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Top News - Oil

Russia eyes additional oil export cuts of about 50,000 bpd in December - Novak says

Russia said on Sunday it would deepen oil export cuts in December by potentially 50,000 barrels per day or more, earlier than promised, as the world's biggest exporters try to support the global oil price.

Saudi Arabia and Russia, the world's two biggest oil exporters, called in December for all OPEC+ members to join an agreement on output cuts after a fractious meeting of the producers' club.

Russian President Vladimir Putin visited Riyadh shortly after the meeting of OPEC+, which brings together the Organization of the Petroleum Exporting Countries (OPEC), Russia and other allies.

Russian Deputy Prime Minister Alexander Novak, Putin's top oil and gas point man, was quoted by Russia's three main news agencies as saying that Russia would deepen cuts beyond the 300,000 barrels per day of cuts already agreed for this year.

"Already in December we will add additional volumes," Novak was quoted as saying by Interfax news agency. "By how much, we'll see based on the results of December - there may be an additional 50,000 bpd, maybe more."

Russia had pledged to a cut of 300,000 bpd compared to the May-June exports - and to keep at that level until the end of the year.

In December, Russia agreed to deepen those cuts to 500,000 bpd in the first quarter of 2024, the Russian agencies said.

Due to promises made to OPEC+, Russia's oil exports in 2023 will total less than the 247 million tonnes used in Russia's main macro-economic forecasts, Novak said.

Novak said he hoped that Gazprom and Chinese producer CNPC could soon agree on the contract conditions for gas sales through the Power of Siberia-2 pipeline.

Russia has been in talks for years about building the Power of Siberia-2 which will carry about 50 billion cubic metres of gas a year from Yamal in northern Russia to China via Mongolia.

"We expect that the company should reach an agreement as soon as possible," Novak said.

FOCUS-Exxon's low US tax payments ruffle Biden's climate agenda

Exxon Mobil's income tax payments to the U.S. government have dropped to 3% over the past five years – several times below the company's 20-year average – on massive deductions passed under former President Donald Trump.

Corporate tax experts say Exxon could enjoy low taxes for several more years, at a time when the government needs more money to fund an ambitious fight against climate change. President Joe Biden's minimum corporate tax is off to a shaky start and calculation of the 15% tax factors in the Trump accelerated depreciation deductions that Exxon used last year. That lowered its tax rate to a rock-bottom 2.5% on domestic profit of $28.3 billion.

"If you view the use of these tax breaks as a problem, Biden's new minimum tax is unlikely to end that," said Matt Gardner, a senior fellow at the nonpartisan Institute on Taxation of Economic Policy (ITEP) in Washington D.C.

In sharp contrast, the most valuable companies representing major sectors of the U.S. economy paid an average tax rate on domestic profits at least seven times higher than Exxon, according to a Reuters analysis of the companies' latest annual financial reports. The group includes Apple, Meta Platforms, JPMorgan Chase, Sherwin-Williams and Union Pacific.

Exxon's recent tax advantage reveals how the U.S. tax code hinders the Biden administration's push to be a world leader in limiting fossil fuels. The corporate minimum tax is the main source of revenue for the president's green energy agenda in the 2022 Inflation Reduction Act.

The Internal Revenue Service (IRS), however, has delayed a roll out of the tax, which has been roiled by complexity and confusion, said Will McBride, vice president of tax policy at the Tax Foundation, a pro-business think tank.

"There is nothing in the (corporate minimum tax) to guarantee a 15% minimum rate," McBride said.

The White House declined to comment for this story, but a spokesperson pointed to Biden's public commitment to end "tens of billions of dollars of federal tax subsidies for oil and gas companies."

Since 2003, Exxon's current federal income tax expense – a proxy experts use to divine what companies pay on U.S. tax returns – averaged 17% for the 16 years the company generated a pre-tax profit from domestic operations, according to Exxon financial disclosures.

But since Trump's Tax Cuts and Jobs Act became law in 2017, Exxon's rate has plummeted to less than 3% in the three years when the company's domestic operations showed a profit, the disclosures show.

