# The Commodities Feed: EU gas storage starts to decline

Large parts of the commodities complex came under pressure yesterday as tensions surrounding the missile incident in Poland eased. Meanwhile, EU gas storage has finally started to decline this week and there are forecasts for colder-than-usual weather in Europe next week

## Energy - Druzhba oil flows resume

Oil prices settled lower yesterday with an easing in geopolitical tensions. NATO said that a missile which hit Poland was not an intentional Russian attack and was likely a result of a wayward Ukrainian air-defence missile. In addition, oil flows along the southern route of the Druzhba pipeline have reportedly restarted, although at a reduced volume. This is after power was restored along a section of the pipeline that runs through Ukraine.

According to Bloomberg, Druzhba's pipeline operator, Transneft, has said that there are requests in Poland for Russian oil flows via the pipeline for 2023. If this turns out to be the case it would go against previous comments from the Polish government that they would aim to stop importing Russian pipeline oil by the end of this year. Although it appears that the request to Transneft is more of a technical request and doesn't confirm that we will actually see these flows next year. The EU ban on Russian crude oil, which comes into effect on 5 December only applies to seaborne crude oil.

The latest numbers from the EIA show that US commercial crude oil inventories fell by 5.4MMbbls over the last week, which was a bigger fall than the market was expecting. When accounting for SPR releases, the decline in inventory was even more significant. Total US crude oil inventories fell by 9.5MMbbls over the week. The larger-than-expected drawdown was partly driven by weaker crude oil imports which fell by 895Mbbls/d over the week. Refinery utilization rates also increased, which meant that stock builds were seen for both gasoline and distillate fuel oil. Gasoline stocks grew by 2.21MMbbls, while distillate inventories increased by 1.12MMbbls. The bulk of the increase in distillate stocks was on the US East Coast. And while this is helpful, stocks in the region are still at their lowest levels on record for this time of year.

Given the tightness in the US diesel market, the Biden administration has held discussions with oil companies this week to discuss energy supply. Reports suggest that some of the options the US government is considering include minimum fuel storage levels for oil companies as well as possibly increasing the 1MMbbls Northeast Home Heating Oil Reserve.

It appears as though the European heating season has finally started with EU gas storage seeing some marginal net draws on both Monday and Tuesday. According to Maxar, Europe can expect colder-than-usual weather next week. Despite this forecast for colder weather and storage finally starting to decline, European gas prices still came under pressure yesterday with TTF falling by more than 8%.

## Metals – iron ore keeps rallying on China optimism

Iron ore moved higher for a fourth day on hopes that fresh stimulus measures by China would boost demand for the steel-making ingredient. China recently implemented 16 property measures to help the weak property sector. Some of these measures include debt extensions to the industry and relaxing deposit requirements for homebuyers. These, along with the recent easing of some of the Covid restrictions, could potentially boost the usage of steel. The real estate sector accounts for around 40% of Chinese steel demand.

In base metals, nickel fell by 9% to $27,532/t on the LME – its biggest daily drop since the short squeeze in March – paring gains seen on Monday and Tuesday when supply fears pushed prices higher amid illiquid trading.

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