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Top News - Oil

CERAWEEK-Russia wild card to keep oil markets on edge, execs warn

Executives and officials from some of the world's top oil and gas companies said on Tuesday energy markets are balanced now, but could easily be disrupted due to tight spare production capacity and supply uncertainties related to Russia's war in Ukraine. The comments at the CERAWeek energy conference in Houston show the industry remains on edge after weathering the initial aftermath of one of the biggest shocks to global energy flows in recent memory.

A temperate winter helped by giving major consumers in Europe a reprieve from typically high demand for heating fuels. "There is very small spare capacity available so small changes in supply have impact," said Anders Opedal, Chief executive of Norwegian energy giant Equinor. "It is easy for the market to move in either direction."

Opedal predicted natural gas supply uncertainty faced by Europe since Russia invaded Ukraine and cut off regional supplies will continue in 2024 and likely 2025. Tighter global crude supplies are also possible after the Kremlin's threat last month to cut 500,000 barrels per day (bpd) of supply from March.

On Monday, U.S. energy executives and top OPEC officials discussed concerns about a lack of spare oil production capacity at a private dinner on the sidelines of the conference, an executive who attended said.

"We may have gotten through this winter surprisingly well, but I don't think we're out of the woods yet," said Michael LaMotte, senior managing director of investment firm Guggenheim Partners. "And things actually could get worse before they get better."

Algeria, a member of the Organization of the Petroleum Exporting Countries, is in the process of investing $40 million in upstream business to satisfy demand, especially demand in Europe, said Mohamed Arkab, the country's minister of energy and mines.

PRICE CAP ON RUSSIA WORKING

Tight spare capacity makes it critical for governments sanctioning Moscow for the invasion of Ukraine to put a price cap on Russian oil instead of capping the country's ability to export crude, said Frederic Lasserre, Gunvor's global head of research and analysis.

U.S. energy envoy Amos Hochstein said the price cap - designed to reduce Russian revenues without slowing its exports - was working well, as Russian oil was still finding its way to market.

The Group of Seven countries, the European Union and Australia implemented the price cap on seaborne cargoes of Russian oil on Dec. 5, setting it at $60 a barrel.

On Feb.5, the G7 and allies also implemented a price cap on Russian fuel sales.

On Tuesday, the Kremlin said it did not recognize the price cap.

Though Russian oil is still getting to market, it is at different costs, as ships must travel longer distances to get the crude to countries that have not imposed sanctions, said Chevron CEO Mike Wirth.

OPEC Secretary General Haitham Al Ghais said on Tuesday that he was not concerned about the rerouting of Russian crude exports to countries such as China and India.

A STABLE OIL MARKET?

Officials including chief executives from Gunvor and Kuwait Petroleum Corp have reassured attendees at CERAWeek that the oil market has stabilized and reached balance, leaving behind fears of shortages this winter of crude, gas and fuel.

However, the oil market outlook later this year becomes murkier as companies, consumers and governments wrestle with factors ranging from fears of a potential global recession and higher interest rates to growing energy demand from China as it exits coronavirus restrictions. China's oil demand will grow 500,000 to 600,000 barrels per day in 2023, OPEC's Al Ghais said, while global oil demand growth is expected to grow 2.3 million barrels per day in 2023. Crude prices may rise in the second-half of the year as Chinese demand returns to the market, Gunvor Chief Executive Torbjorn Tornqvist said on Monday. On Tuesday, U.S. Federal Reserve Chair Jerome Powell told lawmakers the central bank will likely need to raise interest rates more than expected to control inflation.

