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Top News - Oil

Chevron to buy Hess for $53 billion in latest oil mega-merger

Chevron has agreed to buy Hess for $53 billion in stock to gain a bigger U.S. oil footprint and a stake in rival Exxon Mobil's massive Guyana discoveries, the latest in a series of blockbuster U.S. oil combinations.
The Chevron deal announced on Monday and a $60 billion acquisition by Exxon earlier this month will add years of oil and gas production to the two top U.S. producers' portfolios, much of it from U.S. shale. And the deals will leave European oil rivals that had shifted their focus to renewable energy further behind in fossil fuels.
"This is great for energy security: It brings together two great American companies," said Chevron CEO Michael Wirth, who has bulked up the company's shale oil and gas holdings by acquiring U.S. rivals PDC Energy and Noble Energy.
The combination of Hess, PDC and Noble will bring Chevron's total oil and gas output to about 3.7 million barrels per day (bpd). It will expand Chevron's shale output by 40% to1.3 million bpd, putting it neck and neck with Exxon's projected shale output following its Pioneer Natural ResourcesPXD.Nacquisition.
The combined company will expand Chevron's oil production in less risky regions by adding to its output in the U.S. Gulf of Mexico and by bringing it into the Bakken shale in North Dakota.
The deal gives Chevron a 30% stake in the Exxon and CNOOC 0883.HK Stabroek oil block in Guyana, which is expected to triple to more than 1.2 million bpd by 2027.
"This deal is all about the world-class Guyana asset, which is by far the crown jewel in the Hess portfolio," wrote Capital One Securities analysts in a note.
Guyana has emerged as one of the world's fastest growing oil province following more than 11 billion barrels of oil and gas discoveries since 2015.
CEO John Hess said the government of Guyana and Exxon would welcome Chevron's entry into the country's oil fields.
John Hess told Reuters he has been in talks with Wirth for about two years.
"We eventually talked about each other's companies and the strategic fit," Hess said.
The executives have known each other for many years, having previously been partners in U.S. Gulf of Mexico fields, and regularly discussed their business, Wirth told Reuters.
"This is a discussion that goes back a number of years over a variety of conversations in person, on the phone and over dinners," Wirth said.
Goldman Sachs was the lead adviser to Hess while Morgan Stanley was the lead adviser to Chevron.
Shares sold off in midday trading on Monday with Chevron down 3.3% at $161.25 and Hess falling about1% to $161.33. Both companies' share track crude oil prices, which dropped on Monday.

