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Top News - Oil

Chevron, Exxon are big buyers in US Gulf of Mexico drilling auction

A U.S. government auction of oil and gas drilling rights in the Gulf of Mexico generated $263.8 million in high bids, the most of any sale in the region for years and the first test of demand for investment since the Russian invasion of Ukraine. The Bureau of Ocean Energy Management (BOEM) offered 73.4 million acres in the U.S. Outer Continental Shelf (OCS) in the Gulf.

Bids were read at a livestreamed event on Wednesday morning, with Chevron Corp, ExxonMobil Corp and BP Plc among the top buyers.

The auction fulfills a provision in President Joe Biden's 2022 climate change law, the Inflation Reduction Act (IRA), that protects federal oil and gas leasing and requires that a Gulf sale be held by March 31.

It was the first in the oil-rich region since late 2021.

Biden had pledged to end new leasing during his presidential campaign as part of his goal to decarbonize the U.S. economy by 2050. The United Nations has warned that the world needs to speed up its transition away from fossil fuels to avoid the most extreme effects of climate change.

But Biden has faced pressure to increase domestic supplies of oil and gas to reduce price spikes and boost energy security.

The auction's high bid total was the largest since a 2017 sale in the Central Gulf area garnered $274.8 million, but the price per acre on Wednesday of $157 was about half what companies paid six years ago.

Energy research firm Wood Mackenzie said the results demonstrated optimism for development in the region.

About 2.3% of the acreage offered received bids from more than two dozen companies. Of the 313 tracts that received bids, just 30 received two or more bids.

Environmental groups including Earthjustice and Friends of the Earth said the government was prioritizing the oil and gas industry above the nation's climate goals and health of Gulf coast communities.

An oil and gas industry group, the National Ocean Industries Association, said the sale "is an opportunity to strengthen our national security interests and develop domestic energy supplies in the face of geopolitical uncertainty and tight global demand."

Chevron was the auction's biggest spender with nearly $108 million in high bids for 75 tracts. It also made the auction's highest offer of $15.9 million for a tract in the Keathley Canyon deepwater area. The U.S. oil major said it was pleased with the sale results.

Exxon snapped up 69 shallow water blocks near the Texas coastline, spending $9.8 million in total. Analysts have said the company may be preparing for a carbon capture and storage project.

The company on Wednesday said only that it was "evaluating the seismic and subsurface geology for future commercial potential."

BP's high bids totaled $46.6 million, while Shell Plc spent $20.1 million and Equinor ASA's high bids amounted to $18.3 million.

The leases are for five- or 10-year terms, depending on water depth, and carry royalty rates of 18.75%, a maximum established in the IRA. The rate is an increase for shallow water leases, which in recent sales were offered with a royalty rate of 12.5%. The IRA raised the minimum royalty rate for offshore leases to 16.67%.

The Gulf of Mexico accounts for 15% of U.S. oil production and 1% of natural gas production, according to BOEM. Production in the region is expected to keep growing through 2027, according to a 2022 BOEM forecast.

Activity stalls in top U.S. oilfields, outlook sours -Fed survey

U.S. oil and gas activity stalled in the first quarter as production gains slowed and drillers' outlooks turned negative, according to a survey released on Wednesday by the Federal Reserve Bank of Dallas. The bank's activity index, which measures conditions among oil and gas firms across prime oil production portions of Texas, New Mexico and Louisiana, tumbled to 2.1 from 30.3 in the fourth quarter of 2022.

Companies reported rising costs for a ninth straight quarter and said this year's weaker prices for oil and gas are hurting cash flow and profits. Overall, a company outlook index turned negative, falling 27 points to -14.1.

"An estimated 30–40 percent cost increase in field operations, increased interest charges on borrowed money, a drastic collapse in natural gas prices combined with lower crude oil prices produced a noticeable lower cash flow," said one survey respondent.

