

October 27, 2016

## Dow Jones Resources Coverage

EXCLUSIVE ANALYSIS AND NEWS BEATS

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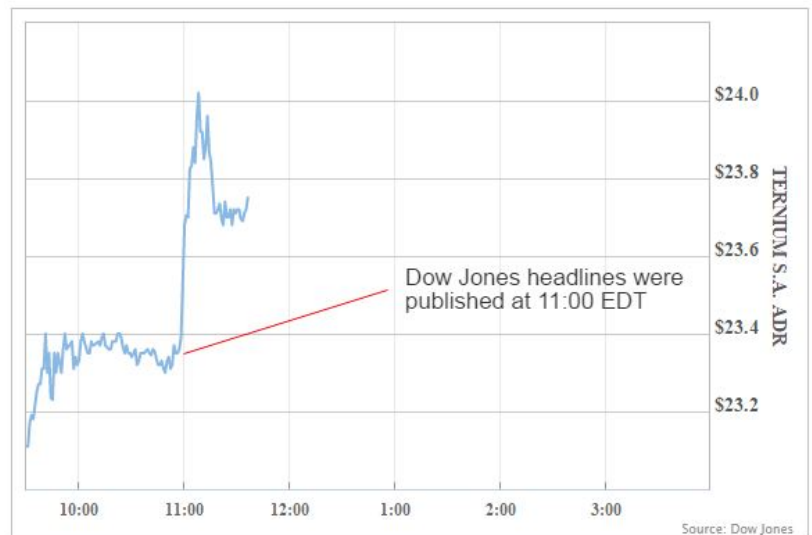
- **Market-moving news:** ThyssenKrupp plans to sell a Brazilian steel plant to Luxembourg's Ternium
- **Exclusive news:** The U.S. and U.K. plan to boost Libyan oil exports; Korea's Hanjin tries to sell some ships; EU antitrust authorities near a deal with Gazprom; South Africa considers GMO corn imports; a Saudi prince plays a role in OPEC's deal to cut production; and more
- **Unique analysis** on the impact of U.S. energy bankruptcies on oil production and dimming promise for Iraqi oil production

## Market-Moving News

### ThyssenKrupp to Sell Brazilian Steel Plant to Ternium

Dow Jones was first, on Oct. 25, to report that German engineering giant ThyssenKrupp was in advanced talks to sell its Brazilian steel plant to Luxembourg's Ternium.

- A finalized deal would mark an end to the German company's unsuccessful investment push in the Americas.
- According to sources, the deal could be valued around €2 billion. Any deal below that level would hit ThyssenKrupp's equity cushion, which is already thin, according to analysts.
- It was unclear whether other bidders are also eyeing the steel-slab plant, which cost ThyssenKrupp roughly \$6.8 billion to build when finished in 2010. In 2013, ThyssenKrupp sold its U.S. steel plant to ArcelorMittal and Nippon Steel & Sumitomo Metal Corp. for \$1.55 billion.
- ThyssenKrupp shares rose by as much as 3% in the minutes following our headlines.



## Exclusive News

### U.S. and U.K. Aim to Boost Libya Oil Exports

Diplomats from the U.S. and U.K. met with Libyan militia officials in the late summer to help restart oil exports from the beleaguered country, militia and Western officials told us on Sept. 26.

- The effort is already paying off, with shipments resuming from a long-closed port. Higher exports from Libya are undermining the Organization of the Petroleum Exporting Countries' attempt to curtail a petroleum glut.
- Recent history shows the impact of a Libyan crude surge: Libya's last production spike, in 2014, helped spark the ongoing price rout that saw oil fall by more than 50% and OPEC countries' budgets plummet.

### Hanjin Tries to Sell Ships

Debt-ridden Hanjin Shipping was reaching out to major European shipping companies to tap interest for at least five of its vessels as it sought to raise funds to unload stranded cargo, pay off creditors and re-emerge as an Asian regional carrier, people involved in the matter told us on Oct. 14.

- The South Korean bankruptcy court handling Hanjin's insolvency proceedings said it planned to dispose of the firm's sales and marketing network for its Asia-U.S. route as well as some ships.
- "The sale sign is up," one of our sources told us. "They will reach out to Maersk Line, Mediterranean Shipping Co. and others to sell some of their biggest ships that can go for up to \$90 million each."
- A.P. Moller Maersk, the Danish conglomerate that owns Maersk Line, the world's biggest container operator, said in September that it was looking for acquisitions to grow its market share.

### EU Antitrust Authorities, Gazprom Close to Terms

We were first to report, on Oct. 14, that Russia's natural gas company Gazprom and the European Union's antitrust authorities were close to an agreement to settle antitrust charges against the company.

- Gazprom has been accused of charging unfair prices to customers and harming competition in energy markets.
- The parties are aiming to come to an agreement by the end of October, which could force changes to the way the company operates, according to sources.
- The Russian government, which controls more than half of the company's shares, has been actively involved in the settlement discussions, which are aimed at addressing the EU regulator's long-running concerns that the energy giant harms competition and charges unfair prices in several Eastern European countries.

