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Top News - Oil

EXCLUSIVE: Biden administration to approve E15 gasoline expansion starting in 2025, sources say
The White House will approve a request from a group of Midwest governors to allow year-round sales of gasoline with higher blends of ethanol, but will push the start date into next year, two sources familiar with discussions said.
The decision will likely be bittersweet for the biofuel industry, which wants to expand sales of corn-based ethanol but might be frustrated by the 2025 start date.
The one-year delay could put off any potential localized price spikes and supply issues that the oil industry says could arise from the decision until after the U.S. election, the sources said.
Under the plan, the administration would grant a 2022 request from the governors of Illinois, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota, and Wisconsin to allow year-round sales of E15, or gasoline with 15% ethanol, starting next year, the sources said. In the meantime, the EPA could issue a temporary waiver enabling such sales as needed.
Wisconsin and Minnesota are battleground states in this year's presidential contest in November. Inflation and the economy are key vulnerabilities for President Joe Biden's re-election campaign.
The U.S. government restricts sales of E15 gasoline in summer months due to environmental concerns over smog. The administration is expected to issue a decision by late March, the sources said.
The EPA declined to comment for this article, as the rule is still in an interagency review process.
U.S. Agriculture Secretary Tom Vilsack said at a conference on Tuesday he was confident that expanded sales of E15 would be available across the country in 2025 and that, until then, the administration would likely issue temporary waivers this summer to enable sales.
The EPA had sent a final rule on the proposal to the White House in December with an effective date of April 28, 2024. The new timeline would push the effective date to 2025, the sources said.
For years the ethanol industry has pushed to lift the restrictions on E15 sales nationwide, arguing the environmental impacts have been overstated.
The request from the Midwestern states has been controversial, however, as oil refiners including HF Sinclair Corp and Phillips 66, have warned that a patchwork approach to approving E15 sales would complicate fuel supply logistics and raise the risk of spot shortages.
Ethanol groups say they would prefer a nationwide legislative fix to allow for expanded E15 sales, versus the regional approach.

Prompt US crude futures jump to steep premium over later-dated contracts
The premium for prompt U.S. crude futures to the second-month contract more than doubled on Tuesday, hitting a high of $1.90 a barrel - its widest level in roughly four months.
The structure, known as backwardation, occurs when the front-month contract is at a premium to later-dated contracts and can indicate tightness in the market. It gives energy companies little incentive to pay to store their product for future months, but rather to sell while prices are firmer.
At the end of last week, the front-month contract was at roughly at 78 cent a barrel premium to the second month.
Prompt futures traded at a discount to future month contracts as recently as Feb. 8.
The WTI March contract expires on Tuesday and volumes were thin. The difference between the more liquid April contract and May was 45 cents, its steepest since early November.

Top News - Agriculture

Brazil soybean production view cut as crop tour progresses -Agroconsult
Brazil's 2023/2024 soybean crop estimate has been reduced to 152.2 million metric tons from the previous estimate of 153.8 million tons, agribusiness consultancy Agroconsult said on Tuesday, citing adverse crop weather in key producing states.
Agroconsult, which began a tour of Brazil's main soy producing regions 33 days ago, said the expedition has so far covered almost 30,000 kilometers, representing 60% of the areas it intends to survey.
In Mato Grosso, Brazil's biggest farm state, Agroconsult experts evaluated crops in the north, west, middle-north and southeast regions.
The areas planted in the state between the beginning of September and mid-October, which correspond to around 40% of the total, were the most affected by high temperatures and low rainfall, Agroconsult said.
The areas planted in Mato Grosso throughout October and November have shown better potential, despite also being affected by adverse weather, according to the consultancy. The average yield estimate for Mato Grosso

was maintained at 52.5 bags per hectare, 17.7% below the previous harvest, Agroconsult said.
Another state hurt by dry weather in December and January was Mato Grosso do Sul, Agroconsult said referring to fields in the south of that state. After visiting farms there, Agroconsult lowered average yield forecast for Mato Grosso do Sul to 57.5 bags per hectare from 59 bags in the previous projection.
In Parana and Rio Grande do Sul, where farmers reported dry weather in January and early February, average yields potential was cut to 58 and 53 bags per hectare, respectively, compared to 60 and 55.5 before the crop tour, Agroconsult said.