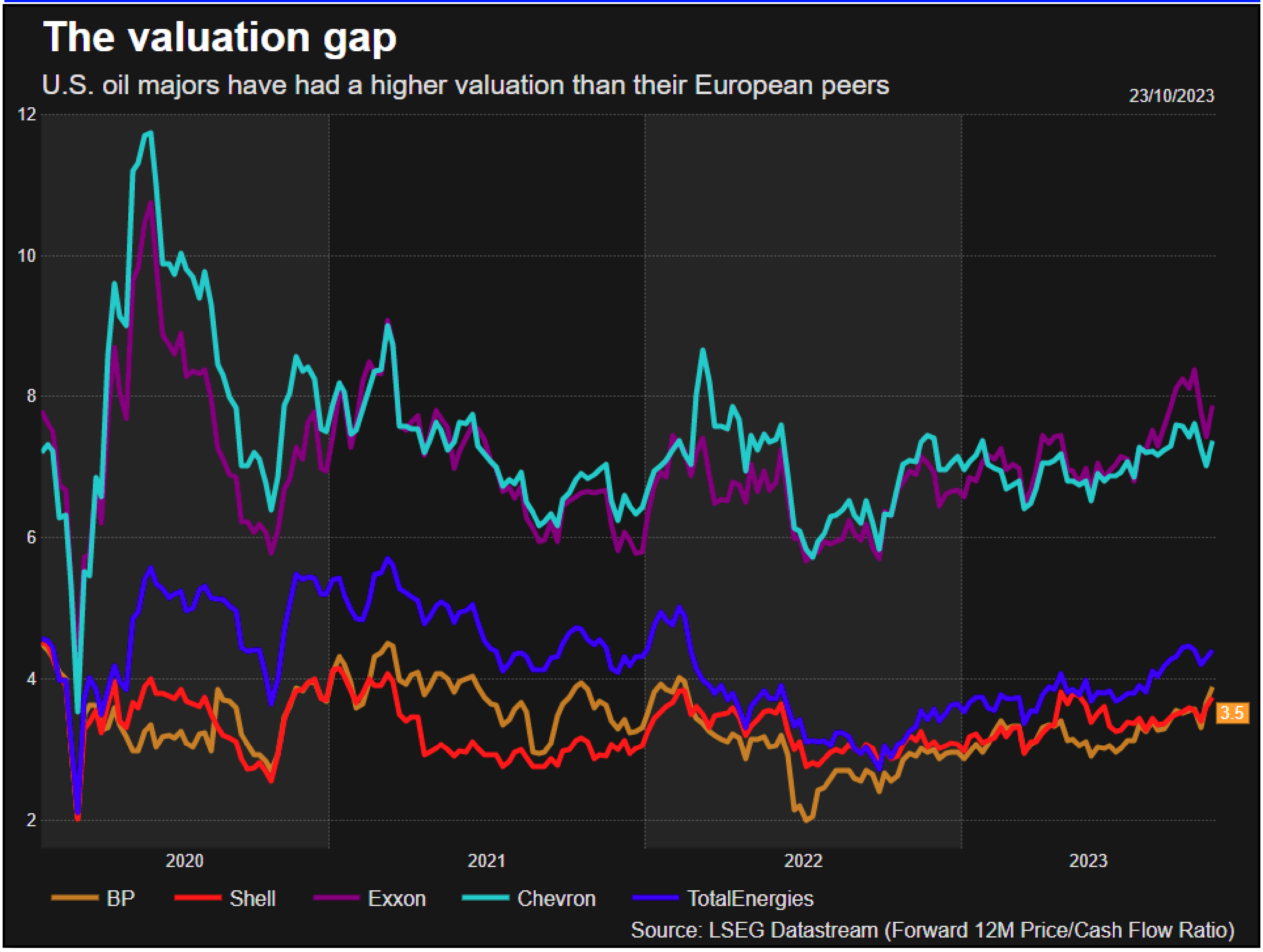
$1 BLN IN COST SYNERGIES
Chevron offered 1.025 of its shares for each Hess share, or about $171 per share, implying a premium of about 4.9% to the stock's last close. The total deal value is $60 billion, including debt.
The deal follows Exxon's rapid-fire deals since July for top U.S. shale producer Pioneer and Denbury. Those $64 -billion combined transactions put Exxon atop U.S. shale and cemented the firm's nascent carbon storage business.
RBC analysts said they were surprised by the deal timing, and had expected Chevron to bide its time after Exxon's mega deal.
The deal faces regulatory reviews, but Wirth said he is not expecting anti-trust concerns.
He said the combined companies expect to generate about $1 billion in cost synergies within a year of its closing.
Chevron said it would sell between $15 billion to $20 billion in assets and plans to spend between $19 billion and $21 billion a year on major projects after the deal closes.
Once the it closes around the first half of 2024, the Hess CEO will join Chevron's board of directors.
"We've got too many CEOs per BOE (barrels of oil equivalent), so consolidation is natural," said Wirth, adding the world could expect to see other oil deals.

CASH VS CLIMATE
The recent oil deals are a financial flex by U.S. oil and gas companies that have kept investing in fossil fuels as European rivals turned their attention to renewable fuels.
Chevron and Exxon accumulated huge profits from strong energy prices and demand since Russia's invasion of Ukraine.
Chevron said it tends to ramp up its share repurchases to the top of its $20 billion annual range, if oil prices remain high, and will increase its annual shareholder dividend by 8%.
Chevron will increase buybacks by $2.5 billion after the transaction, Wirth said.
"Shareholders of both companies will benefit from the stronger free cash flow that will more than double over the next five years," Wirth said.
The consolidation, however, has drawn rebuke from environmentalists who see it undercutting climate goals.
“With this deal, Chevron is betting on the failure of the Paris Climate Agreement,” said Mark van Baal, the founder of Follow This, an activist shareholder group.
"Big Oil needs to change or Paris will fail," he added, referring to 2015 Paris Agreement to limit global warming.

