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Top News - Oil

EXCLUSIVE-BP drops oil output target in strategy reset, sources say

BP has abandoned a target to cut oil and gas output by 2030 as CEO Murray Auchincloss scales back the firm's energy transition strategy to regain investor confidence, three sources with knowledge of the matter said.

When unveiled in 2020, BP's strategy was the sector's most ambitious with a pledge to cut output by 40% while rapidly growing renewables by 2030.

BP scaled back the target in February last year to a 25% reduction, which would leave it producing 2 million barrels per day at the end of the decade, as investors focused on near-term returns rather than the energy transition.

The London-listed company is now targeting several new investments in the Middle East and the Gulf of Mexico to boost its oil and gas output, the sources said.

Auchincloss took the helm in January but has struggled to stem the drop in BP's share price, which has underperformed its rivals so far this year as investors question the company's ability to generate profits under its current strategy.

The 54-year-old Canadian, previously BP's finance head, has sought to distance himself from the approach of his predecessor Bernard Looney, who was sacked for lying about relationships with colleagues, vowing instead to focus on returns and investing in the most profitable businesses, first and foremost in oil and gas.

The company continues to target net zero emissions by 2050.

"As Murray said at the start of year... the direction is the same – but we are going to deliver as a simpler, more focused, and higher value company," a BP spokesperson said.

Auchincloss will present his updated strategy, including the removal of the 2030 production target, at an investor day in February, though in practice BP has already abandoned it, the sources said. It is unclear if BP will provide new production guidance.

Rival Shell has also scaled back its energy transition strategy since CEO Wael Sawan took office in January, selling power and renewable businesses and scrapping projects including offshore wind, biofuels and hydrogen.

The shift at both companies has come in the wake of a renewed focus on European energy security following the price shock sparked by Russia's invasion of Ukraine in early 2022. BP has invested billions in new low-carbon businesses and sharply reduced its oil and gas exploration team since 2020.

But supply chain issues and sharp increases in costs and interest rates have put further pressure on the profitability of many renewables businesses. A company source said that while rivals had invested in oil and gas, BP had neglected exploration for a few years.

BACK TO THE MIDDLE EAST

BP is currently in talks to invest in three new projects in Iraq, including one in the Majnoon field, the sources said. BP holds a 50% stake in a joint venture operating the giant Rumaila oilfield in the south of the country, where it has been operating for a century.

In August, BP signed an agreement with the Iraqi government to develop and explore the Kirkuk oilfield in the north of the country, which will also include building power plants and solar capacity. Unlike historic contracts which offered foreign companies razor-thin margins, the new agreements are expected to include a more generous profit-sharing model, sources have told Reuters.

BP is also considering investing in the re-development of fields in Kuwait, the sources added. In the Gulf of Mexico, BP has announced it will go ahead with the development of Kaskida, a large and complex reservoir, and the company also plans to green light the development of the Tiber field.

It will also weigh acquiring assets in the prolific Permian shale basin to expand its existing U.S. onshore business, which has expanded its reserves by over 2 billion barrels since acquiring the business in 2019, the sources said.

Auchincloss, who in May announced a $2 billion cost saving drive by the end of 2026, has in recent months paused investment in new offshore wind and biofuel projects and cut the number of low-carbon hydrogen projects down to 10 from 30.

BP has nevertheless acquired the remaining 50% in its solar power joint venture Lightsource BP as well as a 50% stake in its Brazilian biofuel business Bunge.

Saudi Arabia raises Arab Light November OSP for Asia to four-month high

Top oil exporter Saudi Arabia has raised the November price for its flagship Arab light crude to Asia to its highest levels since July. The November official selling price (OSP) for Arab Light was set at $2.20 a barrel above the Oman/Dubai average, Saudi Aramco said in a statement late on Saturday.

The latest figure increased 90 cents from the $1.30 per barrel in October, which was near a three-year low due to concerns of weak demand in Asia. The increase comes amid recent gains in global oil futures prices, driven by supply concerns.

Last week, global crude futures - the Brent and WTI contracts - rose more than 8% and 9%, respectively, over the mounting threat of widening war in the Middle East.

