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Top News - Oil

Big Oil to take centerstage at Houston meet as markets, alliances shift

Top energy executives and officials from around the world will descend on Houston next week just as the political fallout from Russia's invasion of Ukraine a year ago continues to distort global oil supply lines and put long-term energy security front of mind for governments. Oil company chiefs and ministers will make their case for investment in all forms of energy - fossil fuels and renewables - to meet rising demand and at the same time accelerate the move toward the low-carbon industry of the future.

A record 7,000 people have signed up for the week-long CERAWeek discussion of fossil fuels, clean energy, advanced energy storage. The war in Ukraine sparked a rally in crude oil and fuel prices that led to record industry profits, prompting the U.S. government and others to accuse Big Oil of profiteering and for Britain and some other governments to impose windfall taxes on energy companies.

Big Oil executives and U.S. government officials will likely trade blows publicly again as they did at last year’s event. While the U.S. and many Western governments continue to call on oil firms to pump more, executives at top oil firms say they have a duty to their shareholders to maximize returns for staying invested in an industry which faces an uncertain long-term future.

This year's presenters also reflect ongoing clashes over supply and demand between the Organization of the Petroleum Exporting Countries, Europe and the U.S. that have led to some visible vacancies.

Instead, Shell's newly-appointed Chief Executive Wael Sawan will join BP's Bernard Looney, Exxon Mobil Corp's Darren Woods, Chevron's Michael Wirth and TotalEnergies' Patrick Pouyanne in prominent roles.

"We will get a sense of how companies' strategies have been changed by the events of the last year," said Dan Yergin, the Pulitzer Prize-winning author and vice chairman of conference organizer S&P Global, in an interview.

BP's Looney will share the stage with Hertz car-rental CEO Stephen Scherr, whose firm has become an energy transition champion with plans to buy tens of thousands of electric vehicles from General Motors, Polestar and Tesla.

"The industry is on board with the energy transition, ESG and decarbonization, but there is a recognition that we are going to need hydrocarbons from an energy reliability and security standpoint," Pat Jelinek, EY Americas oil and gas leader, said of the return to prominence of Big Oil executives.

WHERE'S OPEC AND SHALE?

Speakers include oil ministers from Africa and Asia, where balancing energy security and the threat of climate change are paramount. There are no officials from Russia, which in the past has sent its energy minister, and much fewer OPEC participants.

Noticeably absent from the agenda are oil ministers from Saudi Arabia, Iraq, Kuwait and the United Arab Emirates. OPEC's output cut of 2 million barrels per day (bpd) last November led to a bitter row with the U.S., as President Joe Biden was fighting mid-term elections and high gasoline prices - issues that nearly cost him a majority in both houses.

Top shale executives also will get less of the limelight. U.S. shale also battled with the Biden administration over oil drilling restrictions and a lower investment in new output. Shale has become less of a factor in global markets, and tensions between OPEC and shale are less intense than they used to be.

Executives from shale bigs Hess Corp, EQT Corp and Pioneer Natural Resources last year dined with the late OPEC Secretary General Mohammad Barkindo. Barkindo received a gift bottle of "Genuine Barnett Shale," the oilfield that launched the shale revolution.

U.S. shale also has been overshadowed by Big Oil as the companies grapple with slower gains and tight-fisted investors. Total U.S. oil production is forecast to rise modestly this year - less than 600,000 bpd - compared with a jump of about 2 million-bpd in 2018.

“U.S. exploration and production companies have moderated growth," said Andy Hendricks, CEO of U.S. driller Patterson-UTI, leaving OPEC "in charge of oil prices."

ENERGY INNOVATION

While geopolitical strife continues elsewhere, next week's get-together will feature technological innovation in oil and liquefied natural gas (LNG) alongside, electric power, hydrogen and carbon capture.

