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Top News - Oil

Return of US oil sanctions would clip Venezuela's output gains, analysts say

A possible reimposition of U.S. oil sanctions on Venezuela next month would stagnate the OPEC-member country's crude output, wiping out the small gains it has achieved in recent years, analysts said on Tuesday.

Washington said in January it will allow the expiry of a temporary license it granted last year to Venezuela as part of negotiations for a fair presidential election if the government does not allow an internationally observed election with participation of a candidate chosen by the opposition.

The U.S., which first imposed oil sanctions on Venezuela in 2019, in October granted the license that has allowed state oil company PDVSA to resume crude exports to some of its established customers, ease price discounts and slowly boost oil output to 783,000 barrels per day (bpd) last year, compared with 569,000 bpd in 2020.

Production is expected to barely grow through 2026, declining from then on if oil sanctions are fully restored, said Francisco Monaldi, an expert on Latin American energy policy with Rice University's Baker Institute.

If the temporary license is extended or granted again at least partially, that would fuel a larger increase, driving output to slightly above 1 million bpd from 2025 on, according to a forecast by consultancy Rystad Energy shown by Monaldi at a conference organized by Harvard University.

"There is still room for a scenario where U.S. license 44, granted in October, is renewed at least partially if (Venezuelan President Nicolas) Maduro does the bare minimum to meet the electoral conditions set as part of the Barbados agreement," Monaldi said.

It remains unclear what will happen with other authorizations granted by Washington since 2022, including to producers Chevron, Eni, Repsol and Maurel & Prom.

If those individual licenses remain, production might still decline but not collapse, Monaldi said.

Maduro and the opposition last year signed a pact in Barbados setting conditions for a presidential election later this year. They included international observation, the withdrawal of legal bans to opposition candidates and guarantees for a transparent process. Maduro has failed to progress on most.

Chevron's Vice President of Midstream Colin Parfitt told Reuters on Tuesday risks related to the license in Venezuela remain. However, the company plans to continue producing Venezuelan oil and exporting to the U.S. "as long as we have the license."

Chevron does not have long-term incentives to invest in Venezuela under the current license, Parfitt added, so any production increase will remain limited by that.

INSIGHT-Russia oil fleet shifts away from Liberia, Marshall Island flags amid US sanctions crackdown

Dozens of oil tankers used by Russia have stopped sailing under the Liberian and Marshall Islands flags in recent weeks after the United States ramped up sanctions enforcement on ships linked to those registries, according to shipping data and interviews with industry and government officials.

The shift reflects the close relationship between the U.S. and the flag administration companies of Liberia and the Marshall Islands, which are headquartered not in their home countries, but in Virginia, just miles from Washington D.C. and within the jurisdiction of U.S. sanctions enforcement.

The heavy past use of those flags also represents a potentially lasting vulnerability for Russia’s oil fleet, whose tankers will remain liable for sanctions violations even after they have switched to a new flag outside of U.S. reach, according to energy and sanctions specialists.

"They've created an enduring liability and enduring risk," said Craig Kennedy, a center associate at Harvard University's Davis Center for Russian and Eurasian Studies.

Commercial ships must be registered, or flagged, with a particular country to ensure they are complying with internationally recognized safety and environmental rules.

Reuters analyzed LSEG and Lloyd's List Intelligence shipping data, and interviewed government officials, flag registry representatives and shipping analysts to provide previously unpublished details on the role of flag registries in the recent wave of U.S. sanctions announcements targeting Russia's oil fleet, and the vulnerabilities they pose to Russian oil shipping.

The G7, the EU and Australia imposed a $60 a barrel price cap on Russian oil exports in December 2022 as part of wider economic sanctions aimed at cutting Moscow’s revenues without disrupting global energy supplies, following Russia’s invasion of Ukraine.

The cap bans the use of Western maritime services when tankers carry Russian oil priced at or above the cap. A U.S. official, who requested anonymity when speaking about the sanctions, confirmed that the Liberian and Marshall Islands flag registries qualify as Western services.

Since October, the U.S. Treasury Department has imposed sanctions on some 41 oil tankers for Russian price cap violations, 24 of which were flying the Liberian flag and one of which was using the Marshall Islands flag.

Almost all of the other tankers were flagged in Gabon, including 12 of the 14 targeted by the Treasury Department in its most recent bundle of sanctions on Feb. 23. Of those Gabon-flagged tankers, in which Russia's top shipping company Sovcomflot (SCF) has an interest, at least three had recently flown the Liberian flag, according to Reuters' analysis of shipping data.