COLUMN: US exporters losing battle for domestic soybeans to expanding crush -Braun

Over the last decade or so, annual U.S. soybean use was often split somewhat evenly between exports and domestic processing, though the split is unusually unbalanced this year as exports slip and crush increases.
Early government estimates show a potential record 2024 U.S. soybean crop allowing for bigger exports in the 2024-25 marketing year starting Sept. 1, but the total use allocations of exports and crush are expected to be very similar to 2023-24, despite heavier supplies.
This emphasizes the rising focus on domestic soybean processing amid supportive renewable fuel policies, though it also acknowledges U.S. bean exporters' distant second place to No. 1 Brazil and its stranglehold over stagnating Chinese demand.
U.S. crush far outpacing exports is not at all a new concept and was in fact the norm in the late 2000s and earlier, just before the dual explosion of China's bean demand and Brazil's crop and export potential.

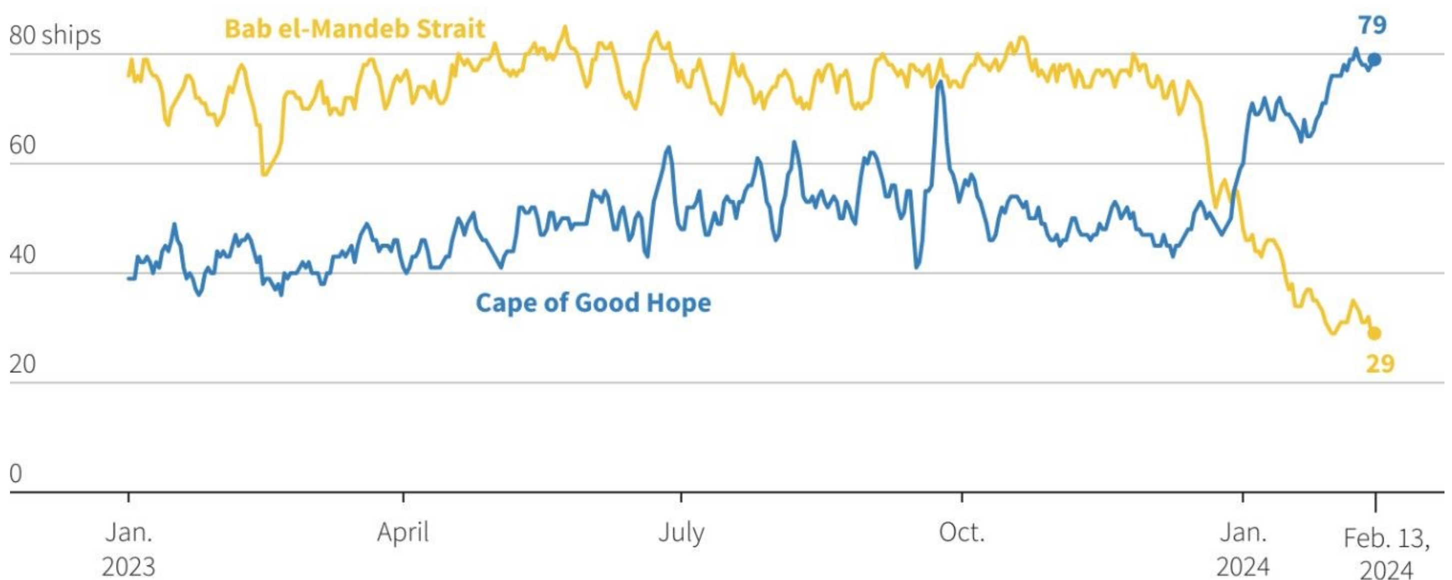
CRUSH IS KING
The U.S. Department of Agriculture last week tentatively forecast 2024-25 U.S. soybean exports at 1.875 billion bushels, up 9% from 2023-24 but 12% lighter than the average of the previous three years.
The 2024-25 crop at 4.5 billion bushels would be up 8% on the year and narrowly edge 2021-22's record, and crush is seen rising to an all-time high of 2.4 billion bushels, up 4% on the year.
Higher carry-in supplies plus the large crop are seen outpacing the rise in demand, sending 2024-25 ending

Chart of the Day

Militant attacks affect shipping movement

Ship movement through maritime chokepoint around Red Sea have fallen by 65% since end of November 2023 while increasing by 70% via Cape of Good Hope.

