Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

Aramco hikes dividend 30% to $98 bln despite drop in profit
Saudi Arabia's state-owned oil giant Aramco boosted its dividend despite net profit falling 24.7% to $121.3 billion in 2023 on lower oil prices and volumes, showing the state's continued reliance on oil revenue as it seeks to diversify.
The profit, down from $161.1 billion in 2022, was still the company's second-highest on record, Aramco said on Sunday as it reported total dividends for the year of $97.8 billion, up 30%. Oil revenues made up 62% of total state revenues last year.
The Saudi government, which directly holds about 82.2% of Aramco, relies heavily on the oil giant's generous payouts, which also include royalties and taxes. The world's top oil exporter is spending billions of dollars trying to diversify its economy and find alternative sources of wealth having relied on oil for decades. "Our balance sheet remains strong, even after our significant growth programme and dividend payouts," Chief Executive Amin Nasser said.
Nasser expects global oil demand for 2024 at 104 million barrels a day, up from an average of 102.4 million barrels in 2023. The state's ambitious economic agenda, known as Vision 2030, is spearheaded by the sovereign Public Investment Fund, which owns 16% of Aramco, after a fresh transfer by the government of 8% to companies PIF owns last week.
Aramco declared a base dividend, paid regardless of results, of $20.3 billion for the fourth quarter. It expects to pay out $43.1 billion in performance-linked dividends this year, including $10.8 billion to be paid out in the first quarter.The base dividend was increased 4% year on year, and the performance-linked dividend was about 9% higher.
The company said capital investments were at $49.7 billion in 2023, up from $38.8 billion in 2022. It forecast capital investments between $48 billion and $58 billion this year, growing until the middle of the decade.That range is wide because for external investments, "there's an element of timing that we don't fully control," Chief Financial Officer Ziad Al-Murshed said on a media call.
The Saudi government in late January ordered Aramco to scrap its expansion plan to boost production capacity to 13 million barrels a day (mbpd), returning to the previous 12 mbpd target.
The capacity decision "is expected to reduce capital investment by approximately $40 billion between 2024 and 2028," Aramco said.Most of the savings are expected in the latter years, so how it will be spent will be decided as opportunities arise, Al-Murshed said. Priorities for using the extra cash include sustaining capex, the base dividend, growth capex, additional distributions and further deleveraging, he added. Free cash flow fell to $101.2 billion in 2023 from $148.5 billion in 2022.
Upstream investments including gas will be almost 60% of capex in 2024-2026, including external investments, Chief Executive Amin Nasser said. Downstream will be around 30% and "new energies" around 10%. "As we go beyond that, over the next 10 years, upstream will be around 50%, downstream is around 35% and new energies around 15%," Nasser said.
Investing in gas will help free up more oil for export, as well as produce more liquids associated with gas extraction, he said. Aramco's shares were up about 1.7% to 32.3 riyals a share, slightly above their 2019 IPO price of 32 riyals. Sources told Reuters last month that Saudi Arabia is poised to sell more shares of Aramco. "That's a question for the government," Al-Murshed said on whether more government-owned shares would be sold.

INSIGHT-Chevron's CEO faces challenges of a lifetime with Hess bid
Chevron CEO Michael Wirth is facing a head-to-head match with Exxon Mobil with his $53 billion bid for Hess and its stake in oil hotspot Guyana, and could wind up trapped in a dispute between two of South America's biggest energy rivals.
On Wednesday, Exxon filed an arbitration claim that could block Hess' proposed merger with Chevron. The sale includes Hess' 30% stake in a consortium that has discovered more than 11 billion barrels of oil in Guyana's Stabroek offshore block, which analysts say has potential recoverable oil at upwards of 20 billion barrels.
Exxon, which holds a 45% share of the consortium, with Hess and CNOOC owning minority stakes, claims the operating agreement governing the group gives it a right of first refusal to any sale of Hess's Guyana oil assets.
The contest for a share of the largest oil discovery in almost two decades could soon test Wirth's famously calm demeanor. But a deal would be a legacy-maker for Wirth, who is known at the second-largest U.S. oil firm as an affable but firm boss.
Wirth won accolades on Wall Street for his refusal to get involved in a bidding war for Anadarko Petroleum in

2019, and then moved to boost Chevron's reserves through a series of small deals. His ability to play a long-game served him well in Venezuela, where he held onto the company's properties there amid years of hyperinflation and punishing U.S. sanctions.

The 63-year-old executive declined to be interviewed. A spokesperson, however, stressed the company remains "fully committed to the transaction, and is confident in our position. We look forward to closing the transaction."

TWO BROKEN DEALS?

