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Top News - Oil

FOCUS - European oil giants step back from renewables path

Almost five years ago, BP embarked on an ambitious attempt to transform itself from an oil company into a business focused on low-carbon power.

The British company is now trying to return to its roots as a big oil and gas player with a growth story to match rivals, revive its share price and allay investor concerns over future profits.

Rivals Shell and Norway's state-controlled Equinor are also scaling back energy transition plans set out earlier this decade.

Their change of direction reflects two major developments - the energy shock from Russia's invasion of Ukraine and a drop in profitability for many renewables projects, particularly offshore wind, due to spiralling costs, supply chain issues and technical problems.

BP CEO Murray Auchincloss plans to plough billions into new oil and gas developments, including in the U.S. Gulf Coast and the Middle East, as part of his drive to improve performance and boost returns.

BP has also slowed down low-carbon operations, halting 18 early-stage potential hydrogen projects and announcing plans to sell windand solar operations. It has recently cut its hydrogen team in London by more than half to 40 staff, company sources told Reuters.

A BP spokesperson declined to comment on the layoffs.

Shell CEO Wael Sawan has vowed to take a ruthless approach to improve its performance and returns and close a yawning valuation gap with larger U.S. rivals Exxon Mobil and Chevron.

The company has scaled back low-carbon operations, including floating offshore wind and hydrogen projects, retreated from European and Chinese power markets,sold refineries and weakened a 2030 carbon reduction target.

Shell is seeking buyers for Select Carbon, an Australian company it acquired in 2020 which specialises in developing farming projects used to offset carbon emissions, sources close to the company told Reuters.

A Shell spokesperson declined to comment.

SKILL SHORTAGE?

Some BP employees wonder whether the company retains enough staff with the experience and skills necessary to reestablish itself as an oil and gas major.

Employees peppered CEO Auchincloss with questions at an online town hall meeting in early October as he detailed some of his plans for turning the ship around, according to four employees on the call.

He told them BP would and could develop new oil and gas production in a reversal of predecessor Bernard Looney's strategy to build up renewable generation assets, reduce emissions and slowly cut oil and gas output targets.

In conversations with Reuters, some employees said they doubted BP has enough reservoir engineers to jump-start oil and gas output growth after it let go of hundreds of the upstream division's employees since 2020.

The BP spokesperson declined to comment on the town hall discussion.

Equinor, Europe's main supplier of natural gas since 2022, has launched a review of its low-carbon business, named internally REN Adjust, which included scrapping several early stage projects to focus on more advanced offshore wind projects.

When asked for comment Equinor said it was adapting to market realities. "The goal is to strengthen competitiveness and to compete effectively when the industry rebounds after the current down-cycle."

But the companies have not abandoned investments in low-carbon energy altogether. Rather, executives said, they are focusing on areas such as biofuels, which they feel confident can generate profit quickly.

Shell, BP and Equinor also continue to develop some offshore wind projects already under way, and say they could invest further if the returns are competitive.

They are also developing hydrogen projects to use mostly to lower the carbon footprint of their refining operations.

"What we're finding with our transition growth businesses is that we need to expect the same level of returns as we do from our historic businesses if we're going to deploy material capital over time," Auchincloss told Reuters on Oct. 29.

France's TotalEnergies has become the outlier, continuously investing in low-carbon and strongly outpacing Shell and BP's renewables capacity.

BALANCING ACT

The slowdown in the companies' energy transition plans coincides with warnings that the world is set to miss a U.N.-backed target to limit global warming to 1.5 degrees Celsius by the end of the century which is needed to avoid the catastrophic impact of climate change.

It means companies will likely miss, or will have to revise down, emission reduction targets, said Accela Research analyst Rohan Bowater.

And while industry executives focus on boosting near-term returns by spending more on oil and gas, the outlook for fossil fuel consumption is increasingly uncertain.

The International Energy Agency said last month it expects global oil demand to peak by the end of the decade as electric vehicles sales grow.

Investors remain sceptical about the European oil giants' ability to sustain profits. Their shares have underperformed U.S. rivals, even as climate-focused investors have lamented the shift from renewables.

"To make transition plans stick, companies need the right incentives for management, a clear mandate from shareholders, and a focus on demonstrating value," Bowater said.

