

The Commodities Feed: Supply risks vs peace talks

Despite the start of talks between the US and Russia, oil prices edged higher with supply risks dominating the market



Source: Shutterstock

Energy Supply uncertainty

The oil market appears to have found some support with ICE Brent edging higher yesterday, moving closer towards US\$76 per barrel. There have been reports that OPEC+ may delay increasing supply to the market. The group's members were set to gradually restore levels to 2.2m barrels per day in April. Concerns over the fragility of the market leaves OPEC+ reluctant to increase supply. A delay could wipe out the surplus we expect for the market this year, which would leave prices better supported.

On top of OPEC+ supply uncertainties, there are concerns over Kazakh oil flows given the repair work needed at a pumping station in Russia damaged by a Ukrainian drone attack. It is estimated to take 2 months. As a result, pipeline operator Transneft says Caspian Pipeline Consortium flows could fall 30%; CPC flows averaged around 1.27m b/d in 2024.

Meanwhile, there are reports that the Group of Seven is considering tightening the Russian oil price cap, currently set at US\$60/bbl, to minimise Russia's oil revenues. However, since its introduction,

the price cap has had limited success. Russia has managed to circumvent it by building up its own tanker fleet. If recent US sanctions against a large share of the Russian shadow tanker fleet are effective, it would likely force Russian crude to use Western shipping services. That would ensure Russian crude trades at, or below, the current cap. This, however, would likely be short-lived as Russia and buyers will find ways around sanctions. Russia, for example, is likely to increase the size of its non-sanction shadow fleet. To be sure, it might seem counterintuitive to see the price cap tighten at a time when the US has started talks with Russia on a peace deal to end the war in Ukraine.

Agriculture – European wheat exports

The latest data from the European Commission shows that EU soft-wheat exports for the 2024/25 season stood at 13.3mt as of 16 February, down 36% year on year. The decline was largely driven by France, where excessive rains impacted crop production. Global wheat prices have had a strong start to 2025 with CBOT wheat up close to 10% so far this year -- and with expectations for further tightening in the global wheat balance.

Weekly export inspection data from the USDA for the week ending 13 February shows US corn shipments rose, while wheat and soybean exports slowed. US weekly inspections of wheat for export stood at 249.8kt, down from 570.3kt, in the previous week and 420.3kt a year ago. Similarly, US soybean export inspections stood at 720.3kt, down from 1,097.4kt a week ago and 1,291.7kt for the same period last year. And US corn export inspections stood at 1,611.5kt, compared to 1,355.2kt a week ago and 1,052.2kt for the same period last year.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom

this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.