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Top News - Oil

Hess shareholders sign off on $53 billion sale to Chevron

Hess shareholders on Tuesday approved the proposed $53 billion merger with Chevron that paves the way for the No. 2 U.S. oil company to gain a prize asset and a foothold in rival Exxon Mobil's massive Guyana discoveries.

The approval clears one hurdle, but the deal still requires regulatory approval and must face a lengthy arbitration battle with Exxon and CNOOC, Hess' partners in Guyana.

Regulatory approval could come next month, said Frederic Boucher, risk arbitrage analyst at Susquehanna Financial Group, based on the time the Federal Trade Commission (FTC) took to approve Exxon's acquisition of Pioneer Natural Resources earlier this month.

But the most crucial step to approve the deal, he said, is a resolution of the dispute filed by Exxon and CNOOC asserting they have a right of first refusal to any sale of Hess's Guyana assets.

A majority of Hess's 308 million shares outstanding voting in favor of the deal was required for approval. Results were preliminary and Hess did not immediately provide the vote tally.

The vote is a win for CEO John Hess, who put his reputation and the future of a company founded by his father on the line.

The result puts to rest claims by some shareholders who wanted additional compensation for the delay in closing the sale. Exxon's arbitration could push the deal's closing into 2025.

“We are very pleased that the majority of our stockholders recognize the compelling value of this strategic transaction and look forward to the successful completion of our merger with Chevron,” CEO Hess said.

Hess and Chevron shares gained on the results. Hess rose a fraction to $152.05 and Chevron climbed less than 1% to $159.04. "Assuming Chevron wins the arbitration from Exxon or finds a settlement, the transaction is now going to happen," said Mark Kelly, an analyst with financial firm MKP Advisors.

The yes vote has huge implications for both companies. Acquiring the profitable oilfields in Guyana from Hess would provide Chevron with a means to mitigate the geopolitical risks tied to the TengizChevroil project in Kazakhstan, which mainly transports its oil through Russia to a port on the Black Sea.

In addition, this acquisition could counterbalance the cost overruns experienced at Chevron's Australian liquefied natural gas (LNG) projects, which have been affected by labor and operational issues.

Acquiring Hess's Guyana holdings would fill out Chevron's oil and gas reserves and provide a new avenue for production growth, beyond their existing operations in the U.S. and Central Asia, said Allen Good, an analyst with Morningstar investment firm.

Hess shareholders will own nearly 15% of the much larger Chevron and get access to its dividend, which is four times greater than Hess'.

The shareholder sign-off also strengthens the companies' hand in any negotiations with Exxon. While Exxon has expressed no interest in bidding for Hess as a whole, it has not ruled out a potential bid for Hess' assets in Guyana. "It's good Chevron cleared this hurdle given the rumblings over the uncertainty of the Guyana arbitration," Good said. "However, I don’t think it will influence the outcome of Exxon’s claim".

Chevron anticipates moving the FTC regulatory process towards its conclusion in the coming weeks, a spokesperson said. "We are confident our position on the preemption right will be affirmed in arbitration," the company said. Exxon operates all production in Guyana with a 45% stake in the giant Stabroek Block. CNOOC owns another 25% of the joint-venture. Both claim a right of first refusal on any Hess sale of its 30% stake.

Proxy firm Institutional Shareholder Services had recommended shareholders vote to abstain and urged Hess to offer an incentive to shareholders because of the deal delay.

John Hess spent the last month lobbying large shareholders to win support for the merger. He had personally visited or called more than 30 firms, according to people familiar with the matter.

EXCLUSIVE-India's Reliance to buy Russian oil in roubles, sources say

India's Reliance Industries, operator of the world's biggest refining complex, has signed a one-year deal with Russia's Rosneft to buy at least 3 million barrels of oil a month in roubles, four sources aware of the matter told Reuters.

The shift to rouble payments follows Russian President Vladimir Putin's push for Moscow and its trading partners to find alternatives to the Western financial system to facilitate trade despite U.S. and European sanctions.

A term deal with Rosneft also helps privately run Reliance to secure oil at discounted rates at a time when the OPEC+ group of oil producers is expected to extend voluntary supply cuts beyond June.