"BP, for instance, remains caught in the middle, struggling to balance low-carbon investment with shareholder expectations."

Biden aims to finalize clean fuel rule before leaving White House

Democratic U.S. President Joe Biden aims to finalize a rule on a clean fuel tax credit before leaving office on Jan. 20, a senior White House official said on Sunday.

The clean fuel program, which would provide credits for the production of sustainable aviation fuel and other lower-emission transportation fuels, is set to begin in 2025.

"I'm not going to make any announcements, except that we're working very hard to finish the rules," the official told reporters. The official did not guarantee that the work would be complete.

The Biden administration also plans to release a study on the environmental and economic impacts of liquefied natural gas before Jan. 20, the official said. Biden early this year ordered a pause in new approvals of LNG exports in order to conduct the study.

President-elect Donald Trump, a Republican, has said he will reverse the pause quickly in his second term.

Top News - Agriculture

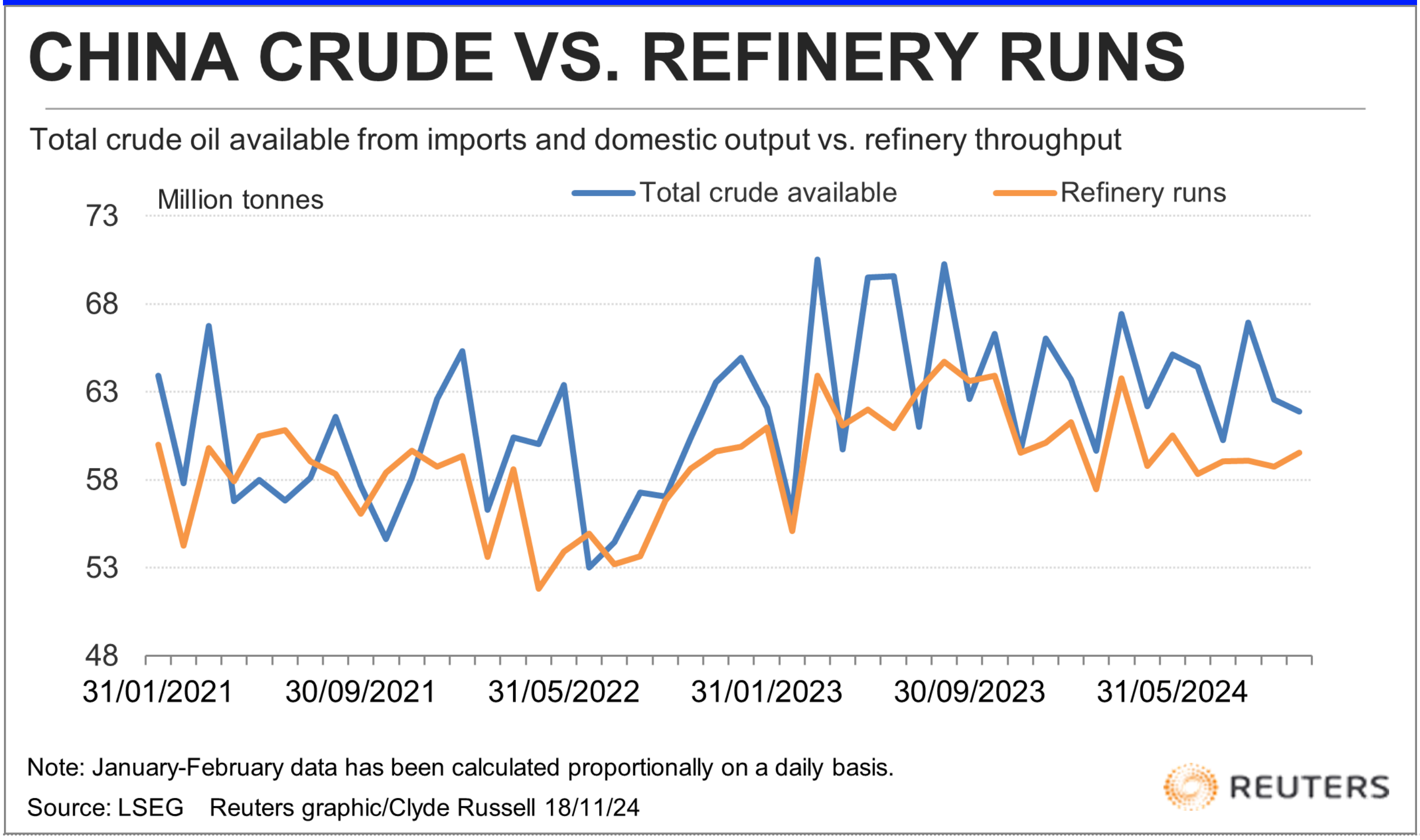
Indonesia to review palm oil export levies, policy may not change

