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Top News - Oil

EXCLUSIVE-Shell cuts low-carbon jobs, scales back hydrogen in overhaul by CEO

Shell will cut at least 15% of the workforce at its low-carbon solutions division and scale back its hydrogen business as part of CEO Wael Sawan's drive to boost profits, it said on Wednesday.

The staff cuts and organizational changes come after Sawan, who took the helm in January, vowed to revamp Shell's strategy to focus on higher-margin projects, steady oil output and grow natural gas production.

Shell will cut 200 jobs in 2024 and has placed another 130 positions under review as part of a drive to reduce the headcount in the unit, which numbers around 1,300 employees, the company confirmed in response to a query from Reuters.

Some of these roles will be integrated into other parts of Shell, which employs more than 90,000 people, the company added. "We are transforming our Low Carbon Solutions (LCS) business to strengthen its delivery on our core low-carbon business areas such as transport and industry," the company said. Shell shares were down 0.2% by 1435 GMT. The LCS operations include the hydrogen and other businesses looking at decarbonizing the transport and industry sectors, but do not include the renewable power business. Shell managers last week held several town hall meetings with the LCS division where the job cuts and organizational changes were announced, company sources said. The division also includes Shell's carbon capture and storage and nature-based solutions businesses, which will not be impacted by the current round of cuts, the sources said.

The main focus of the changes has been the hydrogen business. Shell plans to sharply scale back its hydrogen light mobility operations, which develop technologies for light passenger vehicles, and will focus on heavy mobility and industry, the company said.

It will also merge two of four general manager roles in the hydrogen business, Shell said. The retreat from the light mobility sector follows the departure of the business's manager Oliver Bishop several months ago. Bishop today leads rival BP's BP.L global hydrogen mobility business. Shell was one of the early backers of hydrogen-fuelled cars, but it has in recent years closed a number of hydrogen fuelling stations around the world, including in Britain, as consumers opted instead for electric vehicles. The company last year started building a 200 megawatt electrolyser plant in the Netherlands, Europe's largest, to produce zero-carbon, or green, hydrogen.

It also applied for a grant to develop a low-carbon hydrogen hub in Louisiana, but the project was not among seven announced earlier this month that will share $7 billion in U.S. federal grants to jump-start the emerging industry. "Our global hydrogen portfolio remains a key part of our efforts to address the commercial and technical challenges in scaling our Low Carbon Solutions business," Shell said. "We will be disciplined in only making investments with the highest chance of creating value and lowering emissions."

NET ZERO

Sawan said last week that Shell is changing its "pathway" towards meeting its ambition to become a net zero carbon emitting company by 2050.

"For avoidance of doubt, what hasn't changed is the destination that we have set for ourselves," Sawan told to Energy Intelligence Forum in London. Sawan came under pressure internally last month after two employees issued a rare open letter urging him not to scale back investments in renewable energy, sparking an internal debate. Shares of Shell and its European peers BP and TotalEnergies have come under pressure in recent years as investors fret over future returns as they lower oil and gas production. U.S. rivals Exxon Mobil and Chevron have doubled down on fossil fuel production, announcing large acquisitions of oil companies in recent weeks.

US crude, gasoline stockpiles rise as refiners run less oil -EIA

U.S. crude oil stockpiles jumped last week as refinery utilization dropped, while gasoline inventories posted a surprise build, the Energy Information Administration said on Wednesday.

Crude inventories rose by 1.4 million barrels in the week to Oct. 20 to 421.1 million barrels, much more than analysts' expectations in a Reuters poll for a 240,000-barrel build. Refinery crude runs fell by 207,000 barrels per day in the last week, while refinery utilization rates fell by 0.5 percentage point to 85.6% of total capacity.

Gasoline stocks rose by about 160,000 barrels in the week to 223.5 million barrels, the EIA said, compared with expectations for a 900,000-barrel drop.

The report was bearish, Bob Yawger, director of energy futures at Mizuho, said, noting the surprise build in gasoline inventories. "It will reverse the gasoline crack," Yawger said, referring to the profit oil refiners can make producing gasoline from crude. "It resets everybody's expectations," Yawger said. Oil futures extended losses immediately after the data. U.S. crude futures last traded at just over $83 per barrel, while Brent crude futures was around $87.50 a barrel. Gasoline refining margins have fallen from over $30 per barrel this summer to around $11 per barrel on Wednesday, after the end of the peak driving season and as oil refiners try to produce more in-demand distillates. Distillate stockpiles, which include diesel and heating oil, fell by 1.7 million barrels in the week to 112.1 million barrels, versus expectations for a 1.2 million-barrel drop, the EIA data showed. Crude stocks at the Cushing, Oklahoma, delivery hub rose by 213,000 barrels in the last week, EIA said. Net U.S. crude imports rose last week by 539,000 bpd, EIA said.

