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

Top News - Oil

OPEC switches to 'call on OPEC+' in global oil demand outlook, sources say

OPEC will stop publishing a calculation of the world's demand for its own crude in its monthly oil report, two sources close to the matter said, focusing instead on forecasts for demand for oil from the wider OPEC+ group.
The change reflects what has become long-standing cooperation between the members of the Organization of the Petroleum Exporting Countries and the wider grouping on taking collective oil supply decisions.
OPEC's Vienna secretariat has in its monthly reports published an estimate of the demand for OPEC crude, sometimes known as the 'call on OPEC'.
The number is watched by analysts and traders as an indicator of oil market strength.
But from this month OPEC will give only the estimate of demand for crude from the Declaration of Cooperation (DoC) countries, the sources said.
The DoC is the formal name for OPEC+, which comprises the 12 OPEC members and 10 non-members of which Russia is the largest producer.
Demand for crude from the wider group is now more relevant, one of the sources said, because the DoC nowadays is the framework for cooperation on the oil market. Both sources declined to be identified by name.
OPEC did not immediately respond to a request for comment.
The market share of OPEC crude has fallen to a multi-decade low of 27% after Angola's exit at the end of last year.
OPEC+ crude has a larger share of around 41% according to Reuters calculations, and more if all types of oil are included.
The DoC was formed in 2016 after a 2014-2016 oil supply glut prompted a drop in prices and spurred OPEC and non-OPEC countries to work together to curtail output and support the market for the first time since 2001.
OPEC, founded in 1960, has as its main aim "the coordination and unification of the petroleum policies of member-countries," according to its statute. Members appoint officials to a board of governors and other committees. OPEC+, with no permanent headquarters, is a less formal alliance, making it easier for countries that do not wish to join OPEC to still work with it.
For example, Russia had long seen OPEC as a rival and multiple cooperation attempts failed. The 2016 price collapse brought them closer but some officials including Igor Sechin, head of energy giant Rosneft, opposed closer cooperation with OPEC.

BRIEF COLLAPSE
OPEC+ briefly collapsed in 2020 but soon reformed to tackle a demand slump caused by the COVID-19 pandemic and has shown staying power since then. The pact marked its seventh anniversary in December, with OPEC saying members were showing "unwavering commitment." OPEC, for the first time, published a figure for demand for DoC crude in its April report, which was given alongside the traditional call on OPEC.
The call on OPEC is essentially the amount of crude OPEC needs to pump to balance the market, given the expected non-OPEC supply and OPEC output of oil such as natural gas liquids which is excluded from output agreements.
OPEC's April report sees 2024 demand for OPEC crude at 28.5 million barrels per day and demand for DoC crude at 43.2 million bpd, as compared with world oil demand of 104.5 million bpd.
The International Energy Agency, another closely watched forecaster, already publishes an estimate of the call on DoC, and sees the demand for OPEC+ crude plus inventories at 41.8 million bpd in 2024.
Their move could affect the way in which other analysts look at the oil market. OPEC's next monthly report, which the sources said will reflect the change, is out on Tuesday.