Indonesia is looking to review the way it sets palm oil export levies to maintain competitiveness against rival edible oils, an official said, describing it as a regular move to evaluate its trade policy.

Malaysian palm oil futures last week rose as traders anticipated a possible change in Indonesia's export levy or tax structure, though prices fell in early trade Monday, tracking weakness in rival Dalian oils and pressured by a strong ringgit.

Indonesia, the world's biggest palm oil exporter, last

Chart of the Day



revised its levies in September this year.
"We should evaluate export levies regularly to increase the welfare of farmers and maintain its competitiveness at the global level," said Dida Gardera, who handles food and agribusiness at the coordinating ministry of economic affairs.
Dida was responding to a question from reporters about a possible policy review during a palm oil conference.
Dida said authorities will evaluate policy every three-to-six months, stressing they may opt to keep policy unchanged.
Indonesia sets palm oil export tax and levy rates monthly based on a government-determined benchmark price for the edible oil.

UK confirms bird flu cases at commercial poultry farm
Britain said on Sunday it had confirmed a strain of the H5N1 bird flu virus in commercial poultry at premises near the town of St Ives in southwest England.
All poultry on the premises will be humanely culled, and a 3 km protection zone and 10 km surveillance zone have been put in place, the UK government added in a statement.
It was the first confirmation of the HPAI H5N1 strain in kept birds this season and followed recent detections of HPAI H5N5 in wild birds in south west England and continental Europe, it added.
Bird flu or avian influenza, which has killed hundreds of millions of birds around the globe in recent years, has increasingly spread to mammals, raising concerns it may lead to human-to-human transmission.
Britain, which increased the threat level to medium in mid -October, has experienced several bird flu outbreaks over the years, including one in 2021 that was then described as the largest ever in the country.

Top News - Metals

Korea Zinc wins export control ruling amid fight to thwart takeover
Korea Zinc, whose management is embroiled in a takeover battle for the world's top refined zinc producer, said on Monday a government panel had found its lithium-ion battery material technology was subject to export controls.
The industry ministry, which has a committee of experts to review and rule on applications for designating "national core technology", also said the panel had recently granted Korea Zinc's case and notified it of the decision without elaborating.
Korea Zinc has been trying to thwart a takeover by rival zinc maker Young Poong 000670.KS and private equity firm MBK Partners.
During the takeover tussle, Korea Zinc has raised concerns about whether new management could opt to sell the zinc producer, which also supplies materials used for microchips and electric vehicle batteries, to a foreign entity.
MBK and Young Poong said last month they had no plans to sell Korea Zinc to China, which is the world's largest zinc producer.
MBK said on Monday as the largest shareholder it welcomed the designation, but the ruling on national core technology did not erase damage to shareholders caused by the company borrowing a large sum to finance a tender offer.
Korea Zinc borrowed heavily to buy back $1.5 billion of its shares at a premium last month.
Korea Zinc together with affiliate KEMCO hold the technology for the precursor material for cathodes in lithium ion batteries made from nickel, cobalt and manganese.
"The ruling will be the foundation to build a stable self-sufficient supply chain of the key material for secondary batteries based on entirely domestic technology," Korea Zinc said in a statement.
The designation is yet to be made official through a public notice.
South Korean law states that the government controls the transfer of such technology "whose leak abroad could have a material adverse effect on national security and development of the national economy."
Last week, Korea Zinc announced it was dropping a plan to issue $1.8 billion in new shares in the latest bid by Chairman Yun B. Choi to retain control of the company.
Choi and a group friendly to him hold about a 35% stake.
Young Poong and MBK have nearly 40% of the shares after a tender offer.