Number of ships transiting daily through maritime chokepoints (7-day moving average)



Note: Bab el-Mandeb Strait connects Red Sea with the Gulf of Aden
Source: Portwatch, IMF | Reuters, Feb. 20, 2024 | By Vineet Sachdev

LSEG DATA & ANALYTICS

stocks to a five-year high of 435 million bushels, which outside of an active trade-war year with top importer China would be the largest U.S. bean carryout since 2006-07.
USDA's current 2023-24 U.S. supply and demand estimates show exports accounting for 41.5% of total use, the lowest share since 2007-08, trade-war years included. That compares with 46% in 2022-23 and 50% in 2020-21, close to the historical max of 51% in 2016-17.
Exports are slated to account for a slightly better 43% of total U.S. soybean use in 2024-25, a few percentage points below recent averages. U.S. crush in 2024-25 is projected at 55% of total use, down from 56% in 2023-24 but even with a 30-year average, highlighting China's recent support of the export share.

OVERPRODUCTION RISKS LOOM
The United States arguably began overproducing soybeans in 2017, a year before the start of the U.S. trade war with China, though excessive output received far less attention than the political headlines when soy prices were collapsing in 2018.
The 2017 surge in U.S. soy production was linked to presumably booming Chinese soybean demand, though the rise in domestic processing has the potential to similarly impact production in 2024, 2025 or beyond.
Some clues lie in USDA's projections from last week. Only 91% of total 2024-25 U.S. soybean supplies are slated for use, down from 93% in 2023-24 and between 94% and 95% in the previous three years. Steady declines in this percentage in the past have preceded big stock build-ups.
Ongoing growth in U.S. soybean processing capacity is driven by the United States' recent plan to increase biofuel use and reduce petroleum in the national fuel mix. However, this is risky as fuel-based vehicles could increasingly compete with electric ones in terms of legislative policy.
U.S. crush expansion could disappoint without the proper incentives, which include both government support and market conditions, and the latter have been less attractive lately.
Chicago soybean oil futures are trading 35% off the average 2022 levels and nearly 20% off last year's average.
CBOT crush margins have eased significantly to more "normal" levels, running at less than half of the elevated, year-ago rates.

Top News - Metals

Rio Tinto meets annual profit expectations, sees higher costs in 2024
Rio Tinto's full-year underlying earnings came in-line with analysts expectations on Wednesday, as production gains in its iron ore business countered weaker prices in aluminium, and warned it still faced rising costs.
Average prices Rio Tinto received for aluminium sold slipped over 2023 from COVID-era peaks, as supply chains normalised and demand from Western markets weakened.
This offset a boost from production growth across major commodities.
The world's largest iron ore producer said its underlying earnings came in at $11.8 billion for 2023, compared with $13.4 billion a year earlier. That was largely in line with the LSEG consensus estimate of $11.70 billion.
Rio said it expects its Pilbara iron ore unit costs to rise in 2024 due to persistent labour and parts inflation in Western Australia.
"While inflation has eased, we continued to see lag effects in its impact on our third party costs, such as contractor rates, consumables and some raw materials; we expect this to stabilise in 2024," it said in a statement.
Rio declared a final dividend of 258.0 cents per share, up from 225.0 cents per share in 2022 and ahead of the LSEG estimate of 247.0 cents per share.
The miner booked net impairment charges of $0.7 billion, after tax, mainly related to its alumina refineries in Queensland, taken in the first half of 2023, as the assets faced challenging market conditions.

Gecamines plans overhaul of mining JVs in world's top cobalt supplier
The Democratic Republic of Congo's state miner is broadening a push to extract more from its copper and cobalt joint ventures, seeking to negotiate for higher stakes across the board to gain leverage in management of some of its biggest mines.
Gecamines is also leveraging existing shareholding in mines to negotiate off-take contracts for the purpose of trading copper and cobalt on its own.
The miner wants more local executives on boards governing joint ventures to have a greater say in how assets are managed, Guy Robert Lukama, the Gecamines chairman, told Reuters.
The plans may mean overhauling some terms of agreements that Gecamines deems unfavourable to capitalise on the world's scramble for supplies of minerals critical to global green energy transition.
"We want to repair a certain stage of mistakes that were made when they asked us to give most of our best assets to third parties just to attract foreign direct investment," said the chairman of the state miner, which at its peak in 1986 produced more than 490,000 tons of copper and cobalt - but is now a shadow of its former self.
Chinese mining companies have been key to driving output in the world's biggest supplier of cobalt, a key component in batteries for electric vehicles and mobile phones. Congo is also the world's third-largest copper producer.
President Felix Tshisekedi's government had previously

said some deals were heavily skewed in favour of China, forcing some state-backed firms to find an additional $1 billion in a renegotiated infrastructure for minerals pact.

