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Top News - Oil

FOCUS-As shale oil gains slow, deepwater port struggles for customers

As U.S. shale oil boomed last decade, an oil pipeline company pitched an ambitious multi-billion-dollar export port off the Texas coast to ship domestic crude to buyers in Europe and Asia.

In April, Enterprise Products Partners' SPOT became the first project to receive a license from the U.S. maritime regulator for a deepwater port that could load two supertankers, each of which can carry up to 2 million barrels of oil at a time.

But multi-year regulatory delays, a loss of commercial backers and slowing U.S. shale production has left SPOT, or Sea Port Oil Terminal, and its three rival projects without any secured customers, energy industry executives say.

"There are a lot of gray areas right now with export projects," said Zack Van Everen, an oil analyst at energy investment banker Tudor Pickering Holt & Co.

Enterprise declined to make an executive available for an interview, but said it continues to develop the project.

Shale producers and traders rely on ports to get their oil to market and are balking at the higher-than-expected loading fees for new projects even if they are able to fully load supertankers, executives said.

HIGHER COSTS

SPOT, proposed for a point 30 miles off the Gulf coast in 2019, is the only Texas deepwater project with its government approvals. But its cost has soared to about $3 billion, two industry experts said, from an original estimate of $1.85 billion for Enterprise.

It has no long-term customer contracts, or joint venture partners, stalling a financial green light from the company, sources said. The project, if approved, is currently expected to start up in 2027.

A customer willing to commit the largest volume is being offered a $1 per barrel rate by Enterprise to load at SPOT oil transferred from its Houston storage terminal, three people familiar the terms said. Clients with smaller loads have been offered an about $1.20 a barrel fee.

That compares with the all-in cost of about 75 cents per barrel to load in Corpus Christi, Texas, the top U.S. oil export port, a source familiar with export operations said.

To sweeten the deal, Enterprise is offering preferential terms for loading schedules, and may bundle some of its other services to make the price more competitive, two of the people said.

Enterprise disputed the fees, but declined to provide the project's cost and the per barrel terms.

A deepwater port allows customers to load oil directly onto a supertanker, eliminating the additional cost of loading the oil on smaller ships at shallower ports and then transferring the crude from the smaller vessels to larger ones.

But it has lost Chevron as an early backer because of the regulatory delays to secure a license, and Canadian oil pipeline operator Enbridge has released its option to take a stake in SPOT, Enterprise said.

Chevron declined to comment on commercial matters.

An Enbridge spokesperson said it views SPOT "as a valuable option for our Canadian heavy crude customers to be able to access the project," but declined further comment.

LESS NEED FOR DEEPWATER PORTS

U.S. exports of crude rose to a peak of 5.6 million bpd in February 2023, and existing facilities can handle as much as another 1.5 million barrels, though port congestion could limit that number, according to RBN Energy.

Russia's invasion of Ukraine also has shifted global flows with more U.S. vessels going to Europe instead of Asia, which were primarily geared to using supertankers.

"The short-term dynamic is less need for big ship capacity, which actually fits the current U.S. export capacity a lot better," Colin Parfitt, Chevron's vice president of midstream, said in an interview in March.

Changing flows and slowing shale output gains have created uncertainty for shippers. "That's changed the dynamic a little about how people want these (deepwater ports)," Parfitt said. "If you get one built, it is going to crowd out the others."

Currently, there is one U.S. offshore port - called the Louisiana Offshore Oil Port - that can fully load supertankers. However it primarily handles oil produced in the Gulf of Mexico and has few pipes that link to the top U.S. shale field, the Permian, in West Texas.

SPOT's largest target would be moving shale oil, and those output gains have slowed dramatically. U.S production is expected to rise 280,000 barrels per day to 13.21 million bpd this year, according to the U.S. Energy Information Administration. That compared with a one-year gain of 1.6 million bpd in 2018.