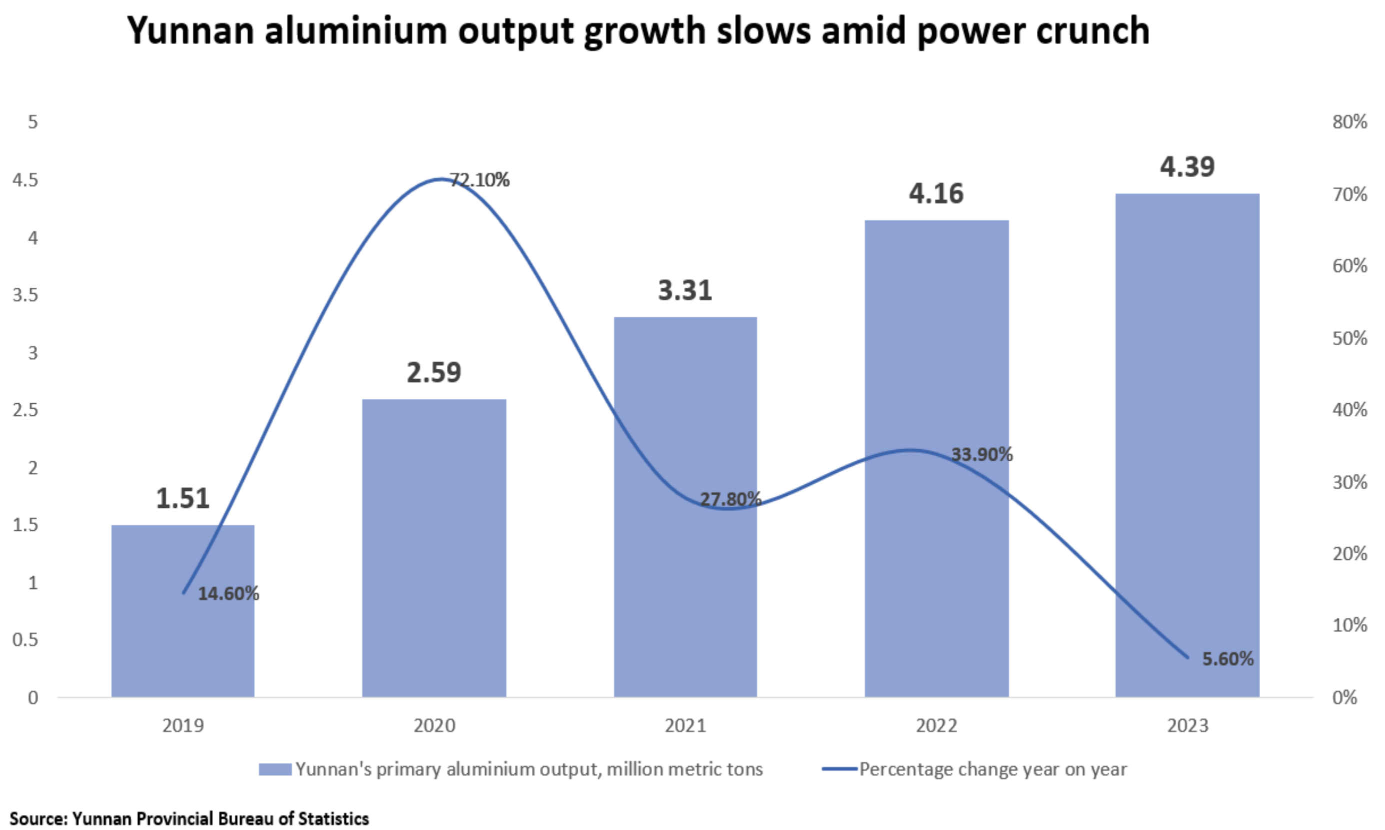
ANALYSIS- Bear market for diesel spells fresh troubles for oil

Profit margins for diesel are slumping as new refineries boost supplies and as mild weather in the northern hemisphere and slow economic activity eat into demand, putting oil prices under further downward pressure.
The lower refining margins for diesel, one of the world's key industrial and transport fuels, have already prompted some refiners in Asia to trim the volume of crude oil they process to reduce their diesel output.
Weaker demand has seen crude oil prices fall sharply in recent weeks and OPEC+ producers meet in early June to decide on the fate of a series of supply cuts agreed since late 2022.
While the group is yet to begin formal discussions, sources told Reuters the group may keep cuts of 2.2 million barrels per day (bpd) beyond June if demand fails to pick up. Brent crude prices slumped to a two-month low of below $82 a barrel on May 8 on rising inventories and slipping demand. They recovered some losses on Thursday, but are on track to lose over 4% so far this month after four months of gains.

"[OPEC+] would ... need to contend with the mixed performance in refined product markets — gasoline crack spreads have improved steadily, but diesel cracks have markedly deteriorated," JP Morgan said, adding that it expected the alliance to keep production cuts beyond June.
European diesel profit margins slid to below $16 per barrel in late April, an 11-month low having hit over $40 in February.
The difference between U.S. diesel and crude oil, known as a crack spread, eased to a 2-year low of $20 in April at the main trading hubs in New York and the Gulf Coast from above $40 a barrel in February, according to a Commodity Context analysis.
Asian diesel margins averaged $17 a barrel in April, down from $22 in the first quarter.