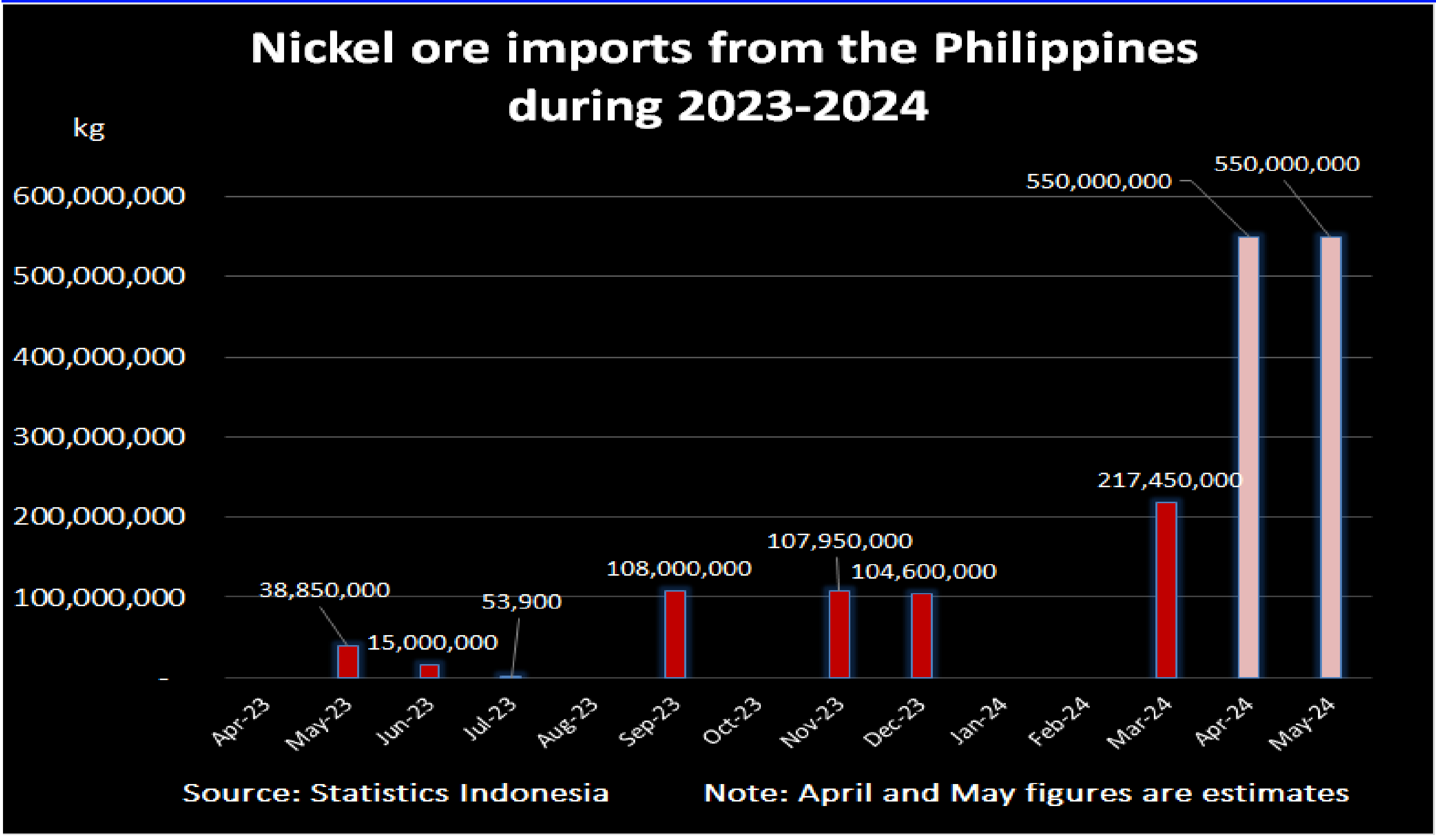
The OPEC+ group comprising the Organisation of the Petroleum Exporting Countries (OPEC) and allies

