

# NEWS HIGHLIGHTS

Aug 21, 2015

## Dow Jones Resources Coverage

EXCLUSIVE ANALYSIS AND NEWS BEATS

### IN THIS ISSUE:

- [Exclusive news](#) on **new EPA rules**, Brazilian **coffee crop forecasts** and India mulling foreign investments in **coffee, rubber plantations**
- [Unique analysis](#) **Coffee roasters lead market shift** and what the future holds for **crude prices**

## Exclusive News

### EPA to Propose Rules Tuesday Cutting Methane Emissions

- Dow Jones Newswires was first to report news of the U.S. Environmental Protection Agency's plans to propose regulations to cut methane emissions from the oil and gas sector by 40% to 45% over the next decade from 2012 levels, according to sources.
- According to the August 17 story, this is the first-ever federal regulations to cut methane emissions from the nation's oil and natural-gas industry, which is part of a broader regulatory agenda President Barack Obama is pursuing as he seeks to address climate change. The EPA formally announced the proposal the day after our report.

### Brazilian Coffee Cooperatives See Smaller 2015 Crop, Lower Quality

- Two of Brazil's biggest coffee cooperatives say a shortage of rain at the start of this year has led to smaller-than-expected harvests, while unseasonal rain in June and July is hurting quality, Dow Jones reported in an August 19 story.
- Cooparaiso, the country's second-biggest coffee cooperative, expects farmers in its area to produce up to 20% less than forecast before the start of the harvest, according to Marcelo de Moura Almeida, an agronomist at the coop. Cooparaiso had expected production of 2.58 million 132-pound bags this year, down from 2.64 million bags in 2014. The figures include output from farmers in the area that aren't members of Cooparaiso.
- Cocapec, Brazil's third-biggest coffee cooperative, is also seeing lower productivity, and now expects members to send it only about 550,000 to 600,000 bags, instead of the approximately 900,000 bags they had forecast at the start of

# NEWS HIGHLIGHTS

the season, said Jandir de Castro Filho, the coop's head of sales. In 2014, Cocapec received 1.4 million bags, he said.

## **India Considers Allowing Foreign Investment in Coffee, Rubber Plantations**

- India's Trade Ministry is considering whether to allow foreign investors to own stakes in local coffee and rubber plantations, as the government looks to open up the economy more and accelerate growth, according to our August 17 story.
- The Department of Industrial Policy and Promotion, a government agency that formulates foreign investment policies, has made the proposal, according to an official. The proposal is being examined by the trade ministry, the official added.

## **Petrobras in Talks with 3 Potential Buyers for Fuel-Distribution Business Stake Before Planned IPO**

- Brazil's state-run oil company Petróleo Brasileiro SA is in talks with three potential buyers interested in purchasing a stake in its fuel distribution business before a planned initial public offering of that unit, possibly later this year, chief executive Aldemir Bendine said in an August 12 interview.
- A final decision on selling a minority stake in Petrobras' retail gasoline business, which operates under the brand name BR Distribuidora, hasn't yet been made, Mr. Bendine said. He said none of the three potential buyers, which he described as "European and Asian" have entered into exclusive talks.

## **Regulatory Judge Concludes BP Manipulated Natural Gas Market**

- Dow Jones was first to report U.S. regulators ruling on BP PLC regarding the manipulation of the Texas natural gas market in 2008. We reported on August 13 that FERC Judge Carmen Cintron found BP flooded a Texas delivery point with natural gas to drive down prices there in the physical market, while at the same time placing trades in related financial markets that would benefit from the reduced price.
- Authorities said fines against the energy company could increase because the scheme took place after earlier market manipulation, we reported.
- Following the decision, BP voiced its disagreement with the judge's ruling and said it plans to appeal the decision.

## **Carlyle, Vermillion Co-Founders Split After Steep Hedge-Fund Losses**

- Dow Jones was ahead of competitors with the July 31 news that private-equity firm Carlyle Group LP has split with the founders of its Vermillion commodity hedge-fund firm after its flagship fund shrank from \$2 billion to less than \$50 million in assets, citing sources.
- The fund lost 23% in 2014; the latest investor exits began in the spring and the fund reached a nadir in recent weeks.

# NEWS HIGHLIGHTS

## **EPA Contractor Involved in Colorado Spill Identified as Environmental Restoration**

- Missouri-based Environmental Restoration LLC was the contractor whose work caused a mine spill in Colorado that released an estimated 3 million gallons of toxic sludge into a major river system. The August 12 story cited a person familiar with the matter and government documents.
- The U.S. Environmental Protection Agency, which was overseeing the servicing of the mine at the time, has said an outside contractor was using heavy equipment to enter the Gold King Mine when it breached a debris dam, letting out wastewater that had built up inside the mine.

## **Unique Analysis**

### **What the Future Holds for Crude Prices**

- The outlook for crude oil is of central importance to market activity at the moment, and we offered insight on what the future holds. In an analytical story published on August 10 we looked at the price expectations built into futures prices and how that influences producers and hedging activity. The story pointed to the fact that oil prices for 2016 and 2017 have taken an even bigger hit than near-term prices.
- We reported that for many producers, later-dated contracts are now too cheap to justify locking in prices, which means producers are likely to enter 2016 with fewer price hedges on the books than usual, if they have any at all. Companies without price protection in 2016 could be forced to cut back further on new drilling if prices remain below their break-even costs.

### **Roasters Lead Coffee Market Shift**

- In coffee, as in other commodities markets, the price of futures has long been considered representative of the overall state of the market. That may be changing, however, as Americans shift to higher-quality brews and as specialty roasters desert a market they think is too volatile.
- Our August 6 story reported the rise in demand for specialty coffee has upended the coffee market as producers are choosing to invest directly with farmers and take the investment risk alone, rather than experience the sharp price volatility in the futures markets--traditionally used as a hedging tool against price fluctuations. Also, we noted that traders are concerned that the cocoa market may follow suit as consumers increasingly demand highly specialized beans in their chocolate bars.

# NEWS HIGHLIGHTS

## Investment Firms Lose from Energy Debt

- Weakness in energy markets has had many ripple effects, including on the holders of the debt of energy companies. We dug into that ownership, finding that funds managed by Franklin Resources Inc., Blackstone Group LP and Oaktree Capital Group LLC, among others, are facing paper losses on substantial investments this year in exploration-and-production companies. We reported on August 3 that the firms committed hundreds of millions of dollars to lend to or invest in energy companies whose debt they already held. Among those gaining access to much needed cash: Warren Resources Inc., Goodrich Petroleum Co. and Energy XXI Ltd.

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## ABOUT THIS NEWSLETTER

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