"There's never been such a focus on innovation of technologies across the energy industries," said S&P's Yergin. Some 225 start-ups will participate, a 60% increase from a last year, many of which got a shot in the

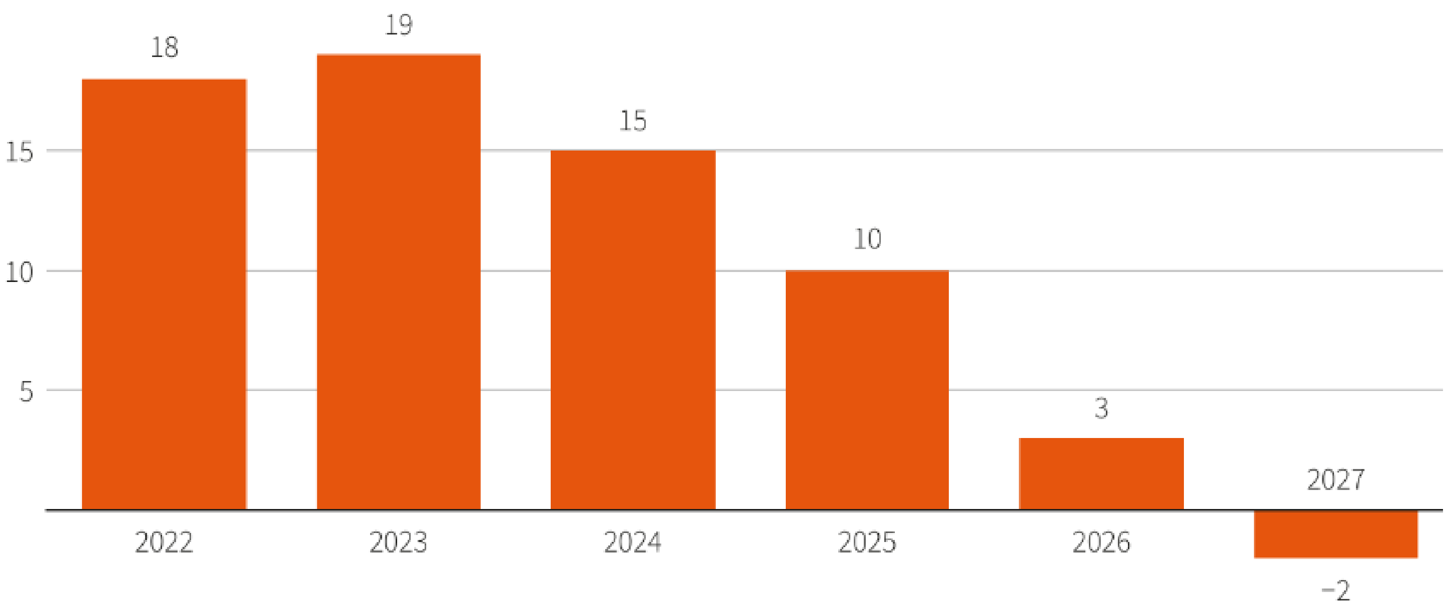
arm from Biden's Inflation Reduction Act, which provides tax credits and incentives for low-carbon and clean energy technology.
U.S. Energy Secretary Jennifer Granholm and White House clean energy advisor John Podesta will lay out implementation of the Inflation Reduction Act, said S&P Global's Yergin. "The amount of renewables that we're going to have to build over the next decade is enormous, and I don't think everybody has really digested the scope of that," said Andres Gluski, CEO of energy and utility giant AES Corp.

New U.S. sanctions target Iranian petroleum, petrochemical trade
The United States imposed sanctions on Thursday on firms it said had transported or sold Iranian petroleum or petrochemical products in violation of U.S. restrictions, including two companies based in China. The sanctions are part of a Washington push to curb Iranian oil smuggling and come as efforts to revive Tehran's 2015 nuclear deal have stalled in part due to increasingly strained ties between the Islamic Republic and the West. In a statement, U.S. Secretary of State Antony Blinken said the sanctions target 11 firms and 20 affiliated shipping vessels that had facilitated Iran's petroleum and petrochemical trade. "These designations underscore our continued efforts to enforce our sanctions against Iran," Blinken said. Iran's mission to the United Nations in New York accused the Biden administration of "basically repeating the failed maximum pressure policy of the former U.S. government," referring to former President Donald Trump's administration. "Iran has gotten used to these sanctions, but if the U.S. wants to return to JCPOA (the Iran nuclear deal) one day, it will be challenging for the U.S. government to lift all of them," Iran's U.N. mission told Reuters. Two of the sanctioned firms are based in China, with others in Vietnam and the United Arab Emirates, according to the Treasury Department's Office of Foreign Assets Control. The sanctions freeze the firms' U.S. assets and generally bar Americans from dealing with them. The U.S. issued the sanctions under a 2018 U.S. executive order that restored sanctions targeting Iran's oil, banking and transportation sectors. Trump imposed the 2018 order after abandoning the 2015 nuclear deal, which reined in Iran's nuclear program in return for relief from economic sanctions. President Joe Biden's administration has tried but failed to revive the pact over the last two years. On Thursday, the Treasury Department issued a general license authorizing limited transactions with the 20 sanctioned vessels under what it called a "wind-down" period through June 29, a document on its website showed.