Those tankers were among a slew of ships in the SCF fleet moving to Gabon, according to the data: as of early February, SCF had 42 tankers in its 147 tanker fleet that had recently shifted to the Gabon flag, mainly from Liberia and Panama.

SCF declined to comment and Russia's transport ministry did not respond to a request for comment.

The Liberian flag registry told Reuters that all the Liberian -flagged vessels which were sanctioned were in the process of having their Liberian flags removed. "We are all living in a different world right now and the registries need to adapt to what the global situation is at this point," the Liberian registry said.

The registry declined to comment on its previous business with SCF.

A U.S. official told Reuters that Liberia had been actively engaged with the Treasury Department, and that sanctioned tankers have about a three-month wind down period to switch to another flag.

Marshall Islands registry officials are also in contact with U.S. agencies on the issue, a Marshall Islands registry spokesperson said.

Gabon Transport Minister Loic Moudouma confirmed to Reuters that many tankers had left the Liberia registry for Gabon recently, and said Gabon would de-list them if they are found to be engaged in illegal activity.

“We are not a flag registry for the world’s rogue navigators or transporters,” he said.

“If any ally, any partner in the world, realizes that there is a Gabonese ship flying the Gabonese flag and carrying out illegal activities, all they have to do is send us the file in full and we will take steps to remove the flag from this ship ourselves. Whether Russian or any other nationality."

Panama officials did not respond to a request for comment.

INVITING TROUBLE

The sanctions imposed so far have sent a chill through the industry involved in Russian trade.

Many of the still to be de-listed Liberian-flagged vessels, for example, are stuck, sitting at anchor outside of ports across the world including in the Black Sea, according to shipping data, marking a costly liability for their owners and those financially linked to their cargoes.

U.S. Treasury Department sanctions can have a "contagion" effect on tankers by dissuading market players from dealing with them, according to Harvard's Kennedy.

"In the dollar denominated world of oil trading, why put a deal worth tens of millions of dollars at risk by using a blocked tanker? You're just inviting trouble for everyone involved," he said.

Switching to the Gabon flag could also invite additional risk at ports for tankers carrying Russian oil.

A U.S. official said tankers that carried Russian oil above $60 that switch to the Gabon flag could also have a more difficult time with port authorities concerned about the safety of ageing tankers.

The United States, European Union and UK issued a letter late last year pressuring Liberia, the Marshall Islands and Panama to increase oversight of ships carrying their flags to ensure they do not transport Russian oil sold above the price cap, a source told Reuters at the time.

While the U.S. has been the primary enforcer of the price cap, other countries in the mechanism are working with Washington to tighten the screws.

"We're making it harder for Russia to use its shadow fleet, which in turn would force more volume back into the G7 fleet, where service providers are compliant with the cap," Olga Dimitrescu, an official at the UK Treasury’s sanctions enforcement arm OFSI told a Feb. 1 podcast with ship insurer NorthStandard.

U.S. officials say shipping practices related to the export of Russian oil above the West's price cap are in their crosshairs. "We are very concerned about evasion, I think that's clear from the actions we've taken," Claire McCleskey, an official with the U.S. Treasury's sanctions enforcement arm OFAC, told a New York shipping conference last month.

"You can anticipate our continuing to take action."

Top News - Agriculture

Argentina farmlands to see drier autumn as El Nino fades, says grains exchange

Rainfall in Argentina is set to become less frequent as the El Nino weather phenomenon subsides, giving way to a drier autumn and the possibility of a La Nina climate pattern, the Buenos Aires Grains Exchange said on Tuesday.

Argentina is a key global food exporter, and output in the current 2023/24 season has benefited from higher-than-usual rainfall drive by El Nino.

But El Nino is in its "dissipation stage," which will "give way to the development of a new state of the climate system," the grains exchange said in its monthly climate report.

Abundant rains last month boosted many soybean and corn lots currently in development stages. Their harvest begins in April, while the planting of wheat, one of the first crops in Argentina's 2024/25, kicks off in May.

El Nino's benefits, however, could be followed by the weather pattern's counterpart, La Nina, which can bring cooler and drier conditions, the exchange said.

Unlike El Nino, La Nina decreases precipitation. In the 2022/23 season, Argentina suffered the worst drought in official records under La Nina conditions.