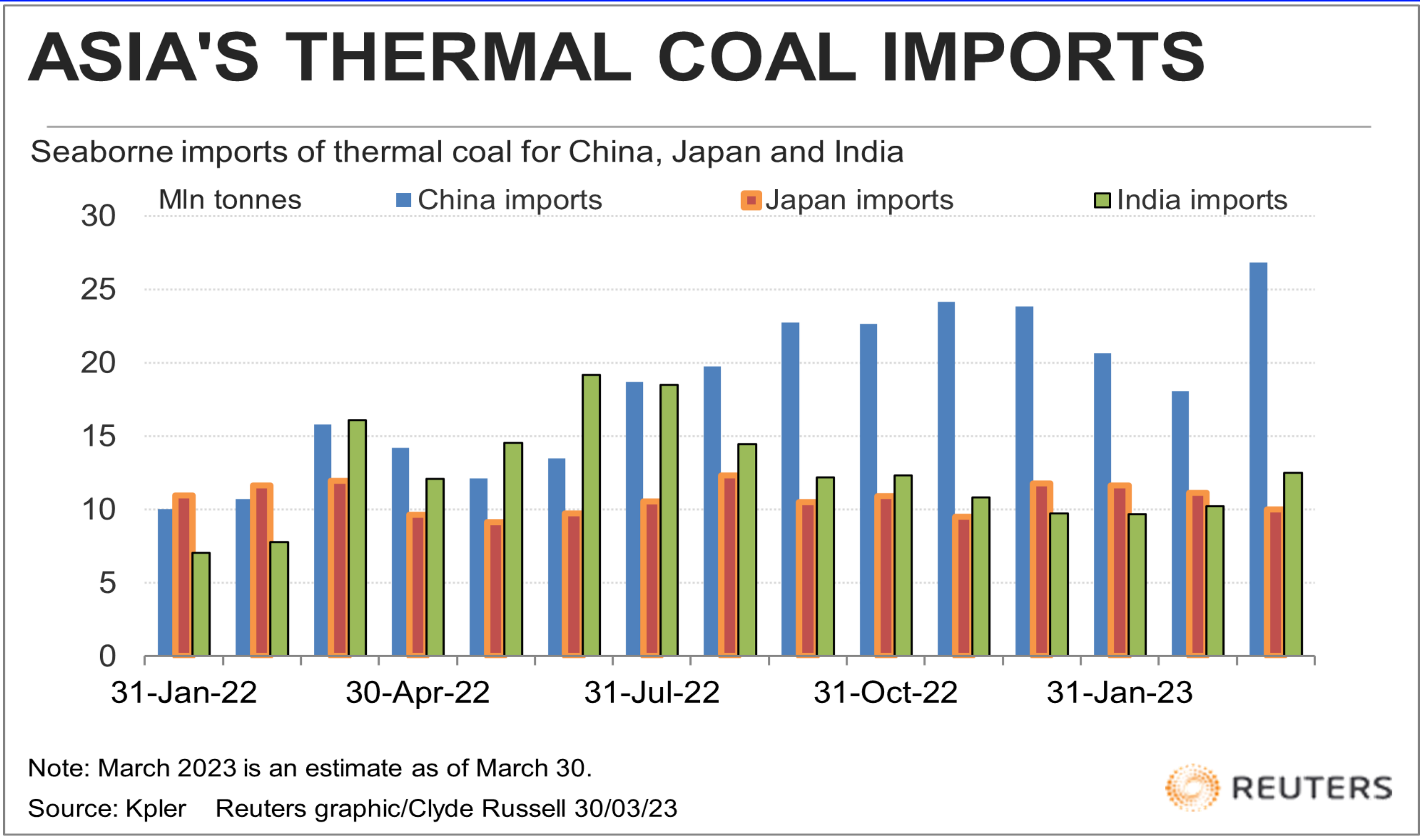
The survey was conducted among 147 oil and gas firms between March 15 and 23, a period in which oil prices were faltering on concerns about the global banking industry. After falling to around $64 a barrel in mid-March,

U.S. WTI benchmark prices have recovered and were around $73 a barrel on Wednesday.
WTI will trade around $80 a barrel by the end of the year, survey participants forecast. Natural gas prices, which are down roughly 50% from the start of the year and were trading below $2 per million British thermal units on Wednesday, are anticipated to end the year at $3.43 per MMBtu, participants said.
While the oil production index remained positive, it fell sharply during the quarter to 10.5 from 25.8 in the fourth quarter. Some companies and analysts have warned that well productivity in the best U.S. shale regions is declining.
Many executives who were surveyed blamed the negative outlook on President Joe Biden's administration, citing permitting delays and regulatory uncertainty. Others pointed to larger economic concerns.
"Volatility in commodity markets and recent banking turmoil continue to play into business dynamics and are leading to a reduction in spending plans. The dramatic pullback in natural gas prices has also led to a decrease in appetite to target gas prospects and has also led to some optional gas-rate curtailments," said one.
Supplier delivery times turned negative for the first time since the fourth quarter of 2020.

