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Top News - Oil

Shell shareholders reject investor climate resolution
Shell shareholders on Tuesday overwhelmingly rejected a climate resolution filed by an activist group following a meeting punctuated by protests.
In March, Shell weakened a 2030 carbon reduction target, citing expectations for strong gas demand and uncertainty in the energy transition, while focusing on more profitable operations, mainly in oil and gas.
The resolution was filed by activist shareholder Follow This and backed by a group of 27 investors that collectively have around $4 trillion under management.
It urged Shell to align its medium-term carbon emissions reduction targets with the Paris Climate Agreement, including emissions from fuels burnt by consumers.
The resolution received 18.6% support from shareholders, compared with just over 20% last year.
Shell's board had urged investors to oppose the resolution, whose backers included Amundi, Scottish Widows, Rathbones Group and Edmond de Rothschild Asset Management.
At the same time, a separate resolution brought forward by Shell's board on its climate strategy won 78.2% support.
"I'm pleased that we have seen the Follow This resolution get an even lower share of the votes compared to previous years.
That's a sign of growing trust and confidence in our ability to navigate the energy transition," CEO Wael Sawan told reporters.
The annual shareholder meeting was disrupted several times by climate protesters chanting "Shell kills". Climate protesters also held a demonstration outside the meeting.

MORE OIL
The meeting was dominated by shareholder questions about Shell's energy transition strategy.
"Your board wants to continue with the business model of turning hydrocarbons into petro-dollars ... They don't want to step out of their comfort zone because they don't know how to make profits with clean energy," Follow This founder Mark van Baal said.
In March, Shell said it would target a 15-20% reduction in net carbon intensity of its energy products by 2030 compared with 2016 intensity levels. It had previously aimed for a 20% cut. It also scrapped a 2035 objective, while affirming a plan to cut emissions to net zero by 2050. The company, however, introduced a new "ambition" to cut overall emissions from oil products such as gasoline and jet fuel sold to customers by 15-20% by 2030 compared with 2021.
End-user emissions, referred to as Scope 3, account for about 95% of the company's greenhouse gas pollution.
"Shell believes continued investment in oil and gas will be needed," Chairman Andrew Mackenzie told the meeting.
The British company also faces a 2021 landmark Dutch court ruling, which it appealed last month, ordering it to reduce its greenhouse gas emissions by 45% by 2030 from 2019 levels.
Scientists say the world must cut greenhouse gas emissions by around 43% by 2030 from 2019 levels to stand any chance of meeting the 2015 Paris Agreement goal of keeping warming well below 2 degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial levels.

