The Commodities Feed: Further supply uncertainty for the European gas market

European energy markets are set to face further uncertainty in the coming weeks, after Gazprom announced that maintenance will see Nord Stream gas flows come to a halt. Oil prices have come under renewed pressure, with the market focused on a potential Iranian nuclear deal

Source: Shutterstock

Energy - Nord Stream gas flows set to stop

The European gas market saw significant strength last week. TTF rallied by almost 19% over the period and this strength is likely to continue into this week after Gazprom announced that flows along Nord Stream will come to a halt so that maintenance can be carried out at a compressor station. Maintenance is expected to last for 3 days (31 August- 2 September), and the real concern for the market is whether flows will resume after this period. Gazprom has said that once this work is complete, flows will return to 20% of capacity, which would be unchanged from current levels. The European market is getting increasingly anxious about how Russian flows will evolve as we move closer to the next heating season. However, for now European storage levels are comfortable, standing at 77%, which is broadly in line with the 5-year average, and well above the

64% seen at the same stage last year. Clearly, given concerns around supply availability, prices will need to stay at elevated levels to ensure that we continue to see the necessary demand destruction.

As for oil, sentiment remains fairly negative, with the market still awaiting further details on how Iranian nuclear talks are progressing. Reports suggest that the US had discussions with the UK, Germany and France over the weekend to go through the EU proposal for a nuclear deal. However, it is still not clear where the US stands on the latest proposal. Given the potential for in excess of 1MMbbls/d of additional supply coming onto the market, if we were to see a deal, the market will be following very closely how talks develop. An agreement (and lifting of oil sanctions) would mean a more comfortable market over 2H23. At the moment, we are currently assuming no increase in Iranian oil supply.

Metals - China extends industrial power cuts

Sichuan province in China has extended ongoing industrial power cuts to some industrial users until 25 August. These cuts were originally planned to come to an end on 20 August. Longer than expected disruptions will likely provide some support to metals, particularly aluminium, where according to Shanghai Metals Market, power curbs in the region have already impacted almost 400ktpa of capacity.

For copper, miner MMG has slashed its annual output guidance for Las Bambas copper mine in Peru due to local community protests. Las Bambas is now expected to produce 240kt this year, compared to its capacity of 400kt. Over 1H22 output at the mine fell by 30%, with operations shutting down for more than 50 days due to protests.

Agriculture - India looking to cut wheat import tax

There are reports that India is looking at potentially cutting or eliminating a 40% import tax on wheat, due to concerns over shortages and rising domestic prices. The latest data from Food Corporation of India (FCI) shows that state reserves have declined to their lowest levels in 14 years. For now the government has claimed there are no plans to import wheat.

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