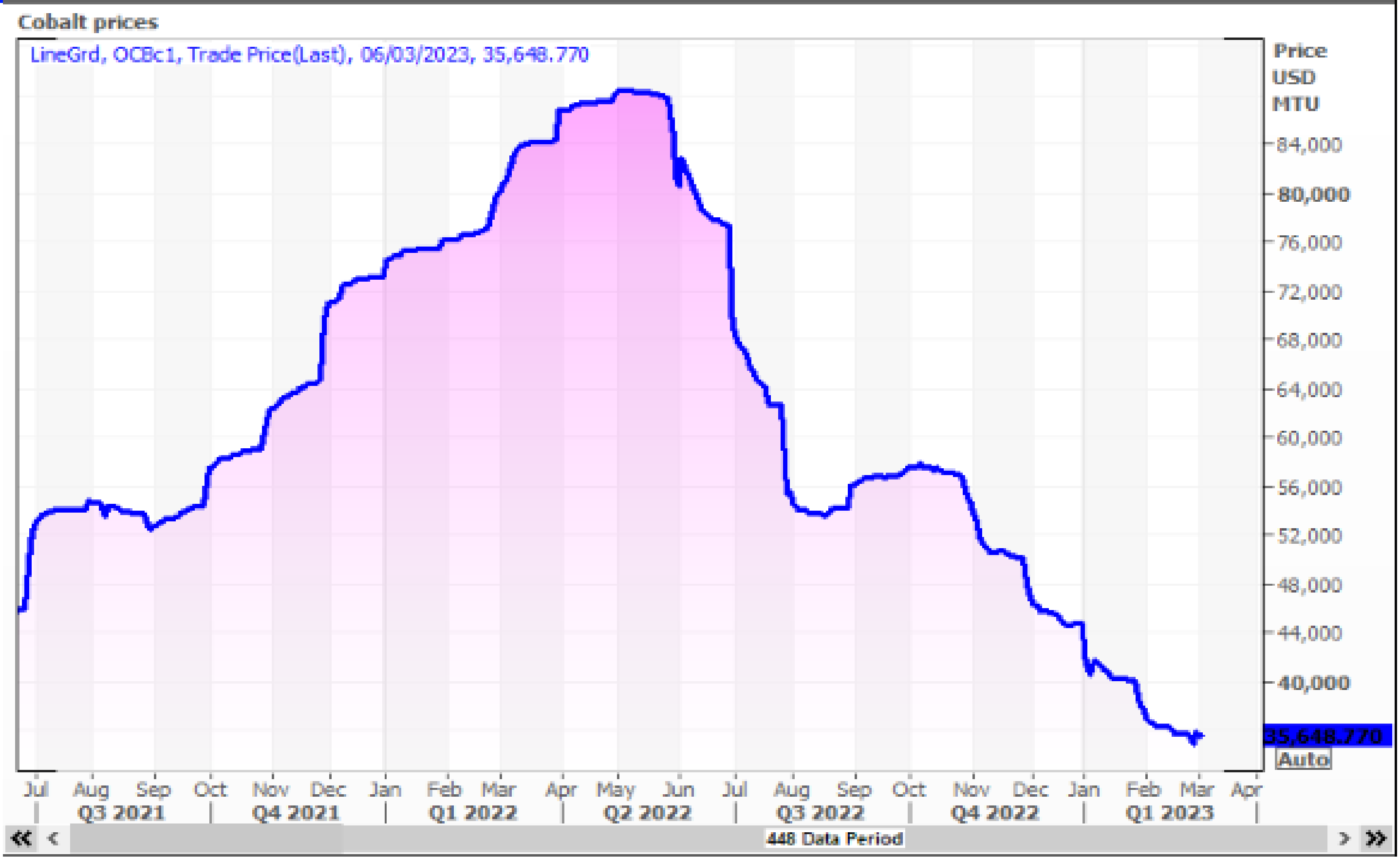
"This year is going to be a harder environment... driven by wider macro economics, also combined with what is going on with flows from Russia," said Savvas Manousos, CEPSA's executive vice president of global trading.

