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Top News - Oil

FOCUS-Once-acquisitive Chinese oil giant looks to revive global dealmaking

CNPC, Asia's top oil producer, is reviewing its global strategy as it looks to revive dealmaking, eyeing gas liquefaction and deepsea drilling as well as building on its record of producing more from aging wells, the head of its research arm said.

China National Petroleum Corp (CNPC) and its listed arm PetroChina face stagnant oil output at home and a scarcity of new projects globally to boost reserves even as slowing economic growth and surging EV usage erode domestic demand, although mounting geopolitical barriers limit its room to manoeuvre.

CNPC may rekindle investing in large oil and gas assets as an operator, as it did two decades ago with its $4 billion purchase of Canada's PetroKazakhstan and its takeover of Devon Energy's operations in Indonesia, said Lu Ruquan, who is director of CNPC's Economics and Technology Research Institute (ETRI) and is involved in strategy discussions.

The shift in strategy for Asia's biggest oil producer would be a return to the more acquisitive 1990s and 2000s when it moved into Sudan and Chad and carried out the Kazakh and Indonesian deals.

Lu likened the company's three decades of overseas investment to "a vessel sailing to midstream", as he described the need for CNPC to embark on more global acquisitions.

"One needs to paddle harder, or else it will retreat backward," said Lu, the former head of strategy and development at the group's acquisition arm CNPC International before moving to ETRI, offering a rare glimpse into the strategic thinking of one of China's most powerful state enterprises.

CNPC has the firepower to make an impact on the oil and gas deals landscape, with PetroChina alone holding $37.5 billion in cash equivalents in 2023.

CNPC may try to expand on its liquefied natural gas (LNG) investments in Qatar, Lu said, following on from last year's deal that chains a small stake in QatarEnergy's massive gas liquefaction plants with a multi-year offtake agreement.

CNPC will also scout for opportunities in South American deep sea acreage adjacent to fields in Guyana where China's CNOOC Ltd, part of an Exxon Mobil-led consortium, struck massive new discoveries, he said.

PetroChina producesmore than Exxon Mobil but its share of output from global operations shrank to 11% last year, according to company data, from a peak of nearly 14% in 2019. Chinese companies limited their global acquisitions after the 2014/15 oil price collapse.

Lu cautioned that given sanctions constraints in key hydrocarbon-rich targets such as Venezuela, Iran and Russia, more practical options include extending existing contracts such as those in Kazakhstan and Indonesia, which are nearing expiration.

"PetroChina's biggest strength is to extract more oil out of aging fields," he said, a capability developed over decades at the vast and still-productive Daqing field in northeast China.

Analysts at Wood Mackenzie predict a revival in international acquisitions by national oil companies (NOCs) after last year's two-decade low as the industry refocuses on oil and gas amid a slowdown in energy transition activity.

"International business development remains a major priority for China's largest NOCs, but they have adopted a cautious approach to deal-making in recent years," Woodmac said.

CNPC may be facing the highest geopolitical hurdles since it first ventured overseas in 1993, said Lu.

Chinese companies have refrained from new investments in Russia as other global firms exited following Russia's war with Ukraine, although China is one of Russia's biggest oil clients and a fast growing buyer of natural gas.

Strained relations with the United States have hindered opportunities there, where $250 billion in deals were made during last year's industry consolidation.

CNPC and PetroChina do not own any U.S. producing assets and PetroChina delisted from the New York Stock Exchange in 2022 because of auditing scrutiny.

Lu also cautioned its alliances combining CNPC's construction and engineering expertise with oil majors' commercial and legal acumen, such as at Kashagan in Kazakhstan with Chevron, have limits as a business model.

"It's challenging to safeguard your interest and access sufficient operational information as a small investor. We would need strong commercial and legal skills which happen to be our weak links," he said.