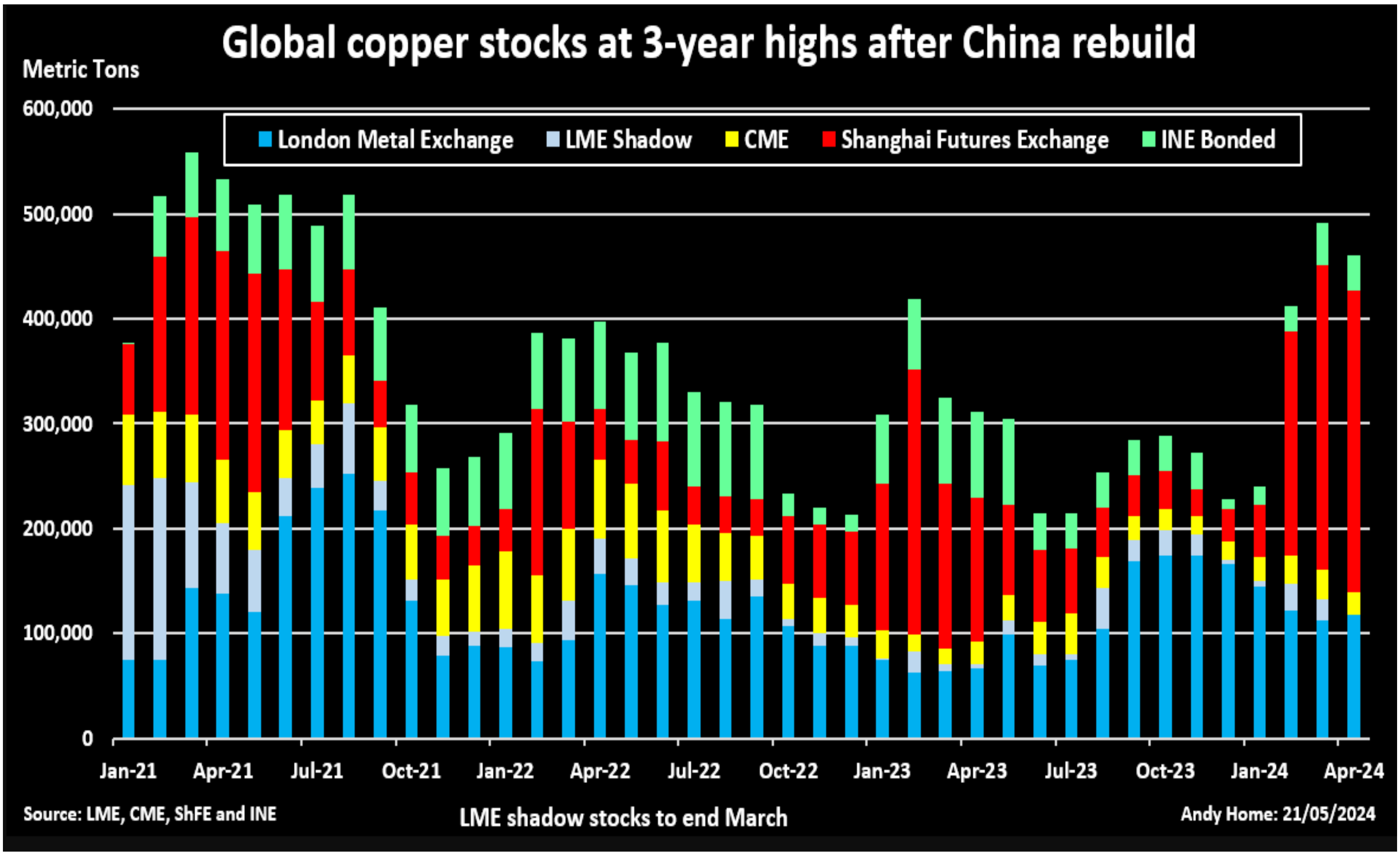
India's Russian oil imports rise to nine-month high in April
India's Russian oil imports rose a nine-month high in April after shipments on non-sanctioned tankers operated by Russia's largest shipping company Sovcomflot resumed, tanker data obtained from shipping and trade sources showed.
Refiners in India briefly stopped importing Russian oil in tankers belonging to Sovcomflot after the company's ships, along with its 14 tankers, were designated by Washington in February as being in breach of Western sanctions.
The West has imposed the sanctions against Russia since it invaded Ukraine in 2022 and has enacted price caps on oil and oil products loaded at Russian ports aimed at cutting Moscow's oil revenue that funds the war.
India, the world's third-biggest oil importer and consumer, is the top client for Russian seaborne oil.
In April, the first month of the fiscal year 2024/25, Indian refiners shipped in nearly 1.8 million bpd of Russian oil, up about 8.2% over the previous month, expanding Russia's share in India to about 38% from 32% in the previous month, the data showed.
Overall, India imported 4.8 million bpd of oil in April, a decline of 6.5% from the previous month and marginally higher than April 2023.
Russia continued to be the top oil supplier to India followed by Iraq and Saudi Arabia.
However, increased purchases of Russian oil dented Indian refiners' overall purchase of Iraqi and Saudi Arabian oil during the month, dragging down the share of Middle Eastern oil to 41% from 46% in March, the data showed.
Lower imports from the Middle East further reduced the Organization of the Petroleum Exporting Countries' share in India's crude basket to 46% in April from 53% in March, the data showed. Higher imports of Russian oil boosted the share of oil from the Commonwealth of Independent States, comprising Kazakhstan, Azerbaijan and Russia, in India's imports to 41% last month from 37% in March.

Top News - Agriculture

Russia's IKAR cuts wheat harvest forecast after severe weather
Russia's IKAR agricultural consultancy has cut forecasts for Russia's wheat harvest and exports after unusually hot spring weather combined with bitter frosts in the heart of Russia's bread basket, it said on Tuesday.
IKAR cut its Russian wheat crop forecast to 83.5 million metric tons from 86 million tons and cut the projection for Russian wheat exports to 45 million tons from 47 million tons.
"This is predominantly a combination of recent frosts and dry weather across the European Russia," Dmitry Rylko, general director of IKAR, told Reuters.
"Another emerging factor is very difficult sowing conditions in Western Siberia (where there have been heavy rains), though it is still minor and quite contradictory: We might end-up with a very strong crop there." China is the world's biggest wheat producer but Russia is usually the top exporter.
The Institute for Agricultural Market Studies (IKAR), one of the two leading agricultural consultancies in Russia, cut the overall grain crop forecast for the country to 132 million tons from 135 million tons and its total grain exports outlook to 57 million tons from 59.5 million tons.
Russia's new agriculture minister, Oksana Lut, said last week that 900,000 hectares of frost-hit crops would need to be replanted.

