year earlier but slightly ahead of the Visible Alpha consensus estimate of \$5.01 billion. Its shares eased 0.3 % in line with other major miners. It declared an interim dividend of 50 cents per share, its lowest since 2017, down from 72 cents per share a year earlier but in line with consensus at the bottom end of the miner's payout policy. "The in-line results and dividend exceeded our expectations," said Macquarie analyst Rob Stein in a note. For the first-half, underlying operating earnings from iron ore, its biggest profit-generating commodity, declined 26% to \$7.2 billion as the average realised price fell to \$81.11 per wet metric ton from \$103.7 a year ago. Following a string of cyclones that have hit Australia's west coast and snarled iron ore shipments, BHP warned its full-year iron ore output from Western Australia would no longer be in the upper half of the expected range of between 282 million and 294 million metric tons. However, the miner pointed to global monetary easing potentially reviving demand prospects for its two main products, steel ingredient iron ore, and copper, which has grown to account for nearly half of its profits. "Central banks' ongoing rate cuts are expected to translate into a recovery for steel and copper demand across the OECD (Organisation for Economic Co-operation and Development) in the near term," it said. "However, potential trade tensions present a risk to the recovery in developed economies and across the globe." Henry said BHP's exposure to U.S. tariffs was muted given the market accounts for only 3% of its revenue. "To the extent there is a constraint on Canadian potash into the U.S. ... then we would expect to see the global market reorder," he said on an earnings call. BHP expects to start shipping the fertiliser at the end of next year. Demand for BHP's products remained strong despite global economic and trade uncertainties, with early signs of recovery in China, resilient economic performance in the U.S. and strong growth in India, Henry said. BHP's copper operations earned \$5 billion over the first half, growing by 44% as tight fundamentals, Chinese stimulus plans and interest rate cuts in the United States kept copper prices elevated. It expects to spend \$4.7 billion in fiscal 2025 on expanding its copper operations, which by June will have grown by 24% or some 300,000 tonnes over the past three years.

COLUMN-Green steel needs incentives to work and Japan has a plan: Russell

Decarbonising steel production is one of the major challenges of the energy transition, especially given that consumers across the world show little appetite or capacity to pay more for green steel products.

This means that greening a sector responsible for around 8% of global carbon emissions is likely to rely on government policies and regulations to create price signals.

The debate is really over what policies are likely to produce the best and quickest results, with options ranging from subsidising green steel plants, or products made with green steel, to instituting carbon taxes that encourage producers to change how they make steel. Japan, the world's third-largest steel and vehicle producer, has recently announced new policies that may provide an incentive to both consumers, manufacturers and steel makers.

The Ministry of Economy, Trade and Industry (METI) has introduced a subsidy of 50,000 yen (\$330) for clean energy vehicles (CEVs) built with low-emission steel. This adds to consumer subsidies introduced last year of up to 850,000 yen for the purchase of an electric vehicle and up to 550,000 yen for a plug-in hybrid electric vehicle.

Under the plan, METI will evaluate submissions by automakers on their low-emission steel procurement and allocate subsidies based on the percentage of green steel being used, according to Matt Pollard, an analyst at clean energy consultancy Climate Energy Finance.

"In the broader context, it is important for METI to publicly release the carbon accounting methodologies, green product definitions and emission thresholds it will use to determine products and producers that will benefit from the models approved under the new subsidy scheme," Pollard said.

Put simply, how all this works is likely to determine whether it is actually successful.

Japan's steel sector produces about 85 million metric tons a year, the majority from coal-based blast furnaces, making it more polluting than the U.S., EU and China steel sectors, which all have more electric arc furnace capacity.

It's possible that Japan's steel sector will now have incentives to switch, but what technologies and processes will be key.

GREEN OPTIONS

Using hydrogen to turn iron ore that's been upgraded into either direct reduced iron (DRI) or hot briquetted iron (HBI) is one method that's been proposed, but the problem for Japan is that it doesn't have the capacity to produce green hydrogen at scale, given the lack of renewable electricity generation.

Importing hydrogen is also unlikely given the challenges in liquefying and shipping what is a volatile substance. Increasing the use of electric arc furnaces is also a possibility, but this needs high-grade iron ore, or DRI or HBI, to work.