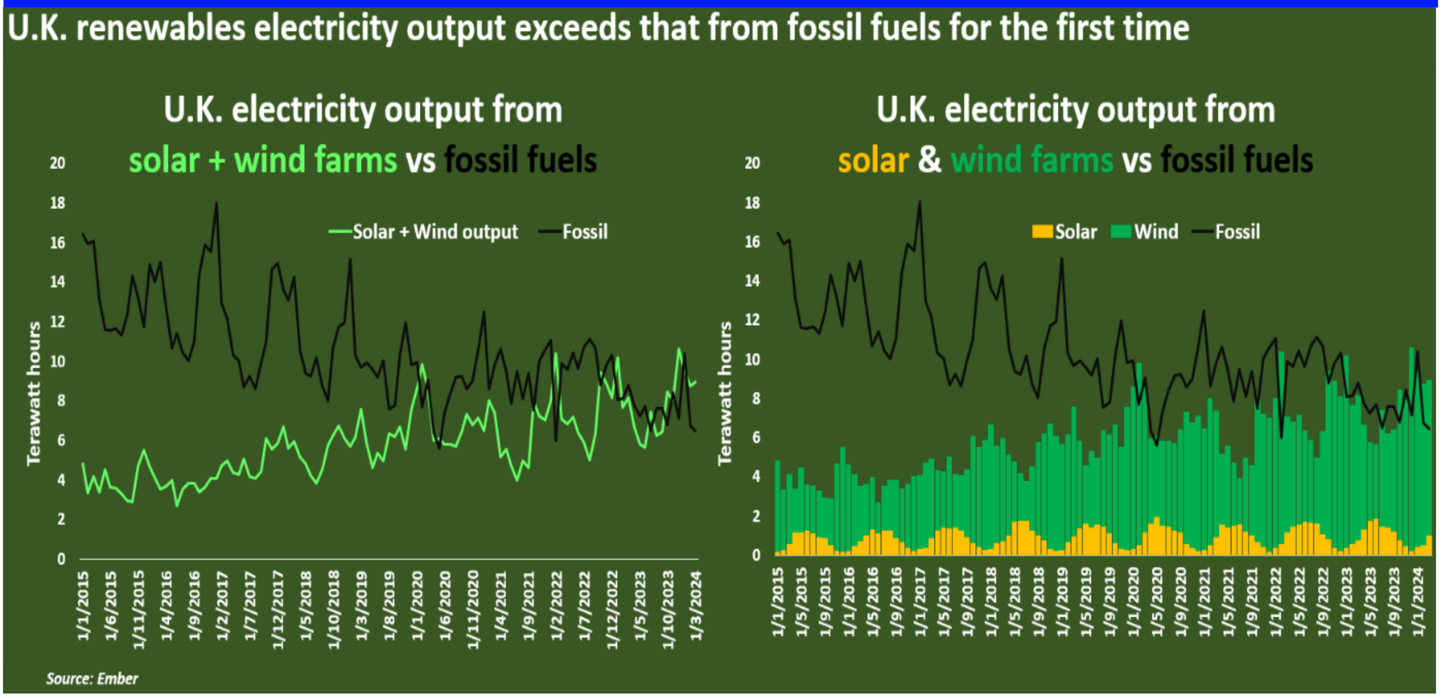
Enterprise said this month that it projects growth in and around the Permian basin past 2030.

Consolidation among top shale players, like Exxon Mobil's recent purchase of Pioneer Natural Resources, also took away customers for Enterprise and other players, with some of the largest shale drillers already holding long-term contracts with existing export facilities.

Of the three other deepwater port projects along the Texas coast, private-equity backed Sentinel Midstream, oil refiner Phillips 66 and pipeline operator Energy Transfer each have sought U.S. approvals for offshore ports. So far, none have received licenses.
"Between the current dock capacity along the U.S. Gulf Coast, and the most aggressive production projections, it appears that one, at most two," could proceed, said oil export consultant Brett Hunter of Energy Hunter LLC.

EXCLUSIVE-Galp seeks to sell stake in Namibia oilfield after discovery, sources say
Portuguese oil company Galp Energia has launched the sale of half of its stake in an exploration block offshore Namibia where it has made a major oil discovery, three industry sources familiar with the matter told Reuters.
Galp's Mopane discovery, which is estimated to hold at least 10 billion barrels of oil and gas equivalent, appears to be one of the largest in the basin which could help kickstart the southern African country's oil industry even as governments around the world seek to reduce fossil fuel consumption. Galp has an 80% stake in Petroleum Exploration Licence 83 (PEL 83), which covers almost 10,000 square kilometres (3,860 square miles) in the Orange Basin, with Namibia's national oil company NAMCOR and independent exploration group Custos each holding another 10%. Lisbon-based Galp is offering to sell half of its stake in the block, said the sources, who could not be named because they are not authorised to speak to the media.
It is also offering to cede control of the development of the project to the potential buyer, expected to be a major international rival with a strong track record in project management, the sources said.
Galp declined to comment. It has previously indicated it could launch a process to raise capital for the development of its projects in Namibia, as they could reach a large scale.
It has hired Bank of America to run the sale process, which could raise several billion dollars for Galp, although the exact value is unclear, the sources said. Bank of America declined to comment.
Galp shares closed over 20% higher following Galp's update on the Mopane field and Reuters reporting the sale process.
The discovery followed successful exploration campaigns in the same area by rivals TotalEnergies and Shell in recent years.
Other companies that entered Namibia in recent years include Chevron, Australia's Woodside Energy and Qatar Energy.
Namibia has attracted huge interest from international oil companies seeking to increase production as demand is forecast to remain strong for years. Redburn analysts said Galp's update on the discovery implied the field had a resource three time larger than previously estimated.
The United Nations has said that by 2050 global oil use must drop by 60% and gas use by 45% if the world is to avoid temperatures increasing above 1.5 degrees Celsius - the threshold beyond which climate change would unleash more disastrous and irreversible impacts.
Global oil demand has yet to peak and is forecast to grow to around 103 million barrels per day in 2024 by the West's energy watchdog the International Energy Agency.
Oil companies say they need to continue to develop new fields to meet rising demand and to compensate for falling production from older fields.

