

The Commodities Feed: The big chill

Your daily roundup of commodity news and ING views



ice rig

Source: shutterstock

Energy

Freezing conditions across the US continue to affect US energy production, with NYMEX WTI edging closer towards US\$62/bbl. It has become clearer that the impact from this cold weather has been much more severe than the market was initially expecting. Bloomberg reports that US oil output has fallen by 4MMbbls/d, a significant amount, representing almost 40% of total US oil output. However while US oil production has been hit, there is also a clear demand hit for crude oil, with a number of refiners having shut or reduced operating rates as a result of the conditions and power outages. It is estimated that around 3.6MMbbls/d of refining capacity has been idled, and for now at least, crude oil production losses appear to exceed the fall in refinery operating rates. While the colder weather should be behind us by the end of this week, there is the risk that it takes several days for operations to return to normal after the big freeze.

On the natural gas side, the Texas governor has ordered a halt in gas exports until 21 February, and instead the gas is to be diverted to domestic power generators. This includes the Freeport LNG export facility, where gas inflows to the plant have fallen to zero, according to Platts. Inflows to all LNG export facilities have fallen as a result of the winter storm, with gas inflows to LNG export plants falling to 2.2 Bcf/d on 16 February, compared to around 10Bcf/d seen earlier in February. Platts also reports that there has not been a single cargo of LNG loaded for export since 14 February.

Moving away from the US, and we appear to be seeing OPEC+ oil ministers positioning themselves ahead of the OPEC+ meeting on 4 March, with the Saudi energy minister saying that it is important that the group not be complacent when they meet early next month. The stronger price environment we are currently in will likely see some producers pushing for a more aggressive easing in cuts. However, it seems as though the Saudis are keen to take a more conservative approach, and would support a more gradual increase in production.

Author

Warren Patterson

Head of Commodities Strategy

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>.