If Exxon's challenge blocks Chevron's purchase, it would be the second time a deal slipped through Wirth's fingers. His $33 billion offer for Anadarko, just a year after he took over as Chevron CEO, was snatched away with a higher bid by Occidental Petroleum.

"The truth is that Wirth has been slow to come to the party and a step behind on almost everything," said Bill Smead, founder and chairman of Smead Capital Management, who said Wirth also missed an opportunity in 2022 to buy Occidental with Anadarko's assets for $32 billion, less than the 2019 offer.

"Because of making decisions like that, he is in a food fight over assets in Guyana," said Smead.

Wirth won a $1 billion breakup fee in the Anadarko loss, but Exxon said this week it would consider exercising its preemption right if Chevron pursues its bid. If Chevron drops the deal, Hess could be potentially off the hook for a $1.7 billion break up fee.

Exxon left open the prospect of a negotiated settlement. Its arbitration claim before an international tribunal could take about six months or more to resolved, said Exxon Senior Vice President Neil Chapman, pushing back Chevron's goal of closing the deal by mid-year.

Hess on Thursday said it was reviewing the timeline for closing the deal. Analysts said the dispute could go either way. "It is still very possible" that Exxon sees the need to bid for Hess before a Chevron-Hess shareholder vote, which could happen in the next couple of months, said Mark Kelly, CEO of financial advisory firm MKP Advisors.

"Exxon has seemingly implied it really wants to own Hess' stake in Guyana, so it potentially needs to put something competing on the table prior to a Chevron-Hess vote," he said.

Paul Sankey, an analyst with Sankey Research, said the other possibility is that Chevron is forced to pay Exxon to allow the deal to proceed.

"There's the possibility that (Chevron) cuts them a check and just says, "can you go away please? And there's the possibility that they (Exxon) goes to arbitration and delays the deal," he said.

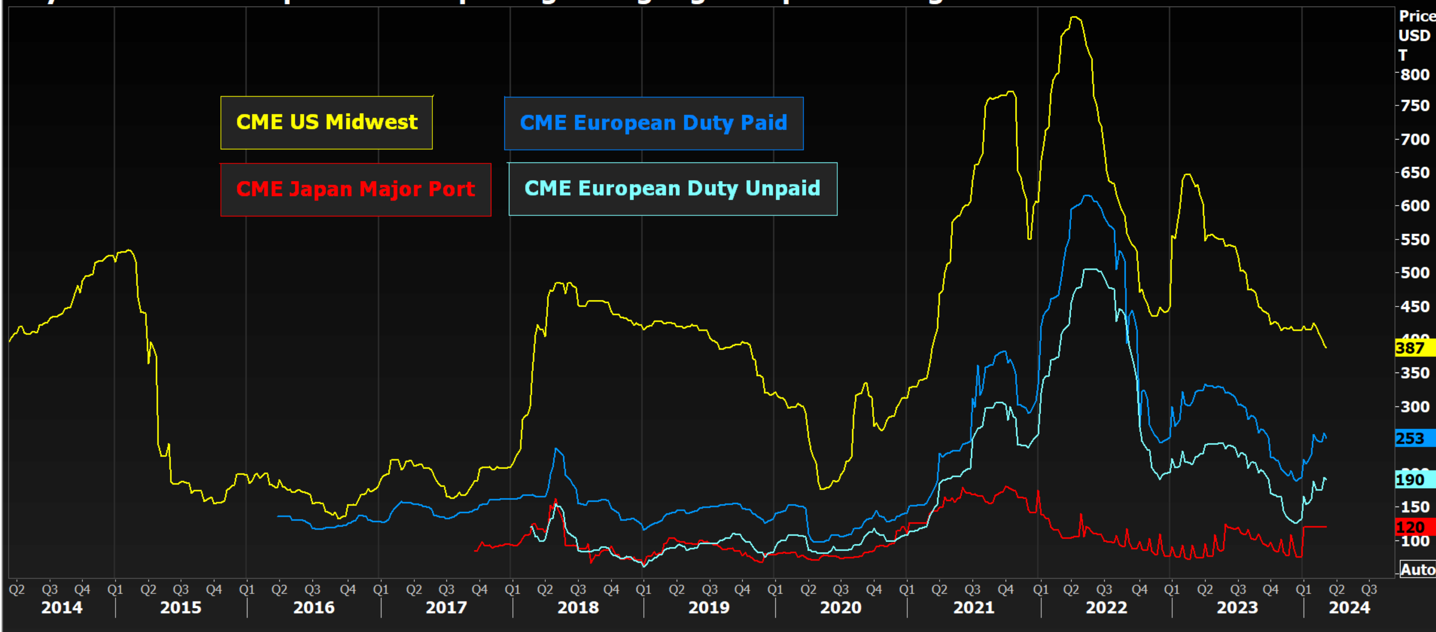
BORDER TENSIONS

Wirth's misfortunes have piled up around the globe. Last autumn, he delayed for a second time a major expansion project in a Kazakhstan oilfield where it is the operator and Exxon is a partner.