Top News - Agriculture

Ivory Coast in fresh stand-off with cocoa buyers over premium

Ivory Coast is struggling to sell cocoa export contracts for the 2024/25 season with multinational companies demanding it lower prices, which are elevated due to a supply squeeze, the head of the country's cocoa regulator said on Wednesday.

Ivory Coast is the world's top producer of cocoa, the main ingredient in chocolate. Along with neighbouring Ghana, it produces about two-thirds of the world's supply.

The country expects a 25% drop from last year in cocoa arrivals for the current October-to-March main crop due to poor weather conditions, said Yves Brahima Kone, director general of the Coffee and Cocoa Council (CCC).

Industry sources had previously told Reuters they expected a 20% drop in production for the 2023/24 season.

London cocoa futures hit a record high on Monday, with speculators doubling down on bets for rising prices.

The CCC has started selling export contracts for the 2024/25 season but sales are slow with many companies unwilling to pay the going rate, said Kone.

One of the premiums that Ivory Coast uses to improve the income of cocoa farmers is known as the origin differential and is paid by the trade to account for quality differences in beans from different origins.

The premium is currently at zero, but companies are pushing for it to be negative, Kone said.

"We started sales of export contracts for the 2024/25 season last week at the current market price but the multinationals approached us to demand a reduction in the origin differential which has already been at zero for many months," said Kone.

"We want to tell the cocoa and chocolate industry... that we will not lower the differential. We have made too much effort and sacrifice for them," he told Reuters.

Major companies such as Hershey, Nestle, Mondelez and Barry Callebaut buy cocoa from Ivory Coast.

Ivory Coast and Ghana boycotted industry meetings in Brussels last year over a similar price dispute.

Five exporters who spoke to Reuters said they could not afford to purchase contracts for next season at current prices.

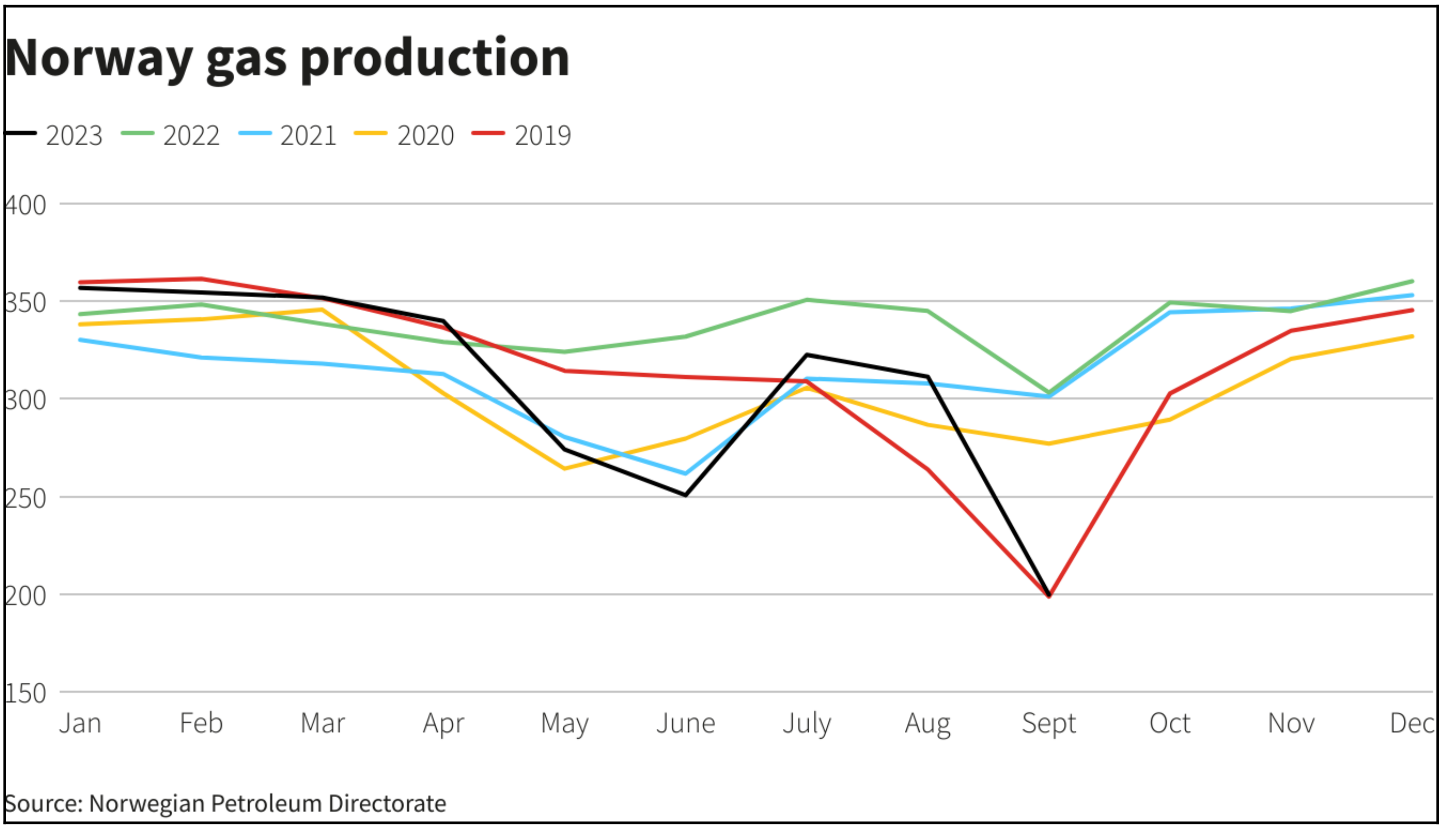
"No one can buy the 2024/25 contracts without a reduction in the origin differential. Prices are much too high and this creates too much risk for us if the market turns around and prices fall," said the director of one multinational export company who requested anonymity to speak freely.

