Top News - Oil

US Senate committee probes oil producers on price collusion with OPEC

The U.S. Senate budget committee on Thursday launched a probe of domestic oil producers about any efforts to illegally coordinate oil prices with the Organization of the Petroleum Exporting Countries, in the latest effort by Democratic lawmakers to pressure energy companies.

The producers the committee is probing include Exxon Mobil, Chevron, ConocoPhillips, and 14 others. Those three major energy companies did not immediately responded to requests for comment. Two of the other big companies in the group, BP and Shell, declined to comment.

Interest among many Democratic lawmakers in possible collusion among oil companies with production groups spiked last month after the U.S. Federal Trade Commission (FTC) barred former Pioneer Natural Resources CEO Scott Sheffield from Exxon's board on allegations he attempted to collude with OPEC to raise oil prices. The FTC made the move as it approved Exxon's $60 billion purchase of Pioneer.

Sheffield has denied the FTC's allegations.

Senator Sheldon Whitehouse, a Democrat and the chairman of the Budget committee, called for the probe of the companies.

"Based on recent events involving Pioneer Natural Resources ... I am concerned about the possibility that oil and gas companies could be engaging in collusive, anti-competitive activities with OPEC+ that would raise crude oil prices, resulting in higher costs not only for American families, but also for the U.S. government when it acquires crude oil for the Strategic Petroleum Reserve," Whitehouse said in a statement.

OPEC+ is a production group that includes OPEC and Russia, that has agreed to cut production. The administration of President Joe Biden is slowly replenishing the SPR after it sold 180 million barrels from the reserve in 2022 in an attempt to keep fuel prices in check following Russia's invasion of Ukraine.

The American Petroleum Institute (API) industry group called Whitehouse's probe an "election year stunt."

API spokesperson Bethany Williams said: "This is yet another election-year stunt to distract from misguided policies as the administration continues to look to foreign producers to meet growing demand for affordable, reliable energy."

Biden, a Democrat, hopes to win reelection in November. Whitehouse, of Rhode Island and a top advocate for strong policies on curbing climate change, is running for a fourth term in the U.S. Senate.

Earlier this month a group of nine Democrats in the U.S. House of Representatives asked the Justice Department to probe allegations of antitrust behavior among U.S. oil producers and OPEC.

In May, U.S. Senate Majority Leader Chuck Schumer and 22 of his Democratic colleagues sent a similar letter to Attorney General Merrick Garland.

Whitehouse asked the companies to provide by July 12 any communications between them and members of the OPEC Secretariat and OPEC+ concerning oil output, crude oil prices and the relationship between the production and pricing of oil products from January 2020 to the present.

OPEC did not immediately respond to a request for comment.

FOCUS-Canada's Trans Mountain bets on last-minute oil shippers on high-cost pipeline

Canada's Trans Mountain oil pipeline will rely heavily on last-minute shippers to turn a profit, the corporation's financial projections show, clouding Ottawa's efforts to sell the pipeline now that its C$34.2 billion ($25.04 billion) expansion is finished after years of delays.

Documents filed by Trans Mountain as part of a regulatory dispute over its tolls show it could take up to eight years to make money unless the pipeline fills thousands of barrels a day of uncommitted shipping space.

Trans Mountain said it expects the pipeline will be highly utilized as Canadian production grows, but some traders and analysts warn that will be challenging given higher tolls and logistical constraints at the Port of Vancouver, where the pipeline ends.

The 890,000 barrel-per-day (bpd) pipeline started service in May and reserves 20% of its space for uncommitted, or spot, customers, who pay higher tolls than shippers with long-term contracts.

Documents filed with Canadian regulators in April show different utilization scenarios for that 178,000 bpd of spot capacity.