PROLONGED DEBTS

Board representation on the mines could ensure accountability, transparency, community development and compliance with rules on local procurement and training of Congolese staff, Lukama said.
He added that some mines aren't investing in expanding output, citing prolonged levels of indebtedness. A lack of oversight could be behind the huge debts, which he said is depriving the state miner of returns.
Lukama questioned why some of its partners are reporting losses and scaling down production because of a slump in cobalt's value while copper prices have remained elevated. In Congo, cobalt output is a by-product of copper. "We can no longer accept this level of debt while people don't put capital into the assets," he said. "We are not sleeping partners in our own country. We should be part of the governance."

CMOC DEAL

Last year's deal with China's CMOC Group secured Gecamines a right to acquire copper and cobalt produced from Tenke Fungurume Mining equal to its 20% stake, on market terms.
Gecamines also scored an $800 million settlement to end a dispute over mineral royalties and $1.2 billion in dividends over the life of the Tenke mine.
The deals has prompted Gecamines' push to trade copper and cobalt at projects with partners including Glencore and Zijin Mining.
Gecamines' partners had retained full off-take rights because they used debt to build the projects, Lukama said.
"The off-take was there to secure the flows of repayment of debt, now the debt is repaid, why should they keep it 100%."
Lukama said some terms need to be reviewed as investors aren't meeting expectations, with communities not better off despite the mining boom.
He declined to say which companies are not meeting expectations.
Changes to the mining code in 2018 bolstered Gecamines' powers to seek reviews of terms in mining contracts and boosted the minimum state participation threshold, said Andrew Smith, a senior Africa analyst at risk intelligence company Verisk Maplecroft.
"DR Congo does have a history of pressurising mining companies into ceding shares," Smith said.
"Measures such as asserting that firms have not paid adequate royalties or taxes by underreporting revenues and production have been used in the past."

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.25 / bbl	-2.45%	7.82%
NYMEX RBOB Gasoline	$2.53 / gallon	0.70%	19.94%
ICE Gas Oil	$839.00 / tonne	-1.79%	11.75%
NYMEX Natural Gas	$1.70 / mmBtu	5.53%	-32.46%
Spot Gold	$2,028.93 / ounce	0.27%	-1.63%
TRPC coal API 2 / Dec, 24	$89.35 / tonne	-4.23%	-7.89%
Carbon ECX EUA	€54.84 / tonne	0.98%	-31.77%
Dutch gas day-ahead (Pre. close)	€23.63 / Mwh	0.55%	-25.81%
CBOT Corn	$4.32 / bushel	0.64%	-10.69%
CBOT Wheat	$5.80 / bushel	3.67%	-9.38%
Malaysia Palm Oil (3M)	RM3,881 / tonne	0.54%	4.30%
Index	**Close 20 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	311.73	-0.61%	3.43%
Rogers International	26.71	-0.60%	1.44%
U.S. Stocks - Dow	38,563.80	-0.17%	2.32%
U.S. Dollar Index	104.02	-0.06%	2.65%
U.S. Bond Index (DJ)	421.85	0.19%	-2.06%

Top News - Carbon & Power

Germany earmarks up to $3.8 bln for future green hydrogen imports

Germany will earmark up to $3.8 billion of public funds to procure green hydrogen and its derivatives between 2027 and 2036, the economy ministry said on Tuesday, as Berlin bets on the fuel to help decarbonise Europe's biggest economy.

"The aim of the funding measure is to bring together supply and demand, both in terms of quantities and prices," the ministry said in a statement, adding that money will come from the government's Climate and Transformation Fund.

Germany is seeking to expand reliance on hydrogen as a future energy source to cut greenhouse gas emissions for highly polluting industrial sectors that cannot be electrified such as steel and chemicals and reduce dependency on imported fossil fuel.