Resolute Mining agrees to pay $160 mln to Mali as CEO, employees remain detained
Australia's Resolute Mining said that it would pay $160 million to Mali's government to help resolve a tax dispute after the West African country detained its CEO Terence Holohan and two other employees this month.
Resolute has made an initial payment of $80 million as part of the settlement from existing cash reserves and will make future payments of about $80 million in the coming months from existing liquidity sources, it said in a statement.
Resolute shares were down as much as 14.3% in early trading on Monday to A$0.345, the lowest since March 1.
The detained employees were in Mali's capital Bamako to hold discussions with mining and tax authorities regarding general activities related to the company's business practices, the company said last week.
Resolute is currently working with the Mali government to release the detained employees, who remain "safe and well" and are receiving support from the UK and international embassies and consulates, the miner said on Monday.
Mali is one of Africa's top gold producers and the detention of mining company employees, which have also included some senior local staff at Canada's Barrick Gold, is becoming part of a pattern as the government seeks to extract more income from the sector.
Resolute's gold mine in Syama, Mali - one of its two operational mines - contributed nearly two-thirds of its annual sales of 329,061 ounces in 2023. Resolute owns an 80% stake in the project, while Mali's government holds the rest.
"The Company notes that operations on site continue as normal and have not been impacted," Resolute said in its statement.

Top News - Carbon & Power

Russia resells more gas in Europe after cutting off Austria, sources, data show

Russian gas flows to Austria were suspended for a second day on Sunday because of a pricing dispute, but other buyers in Europe stepped in to snap up unsold volumes, companies and sources said and data showed.

Russia, which before the Ukraine war was the biggest single supplier of gas to Europe, has lost most of its buyers on the continent as the EU tries to cut its dependence on Russian energy.

Russian gas is still being sold in significant volumes to Slovakia and Hungary, as well as to the Czech Republic which does not have a direct contract. Smaller volumes are going to Italy and Serbia.

Gazprom on Saturday halted supplies to OMV after the Austrian company threatened to impound some of the Russian state firm's gas as compensation for an arbitration it had won over a contractual dispute.

Flows to Austria were still suspended on Sunday but the overall daily supply to Europe via Ukraine - the main transit route for Russian gas to the EU - would remain at 42.4 million cubic metres per day, Gazprom confirmed, around the same volume as usual. It did not comment further.

Austria had been receiving 17 mcm per day before the cut-off, and those volumes are now finding new buyers in Europe.

Slovak state-owned firm SPP said it was still receiving gas from Russia and suggested others were buying more because there was still "great interest" in Russian gas in Europe.

A source familiar with Russian gas supplies in Europe said gas was still cheaper from Russia than from many other sources, so Austrian volumes had quickly been resold.

He declined to name the companies which bought gas previously destined for Austria. Austria has said it has plentiful gas stocks to cover the shortfall and can import from Germany and Italy when needed.

LAST DAYS

The European gas market has been sensitive to geopolitical developments and supply issues, with the end of Ukraine gas transit expected at the end of the year.

Colder temperatures in Europe have also been driving up heating demand, leading to withdrawals from EU gas storage sites earlier than last year.

"Supply and weather drivers have created concerns about end-of-winter gas stocks which, given the EU's storage targets, might imply a need to buy significant (liquefied natural gas) volumes in the summer," BNP Paribas senior commodities strategist Aldo Spanjer said.

The front-month gas price at the Dutch TTF hub, the European benchmark price, closed at 45.72 euros per megawatt hour on Friday, its highest in nearly a year.

At its peak Russia was supplying 35% of Europe's gas, but since the Ukraine war started in 2022 Gazprom has lost market share to Norway, the U.S. and Qatar.

The company's remaining flows to Europe are not expected to continue for much longer, with the Soviet-era pipeline via Ukraine due to shut at the end of this year as