Equinor's Castberg oilfield seen reaching full output in H1 2025

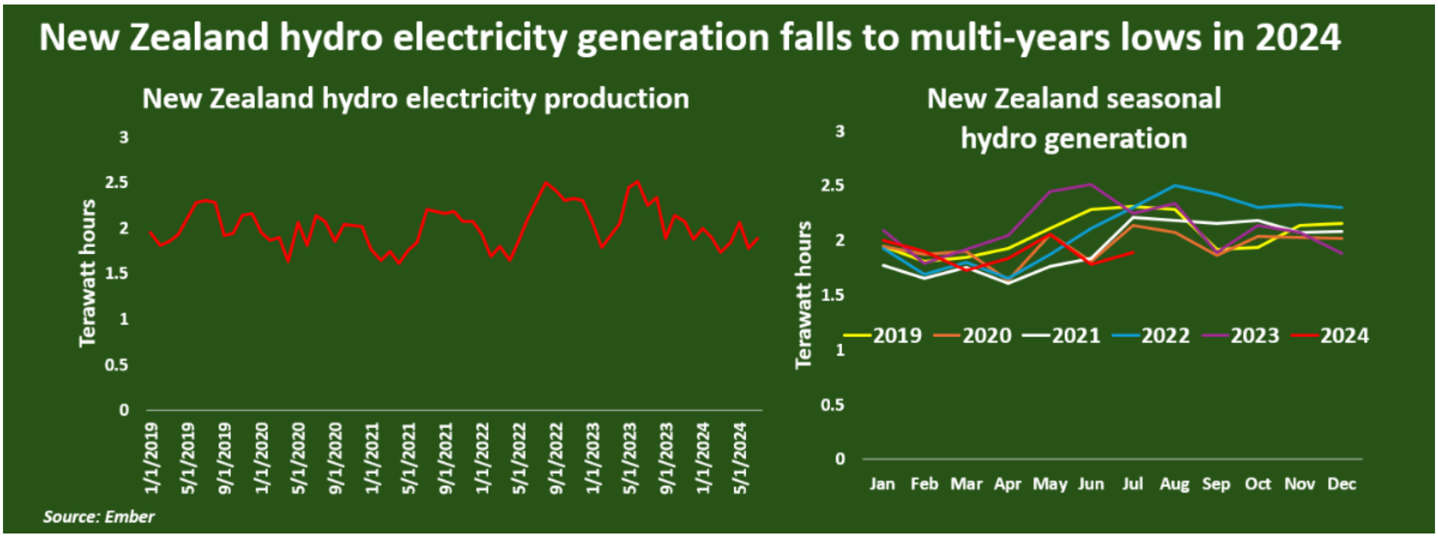
Equinor's Arctic Johan Castberg oilfield is expected to reach full production of some 220,000 barrels per day in the first half of 2025, a senior company official said on Tuesday. The oilfield in the Norwegian part of the Barents Sea is set to start pumping by the end of this year and to produce for around 30 years, serving as a hub to tie in nearby discoveries in the future. "I guess we will reach the plateau during the first half of next year," Grete Birgitte Haaland, Equinor's head of exploration and production in northern Norway, told Reuters on the sidelines of an energy conference. Equinor operates the Castberg field and has a 50% stake, while partners Vaar Energi and Petoro have 30% and 20% respectively. Equinor has postponed an investment decision on

another arctic oilfield, Wisting, until 2026 due to rising development costs. "The main challenge is to have a robust project... we are turning every stone there," Haaland said. Equinor has been criticised by environmentalists for continuing to develop new fields, especially in the Arctic, in spite of Norway's pledge to reduce greenhouse gas emissions.
Haaland said the company aimed to reduce its emissions to net zero by 2050, and new developments in the Barents Sea were only meant to arrest the natural production decline. Equinor aims to invest up to $6.7 billion in oil and gas offshore Norway until 2035 to sustain production at around 1.2 million barrel of oil equivalent per day, the company said.