Last year, for example, Exxon's tax rate was 2.5%, or $696 million, on record pre-tax U.S. profit of $28.3 billion. Exxon would have paid nearly $6 billion at the federal statutory tax rate of 21%.

Exxon declined to comment for this story.

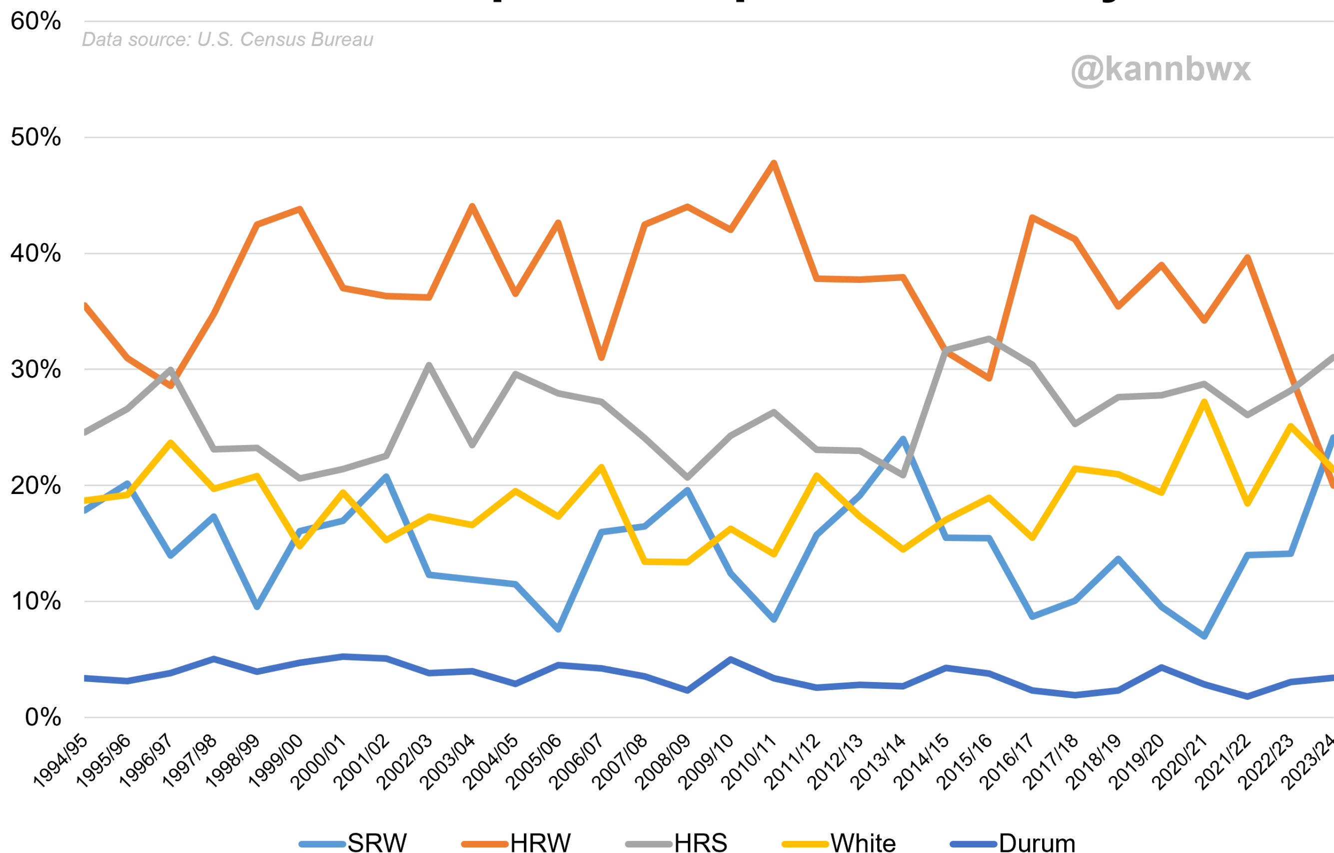
Before this year, Trump's accelerated depreciation allowed companies to immediately deduct 100% of the billions of dollars many spend each year on property and equipment, up from 50% previously. The incentives, phased down to 80% this year, extend to all sectors of the economy, but they are amplified in the fossil fuel sector due to the capital-intensive nature of extracting oil and gas. Exxon capitalized on the deductions in 2022, for example, after spending $9.5 billion on U.S.-based capital and exploration projects, including in the Permian Basin oil and gas field and on a Beaumont, Texas refinery expansion, company financial disclosures show.