The director of another European export company said it would be forced to buy contracts for the 2024/25 season but would wait as long as possible, maybe until early next year.

Rain improves conditions for Ukraine's winter crops - analyst

Rain across almost the entire territory of Ukraine has significantly improved conditions for the development of

Chart of the Day



REFINITIV
An LSEG Business

winter crops, which previously suffered from widespread drought, the APK-Inform consultancy said on Wednesday. Drought has become common in Ukraine and farmers sow even in dry soil in the hope that winter precipitation and mild weather will allow the grain to germinate and survive.
"During the second 10-day period of October, weather conditions changed significantly - the period of rainless weather and drought in most areas stopped," APK-Inform quoted state weather forecasters as saying.
"Moisture reserves were considerably replenished, and together with increased temperatures, favourable conditions for sprouting and vegetation of winter crops were formed." Ukraine's agriculture ministry said on Tuesday that farmers had sown about 5 million hectares of winter crops as of Oct. 24.
The area included 3.46 million hectares of winter wheat, or 79.4% of the expected area, the ministry said in a statement. Ukraine, among global major grain producers and exporters, is a traditional grower of winter wheat, which accounts for at least 95% of its overall wheat output.
Agriculture Minister Mykola Solsky said this month that Ukraine was likely to sow less winter wheat than it initially expected for the 2024 harvest due to the absence of rain in most regions.
Farmers sowed 4.46 million hectares of winter wheat, 612,200 hectares of winter barley and 1.376 million hectares of winter rapeseed for the 2023 harvest.
Ukraine is expected to harvest 79 million tons of grain and oilseed in 2023, with a 2023/24 exportable surplus total of about 50 million tons, the ministry has said.

Top News - Metals

G7 announcement on Russian diamond ban expected by end Oct.- sources
A G7 statement announcing a ban on imports of Russian diamonds is expected by the end of this month, followed closely by a proposal for the European Union's 12th package of sanctions on Russia, diplomatic sources said.
"We now need the final blessing of the G7 before then translating these elements in legal texts at the European level," an EU diplomat said.
A second source said the statement was expected to arrive within a week. The EU's 12th sanctions package is expected to focus on Russian diamonds.
The G7 held a technical meeting last week to discuss several proposals put forward by India, industry groups and Belgium.
"Canada and G7 members are engaged with industry and government representatives on proposals aimed at addressing traceability and enforcement-related issues," a global affairs spokesperson for Canada said this week.
France's foreign ministry said "discussions are being held at the technical level between the members of the G7 with Belgium, in conjunction with economic players in the diamond sectors."