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$67.16 / bbl	0.21%	-6.27%
NYMEX RBOB Gasoline	$1.93 / gallon	0.41%	-8.41%
ICE Gas Oil	$667.75 / tonne	-0.48%	-11.06%
NYMEX Natural Gas	$2.91 / mmBtu	3.19%	15.87%
Spot Gold	$2,583.30 / ounce	0.86%	25.25%
TRPC coal API 2 / Dec, 24	$127 / tonne	0.79%	30.93%
Carbon ECX EUA	€67.29 / tonne	-1.06%	-16.27%
Dutch gas day-ahead (Pre. close)	€45.60 / Mwh	-0.76%	43.17%
CBOT Corn	$4.34 / bushel	-0.23%	-10.28%
CBOT Wheat	$5.58 / bushel	0.63%	-12.82%
Malaysia Palm Oil (3M)	RM4,938 / tonne	-2.95%	32.71%
Index	**Close 15 Nov**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	334.50	-0.27%	10.98%
Rogers International	27.97	0.14%	6.25%
U.S. Stocks - Dow	43,444.99	-0.70%	15.27%
U.S. Dollar Index	106.72	0.03%	5.32%
U.S. Bond Index (DJ)	438.88	-0.21%	1.90%

Kyiv does not want to extend a transit agreement.
The Yamal-Europe pipeline via Belarus has already closed after a dispute, while Russia blamed the U.S. and Britain for explosions under the Baltic Sea that closed the Nord Stream route.
Washington and London have denied they blew up the pipelines. The Wall Street Journal has reported Ukrainian officials were behind the attack. Kyiv has denied that.
If Ukraine closes the gas transit route, significant Russian supplies will mainly go to Slovakia and Hungary, which gets most of its volumes via a pipeline running mostly through Turkey.

Italy's Enel ups minimum dividend, to invest over $45 bln by 2027
Italy's biggest utility Enel said it would lift its minimum dividend for the 2025-2027 period to 0.46 euros per share from 0.43 euros previously.
In its updated three-year plan, the state-controlled group said it would invest around 43 billion euros, 7 billion euros more than previously envisaged in the 2024-2026 strategy.
Capital expenditures on power grids will increase around 40% compared with the previous plan to 26 billion euros, investments in renewable projects will be 12 billion euros, almost flat versus 2024-26 strategy, and 2.7 billion euros will be devoted to customers.
This year the group expects to complete a wide-ranging asset disposal plan started in late 2022 that will cut its debt to around 2.4 times its core earnings, under the sector's average.
In addition it expects to meet all its targets for 2024 on the back of strong results of its renewable division.
With its debt in check and the group focused on core countries, the management team headed by CEO Flavio Cattaneo will now boost capital expenditures in regulated assets.
"Between 2025 and 2027, we will focus on core activities and a flexible capital allocation, increasing investments mainly on regulated assets with predictable returns that will also support the acceleration of the energy transition," Cattaneo said in a statement.

Top News - Dry Freight

China's Oct aluminium imports fall 8.7% y/y, customs data shows
China's imports of unwrought aluminium and aluminium products in October slid 8.7% year-on-year to 320,000 metric tons year-on-year, customs data showed on Monday.
Imports for the first ten months of this year totalled 3.17 million tons, up 32.4% from a year earlier, according to data from the General Administration of Customs.
The data includes primary metal and unwrought, alloyed aluminium.
Imports of bauxite, a key raw material for aluminium, rose 11% in October to 12.29 million tons. For the first ten months of the year, imports were up 11.9% to 131.56 million tons.

China to cut or cancel export tax rebates for products including aluminium
China's finance ministry said on Friday it would reduce or cancel export tax rebates for a wide range of commodities and other products, effective Dec. 1.
The country will reduce the export tax rebate rate for some refined oil products, photovoltaics, batteries, and certain non-metallic mineral products from 13% to 9%.
It will also cancel the rebate for aluminum and copper products and chemically modified animal, plant, or microbial oils and fats.
The announcement triggered a jump in aluminium prices on the London Metal Exchange as traders anticipated it may curb a heavy flow of Chinese aluminium abroad.
The news also contributed to a sharp rise in U.S. soyoil prices as it appeared Chinese used cooking oil would be covered by the changes.
Chinese shipments of used cooking oil to the United States and Europe for use in biofuel have challenged locally produced feedstocks like soyoil.
China's used cooking oil exports typically fall under the customs category of chemically modified animal, plant, or microbial oils and fats category, for which export rebates will be scrapped.

Picture of the Day

A Palm Civet stands near Arabica coffee cherries in a coffee plantation owned by state plantation firm PT Perkebunan Nusantara XII in Bondowoso, in Indonesia's East Java province. REUTERS/Sigit Pamungkas

(Inside Commodities is compiled by Kishore Barker in Bengaluru)

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