World oil, gas, coal demand to peak by 2030, IEA says
World fossil fuel demand is set to peak by 2030 as more electric cars hit the road and China's economy grows more slowly and shifts towards cleaner energy, the International Energy Agency said, undercutting the rationale for any rise in investment.
The report from the IEA, which advises industrialised countries, contrasts with the view of oil producer group the Organization of the Petroleum Exporting Countries, which sees oil demand rising long after 2030 and calls for trillions in new oil sector investment.
In its annual World Energy Outlook released on Tuesday, the IEA said peaks in oil, natural gas and coal demand were visible this decade in its scenario based on governments' current policies - the first time this has happened.
"The transition to clean energy is happening worldwide and it's unstoppable. It's not a question of 'if', it's just a matter of 'how soon' – and the sooner the better for all of us," said IEA Executive Director Fatih Birol.
"Governments, companies and investors need to get behind clean energy transitions rather than hindering them."
Still, the IEA also said as things stand, demand for fossil fuels is set to remain far too high to keep within reach the Paris Agreement goal of limiting the rise in average global temperatures to 1.5 degrees Celsius.
"This risks not only worsening climate impacts after a year of record-breaking heat, but also undermining the security of the energy system, which was built for a cooler world with less extreme weather events," the agency said in a statement.

CHINA'S ROLE CHANGES
By 2030, the IEA expects there to be almost 10 times as many electric cars on the road worldwide, and it cited policies supporting clean energy in key markets as weighing on future fossil fuel demand.
For example, the IEA now expects 50% of new U.S. car registrations will be electric in 2030, up from 12% in its outlook two years ago, largely as a result of the U.S. Inflation Reduction Act.
The IEA also sees China's role as a key source of energy demand growth changing.
While China in the last decade accounted for almost two-

Chart of the Day



thirds of the rise in global oil use, the momentum behind its economic growth is ebbing and the country is a "clean energy powerhouse," the report said, adding more than half of global electric vehicle sales in 2022 were in China.
The IEA said the key to an orderly transition is to scale up investment in all aspects of a clean energy system, rather than in fossil fuels.
"The end of the growth era for fossil fuels does not mean an end to fossil fuel investment, but it undercuts the rationale for any increase in spending," the IEA report said.
An OPEC report earlier this month said calls to stop investments in new oil projects were "misguided" and "could lead to energy and economic chaos."

Top News - Agriculture

As farmers await more rains, Brazil's 2023/24 soybean planting hits 30%

Expected rain this week, if realized, will improve prospects for Brazilian soy farmers, who have been sowing their new crop at a slower pace amid unusually hot and dry weather, experts said on Monday.
Marco Antonio dos Santos, a meteorologist at Rural Clima, noted that a cold front will bring much needed humidity between Wednesday and Thursday to central Brazil, benefiting crops immediately .
"We should see widespread rains across the entire central strip of Brazil, so this week the forecasts are for the return of rain in most of the [grain] producing areas," he said. "The trend from now on is the regularization of rainfall throughout Brazil."
Brazil's 2023/24 soybean planting reached 30% of the expected area at the end of last week, agribusiness consultancy AgRural said on Monday, up 13 percentage points from the previous one.
But planting has been slower than at this point in the last season, when 34% of the areas had been sowed.
In top grain producing state Mato Grosso, the pace of planting surpassed Parana state's for the first time. But planting amid dry and hot weather could have consequences later, AgRural said.
"The strong advance in sowing in Mato Grosso happened amid increased risks brought by the combination of very intense heat and still irregular rainfall," AgRural said.
"It is essential that showers forecast for this week are confirmed in the state," AgRural said, highlighting the fact some farmers may need to replant their crops in Mato Grosso if that does not happen.
So far, the potential replanting would affect isolated areas, AgRural added.
For Brazil's 2023/24 first corn, AgRural estimates 46% of the area was sowed in the Center South of the country, up from 41% a week ago but below the 51% registered a year earlier.