Later, Venezuelan President Nicolas Maduro reactivated a century-old border dispute with Guyana and threatened to take over Guyana's oilfields by force.

"He (Wirth) has to stay super neutral and lay low," while the two countries settle the dispute, said Francisco Monaldi, an expert on Latin American energy at Rice University's Baker Institute for Public Policy.

Chart of the Day



"It would make sense for Chevron to treat Guyana an investment in which they are not making any decisions," he said. "It would make it easier for the Venezuelan government not to have to acknowledge that Chevron would be on both sides" of the dispute border.
As the only U.S. oil major that remained in Venezuela despite U.S. sanctions on the OPEC nation since 2019, Wirth faces a new challenge to its Venezuela operations. Chevron last month produced about 180,000 barrels per day from its joint ventures in Venezuela - output that could again be barred from delivery to its U.S. customers if the sanctions are allowed to snap back. "Everyone says he (Wirth) is a nice guy, he is in the right business, he will figure it out," Smead said. "If not this deal, he will get the next one."

Top News - Agriculture

USDA cuts Brazil soy crop further, remains above private estimates
The U.S. Department of Agriculture lowered its forecast for Brazil's soybean crop further on Friday, but it remains above many private estimates.
Large supplies in South America and lackluster Chinese demand for U.S. soybeans loom over U.S. soy futures, despite reduced projections for Brazilian output due to adverse weather. Prices last week fell to their lowest level in more than three years at the Chicago Board of Trade. Markets had little reaction to the report on Friday.
The USDA pegged Brazil's harvest at 155 million metric tons, compared to its February estimate of 156 million and analysts' expectations for 152.28 million. The agency said harvest results in the state of Parana and poor weather conditions in São Paulo were offset by favorable conditions in other areas.
Brazil is the world's biggest soybean exporter and competes with the United States for sales to importers including China, the biggest buyer of the oilseed.
Recent estimates by private firms have ranged from 143.92 million tons from consultancy AgResource to 151.5 million from StoneX. The varying estimates reflect how unpredictable weather and different methodologies for assessing the crop make it difficult to estimate the country's output this season.
"USDA is going to be slow on changing the soybean numbers out of South America going forward," said Jake Hanley, managing director of Teucrium Trading. "Now we're moving on to the U.S. growing season for market moving news and activity."
The USDA left its forecast for Brazil's corn crop unchanged from last month at 124 million tons, while analysts expected 121.95 million.
The agency pegged world soybean stocks at 114.27 million tons, down from 116.03 million in February, and world corn stocks at 319.63 million tons, compared to 322.06 million last month.
U.S. soybean and corn ending stocks remained steady from last month at 315 million bushels and 2.172 billion bushels, respectively. U.S. corn ending stocks are seen at a five-year high after farmers harvested a record crop last year, while U.S. soy stocks are seen at a four-year high.

COLUMN-Funds ink all-time bearish soybean bets off unprecedented selling streak -Braun
Speculators have been selling Chicago-traded soybeans since mid-November, and that finally culminated in a record position last week as global stockpiles swell. In the week ended March 5, money managers lifted their net short position in CBOT soybean futures and options to a record 171,999 contracts from 160,653 a week earlier. That replaced the prior all-time net short of 168,835 contracts from May 2019.
The move came despite a fractional gain in most-active soybean futures during the week, which included fresh 3-plus-year lows. That marked funds' 16th consecutive week as net sellers of CBOT soybeans, well past the prior record streak of 10 weeks.
The last time money managers staged such a significant soybean sell-off was in May and June 2018 when the U.S.-China trade war started, though the 2018 sell-off happened much faster.
The week ended March 5 was funds’ 14th of the last 15 weeks as net sellers in CBOT soybean meal, as their net short expanded by nearly 2,000 contracts to 49,526 futures and options contracts. That is money managers’ most bearish meal view since June 2020 and most bearish ever for early March.
Their net short in CBOT soybean oil is also record for the date, and it expanded by more than 10,000 contracts in the week ended March 5 to 62,473 futures and options contracts. That is their most bearish oil stance since May 2019.
Most-active meal futures had climbed 1.5% in the week ended March 5 while soybean oil shed just over 1%.
Funds’ soy complex pessimism is near all-time highs, and the only other time it was anywhere close in intensity was April and May 2019. The combined managed money net short across soybeans and products totaled about 284,000 futures and options contracts as of March 5, just short of the May 2019 peak of 289,000.
Expanding global soybean stocks and questionable Chinese demand have weighed on soy prices for months. Top exporter Brazil’s soy crop should be sufficiently large despite significant weather challenges earlier in the season, and the harvest last week reached the halfway

mark, meaning those supplies are now hitting the market. Brazil's second corn crop is just now being planted, though U.S. corn supplies later this year are set for a massive expansion versus the prior year. Ukraine's corn shipments are surpassing expectations, as the U.S. Department of Agriculture on Friday raised Ukraine's export outlook for a second straight month.

