The Commodities Feed: Russian gas flows continue

Oil prices increased yesterday due to supply outages and a weaker USD. Meanwhile, despite Gazprom halting supply to OMV, Russian pipeline gas continues to flow into Europe as usual

Energy – Russian pipeline gas continues to flow

Oil prices rallied yesterday with ICE Brent setting almost 3.2% higher. A softening in the USD supported most of the commodities complex. However, for oil, a halt of production at the 755k b/d Johan Sverdrup field in Norway due to a power outage, and a drop in production at the Tengiz field in Kazakhstan provided further upside. In addition, geopolitical risks between Russia/Ukraine have increased after the US said it would allow Ukraine to carry out long-range missile strikes on Russia.

Despite the strength in the flat price yesterday, the prompt WTI time spread flipped into contango, which points towards a market that looks better supplied. Globally, our balance shows that the market will be in surplus through 2025. However, the size of the surplus depends on what OPEC+ decide to do when it comes to output policy for next year. The group will likely decide on this at their next meeting on 1 December.

In natural gas markets, European prices only edged a little higher yesterday (TTF settled 0.75% up on the day) despite Gazprom deciding to stop supplying gas under its long-term contract with the Austrian energy company, OMV. The halting of this supply was due to OMV saying it would not pay

Gazprom for imports to recoup EUR230m in damages it was awarded in an arbitration. OMV said that potentially 5TWh per month of supply is at risk, which is roughly 500mcm (or less than 20mcm/day). However, while Gazprom has stopped supplying OMV under its long-term contract, we have not seen any meaningful drop in Russian pipeline flows to Europe yet. This suggests that Gazprom is still selling into the spot market in Europe. It is still important to remember that all Russian pipeline flows transiting Ukraine will likely stop at the end of this year when Gazprom's transit deal with Ukraine expires, which is equivalent to around 15 bcm of annual supply.

Agriculture – Sugar rises on Brazil mill closures

Sugar prices extended gains for a third straight session yesterday due to the prospects of sugar mills in Brazil having to shut earlier than expected for the season due to above-average rainfall. While this may impact short-term supply, the rainfall should prove beneficial for 2025/26 sugar production with the crush officially getting underway in April.

The USDA's weekly export inspection data for the week ending 14 November shows that US corn shipments rose while soybean and wheat exports eased over the last week. Export inspections for wheat stood at 196.3kt over the week, lower than 353.4kt in the previous week and 378kt reported a year ago. Similarly, US soybean export inspections stood at 2,165kt, down from 2,363kt a week ago but up from the 1,631.5kt reported a year ago. For corn, US export inspections came in at 820.6kt, compared to 797.2kt from a week ago and 601kt reported a year ago.

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