Top News - Agriculture

Argentine farmers eye pivot to soy on corn plague fears, rain outlook
Argentine farmers are likely to plant more soybeans in the current 2024/25 season, trimming the area dedicated to corn after that crop's last harvest was hit by a devastating insect plague and with rain forecasts looking rosier for soy. The trend could see the largest expansion in soy planting in over a decade, analysts said, potentially boosting supplies globally with prices already subdued. Argentina is the world's top exporter of processed soymeal and oil. The South American country's soy planting area has declined in recent years, competing with corn for space. But fears that a leafhopper plague like one that ravaged the last corn harvest could hit the fields again is likely to knock an estimated 2 million hectares (4.9 million acres) off corn planting - favoring soy. "Of those 2 million hectares of corn not being planted, a large part will go to soybeans," said Cristian Russo, head of agricultural estimates at the Rosario grains exchange, which estimates 16.8 million hectares were planted with soy last year. The Rosario exchange cut its 2024/25 corn planting area by 21% earlier this month but has not yet given an official soy planting area forecast. The rival Buenos Aires exchange cut the corn area by 17%. Corn planting begins next month. Aníbal Córdoba, a farmer and member of a growers group present in northern provinces including Chaco and Santiago del Estero, said producers were building more soy into their plans. "Our group usually plants 35% to 40% of our land with corn, but this time we're going to do an average 20-25%. Of what's not going to corn, almost all will be replaced with soy," he said.

Chart of the Day



TOUGH EQUATION FOR CORN; A BOOST FOR SOY
A jump for soy by anything near 2 million hectares could be the largest since a 1.2 million year-on-year increase in 2012, 1.4 million in 2008 or even 1.9 million hectares in 2003.
Fernando Flores, a farm technician and insect expert from farm town Marcos Juárez in Córdoba province, said the "shocking" corn losses last season due to the insect plague had put a lot of farmers off, though the very cold austral winter would have culled leafhopper numbers significantly.
"So perhaps the decline in corn planting may not be as dramatic as people think if it rains in September," he said.
Germán Heinzenknecht, meteorologist from the Applied Climatology Consulting Firm, however, said the outlook for early September remained dry, with more rain forecast for October, another incentive for soy whose planting starts that month.
"Soil moisture levels currently in a large part of the farming area, in the west and center, are not suitable for planting," Heinzenknecht said. "So the overall equation is tough for corn and a boost for soy."

'Nature is punishing us': Drought imperils farmers and bees in Mexico's north
In the northern Mexican state of Chihuahua, residents and farmers have anxiously watched and waited for clouds to bring rain to refill dried-out dams, water wells and lagoons. They've waited so far in vain.
The largest state of Mexico has a dry or semi-dry climate at the best of times, but has faced unusually low rainfall levels in recent years. Near the town of Buenaventura, the Las Lajas dam is near empty and the little water left is infested with dead fish.
"The situation is bleak," said Rogelio Pacheco Flores, the municipal president of Buenaventura. "This dam is practically without water. We see total devastation, the truth is that nature is punishing us."
Cattle from nearby farms have come to cool off in the little wet mud that remains, but the depleted dam has meant many farmers have suffered, unable to irrigate their crops.
In previous planting seasons, the wells helped water the land, but amid the drought farmers have decided to leave land unplanted or use the scarce water to keep long-standing groves of walnut trees from dying.
"The levels of our farming wells are dwindling," said local farmer Angel Rueda Solorio. "We are no longer able to sow our crops due to the lack of water. We have already had several years, two consecutive years without rain."
Local beekeepers have also been hit. Bees are dying in huge numbers because the lack of rain has drastically reduced wild flower blooms, causing the bees to go looking for pollen in the crop fields, where herbicides kill them as well as pests.
"There is almost no vegetation in the landscape right now, due to the drought," said Adan Rascon Ramos, a beekeeper in the area for around 30 years.
As water levels have fallen, the local tourist trade has dried up, along with fishing, leaving producers hoping that conditions will improve in the months ahead.
"I have been working here for a year now at the dam and I have seen how the number of people who come to walk around the dam has decreased since last year," said Daniel Alberto Rubi, a fisherman who gives boat tours to visitors.
"This year things are very dry. The dam is at like 20% capacity and it keeps going down."