including Russia is due to discuss the output cuts in an online meeting on June 2.
India, the world's third-biggest oil importer and consumer, has become the biggest buyer of seaborne Russian crude since the West halted purchases and imposed sanctions against Moscow in the aftermath of Russia's 2022 invasion of Ukraine. India has also paid for Russian crude in rupees, dirhams and Chinese yuan.
State-owned Indian refiners, meanwhile, have been tapping spot markets for Russian oil because they were unable to finalise term supplies for this year, Reuters has reported previously. "India is a strategic partner for Rosneft oil company," the Russian company said in an emailed response to questions from Reuters, adding that it does not comment on confidential agreements with partners. "Cooperation with Indian companies includes projects in the field of production, oil refining and trading of oil and petroleum products."
Rosneft also said that commercial approaches to determining the value of sold crude are the same for all companies, regardless of whether they are private or state-controlled.
Reliance did not respond to a request for comment.
Under the terms of the deal, which took effect at the beginning of the Indian financial year from April 1, Reliance will buy two cargoes of about one million barrels of Urals crude with an option to buy four more each month at a discount of $3 a barrel to the Middle East Dubai benchmark, the sources said.
The refiner will also purchase one to two cargoes a month of low-sulphur crude oil, mainly ESPO Blend exported from Russia's Pacific port of Kozmino, at a premium of $1 a barrel to Dubai quotes, the sources added.
Reliance has agreed to make payment for the oil using Russia's rouble through India's HDFC Bank and Russia's Gazprombank, the sources said.
Further details on the payment mechanism were not immediately available.
HDFC Bank and Gazprombank did not respond to requests for comment.

Top News - Agriculture

EXCLUSIVE-Argentina on track to start corn exports to China in July - grains chamber head
Argentina is on track to start long-awaited corn shipments to China from July, the country's grain export chamber told Reuters on Tuesday, which would be a major boost for the South American nation, the world's no. 3 supplier of the grain. "Yesterday they confirmed to us that all the conditions are in place to move forward with shipments to China starting in July," said Gustavo Idigoras, the head of the CIARA-CEC chamber, the first time confirming plans

Chart of the Day



were on track to start exports.
Argentina's government previously said it was aiming to start corn exports to China by July, but that there were pending administrative procedures to obtain import licenses.
"The Chinese market is growing with 20 million tons of imports per year. Brazil is the first supplier.
So Argentina has all the conditions to be a strong and reliable supplier of corn for animal feed," Idigoras said.
The two countries struck an initial agreement last year to open up exports of Argentine corn to China, but official data show that no shipments of cereal have been made to Chinese ports since it was signed, with outstanding issues to resolve.
The two countries had over a decade ago tried to open up the trade of Argentine corn, most of which is genetically modified. A small amount was allowed into China in 2012 as a test, but Beijing's concerns around GMO held things back. Now that hold-up appears to have eased.
Earlier on Tuesday, Argentina's government said that China had authorized for import two varieties of herbicide tolerant GMO corn that are grown in the country, easing the passage for exports and helping Chinese importers to get permits. Argentine farmers are in the initial stages of harvesting corn for the 2023/24 season, whose production is estimated at 47.5 million tons by the major Rosario grains exchange.

USDA shows decline in US winter wheat ratings; corn 83% planted

The U.S. Department of Agriculture (USDA) on Tuesday rated 48% of the nation's winter wheat crop in good-to-excellent condition, down 1 percentage point from the previous week and below trade expectations, but still the highest for this time of year since 2021.
The relatively strong wheat ratings may ease concerns about diminishing crop prospects in top global exporter Russia, where wheat has struggled with frost damage. Russian weather woes helped drive most-active Chicago Board of Trade wheat futures to a 10-month high on Tuesday.
The U.S. winter wheat crop is nearing maturity and the USDA said it expected to release its first national harvest progress estimate in next week's report. State reports showed the winter wheat harvest was already 12% complete in Oklahoma and 21% complete in Texas.
The U.S. corn crop was 83% planted as of Sunday, the USDA said, in line with trade expectations and ahead of the five-year average of 82%.
Seeding had fallen behind the average pace in recent weeks as rains slowed progress, and delays persisted in some areas amid outbreaks of severe weather.
Farmers in Iowa, the top U.S. corn state, had only 2.3 days suitable for fieldwork last week, the USDA said.
Still, 58% of the corn crop had emerged from the ground by Sunday, matching the five-year average.
The USDA planned to release its first corn condition ratings in next week's report.
Soybean planting was 68% complete, ahead of the average analyst estimate of 66% and the five-year average of 63%.
The U.S. spring wheat crop was 88% planted, behind the average trade estimate of 91% but ahead of the five-year average of 81%.

