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Top News - Oil

Shell's profit soars as it boosts dividend and launches buybacks

Royal Dutch Shell boosted its dividend and launched a $2 billion share buyback programme on Thursday after second quarter profits jumped to their highest in over two years following a sharp rise in oil and gas prices.

The Anglo-Dutch company saw a surge in cash generation, driven by higher commodity prices and a recovery in global energy demand from the pandemic slump, which also helped it to cut debt.

"We are stepping up our shareholder distributions today, increasing dividends and starting share buybacks, while we continue to invest for the future of energy," Shell Chief Executive Ben van Beurden said in a statement.

Adjusted earnings rose to $5.53 billion, the highest since the fourth quarter of 2018, exceeding an average analyst forecast provided by the company for a $5.07 billion profit.

That compares with earnings of $2.9 billion a year earlier.

Shell increased its dividend for a second consecutive quarter by 38% to 24 cents, a year after it cut its dividend for the first time since the 1940s in response to the collapse in energy demand caused by the pandemic.

The company also launched a $2 billion share buyback programme that it aims to complete by the end of the year.

Free cashflow, a metric of the company's performance following deep cost cuts last year, rose in the quarter to $9.7 billion, its highest since the first quarter of 2020.

U.S. crude stockpiles slide as imports fall -EIA

U.S. crude stockpiles last week fell to their lowest since January 2020 as imports and production dropped, the Energy Information Administration said on Wednesday.

Crude inventories fell by 4.1 million barrels to 435.6 million barrels in the week to July 23, more than analysts' expectations in a Reuters poll for a decrease of 2.9 million barrels.

Stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures fell by 1.27 million barrels to 35.4 million barrels, also their lowest since January 2020, EIA said. Inventories in the Midwest overall fell to the lowest level since October 2018.

The declines helped oil prices edge higher, with U.S. crude futures rising above $72 a barrel.

Net U.S. crude imports fell last week by 616,000 barrels per day, while weekly field production fell by 200,000 bpd to 11.2 million bpd.

Refinery crude runs fell by 132,000 bpd, and refinery utilization rates slipped 0.3 percentage point, EIA data showed.

Gasoline stocks fell by 2.3 million barrels, more than double forecasts for a 916,000-barrel drop.

Distillate stockpiles, which include diesel and heating oil, dropped by 3.1 million barrels, data showed, also exceeding expectations for a 435,000-barrel drop.

"A rebound in implied demand for both gasoline and distillates, as well as lower refinery runs, has encouraged decent inventory draws for both," said Matt Smith, director of commodity research at ClipperData.

Top News - Agriculture

Bunge lifts profit outlook as food and fuel demand for vegetable oil grows

U.S. agricultural commodities trader Bunge Ltd raised its full-year adjusted profit outlook on Wednesday after stronger-than-expected food and renewable fuel demand for its vegetable oils drove a 41% jump in quarterly income.

Shares jumped 3% in morning trading after the company projected full-year 2021 adjusted income of at least $8.50 per share, up from its previous estimate of about $7.50 per share.

Bunge's results offer an insight into how global grain traders are emerging from the COVID-19 pandemic that triggered massive shifts in demand last year as consumers cooked more meals at home and avoided unnecessary travel.

Increased demand for vegetable oils from U.S. food-service companies and the renewable diesel sector are now lifting Bunge's expectations for earnings, Chief Executive Greg Heckman said. Renewable fuel demand, in particular, has triggered a "structural improvement" in oilseed markets, he told analysts on a conference call.

Unlike other green fuels such as biodiesel, renewable diesel can power auto engines without being blended with diesel derived from crude oil, making it a low-pollution option. Refiners can produce renewable diesel from animal fats, plant oils and used cooking oil.

"There's going to be more capacity needed to meet this demand growth," Heckman said.

Heckman in May said Bunge was working to squeeze more production out of its existing oilseed crush and refining

operations to capitalize on soaring vegetable oils demand.
Rival Archer-Daniels-Midland unveiled plans for a new U.S. oilseed facility the same month.
Adjusted earnings in Bunge's vegetable oils segment surged 135% to $113 million in the quarter that ended on June 30 from a year earlier. Adjusted earnings in the bigger agribusiness unit fell from last year, though net sales increased.
Total adjusted net income in the quarter rose to $2.61 per share from $1.88 a year earlier, beating analysts' estimates for $1.62, according to Refinitiv IBES. Revenues of $15.391 billion topped Wall Street estimates for $11.583 billion.

