

The Commodities Feed: EU bans Russian seaborne oil imports

Your daily roundup of commodities news and ING views



Energy

EU members have finally agreed to a ban on Russian oil. However, the agreement has been watered down quite a bit from the original proposal. Instead of targeting all Russian crude oil imports, the EU will ban imports of Russian seaborne crude oil over the next 6 months. This would ensure supply to landlocked countries in the CEE, which are very dependent on Russian pipeline supplies. In theory, this should mean that around two-thirds of the roughly 2.3MMbbls/d of Russian oil imported will be affected. However, in practice, we believe that volumes will fall even further. The largest recipients of oil from the Druzhba pipeline are Germany and Poland, and both countries have already said that they aim to reduce Russian imports to zero. So, the ban could target closer to 90% of Russian flows to the EU. It is unlikely that this will be the final deal, as the EU will work towards reducing the dependency of Hungary and other CEE countries on Russian oil in the longer term. The full details of the agreement are yet to be published. This move is supportive for prices. However, the market has had a month to digest the potential ban, and so we suspect it is largely priced in already. This is reflected in the price action in early trading in Asia this morning.

There were also further developments in the European natural gas market yesterday. Gazprom is set to halt gas flows to the Netherlands starting today after GasTerra refused to agree to Russia's new payment terms. The amount of gas supply affected will be around 2bcm between now and October, which is when the supply contract was set to expire anyway. The Netherlands should be

able to make up for these lost flows, given the strong LNG imports that we have seen this year. In addition, we are also seeing stronger gas flows from the UK via the BBL pipeline. The Netherlands is the fourth country after Poland, Bulgaria and Finland to see Russian gas flows halted. On an annual basis, these countries import roughly 20bcm of Russian gas, which is around 13% of total Russian gas flows to the EU. This will likely increase in the coming days, and it looks as though Denmark will also see flows stop, with Danish firm, Orsted, also refusing the new payment terms. Orsted has a long-term contract with Gazprom for 2bcm per year.

Metals

Shanghai's reopening plan and relatively benign dollar conditions spurred a rally across the industrial metals sphere. Beijing unveiled fresh guidelines to boost high-quality growth in clean energy during the new era. The country vowed to speed up the construction of major wind and solar farm projects while reiterating the aim of having 1.2 bln kilowatts of such capacity by 2030. The latest guidelines were put together by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) and were published by the General Office of the State Council. The support from authorities should increase the odds that the renewable energy sector will continue to see strong growth and support the demand for metals such as copper and aluminium.

Nickel continued its strength from last Friday and broke above US\$30,000/t on Monday amid a very thin market. The 3M contract touched an intra-day high of US\$30,610/t, the highest since 5 May. Speculation has grown that Indonesia may throw tariffs on nickel exports with a nickel content below 70%, which was mentioned by an official last week at a conference. However, there hasn't been any confirmation on the details of the tariff and the timing. According to MySteel, the China market continues to see inventory drawdowns in aluminium ingots and billets. Total ingot inventory has declined to 954kt as of Monday (-14kt from 26 May), while billets fell to 152.5kt. Meanwhile, LME total aluminium stocks have fallen to more than a two-decade low of 467kt.

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