Chart of the Day



Galp itself aims to reduce its carbon emissions to net zero by 2050 and in 2021 committed to allocate half of its spending towards low-carbon energy by 2025.
Namibia could become a new source of revenue for Galp, which currently has strong investments off the coast of Brazil and is also present in a natural gas project in Mozambique's Rovuma basin.

Top News - Agriculture

As corn retreats, Brazil's leading grain state bets on alternatives

Brazilian farmers in Mato Grosso state have cut the area planted with second corn this season by 10% as low prices push them to cultivate alternative crops, a trend they say is likely to continue.
Brazil's second corn must be sowed immediately after the soybean harvest to avoid the dry and colder season. In 2024, it will represent about 77% of national production, according to crop agency Conab.
"I am discouraged about planting corn in the coming years and in the next will try other options," said farmer Jose Soares, adding he is experimenting with canola this season and others were cultivating sesame, mung beans, chickpeas and castor.
Mato Grosso growers say second corn, which is also known as safrinha corn and competes with U.S. corn exports in the second half of the year, will remain the biggest after-soy crop in the state.
But they say diversification is the way to be competitive given commodity cycles.
This year, before the second corn season began, Mato Grosso farmers say they harvested just enough soy to cover costs after a strong El Nino in Brazil's center west brought excessive heat and dryness. That reduced output, although large South American supplies have kept soy prices low.
Abundant rains in April after a dry March boosted farmers' confidence that second corn yields and production will be high this year, Mato Grosso farmers said. But China's ample supplies could mean it will need less of Brazil's corn.
"The world's cheapest corn sits here in Mato Grosso," said Soares, who reduced his second corn area by around 15% in 2024. Cayron Giacomelli said he planted his second corn within the ideal climate window, albeit on a 15% smaller area. After the window closed, he turned to sesame and other forage crops. Because of corn's low price, Giacomelli said he sold about 45% of his estimated safrinha output compared with about 80% this time last year. In contrast to the others, Endrigo Dalcin said he increased his safrinha corn plantings, but also cultivated some sesame because "it's cheaper [to grow], less risky and the price was very good".
"We will spend two or three difficult years in agriculture," he said. "We've farmed for 44 years and seen highs and lows."

US winter wheat ratings drop; corn 12% seeded

The U.S. Department of Agriculture's (USDA) weekly crop progress report showed 50% of U.S. winter wheat crop in good-to-excellent condition, short of the average analyst estimates polled by Reuters by 4 percentage points.
The ratings are still the highest for this time of year since 2020, though the surprising reduction may increase concerns about dry weather in the southern Plains.
Corn, soy and spring wheat plantings were in line with analyst estimates.
Ratings fell sharply in key wheat states in the southern Plains, including Kansas, the top U.S. winter wheat producer.
The USDA rated 36% of the Kansas wheat crop as good to excellent, down from 43% the previous week, while in Oklahoma, another major grower, 49% of the crop was rated good-to-excellent, down 11 percentage points from a week ago. Weekly ratings also fell in Montana, Colorado and Texas.
Grain merchandisers in Oklahoma said wheat fields have been visibly parched for over two weeks.
Some stunted wheat has developed curling leaves and a blue tinge, signs of a dire lack of moisture, dealers said.
As of April 16, some 24% of U.S. winter wheat was located in an area experiencing drought, the USDA said last week, up from 18% the previous week. In Kansas, the top winter wheat producer, 53% of the state was experiencing moderate drought, up from 29% the previous week, the weekly U.S. Drought Monitor showed.
The winter wheat harvest typically starts in late June.
Farmers have begun planting spring crops as well.
The USDA reported 12% of corn has been planted for the week ending April 24, compared to 6% planted last week and in line with analyst estimates.
The USDA reported 8% of soybeans planted compared to 3% the previous week. Analysts on average had forecast 7% of the crop planted.
The agency reported 15% of spring wheat planted, up from 7% planted last week and landing on the higher end of analyst estimates.

