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COMMODITIES DAILY

# The Commodities Feed: Putin's gas threat to the EU adds to upside risk for markets

Upside risks are building for the European gas market as President Putin suggests Russia could reroute some gas away from the EU. This comes at a time when the global LNG market is facing significant disruptions from the Persian Gulf



## Energy- Putin's gas threat to the EU

We could see a strong open in European gas markets today, with President Putin saying Russia will consider redirecting gas supplies away from the EU. Russian gas flows to the EU have fallen substantially in recent years and flows were set to gradually start falling further from April 2026 through until the end of 2027 amid an EU ban on Russian gas imports. This poses risks to the European balance amid the current supply impact from the Persian Gulf. Meanwhile, EU gas storage is tight at less than 30% full and around levels seen at the same stage in 2022.

Putin's threat puts a sizeable amount of supply at risk. In 2025, the EU imported almost 38bcm of natural gas/LNG from Russia, 12% of total EU gas/LNG imports. These imports from Russia consisted of 20bcm of LNG and 18bcm of pipeline flows (via Turkstream).

We believe LNG flows are the key risk. In more normal times it would be more manageable with the global LNG market to see an adjustment in trade flows over time. However, with 110bcm per year of Persian Gulf impacted currently, this would be a challenge for Europe. The tightness in the global LNG market amid Middle East developments means Asian buyers are looking for alternative supply. Spot Asian LNG has traded as much as a \$6/MMBtu premium to TTF this week, although the spread has fallen back to around \$3.40/MMBtu more recently.

Meanwhile, there is probably less risk to the majority of pipeline flows, with Putin likely to continue to supply Hungary and Slovakia. It is also more difficult to divert pipeline flows, unless Turkey takes a portion of this pipeline gas amid LNG shortages. We will need to wait to see how serious Putin's threat turns out to be, and logistically, how easy it would be to divert LNG flows. It would be more doable through spring and summer, as vessels can take the northern route to Asia.

Clearly, this news will only exacerbate supply jitters in the European gas market, leaving upside in the short-term to TTF, assuming markets have to continue to face Persian Gulf LNG supply disruptions.

### **Metals – Aluminium hits 2022 high as Alba declares force majeure**

Aluminium prices surged to a four-year high on the LME after Aluminium Bahrain (Alba) declared force majeure on supply contracts, citing the closure of the Strait of Hormuz.

LME aluminium climbed to \$3,418/t, its highest level since 2022. Alba is one of the world's largest aluminium producers, with output of 1.623 million tonnes in 2025. Any prolonged disruption would have meaningful implications for global supply balances.

The announcement follows additional supply-side stress earlier this week, when Norsk Hydro issued a force majeure notice to customers over shipments from the 636kt/year [Qatalum smelter in Qatar](#). Operations at the facility were affected by Iranian drone strikes, which led to a suspension of natural gas supplies.

Physical markets have responded quickly. European premiums strengthened sharply, with the Rotterdam duty-free aluminium premium rising above \$400/t this week, according to Fastmarkets data. Tjis underscored tightening availability in the region. The Gulf Cooperation Council (which includes Bahrain, Oman, Qatar, Saudi Arabia, UAE) accounts for around 8% of global aluminium output.

We remain bullish on aluminium, with geopolitical risks in the Middle East keeping supply-side concerns firmly in focus and supporting both prices and regional premiums.

In precious metals, gold recovered some of the losses from the previous session as dip buyers

returned to the market. Prices briefly slipped below \$5,000/oz during Tuesday's session, triggering renewed buying interest. Silver also clawed back some losses after dipping below \$75/oz.

Looking ahead, gold faces competing macro forces. The inflationary impact of the Middle East conflict, via sharply higher energy prices, could reinforce expectations of higher interest rates for longer -- a headwind for non-yielding assets such as gold. However, elevated geopolitical uncertainty continues to support a risk premium, helping to underpin prices despite the challenging rates backdrop.

### **Agriculture – Indian fertilizer producers set to scale back**

Indian fertilizer producers are preparing to scale back output given Persian Gulf disruption to LNG flows. Some companies, including Indian Fertilizer Cooperative Ltd., have already reduced operations at certain urea plants, and prolonged disruptions could lead to shutdowns. Rising input costs — notably ammonia and sulphur — are adding further pressure. Extended supply constraints may also force India to rely on higher-priced fertilizer imports ahead of the monsoon. Meanwhile, Pakistan's Sui Northern Gas Pipelines Ltd. has informed customers that it cannot supply LNG to fertilizer plants due to the ongoing conflict.

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