Electric arc furnaces also need to be powered by renewables or nuclear to be considered green, and Japan's current electricity generation is still mainly powered by coal and liquefied natural gas.

The trick to getting the subsidies to work is to make it possible to produce green steel at a price that is at least equal to, but preferably lower, than the level of the subsidy. If Japan is providing \$330 for an electric vehicle made with low-emission steel, can steel makers make a profit?

Research from clean energy think tank Transition Asia said the premium for producing steel with green hydrogen and DRI in China is about \$225 a ton, which gives a cost per vehicle of about \$203 assuming the typical passenger car uses 0.9 ton of steel.

Transition Asia data suggested a slightly higher cost than China for green steel in Japan and South Korea, but actually lower than in the European Union.

The costs will vary from country to country, but the research does suggest that even a modest subsidy can provide sufficient incentive for steel producers to make green steel, car makers to switch to using it and consumers to embrace buying the finished product.

(The views expressed here are those of the author, a columnist for Reuters.)

Top News - Carbon & Power

COLUMN-Cheap Russian gas in Europe? No such thing: Bouso

As European officials consider the possibility of restarting Russian gas pipeline imports as part of an eventual peace deal in Ukraine, they should be clear about one thing: Russian gas never was, and likely never will be, cheap.

For decades, European politicians and energy executives have labelled Russian gas as "cheap" relative to alternative sources, such as Norwegian gas or liquefied natural gas imports. But this is misleading.

Europe has been the main market for Russia's vast gas resources for most of the past six decades. Over this

period, Europe steadily increased its dependence on Russian gas, building a complex web of pipelines that cemented political and economic ties between the regions.

Imports of Russian gas via pipes accounted for around a third of European gas demand in 2021, but supplies dropped swiftly following Moscow's invasion of Ukraine in February 2022.

Imports of Russian gas dropped to 18% of the European Union's imports in 2024, compared with 42% in 2021, according to research centre Bruegel. That number fell further after gas deliveries through the last main pipeline linking Russia and Europe via Ukraine were halted at the

MARKET MONITOR as of 08:19 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$71.42 / bbl	0.96%	-0.42%
NYMEX RBOB Gasoline	\$2.33 / gallon	0.63%	15.98%
ICE Gas Oil	\$716.25 / tonne	0.67%	3.02%
NYMEX Natural Gas	\$3.59 / mmBtu	-3.65%	-1.21%
Spot Gold	\$2,911.38 / ounce	0.47%	10.96%
TRPC coal API 2 / Dec, 25	\$107.63 / tonne	-1.48%	-3.34%
Carbon ECX EUA	€77.12 / tonne	-0.12%	5.64%
Dutch gas day-ahead (Pre. close)	€48.55 / Mwh	-5.91%	-
CBOT Corn	\$5.07 / bushel	-0.29%	8.91%
CBOT Wheat	\$6.08 / bushel	-0.90%	8.09%
Malaysia Palm Oil (3M)	RM4,532 / tonne	-0.22%	1.89%
Index	Close 14 Feb	Change	YTD
Thomson Reuters/Jefferies CRB	377.26	-0.34%	5.73%
Rogers International	30.62	0.38%	4.83%
U.S. Stocks - Dow	44,546.08	-0.37%	4.71%
U.S. Dollar Index	106.94	0.35%	-1.42%
U.S. Bond Index (DJ)	442.19	0.45%	1.41%

start of the year.

The disruption to supplies led to a sharp spike in benchmark European wholesale energy prices, wreaking havoc on many businesses that struggled to remain competitive. Overall gas consumption fell by 20% in the region between 2021 and 2023, forcing governments to intervene with financial support.

European buyers adapted to the crisis by increasing imports of gas from Norway and LNG from overseas, particularly the fast-growing U.S. gas market. That helped bring prices back down to pre-invasion levels by mid-2023.

These dramatic events made it clear that abundant Russia supplies had been helping to moderate European gas prices.

But that did not mean that Russian gas was inherently cheap.

MYTH MAKING

The myth that Russian gas supplies were ever significantly more affordable than other sources seems to have its roots in the Cold War era.