Chart of the Day

Norway set to become net power importer by 2027

Average yearly balance between consumption and supply forecast for 2022-2027, TWh



Source: Statnett | Reuters, Feb 27, 2023 | By Victoria Klesty

Top News - Agriculture

Ukraine farm sector has lost $38 bln since Russian invasion - analysts

The Ukrainian agricultural sector has suffered almost $38 billion in direct and indirect losses from Russia's invasion, analysts from the Kyiv School of Economics (KSE) said on Thursday. Ukraine is a major global grain grower and exporter but large areas of its east, south and north have been fought on, occupied and mined since the invasion just over a year ago.

Using data from the state statistics service, agriculture ministry, World Bank, satellite imagery and companies, the KSE analysts said direct losses to the Ukrainian farm sector had reached around $7.8 billion by Jan. 1 this year. This figure, they said, included losses of $3.8 billion from the destruction of equipment, $1.2 billion from damage to silos and $1.9 billion from ruined agricultural products.

KSE estimated that indirect losses -- including from lost output, reduced exports, higher production costs and the remediation of damaged soil -- were around $30 billion.

Ukraine has sharply reduced the area sown with 2023 winter wheat to around 3.8 million hectares, from more than six million hectares in 2022, because of the Russian invasion.

Ukraine's wheat harvest declined to 20.2 million tonnes in 2022 from 32.2 million tonnes in 2021. Overall grain output fell to around 54 million tonnes from a record 86 million in 2021.

The economy ministry has said the grain harvest may fall to 49.5 million tonnes in 2023, and analysts have said the crop could drop to 35-40 million tonnes.

Argentina soy crop estimate to be cut again, says major exchange

The Buenos Aires grains exchange said on Thursday it plans to cut its estimate for Argentina's soybean crop for the 2022/23 cycle for the fourth time as the country struggles with the ongoing impact of drought and high temperatures. The exchange did not give further details about the size of the new cut. The soybean crop is currently estimated at 33.5 million tonnes, down from the initial projection of 48 million tonnes.

In its weekly crop report, the exchange said a week of dry, hot weather continued to affect crops as 62.2% of planted areas are in a period critical to their development. "This scenario will affect our current production estimate," it said. The current cycle could produce a harvest even worse than during the 2007/2008 cycle, when another drought caused farmers to reap just 32 million tonnes. Last year, Argentina harvested 43.3 million tonnes.

Argentina is the world's leading exporter of processed soybean oil and meal and third-largest exporter of corn. The exchange said the severe lack of rain was also affecting the development of corn, currently forecast at 41 million tonnes, down from an initial forecast of 50 million tonnes. It said it may need to cut its forecast for corn if weather patterns do not improve.

Weather forecasts however predict "above-normal" temperatures for the next seven days with irregular and scarce rainfall over Argentina's main farmland, which is most affected by the drought, ending with lower temperatures and possible frosts.

Top News - Metals

Canada’s Advanced Lithium in preliminary talks with Mexico’s lithium firm for JV

Canadian miner Advanced Lithium is holding preliminary talks with Mexican state-run lithium company LitioMx to form a joint venture to exploit the mineral, the firm's chief executive officer, Allan Barry, said on Thursday. "At this point in time the discussions are in a preliminary phase. LitioMx is preparing its wish list of what would need to be done to form a joint venture," Barry said in a phone interview. Canada's Advanced Lithium has permits for exploration mainly in the Mexican state of San Luis Potosi and is seeking this joint venture to start exploiting the metal, used in batteries to power electric vehicles, Barry noted. LitioMx head Pablo Taddei told Reuters earlier in February that future lithium mining joint ventures must give the government a majority stake. "I have no problem with having a smaller piece of a big pie... There are creative ways to come up with something that works for everybody and I'm interested in a win-win situation for us and them," Barry said when asked about Taddei's remarks. Both parties have formally met twice, Barry said. "We have only had exploratory meetings as with the rest of the actors in the sector that have approached us. These are very preliminary conversations and there is no concrete proposal from either side," Mexico's Taddei said when asked about the meetings. One of the main attractions of the region is German automaker BMW's battery manufacturing plant, which will be constructed starting 2027, Barry said, adding the proximity will help it align with the government's push to keep lithium developments in the country. German automaker BMW announced on Feb. 3 it will invest 800 million euros in the central Mexican state of San Luis Potosi to produce high-voltage batteries and fully electric cars. Carmaker Tesla is considering building an electric battery plant in central Mexico, according to Martha Delgado, a Mexican deputy foreign minister. The developments come at a time when Mexican President Andres Manuel Lopez Obrador is aiming to lure foreign companies to the country and so Mexico can benefit from a trend of nearshoring - in which firms operate part of a business in nearby country - while maintaining control of the resources. Lopez Obrador has insisted lithium is property of Mexicans and should stay in the country.