"Sure enough, industry lobbyists are now back trying to get Congress to extend the tax break," U.S. Senator Sheldon Whitehouse, a Rhode Island Democrat, told Reuters.

Russ Hamilton, an accounting professor at Southern Methodist University's Cox School of Business, said that under normal circumstances the cumulative tax benefit from accelerated depreciation is meant to zero out over time as annual capital investments slow.

But if companies continue to spend money on large capital projects – like finding and developing new oil fields - payments on deferred income taxes can be postponed for years."These deferred income tax liabilities can go on forever," said Donald Williamson, an accounting professor at American University's Kogod School of Business.

Chart of the Day



Top News - Agriculture

Asian fertiliser buyers turn away from key exporter China amid growing curbs

Asian fertiliser buyers are seeking alternatives to Chinese supplies on concerns the world's top exporter has become an increasingly unreliable supplier after curbs on shipments to protect its domestic market, buyers and analysts said.

China is the world's biggest exporter of phosphate and a major supplier of urea, but since 2021 it has imposed measures including export quotas and lengthy inspection requirements on the fertiliser ingredients to cool domestic prices.

Urea exports plunged 24% to 2.8 million metric tons in 2022 from the year before and though higher this year, remain below the previous years' average level.

Phosphate exports were brisk earlier in the year but have also been throttled back in recent months, leading to a squeeze in global supply that has pushed up prices.

The Chinese government's growing intervention in the exports means the country will be an even less reliable supplier in 2024, said Josh Linville, director of fertiliser at brokerage StoneX Group Inc.

"Normally, market factors call the shots on what happens. Now, we have to try and figure out what the central government is thinking and its reaction can swing heavily from side to side. Buyers will have to diversify," he said.

U.S prices for di-ammonium phosphate (DAP), a global benchmark for the industry, have risen 26% since mid-July to $617.30 per ton, according to LSEG data.

"The limitations imposed by China are pushing up urea and di-ammonium phosphate prices, but we don't anticipate significant increases," said a senior official with a New Delhi-based fertiliser company.

India is one of the world's top fertiliser buyers. Chinese urea exports to the country in the first half of the 2023/24 year starting in April plunged 58% from a year ago to 335,963 tons, according to data compiled by India's trade ministry. However, readily available product from alternative suppliers including Russia, Oman, and the United Arab Emirates are offsetting the lower shipments from China, added the official.

MARKET IN LIMBO

Malaysian buyers are also switching away from China, buying up phosphate from Vietnam and Egypt, said Teo Tee Seng, managing director of fertilizer and agrochemicals supplier Behn Meyer Agricare in Kuala Lumpur.

"The global market has been in limbo due to China's export restrictions," he said.

China's DAP and mono-ammonium phosphate (MAP) sales have slowed in recent months amid declining domestic production, said traders and analysts.

In October exports of DAP dropped by 12.5% from a year earlier while MAP exports were down 10%, Chinese customs data shows. "Our normal supplier has reduced their packing size to 8 kilogrammes now, it used to be 25 kilogrammes," said Malaysian importer Ng Wei Houng.

South Korea, which has complained to China over delays in urea exports, is also looking for alternatives. It uses urea both as a fertiliser and as a diesel fuel additive.

"We are diversifying to receive imports from countries like Vietnam, Indonesia and Saudi Arabia and will continue this trend going forward," said an official from a major South Korean urea distributor, who declined to be identified as he was not authorised to speak to media.

Seoul expanded its urea reserve to protect against the rising volatility, securing additional supplies from Vietnam, the government said this month.

Urea exports from China next year are expected to increase incrementally from 2023 to around 4 million tons, analysts said, but shipments will remain tight into the first half of the year.

