



WEEKLY PROPANE MARKET UPDATE

April 6, 2022

In this week’s Propane Billboard Weekly Report, we have added a special feature section entitled Market Overview. This section will appear in the report when we want to dive into the details of the propane market and provide additional insights.

HIGHLIGHTS

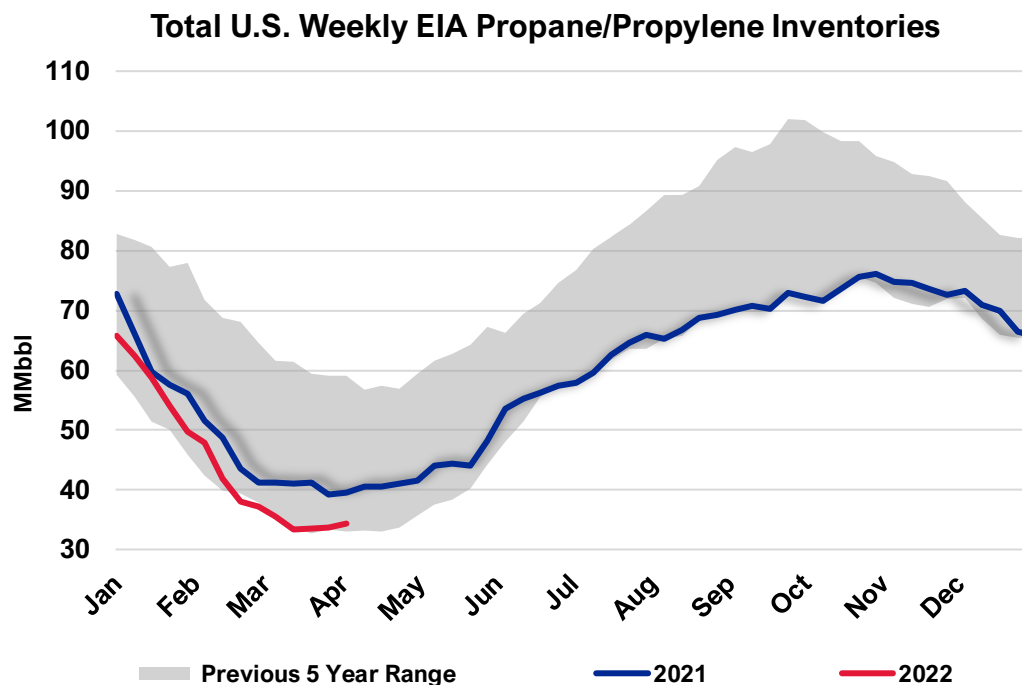
- » Propane prices remain highly volatile, tracking crude oil on average at about 57% of WTI Cushing.
- » EIA Inventories indicated another build today, confirming the end of withdrawal season.
- » EIA’s monthly propane processing plant production numbers for January were lower than expected, down by about 5%.

MARKET OVERVIEW

With last week the official end of propane season, it’s a good time to look back on Winter 2021-22. It’s hard to remember when there has been a propane market quite so crazy, starting off with Mont Belvieu at \$1.50/gal, the highest price in seven years, crashing down to the season low of \$0.96/gal in the dead of winter, December 20, 2021, then marching higher for the remainder of the winter season.

Since January, Mont Belvieu propane prices have generally followed the volatility of crude oil, maintaining a

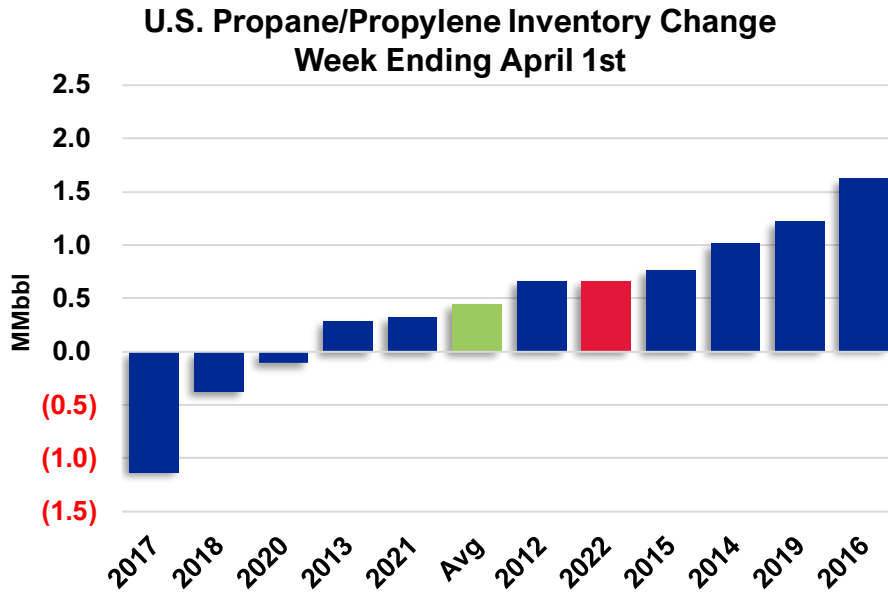
Figure 1



remarkably consistent percentage relationship with WTI Cushing prices, averaging 57%, plus or minus 5% around that number every day. Consequently, propane volatility has mirrored that of crude, which has been buffeted each day by the ongoing turmoil around the Russia-Ukraine war, sanctions on Russia and the fallout of those developments on energy markets. That market environment is likely to be with us until the Russia-Ukraine conflict is no longer headline news each day.