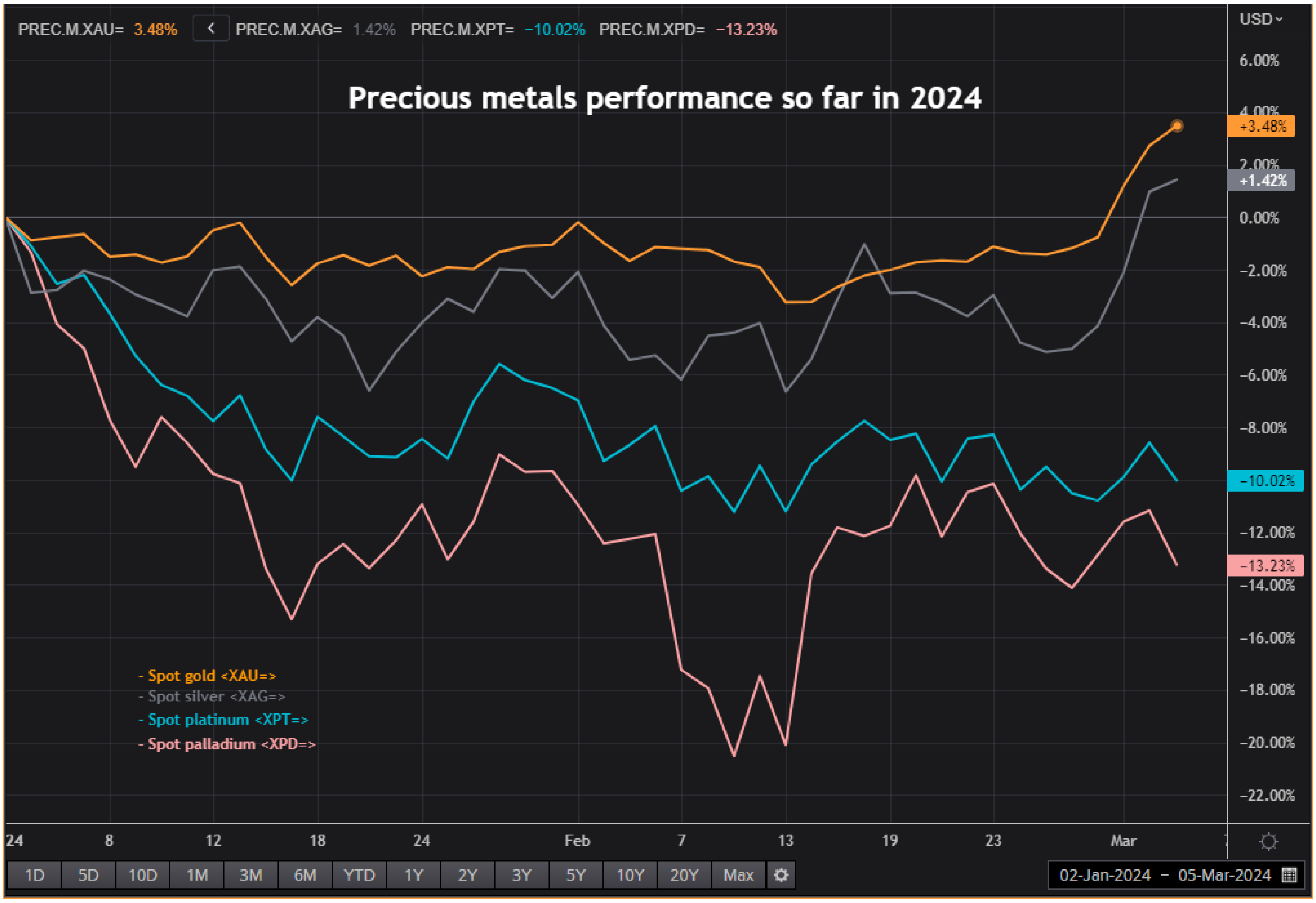
The exchange currently forecasts Argentina's 2023/24 soybean crop production at 52.5 million metric tons, with the corn crop seen at 56.5 million tons.

Mielke sees Malaysian palm oil price at 3,800-4,300 ringgit in next 3 mths

Malaysian palm oil price is seen trading in the range of 3,800 to 4,300 ringgit in the next three months as supplies tighten, leading industry analyst Thomas Mielke said on Wednesday.

Malaysia's palm oil benchmark contract was trading at 4,042 ringgit at 0409 GMT, up 1.4% from a day earlier.