Illinois wheat tour projects big yields; crop disease flagged
Illinois is poised to produce a higher-yielding wheat crop than a year ago, when the state produced a record yield, the Illinois Wheat Association said on Tuesday following a one-day crop tour.
However, with the harvest still a few weeks away, crop scouts on the tour cautioned that disease pressure, amplified by wet conditions this spring, could reduce final yields.
Such production uncertainty comes as top global wheat exporter Russia is facing frost damage to its crop, fueling concern about tightening global supplies and sending U.S. wheat prices surging to the highest level in 10 months.
The one-day Illinois tour projected an average yield of 104 bushels per acre (bpa) after scouting 59 fields, mostly in the state's southern third.
A year ago, the same tour projected an average yield of 97.1 bpa based on 57 fields scouted.
Both figures are well above the U.S. Department of Agriculture's official projections.

Chart of the Day



The government forecast the state's 2024 wheat yield at 83 bpa, down from last year's record high of 87 bpa. Illinois was the seventh-largest U.S. winter wheat producer in 2023 and the top producing state of soft red winter wheat, a class used to make cookies and snack foods.
Tour scouts noted the presence of fusarium head blight, a fungal disease also known as head scab, in many fields. Scab can cause elevated levels of a toxin called vomitoxin in wheat that can sicken animals and people. Grain elevators routinely measure for it and can heavily discount or reject wheat found with more than 2 parts per million.
The infection level appeared to be low but experts cautioned that the true impact of the disease won't be clear until closer to harvest time.
"It's going to come down to how much that (disease) is going to progress in the next couple weeks," said Dr. Jessica Rutkoski, a University of Illinois wheat breeder who participated in Tuesday's tour.

Top News - Metals

Peru's 2024 copper target is realistic, mining magnates say

The Peruvian government's 2024 copper production goal of 3 million metric tons is realistic, senior industry executives said on Tuesday, as the country seeks to boost mining investments to help lift the economy out of recession.
The South American country produced 2.76 million tons of copper last year, dropping its rank from first to second for global production of the red metal. It still ranks first globally for export volumes. Mining is key to Peru's economy, which fell into a recession in 2023 due to adverse climate effects, social conflicts and a drop in investments.
"The 3 million ton projection is realistic," Carlos Castro, manager of corporate affairs and business development at Minera Las Bambas, told Reuters on Tuesday on the sidelines of a forum attended by global mining executives. Las Bambas, owned by the China's MMG Ltd, has seen production drop in the recent years in the midst of social protests by residents demanding greater benefits from the mine. "It's a reasonable projection," said Raul Jacob, vice president of finance at Southern Copper, the country's third-largest copper producer.
Southern Copper hopes to increase its copper production by 20% this year from 2023, when it extracted 374,149 tons of the metal, according to government figures.
Peru's Mining and Energy Minister Romulo Mucho announced the 3-million-ton goal in March.
"We're going to break the record this year, we can do it, the first three months of the year show that we're growing," Mucho said on Tuesday.
Miners' confidence comes as copper prices hit two-year highs. Victor Gobitz, president of Antamina, Peru's second-largest copper producer, said the forecast is "very optimistic," but still achievable.
"I would estimate production will land in the 2.8 to 3 million tons range." Antamina, which is controlled by Glencore, BHP, Teck and Mitsubishi, produced 435,378 tons of copper last year, and hopes to maintain that level in 2024. In the last year, Peru has granted environmental permits for the expansion of some key projects and expects the construction of others such as Southern Copper's Tia Maria. Southern Copper's long-stalled $1.4 billion Tia Maria project in Peru is set to break ground by the end of the year or in the first half of 2025, according to a senior company executive.