Steelmaker SSAB launches $224 mln share buyback after earnings beat
Swedish steelmaker SSAB announced a 2.5 billion crown ($224 million) share buyback program on Wednesday as it posted a smaller than expected drop in third-quarter operating profit, sending its stock price up 6% in early trade.
A seasonal slowdown in European steel markets was more pronounced than usual in the third quarter and demand in the region is expected to remain subdued in the final three months of the year, the company said.
SSAB, the first major European steel maker to report third -quarter results, said operating profit fell by 34% to 4.37 billion Swedish crowns in the July to September quarter, beating the average 3.73 billion crowns expected by analysts, according to LSEG data.
"We had somewhat lower earnings ... but I would claim that given the circumstances and the headwinds we experienced, especially on the European market, we had a good profitability," CEO Martin Lindqvist told a conference call.
SSAB said its board had decided on the share buyback program due to strong cash flows and a solid balance sheet.
European steel markets were weak and prices in the fourth quarter were expected to be "significantly lower", while North America saw more stable demand albeit with "lower" prices, the company said.
Shipments in SSAB's Special Steels division were expected to be stable in the fourth quarter although prices were expected to be "somewhat lower".
The stronger than expected third-quarter earnings would likely lead analysts to raise their expectations for SSAB's earnings in 2023 and 2024, JP Morgan said in a note to clients.
The company earlier this year announced cost cuts of some 500 million crowns, with around 200 million of this seen as "structural" cuts.
"Measures include temporary and permanent layoffs, use of working hours banks, a restrictive approach to recruitment and other fixed costs," Lindqvist said in a statement.

Top News - Carbon & Power

EU executive proposes methane emissions limit on gas imports - document
The European Commission has proposed imposing methane emissions limits on EU gas imports from 2030, a move that would pressure the bloc's international fossil fuel suppliers including the U.S. to cut leaks of the potent planet-warming gas.
The proposal seen by Reuters on Wednesday and dated Oct. 23 comes in response to pressure from the European Parliament and some big EU countries including France in ongoing talks on a law addressing methane emissions inside the bloc.
Methane is the main component of the natural gas countries burn in power plants and to heat homes. It is

also a greenhouse gas and the second biggest cause of climate change after carbon dioxide, with a potent warming effect when it escapes into the atmosphere.
The new proposal would require foreign gas suppliers to curb methane emissions from leaky oil and gas infrastructure.
"Failure to comply shall be disincentivised, taking security of supply considerations into account," said the draft proposal, made during EU negotiations on the upcoming methane-cutting law.
If the draft proposal is approved, the Commission would set out the details in an "implementing act" at a later date, it said. A Commission spokesperson declined to comment on the draft.
German lawmaker Jutta Paulus, a lead negotiator on the law for the EU Parliament, welcomed the move to address imported gas.
"However, 2030 is too late for action," she said. The EU Parliament is pushing in the negotiations for methane restrictions on imported fossil fuels from 2026.
A U.S. State Department official also welcomed the "robust" proposal, saying it would leverage the power of gas buyers to "cut methane emissions upstream," which could make a "substantial contribution" to global efforts to reduce the potent greenhouse gas.
The U.S. and EU led at the COP26 climate summit in Glasgow in 2021 the creation of the Global Methane Pledge, an effort to slash methane emissions 30% by 2030. It currently has nearly 150 participating countries.
In the short term, methane has a higher planet-warming effect than CO_2, but it leaves the atmosphere faster.
Scientists say rapid cuts in methane emissions are crucial this decade if the world is to limit global warming to 1.5 degrees Celsius and avoid its most devastating impacts.
Europe's gas supply sources have changed significantly in the last two years, after former top gas supplier Russia cut deliveries in 2022 following its invasion of Ukraine.
Norway, whose fossil fuel production has among the world's lowest methane emissions intensity, became the EU's top gas supplier last year.
But a methane limit could have a bigger impact on other gas suppliers to the EU where emissions rates are higher, such as Algeria and the U.S.
EU countries and lawmakers are trying to strike a final deal on the methane law before the U.N.'s COP28 climate summit, which starts on Nov. 30.
The draft Commission proposal would significantly strengthen the planned law. The original proposal for the EU methane rules, from 2021, focussed on oil and gas producers in Europe and left imported gas - more than 80% of EU supply - largely untouched.