### South Africa Considers GMO Corn Imports

South Africa's government was considering whether to allow imports of genetically modified corn from the U.S. following a drought that threatened the country's supplies of the staple, we reported on Sept. 29.

- The committee responsible for overseeing South Africa's GMO controls will make the final decision on whether to authorize imports of corn containing four genetic modifications, according to emails from government and industry officials that we reviewed.
- According to the emails, the technology relates to seeds produced in the U.S., but companies that submitted the applications weren't identified.

## How a Saudi Royal Sparked an OPEC Deal and Sent Oil Prices Past \$50

On Oct. 6, we chronicled a series of events surrounding Deputy Crown Prince Mohammed bin Salman, the powerful 31-year-old son of Saudi Arabia's King Salman, who helped reach a milestone OPEC oil production cut in late September.

- Prince Mohammed scuttled previous attempts at oil-production deals with the Organization of the Petroleum Exporting Countries this year as Saudi Arabia worried about Iran's rising output following the end of Western sanctions.
- The agreement struck in Algiers the previous week would slash 1%-2% of the 14-nation cartel's 33.2 million barrels a day of production, the first time OPEC agreed to limit output in eight years.
- Prince Mohammed met Russian President Vladimir Putin at the G-20 summit in China in early September. After the meeting, the Saudi and Russian energy ministers announced a pact to stabilize the market. Saudi energy minister Khalid al-Falih wanted to make OPEC relevant again and feared the cartel could collapse without at least a show of action this year, sources told us.
- "Falih was given the green light to make this happen by Mohammed bin Salman," said a person familiar with the matter. They "really wanted a deal or at least the framework of a deal."

## More Exclusive News

Read more about the scoops discussed above and listed below by searching on **(N/NRG or N/DJCS)** and **P/PMDM**.

- Oct. 25—Oil explorer **Concho Resources** and private-equity firm **Energy Spectrum Capital** were looking for a buyer of their **Alpha Crude Connector**, which consists of some 400 miles of pipelines running through parts of Texas and New Mexico.
- Oct. 10—Bankers were sounding out potential buyers for **Brigham Resources**. The oil explorer was also working with lawyers and banks to prepare for a stock-market debut early next year.
- Oct. 6—**Perdue Farms** eliminated all **antibiotics** from its **chicken** supply, making the Maryland company the first major poultry supplier to do so, the company's chairman said at a WSJ event.
- Oct. 4—**Nestle's** upscale coffee brand **Nespresso** was suspending imports from **South Sudan** after violence spread to Central Equatoria in the south of the country.
- Sept. 30—**Diamondback Energy** was nearing a deal to buy **Silver Hill Energy Partners**. A deal could value Silver Hill around \$2.5 billion, according to a source.
- Sept. 22—**Steel** producers in the U.S. were planning to file complaints with the **Commerce Department**, alleging **Chinese steelmakers** were routing metal shipments through **Vietnam** to avoid **U.S. import tariffs**, a lawyer for the steelmakers told us.

## Unique Analysis

### Bankruptcy Doesn't Hinder U.S. Oil Production

Energy investors have long hoped that falling prices would solve themselves by driving producers into bankruptcy and stanching the flood of excess supply. It turns out that while bankruptcy filings are up, they have barely affected fossil-fuel markets, Timothy Puko and John W. Miller reported on Oct. 23.

- About 70 U.S. oil and gas companies filed for bankruptcy in 2015 and 2016. They now produce the equivalent of about 1 million barrels a day, about the same as before they declared bankruptcy, according to Wood Mackenzie. That represents about 5% of U.S. oil-and-gas output.
- The theory that bankruptcies would help balance the market "was misguided to begin with," WoodMac's Roy Martin told us. The bankruptcy process is designed to save companies that can be saved, and many energy companies are using it to lighten their heavy debt loads, adapt to lean times and keep producing.

## For Oil Giants, Iraq's Bright Promise Dims

Western companies that for years pumped money into Iraq's oil fields, lured by the prospect of its huge crude reserves and post-war ambition to boost output, now face a reckoning, Sarah Kent and Selina Williams reported on Sept. 22.

- Battles against Islamic State and falling oil prices have forced the Iraqi government to cut investment in its energy industry. Aging fields and delayed infrastructure projects also threaten to stall the country's meteoric output rise of the past two years.
- Major oil companies including BP, Shell and Lukoil are hunkering down and paring back their own work as a result. The companies have been locked in difficult budget negotiations with Iraq's government, which wants to pump more oil but has curbed investment.
- The government has fallen behind on its payments to oil companies, which receive a set fee for each barrel pumped—often around \$2 a barrel. "The Iraqi government has to pay the oil companies as contractors, and they don't have any money," an executive told us.
- Though production has risen this year, reaching nearly 4.4 million barrels a day in August, according to the International Energy Agency, significantly more spending is needed to achieve a further production leap.

## About This Newsletter

This weekly newsletter covers Central Banks, Deals, Resources and Technology topics on a rotating basis. Next week: Technology.

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If you have questions about the content of this newsletter, email Jacques van Wersch at [jacques.vanwersch@dowjones.com](mailto:jacques.vanwersch@dowjones.com).