Top News - Agriculture

Cargill to halt grain loadings at its Russian export terminal
Cargill Inc said on Wednesday it would take a further step back from the Russian market by no longer handling the top wheat supplier's grain at its export terminal from July, although its shipping unit will continue to carry grain from the country's ports. The move stoked concerns about global grain supplies disrupted by the 13-month-old war in the Black Sea breadbasket region, lifting benchmark wheat futures prices to multi-week highs. Most international grain traders have stopped new investment in Russia since last year following Moscow's invasion of Ukraine but continued exporting Russian wheat. "As grain export-related challenges continue to mount, Cargill will stop elevating Russian grain for export in July 2023 after the completion of the 2022-2023 season," the company said in

Chart of the Day



an emailed statement. "Elevating" refers to the lifting of grain into export vessels.
Cargill, which owns a stake in the grain terminal in the Black Sea port of Novorossiisk, did not specify if it was selling the stake.
Benchmark Chicago Board of Trade May wheat futures rallied to a one-month peak on Wednesday and closed at $7.04-3/4 a bushel as the news sparked nervousness about grain flows from top wheat exporter Russia. Paris-based Euronext May milling wheat hit a two-week high and settled at 265.25 euros ($287.13) a tonne.
"Russian state exporters claim that they'll be able to keep grain moving out at the same pace, but major speculative funds holding large short positions lack confidence in that currently," Arlan Suderman, chief commodities economist with StoneX, said in a market note.
The Russian agriculture ministry had said earlier that Cargill informed it that it would stop its grain export activities from the start of the next season.
"The cessation of its export activities on the Russian market will not affect the volume of domestic grain shipments abroad. The company's grain export assets will continue to operate regardless of who manages them," the agriculture ministry told Reuters.
In addition, grain trader Viterra, part-owned by Switzerland-based mining and trading giant Glencore, is planning to stop grain trading in Russia, Bloomberg News reported, citing sources familiar with the matter.
A spokesperson for Viterra declined to comment but said a statement would be issued at a later stage.
Viterra and Cargill are among the largest exporters of Russian wheat.
According to RBC business daily, Cargill will export 2.2 million tonnes of Russian grain in the 2022-23 exporting season, or around 4% of Russia's total grain exports.

Brazil may supply up to 50% of Argentina's soy imports in 2023, analysts say

Brazil is poised to supply up to half of the soybeans that Argentina will import after the worst drought in 100 years devastated its fields and cut 2023 output nearly in half, analysts said. Argentina, which is expected to reap round 25 million tonnes this season, may have to import up to 10 million tonnes of soy, more than double than in previous years, mainly from Paraguay and Brazil, they said.
Brazil is harvesting a record crop and could increase sales to Argentina by at least 10 times, said Sol Arcidiacono, the Rosario-based head of Latam Grains at hEDGEpoint Global Markets. Brazil will export at least 3 million tonnes to Argentina, but if international soymeal prices pay off, that volume can reach 5 million tonnes, Arcidiacono said, adding that Argentine crushers' margins are currently negative.
Argentina's slowest farmer selling in 20 years is also driving imports, Arcidiacono added.
The U.S. Department of Agriculture estimates the Paraguayan 2022/23 harvest at 10 million tonnes. It also expects Argentina to remain the world's biggest soymeal exporter despite the nation's soy crop and crushing woes.
Brazil may export up to 97 million tonnes to all destinations on the back of a bumper crop, said Carlos Gogo, a consultant. Some 5 million tonnes may be shipped to Argentina, or more, depending on Chinese demand, he added.
Bolivia and Uruguay will supply soy to Argentina, analysts said.
There are reports of shipments of Brazilian soybeans leaving for Argentina from Porto Murtinho, in the state of Mato Grosso do Sul, and Santarem, in the state of Para, a market source said.
"I understand that the price in Brazil dropped so much with the record harvest, that it became feasible to export (to Argentina) from Northern ports," the source said.
Agrinvest soybean analyst Eduardo Vanin said if Brazilian soy premiums continued to fall, Brazilian suppliers will remain competitive against their Paraguayan counterparts to sell to Argentina.
Grain companies in Mato Grosso do Sul are estimating a record export of 1.6 million tonnes of soybeans to Argentina via Porto Murtinho and across the dry border to Concepcion, Paraguay, he said.
It is possible that there are shipments from other ports, but the options are limited, Vanin added.