Top News - Metals

Copper demand to boom as new technology drives power consumption, Trafigura says
Flourishing activity in the electric vehicle, power infrastructure, AI and automation sectors will lead to at least 10 million metric tons of additional copper consumption over the next decade, commodity trader Trafigura told Reuters.
Technological developments such as artificial intelligence and automation, and the energy transition, which includes electric vehicles and renewable energy, have already driven up demand prospects for copper cable used to conduct electricity.
Estimates of new demand from these applications vary, but Graeme Train, head of metals analysis at Swiss-based Trafigura, said one third of the 10 million tons of new demand would come from the electric vehicle sector.
"A third is electricity generation, transmission and distribution, and the rest is for things like automation, manufacturing capex and cooling systems within data centres," he said. Growth in data centres is related to AI.
Accelerating production of electric vehicles, solar panels and grid investment in China, and a pick-up in manufacturing activity in the top consumer, has already boosted demand for copper used in the power and construction industries.
That combined with tight supplies of refined copper metal and concentrate has propelled copper on the London Metal Exchange (LME) to two-year peaks near $10,000 a ton.
Copper industry sources say part of the reason for the price surge are sliding stocks in LME registered warehouses, which at 121,200 tonnes have dropped more than 35% since October last year.
Tight supplies of mined copper or concentrate, the feedstock for copper metal, due to disruptions such as the closure of First Quantum's Cobre mine in Panama last year have also helped fuel copper's upward price momentum this year.
Analysts have been revising their forecasts of the copper market balance since in December when Anglo American also cut its production guidance, and some now expect significant shortages in the copper market estimated at around 26 million tonnes this year.
Train expects copper demand to be bolstered by industrialisation and urbanisation in the emerging world, particularly in India where consumption per person per year is only half a kg.
In China and the developed world, per capita copper consumption is 10 kgs and seven kgs respectively, he said.

MARKET MONITOR as of 06:55 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.99 / bbl	-1.38%	14.43%
NYMEX RBOB Gasoline	$2.66 / gallon	-0.71%	26.49%
ICE Gas Oil	$783.00 / tonne	0.26%	4.30%
NYMEX Natural Gas	$1.79 / mmBtu	1.94%	-28.96%
Spot Gold	$2,303.57 / ounce	-3.63%	11.68%
TRPC coal API 2 / Dec, 24	$121 / tonne	0.21%	24.74%
Carbon ECX EUA	€66.33 / tonne	-3.60%	-17.47%
Dutch gas day-ahead (Pre. close)	€29.70 / Mwh	-4.35%	-6.75%
CBOT Corn	$4.52 / bushel	1.92%	-6.71%
CBOT Wheat	$5.97 / bushel	5.34%	-6.65%
Malaysia Palm Oil (3M)	RM3,988 / tonne	1.58%	7.18%
Index	**Close 22 Apr**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	346.35	0.03%	14.91%
Rogers International	29.26	0.36%	11.15%
U.S. Stocks - Dow	38,239.98	0.67%	1.46%
U.S. Dollar Index	106.20	0.12%	4.80%
U.S. Bond Index (DJ)	415.43	0.12%	-3.55%

PREVIEW-Lower prices, stubborn costs could weigh on copper miners' quarterly results

