

The Commodities Feed: US seeking to control Venezuelan oil unnerves market

Oil prices came under pressure yesterday after President Trump claimed Venezuela is set to sell large volumes of sanctioned crude to the US



Energy

Developments around Venezuela continue to grab headlines, putting further pressure on oil prices. President Trump said that Venezuela will sell up to 50m barrels of sanctioned oil to the US (which could also put immediate pressure on Canadian crude oil flows to the US). This would provide a release valve to Venezuelan oil, which has been struggling to find its way to market thanks to a US blockade on sanctioned tankers leaving and entering the country. Directing this oil to the US may reduce the need for Venezuela to cut output due to storage constraints.

The US Department of Energy said the US has already begun marketing Venezuelan oil globally, while Trump's energy secretary stated that the US intends to control future sales of Venezuelan oil indefinitely. This intent to control Venezuelan oil exports is also clear with the blockade on sanctioned tankers still in place. In fact, the US seized two further tankers yesterday.

The control that the US intends to exert over the Venezuelan oil industry also raises questions over the future of Venezuela's membership within OPEC.

Inventory data from the Energy Information Administration (EIA) indicate that U.S. crude oil inventories fell by 3.83m barrels over the past week. This is the largest decrease since late October. However, changes on the refined product side were more bearish. The EIA reported that gasoline and distillate fuel oil stocks increased by 7.7m barrels and 5.6m barrels, respectively. These builds reflect refinery run rates holding strong, while implied demand for both products came under some pressure over the last week.

European gas prices strengthened yesterday, with TTF settling more than 2.5% higher on the day. Colder weather across parts of Europe and forecasts for colder-than-usual conditions in the coming days is providing support to the market. The current cold snap has led to a recent acceleration in storage declines. EU gas storage is now 58% full vs a 5-year average of 72%. The latest positioning data indicate that investment funds reduced their net short position in TTF for the third consecutive week. Funds bought 6.2TWh over the last reporting week, leaving them with a net short of 72.4TWh.

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