Top News - Metals

China smelter group sets copper TC/RC guide price for Q2 2023 at $90/T – sources

China's top copper smelters agreed on a lower guide price for treatment and refining charges (TC/RCs) for copper concentrate processing in the second quarter of 2023 amid supply disruptions, three sources with knowledge of the matter said. The rates of $90 per tonne and 9.0 cents per pound were decided at a meeting of the China Smelters Purchase Team (CSPT) held on Thursday, the sources said. The new prices are lower than the guidance for the charges set at $93 per tonne and 9.3 cents per pound for the first quarter this year.
Miners pay TC/RCs to smelters to process copper concentrate into refined metal, offsetting the cost of the ore. The charges tend to fall when supply tightens and rise when more concentrate is available.
The charges in the first quarter were a five-year high and reflected market expectations of a supply glut this year.

But recent disruptions in some key producing regions raised concerns about near-term shipments to China, the world's top copper consumer.
Peru, the world's no. 2 copper producer, has been roiled by demonstrations since late last year, with road blockades restricting transport to and from key mines and some attacks on mine sites by protesters.
Canadian miner First Quantum Minerals suspended ore processing operations at a key Panamanian copper mine in late February after a government order halted port loadings, limiting its capacity to store copper.
Operations resumed in mid-March after an agreement was reached.
In February, heavy rain and mudflows in Indonesia forced copper miner Freeport Indonesia to halt its mining and processing activities.
"The logistics hurdles seen in February could affect copper shipments into China in April and May. And disruptions in the mining side has yet to be fully recovered," said one of the sources, who attended the meeting on Thursday. "But still we expect supply to be sufficient."
Smelter consumption is expected to rise in the second quarter, a traditionally strong demand season, and as metal usage recovers after China lifted last year's stringent COVID curbs.
China's refined copper production rose 10.6% in the first two months of 2023 compared with a year ago to 1.95 million tonnes, data from the National Bureau of Statistics showed.
The latest charges are higher than the that was settled at $88 a tonne and 8.8 cents per pound by miner Freeport-McMoRan and Chinese smelters.

EXCLUSIVE-Peru's Antamina mine life extension cost hiked to $2 bln, CEO says

Peru's largest copper mine, Antamina, will spend $2 billion to extend the useful life of the deposit through 2036, up sharply from $1.6 billion previously planned, the company's chief executive officer told Reuters on Wednesday. Antamina CEO Victor Gobitz said the new investment figure for Antamina, co-owned by Glencore PLC, BHP Group Ltd, Teck Resources Ltd and Mitsubishi Corp, was due to higher and additional costs.
"It was due to costs on the one hand, and on the other hand because there are recurrent investments that the authorities believe should also be included in the investment figure," Gobitz said in an telephone interview, adding he expected approval by mid-year.
Peru is the world's second-largest producer of copper. The lifespan of Antamina, which produced 467,905 tonnes of copper last year, is currently set to expire in

