

Texas's big freeze pushes oil prices to 13-month highs

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Analysts expect the cold snap in Texas to lead to continuing disruptions to oil supplies for some time more (Photo: Matthew Busch/Bloomberg)

Houston, February 19 (RHC)-- Oil prices have rallied again to hit 13-month highs as concerns that a rare cold snap in the US state of Texas could disrupt crude output in the United States for days or even weeks prompted investors to buy energy futures.

Brent crude climbed 89 cents, or 1.4 percent, to \$65.23 a barrel by 05:24 GMT on Thursday, touching its highest level since January 20, 2020. U.S. West Texas Intermediate (WTI) crude futures gained 66 cents, or 1.1 percent, to \$61.80 a barrel, registering its highest since January 8, 2020.

Both benchmarks rose about \$1 on Wednesday and have gained more than 6 percent since their close last Thursday. "It has become clearer that the impact from this cold weather has been much more severe than the market was initially expecting," commodities strategists Warren Patterson and Wenyu Yao at Dutch bank ING said.

Texas oil producers and refiners remained shut for a fifth day on Wednesday after several days of blistering cold, and the governor ordered a ban on natural gas exports from the state to try to speed up the restoration of power.

About 1 million barrels per day (bpd) of crude production has been shut, according to Wood Mackenzie analysts, and it could be weeks before it is fully restored. Other analysts estimated the drop in output to be as much as 4 million bpd.

Winter storms during the past week in the Midwest, Texas and the South forced water service providers to scramble to manage flows as sub-freezing temperatures set in. Nearly 3.4 million customers around the U.S. were still without electricity on Wednesday.

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"Oil prices got a boost again from expectations that the disruptions of Texas oil producers and refiners due to the cold storm could last for a while," said Hiroyuki Kikukawa, general manager of research at Nissan Securities. "With hopes of fresh U.S. economic stimulus and wider rollouts of the COVID-19 vaccine, oil prices are expected to stay on the bullish trend," he said, predicting that WTI could test a key \$65 level.

In addition, a larger-than-anticipated draw in US crude oil inventories added to supply concerns, said Chiyoki Chen, chief analyst at Sunward Trading. U.S crude oil stocks fell by 5.8 million barrels in the week to February 12 to about 468 million barrels, compared with analysts' expectations for a draw of 2.4 million barrels, American Petroleum Institute data showed.

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