Berlin will have to import up to 70% of its hydrogen needs in the future as Europe's largest economy aims to become climate-neutral by 2045, according to the government's updated hydrogen strategy published last summer.

The earmarked funds will be used to compensate for the difference between supply and demand prices, the ministry said, adding that it was discussing the details of the use of the new funding with the European Commission.

In an effort to speed up the global market ramp-up of green hydrogen and boost investments, the government launched the H2Global project in 2021 by using a "double auction". Under the scheme, hydrogen or hydrogen derivatives are bought cheaply on the world market and sold to the highest bidder.

"It's a start. No more, no less," Helge Barlen, a hydrogen expert at AFRY Management Consulting said, adding whether this sum would be sufficient to boost Germany's hydrogen economy would depend on how large the difference between bid and ask prices would evolve.

To give an idea of dimensions, Barlen said that with a hypothetical price difference of the 4 euros per kilogramme of hydrogen that was the cap in the first H2Global funding tranche, this funding amount would support close to one million metric tons over 10 years. This could serve to decarbonise about 5% of the German steel industry at its current annual output for example, he added.

David Wenger, a hydrogen projects developer, said Tuesday's announcement showed the government's "infinite optimism" regarding the volumes of green hydrogen produced globally in the near future and how quickly output will be scaled up.

"The reality is different to what politicians are currently imagining. The industry still has a lot of homework to do to reduce the cost and improve the technology, so I don't think that we will see the announced quantities in 2030," Wenger said.

Guyana's $1.9 billion gas-to-power project delayed to 2025

Guyana will delay until 2025 its biggest effort to capitalize on its energy bounty, a $1.9 billion gas-to-power project that was to start this year, using untapped gas to slash electricity costs, a Ministry of Natural Resources consultant said on Tuesday.

The rising oil producing nation relies on imported fuels in its shaky electric grid and has promised to use its oil wealth to construct a 140-mile (225 km) pipeline, gas processing facility and up to 300 megawatt (MW) power plant.

Winston Brassington, a government consultant involved in the project, said the combined-cycle power plant is delayed and full operation will not be possible until the fourth quarter of 2025.

The project suffered work delays, late equipment deliveries and issues on the foundation at the location chosen for the project, he said.

The project was an election-year pledge to its about 800,000 residents to reduce their energy costs by 50% this year.

Guyana has been seeking a $646 million loan from the Export-Import Bank of the United States to finance the onshore facilities.

Exxon Mobil Corp is currently building the $1 billion pipeline and will be reimbursed by proceeds from the country's offshore production. Guyana will pay Exxon and its partners $55 million over a 20-year period, at a fixed price with no adjustments, totaling $1.1 billion, Brassington said.

The gas pipeline is expected to be ready by the end of this year, Exxon Guyana country chief Alistair Routledge said on Tuesday at the Guyana Energy Conference and Exposition.

However, the government expects the power plant will start delivering 200 MW by June 30 next year, with project completion and delivery of 300 MW on a combined cycle by the end of 2025, Brassington said.

Top News - Dry Freight

Greek ship attacked in Red Sea by Houthis arrives in Aden with cargo

The Greek-flagged bulk cargo vessel Sea Champion arrived in the southern Yemeni port of Aden on Tuesday after being attacked in the Red Sea in what appeared to have been a mistaken missile strike by Houthi militia, shipping and military sources said.

Shipping risks have escalated due to repeated drone and missile strikes in the Red Sea and Bab al-Mandab Strait by the Iran-aligned Houthis since November. U.S. and British forces have responded with several strikes on Houthi facilities but have so far failed to halt the attacks.

The U.S. military's Central Command said late on Tuesday that the Houthis had fired two anti-ship ballistic missiles at the Sea Champion, a U.S.-owned bulk carrier. It said one of the missiles detonated near the ship causing minor damage. The Sea Champion, which was ferrying corn from Argentina to Aden, the seat of Yemen's internationally recognised government, was attacked twice on Monday, with a window damaged but no crew injuries, Greek shipping ministry sources said.

The U.S. Central Command said the Sea Champion has delivered humanitarian aid to Yemen 11 times in the past five years.

A port source in Aden and a separate shipping source said the vessel was unloading part of its cargo of some 9,229 tonnes of corn in Aden, before it heads to the northern Yemeni port of Hodeidah, an area controlled by the Houthis, where it was meant to discharge the remaining load of some 31,000 tonnes.