Drought cuts spring wheat yields in northwest North Dakota - tour
Spring wheat yields across the northwest quarter of North Dakota are well below average this year as severe heat and long stretches of dry weather sapped crop potential, scouts on an annual tour of the country's top producing state said Wednesday.
The tour estimated the average yield at 24.6 bushels per acre (bpa) on the second day of the three-day Wheat Quality Council tour, down from 40.8 bpa in 2019 and the five-year average of 42.4 bpa. The tour was canceled last year because of the coronavirus pandemic.
A scorching drought slashed crop potential for spring wheat, used in pizza crusts and bagels and to "blend up" protein content in lower-quality wheat, sending prices this summer to the highest in nearly a decade as millers, bakers and global buyers assessed tightening supplies.
All of North Dakota is under drought, including almost 60% of the state deemed in extreme or exceptional drought, according to climatologists.
The U.S. Department of Agriculture cut its spring wheat rating this week to 9% good to excellent, down two points from the prior week and the lowest since 1988. USDA is expecting the 2021 crop to be 41% smaller than 2020.
Crop scouts found fields of short wheat with small grain heads from Bismarck to Devils Lake after heat and limited rains this summer. But some fields showed evidence of beneficial rains from recent storms.
Crop quality, from protein content to grain weight, also appeared to be strong, scouts said.
"The good wheat was wherever the thunderstorm was. We saw good wheat on one side of the road and a bad field on the other," said Charlie Vogel, executive director of the Minnesota Wheat Council and a tour scout.
The tour will survey northeastern North Dakota on Thursday and release final tour estimates later in the day based on tour data and scout assessments.

Top News - Metals

Gold demand has yet to recover fully from COVID-19, says WGC
Global demand for gold rose in the second quarter to its highest quarterly level in a year as central banks and investors stepped up purchases, the World Gold Council (WGC) said on Thursday.
But with jewellery fabrication still reeling from the COVID-19 pandemic, gold use over the first six months of 2021 was lower than in any first half since 2008, the WGC said in its latest quarterly report.
Demand from jewellers and central banks plunged when the novel coronavirus spread last year, unsettling state finances, shutting stores and hitting incomes.
This was initially offset as larger investors in Europe and the United States sought a safe place to store wealth. They stockpiled huge amounts of gold, briefly driving prices XAU= above $2,000 an ounce, but stopped when economies returned to growth.
During the April-June quarter, global demand for gold was 955.1 tonnes, down from 960.5 tonnes in the same period of 2020 and 1,132.1 tonnes in the second quarter of 2019, the WGC said.
Demand in the first half of 2021 totalled 1,833.1 tonnes, down from 2,044 tonnes in 2020 and 2,195.5 tonnes in 2019, it said.
Exchange traded funds (ETFs), which store gold for many larger investors, added to their stockpiles in the second quarter after shrinking them rapidly in the two previous quarters, the WGC said.
Central banks during April-June bought more gold than in any quarter for two years.
Demand from jewellers and investors in gold bars and coins, however, was lower than during the first quarter, but still higher than during April-June 2020.
The WGC said it expected global jewellery demand for the full year to be below pre-pandemic levels at 1,600-1,800 tonnes.
It forecast demand from investors, both in ETFs and bars and coins, at 1,250-1,400 tonnes for the full year, down from 2020 but around its average over the last decade.

Union at BHP's Escondida copper mine urges members to strike
The union at BHP Group Ltd's Escondida copper mine in Chile, the world's largest, on Wednesday urged its members to vote to strike, saying the company was attempting to impose its will and its contract offer was "insufficient".

The powerful, 2,300-member union is set to vote on BHP's contract offer between Thursday and Saturday this week.
"The Union has summoned all its members to vote en masse to reject this last offer, in order to declare a legal strike, the only tool that we have left in this scenario," the statement read.
A prolonged strike by the mine's top worker's union would constrict already tight global supplies of copper and likely send already high prices higher.
Negotiations over the last two months between the company and the union have been conducted in secrecy, against a backdrop of record high metal prices amid expectations of a gradual global recovery from the COVID-19 pandemic.
"The Company has no excuse for not responding favorably to our reasonable requests," the union said, noting the efforts of its workers during the pandemic. "The responsibility to avoid a serious conflict is entirely in the hands of ... BHP."
The union said in its statement the talks had failed to make progress on its main demands, including an improved system of professional development and performance-based compensation.
BHP said in a statement sent to Reuters that the offer "improves current conditions and incorporates new benefits in matters highly valued by workers. This was built on the basis of conversations held with the union".
If workers vote to reject the offer, further government-mediated talks of five to 10 days' duration would ensue ahead of a potential walk-out.
At Escondida, memories remain fresh of the historic 44-day stoppage in 2017 that jolted global copper markets and slowed Chile's economic growth.