RISING OUTPUT, WEAKER DEMAND
Analysts say that a mild winter hit diesel demand over the last two quarters, as it meant less buying of heating oil.
Rising output is also weighing on prices.
Global refining capacity rose by 2 bpd last year, the most since 1977, energy brokerage StoneX said, as new projects were launched in Oman, Kuwait and Nigeria.
Refiners will add another 200,000 bpd of diesel capacity this year, StoneX said.
In Europe, where diesel is used more in cars than elsewhere, the shift to hybrid or electric cars is also eating into demand.
JP Morgan noted that road diesel demand in the continent contracted by 50,000 bpd over the past year.
In the U.S., a different kind of structural change is underway, with a rising volume of biofuels displacing diesel.
U.S. West Coast demand for petroleum-derived diesel hit its lowest in nearly 28 years in January, while consumption of renewable diesel and biodiesel hit a record high, according to U.S. government data.
Meanwhile slowing factory activity last month in China, the Euro zone and the United States has dragged on diesel demand.
"Now that peak heating season is over the issue is more related to general industrial slowdown ... and to the car fleet slowly moving away from diesel," Natalia Losada, an analyst at consultancy Energy Aspects, said.
European and U.S. diesel futures markets have been trading in contango since around mid-April - where a current contract trades at a discount to a contract for a later date - a sign of oversupply and a signal for traders to store the fuel for better profit later.
On May 3, the 6-month European diesel spread reached nearly $12 a tonne in contango, its widest in a year.

Chart of the Day



While the diesel market is in contango, the crude market is not. Benchmark Brent crude is in backwardation, the opposite of contango, and therefore still signalling market tightness.
"It is likely that the current front-end strength in crude curves, reflecting a current tight crude market, will dissipate in not too long due to likely lower refinery runs," SEB analyst Bjarne Schieldrop said.
Refining margins in Asia are stuck near one-year lows. Taiwan's Formosa Petrochemical Corp, one of Asia's largest refined products exporters, cut its May run rate by about 3 percentage points.

South Korea's second-largest refiner, GS Caltex, is trimming output by 20,000-30,000 bpd in May, trade sources said.

SUPPORT FROM CHINA, JET FUEL
Some support for the Asian diesel market could come from declines in exports from China in April and May due to refinery maintenance, two Singapore-based trade sources said. Bank of America analysts said support could also come from surging air traffic raising demand for jet fuel, which could prompt refiners to produce more aviation fuel and less diesel.

Top News - Agriculture

Brazil soy, corn harvesting in flood-hit state advances slowly
Soy and corn harvesting in Rio Grande do Sul state has progressed slowly, according to fresh estimates by crop agency Emater on Thursday, which confirm fears that floods continue to disrupt field work and will impose heavy losses on local farmers. In a weekly report issued Thursday, Emater calculated 78% of the soy area had been reaped so far in Brazil's southernmost state, short of the 89% historical average for the period.
Emater also said local growers harvested 86% of the corn area, an advance of just three percentage points from a week ago. "Farmers were able to harvest some areas on the west frontier," Claudinei Baldissera, an official with Emater, told Reuters, referring to soybeans. He noted the largest areas yet to be harvested are where the worst the flooding occurred.
"The quality of the grains taken from mature fields, which received rains for several days, is inappropriate," Emater's new report said. It concluded many fields will not be harvested because the grains "are unusable"
"The ideal stage for harvesting has been considerably exceeded," Emater wrote, meaning soy farmers face significant discounts if they reap grains from fields under the present conditions. Weather forecasts call for more rain, Emater said.
In the region of Santa Maria and in the south of the state, growers delayed soy planting due to excess showers when fields were being sowed, Baldissera said.
These are areas where most of the state's soy remains in the fields, he noted. The flooding of farmland and towns in southern Brazil killed people, livestock, crippled infrastructure and is hampering shipping of grains to local processors and the Rio Grande port. In the Campanha region, harvesting resumed in areas with better drainage, Emater said.
However, severely damaged roads are full of heavy trucks stuck in the mud. Transportation hiccups may further hinder soybean quality, the agency said.
According to Emater data, farmers planted corn on about 812,000 hectares (2.0 million acres) and soybeans on almost 6.7 million hectares in Rio Grande do Sul. So far, Emater has not been able to calculate exact ouptut losses for soy and corn farmers, though it said they are likely to be high due to the elevated loss of yield potential.
Also, Baldissera said Emater needs more time to assess the extent of damage done to food silos in lower areas, some of which were full with recently harvested rice and soy.

COLUMN-Global supply rundown ahead of USDA's brand-new 2024-25 outlooks -Braun
The U.S. Department of Agriculture on Friday will publish its first official outlooks for the upcoming 2024-25 marketing year, and both the lower price environment and recent weather events could cause a shift in dynamics among major exporters in the coming months. Global corn supplies in 2024-25 are predicted to hit six-year highs and soybeans all-time highs, though wheat stocks are pegged well below recent averages and up just marginally on the year. U.S. supplies, especially those for soybeans, risk losing additional market share to rival exporters.