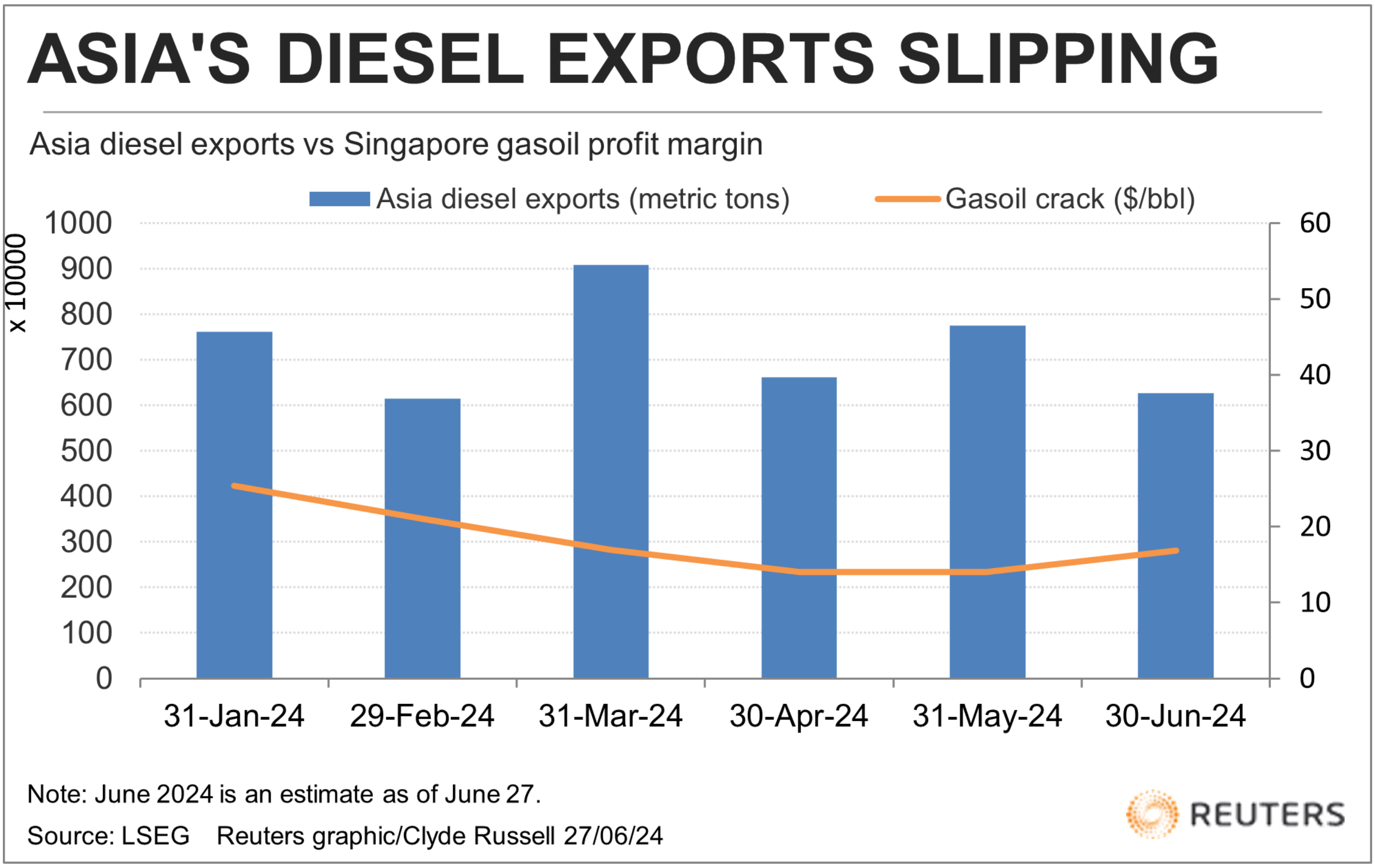
In a scenario with zero spot shipments, the pipeline would not generate positive equity return - earnings after depreciation, interest and taxes are subtracted - until

2031. If, as Trans Mountain forecasts, the pipe runs 96% full from next year, equity return turns positive in 2026.
This month, a Trans Mountain executive told Reuters a "little bit" of spot capacity is being used. Mark Maki, Trans Mountain's chief financial officer, said spot capacity was important to the company's overall economics and he expected volumes to rise late in the year.
But spot-shipping demand is difficult to forecast because it relies on the fluctuating price of Canadian oil versus other heavy crudes in the U.S. and Asian markets, said Morningstar analyst Stephen Ellis.
He described Trans Mountain's long-term forecast for 96% utilization as aggressive.
"One of their biggest Achilles' heels is the reliance on spot," said Robyn Allan, an independent economist who has studied Trans Mountain's finances. "Everything is based on a very optimistic set of projections for the next 20 years."
The rival Enbridge Mainline, which takes crude to the U.S. Midwest and eastern Canada, offers 100% spot capacity but tolls are roughly half Trans Mountain's rate. TC Energy's Keystone pipeline to the U.S. reserves around 10% spot capacity.
One Canadian crude trader said spot demand for Trans Mountain would depend on how full rival pipelines are.