Top News - Metals

Indonesia buying record amounts of Philippine nickel ore due to quota delays, sources say

Top nickel producer Indonesia has bought record volumes of nickel ore from the Philippines since April as smelter demand increases, while delays by Jakarta in issuing mining quotas and heavy rains have hurt local supply, people familiar with the matter said.
Indonesia's nickel ore imports from the country likely hit around 500,000 metric tons in April and will again in May, more than double March volumes, two local smelters and a trader told Reuters.
Such monthly totals would also top imports from the Philippines for all of last year which came in at 374,454 tons.
Indonesia requires mining companies to periodically apply for mining quotas with so-called RKAB documents outlining their plans.
Issuances this year have been delayed by a change in the validity of permits to three years from one year, as well as by miners' pending obligations such as unpaid royalties, the government has said.
"The key reason for (the jump in imports) is the increasing demand from smelters but coupled with certain constraints in terms of domestic ore supply due to RKAB approvals," said Tong Tong, a Shanghai-based senior analyst at commodity research house CRU.
Smelters in Indonesia, mostly operated by Chinese companies, have been rapidly ramping up capacity in recent years, boosting demand for nickel ore.
However, the tight supply of nickel ore has constrained their output and supported prices of nickel products - which are used in stainless steel and electric vehicle batteries - in Indonesia and top consumer China.
Forecasts for a surplus of nickel products this year will likely have to be trimmed, analysts said.
Indonesia's output of nickel pig iron (NPI) has also been dented.
Output fell to 353,700 tons in the first quarter, a 4.9% drop from the fourth quarter, data from Shanghai Metals Market showed.
NPI prices in Indonesia climbed to a six-month high of 990 yuan ($136.65) per nickel unit on Tuesday, up 7% since the beginning of April, according to data from Mysteel.
NPI prices in China, which largely relies on Philippine nickel ore for domestic production and also imports NPI

from Indonesia, also climbed to a six-month peak this week.

Although the Indonesian government increased approvals of mining quotas in the second quarter, volumes still lag expectations and the pace of approvals has remained slow, according to analysts and market participants.

Indonesia has approved quotas for more than 200 million tons of nickel ore this year, Tri Winarno, a director at the Energy and Mineral Resources Ministry, told Reuters on Tuesday, adding the amount was "already sufficient".

"Regarding imports from the Philippines, as long as the prices are the same, this can help lengthen the lifespan of our reserves," Tri said.

In 2023, Indonesia produced 193.5 million tons of nickel ore. Adding to supply headwinds, heavy rains this month disrupted truck deliveries of ore from mines to smelters, two Indonesian smelters said.

Jim Lennon, managing director of commodities strategy at Macquarie, expects the current tightness to end by mid -year as more mining quotas are approved.

BHP and Anglo dig in even as takeover talks deadline nears, sources say

BHP was struggling to find common ground with Anglo American on Tuesday in talks over its takeover offer, with no new concessions as a deadline nears for the world's biggest miner to submit a binding offer, five sources said.

Anglo granted its bigger rival a one week extension until 1600 GMT on Wednesday to its original May 22 deadline to submit a binding offer, after rejecting a third takeover proposal that had been dismissed as difficult to execute.

It agreed to hold talks with BHP to iron out contentious issues over the structure of the deal.

The latest BHP offer values Anglo at 29.34 pounds per share or 38.6 billion pounds ($49.38 billion) and is contingent on Anglo unbundling its South African platinum and iron ore assets - Anglo American Platinum and Kumba Iron Ore.

Reuters spoke to five of Anglo's top 20 investors who had calls with BHP after its third offer was rejected.

The investors said that BHP at present is maintaining that it wouldn't be amending the value and structure of the deal.

Anglo is sticking to its position that the offer isn't compelling enough and that BHP's proposed structure is difficult to implement and erodes value, the sources said.

"Anglo is talking to BHP but I am not sure if it's just going through the motions so it can say it tried, or genuinely tried to get somewhere," Ian Woodley, a portfolio manager at Old Mutual said.

"BHP said it won't change its structure and that it can't or won't take over Anglo as it is because the unbundling of Amplats and Kumba just gets too complicated then."