BRAZIL BOMBSHELL?
Traders might want to brace for a massive Brazilian 2024-25 soy crop outlook following feedback from USDA officials last month. A year ago, USDA started the 2023-24 soy harvest at a record 163 million tons, though the agency would have gone even higher in hindsight.
USDA’s Brasilia attache in early April forecast Brazil’s 2024-25 soy crop at 157.5 million tons, with a 1% yearly increase in plantings. USDA’s official 2023-24 area sits 1.5% above the attache’s, so USDA is not afraid to go bigger as its official forecasts do not have to match attache ones.
In recent years, USDA’s initial May outlook for Brazil’s soy crop has come in as much as 10 million tons above the preceding attache forecast, and a big Brazil harvest could displace U.S. soy exports, particularly if Chinese demand is disappointing. Analysts on Friday may finally get the cut to Brazil’s 2023-24 soy crop they have been wanting with the recent deadly flooding in southern Brazil, potentially docking production by 2 million tons or less.
Trade estimates for Friday put Brazil’s 2023-24 soy crop at 152.6 million tons versus last month’s 155 million,

though USDA may be unable or unwilling to pre-estimate losses from an event still in progress.
Conab publishes its next update on Tuesday, so USDA-Conab battle talk can resume next week, if needed.
The Brazilian agency has carried significantly lower corn and soy estimates than USDA this season.

MORE ATTACHE INSIGHT
USDA's foreign attaches have been publishing initial 2024-25 outlooks over the last several weeks and these may offer some intel ahead of Friday's numbers.
USDA's Beijing post in late March forecast China's 2024-25 soybean imports unchanged on the year at 103 million tons as increased soymeal use in feed rations will be offset by weaker demand in the swine sector.
The Beijing attache pegged China's 2024-25 corn production at another record and placed imports down 13% on the year to 20 million tons.
China's 2024-25 wheat imports were seen unchanged on the year at 10 million tons, and Argentina was registered as a potential wheat supplier to China in early 2024.
Argentine farmers are seen shying away from planting corn in 2024-25 and favoring soybeans following the leafhopper situation, and USDA's attache projects harvested corn area at a seven-year low. In mid-April, the attache cut 2023-24 Argentina corn production to 51 million tons, below USDA's official 55 million.
Significantly lower corn prices in Brazil could limit next year's corn plantings, and the attache as of early April estimated 2024-24 Brazilian corn production at 129 million tons, up 6% on the year but 5% below 2022-23's record.
As of mid-April, the Kyiv attache saw Ukrainian grain production down in 2024-25 since it has not been profitable in a couple of years, swinging planting toward oilseeds. However, USDA a year ago critically underestimated 2023-24 Ukrainian grain output and export potential, so the agency may try to correct for that with less conservative starting targets in 2024-25.

WHEAT CONCERNS
The biggest wheat-producing region of top exporter Russia has had one of its warmest, driest springs on record, and adjacent regions declared a state of emergency on Wednesday over excessively cold, crop-killing weather.
It is unclear whether the cold weather widely impacted winter wheat, though some Russian agencies have trimmed 2024-25 crop estimates over the dryness with output still somewhat close to last year's levels. May weather is important to Russia's winter wheat, and this may cause USDA to wait for any larger reductions.
Sometimes-exporter India in 2024-25 may shift to the import ledger for the first time in seven years with wheat

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.90 / bbl	1.15%	11.51%
NYMEX RBOB Gasoline	$2.54 / gallon	1.21%	20.59%
ICE Gas Oil	$762.00 / tonne	0.73%	1.50%
NYMEX Natural Gas	$2.32 / mmBtu	6.26%	-7.56%
Spot Gold	$2,365.95 / ounce	2.48%	14.71%
TRPC coal API 2 / Dec, 24	$112.75 / tonne	0.27%	16.24%
Carbon ECX EUA	€73.26 / tonne	2.19%	-8.85%
Dutch gas day-ahead (Pre. close)	€30.80 / Mwh	1.65%	-3.30%
CBOT Corn	$4.59 / bushel	0.05%	-5.22%
CBOT Wheat	$6.50 / bushel	2.56%	1.68%
Malaysia Palm Oil (3M)	RM3,784 / tonne	-2.20%	1.69%
Index	**Close 09 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	337.76	0.35%	12.06%
Rogers International	28.81	0.03%	9.44%
U.S. Stocks - Dow	39,387.76	0.85%	4.51%
U.S. Dollar Index	105.28	0.05%	3.90%
U.S. Bond Index (DJ)	422.13	-0.40%	-1.99%

stocks at 16-year lows, and this will increase pressure on surrounding exporters. USDA’s Canberra attache thinks 2024-25 wheat production in Australia, a main supplier of Asian markets, will stay well off record levels. Analysts peg 2024-25 U.S. winter wheat production at 1.888 billion bushels compared with 1.9 billion projected by USDA in February and 1.812 billion in 2023-24.
However, there are some significant differences in market expectations by wheat class, which could come into play on Friday.