EU crop monitor cuts maize yield forecast on parched southeast

The European Union's crop monitoring service on Monday further reduced its yield forecast for the EU's grain maize harvest after a warm, dry start to autumn worsened drought in the southeast of the bloc.
This year's EU grain maize yield was expected to reach 7.13 metric tons per hectare (t/ha), down from 7.26 t/ha projected last month, the MARS service said in a report.
The forecast was now 5% below the average yield of the past five years, though 21% higher than the drought-ravaged 2022 level.
"The downward revision of the yield forecast for grain maize and sunflowers at EU level is mainly due to a worsened outlook for summer crops in Hungary, Romania, Bulgaria and Greece," MARS said.
For sunflower seeds, MARS lowered its yield forecast to 2.10 t/ha from 2.20 t/ha projected last month, also 5% below the five-year average.
The crop monitor had already cut its maize yield outlook in September, similarly citing parched conditions in Romania and Bulgaria along with earlier flood damage in Greece.
Dryness hampered the sowing of rapeseed in southeastern EU countries, with the risk that some fields may be re-sown in part of Romania, and could also affect upcoming cereal drilling there if rain does not return, MARS said.
In contrast, the unusually warm early-autumn weather helped crops further north to ripen after heavy rain in summer, while also allowing farmers to make progress in sowing rapeseed and winter cereals, it added.
For sugar beet, which like maize is harvested in autumn, the crop monitor slightly increased its outlook for the EU's 2023 yield, to 74.7 t/ha from 74.5 t/ha forecast in September, keeping the forecast 4% above the five-year average.

Top News - Metals

Russia's Nornickel: Q3 nickel output higher q/q, palladium output drops

Russia's Nornickel, the world's largest palladium producer and a major producer of high-grade nickel, said on Monday its third-quarter nickel production was 21% higher than in the previous quarter at 53,945 metric tons.
Unlike many Russian companies, Nornickel has not been directly targeted with Russian sanctions over its actions in Ukraine, but Western suppliers staying away from the Russian market may pose operational challenges for Nornickel's production in the longer term.
For January-September, nickel production was 9% lower year-on-year at 145,271 metric tons. In that period, palladium and platinum output rose by 1% and 7%, respectively, to 2.15 million troy ounces and 528,000 ounces.
Palladium production in the third quarter was down 13% quarter-on-quarter to 0.66 million troy ounces.
Nornickel CEO Vladimir Potanin, who holds a 36.6% stake in the company through his Interros holding group, has said Western sanctions, though not directly affecting the company, had limited its capabilities and forced it to

pivot towards Asia with restructuring its logistics chains. Asia became Nornickel's largest market in terms of revenue in H1 2023 and in July, it said it had started replacing its old mining equipment with supplies from so called "friendly" countries - those that have not imposed sanctions on Moscow.
Sergey Stepanov, Nornickel's head of production, said in a statement on Monday that testing of new equipment was continuing and that its successful implementation was important for achieving operational targets.
Stepanov confirmed that the company was still on track to reach its 2023 production forecast of nickel output at 204,000-214,000 metric tons and palladium output of 2.41 -2.56 million troy ounces.

India's JSW steel boss says 'nothing concrete' with Canada's Teck
India's JSW Steel Ltd's discussions with Canada's Teck Resources over buying a possible stake in its coking coal unit have yielded "nothing concrete", JSW Steel Chief Executive Jayant Acharya told Reuters on Monday.
Last month, Reuters reported that JSW Steel, India's largest steelmaker by capacity, had slowed down the process to buy a stake in Teck Resources because of a diplomatic spat between New Delhi and Canada.
"There is nothing concrete on Teck. We are in discussion with strategic possibilities among which Teck is one," Acharya said in an interview.
Teck did not immediately respond to a Reuters email seeking comments. Ties between India and Canada deteriorated after New Delhi and Ottawa expelled each other's diplomats following the murder of a Sikh separatist leader in the Canadian province of British Columbia in June.
Acharya said the diplomatic row should not impact business decisions, adding "let us see how those situations evolve".
Acharya said the company was exploring overseas coal assets in different countries, including Australia, without elaborating.
He further said an increase in prices of coking coal, used in steelmaking, in the last one and a half months would affect costs during October-December unless they moderated.
The steelmaker reported a second-quarter profit last week, helped by robust domestic demand and lower input costs.
It imports coking coal from Australia, Canada, the U.S. and some grades from Russia, he said. Acharya said the company would continue to focus on sales in the local market because of strong demand.
"We are not pursuing exports since domestic demand is very strong," he said, adding that exports were likely to be in the range of 10-15% of overall sales.
The company's presence in the Middle East was also "very minimal", he said, sheltering the company from any impact from the conflict in the region.