Chart of the Day



"Palm oil prices have made their lows. It will appreciate and stay well above average in 2024 and 2025 mainly due to insufficient palm oil supplies," Mielke, executive director of Hamburg-based forecaster Oil World, told an industry conference.
Annual growth of palm oil production in 2023/24 is expected to be the smallest in four years at around 0.2 million metric tons to 0.3 million tons, Mielke said, as the output from the two biggest producers Indonesia and Malaysia are seen stagnating this year.
Output from Central America and Africa is seen moderately higher.
The current premium of palm oil over sunflower oil and soy oil prices however is expected to disappear in next several weeks, Mielke said, as their prices are also seen rising.

Top News - Metals

Platinum deficit in 2024 to be deeper than expected – WPIC

A global platinum deficit in 2024 will be deeper than previously expected as mines hit by low prices for palladium and rhodium cut supply, the World Platinum Investment Council (WPIC) said, adding there were risks mine supplies could fall even further.
The 2024 deficit of 418,000 troy ounces will, however, be smaller than 2023's 878,000 ounces due to lower demand, the WPIC, whose members are major Western platinum producers, said in a quarterly report on Wednesday.
It previously projected the 2024 shortage at 353,000 ounces.
Demand for platinum, used in catalytic converters to reduce harmful emissions from vehicle exhaust systems among other applications, is expected to fall by 6% to 7.507 million ounces this year due to weaker industrial demand after a record 2023.
Yet demand from the auto sector will increase by 1% due to continuing substitution of platinum for palladium, the WPIC, which uses data from consultancy Metals Focus, added.
Total supply, meanwhile, will dip 1% to 7.089 million ounces as a 3% decrease in mine supply - largely from South Africa and Russia - will be partly offset by a 7% recovery in recycling.
To cover the deficit, above-ground stocks will fall by 10%, after an 18% drop in 2023 to a four-year low of 3.581 million ounces, it added.
Platinum prices are down 11% so far this year after an 8% fall in 2023, which the WPIC believes to be a function of algorithmic trading and automakers managing elevated platinum inventories, accumulated during the pandemic and the semiconductor shortage in 2020-2022.
"Range-bound trading will likely continue until price breaks out of that range, but we estimate that the automaker inventory management process is close to having run its course," WPIC chief executive Trevor Raymond said in the report.

GRAPHIC-Gold carried to record high on wave of momentum with focus on US rates

Gold hit a record high on Tuesday, with growing expectation of U.S. monetary easing and continued geopolitical risk buoying activity from momentum-driven funds which could propel the precious metal further.
A wider robust fundamental backdrop added support, including strong physical demand in Asia and central bank purchases as well as bullion's traditional safe-haven cachet. Central banks have been net buyers of gold for eight consecutive months.
Spot gold rose 0.8% to $2,130.79 per troy ounce as of 1540 GMT, after touching its record high of $2,141.59.
"The move became self-fulfilling with stops triggered and then of course that brings in the momentum funds," said StoneX analyst Rhona O'Connell.
From a technical analysis perspective, gold may still have further upside towards $2,180, a Fibonacci projection level.
"The coming days, especially with the critical economic data releases and (Federal Reserve Chair Jerome) Powell's testimonies, will be crucial in determining whether gold can maintain its current trajectory or if we'll see a period of consolidation," said Alexander Zumpfe, senior precious metals trader at Heraeus.
Independent analyst Ross Norman expects gold to hit $2,300 this year: "It's clear that the Fed will certainly cut rates and you'll start to see the market move towards those numbers. Will it happen in next few weeks? Maybe not. But it will probably happen in the next six-month window."
Holdings in gold-backed exchange-traded funds (ETF), other major part of gold demand, continue to slide for now. The world's largest gold-backed ETF - SPDR Gold Trust's GLD holdings - dropped 7% so far this year.
Spot silver has also figured in the rally since Monday, breaking through major technical levels. It was last up 0.2% at $23.94 per ounce, at its highest since Dec. 28.
"It means that gold is not going up alone right now and raises a chance of more sustained growth," Ole Hansen, Saxo Bank's head of commodity strategy, said.

Platinum and palladium by stark contrast were going in the opposite direction - down 1.4% and 1.6%, respectively.
"Platinum is relatively cheap vs gold but it has so far been left behind. Once the gold price stabilises, platinum is likely to benefit from its recent growth," Hansen said.
The gold-platinum ratio has reached the highest since March 2020, when the start of the pandemic drove it to a record high.