Top News - Metals

INSIGHT-China's push for greener aluminium hit by erratic rains, power cuts
Erratic rainfall in China's southwest is frustrating a multibillion-dollar push to green an aluminium industry that accounts for almost 60% of global output and, by some estimates, emits more carbon dioxide than Australia.
Lured by official promises of cheap hydropower, China Hongqiao Group and a handful of other coal-reliant smelters several years ago began moving 6.56 million metric tons of capacity - about 15% of China's total - from the northern rust belt to the mountainous and ethnically diverse Yunnan province, known for tea, coffee and wild mushrooms.
The opportunity to cut electricity bills and help the world's top polluter tackle global warming seemed like a safe bet. But as Yunnan's rivers and reservoirs dwindled amid poor rainfall, which some experts attribute to climate change, so did the reliability of electricity.
Reuters interviews with almost two dozen industry figures and analysts, as well as company filings and official documents, found insufficient hydropower has meant that only a little over half of the planned aluminium capacity shift has materialised.
Some smelters are slowing or scaling back their already-delayed plans and others are seeking alternative locations.
"The power cuts in the past two years have made it clear that Yunnan can't be sustained as a major producing region," said one Yunnan industry figure who, as with others, spoke on the condition of anonymity due to the issue's sensitivity.
Despite growing demand for low-carbon products and strong industry profits in recent years, eight employees at four Yunnan smelters said they have had to cut production by 10% to 40%.
Muyi Yang, an adjunct fellow at the University of Technology Sydney who researches energy policy, said any supply disruptions would delay China's broader energy transition because aluminium is used in many clean technologies.
In addition to hindering China's climate goals, the hydro crunch has caused volatility in global aluminium prices and imperilled the potential for producers to cash in on demand for "green" metal, according to the analysts and industry sources.
Hongqiao's plan to move almost 4 million tons of production from Shandong province to Yunnan involved building two plants near the Vietnam border, in Wenshan and Honghe prefectures, each with capacity of roughly 2 million tons.
The 17 billion yuan ($2.35 billion) Wenshan factory opened in 2020 and was intended to reach full capacity in August 2022, the director of the industrial park where it is located told state media in 2021. But unstable hydropower has prevented that, two industry figures said.
At Honghe, production was due to begin in March 2023, according to a December 2021 overview of projects published by the Yunnan Department of Industry and Information Technology. Yet, initial production capacity of just 500,000 tons will be ready in the middle of this year, according to a person familiar with the matter.
Chen Xinlin, a senior metals and mining consultant at Wood Mackenzie, said Honghe's capacity may not be commissioned this year due to the "hydropower bottleneck".
Hongqiao and its parent, Shandong Weiqiao Pioneering Group, did not respond to Reuters questions about the matter, and the Yunnan government declined to comment.
China's environment and industry ministries, and the top planning agency, the National Development and Reform Commission (NDRC), did not respond to requests for comment.

GREEN DREAMS
Aluminium accounts for about 3% of the world's direct industrial carbon dioxide, according to the International Energy Agency. For China, that meant cleaning up the sector would be crucial to its goals, formalised in 2020, of ensuring the country's carbon emissions peak by the end of this decade and reach net zero by 2060.
Part of the allure of aluminium made from hydropower or other clean energy is that producers may be able to charge premiums as global manufacturers raise their carbon standards for materials, though only a tiny proportion of green aluminium currently attracts such a premium.
Besides Hongqiao, producers including industry leader Aluminium Corporation of China, known as Chinalco, were drawn to Yunnan by provincial authorities' offer of discounted greener power at 0.25 yuan per kilowatt hour (kWh), less than half of what they were paying in northern China.
Chinalco announced in 2018 that it would move 1.2 million tons to Yunnan, and suppliers including anode producer Sunstone Development followed. Neither responded to requests for comment.