Top News - Metals

Global aluminium producer seeks Q4 Japan premium of $185/T, sources say
A global aluminium producer has offered Japanese buyers a premium of $185 per metric ton for October-December primary metal shipments, up 8% from the current quarter, two people directly involved in quarterly pricing talks said on Wednesday.
Japan is a major Asian importer of the metal and the premium for primary metal shipments it agrees to pay each quarter over the London Metal Exchange (LME) cash price sets the benchmark for the region.
For the July-September quarter, Japanese buyers agreed to pay a premium of $172 per ton, up 16%-19% from the prior quarter.
One producer offered a premium of $185 per ton on Tuesday, citing tightening supply in Asia as some ingots were diverted to Europe and North America, where premiums are higher, the people said, on condition of anonymity given the sensitivity of the discussions.
Lower inventories at Japanese ports also indicate a tighter market, even though demand in Japan remains sluggish, the people said.
Aluminium stocks at three major Japanese ports fell to 299,600 metric tons at the end of July, down about 5.7% from the previous month, according to Japanese trading house Marubeni.
But one source said "the offer is too high, given that the current spot prices in Japan are in the $160-$170 range, reflecting lacklustre demand".
Quarterly pricing negotiations began this week between Japanese buyers and global suppliers, including Rio Tinto and South32, and are expected to continue until later next month.

Australia's Fortescue beats dividend payout view, shares rise
Australia's Fortescue reported a rise in annual profit on Wednesday, boosted by higher iron ore shipments from its Iron Bridge project, and announced a larger-than-expected final dividend, sending its shares higher.
The world's fourth-largest iron ore miner has been building out a green energy business funded largely from its profits in iron ore, raising analyst concerns that it could trim its dividend payout to funnel more cash into the business.

Fortescue achieved its third-highest earnings in company history, with total iron ore shipments reaching 191.6 million tonnes in fiscal 2024 as operations at its Iron Bridge magnetite project have ramped up.
Shares in the miner rose as much as 1.72% to A$18.95, hitting their highest since Aug. 1, while the mining sub-index slipped up to 0.8%.
Underlying net profit after tax was $5.66 billion for the year ended June 30, compared with $5.52 billion reported a year earlier. The figure missed a Visible Alpha consensus estimate of $6.11 billion.
The earnings were slightly below expectations, primarily due to higher-than-expected depreciation and amortization charges of $2.14 billion, while other aspects of the results appeared to be in line with expectations at first glance, analysts at Jarden said in a client note.
Fortescue declared a final dividend of A$0.89 per share, down from last year's A$1.00 apiece, but higher than a Visible Alpha consensus estimate of A$0.85.
"It's a pretty much in-line result. Balance sheet is strong, so they can support a slightly higher payout ratio. The headline numbers look fine with a slight beat on dividend," said Glyn Lawcock of Barrenjoey.
Fortescue maintained its dividend payout ratio at 70%, to the top end of its 50%-80% target range, allaying analyst concerns that it would cut its payout ratio to fund its green energy ambitions.
The company's strategy is bolstered by improved market conditions, with hematite average realized prices rising to $103 per dry metric tonne (dmt) from $95 dmt a year earlier.
Fortescue is capitalising on the higher prices for its high-grade iron ore to finance its green energy business expansion.
Fortescue's board has approved the acceleration of two hydrogen projects - Holmaneset in Norway and Pecém in Brazil - to the feasibility study stage, it said.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$75.62 / bbl	0.12%	5.54%
NYMEX RBOB Gasoline	$2.09 / gallon	-0.35%	-0.76%
ICE Gas Oil	$704.00 / tonne	-0.56%	-6.23%
NYMEX Natural Gas	$1.90 / mmBtu	-0.05%	-24.30%
Spot Gold	$2,505.85 / ounce	-0.74%	21.49%
TRPC coal API 2 / Dec, 24	$127.5 / tonne	2.82%	31.44%
Carbon ECX EUA	€71.85 / tonne	0.50%	-10.60%
Dutch gas day-ahead (Pre. close)	€38.35 / Mwh	4.92%	20.41%
CBOT Corn	$3.92 / bushel	-0.25%	-19.06%
CBOT Wheat	$5.35 / bushel	-0.19%	-16.42%
Malaysia Palm Oil (3M)	RM3,925 / tonne	0.05%	5.48%
Index	**Close 27 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	332.02	-0.50%	10.16%
Rogers International	26.71	0.00%	1.46%
U.S. Stocks - Dow	41,250.50	0.02%	9.45%
U.S. Dollar Index	100.89	0.33%	-0.44%
U.S. Bond Index (DJ)	447.12	-0.08%	3.81%