North American copper miners are expected to report a decline in first-quarter earnings this week due to lower prices of the red metal amid persistently high costs.
Freeport-McMoRan and Canada's Teck Resources are expected to post a combined adjusted net income of $666.3 million, according to LSEG estimates, compared with $1.43 billion in the year-ago quarter. Copper prices touched a multi-year high last month after major Chinese copper smelters agreed to limit capacity expansion.
Despite the late rally, average benchmark copper prices were down about 5% during the quarter compared to last year, weighed by concerns over demand in top-consumer China and fears of elevated interest rates. "I would expect first-quarter cash flow to be low because, again, the copper price had not yet really risen," said Chris LaFemina, managing director, global metals and mining equities research at Jefferies. The miners are also grappling with a labor shortage, especially in countries such as the U.S., and lower grades of ore, raising the per-unit production cost.
"In mining, costs tend to lag prices. So when the prices go down, it takes time before the costs are actually lower," LaFemina said.
In addition, Teck's quarterly earnings may see a hit from inclement weather in British Columbia, while Freeport's ongoing tussle with the Indonesian government over export permits could add to its costs, analysts said.
Over 50% of Wall Street analysts who cover Freeport and Teck have lowered their earnings estimates for both miners in the past 30 days, according to LSEG data.
However, a surge in the prices of gold, often mined as a by-product, could provide relief to miners like Freeport, analysts said.
"We think estimates are too pessimistic for Freeport-McMoRan, as the consensus doesn't appear to be giving Freeport credit for the significant gold production from Grasberg in Indonesia," CFRA analyst Matthew Miller said in a statement.
The late rally in copper prices will likely boost the free cash flow of miners in the second quarter, analysts said.

Top News - Carbon & Power

Biden unveils $7 billion for rooftop solar in Earth Day message

President Joe Biden on Monday celebrated Earth Day by announcing $7 billion in grants for residential solar projects that will power nearly a million low-income households.
The announcement kicks off a week of activities aimed at touting his administration's record on climate change.
Biden revealed the funding in a speech at Prince William Forest Park in Triangle, Virginia, where he also announced that applications are open to join the American Climate Corps, a program to prepare young people for jobs in climate-related industries.
Young voters, who tend to be more concerned about climate change, are a key constituency for Biden, a Democrat, as he prepares to face former President Donald Trump, a Republican, in the Nov. 5 presidential election.
The $7 billion of solar funding through the Environmental Protection Agency's Solar for All grant competition was included in Biden's landmark climate change law, the Inflation Reduction Act. It will create 200,000 jobs and save households in the program about $400 a year, according to the White House.
"Solar for All will give us more breathing room and cleaner breathing room," Biden said, noting that low-income families can spend up to 30% of their paychecks on energy bills.
Grant recipients include 60 state and local agencies and non-profits with programs to help residents in poor communities go solar and save on their power bills. The winners include several organizations with plans to provide solar to native American households in states including Alaska, Arizona, New Mexico and Colorado.
Residential solar has long been regarded as difficult to access for lower-income Americans because of its high upfront cost and because less affluent people tend to rent their homes or live in apartment buildings.
The program is aligned with Biden's goal to direct 40% of federal clean energy investment benefits to disadvantaged communities.
Biden's American Climate Corps will launch a web site, ClimateCorps.gov, where applicants will be able to see 2,000 open positions in 36 states, Washington, D.C., and Puerto Rico.
The program's first class will start in June.
The Climate Corps aims to put more than 20,000 young people to work by training them, for example, to install solar panels, operate LiDAR cameras that detect methane emissions and restore mangrove ecosystems, the White House said.
Program participants will have access to pre-apprenticeship training through a partnership with the North America's Building Trades Unions and a streamlined pathway to federal government jobs, Biden said.
"I will put tens of thousands of young people to work at the forefront of our climate resilience and clean energy future," Biden said.
A Biden rival for the presidency also held an Earth Day event on Monday.

Independent candidate Robert F. Kennedy Jr. spoke on keeping the environment in the public's hands during a virtual campaign event, joined by wealthy tech lawyer Nicole Shanahan in their first appearance together since she was announced as his running mate in late March.
Last week environmental organizations including the National Resources Defense Council Action Fund and Sierra Club published an open letter calling Kennedy "a dangerous conspiracy theorist and science denier whose agenda would be a disaster for our communities and the planet."
Kennedy's campaign did not have a direct response on the letter.