Nippon Steel could buy more stakes in coking coal and iron ore mines

Nippon Steel Corp could buy more stakes in coking coal and iron ore mines even after its recent decision to invest in a Canadian mine, as it sees a risk of commodity prices staying high, an executive at the world's No.4 steelmaker said. Japan's top steelmaker said in February it will spend around 1.15 billion Canadian dollars ($844 million) to buy a 10% stake in Elk Valley Resources Ltd (EVR), the coking coal unit to be spun off from Canadian miner Teck Resources Ltd. Nippon Steel already owns stakes in several coking coal mines, procuring 20% of its annual 27 million tonne imports of the coal. The deal will boost that share to 30%. But it may not be enough, as prices of key steel-making ingredients, including iron ore, could remain at high levels, executive vice president Takahiro Mori said this week. "If a good mine goes up for sale, we will consider buying a stake," Mori told Reuters in an interview, adding the search includes iron ore. The steelmaker now procures 20% of its 58 million tonnes of iron ore imports from its equity holdings.

Under the latest deal, to be completed in the April to March quarter, Nippon Steel has the right to raise its EVR stake to a maximum 17.5%. "We aim to boost our stake to above 15% by around the middle of the next financial year to make it an affiliate," Mori said, allowing it to incorporate some profits from the Canadian miner into its business profit.

Mori is cautiously upbeat on its earnings outlook for the next year starting in April. "We expect a slight increase in our crude steel output after a slump this year, as automobile production will pick up after supply chain snags ease," he said. Thanks to a restructuring that included shutting down some blast furnaces, its marginal profit ratio has improved, he said, citing a 1 million-tonne increase in crude steel output that will boost its business profit by up to 50 billion yen ($366 million). If steel output is forecast to fall 12% in the current year to 34.2 million tonnes. Stronger earnings from overseas units including its Indian joint venture with ArcelorMittal and robust demand for its high-end seamless pipes used in energy projects will also contribute to a healthy profit next year, Mori said.

MARKET MONITOR as of 07:15 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.97 / bbl	1.19%	-2.85%
NYMEX RBOB Gasoline	$2.69 / gallon	1.69%	8.40%
ICE Gas Oil	$847.00 / tonne	-0.26%	-8.03%
NYMEX Natural Gas	$2.82 / mmBtu	2.03%	-36.96%
Spot Gold	$1,844.54 / ounce	0.95%	1.10%
TRPC coal API 2 / Dec, 23	$155 / tonne	-1.12%	-16.10%
Carbon ECX EUA / Dec, 24	€98.34 / tonne	-0.19%	11.75%
Dutch gas day-ahead (Pre. close)	€48.47 / Mwh	-0.57%	-35.86%
CBOT Corn	$6.40 / bushel	0.35%	-5.67%
CBOT Wheat	$7.12 / bushel	-0.14%	-10.77%
Malaysia Palm Oil (3M)	RM4,326 / tonne	0.75%	3.64%
Index (Total Return)	**Close 02 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	296.69	-0.54%	-1.54%
Rogers International	28.17	1.64%	-1.73%
U.S. Stocks - Dow	33,003.57	1.05%	-0.43%
U.S. Dollar Index	104.87	0.19%	1.30%
U.S. Bond Index (DJ)	393.58	0.04%	0.55%

Top News - Carbon & Power

China 2023 gas demand likely to grow, but LNG outlook cloudy - PetroChina Intl exec

Natural gas demand in China is likely to grow this year as the economy recovers, but whether the country's imports of liquefied natural gas (LNG) rebound will depend on spot prices, an executive of PetroChina International said. China's LNG imports dropped nearly 20% to 63.4 million tonnes last year, pushing it down to the world's No.2 LNG buyer behind Japan as zero-COVID lockdown measures and high spot prices hit demand.