China has asked 15 major fertiliser trading firms to limit their total exports in 2024 to 944,000 metric tons, and is expected to issue quotas to other manufacturers, said Gavin Ju, principal fertiliser analyst at CRU Group.

China's National Development and Reform Commission did not respond to a request for comment on its quota allocations.

Biden backs ethanol industry on low-emission aviation fuel tax credits

The Biden administration said on Friday it will recognize a methodology favored by the ethanol industry in guidance to companies looking to claim tax credits for sustainable aviation fuel (SAF), a pivotal win for the politically powerful U.S. corn lobby.

But the administration will also update the methodology by March 1, which leaves some uncertainty for corn-based ethanol producers, as it could ultimately tighten requirements around SAF feedstocks.

The global aviation industry, which is expected to reap net profits of over $20 billion in 2023 and accounts for about 2% of global energy-related carbon dioxide emissions, is one of the hardest sectors to decarbonize, as the equipment is not easy to electrify. Airlines argue that incentives are needed to boost the market for SAF, which can generate 50% less greenhouse gas emissions over its lifecycle than petroleum fuel, but is typically two to three times more expensive than fossil-fuel-based jet fuel.

For months, the Biden administration has been divided over whether to recognize the Department of Energy's Greenhouse Gases, Regulated Emissions and Energy Use in Technologies (GREET) model. That model enables ethanol-based SAF to qualify for tax credits under the Inflation Reduction Act, President Joe Biden's signature climate law.

Ethanol producers and corn farmers in rural states such as Iowa and Illinois have been awaiting updates, as the

industry sees SAF as one of the only routes to grow ethanol demand amid rising sales of electric vehicles.
Biden, a Democrat, is seeking re-election and will depend on votes from closely contested Midwestern states that are the heaviest corn producers.
The guidance was first reported by Reuters on Thursday.
While the guidance aims to reduce the price gap between SAF and traditional jet fuel, administration officials could not provide data to show the extent that the incentives would reduce price discrepancies between the fuels.

ETHANOL SEEKS ROLE IN SAF

Ethanol groups have lobbied the Biden administration fiercely to recognize the GREET model for IRA credits, battling environmentalists who want standards that elevate feedstocks like used cooking oil and animal fat instead.
Farmers, ranchers and producers have the capacity to provide feedstocks to help airlines and the transportation industry meet a potentially 36-billion-gallon market, said Agriculture Secretary Tom Vilsack on a call with reporters. "Key to this was the Treasury recognizing and appreciating the importance of the GREET platform for providing a pathway for corn-based ethanol and [other] biobased fuels to qualify for significant tax credits that were included in the IRA," Vilsack said.
Still, the GREET model now will be updated to incorporate new data and modeling on emissions sources like land use change and livestock activity, as well as strategies producers can use to lower emissions like CCS, renewable natural gas, and climate-friendly farming practices, the Internal Revenue Service said on Friday.
The IRA currently requires SAF producers to assess emissions with a model backed by the International Civil Aviation Organization (ICAO) or a "similar methodology."
"The real question is, come March, will the GREET model be set up in a way that will effectuate the ICAO standards," said Mark Brownstein, senior vice president of energy transition at the Environmental Defense Fund.
Under the new changes, fuel produced in 2023 that meets the new GREET standards will be eligible for the credit, administration said on background during a call with reporters.
The Environmental Protection Agency and the Departments of Agriculture, Energy, and Transportation are working together on the scientific updates, an administration official told reporters on a Thursday press call. Ethanol trade groups including the Renewable Fuels Association and Growth Energy cheered the news on Friday but said more information around the updated guidance was needed.
"New investments in SAF are highly dependent on the pending GREET modeling updates," said Growth Energy chief executive Emily Skor. "The industry needs more clarity around the proposed changes before we have certainty around market access.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.01 / bbl	0.81%	-10.28%
NYMEX RBOB Gasoline	$2.15 / gallon	0.09%	-13.26%
ICE Gas Oil	$767.25 / tonne	0.46%	-16.69%
NYMEX Natural Gas	$2.51 / mmBtu	0.56%	-44.02%
Spot Gold	$2,022.90 / ounce	0.23%	10.88%
TRPC coal API 2 / Dec, 23	$99.5 / tonne	-2.45%	-46.14%
Carbon ECX EUA	€66.35 / tonne	0.00%	-20.98%
Dutch gas day-ahead (Pre. close)	€31.60 / Mwh	-7.47%	-58.18%
CBOT Corn	$4.93 / bushel	-0.45%	-27.29%
CBOT Wheat	$6.35 / bushel	-0.78%	-20.56%
Malaysia Palm Oil (3M)	RM3,761 / tonne	1.87%	-9.89%
Index	**Close 15 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	302.20	0.30%	0.29%
Rogers International	26.41	0.72%	-7.87%
U.S. Stocks - Dow	37,305.16	0.15%	12.54%
U.S. Dollar Index	102.42	-0.13%	-1.07%
U.S. Bond Index (DJ)	430.31	-0.16%	9.64%