CERAWEEK-OPEC Sec Gen says China 2023 oil demand to grow 500,000-600,000 bpd

China's oil demand will grow 500,000 to 600,000 barrels

per day in 2023, OPEC Secretary General Haitham Al Ghais said on Tuesday, as the world's top crude importer emerges from COVID-19 restrictions. "With China opening up, we are quite optimistic, cautiously," he told the CERAWeek energy conference in Houston.
OPEC expects global oil demand growth to grow 2.3 million barrels per day in 2023, he said.
Al Ghais said he was not concerned about the rerouting of Russian crude exports to countries such as China and India in the wake of Russia's invasion of Ukraine. OPEC had witnessed many such changes in oil flows in the past, whether due to international politics or to the emergence of new demand centers, he said.
"This is typical where we have redirection in flows from the east to the west or west to the east," Al Ghais said.
The conflict in Ukraine threatened to upend global oil markets as Russia is the producer of 10 percent of the world's supply, and Russian exports have been targeted by sanctions.
On Dec. 5, the Group of Seven countries, the European Union and Australia implemented a price cap on seaborne cargoes of Russian oil, setting it at $60 a barrel as part of sanctions on Russia for its invasion of Ukraine. On Feb.5, the G7 and allies implemented a price cap on Russian fuel sales.
Russian oil production has been resilient, Al Ghais said, adding that the country's barrels have found buyers in markets like China, India and Turkey.
OPEC and Russia are part of the OPEC+ alliance, working together on supply policy for global markets.
When asked whether the alliance remained viable, Al Ghais said that the alliance is critical to stable oil markets and has been since producers started working together in 2016.

Chart of the Day



Top News - Agriculture

UN chief in Ukraine on Wednesday to talk Black Sea grain deal renewal

United Nations Secretary-General Antonio Guterres will meet Ukrainian President Volodymyr Zelenskiy in Kyiv on Wednesday to discuss extending a deal with Moscow that allows the Black Sea export of Ukraine grains amid Russia's war in the country. "The Secretary-General has just arrived in Poland on his way to Ukraine," U.N. spokesman Stephane Dujarric said on Tuesday, adding that Guterres will discuss the continuation of the deal "in all its aspects and other pertinent issues."

The 120-day deal, initially brokered by the United Nations and Turkey in July and extended in November, will be renewed on March 18 if no party objects.

Russia has signalled that obstacles to its own agricultural exports need to be removed before it lets the Ukraine's Black Sea grain deal continue.

To help convince Russia to allow Ukraine to resume Black Sea grain exports in July last year, a three-year deal was also struck in which the United Nations agreed to help facilitate Russian food and fertilizer exports.

Ukraine and Russia are both major global suppliers of grains and fertilizers.

Western powers have hit Russia with tough sanctions over its invasion of neighboring Ukraine more than one year ago. While Russia's food and fertilizer exports are not subject to sanctions, Moscow says restrictions on its payments, logistics and insurance industries are a "barrier" to such shipments.

Guterres is traveling with U.N. aid chief Martin Griffiths and senior U.N. trade official Rebeca Grynspan. Griffiths led negotiations on the Ukraine Black Sea deal, while Grynspan is working to facilitate Russia's food and fertilizer exports.

Guterres is due back in New York on Thursday, Dujarric said. It is Guterres' third visit to Ukraine in the past year.

Ukraine has so far exported more than 23 million tonnes of mainly corn and wheat under the deal, according to the United Nations.

The top primary destinations for shipments have been China, Spain, Turkey, Italy and the Netherlands.

Turkish Foreign Minister Mevlut Cavusoglu said on Sunday that Ankara was "working hard for the smooth implementation and further extension of the Black Sea grain deal."

Cavusoglu's remarks pushed U.S. and wheat futures down sharply on Monday on expectations serious efforts were being made to renew the deal, which in turn would higher volumes of grains could be available on world markets in coming months.

Brazil's corn-based ethanol supply grows as firms add capacity -trade group

Brazil will produce six billion liters of corn ethanol in the 2023/2024 season that begins in April, an increase of 36.7% over last season, trade group Unem said on Tuesday.

The data confirms that Brazilian corn ethanol production, even in the face of an economic downturn during the pandemic and competition from the sugar-based alternative, grew and will continue to expand as society demands cleaner fuel alternatives.

According to Unem, corn ethanol is expected to account for 19% of all ethanol consumed in the country next season up from 13.7% in the current season.

In the current harvest ending this month, sugarcane ethanol production should reach 27 billion liters, Unem said in a statement.