MARKET MONITOR as of 06:53 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.06 / bbl	0.12%	-8.97%
NYMEX RBOB Gasoline	$2.63 / gallon	-0.15%	6.25%
ICE Gas Oil	$755.00 / tonne	-1.02%	-18.02%
NYMEX Natural Gas	$2.13 / mmBtu	7.08%	-52.36%
Spot Gold	$1,968.70 / ounce	0.24%	7.91%
TRPC coal API 2 / Dec, 23	$138 / tonne	1.47%	-25.30%
Carbon ECX EUA / Dec, 24	€94.47 / tonne	0.13%	7.35%
Dutch gas day-ahead (Pre. close)	€42.60 / Mwh	2.11%	-43.63%
CBOT Corn	$6.51 / bushel	0.12%	-4.02%
CBOT Wheat	$7.06 / bushel	0.18%	-11.02%
Malaysia Palm Oil (3M)	RM3,762 / tonne	1.48%	-9.87%
Index (Total Return)	**Close 29 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.31	-0.28%	-4.32%
Rogers International	26.66	0.02%	-7.01%
U.S. Stocks - Dow	32,717.60	1.00%	-1.30%
U.S. Dollar Index	102.64	0.21%	-0.85%
U.S. Bond Index (DJ)	405.91	0.12%	3.30%

2028.
Gobitz said approval of the extension is pending an environmental impact study and should be approved by mid-year, "although we do not have control over that."
The executive did not rule out requesting at extension beyond 2036 for the life of the mine, which is located in Peru's central Andes and also produces silver and zinc.
"The fact that the mine is extended until 2036 does not mean that the mine is finished. In order for a new environmental impact study to be presented, an engineering study will have to be carried out to support a new expansion," Gobitz said.

Top News - Carbon & Power

Big Oil splits over production vs carbon storage in Gulf of Mexico auction
Exxon Mobil Corp on Wednesday bid for offshore blocks to store carbon dioxide underground during a government oil and gas lease sale in the U.S. Gulf of Mexico, while rivals Chevron Corp and BP Plc targeted areas for production.
The largest U.S. oil company has been selling oil production blocks in the U.S. Gulf since 2018 as it shifts to more lucrative fields elsewhere. And yet, it bought dozens of blocks in the past couple of years in the same basin with a new purpose: burying carbon dioxide instead of pumping oil.
The government oil license auction generated $264 million in high bids, according to the Bureau of Ocean Energy Management.
Chevron was the most active bidders offering $108 million in 75 high bids - more than all the other oil majors combined, according to energy consultants Wood Mackenzie.
A Chevron spokesperson said the No. 2 U.S. oil company was pleased with the auction results and intends to further evaluate the blocks' potential.
BP offered $47 million for 37 blocks. The company said it wants to expand its deepwater oil and gas production in the U.S. Gulf, which has "some of the lowest-cost and lowest-emissions barrels" in the company's portfolio.
Exxon's bids totaled less than $10 million for all 69 blocks where it was high bidder. The land was just off the Texas coast adjacent to areas it previously acquired, the BOEM indicated.
The company will work with the Department of Interior on plans for the blocks once they are awarded, Exxon spokesperson Todd Spitler said, declining to comment on commercial details.
Exxon choose shallow water areas close to the largest U.S. refining and petrochemical complex. The blocks fit with the company's plan to develop a carbon capture and storage (CCS) business close to the Houston Ship Channel, home to dozens of oil and chemical plants, says Justin Rostant, principal research analyst at Wood Mackenzie.
Exxon has proposed a large carbon storage and hydrogen hub in the area, and last year signed its first deal offering decarbonization services for high-polluting industries in the region. It plans to build a large-scale hydrogen plant for 2027 that will include carbon storage.

Financial hurdles rise for green-lighting new U.S. LNG plants
Financial hurdles are rising for U.S. liquefied natural gas (LNG) project developers aiming to get their proposed export terminals off the ground as investors become more demanding.
The banking crisis added a new snag to rising interest rates and supply chain shortages for these multi-billion-dollar projects, which months ago were seen as sure bets. Two of four new projects aiming for a financial okay this quarter have been pushed back, and others will face that higher bar, said analysts.
The pair that have gone ahead - Venture Global LNG's project in Louisiana and Sempra Energy's in Texas - embody what analysts say have met the new requirements: less reliance on developer's equity and more on fully contracted capacity.
Both projects won approvals with strong corporate financing - $7.8 billion for Venture Global and $6.8 billion for Sempra - noted Jefferies Group Managing Director of Equities Research Lloyd Byrne.
And the pair address volatile gas-price risk by having about 90% of production capacity under long-term deals, Byrne wrote in a report this week. Rivals who are unable to recruit a full contingent of buyers face "a project stalling or outright cancellation," he added.

