The Commodities Feed: Drone attacks disrupt Kurdish oil supply

Oil prices firmed yesterday as tightness persists in the market, while supply disruptions from Kurdistan provide additional support

Source: iStock

Energy – Middle distillate tightness persists

Oil prices firmed yesterday despite a recovery in the USD amid waning concern that President Trump may remove Federal Reserve Chairman Jerome Powell from his position. Some fairly supportive US macro data also supported the oil. US retail sales came in stronger than expected, while initial jobless claims were lower than expected.

Near-term oil fundamentals remain supportive, with the market set to remain fairly tight through this quarter, before becoming better supplied from the last three months of the year. In addition, drone attacks on oil fields in Kurdistan provided some further support, with producers suspending operations, resulting in around 200k b/d of lost production. However, a deal between the government in Baghdad and the Kurdistan regional government should resume oil exports from Kurdistan, after being halted since early 2023. The Kurdish region will supply Iraq's State Organization for Marketing of Oil (SOMO) with at least 230k b/d.

The middle distillates market continues to signal tightness, with the ICE gasoil crack trading above

US$26/bbl now. Meanwhile, Insights Global data shows that gasoil inventories in the Amsterdam-Rotterdam-Antwerp (ARA) region fell by 86kt week on week to 1.76mt. This is the lowest level since January 2024. The strength in the European middle distillate market is pulling in diesel from further afield, with reports of some shipments from East Asia to Europe. The strength in middle distillate cracks is providing a boost to refinery margins, which should see refiners increase run rates, helping to ease the tightness. In addition, OPEC+ supply increases will increase the availability of medium sour crude.

US natural gas prices saw little change yesterday, with EIA storage data showing that US gas storage increased by 46bcf over the last week, not too different from the 45bcf increase the market was expecting. This leaves total US natural gas storage at 3.05tcf, 6.2% above the 5-year average, but down 4.9% year on year.

After initially rallying, European natural gas prices came under pressure towards the end of the day, with the Title Transfer Facility (TTF) settling 1.15% lower. Unplanned outages at the Nyhamna and Kollsnes processing plants in Norway provided support to European prices earlier in the week. Grid data from the UK shows that these flows are improving.

Agriculture– Cocoa prices slump on weaker grindings

Cocoa prices came under further pressure yesterday, with London cocoa settling more than 7% lower on the day and at its lowest level since February 2024. This is after grinding data from Europe, Asia, and North America showed large declines, signalling weaker demand. The high price environment seen in cocoa has led to demand destruction in an attempt to balance the market.

In Europe, data from the European Cocoa Association shows that cocoa grindings fell 7.2% YoY (-6.2% quarter on quarter) to 331.8kt in the second quarter of 2025, the lowest level since 2020. Similarly, Cocoa Association of Asia data shows that Asian cocoa grindings fell 16.3% YoY (-17.4%QoQ) to 176.6kt in the second quarter, the lowest level since 2017. Meanwhile, the National Confectioners Association reports that grindings in North America fell by a more modest 2.78% YoY to 101.9kt in the second quarter.

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