"We expect consumption of natural gas to return to a healthier level this year compared to 2022," Yaoyu Zhang, general manager of global LNG and new energies at PetroChina International, told Reuters on the sidelines of an energy conference in Tokyo. China's apparent gas consumption was 366.3 billion cubic metres in 2022, down 1.7% from the previous year, data from the country's National Development and Reform Commission showed.

"This year, we expect at least the same level (as in 2022) – we believe there could be slightly more given recovery of the (Chinese) economy," Zhang said.

PetroChina, the listed arm of the state-run China National Petroleum Corporation, is the country's top gas importer. LNG is used to supplement domestic gas production and pipeline imports. As China's economic activity ramps up following the end of lockdowns, its domestic LNG demand could increase by 10% this year, the International Energy Agency has said, but Zhang remained cautious with predictions. "This year, we are going to take a similar approach depending on the price level on the spot market, then we will decide do we want to buy more or less," Zhang said. "If the spot LNG prices remain high like last year, we don't expect a quick rebound of the LNG purchases in China." Russia is one of the key sources for pipeline and LNG supplies to China. The countries remain close allies despite Moscow's decision to send troops to Ukraine last year. Beijing has refrained from calling Russia's military move an invasion.

Zhang noted PetroChina, via CNPC, is a partner in the Yamal LNG and Arctic LNG 2 projects in Russia and buys Russian gas via pipeline. "I don't expect these relationships to stop because at the moment there are no sanctions on LNG. I think it will be business as usual – we will lift our equity volumes – pipeline and LNG," he said. Russia wants to increase pipeline gas supplies to China via new routes especially as it suffers a decline in its once core European market.

In big power producer Norway, plans for greener industry meet resistance

At Heroeya in southern Norway, the country's biggest onshore industrial site is planning to go fully electric by replacing its use of natural gas with power from the grid, part of a nationwide push to cut the country's CO2 emissions. But Oslo's plan to electrify big industrial sites to comply with the 2015 Paris Climate Agreement is clashing with voters' concerns their power bills will increase, as higher demand puts heavy pressure on limited supply. It's an illustration of a conflict at the heart of environmentalism, between the desire to electrify everything from transport to industry, and an equally strong interest in protecting nature from the negative impact from new power plant construction.

Higher power costs are particularly galling for consumers in Norway, given that its natural energy reserves in the form of hydropower have historically meant its electricity was cheap. Norwegian voters, for whom higher power bills are the main issue of concern currently, are already paying more due to the European energy crisis, which could lead to the postponement of some electrification projects. "Everyone is fighting about the little power we have," Gunnar Tveit, 75, in the town of Porsgrunn, where Heroeya is set. "This is going to be very hard."

Until now a power exporter, Norway is expected to have a power deficit from 2027, according to the country's national grid operator, partly due to its plans to electrify big polluting sites.

NOT ENOUGH SUPPLY

Fertiliser maker Yara International, one of the companies based at Heroeya, uses vast quantities of natural gas to make the hydrogen it needs to produce 500,000 tonnes a year of ammonia.

In the future it hopes to produce hydrogen by using power to break up water molecules, a tried-and-tested though expensive method that Yara is building a pilot plant to further explore. But as of now there is not enough electricity supply and grid capacity to power full-scale electrification, said Lise Winther, the executive in charge of the project at Yara. "We need power at affordable prices," Winther told Reuters. "We also need proper governmental support to be able to make this shift. We are in a global competition, and we need to have support schemes that fit with what is available in other countries."

Oil and Energy Minister Terje Aasland said authorities were doing all they could to stop Norway becoming a net power importer by 2027.

"To avoid a power deficit, we must build more renewable energy, we must build more power grid lines and we must be more effective in our consumption," he told Reuters.

The country produced a record 154 terawatt hours of electricity in 2020, some 90% of it from hydropower in dammed reservoirs and along rivers, and the rest from wind farms. But expanding production is proving tricky. Building new green energy sites to power expected new demand can be problematic. This week Indigenous and environmental campaigners, including Greta Thunberg, blocked entrances to the energy ministry to protest against 151 new wind turbines built on land used by Sami reindeer herders. Options to expand hydropower are limited, onshore wind farms are facing local opposition across the country, and plans to build large-scale offshore wind farms have been scaled down due to controversy about exporting power.