Canada Development Investment Corporation (CDEV), the government corporation that owns Trans Mountain, noted in May 2023 that higher tolls may deter customers. "Forecast tolls for pipeline transportation are higher due to (the expansion's) cost escalation and have lessened competitive advantages," CDEV said.
Costs surged during construction to nearly five times the 2017 budget and sparked a backlash from committed shippers including Suncor Energy and Canadian Natural Resources, who face higher-than-expected tolls as a result.
One mountainous segment soared from an estimated C$377 million in 2017 to C$4.6 billion in 2023 after hitting technical difficulties. Other segments passing through Metro Vancouver jumped from C$310 million to C$1.7 billion over the same period.

NO HURRY TO SELL
Prime Minister Justin Trudeau's government bought Trans Mountain in 2018 to ensure the expansion, which has nearly tripled shipping capacity from Alberta to the Pacific coast, proceeded.
However Ottawa never intended to be the long-term owner and Canada's Finance Ministry said it is planning a sales process.

Chart of the Day



Spokeswoman Katherine Cuplinskas said the expansion was an important economic investment, creating revenues and well-paying jobs.
Maki urged Ottawa not to hurry the sale given uncertainties over spot demand, the tolling dispute, and Ottawa's plan to sell a stake to Indigenous communities.
"If you're trying to sell something, and you have uncertainties, it's going to affect the value someone's going to pay for it," Maki said.
Trans Mountain has borrowed C$17 billion from the Canadian government and has a C$19-billion syndicated loan facility from commercial banks. The April financial projections show it could pay more than C$1 billion in interest annually until 2032, although that will depend on interest rates and the corporation's future capital structure.
Morningstar's Ellis said even Trans Mountain's best-case projections show the pipeline will only generate around 8% return on equity by 2034, which he described as the minimum acceptable level for a quality Canadian midstream asset.
Trans Mountain's debt-to-EBITDA ratio, a measure of how well a company can cover its debts, starts at 11.6 in 2025 and remains above the typical level of 3.5 for a midstream firm until 2040, he said.
"If this was not a government-owned entity the market would have a really hard time supporting it. Those leverage ratios are like junk," Ellis said.
Trans Mountain said interest payments will likely be reduced if the corporation is recapitalized, and it is working with the government on optimizing its financing plan.
Many analysts say Ottawa will need to take a discount on its investment to make Trans Mountain appealing.
Pembina Pipeline Corp, the only listed company to publicly express interest in buying Trans Mountain, recently said there was still too much uncertainty.
Indigenous groups are also awaiting more clarity.
"Until the tolls are resolved, it will indeed be challenging to move forward with the sale of the pipeline," said Stephen Mason, CEO of Project Reconciliation, an Indigenous-led group that wants to bid for a stake in Trans Mountain.

Top News - Agriculture

IGC raises 2024/25 global corn production forecast
The International Grains Council (IGC) raised its forecast for 2024/25 global corn production on Thursday, driven mainly by an improved outlook for Brazil's crop.
The inter-governmental body's monthly update gave an upward revision to its 2024/25 global corn crop outlook, increasing the forecast by 3 million metric tons to 1.223 billion tons, though it remained marginally below the previous season's 1.226 billion tons.
Brazil's corn crop was seen at 124.6 million tons, up from a previous forecast of 121.5 million tons, while the IGC maintained its projection for the U.S. corn crop at 374 million tons.
The IGC also trimmed its 2024/25 world wheat crop outlook by 2 million tons to 793 million tons with Russia's crop seen at 81.8 million, down from the 85.5 million tons seen previously.
Spring frosts and drought in Russia, the world's top wheat exporter, resulted in the loss of a substantial area of winter crops, which had to be reseeded.

EU raises 2024 wheat crop and export forecasts, slashes maize
The European Commission on Thursday raised its forecast for the European Union's main wheat crop this year and lifted its forecasts of EU wheat exports both in the current and next season.
In supply and demand data, the Commission pegged usable production of common wheat, or soft wheat at 121.9 million metric tons, up from 120.2 million forecast a month ago, still a four-year low, as it anticipated a higher area to be harvested.
Like four years ago, wheat planting in parts of western Europe has been disrupted by heavy rain during autumn and winter.
The Commission forecast EU soft wheat exports for 2023/24 at 33.0 million tons, up from 31.5 million previously while it anticipated that wheat exports next season would reach 31.65 million tons, down from 31.1 million tons projected in late May.
In other grains, the Commission sharply cut its forecast for 2024/25 usable production of maize to 64.8 million tons from 68.6 million, and raised projected imports by 300,000 tonnes.
For barley it cut its 2024/25 crop outlook to 53.4 million tons from 53.9 million last month.

