

# The Commodities Feed: Energy supply risks

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



Source: Shutterstock

## 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) to 15 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.

### Authors

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

#### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.