Top News - Metals

Australia deems copper, nickel strategic, opens funding pathway

Australia has opened a door to government funding for copper and nickel projects, putting them on a list of materials deemed essential to the global energy transition but which have not yet faced supply chain disruptions.
Strategic materials will be able to access some $40 billion in government support from agencies including Export Finance Australia, The Northern Australia Infrastructure Facility, The Clean Energy Finance Corporation, The Value Adding in Resources Stream as well as the National Reconstruction Fund.
The new strategic materials list is separate from the country's critical minerals list and will include copper, nickel, aluminium, phosphorous, tin, and zinc, all of which have well-established industries, global market depth, price transparency, and stable supply chains.
"These minerals are critical to the greening of our economy and the defence of Australia and our allies," Resources Minister Madeleine King said in a statement on Saturday. Australia has already set up a raft of policies to support the production of critical minerals - those that are vulnerable to supply chain disruptions, which came into sharp focus during the COVID pandemic.
The government added flourine, molybdenum, arsenic and selenium to its list of critical minerals, all used in the defence and technology sectors, to bring the total to 30, after deleting helium.

Spot copper fees drop 25% from September on supply tightness

Fees to process copper concentrate in the Chinese spot market have fallen by a quarter in less than three months to stand below $70 a metric ton on Friday, fanned by worries over tight supply.
The spot copper concentrate treatment charges (TC) in China, as assessed by information provider Shanghai Metals Market (SMM), hit $69.48 a ton, down 25% from $93.23 a ton on Sept. 28.
Such treatment charges, one of the main sources of income for smelters, fall when less copper concentrate is available, and vice versa. "The expected shortage of copper concentrate may lead to a rapid decline in spot processing fees," SMM said in a note.
Chinese smelters might be unable to buy enough copper concentrate, with some potentially experiencing passive production cuts due to insufficient operating rates, it added.
SMM flipped its copper concentrate market balance forecast to a deficit of 200,000 tons to 300,000 tons for 2024, from a previous projection of a surplus of 70,000 tons. Consultancy CRU Group also switched its forecast for 2024 to a deficit of 174,000 tons, from a previous 260,000-ton surplus projection.
Supply of copper concentrate next year turned tight after Panama's president ordered the closure of First Quantum's Cobre mine. Miner Anglo American also cuts its production guidance by 20% for 2024 and by 18% for 2025. "Panama disruption is the main driver of the fees falling, right at the time Chinese smelters are stockpiling for the new year," said a source at a Chinese smelter.
However, trading volume on the spot concentrate market was tepid, as smelters were reluctant to accept lower fees and traders sought to hold back stocks or offer lower fees, accentuating supply tightness, another smelter source said.
CRU halved its output forecast for Cobre Panama mine to 50,000 tons in the fourth quarter of 2023, from 102,000 tons. The mine's output will drop to zero in the first quarter of 2024, it said, adding that more than half usually goes to China.
The disruption in Panama was a key reason behind the drop in the annual TC benchmark for 2024 to $80 a ton, with smelters accepting the first fee drop in three years on fear of supply tightness. China's biggest copper smelter, Jiangxi Copper, saw increasing challenges ahead for the country's smelters in securing copper concentrate, a company official said last month.

