

# The Commodities Feed: Oil supply risks linger

Your daily roundup of commodity news and ING views



Oil prices are trading softer this morning, with further talks between the US and Iran planned for Thursday

## Energy

Oil prices continue to edge higher on the back of supply concerns. WTI briefly traded above US\$80/bbl for the first time since mid-November, whilst Brent managed to break above US\$82/bbl. In North America, freezing conditions have disrupted crude oil flows. Oil production in Alberta, Canada, has reportedly slowed due to extremely cold conditions. The 590Mbbbls/d Keystone pipeline, which carries crude from Alberta to the US, was also temporarily shut earlier in the week, although operations have resumed since. In the US, freezing conditions are reportedly starting to have an impact on oil output in the Bakken region in North Dakota. North Dakota produced a little under 1.1MMbbbls/d over the first 10 months of 2021 and so the impact from any disruption should be less significant than what the market witnessed in February last year with the big freeze in Texas. In addition, one would expect that operators in North Dakota are better prepared for cold conditions compared to those in Texas.

Protests in Kazakhstan are also a worry for the oil market. Kazakhstan is a large oil producer. Kazakhstan is allowed to produce 1.59MMbbbls/d under the OPEC+ deal in February. The largest oil field in the country, Tengiz, has had to adjust production levels due to logistical issues without saying how much production has actually been affected. The Tengiz oilfield has a capacity of

around 600Mbbbls/d (although it is in the process of expanding to somewhere in the region of 850Mbbbls/d).

Finally, Saudi Aramco announced its official selling prices (OSP) for its crude for the month of February. The OSP for Arab Light into Asia was cut by \$1.10/bbl, leaving it at \$2.20/bbl over the benchmark. Cuts were largely expected, particularly with Saudi Arabia increasing output in accordance with the OPEC+ deal. Aramco also cut OSPs for all other grades of crude into Asia, whilst Europe also saw some small reductions. However, values into the US were left unchanged MoM.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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 [www.ing.com](http://www.ing.com).