

# The Commodities Feed: European gas surges on payment uncertainty

Your daily roundup of commodities news and ING views



Gas storage tank

## Energy

Oil prices surged by more than 5% yesterday, which saw Brent settling above \$120/bbl. A key driver for the move appears to be further supply disruptions from the Black Sea. The Caspian Pipeline Consortium terminal on Russia's coast has suspended the loading of cargoes due to damage caused by bad weather recently. It is expected that this disruption could last for weeks and could see exports fall by 1MMbbls/d. The terminal exports oil from Kazakhstan which arrives at the terminal by pipeline. Clearly, this disruption comes at a bad time for the oil market, which is already dealing with significant tightness due to the self-sanctioning of Russian oil.

The latest numbers from the EIA show that US commercial crude oil inventories declined by 2.51MMbbls over the last week, although when factoring in SPR releases, total crude inventories fell by 6.7MMbbls. The drawdown in stocks was largely driven by an increase in export volumes with them growing by 908Mbbls/d over the week. In addition, refinery run rates edged higher, which saw crude inputs increase by 277Mbbls/d. However, crude oil stocks did increase by 1.24MMbbls at Cushing. This is the second week where inventories at the WTI delivery hub have edged higher, and so likely easing some concerns over tank bottoms. Although for now, this is not reflected in the prompt WTI time spread, where the backwardation has only deepened in recent days. Refined products saw a further decline in inventory levels, with gasoline and distillate fuel oil stocks falling

by 2.95MMbbls and 2.07MMbbls respectively.

---

## *The European natural gas market saw significant strength*

---

The European natural gas market saw significant strength yesterday, rallying by more than 18% and seeing prices briefly breaking above EUR130/MWh. The catalyst for the move was an announcement that Russia would require all countries they deem as 'unfriendly' to pay for gas in rubles. Given that the EU is classed as 'unfriendly' this would apply to gas flows to Europe. It would appear that the move is an attempt to prop up the ruble, which has come under pressure since the implementation of sanctions. However, this move leaves plenty of uncertainty in the gas market. Under contracts, unless there is an option for ruble payment, it may be difficult to implement. Several European buyers have already said they will continue to pay in euros, given that their contracts do not allow for such a change. However, if Russia insists on ruble payment, this would potentially leave other parts of these contracts open to renegotiation, such as their duration. The other issue is that even if a buyer is willing to pay in rubles, it may prove quite challenging given the sanctions put in place against a number of Russian banks. Clearly, the uncertainty over how this will play out means that European prices will likely remain well supported.

The European Commission (EC) yesterday also put forward proposals to ensure adequate natural gas supply over the winter. The EC is proposing that gas storage will need to be at least 80% full by 1 November. This will then increase to 90% in the following years. There will also be intermediary targets during the injection season that storage operators will need to meet. In addition, the EC is proposing a new mandatory certification for all storage operators. This would be to reduce the risk of outside influence on what is classed as critical infrastructure. Non-certified operators would have to give up control of their EU gas storage facilities. In cases where such divestment is necessary, the operator would receive 'fair compensation' for storage facilities.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.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 <http://www.ing.com>.