BHP and Anglo declined to comment.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.17 / bbl	3.15%	11.89%
NYMEX RBOB Gasoline	$2.51 / gallon	1.79%	19.35%
ICE Gas Oil	$762.25 / tonne	1.77%	1.53%
NYMEX Natural Gas	$2.59 / mmBtu	2.86%	3.10%
Spot Gold	$2,353.60 / ounce	0.12%	14.11%
TRPC coal API 2 / Dec, 24	$121 / tonne	-0.33%	24.74%
Carbon ECX EUA	€74.58 / tonne	-2.19%	-7.20%
Dutch gas day-ahead (Pre. close)	€33.80 / Mwh	-2.73%	6.12%
CBOT Corn	$4.70 / bushel	-0.90%	-2.84%
CBOT Wheat	$7.17 / bushel	-0.10%	12.08%
Malaysia Palm Oil (3M)	RM4,001 / tonne	3.39%	7.52%
Index	**Close 28 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	350.67	2.08%	16.34%
Rogers International	29.72	0.54%	12.90%
U.S. Stocks - Dow	38,852.86	-0.55%	3.09%
U.S. Dollar Index	104.65	0.04%	3.28%
U.S. Bond Index (DJ)	423.96	-0.54%	-1.57%

Anglo has itself outlined a plan to divest its less profitable coal, nickel, diamond and platinum units to focus on expanding copper output to more than 1 million tons in a decade.

Anglo shares in London closed down 2.1% at 25.58 pounds, a discount of about 15% to BHP's last offer.

Some investors have said they would have preferred an option whereby BHP offered to buy the whole company and spin off the assets it doesn't want afterwards.

"We asked BHP, if you think it's that easy (to demerge the South African assets), why don't you buy the company in full," one investor said.

"They can't really answer that, they just say it is not aligned with their strategy."

Another investor said they asked BHP CEO Mike Henry if he isn't concerned about risking the deal over the refusal to yield on the South African assets, which would represent less than 10% of its entire portfolio, if the transaction is successful. Henry responded that he was also considering feedback from his investors who have warned him against changing the structure, or raising the offer again. A source familiar with the matter said that Anglo isn't going to extract any more concessions from BHP. BHP sees its offer as "very generous, especially if you imagine there are a lot of synergies," the source added. Another source said that Anglo could extend the deadline for BHP to submit its offer if there was a shift in positions on either side.

Top News - Carbon & Power

US unveils policy to boost carbon offset market integrity

The U.S. government unveiled rules to govern the use of voluntary carbon credits on Tuesday, seeking to boost confidence in a nascent market after some high-profile offset projects failed to deliver the promised emissions reductions.

The heads of the Treasury, Energy and Agriculture Departments as well as President Joe Biden's top climate and economic advisers announced a joint statement of policy and principles to guide participation in voluntary carbon markets as part of its broader efforts to encourage their development.

"Voluntary carbon markets can help unlock the power of private markets to reduce emissions, but that can only happen if we address significant existing challenges," said Treasury Secretary Janet Yellen.

"The principles released today are an important step toward building high-integrity voluntary carbon markets."

Many companies "offset" their own greenhouse gas emissions by buying voluntary carbon credits, which represent the avoidance or removal of emissions via projects largely located in developing countries.

But a series of high-profile controversies has shaken confidence in the market for carbon offsets, with several large companies that buy carbon credits retreating from the market as recent studies found that several large forest protection projects failed to deliver their promised emission reductions.

Voluntary carbon markets shrank for the first time last year in at least seven years.

The principles for "responsible participation" in offset markets outlined by U.S. officials on Tuesday include strict standards to ensure that projects deliver real and quantifiable emissions reductions, monitoring to ensure projects do not harm local communities and that corporate buyers prioritize decarbonizing their own supply chains before opting for credits.

"Credibility is literally the commodity," said Energy Secretary Jennifer Granholm at an event announcing the policy in Washington, D.C., on Tuesday.

"It's a problem that VCMs haven't always lived up to their promises."

The move by the U.S. to ensure "integrity" in voluntary carbon markets comes as several organizations, such as the Integrity Council for Voluntary Carbon Markets (ICVCM), have started to publish principles to define high-quality offsets.