"Even with all the adversities faced during the pandemic, reduced economic activity, tax policies and the electoral process, we should close the next harvest with growth of 1,053% compared to 2017," Guilherme Nolasco, CEO of Unem, was quoted as saying in the statement.

It now takes corn ethanol companies just 31 days to produce the volume they produced in the full year of 2017, he said. Unem said it would present data on the production of biofuels and animal nutrition products to Agriculture Minister Carlos Favaro.

Top News - Metals

GRAPHIC-Cobalt supplies to swamp market, pressure prices further

Soaring supplies of battery material cobalt from the Democratic Republic of Congo will swamp the market creating a surplus and putting prices under more pressure this year and next, even though demand is expected to rise. Global supplies of refined cobalt used in the rechargeable batteries that power electric vehicles are expected to surge to around 210,000 tonnes this year, up 24% from 2022, while demand is forecast to rise 8% to 205,000 tonnes.

Congo, the world's largest producer is expected to account for 180,000 tonnes of cobalt supply this year, up more than 30% from 2022, and around 225,000 tonnes in 2024.

Liberum analyst Tom Price said persistent lockdowns in

China and rampant inflation since the middle of last year have undermined demand for cobalt from the electric vehicle, industrial and consumer electronics sectors.
Price forecasts a cobalt market surplus of 5,570 tonnes in 2023 and 4,315 tonnes in 2024. He expects prices to average $54,840 a tonne this year and $50,320 in 2024, compared with $63,739 last year.
"Another important demand-side factor undermining cobalt's price performance is China’s electric vehicle industry cost-cutting battery strategy," he noted.
Sales and production of electric vehicles worldwide are set to increase again this year and next.
However, Chinese battery producers are switching away from nickel, cobalt and manganese (NCM) chemistry to cheaper lithium iron phosphate (LFP) batteries, meaning cobalt demand will not grow exponentially as some had previously expected.
Outside China, the electric vehicle industry is also warming to LFP batteries while moving to higher nickel and lower cobalt batteries to boost the driving range from one charge.
LFP chemistry accounted for more than 34% of the global electric vehicle battery market in 2022, around double the previous year, according to Rho Motion, which expects those numbers to rise to 37% and 39% in 2023 and 2024 respectively.
"The share of different battery types has changed significantly...The relative loser is cobalt although its use continued to grow," said Macquarie analyst Jim Lennon.
"LFP chemistry continues to make rapid gains, especially in China where 2022 market share was around 60%."

Peru's copper starts to flow to ports as protests ease, minister says

Peru's mines are starting to transport their copper concentrate to ports for export once again after three months of protests that have snarled shipments, Energy and Mines Minister Oscar Vera said.
The minister told Reuters late on Monday that he had held meetings with firms, adding that shipments from mines like MMG Ltd's Las Bambas, which produces some 2% of the world's copper, were expected to reach Peru's coast in the coming days.
"We have the mining corridor practically unblocked," Vera said. "In a few days, probably this week, Las Bambas will transport its mineral to the coast."
Reuters could not immediately reach MMG for comment.
Vera said the easing of the protests and road blockades, which have snarled Peru since the Dec. 7 ouster of former leftist President Pedro Castillo, was boosting confidence in the sector, adding that mining firms were considering new investment.

MARKET MONITOR as of 07:44 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.23 / bbl	-4.01%	-3.78%
NYMEX RBOB Gasoline	$2.67 / gallon	-4.14%	7.69%
ICE Gas Oil	$825.00 / tonne	-2.11%	-10.42%
NYMEX Natural Gas	$2.67 / mmBtu	3.89%	-40.29%
Spot Gold	$1,814.09 / ounce	-1.77%	-0.57%
TRPC coal API 2 / Dec, 23	$126.5 / tonne	-8.99%	-31.53%
Carbon ECX EUA / Dec, 24	€100.65 / tonne	3.91%	14.38%
Dutch gas day-ahead (Pre. close)	€44.50 / Mwh	-4.75%	-41.11%
CBOT Corn	$6.46 / bushel	0.16%	-4.86%
CBOT Wheat	$6.96 / bushel	0.07%	-12.61%
Malaysia Palm Oil (3M)	RM4,202 / tonne	-1.89%	0.67%
Index (Total Return)	**Close 07 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	295.00	-0.49%	-2.10%
Rogers International	27.89	-0.92%	-2.72%
U.S. Stocks - Dow	32,856.46	-1.72%	-0.88%
U.S. Dollar Index	104.35	-0.16%	0.80%
U.S. Bond Index (DJ)	397.90	0.05%	1.45%