LIMIT EXPORTS

The government is confident it can achieve its ambitions to electrify big polluting sites, citing its first ever offshore wind licensing round to be launched this year and changes it has made to make building onshore wind turbines faster. It is also ready to limit supplies to other countries if needed. In January, it said it could restrict power exports if water reservoirs at hydropower plants fall to very low levels. When Oslo first mooted the plans last year it drew ire from its Nordic neighbours, worried that this could be the first step towards European countries protecting their own power supplies.

Norway, not an EU member but part of the European common market via the European Free Trade Association, denies it is protectionism, likening its move to European efforts to prioritise filling gas storage to ensure sufficient winter supply. The country needs to be similarly resolute to meet its climate goals without risking the loss of big industrial consumers to other countries offering cheaper electricity. Stein Lier-Hansen, the head of lobby group the Federation of Norwegian Industries, said a lack of power could nip ambitions of building a green transition technology hub at Heroeya in the bud, and companies could start looking elsewhere. "We have seen a dramatic rise in (power) demand," Lier-Hansen told Reuters.

"What we are seeing at Heroeya, but also other places, are projects being postponed, not necessarily cancelled - in the worst case, these will be built in other countries."

Top News - Dry Freight

EXCLUSIVE-Ukraine doesn't plan to curb 2023/24 wheat exports -govt official

Ukraine sees no need to limit wheat exports for the upcoming 2023/24 July-June season, as the winter harvest looks to be larger than expected, albeit smaller than in peacetime, a top agriculture ministry official said on Thursday. Ukraine was the world's fifth-largest wheat exporter before the war with Russia, and its shipments were especially important to poor countries in Africa and the Middle East. Based on results collected by the Ministry of Agrarian Policy and Food as well as satellite images, farmers planted more wheat in southern areas than the ministry had forecast in autumn, first deputy farm minister Taras Vysotskiy told Reuters. "The (supply) balance is positive and so far there are no reasons for it," he said of government-imposed limits to wheat exports that would preserve more wheat for domestic consumption. Some Ukrainian agriculture groups have suggested that the government may introduce limits on wheat exports, fearing a shortage of milling wheat at home after a smaller, poor-quality harvest. The ministry now estimates that farmers planted 4.1 million hectares of winter wheat nationally, up from its estimate in October of 3.7 to 3.8 million hectares, Vysotskiy said, adding that the ministry planned to formally release the new forecast on Monday. The planted area is still sharply lower than before the war, when farmers seeded 6.2 million hectares. The size of Ukraine's wheat crop depends largely on the rainfall it will receive in spring, before farmers harvest it, Vysotskiy said. The harvest may range from 16 million to 18 million tonnes, he estimated. Last year, Ukraine produced 20.2 million tonnes of wheat. Ukrainian wheat exports have declined to 11.3 million tonnes so far this season from 18.1 million sold abroad in the same period in 2021/22, ministry data shows. The Black Sea grain deal with Russia, the United Nations and Turkey that allows some ships to move Ukrainian grain during the war is due to expire later this month. Some areas in the east and south are also heavily mined, and difficult to farm during the war.

Turkey buys 465,000 tonnes barley in tender -traders

Turkey's state grain board TMO has provisionally bought about 465,000 tonnes of animal feed barley in an international tender on Thursday, European traders said. The tender has concluded and no more purchases are expected, they said. The volume was slightly more than the 440,000 tonnes originally sought. Purchases in TMO's tenders are provisional and subject to final confirmation in coming days. Purchases can be reduced or cancelled completely. Imports or grain already in warehouses in Turkey can be offered in the tender. "I think the Black Sea will be the main supply sources, especially Russia and Ukraine," one trader said. "Russian barley looks like being heavily involved despite the sanctions while some Ukrainian was also sold, although there is uncertainty about the shipping agreement for Ukrainian grain exports." Traders said Turkey is believed to have additional need for grains after last month's earthquake caused huge loss of life and massive destruction. Turkey on Tuesday made a major purchase of 790,000 tonnes of wheat in an international tender. Barley imports or delivery from warehouses was sought in Thursday's ender rapidly in two periods between March 10-April 10 and April 11-May 11.

Picture of the Day

NASA's SpaceX Crew-6 mission, that includes NASA astronauts Stephen Bowen and Woody Hoburg, the United Arab Emirates Sultan Al-Neyadi and Russian cosmonaut Andrey Fedyaev, launches to the International Space Station from the Kennedy Space Center in Cape Canaveral, Florida, U.S., March 2. REUTERS/Joe Skipper

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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