Top News - Metals

Lithium producers bullish on long-term demand despite recent price drop

The world's largest lithium producers told a major industry conference this week they remain bullish on long-term demand for the electric vehicle battery metal despite the recent price plunge that has forced layoffs and curtailed expansions.

Once a niche metal used primarily in ceramics and pharmaceuticals, lithium demand has grown rapidly over the past decade. But oversupply from China and a softening of aggressive EV adoption rates has dragged lithium prices down more than 80% in the last year.

The mood at the Fastmarkets Lithium Supply and Battery Raw Materials Conference in Las Vegas, the world's largest, reflected a cautious hope among attendees that the industry can meet an expected demand jump later this decade as EVs and battery storage technologies grow more popular.

The conference had roughly 1,100 attendees, in line with last year and nearly triple 2019 levels, organizers said.

"We're really focused on the fundamentals of the underlying business," said Patrick Howarth, head of Exxon's lithium division, which announced at the conference it would expand its lithium production plans in Arkansas. "We're not scared off by low prices, and we're not drawn in by high prices."

Fastmarkets data show, for example, that U.S. demand for lithium will increase 29% each year through 2030, with jumps also expected throughout the rest of the world.

"Critical minerals are the oil and gas of our energy future," Ashley Zumwalt-Forbes, the U.S. Energy Department's deputy director for batteries and critical materials, told the conference.

Zumwalt-Forbes oversees a U.S. government grant program for the critical minerals supply chain and said she was eager to have more lithium companies apply for funding.

The demand projections helped offset the somber mood that has permeated the industry in recent months after layoffs from Lake Resources, Albemarle and others.

"For those of us that are worried about the market sentiments at this moment in time, keep your eye on the long-term trajectory," said Dale Henderson, CEO of Australian lithium miner Pilbara Minerals.

Global lithium mine supply was more than 1 million metric tons last year, a figure expected to more than double by 2026 largely due to expansions in Africa, China and Australia, according to Fastmarkets data. Yet producers

MARKET MONITOR as of 06:41 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$82.27 / bbl	0.65%	14.82%
NYMEX RBOB Gasoline	$2.55 / gallon	0.84%	20.98%
ICE Gas Oil	$796.75 / tonne	0.35%	6.13%
NYMEX Natural Gas	$2.71 / mmBtu	0.93%	7.80%
Spot Gold	$2,326.29 / ounce	-0.05%	12.78%
TRPC coal API 2 / Dec, 24	$116.1 / tonne	-1.82%	19.69%
Carbon ECX EUA	€66.65 / tonne	-0.03%	-17.07%
Dutch gas day-ahead (Pre. close)	€34.16 / Mwh	1.82%	7.25%
CBOT Corn	$4.24 / bushel	0.30%	-12.45%
CBOT Wheat	$5.78 / bushel	-0.30%	-9.66%
Malaysia Palm Oil (3M)	RM3,925 / tonne	0.90%	5.48%
Index	**Close 27 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	341.73	0.02%	13.38%
Rogers International	29.14	0.64%	10.67%
U.S. Stocks - Dow	39,164.06	0.09%	3.91%
U.S. Dollar Index	106.00	0.09%	4.61%
U.S. Bond Index (DJ)	427.59	0.30%	-0.73%

warned that unless prices rise, that supply is unlikely to be available.
"We're going to be measured and judged in how we react to prices and supply the market," said Sarah Maryssael, chief strategy officer for Arcadium Lithium, which has development projects across the globe.
Albemarle, the world's largest lithium producer, started the conference with a stark warning about "concerning" lithium prices, but then mapped out a plan to auction off supplies of its metals to the highest bidder and struck a hopeful tone on demand later this decade.
"I'm not worried about demand," said Eric Norris, head of Albemarle's energy storage business. "Ideally it'd be in the U.S. But if it's not in the U.S., no doubt there'll be demand elsewhere."

