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The Commodities Feed: UAE exit from OPEC marks a big shift in oil market

The UAE's exit from OPEC is a big blow to the group, though it will have little impact on the market in the short term amid ongoing supply disruptions. Clearly, there may be more upside to oil supply post-Iran war



Energy – UAE set to leave OPEC

The big development in oil markets yesterday was news that the UAE is set to leave OPEC from 1 May. This is a significant move and will be a big blow to OPEC. It's the highest-profile exit from OPEC in recent years. Prior to the Iran war, the UAE was pumping 3.4m b/d of crude oil (February 2026), making up around 12% of total OPEC output and the third-largest producer within the group. The UAE's departure will reduce OPEC's effectiveness in managing and influencing the global oil market through supply measures.

The UAE's exit will increase output, with current production capacity of around 4.85m b/d and plans to reach 5m b/d by 2027. However, before this can be tapped, there must be a resolution in the Persian Gulf that allows for uninhibited energy flows through the Strait of Hormuz once again. Therefore, in the short term, this development has little impact on the market. But in the medium to longer term, it means more supply for the market. This suggests that the Brent

forward curve should move into deeper backwardation.

The UAE has been increasingly frustrated over recent years by its output being constrained by OPEC production quotas, which have kept it well below its potential. In 2024, UAE crude oil production averaged 2.95m b/d- well below capacity.

The timing of the exit was planned well; announcing a departure during a period of significant supply disruption limits the market impact. Had this been announced any other time, we would likely have seen more downward pressure on oil prices.

This would certainly be welcomed by President Trump, as it erodes OPEC's influence in the oil market, while it should also be beneficial for importers and consumers. The other factor to monitor is whether the UAE's exit will lead to further fracturing amongst the remaining OPEC members.

However, in the near term, the biggest driver for oil prices remains developments in the Persian Gulf and the timing of a resumption in oil flows through the Strait of Hormuz. [With no signs of an imminent restart in oil flows we have revised higher our oil forecasts for the remainder of the year. We now expect ICE Brent to average \\$104/bbl in 2Q26 and \\$92/bbl in 4Q26.](#)

Metals - Nickel outperforms on tightening supply signals

Nickel prices climbed to their highest levels since mid-2024 amid intensified supply risks in Indonesia. Lower mining quotas and rising sulphur prices are pressuring laterite-based supply chains, raising concerns over near-term availability.

Higher sulphur costs are weighing on HPAL economics and increasing the risk of downstream curtailments. Indonesia's reliance on imported sulphur leaves MHP output exposed to cost inflation and potential disruption, while HPAL remains central to global supply growth.

These pressures are now translating into production risk. Zhejiang Huayou Cobalt plans to cut output at its Huafei project in Weda Bay from May, citing higher sulphur prices. The company expects to reduce production by around 50%. The project accounts for roughly 3% of global nickel output.

This supply-driven backdrop continues to support nickel relative to the broader base metals complex, which remains constrained by macro uncertainty. Further cost-driven curtailments or policy-led supply discipline should keep nickel supported, though weaker risk sentiment may limit follow-through.

Copper, meanwhile, remains more sensitive to the macro backdrop. Prices dropped for a fourth day, amid ongoing geopolitical uncertainty and concerns over global growth. Although improving physical demand signals in China — including tighter inventories after post-holiday restocking — are offering some support, overall sentiment remains fragile. Sustained upside in

copper is likely to depend on clearer signs of easing geopolitical risks and a more constructive outlook for industrial activity.

Agriculture - Another large Brazilian sugarcane harvest

In its first estimates for the 2026/27 season, CONAB expects Brazil's sugar cane production to rise 5.3% year-in-year to 709.1mt. If achieved, this would mark the second-largest harvest on record. The agency said that favourable weather conditions during the crop development phases in 2025 would result in higher yields, rising 3.4% YoY to 77.8t/ha for the 2026/27 season. In contrast, CONAB expects sugar production to fall 0.5% YoY to 43.9mt in 2026/27. A significant share of sugarcane is being diverted to ethanol production, given that sugar prices have been trading below ethanol parity.

India has allowed a further 2.5mt of wheat exports, according to the Commerce Ministry. This raises total approved shipments to 7.5mt for the current year. With the broader export restrictions remaining in place, shipments are allowed on a selective basis to meet food security requests from overseas buyers.

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