He said Peru expects $6.92 billion in mining investments through 2024 via six different projects.
"The most important thing is that very big companies are investing in Peru, they keep betting on us and are informing us of even more investment," Vera said. He said the government was looking to stimulate exploration with the extension of a law to return 18% of sales and local taxes to mining firms.
Despite some protest flareups, Vera said the situation in the country had normalized except for a few zones in the southern province of Puno, where the government was negotiating to bring investment projects to rural regions.
"The conflict in this country is practically in its final stage. That's the main guarantee for (investors) to maintain optimism," Vera said, adding that he expects copper production and exports to rise this year.
The protests have at times led to sharp drops in activity from key mines like Las Bambas and Glencore Plc's Antapaccay, though data analyzed by Reuters has shown activity returning to normal levels as blockades have been lifted. Some communities, however, have threatened to start new blockades focused on the "mining corridor" highway, which is key for the arrival of supplies at mines and the transport of copper out of them.

Top News - Carbon & Power

CERAWEEK-Europe gas supplies to stay tight 2 more winters, Equinor CEO says
Europe will struggle over the next two winters to replace Russian natural gas supplies as China's appetite for the fuel recovers, the chief executive of Norwegian energy giant Equinor told Reuters on Tuesday. Equinor became Europe's top natural gas supplier last year after exports from Russia were mostly choked off following Moscow's invasion of Ukraine.
The company increased gas output by around 8% in 2022 to supply the continent, Anders Opedal said.
Europe cut demand, increased domestic output and imported liquefied natural gas (LNG) at huge cost in response to the drop in Russian gas supplies, which accounted for around half of the region's supply in 2021. A relatively mild winter helped maintain gas reserves at comfortable levels.
"Trying to replace 150 billion cubic metres of (Russian) gas is a massive task. I'm impressed by how Europe coped with the situation," he said.
Going forward, Europe will continue to find it difficult to secure supplies due to a revival in LNG demand from China after it scrapped COVID restrictions late last year, Opedal said.
"The same uncertainty we had before this winter will repeat itself in 2024. And probably also 2025. It's only in 2026-2027 that we see new meaningful new energy supplies from the U.S. and Qatar."
Competition from Asia for LNG supplies means European demand will depend not just of its own weather conditions but also those in Asia.
"The weather in Asia can set the gas price in Europe," Opedal said.
Equinor produced over 2 million barrels of oil equivalent of oil and gas in 2022, when it reported a record adjusted operating profit of $75 billion on the back of soaring oil and gas prices. It aims to maintain stable oil and gas production until 2030 and supply Europe with at least 40 bcm of gas to Europe every year over the same period, Opedal said.
Equinor plans to drill 25 exploration wells this year in the Norwegian North Sea to find new resources and reverse the natural depletion of oil and gas fields.
It will also decide in spring whether to green-light the $5 billion development of a major oilfield in the British North Sea, Rosebank, Opedal added.
Last week Equinor agreed to acquire the British oil and gas business of Canada's Suncor Energy SU.TO for $850 million, giving it a 29.9% stake in the Buzzard oilfield as well as an additional 40% stake in the Rosebank project.
Equinor operates the Johan Sverdrup oilfield, the largest in the North Sea with a production capacity of 720,000 barrels per day (bpd). The field suffered an outage last month due to a technical fault in a cooling system.
Opedal, who joined Equinor in 1997 and became CEO in 2020, also said the global oil market remains vulnerable due to a limited amount of spare production capacity after years of underinvestment.