EXCLUSIVE-Southern Copper's stalled Tia Maria project set to break ground in Peru, VP says

Southern Copper's long-stalled Tia Maria project in Peru is set to break ground by the end of the year or in the first half of 2025, a senior company executive told Reuters, which would mark a major breakthrough for the $1.4 billion mine.
Raul Jacob, vice president of finance at Southern Copper, Peru's third largest copper producer controlled by Grupo Mexico, said "social conditions" had improved after years of protest that have halted the mine's development.
"We are fine-tuning details to be able to begin construction towards the end of this year or in the first part of next year," said Jacob, giving for the first time in years a concrete estimated start date for work on the project. "There are no pending licenses, we have all the authorizations and we have not stopped working with the communities." Peru, the world's second largest exporter of copper, is battling to rev up production as it jostles with rival producer the Democratic Republic of Congo and looks to revive a faltering economy after years of political turmoil and unrest.
Tia Maria, in the Islay province of the Arequipa region, is expected to eventually produce 120,000 tons of copper annually. The project has, however, been held up for over a decade due to opposition from communities due to fears of the mine's environmental impact.
Protests against the mine left six people dead between 2011 and 2015.
In 2019, after new protests, the government suspended its construction license for 120 days and agreed with Southern Copper that the project would only move forward when the social conditions were suitable.
Peru's government did not immediately respond to a request for comment. Mining minister Romulo Mucho told Reuters in May that the start of a new large mining project such as Tia Maria would be an important jolt to help ignite the economy. Jacob said that copper prices at record levels would mean the project benefited both the state and the local region around the mine. He added Southern Copper expects to boost copper production in Peru 20% this year from 374,149 tons last year.

Top News - Carbon & Power

ANALYSIS-China's blistering solar power growth runs into grid blocks

China's breakneck build-out of solar power, fuelled by rock-bottom equipment prices and policy support, is slowing as grid bottlenecks pile up, market reforms increase uncertainty for generators, and the best rooftop space runs short.

Last year, China expanded its solar fleet by 55%.

The momentum continued through the first two months of 2024, but in March new solar build fell 32% year-on-year to the lowest level in 16 months, official data and Reuters calculations show.

The country's solar power expansion is slowing due to tighter curbs on supplying excess power from rooftop solar into the grid and changes in electricity pricing that are denting the economics of new solar projects.

Forecasts show China's solar build this year will be heavily outpaced by growth in its photovoltaic (PV) module manufacturing capacity, raising the prospect the country will export more solar panels despite a trade backlash in Europe and the U.S.

The main factor slowing the expansion of distributed solar - installations built near the point of use, mostly on rooftops - is that there is not enough storage or transmission capacity to soak up the excess power generated when the sun is shining.

That in turn is leading regulators to take away some of the price support that led to the rapid growth of distributed solar.

"In the next couple of years, this is going to be a huge problem that all provinces will face as grids are oversaturated, the infrastructure is overwhelmed," said Cosimo Ries, an analyst with Trivium China, a policy research group.

The problem has hit several regions that were heavy adopters of distributed solar, which made up 42% of the national solar fleet last year, but is especially acute in provinces such as Shandong in the north.

State broadcaster CCTV said up to 50-70% of distributed solar generation is being curtailed in Shandong, which means grid managers have had to stop that amount of supply coming into the grid in order to maintain balances with demand.

China has tried to limit curtailment of renewable energy to 5%, in line with rates of 1.5-4% in most big markets, according to the International Energy Agency.

But in a survey of six provinces' ability to absorb distributed solar, China's energy regulator last year found

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.92 / bbl	-2.36%	8.75%
NYMEX RBOB Gasoline	$2.48 / gallon	-2.08%	17.52%
ICE Gas Oil	$751.25 / tonne	-1.86%	0.07%
NYMEX Natural Gas	$2.63 / mmBtu	-4.29%	4.73%
Spot Gold	$2,415.69 / ounce	-0.39%	17.12%
TRPC coal API 2 / Dec, 24	$120 / tonne	2.13%	23.71%
Carbon ECX EUA	€76.25 / tonne	2.74%	-5.13%
Dutch gas day-ahead (Pre. close)	€33.15 / Mwh	4.25%	4.08%
CBOT Corn	$4.73 / bushel	0.37%	-2.32%
CBOT Wheat	$7.32 / bushel	3.28%	14.46%
Malaysia Palm Oil (3M)	RM3,863 / tonne	-1.48%	3.82%
Index	**Close 21 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	345.31	0.13%	14.57%
Rogers International	29.62	0.00%	12.50%
U.S. Stocks - Dow	39,872.99	0.17%	5.79%
U.S. Dollar Index	104.60	-0.06%	3.22%
U.S. Bond Index (DJ)	424.58	0.22%	-1.42%

five expected to have to impose restrictions on new projects in 2024.