Top News - Carbon & Power

Australia's Santos receives drilling approval for $4.3 billion Barossa gas project

Australian oil and gas major Santos said on Monday it had received approval for a revised drilling plan at its $4.3 billion Barossa gas project, although the fate of a pipeline to take gas to shore remains locked in a legal dispute.
Santos was forced to stop drilling at the field roughly 285 km off northern Australia in September 2022 after the Federal Court ruled it had failed to sufficiently consult Indigenous people on the nearby Tiwi Islands.
Following further consultation, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) accepted the updated drilling proposal on Friday, Santos said in a statement on Monday.
Santos did not immediately respond to a request for comment on when it might resume drilling.
While there is a 30-day window to appeal the decision, it is likely the offshore regulator heavily scrutinised the proposal to reduce the risk of a legal challenge, Citi analysts said in a note.
Positive news for the major expansion project at Santos comes just over a week after the company revealed

preliminary talks with bigger rival Woodside Energy over a potential A$80 billion merger.
Separately, Santos is awaiting a ruling on whether it can resume work on a key section of pipeline that will take gas to Darwin for processing.
A court in November ordered work on part of the pipeline stopped until mid-January after a traditional land owner from the Tiwi Islands called for a halt to pipeline work until its impact on underwater cultural heritage is clear.
Despite the various challenges, Santos affirmed last month it still expects to start producing Barossa gas in the first half of 2025.
However, a decision against Santos in January could set the project back over a year, Citi analysts said.
Santos on Monday also announced a feasibility study with JX Nippon Oil & Gas Exploration Corporation and ENEOS Corporation for a project to ship carbon dioxide from Japan to Santos' carbon capture and storage facility at Moomba.

Tokyo Gas unit to buy U.S. natgas producer Rockcliff Energy for $2.7 billion

A unit of Tokyo Gas has decided to buy Texas-based natural gas producer Rockcliff Energy from private equity firm Quantum Energy Partners for $2.7 billion to expand its overseas business, it said on Saturday.
The deal comes as part of the Japanese company's efforts to expand its North American shale gas operations to meet growing demand for natural gas as an energy transition fuel.
Tokyo Gas, Japan's biggest city gas supplier, and other utilities are stepping up overseas expansion to counter falling demand in their domestic market. Japan has an ageing population and a declining birthrate, while energy market reform has spurred competition among old-guard utilities.
Under the deal, TG Natural Resources (TGNR) - 79% owned by Tokyo Gas - will buy all shares in Rockcliff Energy from Quantum Energy Partners. The deal is expected to close on Dec. 29, Tokyo Gas said.
With the acquisition, TGNR's natural gas production will quadruple to 1.3 billion cubic feet per day from about 330 million cubic feet per day, making it one of the largest shale gas producers in Texas and Louisiana, according to Tokyo Gas. "We expect our gas production will be more efficient after the acquisition as Rockcliff Energy's output area is located adjacent to TGNR's blocks," Takashi Nakao, senior general manager of global business development at Tokyo Gas, told reporters.
The production is also close to new liquefied natural gas (LNG) export terminals and other facilities expected to increase demand for natural gas in the future, Nakao said.
Asked if the supply will be exported to Japan as LNG, Nakao said the current plan is to sell all the gas in the U.S. domestic market, though he did not rule out possibly sending it as LNG to Japan in the future.
Talks about the acquisition were reported by Reuters early this year.

Top News - Dry Freight

Shipping firms to avoid Suez Canal as Red Sea attacks increase

Two major freight firms including MSC, the world's biggest container shipping line, on Saturday said they would avoid the Suez Canal as Houthi militants in Yemen stepped up their assaults on commercial vessels in the Red Sea.
Yemen's Iranian-backed Houthi movement has been attacking vessels in response to the Gaza war on a route that allows East-West trade, especially of oil, to use the Suez Canal to save the time and expense of circumnavigating Africa. War risk insurance premiums have risen as a result.
The Liberian-flagged MSC Palatium III was attacked on Friday with a drone in the Bab al-Mandab Strait off Yemen, at the southern end of the Red Sea, according to the Houthis.
No injuries were reported, but the vessel suffered some fire damage and was taken out of service, MSC said in a statement. Another Liberian-flagged vessel, Hapag Lloyd's Al Jasrah, was hit by a missile, the U.S. military said.
Denmark's A.P. Moller-Maersk on Friday paused all its container shipments through Bab al-Mandab until further notice, and was joined on Saturday by the Swiss-based MSC and French shipping group CMA CGM.
"The situation is further deteriorating and concern for safety is increasing," CMA CGM said in a statement.
German container line Hapag Lloyd has said it might do the same.