COLUMN- Are iron-flow batteries the solution to variable renewables?: Russell
For the first time Australia's main electricity grid reached a share of over 70% for renewable energy this week, an achievement that showcases the rapid rise of solar and wind generation, but also highlights several challenges.
Australia is a world leader in renewable electricity generation and has the world's highest penetration of

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.71 / bbl	-0.80%	5.54%
NYMEX RBOB Gasoline	$2.25 / gallon	-0.74%	-9.13%
ICE Gas Oil	$882.25 / tonne	0.31%	-4.21%
NYMEX Natural Gas	$3.00 / mmBtu	-0.27%	-32.92%
Spot Gold	$1,984.10 / ounce	0.23%	8.75%
TRPC coal API 2 / Dec, 23	$133.75 / tonne	-3.95%	-27.60%
Carbon ECX EUA	€79.87 / tonne	-0.06%	-4.88%
Dutch gas day-ahead (Pre. close)	€49.30 / Mwh	2.92%	-34.76%
CBOT Corn	$4.94 / bushel	-0.10%	-27.14%
CBOT Wheat	$5.92 / bushel	-0.67%	-99.26%
Malaysia Palm Oil (3M)	RM3,724 / tonne	1.22%	-10.78%
Index	**Close 25 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	320.34	0.46%	6.31%
Rogers International	28.74	0.42%	0.24%
U.S. Stocks - Dow	33,035.93	-0.32%	-0.34%
U.S. Dollar Index	106.78	0.24%	3.15%
U.S. Bond Index (DJ)	387.13	-0.80%	-1.36%

rooftop solar systems per capita. At around 1.05 pm Australian Eastern Daylight Time on Oct. 24 the grid that supplies the five of the nation's six states was powered by 72.5% renewables, with solar and wind providing 70.9% and hydro the other 1.6%. That may sound like a remarkable achievement in a country that until recently was largely powered by coal, but it could have been even higher, possibly above 90%. The reason total generation from renewables didn't reach over 90% on Oct. 24 was that some renewables were curtailed, largely due to negative wholesale electricity prices, according to the website Renew Economy.

The rising share of renewables illustrates a wider problem for Australia's grid, and those in other countries that are also seeking to transition away from fossil fuels.

Australia generates excess solar during the middle of the day, which in turn forces the ageing fleet of coal-fired generators to ramp down, before they ramp up again as the sun sets and renewable generation slides.

There are solutions to this, and all of them are variations on the theme that as the grid is fed by more and more variable renewables, you need fast-acting and variable back-ups. In Australia this role has fallen to natural gas-fired peaking plants, battery storage and hydropower.

Natural gas, while cleaner than coal, still emits carbon and ultimately isn't a long-term solution if the goal is to reach net-zero electricity generation.

Hydropower has limited scope in Australia, and plans to develop pumped storage solutions have been delayed, or face massive cost blowouts, which undermine their economic case.

That leaves batteries, and Australia already has several utility-scale battery farms, using mainly lithium-ion units. These have the advantage of being rapid response and also able to help with frequency control on the grid. But they also have disadvantages, including they are costly, they don't last long and if there is a fire, they are difficult to extinguish. One of the lessons of the energy transition is that there is room for numerous different solutions and to meet the need for extended storage, it's possible that iron-flow batteries may be the answer.

This is a type of redox-flow battery and typically consists of two tanks for a negative and positive electrode and pumps. They can operate for up to 25 years, require minimal maintenance and can work over a wide temperature range.

JOURNEY STARTS

Iron-flow batteries were developed decades ago but have yet to be deployed as a grid-scale energy storage solution. However, Stanwell Corp, an electricity generator owned by the Queensland state government, has entered into an agreement with Energy Storage Industries Asia Pacific (ESI) to develop a 1 megawatt (MW)/10 megawatt-hour (MWh) pilot plant.

This comes in the form of 20 12-metre (39 foot) batteries that will be installed at the Stanwell power station in the Queensland regional city of Rockhampton.

The agreement, announced on Oct. 5, also gives Stanwell the right to purchase up to 200 MW of storage a year from 2026. The project plans to have a 150 MW battery in commercial operation by 2029.

Iron-flow batteries can provide electricity for longer durations than typical lithium-ion alternatives, lasting up to 10 hours, meaning an 150 MW battery plant could power 50,000 homes overnight.

ESI Managing Director Stuart Parry believes iron-flow batteries are an idea whose "time has come."

With the retirement of coal-fired generators over the coming decade, iron-flow batteries can fill in the gap, Parry told Reuters in an interview on Oct. 20.