Top News - Carbon & Power

Norway piped gas volume could rival historic high this year, Gassco says

Norwegian pipeline gas exports to Europe could approach a 2017 historic record this year, after rising 10% so far in 2024 following a decline in 2023, the head of system operator Gassco told Reuters on Tuesday.
"This year to date, we are in a way back to the levels we were at in 2022," when exports were last near the all-time high, Gassco CEO Frode Leversund told Reuters in an interview on the sidelines of an energy conference.
Following Moscow's invasion of Ukraine in 2022 and reduced shipments of Russian gas, Norway has become Europe's largest gas supplier.
As of the end of July, Norwegian piped gas volumes totalled 70.2 billion cubic metres (bcm), compared with 64 bcm for the same period last year, Leversund said, marking the first time Gassco provided accumulated delivery volumes for 2024.
The increase was due to strong demand from European customers, high system availability, less heavy maintenance and upgrades at the Kollsnes processing plant, the CEO added.
In 2023, Gassco delivered 109.1 billion cubic metres (bcm) of gas through its 8,800-km (5,468-mile) pipeline network to Belgium, Britain, France, Germany and Denmark, down 6.7% from 116.9 bcm a year earlier.
A 10% rise over the full year could see deliveries surpassing the record of 117.4 bcm reached in 2017.
"I'm not going to say that there will be an export record, but we will see figures around the highest deliveries we have had based on current assumptions," Leversund said.
About 95% of Norway's gas exports go via pipelines, while another 5% comes from liquefied natural gas outside of Gassco's system.
The Norwegian gas system is entering its peak maintenance season from the end of August, timed to ensure it is in shape for crucial winter demand.
Given Norway's dominant supplier position, any unforeseen problems and delays can quickly move gas prices higher.
The safety of the Norwegian system has also come under closer scrutiny since the destruction of the Russian-German Nord Stream subsea gas pipelines in 2022, with Gassco regularly surveying Norwegian pipes.
"This year we have carried out a comprehensive pipe inspection, though I don't want go into detail about which pipes and which landing points," Leversund said.
On Monday, security services from seven European countries briefed Norwegian energy executives and officials about what they saw as Russian threats to critical infrastructure.

COLUMN-New Zealand cranks fossil power output as hydro squeeze drags on: Maguire

Power generators in New Zealand have lifted output from fossil fuels to the highest in three years so far in 2024, as they struggle to offset the largest year-over-year drop in generation from hydro dams in roughly a decade.
Total fossil fuel-fired electricity generation from January through July was 4.36 terawatt hours (TWh), according to energy think tank Ember.
That total was 1.75 TWh or 67% higher than during the same months in 2023, and nearly matched the 1.86 TWh drop in generation from the country's hydro dams during the same period.
Hydro power is New Zealand's main source of electricity generation, and normally accounts for around 58% of the country's annual electricity supplies.
However, hydro's share of total generation dropped to just 48.6% in July - the lowest monthly reading in at least a decade - as sustained drought has curbed hydro production and forced power generators to lift output from other sources.