The new smelters brought in staff from China's north, with factory canteens serving braised noodles and shaobing, a flatbread stuffed with meat, to give workers a taste of home.
The plants produce silver-coloured ingots cast from molten aluminium into square-shaped bundles. These are collected by trucks and delivered to factories for processing into goods such as car parts, window frames and beer cans.
A 2022 World Economic Forum report anticipated that 2 to 3 million tons of primary aluminium production would move annually to China's southwest, mostly Yunnan, from 2020 to 2025, tapering to 90,000 to 100,000 tons per year by 2060.
The pace has been much slower. Officials had been aware that power was a potential constraint.
"Solving power supply issues is the first thing Wenshan needs to work on to develop a green aluminium industry," He Chun, deputy bureau chief of the Wenshan Energy Bureau, told state media in 2021.
But rains proved uncooperative. Yunnan's Water Resources Department said in January that severe drought had persisted for a fifth year, leading to reduced hydropower generation.
On April 16, Wenshan officials warned of extreme drought conditions in Yanshan county, where several aluminium plants are located, including a Hongqiao smelter. Average rainfall so far this year is down 37%, according to the Wenshan government.
Adding to the smelters' dilemma, the NDRC in 2021 banned discounted power rates for aluminium producers.

'MAY THERE BE MORE RAIN'

In interviews with Reuters, 10 of the industry figures at smelters that moved to Yunnan described higher-than-expected electricity rates and periodic orders from the energy provider, China Southern Power Grid, to shut down on short notice.
Electricity rates had risen to 0.47 to 0.50 yuan per kWh, seven of these people said, still below what smelters paid in the north. China Southern did not respond to a faxed request for comment.
Producers including Chinalco-owned Yunnan Aluminium and Henan Shenhuo Coal & Power, neither of which responded to requests for comment, have cited Yunnan's power-supply problems in financial filings.
In its 2023 annual report, Shenhuo warned that further increases in electricity rates or supply disruptions would create uncertainty for its operations.
Yunnan has sought to free up electricity by curbing transfers to other provinces.
The provincial government has also said it will accelerate construction of wind and solar power, as well as more hydropower stations, and bolster its capacity for thermal power, which mainly comes from coal. But frustrated smelting-industry figures talk of looking elsewhere. "No one dares to stick with their relocation plan" because of Yunnan's power issues, said a manager at a Yunnan smelter.
Analysts expect more capacity to shift to northwestern China, where there is more access to power, including from coal that can assure stable supply for smelters.
In May 2023, Weiqiao's chairman Zhang Bo announced plans with Shandong Chuangxin Group to build a green aluminium base in Inner Mongolia, powered by wind and solar, according to a statement on the regional government's website.
For now, Yunnan smelter operators are looking to the skies.
"May there be more rain, that's the best thing we can wish for," said one smelter employee.

EXCLUSIVE-BHP-Anglo American deal raises alarm in Japan's steel industry

Japanese steelmakers have raised concerns with Australian authorities that BHP Group could become too dominant in the global supply of coking coal if it goes ahead with a takeover of Anglo American.
Australia is the world's biggest exporter of coking coal and top supplier to Japan, making up around 60% of its imports, with most of the steel-making ingredient coming from the state of Queensland, where BHP and Anglo American are the two largest producers.
Steelmakers' concerns about BHP's coking coal market power could derail a deal if the Australian giant comes back with a revised bid for Anglo American, after being rebuffed with a $39 billion offer last month.
"BHP already has a large share of the supply of high-quality hard coking coal in the seaborne trade, and we will take measures to ensure that further oligopolisation will not impede sound price formation and stable supply," a JFE Steel spokesperson said, declining to elaborate on what measures they could take.
Representatives of Japanese steelmakers met with Queensland government officials raising alarm bells that if a deal went ahead it would concentrate the world's top quality coking coal mines in the state's Bowen Basin in the hands of BHP, two people familiar with the talks said.
The combined group would control 44 million tons, or about 13%, of the seaborne coking coal market, data from consultants Wood Mackenzie shows. That comes even as BHP's production has fallen after sales of some mines in recent years.
"In general, we are against the (BHP-Anglo) union as it would create a supplier with a huge market share, especially in the hard-coking coal market," said a source at a Japanese steel maker, adding that it was closely monitoring the situation. "We, for our part, would not want BHP to buy Anglo and gain a stronger price competition power." Queensland Deputy Premier and Treasurer Cameron Dick said BHP would need to ensure its coal remains competitive or risk losing state government support. "We work closely with our Japanese customers and are aware of their concerns," Dick told Reuters.

"BHP needs to explain to Japanese steelmakers and the market more broadly how it will ensure the ongoing supply of steelmaking coal remains competitive," he said.
BHP declined to comment for this story but has said expanding in high quality coking coal was a main driver of its tilt for Anglo. Anglo American declined to comment.

