

The Commodities Feed : Potential restart in Kurdish oil exports

Oil prices are under pressure this morning with talk of a potential restart in oil exports from Iraq's Kurdistan region



Energy

Despite the downward pressure on oil prices through much of last week, the market still managed to eke out a small gain with ICE Brent settling 0.11% higher on the week. However, timespreads have weakened significantly since peaking in January, suggesting that the tightness in the physical market is easing. While the prompt ICE Brent spread is still in backwardation, the NYMEX WTI prompt spread has flipped back to a small contango.

Pressure on the flat price has continued this morning with suggestions that oil exports from Iraq's Kurdistan region could resume in March, which could see exports of around 300k b/d through the Ceyhan pipeline. Flows were halted in early 2023 after a payment dispute between Iraq and Turkey. However, this is not the first time we have heard suggestions that exports could restart. In addition, if flows were to resume it would complicate issues around Iraqi output and its compliance with production targets under the OPEC+ deal.

Positioning data also shows that speculators are relatively more bearish towards the oil market. The managed money net long in NYMEX WTI fell by 18,303 lots WoW to 122,237 lots as of last Tuesday. This move was driven more by fresh shorts entering the market than longs liquidating. Meanwhile, there was little change in speculative positioning in ICE Brent, with the net long cut by just 569 lots to 289,154 lots.

European gas prices fell by a little more than 9% last week, the largest weekly decline since early January. However, prices still remain elevated, with TTF trading above EUR50/MWh. US and Russia talks working towards a peace deal between Russia and Ukraine will weigh on sentiment. In addition, there are ongoing discussions around flexibility with regards to storage refill targets. There is still little clarity over whether Germany will subsidise storage refills and, if so, how it will be done. Although, the backwardation between summer 2025 and winter 2025/26 prices has flattened somewhat over the last week. If this trend continues, it obviously reduces the likelihood of new subsidies. However, storage levels are a concern for Europe. Gas storage levels fell at a fairly quick pace last week, leaving them at a little under 45% full, compared to a 5-year average of 54% full. Colder weather forecasts for the next couple of days mean that these stronger storage draws will likely continue until weather turns milder later in the week.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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