

The Commodities Feed: Hurricane Ida aftermath

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Energy

Oil markets edged higher yesterday, following uncertainty around the impact of Hurricane Ida on oil & gas infrastructure in the US Gulf of Mexico (GoM). The latest data from the Bureau of Safety and Environmental Enforcement (BSEE) shows that as of yesterday, 94.6% of offshore US GoM oil output remains shut-in. This rate compares to 95.65% the previous day. It will take several days at least for output to return to normal as operators will need to assess any potential damage to offshore platforms. [As mentioned in yesterday's note](#), it will be important for the market (particularly refined products) to get a gauge of how quickly crude oil output is restored relative to refinery operations. In excess of 2MMbbls/d of refining capacity has been shut due to Hurricane Ida.

In the past, it has taken longer for refining capacity to return to normal. Infrastructure needs to be assessed for damage, while those refiners who lost power will need to wait for it to be restored. If this is the case, it suggests that we could see further upside in refined product cracks. Reports that the Colonial pipeline was scheduled to restart line 1 and line 2 on Monday evening will be welcome news for the US East Coast. The pipeline, which carries gasoline, diesel and jet fuel from the Gulf Coast to the East Coast, was temporarily shut over the weekend as a precautionary measure

during the storm.

US natural gas prices have also been well supported through the storm. Almost 94% of offshore US GoM natural gas production was shut-in. This resulted in Henry Hub trading above US\$4.50/MMBtu at one stage yesterday - the highest level since late 2018. However, European and Asian gas markets have also seen some significant strength. TTF hub prices in Europe are flirting with the EUR50/MWh level, while spot LNG in Asia is nearing US\$18/MMBtu. There is uncertainty over the impact that Hurricane Ida will have on LNG exports from the US Gulf, and this uncertainty is reflected in global prices.

OPEC+ will meet tomorrow and according to Reuters, OPEC+ sources have suggested that the group's output policy will remain unchanged. This means that 400Mbbbls/d of crude oil production will be brought back in September. It appears as though tomorrow's meeting will be a non-event.

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