Top News - Carbon & Power

US solar installations to benefit from Inflation Reduction Act in 2024, report says
The U.S. solar industry is expected to continue its momentum in 2024 after accounting for over 50% of new electricity capacity additions to the grid last year, according to a report published by Wood Mackenzie and the Solar Energy Industries Association on Wednesday.
Companies and residents have aimed to capitalize on U.S. President Joe Biden's Inflation Reduction Act, which provides generous tax credits for EVs and clean energy technologies such as wind and solar farms.
"A high case for U.S. solar with increased supply chain stability, more tax credit financing and lower interest rates would increase our (solar installation) outlook (by) 17%," said Michelle Davis, head of Global Solar at Wood Mackenzie and lead author of the report.
"A low case with supply chain constraints, less tax credit financing and static interest rates would decrease our outlook (by) 24%."
The report said that an additional five gigawatts (GW) over last year's capacity could be installed in 2024.
Growth-rate expectations for the commercial, community and utility-scale segments are 19%, 15% and 26% for the year, respectively.
The solar sector added 32.4 GW in 2023, 51% higher from 2022, primarily due to increasing supply chain stability as a backlog of projects were completed.
Solar imports had been hindered by trade actions in 2022, such as tariffs on imports from certain Southeast Asian countries and concerns around forced labor practices.
Last year, Texas topped the list for total solar capacity on a rise in utility-scale solar installations, which grew 77% from 2022.
California led residential and commercial installations in 2023, as consumers moved to take advantage of the state's current net metering rules before the switch to new net billing rules, known as NEM 3.0, in April this year.
However, California's residential solar installation is expected to decline by 13% in 2024 on the shift to NEM 3.0, along with higher interest rates weighing in other states, the report said.

ANALYSIS-Biden's scaled-back power rule raises doubts over US climate target
The Biden administration's decision to exclude the existing U.S. fleet of natural gas power plants from upcoming carbon emissions regulations raises questions over the nation's ability to meet its climate goals, according to researchers.
Cleaning up the U.S. power industry, source of about a quarter of the nation's greenhouse gas emissions, has been a central plank of President Joe Biden's strategy to decarbonize the nation's economy by 2050 to counter global warming.
But in an unusual move, the Environmental Protection Agency late last week said it would take existing gas plants, which account for over 40% of U.S. power sector carbon emissions, out of the plan before finalizing the rule – a decision made after months of intense industry opposition.
Because the standards would not have kicked in until after 2030, the existing gas plant rule would have had a minimal contribution to near-term targets. But reducing emissions from those plants would be critical for U.S. climate goals beyond 2030, said Ben King, an associate director with Rhodium Group's energy and climate practice.
"Once you retire or mitigate a bunch of emissions from the coal fleet, then what you are left with in the power sector is a bunch of gas that you need to figure out what to do with," he said. "Utilities and grid operators need to really start planning for that now."
The EPA has said it plans to write a separate rule to cover CO2 emissions from existing gas plants as well as other hazardous air pollutants after it finalizes the rest of the regulation later this spring, but did not give a specific timeline.
The process of writing and finalizing a new rule often takes over a year and the agency faces the distraction of a looming general election in November. If President Joe Biden loses his bid for a second term to Republican rival Donald Trump, the effort would likely be abandoned.
"The Trump administration displayed enormous hostility to environmental protections for American communities when they were in power," Trevor Higgins, senior vice president for energy and environment at the left-wing think tank Center for American Progress, said.
"They intend to roll back and halt climate policy across the board."
Natural gas plants account for 43% of power sector greenhouse gas emissions, according to EPA's latest figures, and are on track to replace coal as the industry's largest source of emissions in 2028, according to the Energy Information Administration.

The proposal stripped from the power regulation would have required large gas-fired plants to install carbon capture equipment by 2035, or co-fire with 30% hydrogen by 2032. The power industry called the proposal unworkable.
EPA estimated when it initially unveiled the plan that the portion of the regulation that covered existing gas plants would lead to a cut of between 214 million and 407 million metric tons of carbon dioxide between 2028 and 2042 – the equivalent of around 6% of total U.S. CO_2 emissions in a year.