Most-active CBOT corn futures drifted fractionally higher in the week ended March 5, though money managers were slight net sellers of the yellow grain, bumping their net short to 296,795 futures and options contracts from 295,258 a week earlier.

CBOT wheat was by far the biggest loser in the week ended March 5, as most-active futures tumbled nearly 6%. Money managers were net sellers of more than 9,200 contracts, expanding their net short to 65,539 futures and options contracts. Funds' CBOT wheat views have not drastically shifted for three months.

CBOT corn, soybeans and soybean products may have found a temporary bottom last month. In the last three sessions, meal gained 3.5%, corn added 3.2%, soybeans were up 3% and soyoil added 2.5%. Corn on Friday hit one-month highs, soyoil three-plus-week highs, and beans and meal touched the highest levels in over two weeks.

But wheat continued its poor showing, dropping 2.4% between Wednesday and Friday. CBOT wheat did notch decent gains on Friday, though not before printing the lowest price since August 2020.

Friday's price action was against the backdrop of a monthly USDA report, which came in mostly as expected, though many analysts were disappointed with the relatively small cut to Brazil's soy crop.

Karen Braun is a market analyst for Reuters. Views expressed above are her own.

Top News - Metals

EXCLUSIVE- Gulf oil giants Saudi Aramco, Adnoc set sights on lithium

Saudi Arabia and the United Arab Emirates' national oil companies plan to extract lithium from brine in their oilfields, in line with efforts to diversify their economies and profit from the shift to electric vehicles (EVs), three sources told Reuters.

Other oil companies, including Exxon Mobil and Occidental Petroleum, plan to take advantage of emerging technologies to filter lithium from brine, as the world seeks to move away from fossil fuels.

Saudi Arabia, whose economy for decades has relied on oil, has spent billions on trying to turn itself into a hub for EVs as part of Saudi Crown Prince Mohammed bin Salman's attempts to find alternative sources of wealth.

Three people familiar with the matter said Saudi Aramco and Abu Dhabi National Oil Company (ADNOC) were in the very early stages of work to extract lithium, regarded as a critical mineral by many major economies because of its use in battery manufacture.

They declined to give detail on the type of direct lithium extraction (DLE) technology that would be used.

Aramco did not respond to a request for comment, Adnoc declined to comment.

The three sources declined to be named because they were not authorised to speak publicly.

DLE technology is in its infancy and its economics are far less certain than those of oil.

But Saudi Arabia and the UAE can draw on expertise in handling oil brine and wastewater at oil production sites.

An advantage of filtering the ultralight battery metal from salt water is that it avoids the need for costly and environmentally challenging open pit mines or large evaporation ponds, as employed in the world's leading producers Australia and Chile.

China is the biggest processor and consumer of lithium, needed for electric and hybrid vehicles.

CONCENTRATION AND PRICE COLLAPSE

For now, global economic weakness has depressed buying of new vehicles and led lithium prices to dive.

Lithium prices have fallen by about 80% since touching a peak in November 2022 as a slowdown in EV sales exacerbated a supply glut.

Leading carmakers, however, are among those looking for new lithium supplies in anticipation of future demand.

Analysts have said the EV industry will depend on lithium for years to come, even though cheaper battery technology alternatives using less or no lithium are being studied.

An issue with extracting lithium from brine is that concentration levels can be very low, making already uncertain economics less favourable.

One of the people said Aramco was working on using new filtration technology that seeks to solve the issue of concentration, while another person said Adnoc was also addressing that.

Saudi Arabia's oil wealth means it can afford to take a financial risk and its diversification plans include establishing itself as a hub for EVs to make use of whatever lithium it produces.

The kingdom has established its own EV brand Ceer, and built an EV metals plant. Its sovereign wealth fund, the Public Investment Fund (PIF), has a goal to produce 500,000 EVs annually by 2030.

