The Commodities Feed: Potential US aluminium tariffs

The aluminium market had a limited reaction to reports that the US is looking to impose prohibitively high tariffs on Russian aluminium. Meanwhile, there are supply concerns in the oil market after a devastating earthquake hit Turkey and Syria

Energy- oil supply concerns after quake

ICE Brent managed to break back above US$80/bbl yesterday, settling more than 1.3% higher on the day. Supply concerns appear to have driven the strength after a deadly earthquake hit Turkey and Syria. Pipeline infrastructure which carries both Iraqi and Azerbaijani crude oil to the Ceyhan terminal in Turkey passes through the region hit by the earthquake. The Ceyhan oil terminal has reportedly been shut as a result, and whilst there has been no damage reported to pipelines, flows from at least Iraq appear to have been halted as a precaution. Exports of Azerbaijani and Iraqi crude oil via the Ceyhan oil terminal have been in the region of 1MMbbls/d. It is not clear when the terminal will resume operations.

Saudi Arabia increased its official selling price (OSP) for most crude grades and regions for March loadings. The market had been expecting that OSPs would be cut for the month. Arab Light into Asia was increased by US$0.20/bbl to US$2/bbl over the benchmark, which is the first increase since September. All grades into Europe and the US saw increases for the month.

The ICE gasoil crack came under significant pressure yesterday, falling to its lowest level since March last year. This weakness comes despite the EU ban on Russian refined products coming into force over the weekend. The market has had plenty of time to prepare for the ban with strong middle distillate flows in the lead-up to 5 February. As a result, gasoil stocks in the ARA region have trended back towards the 5-year average more recently.

Metals - US plans 200% tariff on Russian aluminium

The US is reportedly preparing to impose a 200% tariff on Russian-made aluminium as soon as this week, according to Bloomberg. Russia is the world's second-largest producer of the metal after China, accounting for about 6% of global output (estimated at 70 million tonnes last year). LME aluminium prices initially gained as much as 0.6% following the announcement, although still managed to settle lower on the day. If the US goes ahead and imposes the tariff on Russian aluminium, it will likely have a limited impact on the global market. The US is not a significant buyer of Russian aluminium, which usually accounts for about 10% of total US imports, though this share has been even smaller recently. These reports shouldn't come as too much of a surprise given that last year there were reports that the White House was considering either an outright ban of the metal, sanctions on Russian aluminium producer, Rusal, or imposing prohibitively high tariffs. If the US were to go the sanctions route, it would have a more severe impact on the market.

China's Yunnan province could increase aluminium capacity cuts due to power shortages, according to reports from SMM. The capacity cuts could add up to around 700kt in the province. Yunnan is a major aluminium-producing province, accounting for around 13% of national capacity and any supply disruption from the province could tighten the physical market in the short term. However, aluminium inventories in China are relatively high this year and will likely help in mitigating any temporary supply shortages.

For copper, First Quantum said loading operations at the Cobre Panama port have been suspended after the miner and the government failed to reach an agreement over tax payments. The mine produced around 92kt of copper in 3Q22. Mining operations at the Cobre Panama mine remain unaffected for now. However, a prolonged disruption to shipping activity could impact mining operations due to limited storage capacity. First Quantum reported that mining operations may need to be curtailed in mid-February if concentrate exports don't resume by then.

Agriculture – Ukrainian grain exports

Grain exports from Ukraine under the Black Sea Grain Initiative dropped to 3.1mt in January compared to 3.6mt in December 2022 due to a slowdown in inspections – seaborne exports continue to be significantly below Ukraine's target of around 5mt per month. Cumulatively, the country has exported around 18mt of grains under the initiative since it started in August 2022. Total grain exports (including by rail and other modes) have dropped by 29% YoY to 27.7mt in the ongoing season (from 1st July to date), with wheat exports down 42% YoY to 9.9mt and corn exports down 1.5% YoY to 15.9mt.

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