UNUSUAL PROCESS
The EPA's proposal upset the U.S. power industry right from the start, in part because utilities had not expected existing gas plants would be included.
EPA staff had worked for months on a proposed rule covering coal and new gas plants only, but existing gas plants were added following a White House review, weeks before the May release, according to regulatory documents.
The White House and EPA declined to comment on the reason for the last-minute addition.
Industry groups as well as some environmental justice advocates later argued the proposals for existing gas plants could backfire by leading utilities to rely on smaller, dirtier plants that fall outside the regulation in order to avoid costly upgrades to bigger generators.
An EPA spokesperson acknowledged shortcomings of the rule.
"The 2023 proposal for existing gas-fired power plants focused only on large baseload natural gas-fired power plants, considered a limited range of technology options, and initially included separate analyses of available technical information at the time to support different parts of the proposal," EPA spokesperson Tim Carroll said.

Top News - Dry Freight

Algeria buys milling wheat in tender, traders say
Algerian state grains agency OAIC has bought milling wheat in an international tender which closed on Tuesday, European traders said in initial assessments.
Initial purchases reported were around $227.75 to $228 a metric ton, cost and freight (c&f) included, they said.
Some traders put the lower end of the range at $227 a ton.
The tonnage bought was initially unclear. But trader estimates on Tuesday evening were of a large purchase of about 600,000 tons.
Algeria's purchases are optional origin, but the Black Sea region including Russia was seen as the likely origin of the initial purchases.
The wheat is sought for shipment in two periods from the main supply regions including Europe: June 1-15 and June 16-30. If sourced from South America or Australia, shipment is one month earlier.
Algeria is a vital customer for wheat from the European Union, especially France, but Russian exporters have been expanding strongly in the Algerian market. Reports reflect assessments from traders, and further estimates of prices and volumes are still possible later.
In its last wheat tender reported on Jan. 17, Algeria bought about 900,000 tons mostly at about $265.50 a ton c&f. European wheat futures hit 3-1/2-year lows on Tuesday largely on pressure from falling prices for wheat from Russia and other Black Sea exporters.

Indonesia's 2024 wheat imports seen rising by 5%, industry official says
Indonesia is likely to import larger volumes of wheat in 2024 compared to 10.87 million metric tons shipped last year, driven by higher demand for flour and animal feed, a senior industry official said on Tuesday.
"There will be growth in consumption for flour and feed with assumption of normal conditions," Franciscus Welirang, Chairman of Indonesian Flour Producers Association, told Reuters on the sidelines of an industry conference in Jakarta.
Indonesia is the world's third-largest wheat importer, buying largely from Australia, Canada, U.S. and the Black Sea region.
Welirang said the country's flour consumption this year is expected to rise by 5% from 2023.
Meanwhile, Indonesian grain buyers are boosting imports of lower quality wheat, as a decline in corn output last year following a severe drought linked to an El Nino weather pattern tightened the country's animal feed supplies.
Imports from the Black Sea region will largely depend on the cost, he said, amid higher risk of shipping commodities from the Red Sea.
Ships carrying grains and other commodities are being diverted from the Suez Canal to sailings around the Cape of Good Hope on concerns about attacks on vessels in the Red Sea.
"There is high risk in transporting through Red Sea," he said. "It will have to go down south, so it will take longer time, and higher freight."

MARKET MONITOR as of 07:36 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.47 / bbl	0.41%	9.52%
NYMEX RBOB Gasoline	$2.53 / gallon	0.23%	20.04%
ICE Gas Oil	$815.75 / tonne	-0.79%	8.66%
NYMEX Natural Gas	$1.94 / mmBtu	-0.92%	-22.87%
Spot Gold	$2,129.69 / ounce	0.10%	3.25%
TRPC coal API 2 / Dec, 24	$110 / tonne	3.77%	13.40%
Carbon ECX EUA	€58.66 / tonne	-3.11%	-27.01%
Dutch gas day-ahead (Pre. close)	€27.37 / Mwh	0.81%	-14.07%
CBOT Corn	$4.26 / bushel	0.00%	-11.93%
CBOT Wheat	$5.48 / bushel	-0.64%	-14.39%
Malaysia Palm Oil (3M)	RM4,049 / tonne	1.58%	8.81%
Index	**Close 05 Mar**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	318.22	-0.51%	5.58%
Rogers International	27.08	-0.75%	2.85%
U.S. Stocks - Dow	38,585.19	-1.04%	2.38%
U.S. Dollar Index	103.69	-0.10%	2.33%
U.S. Bond Index (DJ)	423.32	0.43%	-1.72%

Picture of the Day

A drone view shows a "mat" of water lettuce covering the Vaal River and expanding quickly, impairing the water's quality by blocking the air-water interface and sharply lowering oxygen levels at Millionaires Bend, West of Sasolburg, South Africa, February 16. REUTERS/Shiraaz Mohamed

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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