Asia accounts for around 80% of Saudi Arabia's oil exports. Saudi Aramco lowered the prices for other regions including the Mediterranean, North America and north-west Europe.

Top News - Agriculture

ADM to idle Iowa soy facility during record US harvest

Archer-Daniels-Midland Co is idling its only soybean processing plant in Iowa for weeks in the thick of a record U.S. harvest, the grain merchant told Reuters, tightening supplies of soymeal fed to livestock.

The temporary closure eliminates a market for farmers to sell their soy as low crop prices slash incomes and removes a source of livestock feed for buyers in the U.S. and overseas. Expectations for the shutdown helped push cash soymeal prices at the Gulf export terminal to their highest level in a decade.

ADM's facility in Des Moines will close for maintenance work from mid-October through November, the company said in response to a query by Reuters this week. "We forecasted for this project and have plans in place to ensure we can meet customer needs throughout this time frame."

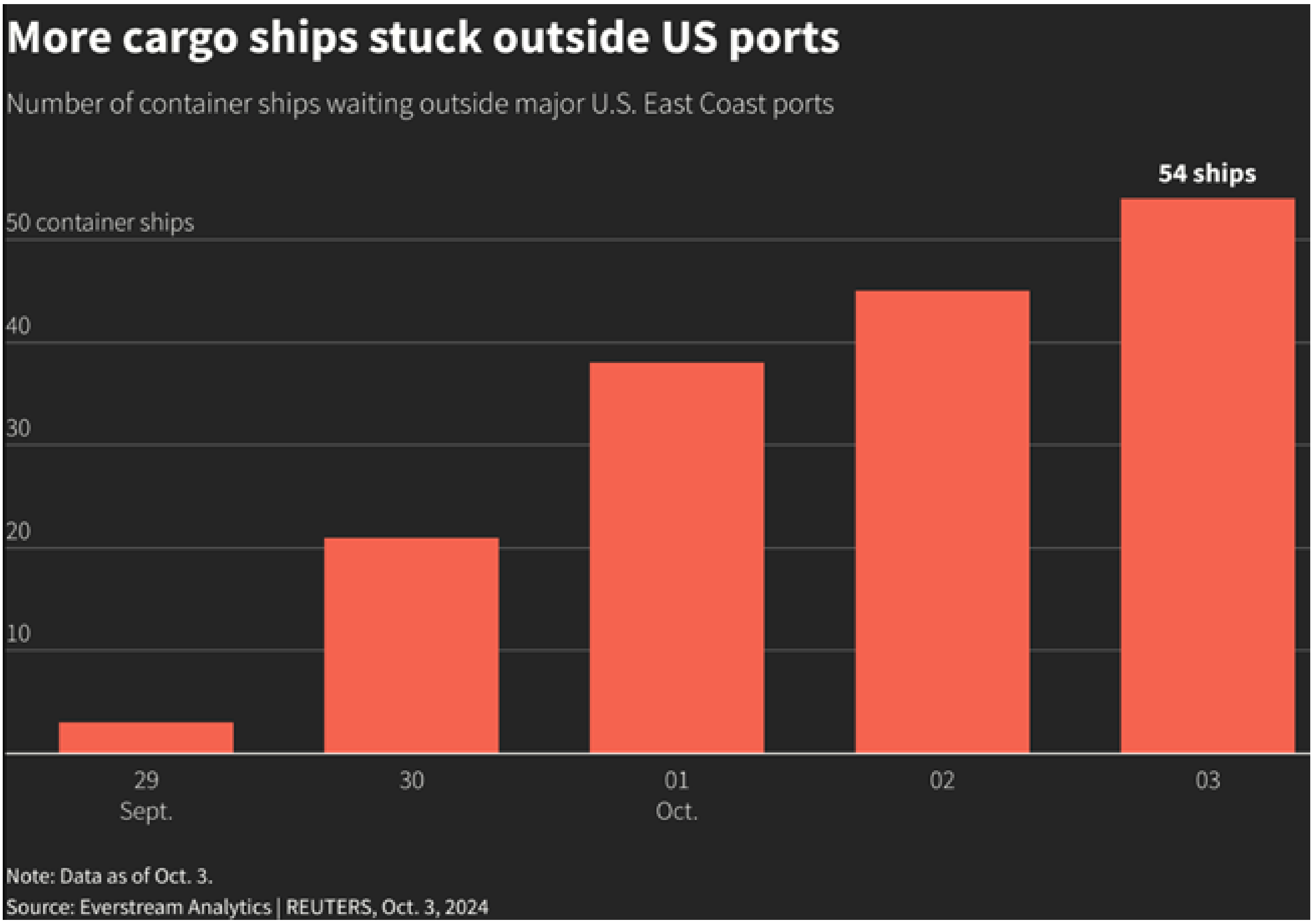
The facility in the No. 2 U.S. soybean state crushes about 5 million bushels of soybeans a month on average, brokers said. That figure would represent about 12% of Iowa's monthly soybean crush, according to U.S. government data. "It's an odd one," Don Roose, president of Iowa-based U.S. Commodities, said of the shutdown during harvest. "Some guys are afraid: what if it doesn't come back up?"