NEW DELAYS
Eleni Papadopoulou, lead natural gas analyst at commodity data and analytics firm Kpler, said the banking crisis that emerged earlier this month raised "concerns that banking lending activity might be pulled back," she said, and "delay further FIDs," using the acronym for financial investment decision approvals.
The proposed NextDecade and Energy Transfer LP export terminals - the two other projects previously aiming for FID in the first quarter - have been repeatedly delayed due to rising construction, labor and borrowing costs, and by the recently narrowing spread between U.S. and global natural gas prices.
Energy Transfer pointed to February comments by its co-CEO Thomas Long that it was optimistic its LNG project

would go ahead.
On Tuesday, French bank Societe Generale SA confirmed it last year had withdrawn as lead bank for NextDecade's Rio Grande LNG project.
NextDecade said it had taken on MUFG Bank as a financial advisor last year and retained Macquarie Capital as a second advisor.

'HARDER SELL'
This month, NextDecade said it aimed for a financial go-ahead for the first phase of Rio Grande before the end of next quarter. Two months earlier it said it expected the decision by March 30. Soaring inflation means "LNG exporters need to recover their costs via higher liquefaction fees, which is a harder sell now with gas prices collapsing," said Stephen Ellis, an energy strategist at Morningstar Research Services LLC.
Demand for U.S. LNG increased after several countries slowed purchases of Russian energy and imposed sanctions on Moscow after Russia's invasion of Ukraine in February 2022.
After hitting record highs of around $90 per million British thermal units (mmBtu) in Europe and $70 in Asia J last summer, gas prices this year plunged to around $13 in Europe and Asia. U.S. gas prices dropped from a high near $10 last summer to $2 today.
"Developers have re-evaluated their cost structure and profitability and that, I think, is what is delaying some of these final investment decisions," said Ade Allen, an analyst at energy consulting firm Rystad Energy.

Top News - Dry Freight

Sudan's wheat import requirements to rise to 3.5 mln tonnes in 2023 – FAO
Sudan will need to import 3.5 million tonnes of wheat this year because of a 30% drop in the projected local harvest after farmers switched to planting different crops, the U.N. Food and Agriculture Organization (FAO) said on Wednesday. Some farmers told Reuters the government had failed to buy their wheat on promised terms last year, leaving them reluctant or without the money to plant a new crop.
This year production of sorghum, a staple in Sudan, and of millet, is expected to recover, helped by favourable rains, the FAO said. Projected wheat imports will therefore account for nearly all Sudan's expected cereal import requirements of 3.6 million tonnes, it added. "This will have a major impact on the food security of millions of Sudanese people, as international prices of wheat continue to increase and the country's national currency weakens," the agency said in a statement. In 2022, Sudan imported 2.7 million tonnes of wheat and flour at a cost of $1.06 billion, with Russia, Australia, and Romania being the top import origins, according to central bank data.
Humanitarian agencies have warned of rising levels of hunger in Sudan, where more than one third of the population faced acute food insecurity last year. "Communities are facing differing scales of vulnerabilities driven by soaring prices of staple crops, and the combined effects of economic downturn, high inflation, climate-induced hazards and conflict," the FAO statement quoted its Sudan representative Adam Yao as saying.

Russia's Rosagroleasing to order new ocean-going grain carriers -company head
Russia's state-owned agricultural leasing company Rosagroleasing has placed orders for ocean-going grain carriers, and plans to launch them within two to three years, the firm's head Pavel Kosov said on Wednesday.
At a meeting with Russian Prime Minister Mikhail Mishustin, Kosov said: "Now Rosagroleasing has ordered a project for the construction of 40 and 60 thousand tonne vessels ... And within the next two or three years, the lead ships will be launched".
Russia announced plans to launch its own sea transport fleet for grain exports last year, after sanctions imposed over the conflict in Ukraine disrupted agricultural exports.

Picture of the Day

Jewelry made from bullet shells are displayed at Angkor Bullet Jewelry in Phnom Penh, Cambodia, March 29, 2023. REUTERS/Cindy Liu

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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