Saudi Arabian Mining Company (Ma'aden), the Gulf's largest miner, is working to extract lithium from seawater.
"There is good research in the kingdom with Ma'aden ...and Aramco because the discharge of the oilfields have good salinity and good traces of minerals," Saudi vice minister of industry and mineral resources Khalid bin Saleh Al-Mudaifer told Reuters on the sidelines of a press conference in Riyadh in December.
"They have done good work, they have done good extractions of sodium, magnesium, and traces of lithium. The technologies are in the early stage, but there is good work and good investment," Al-Mudaifer added.

COLUMN-Booming CME contract a sign of aluminium's Atlantic drift: Andy Home

Activity on the CME's aluminium contract has shifted up several gears in recent months with volumes surging and the number of participants expanding.
It's still small relative to the London Metal Exchange (LME), which isn't going to lose its status as benchmark price-setter any time soon. Nor will the Shanghai Futures Exchange (ShFE) stop being the dominant futures price reference for China's giant aluminium sector.
Rather, the significance of CME's fast-growing aluminium contract is what it says about aluminium's shifting dynamics.
The global market is becoming less globalised and the U.S. is starting to drift away from everyone else thanks to the combination of import tariffs and penal duties on Russian metal and Chinese products.
The emergence of a North American pricing point is a logical evolution in this tectonic realignment of the market landscape.

PHYSICAL DRIFT

The CME's first aluminium contract was delisted in 2009 after the U.S. exchange failed to lure users away from the dominant London market.
It was ironically the LME itself that opened the door again for its U.S. rival a few years later.
Long load-out queues at LME warehouses in Detroit caused U.S. physical premiums to surge. The LME price stayed low but buyers were paying ever more for their metal and were unable to hedge the pricing gap.
The CME launched a U.S. Midwest premium contract in 2013 followed a couple of years later by European and Japanese premium contracts. Volume last year across the four contracts totalled almost four million tonnes.
The LME's premium contracts, launched much later, notched up volumes of just 202,000 tonnes last year.
The Midwest premium briefly converged with the rest of the world before ballooning wider again when the Trump Administration imposed 10% import duties in 2018.
The Biden Administration's policy of de-risking supply by closing the door on Russian imports has cemented the structural divergence with other regions.
U.S. physical buyers are currently paying around $387 per metric ton over the futures price for metal. Those in Europe are paying around $250 and Japanese buyers just $120.
That futures price has until now been set on the LME. But maybe for not much longer.

GROWTH SPURT

The CME tried again in 2014 with a futures contract to match its premium products but it lapsed into disuse late 2017 and didn't trade at all until July 2019.
The trigger for the renewed interest was the CME's decision to expand its delivery network from U.S. locations to international ports, particularly those with physical arbitrage opportunities with the LME warehousing network.
Registered stocks were zero prior to June 2019. Today they stand at 45,905 tons, most of it in heavily-used LME locations such as Malaysia's Port Klang and Gwangyang in South Korea.
With inventory has come trading volume. Activity in the aluminium contract nearly tripled last year to 30.6 million tons. That's dwarfed by the 1.4 billion tons transacted on the LME, although the difference is accentuated by the LME's unique trading system.
A more useful comparison is with the ShFE, which like the CME, offers a vanilla cash-settled futures contract.
CME volumes in the first two months of this year came to 9.3 million tonnes, compared with 44.0 million in Shanghai. And the U.S. product is still growing fast.
So too are the number of users, over 600 last year compared with 357 in 2022, according to the exchange.
CME has also launched aluminium options, which just recorded their best volume month in February.

CME ALL-IN ALUMINIUM

Although the CME's rising aluminium fortunes have until now been linked via arbitrage with those of its competitor across the Atlantic, there are signs that the contract's success is generating domestic traction.
A key development came in April last year, when price reporting agency Platts, part of S&P Global Commodity Insights, began publishing a CME-basis all-in price.
Whereas physical buyers would previously hedge their basis risk on the LME and their premium risk on the CME, the new pricing tool allows both components to be executed on the CME.
Domestic players such as PerenniAL Aluminum are now offering buyers a CME all-in price reference in this year's term supply contracts, according to CEO Brian Hesse, quoted in a CME update on the contract.
Industrial users are being joined by investors.
United States Commodity Fund (USCF) announced the launch of the USCF Aluminum Strategy Fund in October.

It will trade basis the CME contract, hoping to attract investors looking for exposure to aluminium as a critical energy transition metal.
Although included in all the major commodity indices, aluminium has to date failed to attract much retail speculative interest. CME, which offers investor friendly micro products in both precious metals and copper, would seem a good fit for smaller players unable to access the wholesale market in London.
CME is assembling the building blocks to become an aluminium price-setter for the North American market.