PRICE PAIN

Tight power supplies have also triggered a surge in wholesale power prices, which scaled all-time highs earlier this month and are up over 180% since the start of 2024.
New Zealand's power prices are also more than double those in neighbour Australia, and mean New Zealand's homes and businesses pay some of the highest energy bills in the region.
In an attempt to alleviate potential power shortages and reduce price pressure, New Zealand's government has reversed a ban on offshore oil and gas exploration and has pledged to fast-track approvals for liquefied natural gas (LNG) imports.
However, those measures may take years to materially impact gas supplies to power producers, so power suppliers will likely continue to face tight supplies of generation fuels for the remainder of 2024 at least.

RENEWABLE GROWTH

The quickest possible path to a sustained recovery in power generation levels would be if there was a change to the region's weather systems which triggered more rainfall.
An El Nino weather pattern over the Indian and Pacific oceans has caused drier than normal conditions across much of Australia and New Zealand so far this year, resulting in New Zealand's drought readings.
But there is a 60%-70% chance of a La Nina pattern forming during the latter months of the year, according to the New Zealand National Institute of Water and Atmospheric Research (NIWA), which could bring more rains across Oceania.
Any sustained rebound in rainfall would result in a commensurate rise in hydro generation, and higher overall electricity output.
Further growth to New Zealand's solar generation sector is another path to higher clean electricity output.
Installed solar capacity as of the end of July was 455 megawatts, according to the New Zealand electricity authority EMI.
That total is up from 295 MW in July 2023, and so marks a more than 50% increase in generation capacity within a

year.
Installation data also indicates that roughly 40 MW of new capacity has been installed since the end of last summer, and so stands to make a notable impact on generation totals during the upcoming southern hemisphere summer when solar output peaks.
Roughly 44 MW of total installed solar capacity has battery storage, and so is capable of discharging that power into the national grid system even after the sun sets. In combination, that higher solar capacity footprint alongside more regular rainfall could help New Zealand's power firms boost overall supplies from the current stunted generation levels.
But New Zealand's total electricity demand also looks set to climb towards the end of the year due to greater demand for cooling systems during the summer, and so may keep pressure on the country's power network even if overall supplies mount a rebound.
In that case, power producers will likely continue to deploy growing volumes of fossil fuels within the generation mix despite ongoing efforts to reduce overall power sector emissions.

Top News - Dry Freight

Jordan buys 60,000 metric tons wheat in tender, traders say
Jordan's state grains buyer purchased about 60,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said.
It was believed to have been bought from trading house Ameropa all at an estimated $254.50 a ton cost and freight (c&f) for shipment in the first half of October, they said.
Reports reflect assessments from traders and further estimates of prices and volumes are possible later.
Traders reported these estimated offers from other trading houses, all per ton c&f: Cargill $256.70, CHS $266.80, Viterra $262, Al Dahra $264, The Andersons $261.78, Aston $256.90 and Solaris $261.75.
A separate tender from Jordan to purchase 120,000 tons of animal feed barley closes on Wednesday.

Algeria tenders again to buy corn and feed barley, traders say
Algerian state agency ONAB has issued international tenders to purchase up to 120,000 metric tons of animal feed corn and 35,000 tons of feed barley, European traders said on Tuesday.
The deadline for submissions of price offers in the tenders is Aug. 28.
Traders said the announcement seemed to confirm a report earlier on Tuesday that Algeria had not made a purchase in previous tenders for corn and barley last week.
The corn is sought sourced from Brazil or Argentina only in three consignments of up to 40,000 tons with shipment by Sept. 30.
The barley can be sourced from any optional origins and is sought for shipment between Oct. 1 and Oct. 15.

Picture of the Day

A farmer works on a crop field near the Las Lajas dam affected by the severe drought, in Buenaventura, Chihuahua state, Mexico August 23. REUTERS/Jose Luis Gonzalez

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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

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