ADM did not comment on the reason for the closure but agreed to upgrade the plant this year to resolve alleged air quality violations under a 2023 consent decree with the Iowa Department of Natural Resources. In August, firefighters were called to the site for a blaze that was extinguished in about an hour, local news reports said.

The U.S. soybean crushing sector has expanded in recent years as processors opened new plants to capitalize on rising demand for vegetable oils from renewable fuels producers. The facilities crush soybeans into soyoil and soymeal, a key source of protein in livestock feed.

Despite the added capacity, the monthly soybean crush fell to a near three-year low in August as numerous U.S. facilities were idled for seasonal maintenance and repairs ahead of the massive harvest. The extent of the downtime surprised traders and contributed to a soymeal shortfall at a time when traders had already struck deals

Chart of the Day



for domestic and U.S. export sales based on faulty expectations for stronger production, brokers said.
"The trade anticipated the new crush capacity coming online and did not hold back when the consumer came calling," said Kent Woods of CrushTraders, an analytical firm. "Then came the delays in the new crush capacity relative to expectations."
Chicago Board of Trade October soymeal futures surged to three-month highs this week as exporters scrambled to cover sales commitments. Cash basis bids for prompt soymeal shipments into the U.S. Gulf export terminal soared to 10-year highs.
Hurricane Helene prompted ADM to close another crushing plant in Valdosta, Georgia, on Monday, according to the facility's website.

COLUMN-Funds slash bearish Chicago corn bets to 14-month lows: Braun
In the final week of September, speculators staged a hefty round of short covering in Chicago-traded corn and in the soybean complex, potentially reducing risk ahead of an often-unpredictable U.S. government report.
CBOT corn, soybean and soybean product futures have all worked their way off recent multi-year lows, as demand recovery has also coincided with some drought-related crop concerns in major suppliers.
In the week ended Oct. 1, money managers halved their net short position in CBOT corn futures and options to 67,699 contracts, their least bearish view since early August 2023. The associated short covering was the largest for any week in nearly five months.
Most-active CBOT corn rose 4.2% in the week ended Oct. 1, which included the release of the U.S. Department of Agriculture’s quarterly grain stocks on Sept. 27. That report showed lighter-than-expected U.S. corn supplies as of Sept. 1, and strength in both wheat and soybeans also lifted corn futures during the period.
Money managers slashed bearish views in CBOT soybean futures and options through Oct. 1 with a sixth consecutive week of short covering, although new long positions accounted for 40% of the move.
That dropped their net short to an 18-week low of 34,886 contracts, down more than 40,000 on the week. Most-active CBOT soybeans were up more than 1% that week, though CBOT soybean meal surged nearly 7% while soybean oil eased 1%.