REGIONAL SPLITS
This is not necessarily bad news for either London or Shanghai. Three regional futures exchanges can be mutually beneficial thanks to increased arbitrage possibilities.
Copper, which has traded on U.S. exchanges since the nineteenth century, is a good example of profitable co-existence.
But for aluminium, shifting from London dominance to regional price formation is a completely new development.
It is, though, no more than a reflection of geopolitical reality as what was a highly globalised supply chain drifts apart into trading blocs.

The opinions expressed here are those of the author, a columnist for Reuters

Top News - Carbon & Power

ANALYSIS-Japan boosts reliance on allies Australia, US for long-term LNG
Resource-scarce Japan is shoring up long-term supplies of liquefied natural gas from close allies Australia and the United States as key contracts from providers including Russia are set to expire by the early 2030s.
Japan's biggest power generator JERA last month agreed to buy a 15.1% stake in Woodside Energy's Scarborough project in Australia. It was the latest in a string of deals as the fallout from Russia's invasion of Ukraine threatens to disrupt access to gas from its northern neighbour, making it more imperative to find reliable long-term supply sources.
LNG accounts for about a third of Japan's power generation and it is the world's second-largest importer behind China.
It remains a key part of Japan's energy mix even though imports fell by 8% last year to the lowest since 2009 as it has increased the use of renewable energy and restarted some nuclear reactors following a complete shutdown after the Fukushima disaster in 2011.
Since 2022, Japanese LNG buyers have struck equity deals in five projects in Australia and the U.S. including an exploration block. They have secured 10- to 20-year offtake contracts from those countries for more than 5 million metric tons annually, or 8% of Japan's 2023 consumption, according to a Reuters calculation, eclipsing transactions elsewhere in the world.
Political issues including new carbon emissions rules in the Australia introduced in mid-2023 and President Joe Biden's freeze in January on new U.S. LNG export licence approvals have not dented Japan's appetite for long-term supplies from those countries.
Kyushu Electric Power, among the top five Japanese utilities, has said it is considering buying a stake in Energy Transfer's Lake Charles LNG project in the United States, even though it is now subject to the U.S. licence freeze.
That would be its second direct equity stake in gas production after Australia.
"North America and Australia still have supply stability compared to other projects," Kyushu Electric Executive Officer Takashi Mitsuyoshi said.
"There are some concerns about North America due to the recent (LNG) move by Biden, but they, along with Australia, are allies and that means a lot."
Japan and the United States are members of the Group of Seven (G7) alliance of developed nations and are partners with Australia in another regional security body, the Quadrilaeral Security Dialogue, also known as "the Quad".
Kyushu Electric has long-term supply contracts with Australia, Indonesia and Russia, some of which are due to expire between 2027 and 2032.
Mitsuyoshi said Indonesia may have limited export capacity in the future due to strong domestic demand thanks to a growing economy.
Qatar, another Japan supplier, is ramping up production but some buyers chafe at its contracts that limit flexibility to trade cargoes, with Japan's industry minister last year calling for the elimination of the destination clause.
Since 2022, Japanese LNG buyers have increased their involvement with Oman, but on a smaller scale compared to Australia and the U.S., while Inpex acquired new exploration licences in Malaysia.

REPLACING RUSSIA
LNG flows to Japan have changed over the last decade, including large declines from Indonesia, Malaysia, Qatar and Russia as well as the U.S. and Papua New Guinea becoming major new suppliers, according to Japan customs data.
Throughout that period, Australia has been its top

supplier, though other new sources are emerging.
Canada, a G7 member, is preparing to start its first major export facility, from which Mitsubishi Corp, a shareholder, will receive over 2 million tons of LNG annually.
Yoko Nobuoka, senior analyst for Japan power research at LSEG, said the importance of cooperation with allies for Japan's energy security, including LNG, had increased on the back of the energy crisis triggered by Russia's invasion of Ukraine.
Russia was Japan's third-biggest LNG supplier last year, after Australia and Malaysia, but imports fell 10.7% from 2022.
Much of Japan's Russian LNG comes from the Sakhalin-2 project, but many of its long-term contracts are set to lapse around 2030, giving added incentive to lock in deals elsewhere.
The vast new Arctic LNG 2 project, in which Mitsui & Co and state-owned Japan Organization for Metals and Energy Security (JOGMEC) together own 10%, underscores the perils of Tokyo's reliance on Russian gas.
Washington in November imposed sanctions on the project, prompting its operator, Novatek, to declare force majeure and leading Mitsui to record an additional provision of 13.6 billion yen ($91.94 million).
"But G7 members can't cut that reliance (on Russian LNG) overnight, so that's why they need boosted LNG supplies from allies," said David Boling, a director at consulting firm Eurasia Group who was deputy assistant U.S. trade representative for Japan from 2015 to 2022.