China can't quit coal by 2040, researchers say, despite global climate goals
China's coal consumption will fall by just one-third by 2040, according to a report by a European consultancy published on Tuesday, threatening climate targets that call for phasing out much of global coal use by 2040.
The International Energy Agency has said that global coal power capacity has to be eliminated by 2040 to keep average global temperature rises within the key threshold of 1.5 degrees Celsius (2.7 degrees Fahrenheit).
However, Norwegian risk assessment firm DNV said in its report that its findings indicate China's coal consumption - the world's biggest - will see a "minor uptick" in the next two years and then fall by one-third by 2040, ending up at around 25% of its peak in 2050.
The findings underscore China's outlook on fossil fuels. In September, former climate envoy Xie Zhenhua told the COP28 climate talks that it would be "unrealistic to completely phase out fossil fuel energy".
China will continue using coal despite a massive ramp-up in renewable generation, which will make up 88% of China's power generation mix in 2050, the report predicts.
China approved another 114GW of coal power plants last year, up 10% from 2022, and the iron and steel sectors are on track to overtake power as the biggest consumers of coal by mid-century. Coal-to-chemicals will also make up a significant share of the remaining demand, according to the report.
Decarbonisation of the steel sector through new methods such as cleaner electric arc furnace technology is lagging in China, research has shown.
Natural gas consumption will stay part of the energy mix with consumption falling only 2% from 2022 levels by 2050, the report said.
Still, China is "close" to meeting its own target of carbon neutrality by 2060 if it accelerates decarbonisation of some sectors, particularly manufacturing, the report added.
DNV forecasts China's carbon emissions peaking by 2026, well before the official goal for climate-warming emissions to peak by 2030, but slower than a forecast by the Centre for Research on Energy and Clean Air that emissions could go into "structural decline" in 2024.
China's total energy demand, which has been growing at around 3% per year, is seen decelerating through the rest of this decade.
It will peak in 2030 and then fall another 20% by 2050, the report found.
The world's biggest crude importer, China is poised to phase out oil more rapidly than coal, driven by electrification. The report sees oil demand in China's road sector falling by 94% by 2050 - a faster transition than that predicted by China's oil majors, which forecast gasoline demand halving by 2045.
Total oil consumption will halve by 2050 from its 2027 peak, DNV said, with 84% of that still being met by imports.
But oil's share of aviation energy demand will fall from 99.6% in 2022 to 59% in 2050 as the use of alternatives such as bioenergy and e-fuels takes hold.
"A faster transition to net zero in 2050 where more oil and gas are replaced by domestically produced renewables or nuclear would significantly boost energy independence," the report said.

Top News - Dry Freight

Russian wheat export prices down slightly last week on quota expansion
Russian wheat export prices decreased slightly last week amid active shipments and an expansion of the export quota for Russian grain, although dry weather began to affect harvest forecasts.
The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery in late May-early June was $208 a metric ton, down from $210 a metric ton the previous week.
The head of the IKAR agriculture consultancy, Dmitry Rylko, linked the price drop to the expectation of higher export supplies after the introduction of the additional grain quota.
Russia has introduced an additional quota of 5 million tonnes of wheat and meslin, rye, barley and maize to the quota of 24 million tonnes in force from Feb. 15 to June 30, 2024 for exports.
The Sovecon agriculture consultancy pegged the same class of wheat unchanged at $210 to $212 a ton FOB.
Russia, the world's largest wheat exporter, saw its overseas supplies decline to 1.25 million tons of grain last week from 1.31 million tons the previous week.
The exports included 1.07 million tons of wheat, down from 1.14 million tons a week earlier, Sovecon wrote, citing port data. Sovecon estimates wheat exports in April at a record-high 4.6 million metric tons, compared with 4.4 million tons a year ago.

IKAR has raised its Russian 2023/2024 wheat export forecast to 53 million metric tons from 52 million tons against the backdrop of the high pace of exports.
As of April 12, farmers had seeded 2.0 million hectares of grains compared to 1.8 million hectares in the same period in 2023. That included 0.3 million hectares of spring wheat, the same as last year, Sovecon wrote.
The major Russian wheat regions were dry and hot last week, the agency noted.
"Weather conditions are deteriorating for the new crop. Some rains are predicted in early May but we are not sure that it will be enough to improve crop conditions in the south".
Sovecon downgraded its 2024 wheat crop forecast last week by 1 million metric tons to 93 million metric tons due to the worsening weather conditions.

Uganda's March coffee exports plunge 32% yr/yr on poor harvest

Uganda's coffee exports plunged 32% year-on-year in March, hurt by a poor harvest in one of the major growing areas, the state-run sector regulator said on Monday.
The east African country shipped a total of 329,686 60-kg bags during the month, Uganda Coffee Development Authority (UCDA) said in a report.
"The monthly coffee exports volume was lower than the previous year due (to) a smaller harvest in Elgon region coupled with delays in the onset of the harvest season," UCDA said in the report, adding a shortage of shipping containers had also affected the exports.
Uganda, which mostly cultivates robusta beans, is Africa's largest exporter of coffee followed by Ethiopia.

Picture of the Day

A drone view shows roads submerged in floodwaters following heavy rainfall, in Qingyuan, Guangdong province, China April 22, 2024. REUTERS/Tingshu Wang

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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