SOY PRODUCTS
In the week ended Oct. 1, money managers boosted their net long in CBOT soybean meal futures and options to 103,209 contracts, record-high for the date. That reflected an increase of nearly 45,000 contracts, the most for any week since March 2020.
Although funds covered an abnormally large number of short meal positions, new longs accounted for 60% of the latest move. More than 27,000 gross meal longs were added through Oct. 1, a weekly record in data back to 2006.
Despite the week’s price slide, money managers heavily covered short positions in CBOT soybean oil for a second week, flipping to a net long for the first time in six months. The resulting net long of 15,803 futures and options contracts compares with a net short of 18,856 a week earlier. That marked funds’ most bullish soyoil stance in nearly a year, and the optimism may have expanded further last week as futures were up another 2.5% over the last three sessions.
Corn, soybean and soymeal futures eased between Wednesday and Friday as rains are forecast for parched soils in Brazil. The U.S. corn and soy harvests may pressure futures as another week of dry weather will continue to support efficient fieldwork.

WHEAT AND BEYOND
CBOT wheat prices this month have reached their highest levels since mid-June on multiple supply concerns. Top wheat exporter Russia is dealing with a historic drought, and weather is also threatening crops in other major exporters, including Australia and Argentina.
Most-active wheat was up 3.6% in the week ended Oct. 1, and money managers trimmed their CBOT wheat net short to a two-year low of 22,953 futures and options contracts from 26,469 a week earlier.
CBOT wheat futures dropped 1.5% over the last three sessions after notching new highs on Wednesday. As of Sunday, forecasts suggest winter wheat-heavy regions of Russia could be due for a decent shot of moisture in about a week. Aside from monitoring weather models, the trade this week will be anticipating USDA’s next monthly supply and demand data due on Friday. That will be headlined by U.S. corn and soybean yields, which always contain the risk for surprise.
(The opinions expressed here are those of the author, a columnist for Reuters).

Top News - Metals

Rio Tinto looks to snap up Arcadium before lithium prices recover
Rio Tinto is in talks to buy lithium producer Arcadium Lithium, both companies confirmed on Monday, with the global miner pouncing following a slump in prices for the ultralight metal essential to the world's shift to clean energy.
If consummated, the deal would make Rio one of the world's largest suppliers of lithium behind Albemarle and SQM, as it looks to supply the metal essential for EV batteries and power storage. Reuters exclusively reported on Friday that the companies had been holding talks, and Arcadium could be valued at $4 billion to $6 billion or higher.
The approach was confirmed by both parties on Monday in separate statements that did not offer financial details. It follows a sharp slump in lithium prices and months of speculation over a potential deal. "The approach is non-binding and there is no certainty that any transaction will be agreed to or will proceed," Rio said in its statement.
Australian shares of Arcadium rallied as much as 50% to A$6.29, sparking a jump in other Australian-listed lithium companies with shares up 2% to 10%. Rio Tinto's shares however eased 0.2% amid a Sydney public holiday.

The recent slump in lithium prices, due in part to Chinese oversupply, has pushed Arcadium's shares down more than 50% since January, making it an attractive target.
But lithium demand is forecast to surge later this decade from growth in lithium-ion batteries.
By buying Arcadium, Rio would gain access to lithium mines, processing facilities and deposits in Argentina, Australia, Canada and the United States to fuel decades of growth, as well as a customer base that includes Tesla, BMW and General Motors.
Andy Forster, a portfolio manager with Argo Investments, which holds shares in both companies, sounded a cautious note around high valuations for Arcadium, noting it had many growth projects but not the balance sheet to build them. "The economics of long term pricing for lithium is not what it has been," he said.
Another institutional holder of Arcadium said a bid by Rio at the top end of the reported range would "get the deal done".
Analysts at TD Cowen highlighted they expect Arcadium's output to grow by 78% over the next three years, which would give it earnings of $1.3 billion in 2028.
"While we see no need for ALTM to sell, we imagine that valuation conversations would need to begin at $5+/ share," they said in a note on Oct. 4 after Reuters' report on Rio's talks. Arcadium's shares closed at $3.08 on Oct. 4.
However, Blackwattle Investment Partners in a letter to Arcadium said any offers in the reported range would "significantly undervalue" the lithium company.
"In our opinion, a sale price for LTM should be closer to $8 billion, and LTM should be willing to walk away from an opportunistic offer," Blackwattle said.
Arcadium was well placed to weather the storm in prices which look set to recover, partner Michael Teran of Blackwattle Investment Partners said, since it has delayed development of some Argentinian and Canadian projects and has avenues to secure new funding opportunities for existing ones.
"This is one of our biggest worries that someone like Rio comes and takes it right at the bottom and you miss out on all of the upside when stocks have already taken a beating," Teran said.