INSIGHT-US natural gas pipeline accidents pose big, unreported climate threat

Last October, an Idaho farmer using a backhoe punched a hole into a 22-inch (56-cm) pipeline buried under a field, sending more than 51 million cubic feet of natural gas hissing into the air.
While the incident on Williams Companies' Northwest Pipeline was big, it was no anomaly along the roughly 3 million miles (4.8 million km) of natural gas pipelines crisscrossing the U.S.
Accidental pipeline leaks – caused by things like punctures, corrosion, severe weather and faulty equipment - happen routinely and are a climate menace that is not currently counted in the official U.S. tally of greenhouse gas emissions, according to a Reuters examination of public data and regulatory documents.
Pipeline mishaps unintentionally released nearly 9.7 billion cubic feet of gas into the atmosphere between 2019 and late 2023, according to a Reuters examination of incident report data maintained by the U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA).
That is the climate equivalent of running four average-sized coal-fired power plants for a year, according to an Environmental Defense Fund (EDF) online calculator.
Those emissions are currently not included in the nation's official greenhouse gas count because federal rules exempt large, unexpected leaks, and mainly only capture emissions from regular operations, according to the U.S. Environmental Protection Agency (EPA).
The Biden administration aims to change that as early as next year under a set of rules proposed by the EPA to crack down on methane emissions from the oil and gas sector, and which would punish emitters with fees of $900 to $1,500 per metric ton when they exceed a certain threshold.
Reuters relied on PHMSA data and interviews with researchers, company officials and regulators to provide new detail on the scale of greenhouse gas emissions from accidental pipeline leaks that could soon be added to the official greenhouse gas tally, as well as the potential cost to companies under the looming fees.
"I don't think the public or regulators have realized just how much methane has been lost from pipeline infrastructure," said Kenneth Clarkson, a spokesperson for the Pipeline Safety Trust, a non-profit watchdog.
"Newer studies have come closer to capturing the true amount of emissions and this has started catching the attention of policymakers."
Accidental leaks reported from PHMSA by the five biggest U.S. pipelines between 2018 and 2022 showed that those incidents could have significantly increased the facilities' overall reported emissions, potentially resulting in fees of up to $40 million under the proposal.
The operators of the five biggest pipelines include Berkshire Hathaway, TC Energy and Kinder Morgan.
Berkshire Hathaway's 14,000-mile Northern Natural Gas pipeline, for instance, reported unintended releases of natural gas to PHMSA during the five year period that were the equivalent of about 30% of the methane the facility reported to EPA during the period.
Williams, the owner of the pipeline that leaked in Idaho in October, reported unintended gas releases that amounted to about 15% of the methane it reported to EPA.
Berkshire Hathaway and Williams did not respond to requests for comment on Reuters' analysis or the EPA proposal.
TC Energy said reducing its methane emissions was a critical part of its business, but did not comment directly on the EPA proposal or Reuters' analysis.
Kinder Morgan said it does not exclude unintended emissions from its reports to EPA, even though it is not required to include them.

BIG DISCREPANCY

The Biden administration unveiled its batch of final rules aimed at cracking down on U.S. oil and gas industry releases of methane at the United Nations COP28

climate change conference in Dubai in December, part of international efforts to curb releases of the gas.
Piped natural gas is typically around 90% methane, a greenhouse gas which is several times more potent in warming the planet than carbon dioxide during the relatively short time it remains in the atmosphere.
The new policies would ban routine flaring of natural gas produced by newly drilled oil wells, require oil companies to monitor for leaks from well sites and compressor stations and establishes a program to use third party remote sensing to detect large methane releases.
The new reporting requirements for large leaks, meanwhile, are likely to be finalized later this year and take effect in 2025, the EPA told Reuters.
Under the proposal, companies will be required to report abnormal leaks of about 500,000 cubic feet of pipeline gas or more starting next year, a threshold significantly lower than what PHMSA requires.
The new reporting rules would also apply to big, unplanned emissions from other parts of the oil and gas industry, such as drilling operations, EPA said.
The fact that some large methane leaks have never been accounted for in U.S. greenhouse gas inventories underscore concerns among environmental groups and scientific researchers that emissions from the fossil fuel sector have been vastly understated.
An Environmental Defense Fund analysis last year, for instance, estimated U.S. pipelines leak between 1.2 million and 2.6 million tons of methane per year, or 3.75 to 8 times more than EPA estimates.
The EDF figure includes not just large mishaps but also pervasive smaller leaks on tiny distribution lines.
"The failure of EPA to account for these large events is a big driver of that discrepancy," Edwin LaMair, an EDF attorney who focuses on oil and gas regulations, said in an interview.
The Interstate Natural Gas Association of America, a pipeline industry trade group, said most incidents reported to PHMSA relate to safety systems operating as intended.
The group also pointed to an EPA analysis showing that most transmission and storage facilities may not meet the 25,000 metric tons of carbon dioxide equivalent per year emissions threshold required to pay the methane fee.
The EPA analysis said, however, that it was not yet possible to accurately estimate "the magnitude of emissions that will be reported and which facilities will report those emissions."
The pipeline industry has also said in public comments to the EPA about the new reporting rules that they could lead to double-counting of some emissions.