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$85.85 / bbl	0.42%	6.96%
NYMEX RBOB Gasoline	$2.31 / gallon	-0.07%	-6.79%
ICE Gas Oil	$903.75 / tonne	-1.85%	-1.87%
NYMEX Natural Gas	$2.89 / mmBtu	-1.33%	-35.49%
Spot Gold	$1,976.59 / ounce	0.20%	8.34%
TRPC coal API 2 / Dec, 23	$133.75 / tonne	-3.95%	-27.60%
Carbon ECX EUA	€80.42 / tonne	-0.10%	-4.23%
Dutch gas day-ahead (Pre. close)	€49.35 / Mwh	7.28%	-34.70%
CBOT Corn	$5.02 / bushel	-0.45%	-26.00%
CBOT Wheat	$6.09 / bushel	-1.02%	-99.24%
Malaysia Palm Oil (3M)	RM3,675 / tonne	-2.08%	-11.95%
Index	**Close 23 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	320.58	-0.87%	6.39%
Rogers International	29.01	-1.46%	1.20%
U.S. Stocks - Dow	32,936.41	-0.58%	-0.64%
U.S. Dollar Index	105.45	-0.08%	1.86%
U.S. Bond Index (DJ)	382.81	0.53%	-2.46%

Top News - Carbon & Power

Qatar signs 27-year gas supply deal with Italy's Eni
State-owned QatarEnergy said on Monday it would supply Italy's Eni with gas for 27 years, following similar deals this month to supply the Netherlands via Shell and France through TotalEnergies.
Affiliates of QatarEnergy and Eni signed a long-term sale and purchase agreement for up to 1 million tons per year (mtpa) of liquefied natural gas (LNG) from Qatar's North Field expansion project.
LNG will be delivered to the FSRU Italia, a floating storage and regasification unit in Tuscany's port of Piombino from 2026.
Eni has a 3.125% stake in the North Field East expansion that, together with the North Field South expansion, will lift Qatar's liquefaction capacity to 126 mtpa by 2027 from 77 mtpa.
Qatar, already the world's top LNG exporter, in the last two weeks signed 27-year deals to supply 3.5 mtpa from 2026 to Shell and TotalEnergies, its largest and longest European gas supply deals.
Until then, Asia - with an appetite for long-term sale and purchase agreements - had outpaced Europe in locking in supply from QatarEnergy's two-phase LNG output expansion.
Asian deals included 27-year supply to China's Sinopec sealed in November for 4 mtpa and an identical one signed in June with China National Petroleum Corporation (CNPC).
European Union buyers are signing long-term deals to replace Russian gas, which had accounted for almost 40% of supply before Moscow's invasion of Ukraine last year.
Germany was the EU's biggest buyer of Russian gas. It will now get 2 mtpa from 2026 through a 15-year deal between QatarEnergy and ConocoPhillips signed in November 2022.
QatarEnergy said Italy already received more than 10% of its natural gas needs from Qatari LNG shipments to the Adriatic terminal.
"Together, we will continue to demonstrate commitment to the European markets in general, and to the Italian market in particular," QatarEnergy chief Saad al-Kaabi said in a statement.

EU not ready for formal probe into China's wind industry -source
The European Union still lacks "very clear evidence" of unfair practices to launch a formal probe into China's wind power industry that has become a cut-price competitor to Europe's, an EU official said. In a leaked wind energy proposal last week, the Commission said it would scrutinise foreign subsidies as part of a broader action plan to support its struggling wind industry that is fast losing its leadership position.
The EU official said China feared the EU would immediately look at punitive measures on its wind and hydrogen electrolyser industries after the surprise probe on its automakers. "The announcement of the investigation on the EVs (electric vehicles) was a bit of a shock because it was announced in such a political speech and a change of tune from traditional openness. China interpreted it as a foregone conclusion that they were already taking measures," the official said.
EU President Ursula von der Leyen announced an investigation last month into whether to set punitive tariffs on cheaper Chinese electric vehicles that are seen as "flooding" the bloc's market.
As for wind, the EU official said that "at this stage" the Commission lacked sufficient basis to go further.
"You need to have very clear evidence that there is an unfair practice... (the Commission) have received reports and indications that leave you with some doubts, particularly about the financial conditions - deferred payments, you pay only when you produce electricity, etc.," the official said.
"None of the giant European producers would be able to afford not paying for their project for 5-6 years until its producing electricity. These make you wonder but these are not substantiated evidence that there is a trade violation."
The EU has seen its star renewable energy industry - wind - take a hit since 2021 in part due to inflation but also sudden and strong global competition particularly from China.
While U.S. President Joe Biden's Inflation Reduction Act sent shockwaves through the EU last year, the EU official said Asian competition with its "lack of transparency and subsidies" was now seen as a bigger risk to its clean energy industry.
Europe's main turbine makers all posted operating losses in 2022, putting the EU's renewable targets and energy security at risk. Final investment decisions on offshore wind farms sank last year.
"The spirit of this package is not something the Commission does very often," the official added.
"We have one of our jewels is at risk. We need to do everything in our power to make sure this story stays a European story."