Burkina Faso plans to withdraw some mining permits, junta leader says

Burkina Faso plans to withdraw mining permits from some foreign companies and will seek to produce more of its own gold, junta leader Ibrahim Traore said on Saturday, without specifying which permits could be cancelled.
"We know how to mine our gold and I don't understand why we're going to let multinationals come and mine it," Traore said in a radio address to mark two years since he seized power in a coup.
"In fact, we are going to withdraw mining permits," he said. He did not specify which permits or provide further detail.
Gold is the main export of the West African country, where frustration over a long-running security crisis helped bring the junta to power in 2022. Since then, it has severed longstanding ties with Western allies and sought closer relations with Russia.
London-listed Endeavour Mining, Australia-based West

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.41 / bbl	0.04%	3.85%
NYMEX RBOB Gasoline	$2.06 / gallon	-0.39%	-2.17%
ICE Gas Oil	$709.00 / tonne	-0.49%	-5.56%
NYMEX Natural Gas	$2.80 / mmBtu	-1.75%	11.54%
Spot Gold	$2,642.04 / ounce	-0.38%	28.09%
TRPC coal API 2 / Dec, 24	$127 / tonne	3.67%	30.93%
Carbon ECX EUA	€60.80 / tonne	-2.01%	-24.35%
Dutch gas day-ahead (Pre. close)	€40.18 / Mwh	1.59%	26.15%
CBOT Corn	$4.41 / bushel	-0.28%	-8.99%
CBOT Wheat	$6.13 / bushel	-0.04%	-4.22%
Malaysia Palm Oil (3M)	RM4,286 / tonne	-0.33%	15.18%
Index	**Close 04 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	346.92	0.18%	15.10%
Rogers International	28.45	0.76%	8.07%
U.S. Stocks - Dow	42,352.75	0.81%	12.37%
U.S. Dollar Index	102.50	-0.02%	1.15%
U.S. Bond Index (DJ)	451.32	-0.73%	4.78%

African Resources, Russia's Nordgold, and Canada's Orezone Gold Corporation operate in Burkina Faso. Operations have been complicated by growing insecurity. Despite the junta promising to contain groups linked to Al Qaeda and Islamic State, the country saw a severe escalation of deadly attacks in 2023, with more than 8,000 people reportedly killed, according to U.S.-based crisis-monitoring group ACLED.

Top News - Carbon & Power

Japan expands LNG flexibility via cooperation with S.Korea, Italy

Japan has agreed on Sunday to study cooperating with South Korea and Italy on procurement of liquefied natural gas (LNG) as the world's second-biggest LNG importer after China seeks greater flexibility while strengthening its energy security.

JERA, Japan's biggest utility company, and South Korea's Korea Gas Corp (KOGAS), also a major LNG buyer, are collaborating on opportunities for joint procurement, cargo swaps and other forms of cooperation, Japan's Ministry of Economy, Trade and Industry (METI) said in a statement on Sunday.

"The governments of both countries expect that this endeavour will serve as the starting point for a new LNG cooperation between Korean and Japanese companies," said the statement co-signed by the South Korean Ministry of Trade, Industry and Energy.

Separately, the state-backed Japan Organization for Metals and Energy Security (JOGMEC) signed a preliminary agreement with Italian energy company Eni to cooperate on LNG procurement, as Eni also seeks investors for its LNG projects. "We already deal with Japanese buyers on a short-term basis and we would like to expand that collaboration also to a long-term basis," Cristian Signoretto, Eni's director for global gas and LNG portfolio, told reporters on the sidelines of an LNG conference in Hiroshima on Sunday.