"There hasn't been a need for them up to now, you need to see large-scale generators drop off," he said.

Parry doesn't see iron-flow batteries replacing lithium-ion units, rather they are complementary with lithium batteries able to arbitrage power prices by acting rapidly, while iron-flow units are more likely to act as baseload firming for the grid when renewables tail off.

Parry also says iron-flow batteries work out about a third cheaper than lithium ion units when looking at the cost on a MWh basis. They do have some disadvantages, namely being they are much larger than equivalent capacity lithium units, meaning they need space to be installed. They also are too large for residential use, although if regulations were amended it's possible they could work on a neighbourhood basis, or in remote towns unconnected to the main grid.

On the surface, iron-flow batteries seem like a solid solution to how to run an electricity grid dominated by variable renewables. But to be deployed at scale they will need a supportive regulatory environment that will enable sufficient land, grid connections and economics that make sense to utilities.

Top News - Dry Freight

Fortescue's quarterly iron ore shipments fall 3% on maintenance

Australian miner Fortescue reported a 3% drop in its quarterly iron ore shipments because of increased maintenance and lower port stockpiles, while operational problems at its Iron bridge project limited processing.

Fortescue, which is reeling from the impact of an executive exodus, shipped 45.9 million tons of the steel-making commodity in the three months ended Sept. 30, compared with 47.5 million tonsa year ago, it said in a statement.

The company's Iron Bridge operations started production in August and achieved its first shipment of the high grade magnetite concentrate, the statement said. However, the performance of the raw water pipeline and some plant works "impacted availability" at during the quarter.

On Oct. 12, Fortescue said the ramp-up to full production capacity of 22 million tons per annum for Iron Bridge remained unchanged and was expected within 24 months.

The Iron Bridge Magnetite project is a joint venture between the company and Formosa Steel IB Pty Ltd.

The world's no. 4 iron ore miner will be able to blend Iron Bridge's high grade output with its typically lower grade ore."Challenge for Iron Bridge will be the pace of the ramp-up from here," Citi analysts said in a research note.

The Perth-based miner also reiterated its iron ore shipments forecast for the current fiscal year to be

between 192 million tons and 197 million tons, including about 5 million tons for the Iron Bridge project.
Shares of Fortescue fell about 1.3% to A$21.740, before trading 0.7% lower at 0042 GMT.

Ukraine grain exports have fallen to 8.56 mln T so far in 2023/24 - ministry

Ukraine's grain exports have fallen to 8.56 million metric tons so far in the 2023/24 July-June marketing season, agriculture ministry data showed on Wednesday.
The ministry gave no direct comparative data, but said that by Oct. 28 last year, Ukraine had exported 12.34 million tons of grain.
The exported volume this season included 4.28 million tons of wheat, 3.49 million tons of corn and 664,000 tons of barley. In the previous season Ukraine exported 4.7 million tons of wheat, 6.6 million tons of corn and 1.05 million tons of barley.
The ministry said 1.81 million tons of grain were exported in the first 24 days of October. Ukraine exported 3.65 million tons from Oct. 1-27 a year ago.
The ministry gave no explanation for the decrease, but traders and farmers' unions have said blocked Ukrainian Black Sea ports and Russian attacks on Ukrainian ports on the Danube River are the main reasons for lower exports.Ukraine has traditionally shipped most of its exports through its deep water Black Sea ports.
Brokers said on Wednesday Ukrainian agricultural shipments via road routes had risen slightly so far this month as the country works to export as much as possible of its bumper grains and vegetable oil output this year. A deal brokered by the United Nations and Turkey allowing such exports collapsed in July when Russia withdrew, saying its demand that sanctions be lifted on its grain and fertiliser exports had not been met.
Ukrainian officials said about 40 cargo vessels had entered a new Black Sea shipping corridor since it came into operation in August as Kyiv steps up a push to defy the de-facto Russian blockade.
Farm minister Mykola Solsky said about 700,000 tons of grain have been exported through the new corridor since it opened.
Ukraine can also export limited volumes through small river ports on the Danube and via its western land border with the European Union.
Ukraine's government expects it to harvest 79 million tons of grain and oilseeds in 2023, with its 2023/24 exportable surplus totalling about 50 million tons.

Picture of the Day

A bucket wheel excavator processes coal at Borodinsky open-pit mine, owned by the Siberian Coal Energy Company (SUEK), near the Siberian town of Borodino near Krasnoyarsk, Russia September 28. REUTERS/Alexander Manzyuk

(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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