The Commodities Feed: Energy supply risks

Energy markets continue to move higher, buoyed by growing supply risks following disruptions to Russian refinery capacity

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Energy – Crude hits highest levels since November

The oil market rallied further yesterday, with ICE Brent settling more than 1.8% higher on a day which saw Brent briefly trading above US$87/bbl and its highest levels since November. The catalyst for the move appears to have been further Ukrainian attacks on Russian refinery capacity over the weekend.

Likely providing further support were reports that Iraq's oil ministry plans to trim oil exports to 3.3m b/d over the coming months. This compares with the 3.43m b/d of exports in February. The move is primarily to absorb the oversupply from Jan'24-Feb'24 and to showcase the nation's commitment to stick to its voluntary oil cuts as part of the OPEC+ agreement. Recent OPEC numbers showed that Iraq pumped 0.2m b/d of oil above its agreed quota of 4m b/d last month.

The EIA's latest drilling productivity report estimates that US shale oil production will rise by 10k b/d MoM to 9.77m b/d in April, following the steady rise in the US rig count this year. The increase is set to be driven by the Permian and Bakken regions. Meanwhile, EIA also revised up its shale oil forecast for March to 9.76m b/d from 9.72m b/d. The report also showed that the number of drilled but uncompleted wells (DUCs) fell by 3 over the month to 4,483 at the end of February.

Metals – Yunnan province to restart aluminium capacity

The latest reports from Shanghai Metals Market (SMM) suggest that aluminium smelters in Yunnan province will restart nearly half of idled capacity. Aluminium smelters are expected to restart about 520kt of idle capacity in the near term. It is estimated that roughly 1.17mt of aluminium capacity has been idled since November due to hydropower shortages during the dry season.

The latest data from China customs shows that China's imports of unwrought aluminium and aluminium products rose 77.3% YoY to 340kt in February, while gaining 93.6% YoY to 720kt in the first two months of 2024. Looking at exports, alumina exports rose 22% YoY to 140kt in February and year-to-date shipments increased by 10.3% YoY to 280kt in the first two months of the year.

Agriculture – Indian sugar output falls

Recent data from the Indian Sugar & Bio-energy Manufacturers Association (ISMA) shows that 2023/24 sugar production in India fell marginally to 28.1mt (excluding sugar diverted for ethanol production) to15 March, compared to 28.3mt during the same period last year. Sugar production has been recovering over the past few weeks and recently the Association also revised up its total sugar production estimate for the 2023/24 season, to 34mt from 33.05mt on improving weather. The group said that 371 mills were crushing cane by mid-March, compared to 325 mills at the same time last year.

The latest trade numbers from China customs show that corn imports declined by 15.7% YoY to 2.6mt last month. China's forecast rise in GMO (Genetically Modified) corn planting has doubled this year compared to last year. Cumulative imports are still up 16.2% YoY, to 6.2mt over the first two months of the year. Among other grains, wheat imports surged 19.2% YoY to 1.8mt in February.

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season dropped to 32.4mt as of 18 March, a decline of 9.4% YoY. This includes wheat exports of 12.9mt, up 5% YoY, and corn shipments of 17.4mt, down 17% YoY. Exports through the Black Sea port route continue to be impacted following a recent Russian missile attack that damaged grain storage facilities and warehouses at Odesa port.

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