Top News - Dry Freight

Ukraine's farmers look to new Black Sea route to boost food exports
Agricultural producers in Ukraine say a new Black Sea corridor could enable exports of up to 2.5 million metric tons of food a month, almost offsetting the impact of Russia's decision to quit a U.N.-brokered deal to allow grain shipments through the region.
The export deal brokered by the United Nations and Turkey collapsed in July as Russia declined to recognise it, saying its demand that sanctions be lifted on its grain and fertiliser exports had not been met.
Kyiv has since opened what it says is a temporary humanitarian corridor in a bid to break Russia's de facto blockade. Ukraine's shipping sources said more than 40

cargo vessels have entered the corridor so far. The Black Sea export routes are still not fully operational and the current export figures are lower than last year, said Denys Marchuk, deputy head of the Agrarian Council, Ukraine's largest agribusiness group.

"But this is not critical as we are developing an alternative route and the last month has shown that we can export by the Black Sea without Russia's participation," Marchuk told the national television on Sunday.

"I hope that exports by the new corridor will amount to 2-2.5 million tons (per month), and then together with other routes grain exports may reach 5-5.5 million tons a month," he said.

During the former corridor's operation, Ukraine exported up to 3 million tons of food and, together with alternative routes, exports were up to 6 million tons per month.

Ukraine exports food also via small river ports on the Danube River and using its land border with the Eastern European countries. It is one of the leading global producers and exporters of food and its agrarian sector has been traditionally profitable.

But its grain and oilseeds crop sector losses could exceed $3.2 billion in 2023 due to the high cost of logistics as well as fuel and fertiliser price hikes, farmers unions said last week.

Agriculture ministry data shows Ukrainian grain exports were down 29.7% to 8.3 million metric tons so far in the 2023/24 July-June season.

Ukraine is expected to harvest 79 million tons of grain and oilseed in 2023, with 2023/24 exportable volumes of about 50 million tons.

Russian wheat export prices fell last week, but some demand emerged

Russian wheat export prices declined again last week, but analysts see demand picking up at these levels.

The price of 12.5%-protein Russian wheat scheduled for free-on-board (FOB) delivery in the latter part of November was $224 per metric ton last week, down $1 from the week before, the IKAR agriculture consultancy reported. IKAR analysts nonetheless said some signs of stabilization were emerging after quite a long period of decline, and some demand. The Sovecon agriculture consultancy saw the price for the same class of wheat last week at $228-236 per ton FOB, down $7 from the week before. "Russian wheat has regained its competitive edge recently. Additionally, with a stronger rouble and smaller margins, it looks like exporters can’t lower FOB additionally from the current levels," Sovecon said in the weekly report.

Russia exported 1.08 million tons of grain last week compared with 1.02 million tons a week earlier, including 0.94 million tons of wheat, compared with 1.00 million tons a week earlier, Sovecon wrote in its weekly note, citing port data.

The estimate of wheat exports in October was revised up 0.1 million tons from last week to 4.2 million tons, compared with 4.5 million tons a year ago and 4.1 million tons on average.

The wheat harvest as of Oct. 19 totalled 92.9 million tons versus 104.2 million tons a year earlier, from 28.4 million hectares planted versus the previous year's 29.1 million hectares.

The average yield came in at 3.27 tons per hectare, against 3.59 tons per hectare a year before.

Sowing of winter grains was carried out on an area of 16.1 million hectares, up from 15.8 million hectares a year earlier, Sovecon wrote.

"The top grower (among Russian regions), South, remains too dry, and the plants are expected to enter the winter in below-average shape," Sovecon analysts said.

IKAR said on Monday it has raised its 2023-24 grain crop forecast to 142.2 million metric tons, up from an earlier 141.6 million.

Picture of the Day

An employee casts ingots of 99.99 percent pure gold at the Novosibirsk precious metals refining and manufacturing plant in the Siberian city of Novosibirsk, Russia, September 15. REUTERS/Alexander Manzyuk

(Inside Commodities is compiled by xxxxxx in Bengaluru)

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

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