Top News - Dry Freight

Argentina's planned corn shipments hit five-year high -exchange

Argentina's scheduled corn exports hit their highest levels in at least five years in the early part of 2024, the Rosario grains exchange said on Friday, hitting 1.9 million metric tons and boosted by leftover stocks from the previous season.
The exchange predicts the 2023/24 season will produce a record 57 million-metric ton harvest, helped by favorable rainfall. Farmers in the South American country, the world's No. 3 supplier, began harvesting the crop last week.
The figure, based on shipping agency data as of March 6, signals the largest committed volume seen in at least last five years, the exchange said in a weekly report.
On March 1, the first day of the commercial campaign, the exchange said warehouses stocked some 9.6 million metric tons of corn, a "carryover" from the previous season some 10% above the previous five-year average.
This compared to 10.3 million-metric ton carryover in the 2022/23 season and comes despite a historic drought that devastated last year's harvests. The exchange said reserves remained high thanks to an adjustment of exports and stable domestic demand.
The exchange also reported a significant growth in traffic of trucks carrying corn to ports, up 120% year-on-year to over 45,300 vehicles between February and the first week of March.
Soybean crushing also saw a strong rebound in February, the exchange added, with activity up 17% year-on-year despite a 5% contraction from the previous month. The exchange predicts a soy harvest of some 49.5 million metric tons.

Mongolia aims to keep coal exports steady, industry official

Mongolia aims to keep coal exports to China broadly steady at 60 million metric tons in 2024, an official from the Mongolian Coal Association said on Friday, citing logistics as the biggest challenge to boosting sales to key trading partner China.
Mongolia set the same export target last year but exceeded it, with actual imports totaling 69.6 million tons.
Zoljargal Jargalsaikhan Zolo, executive director at the Mongolian Coal Association, said he expected a rail connection called Bichigt, which is to be built this year or next, to boost movement of coal between the two countries.
"China Energy won the bid for construction of that facility, and we hope they will do this on the time they promised.

That will be a very important event for China and Mongolia for long term trade and reliable partnership," he said.
Mongolia has been boosting coal exports to China, with its share in Chinese imports surging to 14.7% in 2023 from 4.9% in 2021, Zolo told the 2024 China Coal Import International Summit.
Zolo also said he expected coal trade on a recently inaugurated mineral exchange to increase, helping aid transparency after an outbreak of protests in 2022 over corruption in Mongolia's coal industry.
Mongolia sold 15 million tons of coal on the exchange in 2023, he said, adding that state-owned companies sell about half their coal on there.

MARKET MONITOR as of 07:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.79 / bbl	-0.28%	8.57%
NYMEX RBOB Gasoline	$2.52 / gallon	0.03%	19.75%
ICE Gas Oil	$829.00 / tonne	0.24%	10.42%
NYMEX Natural Gas	$1.82 / mmBtu	0.78%	-27.65%
Spot Gold	$2,179.98 / ounce	0.11%	5.69%
TRPC coal API 2 / Dec, 24	$107.5 / tonne	-0.46%	10.82%
Carbon ECX EUA	€57.71 / tonne	-1.16%	-28.19%
Dutch gas day-ahead (Pre. close)	€26.53 / Mwh	3.63%	-16.70%
CBOT Corn	$4.36 / bushel	-0.80%	-9.87%
CBOT Wheat	$5.37 / bushel	-0.09%	-15.99%
Malaysia Palm Oil (3M)	RM4,094 / tonne	0.00%	10.02%
Index	**Close 08 Mar**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	319.25	-0.88%	5.92%
Rogers International	26.93	-1.05%	2.30%
U.S. Stocks - Dow	38,722.69	-0.18%	2.74%
U.S. Dollar Index	102.72	0.01%	1.37%
U.S. Bond Index (DJ)	426.90	0.19%	-0.89%

Picture of the Day

A Tibetan man with his face painted participates in a protest march held to mark the 65th anniversary of the Tibetan uprising against Chinese rule, in the northern hill town of Dharamsala, India, March 10. REUTERS/Adnan Abidi

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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

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