The port source in Aden, who declined to be identified, said the attack on the vessel was a mistake. A separate port source in Hodeidah, who also declined to be identified, said the Houthis informed them that the attack was not intentional.

Houthi officials could not be immediately reached for comment.

The vessel's Athens-based operator Mega Shipping and Greek shipping ministry officials declined to comment on the vessel's arrival.

The Sea Champion was anchored in Aden port with its last position updated at 1211 GMT, according to data from ship tracking and maritime analytics provider MarineTraffic.

The Houthis, who control Yemen's most populous regions, have attacked vessels with commercial ties to the United States, Britain and Israel, shipping and insurance sources say.

CONCERNS GROW OVER RUBYMAR

Despite retaliatory Western attacks on them in Yemen, the Houthis have vowed to continue striking ships linked to Israel in solidarity with Palestinians until Israeli forces stop their war in the Gaza Strip.

So far, no ships have been sunk nor crew killed from the Houthi attacks in a sea lane accounting for about 12% of global maritime traffic.

Nonetheless, concerns were mounting over the fate of the Rubymar ship, which was hit by missiles in the Gulf of Aden on Sunday, despite the crew evacuating onto another vessel.

In a maritime advisory seen by Reuters, commercial ships were cautioned to stay away from the area of the abandoned vessel amid fears it might sink.

A U.S. defense official said the vessel had not sunk.

Stephen Cotton, General Secretary of the International Transport Workers' Federation (ITF), the leading union organisation for seafarers, said the Rubymar attack should be a wake-up call "to immediately prioritise seafarers' safety, before we see human lives lost on the Red Sea".

He said an immediate, permanent ceasefire in the war between Israel and Gaza's ruling Palestinian Islamist group Hamas was a critical step towards guaranteeing safe transit through the Red Sea.

There was also alarm that commercial ships could face new perils including the possibility of sea mines being deployed, maritime security sources said.

The U.S. military's Central Command (CENTCOM) conducted strikes on various targets on Monday and Tuesday, including what was believed to be the first unmanned underwater vessel (UUV) used since Houthi attacks began.

"These actions will protect navigational rights and freedoms and make international waters safer," CENTCOM said.

While many ships are diverting around southern Africa to avoid the Red Sea, some have continued to sail through. French container shipping group CMA CGM said on Tuesday its Jules Verne vessel had transited the Red Sea under French naval escort, after suspending crossings for security risks earlier this month.

The European Union on Monday launched a naval mission to the Red Sea to "safeguard freedom of navigation" there amid hopes of more protection and support for commercial shipping. France has provided navy escorts in recent weeks for some shipping traffic including French-linked vessels.

Russia says it shipped 200,000 tonnes of free grain to six African countries

Russia's agriculture minister said late on Tuesday that Moscow had completed its initiative of shipping 200,000 metric tonnes of free grain to six African countries, as promised by President Vladimir Putin in July.

Russia shipped 50,000 tonnes each to Somalia and the Central African Republic and 25,000 tonnes each to Mali, Burkina Faso, Zimbabwe and Eritrea, Agriculture Minister Dmitry Patrushev told Putin during a meeting, according to transcript on the Kremlin's website.

Putin had promised to deliver free grain to the six countries at a summit with African leaders in July, soon after Moscow withdrew from a deal that had allowed Ukraine to ship grain from its Black Sea ports despite the war Russia has been waging.

The deal, known as the Black Sea grain initiative, had helped lower prices on the global market. But Putin argued it was failing to get supplies to the countries in most urgent need.

"After the Russia-Africa summit, we have been maintaining relations (with African countries and building cooperation," Patrushev told Putin. "As a result, we were able to deliver this volume of wheat to these countries quite quickly."

He also told Putin that Russia expects to export up to 70 million metric tonnes of grain in the 2023-2024 agricultural year. In the previous season, Russia shipped 66 million tonnes worth almost $16.5 billion, he added.

The 2023-2024 agricultural year started July 1, 2023, and lasts until June 30, 2024.

Picture of the Day

A crop duster plane sprays a field, amid the ongoing conflict between Israel and the Palestinian Islamist group Hamas, near the Israel -Gaza border, Israel, February 19, 2024.REUTERS/Susana Vera

(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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