Hebei and Henan provinces - two of the "three big drivers" of distributed solar along with Shandong - have already seen an "absolute collapse" in installations, Ries said.

"These two provinces are very worrying."

In November, Henan province directed companies and local regulators to come up with action plans to increase grid capacity to support the "healthy development" of distributed solar.

State planner the National Development and Reform Commission did not respond to a faxed request for comment, and its Henan and Hebei offices could not be reached.

The North China Energy Regulatory Bureau declined to comment and the Henan energy regulator did not respond.

FORECASTS DIVERGE

China's rapid solar rollout has put it on track to meet its renewable goals years ahead of schedule, with installed solar capacity of 655 gigawatts (GW) as of March, the most in the world by far, well ahead of second-placed United States with upwards of 179 GW at the end of 2023.

But forecasts for the solar rollout this year vary sharply.

S&P Global Commodity Insights expects new installations to rise 4% in 2024 from 217 GW last year, saying first-quarter additions were stronger than expected even with the March drop-off, while Rystad analysts see a 6% increase.

In contrast, the China Electricity Council expects new installations to drop by 20% this year, while a Chinese PV industry association in February forecast they could fall 12%.

Lagging grid investment and uncertainty created by ongoing electricity market reforms loom as challenges, said Holly Hu, S&P Global Commodity Insight's principal analyst for clean energy tech.

The country's solar surge was facilitated by government support that encouraged an explosion in equipment manufacturing that has crushed global solar panel prices, prompting complaints from trading partners.

For this year, analysts expect China to add 500-600 GW of PV module production capacity, a 60-70% increase, well above growth in solar projects.

That would force manufacturers to export even more to markets such as Europe and the U.S., which doubled tariffs on cells used to make solar panels from 25% to 50%.

PRICING CHANGE FALLOUT

Renewable generators previously enjoyed a guarantee that grid operators would buy nearly all of their power at a rate tied to the coal index.

That guarantee was lifted on April 1 and took effect earlier in some places, three industry experts said.

Now, renewable generation is increasingly subject to less favourable market pricing.

Shenhua Energy, a state-run coal and power firm, said in its 2023 annual report that prices for its solar power fell 34.2% year-on-year to 283 yuan per kilowatt-hour (kWh), while its coal power prices fell just 2.4% to 406 yuan per kWh.

Wang Xiuqiang, a researcher at consultancy Beijing Linghang, attributed the lower solar prices and profitability to a higher proportion of market-based pricing.

At the same time, grid companies are dialling back the 5% curtailment limit, "creating the risk for project owners that their generation might not be bought", said David Fishman of Shanghai-based energy consultancy the Lantau Group.

Curtailment for Huaneng Power International, a major state-owned generator, rose to 7.7% in the first quarter from 3.1% a year earlier, Jefferies analysts said in a client note, citing Huaneng management.

In a further challenge, the easiest-to-site projects have already been largely developed, said Shi Lida, research manager at Yongan Guofu Asset Management.

At sites still available, rooftops may need to be reinforced, grid connections may be limited, or hours of sunlight may be short.

"If your costs don't continue to fall, the investment will not be cost effective," Shi said.

COLUMN-US electricity demand from EVs jumps to new highs in early 2024: Maguire

United States electricity consumption from electric vehicles (EVs) over the first two months of 2024 jumped by over 50% from the same months in 2023 as EVs continue to penetrate the U.S. car market and impact electricity flows.

Total electricity use by EVs through February 2024 was 1.58 million megawatt hours (MWh), compared with 1.04 million MWh during the same period in 2023, according to the U.S. Energy Information Administration (EIA).

That 52% rise in EV electricity use from early 2023 exceeded the 40% growth rate posted in 2023 from January-February 2022, and indicates that the impact from rapidly expanding EV sales continues to increase in electricity markets.

EVs accounted for 16% of all light-duty vehicle sales in the U.S. in 2023, when collective electricity use by EVs overtook electricity demand by U.S. railways for the first time, according to the EIA's latest Electric Power Monthly report.

ANNUAL TRENDS

Total electricity consumption by EVs in 2023 was 7.6 million MWh, up 45% from 2022's total.

The growth lagged the record 49.2% growth in EV electricity demand posted in 2022, but was the second largest annual growth rate on record and brings the five-year average annual growth rate for EV electricity demand to 37.2%.