EXCLUSIVE- Disputed Sigma Lithium land has 'probable' reserves, study shows

Sigma Lithium, the biggest player in Brazil's booming lithium industry, told regulators late last year it had found likely mineral reserves on two plots of disputed land, about a month after it said they held "no mineral reserves and resources," according to previously unreported regulatory documents.
The documents, which were filed by Sigma with Brazil's mining regulator in November and have not been made public, show the firm had found "probable" mineral reserves on the land. Reuters could not determine at what date that finding was made.
Since last year, the mineral rights for that land have been caught up in a legal dispute between Sigma Chief Executive Ana Cabral and her ex-husband Calvyn Gardner, a former co-CEO.
The legal battle that was touched off by the couple's divorce proceedings rattled Sigma's share price in September, when Reuters first reported on a Brazilian court injunction halting the sale or mining of the land where Sigma has been planning open pits while exploring options to sell itself.
The existence of lithium strengthens Gardner's case that the land might hold value, according to his lawyers, who have asked the injunction that limits Sigma's control over the land to be upheld and for a formal geological assessment of it to be made.
Sigma did not reply to questions about the matter. In a letter sent to Reuters, outside lawyers working for the miner said "documents filed and allegations made by Mr. Gardner and his counsel are part of a legal record that will be proven and/or disproven during the course of the litigation."
Gardner declined to comment on the ongoing legal dispute.
Sigma has previously downplayed the importance of the dispute, saying in comments sent to Reuters in September that the plots "contain no mineral reserves or resources" and that it was contracting a third-party valuation of the disputed land, "which we anticipate being not material."

LITHIUM-RICH LAND

The disputed plots are in a lithium-rich part of Brazil, where Sigma hopes to develop phase 2 and 3 of its flagship Grota do Cirilo mining project. When complete, the project is set to nearly triple the 270,000 metric tons of lithium concentrate Sigma has estimated it will produce this year.
In April, the Vancouver-headquartered firm backed off efforts to sell itself amid sliding lithium prices and said it would invest $100 million in its phase 2 expansion.
While Sigma said in September that the disputed plots were likely of no material value, Gardner's lawyers said in a June 2023 court filing they could be worth 2.9 billion reais ($540 million) due to lithium reserves there.
Two geological studies dated Oct. 26 and filed by Sigma to Brazil's mining regulator ANM in November suggest that there could be lithium in the plots.
The documents were included in Gardner's lawsuit in April. Alongside the studies, Gardner's lawyers asked the court to order a geological assessment of the land, which the judge has yet to rule on.
The study relating to one plot, which is inside Sigma's phase 2 expansion, says the area has 4,000 tonnes of "measured" lithium resources, 130,000 tonnes of "indicated" resources and 1.4 million tonnes of "inferred" resources. The document also indicates the plot has around 110,000 tonnes of "probable" reserves.
The study for the other plot, inside Sigma's phase 3 expansion, showed around 1.2 million tonnes of "indicated" lithium resources and 590,000 tonnes of "probable" reserves.
ANM did not immediately reply to a request for comment.
The documents show that there may be lithium in the ground, two mining experts told Reuters, but more studies are needed to confirm the volume and commercial viability, they said.

Top News - Carbon & Power

US regulators approve Louisiana LNG plant over climate objections

Federal regulators on Thursday approved a Louisiana liquefied natural gas project that has been a lightning rod for environmental activists and an energy policy litmus test for President Joe Biden's administration.

The Federal Energy Regulatory Commission (FERC) voted 2-1 to allow construction and operation of the Calcasieu Pass 2 LNG plant and a related, 85-mile-long (137 km) pipeline. Outgoing FERC Commissioner Allison Clements cast the dissenting vote.

"These projects will have enormous emissions of greenhouse gases, equivalent to putting more than 1.8 million new gas-fueled cars on the road each year" Clements said.

The multibillion-dollar export plant proposed by Venture Global LNG would supply 20 million metric tons a year of the superchilled gas to customers in Europe, Japan, China and to U.S. exporters.

“This project will be critical to global energy security and supporting the energy transition, as well as provide jobs and economic growth across Louisiana and the United States," Venture Global said in a statement after the vote.

Environmentalists have criticized the project, saying it would entrench use of fossil fuels that emit tons of pollution into surrounding communities while exacerbating global warming.