West Germany signed an agreement with the Soviet Union in 1970 to acquire natural gas in exchange for delivering steel pipes, an arrangement known, rather uncreatively, as "pipes for gas." It was also called the "the deal of the century," as it helped lower German energy prices. Italy and France reached similar deals in the 1980s.

But even during the Soviet era, the value of the gas exports into Europe was not based on an artificially low price but was instead linked to Dutch prices, Jonathan Stern wrote in his book *The Pricing of International Traded Gas*.

After the Soviet Union's collapse, Russia's newly-formed gas giant Gazprom and European buyers shifted to modern supply contracts using standard pricing mechanisms based on European gas prices as well as Brent crude oil prices. In the following decades, Russian gas actually priced above the European spot market at times due to growing overseas competition and the rise of renewable energy. By 2010, European buyers were re-negotiating terms for their long-term contracts, partly because of these price concerns. The new contracts relied more heavily on benchmark European gas prices such as Dutch TTF. In return, buyers often agreed to a system that required them to pay Gazprom for supplies even if they were not required. The ample supplies of Russian gas available to Europe meant other sources of gas were less in demand, which helped moderate prices overall. And the large volumes of pipeline gas Gazprom delivered into Europe had the inherent advantage of lower transportation costs compared with other sources of supply, such as LNG.

But ultimately, Russian gas was priced using similar mechanisms as competing sources of supply.

As Mike Fulwood of the Oxford Institute for Energy Studies recently wrote, "While Europe, and Germany

especially, may have been hooked on Russian gas, given the volume of imports, it was not cheap."

NO RETURN

Even though the European Union hasn't banned Russian pipeline gas purchases, the region is unlikely to resume imports at a scale close to pre-Ukraine invasion levels anytime soon, given strong political opposition from key EU members that are wary of offering Moscow financial support.

But even if Europe decided to revive some imports, potentially as part of a peace deal brokered by U.S. President Donald Trump, this is unlikely to lower the region's gas prices significantly. That's because the global gas market has changed dramatically since 2022. Pre-invasion, Europe used to be the destination of last resort for most LNG cargoes, which primarily ended up in Asia. Europe is now a major importer of LNG, with the majority coming from the United States. Perhaps counter-intuitively, Russia is the second-largest supplier of this super-chilled fuel to Europe, delivering 17 million tons, or 19% of total EU imports, according to LSEG. Again, the fuel was priced against regional benchmarks.

Europe today needs to set its wholesale gas price at a level that allows it to compete with other markets for LNG supplies. So, however cheap Russian gas might be to produce, its price for delivery into Europe is unlikely to be lower than LNG imports. The myth of cheap Russian gas has for decades influenced the political discourse about Europe's relations with Moscow, arguably not to Europe's benefit. It's time it was dispelled.

EXCLUSIVE-Australia's Woodside in talks with at least three partners for Louisiana LNG, sources say

Woodside Energy has held talks with several potential buyers of stakes in its Louisiana liquefied natural gas plant, including Tokyo Gas, Japan's JERA and Saudi Aramco-backed MidOcean Energy, multiple sources told Reuters.

The timing of the stake sale is a test case for buoyant market expectations around LNG with the return of Donald Trump to the U.S. presidency.

Trump has said trade partners should buy more U.S. energy and issued several executive orders in his first weeks in office aimed at boosting domestic oil and gas output.

Louisiana LNG is an opportunity for global buyers to diversify their supply base and potentially fend off U.S. tariffs under the Trump administration, by increasing U.S. energy imports and narrowing the trade deficits that irk the U.S. president.

Reuters spoke to seven people familiar with the matter. All seven sources said Tokyo Gas had discussions with Woodside, five of those sources said Jera held talks and four of the sources said MidOcean also had discussions. Reuters previously reported that Tokyo Gas was in talks for a stake.

Talks with the other possible buyers have not previously

been reported. U.S. pipeline operator Williams Companies also had discussions with Woodside about buying an equity stake, one of the sources added. JERA, MidOcean Energy, Saudi Aramco and Tokyo Gas declined to comment. Williams Companies did not respond to a request for comment.