ICVCM Council Chair Annette Nazareth said the new principles aligned with its own Core Carbon Principles which are emerging as the first independent global benchmark for high-integrity carbon credits.

"We are in a climate emergency and we need every tool in the box to meet the 1.5°C target," she said.

"High-integrity carbon credits can mobilize private finance at scale for projects to reduce and remove billions of tonnes of emissions that would not otherwise be viable."

WWF senior vice president of climate change Marcene Mitchell said carbon credits "have the potential to unlock significant investment in a range of climate solutions" but that "evidence-based science and guidance" was needed to enable companies to transform their own operations and value chains.

The Energy Department announced last year that it would purchase credits from projects that will remove carbon dioxide from the air in a bid to bolster that technology.

The Agriculture Department has also created a program to help farmers, ranchers and forest owners to participate in carbon markets by helping them to identify high-integrity carbon offset programs for generating carbon credits. The agency said Tuesday it was soliciting input on implementing the program.

Meanwhile, the State Department set up the Energy Transition Accelerator, a carbon offset program that aims to help developing countries transition away from coal, as well as the LEAF coalition, which aims to stem tropical deforestation.

Orsted, New Jersey reach settlement over canceled offshore wind farms

New Jersey officials said the state will receive $125 million from a legal settlement with Denmark's Orsted

over the company's cancellation last year of two offshore wind farm projects. The New Jersey Board of Public Utilities said in a statement that the funds will be used for investments in wind component manufacturing facilities and wind farms.
The settlement comes nearly seven months after Orsted said it would stop developing the Ocean Wind 1 and 2 projects off the coast of New Jersey as it struggled with soaring costs and supply chain delays. The cancellations triggered an angry response from New Jersey Governor Phil Murphy, who is banking on offshore wind to help achieve the state's climate change goals. His administration said it would speed up the state's plans to procure additional offshore wind capacity by soliciting bids for new projects in the second quarter of 2025, more than a year ahead of schedule.
The utility regulator also said it would pause an offshore wind transmission planning effort with the regional power grid operator, PJM Interconnection, while it considers the impact of a new rule from the Federal Energy Regulatory Commission that reforms how large power lines are approved and paid for.

Top News - Dry Freight

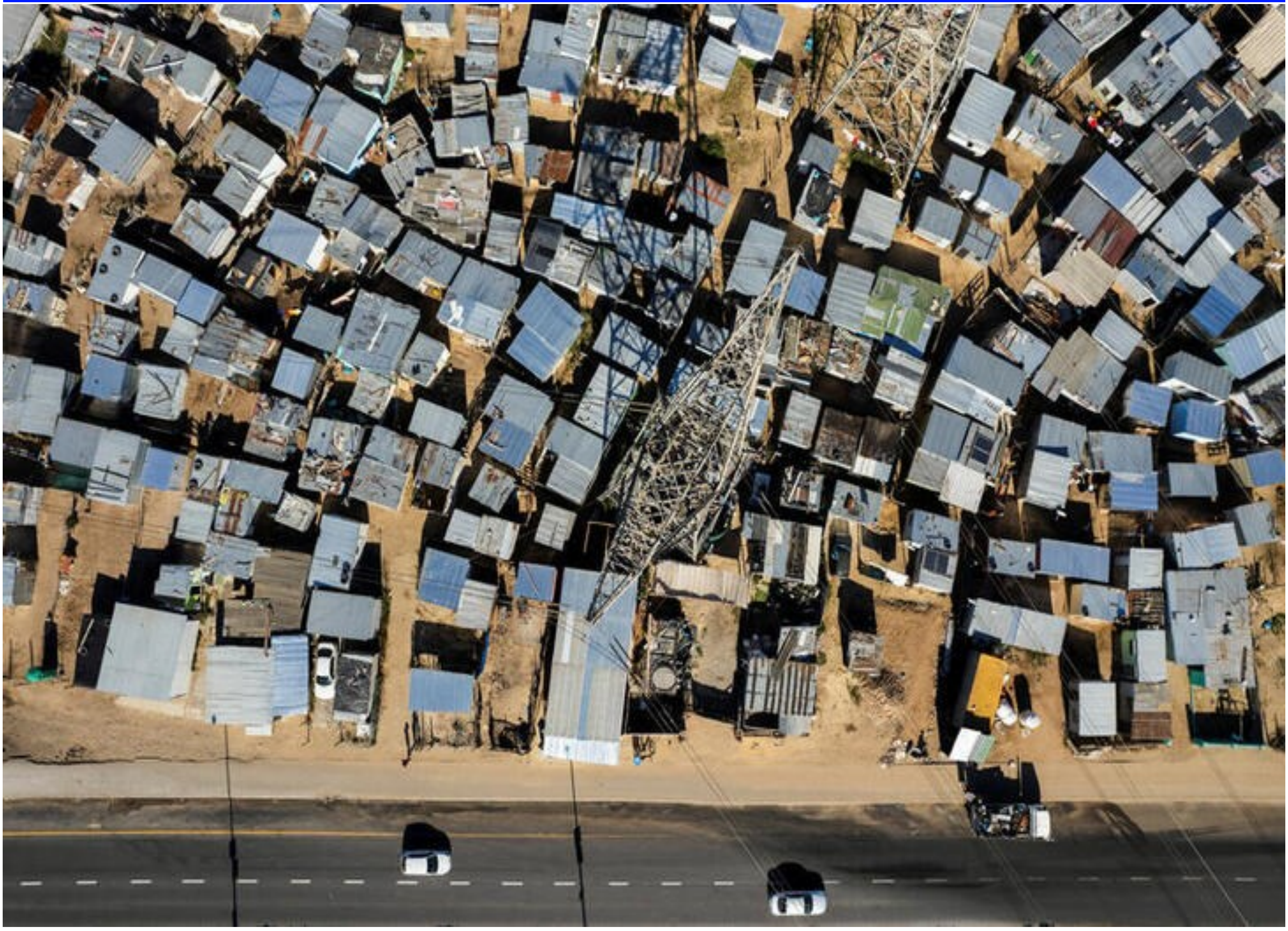
EU 2023/24 soft wheat exports reach 27.8 mln T, down 4% on year