Japanese buyers are increasingly looking for more flexible contracts with shorter durations that also allow for resales so the companies can divert cargoes to other buyers when domestic demand declines. Japan is also boosting its own LNG trading in the region. Tokyo Gas, Japan's biggest city gas provider, is already collaborating with partners for joint LNG procurement which strengthens its emergency response capabilities, Yumiko Yao, senior general manager for LNG, told the conference on Sunday. Part of ensuring adequate supply, JERA is designated by the Japanese government to secure one cargo of LNG, about 70,000 metric tons, each month from December to February in preparation for the heating season for the country's strategic LNG buffer (SBL).

Japan is going to prepare cargoes for the SBL for this heating season as well, Yuya Hasegawa, a division director at Japan's Ministry of Economy, Trade and Industry, told Reuters on the sidelines of the conference.

FOCUS-Latin America gears up for clean hydrogen boom but the road is not smooth

Latin America's wealth of hydroelectricity and other renewable energy resources could make the region a major producer of clean hydrogen as the world seeks alternatives to fossil fuels to fight the climate crisis, but some big hurdles lie in the way. Government leaders expect a major boon for the region from clean hydrogen, also known as green hydrogen, produced using electricity from renewable sources that do not emit carbon.

For example, Colombia's government, led by leftist President Gustavo Petro, has made weaning the nation off oil and coal in favor of renewable energy a major policy goal. And billions of dollars in funding are on offer from multilateral lenders.

Yet industry groups and analysts said still more investment is needed. Other major hurdles they cited included a lack of customers as local businesses shy away from signing deals that producers need to secure financing. This has exacerbated a dearth of local production. Advocates promote clean hydrogen as fuel for everything from trucks to steel blast furnaces and as input for green fertilizers. Yet critics say its production still requires excessive energy inputs.

Latin American countries are poised to benefit as European and Asian countries need to bite the bullet and start signing contracts for "substantial quantities" of hydrogen, Monica Gasca, executive director of the Colombian Hydrogen Association, told Reuters. Yet she and other industry experts said production will probably not ramp up much without deals in place. "We are very much in a chicken and egg scenario when it comes to green hydrogen," said Fernando Schaich, head of green hydrogen at Uruguay-based energy service company SEG Ingenieria.

Latin American industries themselves could be important hydrogen clients, Schaich said. "All projects will really start when the shipping, airline and heavy industries sign deals and make commitments."

Pricing the fuel economically enough to attract customers depends on cheap, plentiful and reliable supplies of renewable energy. But in Colombia, dozens of onshore wind projects planned for the La Guajira peninsula have been canceled or long-delayed because Indigenous groups have not approved construction.

"If Colombia doesn't really make an effort to facilitate the dialogues between the communities and the developers, mainly in La Guajira, then Colombia will be at least 33% less competitive than the rest of Latin America," said Inter-American Development Bank (IDB) lead energy specialist, Christiaan Gischler.

Clean hydrogen is currently much more expensive - north of $10 per kilogram in some places - than more contaminating hydrogen, said Luisa Palacios, a senior research scholar at Columbia University's Center on Global Energy Policy.

Gray hydrogen generated from fossil fuels currently costs as little as $1 to $3 per kilogram, Palacios added.

But Gischler said re-purposing existing assets such as pipelines or building shared infrastructure could push clean hydrogen costs in Latin America down to $1.50 to $2.50 per kilogram.