COKING COAL SQUEEZE
Japan's Fair Trade Commission has the authority to investigate a BHP-Anglo American transaction and could block a deal if it found it would harm Japanese companies, two anti-trust lawyers in Tokyo said.
However, if a deal was deemed anti-competitive, the commission would likely ask BHP to offer a remedy, which could include a coal divestment, one of the two lawyers said. They both declined to be named due to the sensitivity of the issue.
The Fair Trade Commission declined to comment whether it has received any request to examine the BHP-Anglo deal.
Like JFE, Kobe Steel said it is keeping a close eye on the proposed deal and a potential increase in BHP's market power. Japan's biggest steelmaker Nippon Steel declined to comment on the deal, but said it had expressed concern to the Queensland government that its royalty rate hike could result in lower investment in mines and disrupt coking coal supply in the future.
Key among steelmakers' concerns is that BHP has stressed it will not invest to expand production in Queensland after the state hiked coal royalties without industry consultation, a source familiar with the matter told Reuters.
BHP CEO Mike Henry said last year the company "will not be investing any further growth dollars in Queensland under the current conditions".
Anglo's Moranbah North and Grosvenor mines are effectively an extension of BHP's Goonyella mine, which produces a type of coal favoured by Japan and India.
The Japanese are facing growing competition from India for that coal.
BHP already sends 40% of its coking coal to India and expects the country's demand for the steel-making ingredient to double by the end of the decade, CFO Vandita Pant said in March.
Japan could lobby anti-trust authorities in other jurisdictions to block a deal if it believes there will be an impact to the competitiveness of the global coking market, as it did when BHP made a bid for its iron ore rival Rio Tinto in 2007, one of the lawyers said.
Queensland could also complicate a deal.
"The transfer of mineral assets in Queensland are subject to a number of state government approvals. No resources company should take those approvals for granted," Treasurer Dick said.

Top News - Carbon & Power

EXCLUSIVE-Power producer Calpine explores options including $30 bln sale, sources say
The investment firms that took U.S. power plant operator Calpine Corp private six years ago are exploring options that include a company sale, an initial public offering or a stake divestment at a valuation of about $30 billion, including debt, according to people familiar with the matter. The deal deliberations come as data centers powering artificial intelligence and extreme weather, such as heat waves driven by climate change, spur electricity demand in some of Calpine's key markets, including Texas, where it operates 12 power plants.
Energy Capital Partners, Access Industries and CPP Investments, which acquired Calpine for $17 billion in 2018, are having early-stage talks with investment banks about their exit options, the sources said.
A transaction would likely happen late in 2024 or early in 2025, added the sources, who spoke on condition of anonymity to discuss confidential deliberations.
Calpine did not respond to a comment request. ECP, CPP and Access all declined comment. An acquisition of Calpine would be the biggest in the U.S. power industry since TXU Corp's $45 billion leveraged buyout in 2007. An IPO would likely be one of the largest ever of a U.S. power company.
Calpine owns 76 power plants generating almost 26,000 megawatts of power across 22 U.S. states, as well as Canada and Mexico, according to its website. Calpine is an independent power producer and, unlike regulated utilities, it can sell power at market prices, allowing it to profit more when demand is up.
The arrangement also exposes it to more power-market risk, however, because Calpine does not have a dedicated customer base as regulated utilities do.
Its customers include businesses, industrial sites, as well as residential homes.
Having been stagnant for much of this century, aggregate U.S. power demand is expected to skyrocket further from the record 4,099 terawatts forecast for 2024 by the U.S. Energy Information Administration.
While precise forecasts vary, Goldman Sachs said last month that U.S. power demand could reach 5,036 terawatts by 2030.
Investors are scrambling to place bets in the sector, due to this outlook. So far this year, Vistra Corp's stock has jumped 139%, while shares of competitors Constellation Energy and NRG Energy have surged 81% and 58% respectively.
This compares with the 12% gain in the S&P utilities index, and a 9% increase by the S&P 500.

Panama Canal in talks with US LNG producers to increase transit

The Panama Canal is in talks with U.S. liquefied natural gas (LNG) producers on how to meet increased demand for crossings as water levels recover after a prolonged drought, the canal's administrator Ricaurte Vasquez told Reuters in an interview. The canal is typically used by U.S. Gulf Coast exporters to send LNG cargoes to Asia via the Pacific Ocean, but from last year low water levels forced cuts to daily crossings, driving many producers to seek more costly or longer alternative routes.

In April, LNG transits through the canal's Neopanamax locks only amounted to 4.9% of crossings while container ships snared some 61.6% of the transits. Following increased rainfall that has replenished water levels, tensions have begun to ease and the canal is examining future opportunities, Vasquez said on Wednesday.

Canal authorities might need to modify slot allocations to secure more passage for LNG customers, so the administration is working on a survey to be sent to its transport clients to identify their needs, especially in terms of frequency and permits, he said.

