The Commodities Feed: European gas surges on latest supply risk

European gas prices are trading at their highest levels since November last year on concerns that some Russian pipeline flows could be disrupted soon

Energy - European gas surges, US gas falls

Most of the action in energy was in the natural gas markets yesterday. In Europe, TTF settled almost 6% higher on the day and traded to its highest level since November last year. This was on the back of concerns that some Russian pipeline flows to Europe could be disrupted. The Austrian energy company OMV has said that it intends to stop paying Gazprom for imports in order to recoup EUR230m in damages it was awarded in an arbitration, which raises the prospects that Gazprom will cut flows if it doesn't receive payment. Payments are usually due by the 20th of every month, so the market is likely to be on edge at least until then. OMV has said that potentially 5TWh per month of supply is at risk, which is roughly 500mcm (or less than 20mcm/day). Forecasts for colder weather next week have only provided further support to prices.

The European gas market surged higher yesterday. In the US, Henry Hub came under pressure, settling more than 67.6% lower on the day. This was after the EIA weekly natural gas storage report showed that gas storage increased by 42 Bcf, compared to expectations for a 39 Bcf increase. It was also well above the five-year average increase of 29 Bcf.

Oil prices managed to eke out a relatively small gain yesterday despite a bearish outlook in the IEA's latest oil market report. A large US gasoline draw would have likely provided some support to the market. However, Brent is still on course to settle lower on the week.

The EIA weekly US inventory report showed that US commercial crude oil inventories increased by 2.09m barrels over the last week, quite different to the 777k barrel draw the API reported the previous day. However, the market was more focused on the 4.41m barrel decline in gasoline inventories, leaving stocks at just below 207m barrels – the lowest level for this time of year since 2014. The large draw was driven by a 555k b/d increase over the week in gasoline implied demand. No surprise that the large draw saw the RBOB gasoline crack spike higher. Distillate stocks also declined over the week, falling by 1.39m barrels.

The IEA painted a bearish outlook in its latest monthly oil market report. The agency expects that the global oil market will see a sizeable surplus of more than 1m b/d even if OPEC+ decides not to unwind its 2.2m b/d of additional voluntary cuts as currently planned. The IEA expects non-OPEC+ producers to increase supply by around 1.5m b/d in 2025, offsetting the almost 1m b/d of demand growth expected. Our balance currently shows that the market will see a small surplus over 2025 if OPEC+ cuts are extended. However, much will also depend on compliance, given a handful of members have continuously produced above their target levels.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 429kt over the last week to 6.35mt. The increase was predominantly driven by gasoil, where stocks increased by 376kt to 2.42mt. Middle distillate stocks in Europe are at comfortable levels as we head deeper into the winter months. In Singapore, Enterprise Singapore data shows that total oil product stocks increased by 605k barrels over the week to 42.11m barrels. Light and middle distillate stocks increased by 207k barrels and 72k barrels respectively, while residue stocks increased by 326k barrels.

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