Top News - Carbon & Power

France shelving landmark EDF overhaul for now
The French government will not move ahead with a restructuring of power group EDF in the near future, unions and sources close to the matter said on Wednesday, making it all but impossible to pass a reform bill before President Emmanuel Macron's term ends in 2022.
The reform, involving a broad restructuring of the group and the mechanism through which it sells nuclear power, was supposed to help debt-laden EDF flourish as it competes with rivals investing in clean energy.
Despite backing from Macron, who came to power in 2017 and tasked EDF bosses with designing the outline for a new group structure, the overhaul has been caught in wrangling with the European Commission and has come under fire from unions.
The CGT union, which has been involving in consultations on the restructuring, said it had been informed the state would back away from pursuing legislation "in the short term".
One government source said France was no closer to being able to submit a draft law to parliament, at a time when the legislative windows to get it through are narrowing.
September would be one of the only viable moments before the presidential election next spring to get a law done, parliamentarians have previously told Reuters, while sources close to the matter have flagged the reform was likely now dead until at least 2022.
"Substantial progress has been achieved in our discussions with the European Commission. But to date, we have not reached an overall agreement," the government source said.
"Given that, it cannot be envisaged that we would submit a law to parliament if the main principles are not covered in a prior agreement," said the source, who spoke anonymously.
A source close to EDF did not confirm if the reform was canceled for good before the presidential election, but said talks with the Commission would run on for a long time.
EDF, due to report first-half earnings on Thursday, declined to comment.
The French government - which owns nearly 84% of EDF - needs EU clearance to make sure a new structure would not amount to state aid or crimp competition, in a power market still largely dominated by the former monopoly operator.
The reform envisaged placing EDF's profitable renewables business in a different entity so it could flourish, unburdened by the debt-laden nuclear assets.
Another key plank of the overhaul involved higher price guarantees on the nuclear energy EDF sells to third-party providers, helping the utility cover production costs.
If the reform is not launched before the election, that could disappoint EDF shareholders as well as investors more widely, as it was part of the business-friendly changes Macron promised early in his term.

FOCUS-TC Energy to switch to green power to run N. American energy pipelines
Canadian pipeline operator TC Energy Corp could spend billions of dollars on its plans to lower emissions by switching to renewable energy to run its huge network of U.S. and Canadian oil and gas pipelines.
Calgary-based TC Energy, which ships oil and gas through nearly 100,000 kilometres (62,140 miles) of pipelines, one of the biggest networks in North America, has been encouraged by a better-than-expected response to a request in April

for information on wind power for projects in the United States.
"We started just with our liquids pipeline and it gives us really a lot of confidence that we'll be able to pivot quickly to our natural gas pipeline business both in the U.S. and in Canada," Corey Hessen, TC Energy's president of power and storage, told Reuters.
TC's decision to power pipelines with wind and solar, instead of natural gas, is similar to smaller-scale plans by rival Enbridge Inc and would go some way toward meeting investor demands to improve its environmental performance.
"It's a big prize and it's a really big opportunity," Hessen said.
The project is the best near-term opportunity for TC to play a part in the energy transition, he said.
Energy firms worldwide are trying to reduce the planet-warming emissions they pump out in the process of producing and transporting oil and gas. Canada's oil and gas industry is the country's largest emitting sector.
Canada's rising carbon price could add a significant expense to TC Energy's costs if it fails to reduce its emissions. Canada has pledged to cut emissions 40-45% from 2005 levels by 2030 and will hike the price of carbon from C$40 a ton currently to C$170 a ton by 2030. It also charges industrial carbon emitters like TC under an output-based pricing system.
TC's scope 1 and 2 emissions - that is, emissions it produces or that are produced to supply it with power - from its oil and gas pipelines were nearly 14 million tonnes in 2019, according to the company website.
TC said it is still in the process of quantifying how many tons of carbon emissions would be saved by switching to renewables to power pipelines.
The company incurred C$69 million ($54.9 million) in expenses under existing carbon pricing programs in 2019, up from C$62 million in 2018, according to its latest sustainability report. TC expects most of its assets across Canada, the United States and Mexico to eventually come under regulations aimed at managing carbon emissions.
"It's in their interest to green their portfolio and start this strategy now," IHS Markit analyst Kevin Birn said.
"The world is going to get more aggressive on climate policies and that means carbon is going to be a cost."
Francois Poirier, who became chief executive in January, has said he wants to use TC's power and storage division, which includes renewable energy and which he used to oversee, to grow and diversify the company while also lowering emissions.
Hessen said the priority for his growing power and storage team is to secure renewable energy to power TC's network of U.S. and Canadian pipelines.
The company received more interest than it expected when it asked renewable energy developers for information on 620 megawatts of wind-powered electricity to operate part of its Keystone pipeline, Hessen said. Developers submitted responses for 14 gigawatts (GW) of wind, more than 20 times TC's need, he added.
It would take 5 to 7 GW to power the entire U.S. and Canadian pipeline network, he estimated. That compares with total installed wind power capacity in the United States of 118 GW, according to the U.S. Energy Information Administration.
BMO Capital Markets estimated in a note to clients that securing 620 megawatts of wind power would cost around $1 billion in capital investment, which implies the cost of converting TC's whole U.S. and Canadian network would run to several billion dollars.
Hessen declined to discuss the potential cost for the renewable energy investment, but said "TC Energy has a history of really going after and being successful with large-scale capital deployments for its infrastructure."
Some shareholders say they would prefer TC to invest in new pipelines or return cash to investors, rather than spend money on powering pipelines with renewables.
"Is it as good (a use of capital) as investing in pipelines, acquiring assets, or buying back shares? I suspect probably not," said Martin Cobb, senior vice president at Lorne Steinberg Wealth Management, which owns shares in TC.
Building new pipelines is challenging due to growing environmental opposition and government policies aimed at reducing reliance on fossil fuels. TC is seeking $15 billion in compensation from the U.S. government after Washington revoked a key permit for its $9 billion Keystone XL (KXL) project earlier this year. The project had been delayed by over a decade before TC cancelled it in June.
Tudor Pickering Holt analyst Matt Taylor said it would be difficult to replace the anticipated revenue from KXL. TC at one point estimated KXL would bring in annual pre-tax earnings of around US$1.3 billion.