FERC's approval clears the way for Alexandria, Virginia-based Venture Global to become the second-largest U.S. LNG exporter, behind Cheniere Energy. The company has two plants operating or under development in Louisiana and aims to build 100 million tons of LNG capacity in the future.

The plant is the first to win a construction authorization since the Biden administration in January put a pause on future LNG export permits to review economic and environmental implications. That review is expected to wrap up after the U.S. presidential election in November.

Environmental activist Bill McKibben called the FERC approval a travesty for science and environmental justice, noting that this has been the hottest summer in human history.

"It underscores just how crucial and brave Biden’s decision to pause new permits may turn out to be. It’s now the only defense against the indefensible," said McKibben, a Schumann Distinguished Scholar at Middlebury College.

EXCLUSIVE- Russia's Novatek to start delivering equipment for Arctic LNG 2's next phase in July

Russian energy company Novatek plans to start delivering the foundations for the second stage of its Arctic LNG 2 plant in late July, two sources familiar with the plans told Reuters on Thursday.

The plans show Novatek is pressing ahead with the delayed project despite Western sanctions that have restricted access to technologies and the availability of tankers to carry liquefied natural gas (LNG).

Industry sources said in April that Novatek was forced to scale back the $21 billion Arctic LNG 2 after Western sanctions curbed its access to ice-class tankers, and that it would focus instead on developing its project at the ice-free port of Murmansk.

Arctic LNG 2 tentatively began production of LNG on the Gydan peninsula, which juts into the Kara Sea, in December, but has yet to deliver its first LNG cargo.

Arctic LNG 2 had been planned as Russia's largest such plant with eventual output of 19.8 million metric tons per year of LNG and 1.6 million tons per year of stable gas condensate from three trains.

However, last year it found itself included in Western sanctions over Russia's conflict in Ukraine, prompting foreign shareholders to freeze participation and Novatek to issue a force majeure to warn it would not be able to honour contractual obligations.

Sanctions are also delaying Russia's implementation of other gas and petrochemical projects.

Further complicating the project's development, Chinese engineering firm Wison New Energies said last week it had decided to discontinue all of its ongoing Russian projects, and to immediately and indefinitely stop taking on any new Russian business.

One of the sources said that the deliveries of the gravity-based structures (GBS), that form a foundation for the LNG production site, from a plant in the Murmansk region in northern Russia for the second stage of the project would start on July 22-25.

Another source confirmed the dates.

They declined to be named because they were not authorised to speak publicly on the issue.

Novatek did not comment on the planned equipment delivery.

Belokamenka in the Murmansk region hosts the world's first facility for mass production of natural gas liquefaction trains on GBS.

GBS platforms have been used in North Sea and other gas projects but Arctic LNG 2 is their first use in Russia.

Novatek, with a 60% stake, leads Arctic LNG 2.

Other shareholders are TotalEnergies (10%), China's CNPC (10%) and CNOOC (10%), as well as Japan Arctic LNG (10%), a consortium of Mitsui & Co, Ltd. and JOGMEC.

Last year, Russian President Vladimir Putin oversaw the departure of Arctic LNG 2's first line departure via the Northern Sea Route from the Murmansk region.

Top News - Dry Freight

Saudi Arabia issues tender to buy 595,000 tons of wheat

Saudi Arabia has issued a tender to buy 595,000 metric tons of wheat for arrival from September through December, the General Food Security Authority (GFSA) said on Thursday.

The deadline for submissions of price offers in the tender is Friday, June 28, a GFSA statement said.

European traders said results are expected on Monday July 1.

Hard milling wheat of 12.5% protein is sought in 10 consignments with 180,000 tons each to the ports of Jeddah, Yanbu and Dammam, plus 55,000 tons to Jizan, the GFSA said.

Jordan issues new tender to buy 120,000 tonnes wheat, traders say

Jordan's state grain buyer has issued an international tender to buy 120,000 tonnes of milling wheat which can be sourced from optional origins, European traders said on Thursday.

The deadline for submission of price offers in the tender is July 2.

A new announcement had been expected after Jordan purchased 60,000 tons in its previous tender for 120,000 tons of wheat on Tuesday.

Shipment in the new tender is sought in a series of possible combinations in 60,000 tonne consignments. Possible shipment combinations are in 2024 between Aug. 16-31, Sept. 1-15 and Sept. 16-30.

Picture of the Day

A man jumps into the Drinos river to cool off during the heat wave, near Tepelena, June 22. REUTERS/Florion Goga

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

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