Soft wheat exports from the European Union since the start of the 2023/24 season in July had reached 27.8 million metric tons by May 26, down 4% compared with 29.0 million a year earlier, data published by the European Commission showed on Tuesday.
EU barley exports totalled 5.3 million tons, down 14% against 6.2 million tons in the corresponding period of 2022/23, while EU maize imports were at 16.7 million tons, down 33% from 24.9 million tons a year earlier.
The Commission was resuming its normal weekly reporting of data up to the preceding Sunday, after repeated delays due to a technical problem.
It did not publish the data for six weeks from early April to mid May before relaunching coverage last week with partial figures up to May 3.
The updated statistics nonetheless lacked some figures for Hungary, for which import data was only available up to November 2023, the Commission said.

South Korea's KFA bought some 66,000 T corn in private deal, traders say

The Korea Feed Association's (KFA) Busan section in South Korea purchased an estimated 66,000 metric tons of animal feed corn expected to be sourced from either South America or South Africa in a private deal late on Tuesday, European traders said on Wednesday.
The purchase was made in late negotiations after the KFA had rejected all offers and made no purchase in a formal international tender on Tuesday for up to 138,000 tons of corn.
The corn in the private deal was believed to have been purchased from trading house ADM at an estimated $254.50 a ton cost and freight (c&f) plus a $1.50 a ton surcharge for additional port unloading for arrival in South Korea around Sept. 5.
Reports reflect assessments from traders and further estimates of prices and volumes are possible later.
The lowest offer in Tuesday's tender was believed to have been $255.67 a ton c&f plus a $1.50 a ton surcharge for additional port unloading for 63,000 tons.
Traders said that rising wheat prices on concerns over weather damage in top exporter Russia have generated demand for cheaper corn.
South Korean importers and also made large corn purchases on Friday at prices between $245.50 and $247.49 a ton c&f plus surcharges for additional port unloading.
The KFA's privately purchased consignment was for shipment between July 3 and July 22 if sourced from South America or between July 18 and Aug. 6 if from South Africa.
If sourced from South Africa, only 55,000 tons need be supplied.

Picture of the Day



A drone view shows electricity pylons amidst shacks in the high-density suburb of Du Noon ahead of the general election in Cape Town, South Africa, May 24. REUTERS/Nic Bothma

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

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