BUYERS AND REGULATORS
A World Economic Forum report published in August recorded some $6.1 billion as earmarked for renewable investments - including clean hydrogen - across the region by multilateral lenders and funds, as well as foreign and regional governments, in addition to a feasibility study for a $4 billion clean hydrogen plant in Uruguay.
That is a tiny fraction of the $100 billion to $300 billion investment theIDB's Maria Florencia Attademo-Hirt told a roundtable discussion that the industry would need in the region by 2030. There are about 65 clean hydrogen projects in Latin America, mostly in the early development stages, according to the Wilson Center think tank that hosted the roundtable.
As of the end of 2023 Colombia had some 28 projects, according to Gasca, including an industrial-scale project at state-run energy company Ecopetrol's refinery in the city of Cartagena, set to come online in 2026. Brazil's Petrobras is also eyeing clean hydrogen to replace gray hydrogen in its own operations, according to the company's energy transition chief, Mauricio Tolmasquim. State-controlled Petrobras plans to build two green hydrogen plants, and is holding talks with potential customers, Tolmasquim has said, adding it is still establishing prices.
Chile has identified 12 regulations relevant to green hydrogen development that must be updated, said Marcos Kulka, chief executive of H2 Chile, the South American country's eponymous hydrogen association. Five other rules must be created for development to advance. Like Colombia's La Guajira, Chile's Strait of Magellan could become a major clean hydrogen production hub thanks to strong winds, Gischler said.
Producers have to be bolder in finding customers, said Diego Arboleda, chief executive of Colombian developer Hevolucion. "The client is not going to come through the door and say, 'who wants to sell me 100 tonnes of hydrogen right now?'" said Arboleda.
Hevolucion's plant, located near Colombia's second-city Medellin, will start producing one tonne of clean hydrogen daily in November, and the company plans a pilot project to export green ammonia - produced by combining clean hydrogen with nitrogen - to the Port of Rotterdam for use as energy storage. Colombia's government should provide incentives domestically, Arboleda said, including rules about vehicles mixing diesel with hydrogen to reduce emissions.
Clara Bowman, chief operating officer of HIF Global, whose Haru Oni plant in southern Chile produces clean hydrogen to make methanol for use in e-fuels, said mandates on blending clean hydrogen-based fuels with existing gasoline would help. Potential customers "need the regulatory support to make sure that they are not going to be uncompetitive in their industry as a result of making those sorts of decisions," Bowman said.

Top News - Dry Freight

Turkish flour mills seek relaxation of wheat import ban
Turkey's flour mills are seeking a relaxation of the country's ban on wheat imports, the mills' association said on Friday.
Turkey, the world's largest flour exporter, banned wheat imports in June until Oct. 15, 2024, to protect farmers from low prices, promote domestic procurement of grains by the Turkish state grain board TMO and create a favourable market for farmers.
"We've petitioned the grain board to not extend this temporary ban, either by allowing us to import the wheat through the board or allowing private imports," said Haluk Tezcan, the head of the federation of private Turkish flour mills. The association is seeking to be allowed to import 15% of the board's allocation quotas.
"As the private sector, we don't want to see this temporary ban extended and are trying to find a suitable formula for all parties," he said. No decision about the import ban has been reached yet, Turkey's trade ministry told Reuters. "An assessment is ongoing," the ministry said.
The import ban has all but stopped Turkey's imports of cheap wheat from Black Sea producers, especially Russian, stopping flour consumers benefitting from low prices, European grain traders said. Commodity traders said large volumes of Russian wheat have been shipped to Turkey in recent months, stored in customs bonded warehouses where it does not count as imports until sold in the domestic market. This would make substantial volumes of Russian wheat available in the Turkish market for rapid delivery if the import ban is relaxed, traders said.

Algeria tenders to buy nominal 50,000 T soft milling wheat, traders say
Algeria's state grains agency OAIC has issued an international tender to buy soft milling wheat to be sourced from optional origins, European traders said on Sunday. The tender sought a nominal 50,000 metric tons but Algeria often buys considerably more in its tenders than the nominal volume sought.
The deadline for submission of price offers in the tender is Tuesday, Oct. 8, with offers having to remain valid until Wednesday, Oct. 9. The wheat is sought for shipment in 2024 in two periods from the main supply regions including Europe: Nov. 1-15 and Nov. 16-30. If sourced from South America or Australia, shipment is one month earlier.
Algeria is a vital customer for wheat from the European Union, especially France, but Russian and other Black Sea region exporters have been expanding strongly in the Algerian market.

Picture of the Day

Boats stranded on the Rio Negro as the river reached its lowest point in its history during the most intense and widespread drought the country has experienced since records began in 1950, in Manaus, Amazonas state, Brazil, October 4.

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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