HOUTHIS ATTACK EILAT IN ISRAEL

The Houthis have in recent weeks stepped up attacks on shipping and also fired drones and missiles towards Israel - on Saturday hitting the Red Sea resort city of Eilat - in support of the Iranian-backed Palestinian Islamist Hamas group fighting Israel in Gaza.
U.S. Central Command said the guided-missile destroyer Carney had shot down 14 drones launched by the Houthis in the Red Sea on Saturday morning.
In a statement, it said they were assessed to be one-way attack drones and had been shot down with no damage to ships.
Britain also said one of its warships had shot down a suspected attack drone targeting merchant shipping.
The Houthis, who rule much of Yemen, have pledged to continue their attacks until Israel stops its offensive, but said on Friday they were targeting only ships heading for Israel.

However, both the Palatium III and another MSC ship that was threatened, the Alanya, listed Jeddah in Saudi Arabia as their destination, based on data from the ship tracking and maritime analytics provider MarineTraffic.
On Saturday, a Houthi spokesman said the group has engaged in Oman-mediated talks with unnamed "international parties" over its operations in the Red Sea and Arabian Sea - which could indicate the Houthis may be willing to deescalate.
Bab al-Mandab is one of the world's most important routes for global seaborne commodity shipments, particularly crude oil and fuel from the Gulf bound westward for the Mediterranean via the Suez Canal or the nearby SUMED pipeline, as well as commodities heading eastward for Asia, including Russian oil.
The rise in Red Sea war risk premiums translates into tens of thousands of dollars of extra costs for a seven-day voyage. MSC said it would reroute some services around the Cape of Good Hope on Africa's southern tip, adding days to the sailing times of vessels booked to transit the Suez Canal.

Ukraine drives record grain exports at Romania's Constanta port

Romania's Black Sea port of Constanta has smashed its grain export record this year thanks to a surge in shipments from Ukraine, the port authority told Reuters on Friday, with its capacity set to grow as infrastructure projects advance.
The port shipped 32.6 million metric tons of grain in January-November, it said. Its previous annual record was a little over 25 million tons.
Ukrainian grain accounted for roughly 40% of the total, the port added, or 13 million tons, up from 11.7 million at the end of October and from 8.6 million in the whole of 2022.
Ukraine is one of the world's biggest grain exporters, and Constanta has become Kyiv's largest alternative export route since Russia's full-scale invasion in February 2022, with grains arriving by road, rail and barge across the Danube. But its transit volumes have fallen in recent months as Russia has repeatedly struck its river ports that lie across the Danube from European Union and NATO member Romania, while road border crossings into Poland and Slovakia were blocked by local truckers seeking restrictions on Ukrainian drivers.
Romania aims to boost its transit capacity for Ukrainian grain to 4 million tons per month, and it is currently upgrading rail and road infrastructure in and around the port using EU funds.
Earlier this month, Transport Minister Sorin Grindeanu said an EU-funded project to enable round-the-clock navigation on the Danube river's Sulina canal, which goes to Constanta, had been finalised and would become operational pending staff training. Moldova, bordering Romania and Ukraine, is also upgrading checkpoints and railroad infrastructure to help transit.
Ukraine's government expects a harvest of 81.3 million tons of grain and oilseeds in 2023, with its 2023/24 exportable surplus totalling about 50 million tons.

Picture of the Day

A lively cat image created by Thunyapong Jaikum, a Thai farmer and artist, is seen in rice fields in Chiang Rai province, north of Thailand, December 16. REUTERS/Napat Wesshasartar

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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

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