The administrator said there is an opportunity to attract exports from new U.S. LNG plants, which would require getting permits, without detailing which facilities are being eyed by the entity.

Companies including top U.S. LNG exporter Cheniere Energy have complained about having to endure long and costly waiting periods to cross the canal as LNG vessels lack priority passage. Vasquez said the canal is looking for ways to guarantee crossings for those vessels, adding the number of slots available for LNG producers will be made public after studies are completed and a consensus is reached with the companies involved.

Key industry players will come to Panama likely this month for talks, Vasquez said without naming the parties. "We will talk and define parameters. They have very big aspirations in which they would like to have a canal dedicated to them but that is not possible, since this is a canal that should be open to every type of commerce internationally," Vasquez said.

PRESSING NEED TO SECURE WATER

The Panama Canal has proposed building water reservoirs as a solution to mitigate climate change related shortages, though it is still waiting for the government to grant it access to the areas where they could be built.

President-elect Jose Raul Mulino told Reuters on Wednesday he would move to speed those permits. Mulino will take office on July 1.

Scarcity has raised water's value, with Vasquez saying the canal will move to present an updated price scheme that match the new realities and customers' needs next year. The water reservoirs could be ready in 2030, though the canal's administration still needs to secure permits and strike agreements with nearby communities.

Vasquez expressed confidence the canal would do so after undertaking proper consultations and providing necessary guarantees, adding that the waterway has a 15-year history of working with them.

Top News - Dry Freight

Argentina grains ports, soy crushing plants idle due to general strike

Argentine grains ports and soybean crushing plants in the area surrounding the major Rosario hub are standing idle due to a nationwide strikelaunched on Thursday, the head of the major grains exporting nation's oilseed export chamber said.

"None of the ports and factories are operating," according to chamber president Gustavo Idigoras. "There aren't any problems or disturbances but everything is closed."

Guillermo Wade, who leads the CAPyM chamber of port and maritime activities, confirmed the stoppage.

"The unions have all joined, so activity is totally affected," he said. Unions called a 24-hour general strike against the harsh austerity measures implemented by libertarian President Javier Milei.

The spending cuts, which appear to be slowing the country's near 300% inflation rate and have momentarily eliminated the fiscal deficit, are also increasing poverty and unemployment as consumption collapses.

The strike action comes as farmers reap the country's major soybean and corn harvests, bringing ports into what is traditionally one of the busiest times of the year.

While crushing and port worker groups are participating in the strike the farmers' Argentine Rural Confederations (CRA) said it was not striking: "To overcome our Nation's crisis we must keep working," the group said on X.

Ivory Coast suspends sales of raw cashews to exporters

Ivory Coast has suspended exporters' purchases and exports of raw cashew nuts to allow local processors to supply their factories, according to an agriculture ministry memo dated May 7 and seen by Reuters.

Ivory Coast, the world's largest cocoa producer, has also become a leading grower of cashew nuts in recent years, but only a fraction of its nuts are processed locally as firms face steep competition from deeper-pocketed Asian exporters.

The ministry did not say how long the suspension would be in place, but a ministry official, speaking on condition of anonymity, said it would stand until further notice.

"These restrictive measures, which are part of the national policy for the development and promotion of agro-industry, aim to ensure the supply of local processing units," the memo said.

In February, local processors appealed to the government for extra support, warning of impending bankruptcy. Just 22% of output was processed locally in 2023, according to the ministry.

Speaking on condition of anonymity, the head of a local processing company said the sector had been asking the government to introduce this kind of suspension for three years. "It is only now that the decision comes after the bankruptcy of at least nine processing companies," the source said. Another member of the cashew processors association said: "it's a bit late, but it's a beneficial decision for the sector and especially for us ... It was impossible to compete against the Asian multinationals." Ivorian cashew nut output is expected to rise to 1.25 million metric tons this year, about 5% higher than in 2023, Agriculture Minister Kobenan Kouassi Adjoumani told reporters in February.

Picture of the Day

A Palm Civet stands near Arabica coffee cherries in a coffee plantation owned by state plantation firm PT Perkebunan Nusantara XII in Bondowoso, in Indonesia's East Java province. REUTERS/Sigit Pamungkas

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

Picture of the Day

A Palm Civet stands near Arabica coffee cherries in a coffee plantation owned by state plantation firm PT Perkebunan Nusantara XII in Bondowoso, in Indonesia's East Java province. REUTERS/Sigit Pamungkas

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

Please visit: **LSEG** for more information

Privacy statement