NEW FOCUS
Some investors are welcoming TC's increasing focus on other parts of its business after the KXL saga.
Natural gas pipelines make up 75% of TC's revenues and will remain its primary revenue-generator. The company will spend the bulk of its secured capital program through 2024 on that division.
The power and storage unit, where CEO Poirier sees potential for growth, comprises 5% of the company's asset value and includes a 48.4% stake in Canada's largest nuclear power station. TC will put C$2.6 billion, or 13%, of its secured capital spending towards extending the life of the Bruce Power nuclear plant.
TC is also looking at developing two hydro-pumped storage projects in Ontario and Alberta to generate new revenue. The projects involve pumping water between reservoirs at different elevations to produce electricity. If they go ahead,

the projects would be the first of their kind built in Canada since the 1950s.
Kipp Horton, CEO of WindRiver Power Corp, TC's partner in the 75-MW Canyon Creek project in Alberta, told Reuters the companies expect to make a final investment decision this summer.
"This is an opportunity, with a new chief executive, to say this is the new TC Energy. They're still going to be transporting fossil fuels but are trying to transition to a greener business," said Brett Girard, portfolio manager at Liberty International Investment Management, a TC shareholder.

Top News - Dry Freight

China demand powers Fortescue shipments to record, beats annual estimate
Australia's Fortescue Metals Group Ltd on Thursday narrowly beat its full-year estimate for iron ore shipments after a record fourth quarter, as strong demand from top consumer China offset the impact of bad weather.
The world's fourth-largest iron ore miner fared better than rivals Rio Tinto and BHP, whose June quarter output dropped because of weather disruptions in Western Australia.
Despite those disruptions, surging prices of the steelmaking ingredient and robust demand from China are expected to drive bumper earnings at miners, with Rio reporting a record first-half performance on Wednesday.
"Clearly these guys do a good job at managing their operations," said portfolio manager Andy Forster of Argo Investments in Sydney.
"They obviously have some capital spending to do going forward, but given the volume of cash that they are generating they can all be very generous from a dividend point of view."
Fortescue shipped 49.3 million tonnes (Mt) of ore in the quarter ended June 30, compared with 47.3 Mt a year ago, edging past a UBS estimate of 49 Mt.
It reported full-year shipments of 182.2 Mt, above its own forecast of 178 Mt to 182 Mt, and guided shipments to 180-185 Mt for fiscal 2022, saying crude steel production outside of China had largely recovered to pre-COVID levels.
The average price received for iron ore during the quarter rose to a record $168 per dry metric tonne, realising 84% of the 62% Platts benchmark average, down from 86% in the March quarter.
The Perth-based miner's quarterly costs jumped 17% to $15.23 per wet metric tonne (wmt), mainly due to the impact of inflation and COVID-19 related expenses.
Fortescue is preparing to bring on line its Iron Bridge magnetite ore project at the end of next year, improving the grades of its ore.
Cost inflation forced Fortescue to raise capital spending estimates for the project for the second time this year in May to $3.3-$3.5 billion, while labour constraints led it to push back first production to December 2022.

Australia's BlackEarth Minerals wins export rights in Madagascar
Australia's BlackEarth Minerals said on Thursday it had received rights to export its graphite concentrate from Port d'Ehoala in southern Madagascar.
Graphite is considered a "critical" mineral with a range of application, including in the manufacturing of batteries for electric vehicles and in electrodes used for steel making.
The rights cover exports of all graphite-related products from its Maniry project in southern Madagascar, with the port providing all necessary ship-loading services, the graphite explorer said.
The port is owned and operated by global miner Rio Tinto and the government of Madagascar.

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(Inside Commodities is compiled by Shruthi Narayanan in Bengaluru)

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