INSIGHT-Inside BP's plan to reset renewables as oil and gas boom
BP hasn't fallen out of love with renewables. It just wants to have more power.
CEO Bernard Looney's pursuit of green energy outstripped all rivals three years ago when he outlined a radical blueprint to move away from fossil fuels. Last month he applied the brakes, slowing BP's planned cuts in oil and gas and scaling back planned renewables spending in the wake of the war in Ukraine.
The oil major isn't backing away from renewables though, its green chief Anja-Isabel Dotzenrath stresses, it's simply changing the terms of the relationship.
Dotzenrath told Reuters BP was reviewing its solar and onshore wind businesses as part of a revamp that will see it move away from selling the clean electricity it produces, and instead keep hold of most of it to supply its growing electric vehicle charging network and production of low-carbon fuels.
The onshore renewables scrutiny, which hasn't been previously reported, follows reviews by Dotzenrath of BP's

offshore wind and hydrogen businesses over the past year which led to overhauls that saw the company install new managers, hire staff, scrap some projects and seek to revise terms of others.

"We made some changes internally and created a focused hydrogen organisation, a focused offshore wind organisation," Dotzenrath said in an interview. "I'm (now) just reviewing the onshore renewables part - so the onshore wind and solar part."

BP's head of renewables and gas didn't elaborate on the nature of the latest review. The green stakes are high, though, given solar alone comprises more than half of BP's 43-gigawatt renewables project pipeline.

Dotzenrath also put the first numbers to BP's rebalancing act, which comes amid deteriorating profits in renewables power generation, telling Reuters that the company aimed to retain 80% of the power produced to supply the global EV network and to make "green" fuels such as hydrogen, seen by many transition experts as a key fuel of the future.

She did not give a timeframe for the shift, which represents a major pivot given the vast majority of BP's renewables output is currently linked to power grids. BP will continue to build some projects under traditional power supply deals, she added.

"We will not grow renewables for the sake of growing wind and solar," said Dotzenrath, who is marking a year in the job after joining BP shortly after Russia's invasion undermined Europe's energy security, fuelled bumper profits for oil and gas and changed the calculus of the energy transition.

"Our strategy is not necessarily about asset ownership in renewables, but it comes as a consequence. It is really about securing access to cheap - the cheapest - green electron," she added, referring to electricity from renewable sources.

IN FOCUS: VENTURE WITH EQUINOR

The most eye-popping change in the strategy update last month was BP slowing its planned cuts in oil and gas output from 40% to 25% by 2030 compared with 2019 levels.

It also lowered its projected annual spending on renewables to up to $5 billion by 2030 out of a total group budget of up to $18 billion, from $6 billion out of $16 billion under its previous update in 2022, according to a Reuters analysis.

While BP's move to produce more oil and gas for longer puts it more in line with its peers, its 25% annual reduction goal is still more ambitious than any of its global rivals.

The paring of green ambitions has been cheered by the market, with BP shares leaping about 17% since the Feb. 7 strategy update, much more than any other rival Western major.

By contrast, BP had significantly underperformed rivals since Looney outlined his industry-leading transition plans three years ago, remaining largely flat until the announcement compared with a 20% gain for Shell and 84% rise for Exxon.

The renewables revamp reflects an acknowledgement that the company won't be able to sufficiently compete with traditional power generators if it simply sells the energy produced by its wind and solar projects, according to Dotzenrath.

"It's a critical feedstock," she said. "If it is not integrated with our other businesses, we will not do this because we don't believe that we have a competitive edge."

The company's new trajectory has placed its flagship U.S. offshore wind joint venture with Norway's Equinor in the focus of managers, five sources familiar with the matter separately told Reuters.

BP executives, including Dotzenrath, have held several meetings with Equinor in London in recent weeks to discuss ways to give the oil major greater clout in the venture, said the two BP and three Equinor sources, who are close to the talks and declined to be named due to the sensitivity of the matter.

BP wants more of its staff involved in the Oslo-based venture, the people said. One of the Equinor sources with direct knowledge of the operations said BP currently had more than 20 people working on the JV projects out of a total of over 270.

Equinor declined to comment on any "speculation" about changes to the venture sought by BP. It said it looked forward to applying their combined expertise to develop projects on the U.S. East Coast. Dotzenrath also declined to comment on this.