The top state for EV electricity consumption was California, the most populous U.S. state, where EV's consumed 2.58 million MWh of electricity and accounted for just under 34% of total national EV electricity demand.
That share was down from 35.2% in 2022, indicating that EV electricity demand grew faster in other states last year.
Florida (458,767 MWh), Texas (417,027 MWh), New York (337,367 MWh) and Washington (308,724 MWh) round out the top five states for EV electricity demand in 2023.
In terms of vehicle type, battery electric vehicles accounted for nearly 72% of total EV electricity use, while plug-in hybrids accounted for 28.3%.

STATE STANDOUTS
Beyond the top five electricity-consuming states for EVs, 13 other states consumed 100,000 MWh or more electricity for EV charging in 2023.
These states cover a wide geographic span from Maryland to Illinois and from North Carolina to New Jersey, and indicate rapid uptake of EVs in car fleets throughout the country.
The state with the largest year-on-year growth in electricity demand for EV charging was Oklahoma, which posted a 74% expansion in EV electricity use last year, to 73,058 MWh.
A rapid expansion in the installation of public chargers, plus local government incentives for home-based charging equipment, helped accelerate EV uptake in Oklahoma.
The states with the lowest electricity demand for EVs last year were North Dakota, Wyoming and South Dakota, which have the lowest per capita ownership rates of EVs in the country, according to the U.S. Department of Energy.
Limited public charging infrastructure and concerns about the impact of harsh winter weather on battery life are some of the factors keeping EV growth in check in those states.
However, more charging stations are planned throughout the U.S. in 2024 and beyond, while EVs with battery ranges of 300 miles or more are becoming common in manufacturer offerings.
In addition, EV prices are under pressure due to high dealer inventories, so the U.S. car fleet looks set to become increasingly electrified going forward.
That in turn will fuel even greater demand for electricity at home and from public charging ports, and may place additional strain on utilities to ensure round-the-clock electricity availability.
(The opinions expressed here are those of the author, a columnist for Reuters.)

Top News - Dry Freight

China buys US soybeans as Brazilian prices firm
Chinese importers are believed to have purchased at least two shipments of soybeans from the United States in the past few days, grain traders in Europe and the U.S. told Reuters on Tuesday.
The precise volume was unclear.
One European trader said two shipments each of about 65,000 metric tons were bought for July shipment.
A second European trader said two consignments were bought on Monday, also for July shipment from the U.S. Pacific Northwest coast, with the buyer believed to be a Chinese state organization purchasing for reserves.
The pace of China's buying of U.S. soybeans has slumped this year, as the world's top soybean purchaser has increasingly turned to cheaper supplies from South America.
The U.S. Department of Agriculture also has not reported any U.S. soybean sales to China for the 2024-2025 marketing year, according to agency data.
Traditionally, Brazil ships most of its soybean crop from March to June.
But floods in key producing state Rio Grande do Sul Rio have disrupted this season's harvest, cut the state's soy production estimates and led to extensive livestock losses.
And over the past three weeks, export premium prices for Brazilian yellow soybeans have turned higher, prompting buyers to scout for deals elsewhere. "Brazilian export premiums are firming sharply as their export season goes past its peak, so U.S. soybeans are looking more attractive," one European trader said.
"This is opening a window for the U.S. but the Chinese are still buying in Brazil, though."
China's soybean imports from Brazil rose 11.7% in April from a year earlier, as fresh Brazilian beans continue to arrive at Chinese ports from flood-hit Brazil, Chinese customs data showed on Monday.
Meanwhile, Chinese soybean imports from the U.S. in the first four months of the year were down 40% from a year earlier.

South Korea's KFA bought soymeal in private deal, traders say
The Korea Feed Association (KFA) in South Korea purchased soymeal to be sourced from optional origins in a private deal on Monday without issuing an international tender, European traders said on Wednesday.
The volume was unclear but some traders estimated one consignment was bought of around 12,000 metric tons.
Price was estimated to be $479.90 a ton c&f including a surcharge for additional port unloading, they said.
Seller was believed to be trading house Cofco.
If sourced from South America shipment will be between July 15 and Aug. 15.

Picture of the Day

A gazelle is seen in a wheat field, amid the ongoing conflict between Israel and the Palestinian Islamist group Hamas, near the Israel-Gaza border, May 20. REUTERS/Amir Cohen

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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