Woodside is expected to make a decision soon and has signalled it may accept several bids as it seeks to sell 50% of the first phase of the LNG export project, expected to cost roughly \$16 billion to build.

The project is to be built in four phases with the first phase expected to produce 11 million metric tonnes per annum (MTPA) of the superchilled gas. When completed Louisiana LNG is expected to produce 27.6 MTPA, Woodside said.

Woodside declined to discuss the bidding, but directed Reuters to its previous comments that the project was moving as expected and had attracted strong interest from high-quality potential partners.

The LNG developer is also seeking higher prices for gas contracts, three sources said.

Woodside has told buyers the premiums are higher to cover rising costs to build plants and because of the relatively low risk around future development. Woodside already has all permits secured to build the plant.

Woodside is seeking liquefaction fees of \$2.70-2.90 per

million British thermal unit (mmBtu) on 10-20 year deals, one source said.

That is about 20 cents above current market rates.

Shorter agreements would be at the higher end of the range, two sources said.

LNG plants chill natural gas until it is in liquid form, so that it can be transported on special ships.

Trump has pulled back regulation on building new plants, although his tariffs on steel and other products have raised some concerns about the future costs of building the massive plants.

Woodside previously had said a decision on selling stakes in the project was expected soon.

CEO Meg O'Neill in September said the company wants clarity on the partnering approach before taking a final investment decision, and expected to bring several partners into Louisiana LNG by March 2025.

It is not clear when the decision will be made, but two sources said that the bidding window had closed and another said that Woodside in early February closed its project data room, an online repository of information for investors, in a sign the process was drawing to a close.

The Australian oil and gas producer last year acquired the Louisiana LNG project in its \$1.2 billion purchase of developer Tellurian Inc. Woodside changed the project name, which previously was Driftwood LNG.

Top News - Dry Freight

Taiwan's MFIG tenders to buy up to 65,000 metric tons corn

Taiwan's MFIG purchasing group has issued an international tender to buy up to 65,000 metric tons of animal feed corn which can be sourced from the United States, Argentina, Brazil or South Africa, European traders said on Tuesday.

The deadline for submission of price offers in the tender is Wednesday, Feb. 19, they said. Price offers in MFIG's tender are being sought for one consignment of yellow corn of between 40,000 tons and 65,000 tons at a premium over the Chicago July 2025 corn contract. Shipment is sought between April 16 and May 5 if the corn is sourced from the U.S. Gulf, Brazil or Argentina, traders said. If sourced from the U.S. Pacific Northwest coast or South Africa, shipment is sought between May 1 and May 20. Because of concerns about poor quality, Argentine corn will only be accepted if it is the lowest price offered and at least 4 cents per bushel below the next cheapest offer from other origins, traders said. In its last reported corn tender on Jan. 15, the MFIG group bought about 65,000 tons expected to be sourced from the United States.

Saudi Arabia buys about 920,000 metric tons of wheat in tender

Saudi Arabia's main state wheat buying agency, the

General Food Security Authority (GFSA), has purchased about 920,000 metric tons of wheat in an international tender, it said on Monday.

This was above the 595,000 tons from sought in the tender, it said.

The wheat was bought at an average price of \$276.37 a ton cost and freight (c&f), the agency said, confirming previous reports from traders.

The purchase involved hard wheat with 12.5% protein content.

Origins offered were the European Union, Black Sea region, North America, South America and Australia, with the sellers having the option of selecting the origin supplied, GFSA governor Ahmad Al-Fares said in a statement.

Traders said grain from the Black Sea region was expected to be used to supply the main part of the purchase, including a possible 300,000 tons from Romania and some from Bulgaria, while Russia could also be an origin for at least two consignments.

At least two consignments were expected to be sourced from Australia.

"There could be quite a number of origins involved in the purchase," one European trader said.

In its last reported wheat tender on December 16, the GFSA purchased about 804,000 tons.

Picture of the Day

A drone view shows tugboats assisting a liquefied natural gas (LNG) tanker to dock at a port in Yantai, Shandong province, China February 14. cnsphoto via REUTERS

(Inside Commodities is compiled by Nachiket Tekawade in Bengaluru)

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

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