"I am very happy with the joint venture and the progress we are making with the projects," Dotzenrath said. "These are very, very complex, large, mega projects ... we have much more ability to support Equinor in the delivery of these projects."

THAT'S THE BRUTAL REALITY

When BP paid $1.1 billion for its 50% stake in the venture to enter offshore wind in 2020, it was more reliant on the know-how of Equinor, which had over a decade of experience and specialism in the sector.

Over the past two years, though, BP has brought in hundreds of staff from renewables firms. It has also broken from its tradition of developing leaders internally and hired senior executives such as Dotzenrath, a former CEO of Germany's RWE Renewables, and an offshore wind chief from Danish giant Orsted.

The UK major surprised many investors and analysts in December when it decided not to join Equinor in bidding on a floating wind project off California. Floating offshore wind is a nascent technology that remains significantly more expensive than turbines fixed to the seabed.

"This was a portfolio decision," Dotzenrath said. "The North Sea is much more important to us and our integration story than California. I think that's the brutal reality at the moment."

THE NEW NORMAL IN NUMBERS
BP's renewables revamp is underpinned by its projections about how much money it can make from the production and sale of green power versus higher-margin low-carbon businesses within its own integrated operations.
The company's outlook for its average core earnings from oil and gas in 2030 grew by around $10 billion to $42.5 billion over the course of last year, and by a meagre $1.5 billion to $11 billion from energy-transition businesses including renewables.
BP expects a return on investment of at least 15% on bioenergy including biogas as well as from combining EV charging with retail stores. Hydrogen is seen bringing in 10% returns, with renewables lagging at a maximum of 8% under the current model dominated by power sales.
While BP had a stated target in 2020 of trading 500 terawatt hours of electricity by 2030 – twice the volume in 2019 - no such target featured in its 2023 strategy update.
Dotzenrath said growth in renewables capacity would be in service to green hydrogen and other businesses it supplied internally with clean power.
"We take the green electron and do something with it," she added. "Access and control over the green electron is key because the world is short of green electrons."

Top News - Dry Freight

Jordan buys estimated 60,000 tonnes wheat in tender – traders
Jordan's state grains buyer purchased about 60,000 tonnes of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said. It was bought from trading house Ameropa at an estimated $315.30 a tonne c&f for shipment in the first half of August, they said.
Traders said these other trading houses participated in the tender with their estimated offers in dollars a tonne c&f: Viterra $326.25, Buildcom $323.23, Grain Flower $320, CHS $318, Cargill $325, Agro Chirnogi $324 and Nibulon $320.

EU 2022/23 soft wheat exports at 21.02 mln T, up 8% year on year
Soft wheat exports from the European Union in the 2022/23 season that started in July had reached 21.02 million tonnes by March 5, up nearly 8% from 19.52 million by the same week in 2021/22, data published by the European Commission showed on Tuesday. EU barley exports so far in 2022/23 totalled 4.06 million tonnes, down about 30% compared with 5.83 million a year ago, while EU maize imports were at 18.57 million tonnes, 60% above a year-earlier 11.61 million.
However, the Commission said that it was still experiencing problems compiling grain trade figures from Germany and Italy.
Export data submitted by Germany from November may be inaccurate following the country's switch to a new declaration system, while for Italy import data was available only until the end of November, it said in a note.
A breakdown of the EU data showed France remained by far the biggest EU soft wheat exporter this season, with 8.39 million tonnes shipped, followed by Romania with 2.58 million, Germany with 2.47 million, Latvia with 1.90 million and Lithuania with 1.85 million.
In maize, Spain remained the leading EU maize importer so far in 2022/23 with 6.56 million tonnes, ahead of the Netherlands at 2.21 million, Portugal with 1.51 million, Hungary with 1.36 million and Poland with 1.28 million, the data showed.

Picture of the Day

Gold bar replicas are displayed at the Prospectors and Developers Association of Canada (PDAC) annual conference in Toronto, Ontario, Canada March 7, 2023. REUTERS/Chris Helgren

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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