Even with the chaos in pricing, Winter 20-21 turned out to be relatively benign for propane markets. Certainly, the market had to deal with low inventory

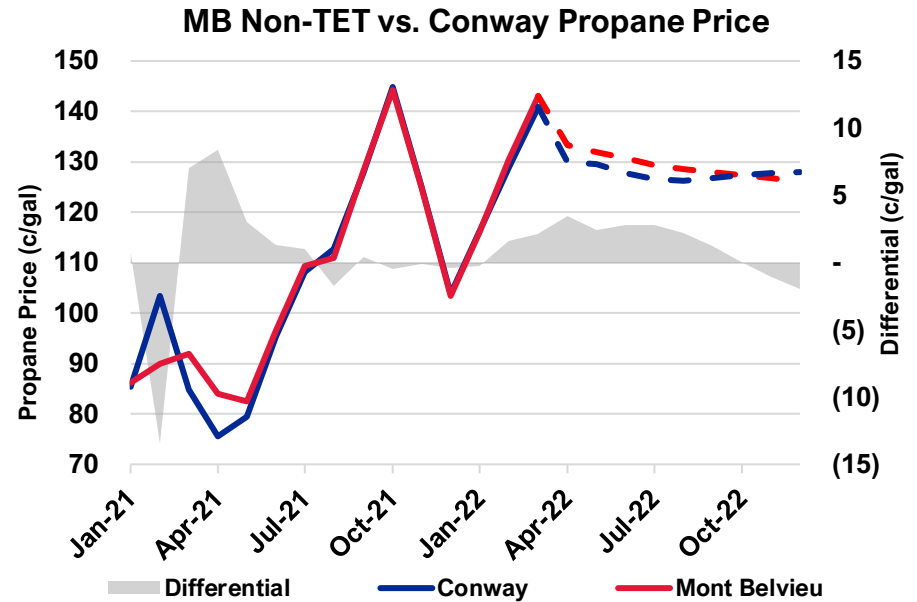
Figure 2



levels, bouts of frigid weather that interrupted supply chains, and difficulties with last mile deliveries to customers. But we did not see sustained period of polar-vortex-like disruptions. There was enough relief from periodic cold shocks to the system for the market to maintain generally adequate flows. Part of that was attributable to a modest crop drying season, so that secondary and tertiary inventories were in good shape going into winter.

Exports remained strong during the winter, but not high enough to inflict significant disruptions on product flows. Enough cargos were ‘bought back’ by terminal operators to keep the market relatively balanced. The one export-related development worth noting was expected, and that was the shift of Canadian propane to the export market, tightening rail supplies into the West Coast and the Midwest. Propane production from gas processing was relatively flat through the winter season, based on EIA weekly numbers. However, according to EIA monthly production data released last week, there

Figure 3



was a sharp production downturn of about 5%. Most likely the decline was due to weather related curtailments but could also indicate lower processed gas volumes. At this point it is not possible to confirm one way or the other, but the data can be reconciled over the next few weeks.

As we enter the summer propane fill season, the big question in front of the market is what will happen to the rate of inventory fill. Will inventories continue to scrape along the five-year minimum level, or will we see stocks replenished back to more ‘average’ inventory levels? We will monitor these statistics carefully in the months to come.

ANALYSIS & INSIGHTS

Today’s EIA report for the week ending April 1st was another small build, showing propane inventories up by 665 Mbbbl to 34.4 MMbbl.

That compares to industry expectations of a much smaller 75 Mbbbl build according to OPIS. Total U.S. inventories are now 5.2 MMbbl below 2021 but have moved up 1.3 MMbbl above the 5-year minimum.

Note that EIA has made a change in its inventory calculation methodology which impacts this week's statistics. We will cover the implications of this change in our Monthly Propane Billboard to be published in a few days.

PADD level inventory changes were similar to last week with the exception of PADD 3 which had its first build in inventory for the year. PADD 3 (Gulf Coast) inventories rose by 377 Mbbbl to 19.4 MMbbl however inventories are 5 MMbbl below 2021 and 740 Mbbbl under the 5-year minimum.

PADD 2 (Midwest) was essentially unchanged from last week with a small decrease of 12 Mbbbl. Inventories are 177 Mbbbl below both 2021 and the 5-year minimum. PADD 1 (East Coast) came in with another build this week by almost the same amount as last week. Inventories grew by 258 Mbbbl are now 676 Mbbbl below the 5-year maximum and 290 Mbbbl over 2021. PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased slightly by 44 Mbbbl and remain below the 5-year maximum by 222 Mbbbl.

Production had a boost of 81 Mb/d to 2,447 Mb/d. Exports still at robust levels rising by 140 Mb/d to 1,211 Mb/d. Imports had a tiny increase of 4 Mb/d to 130 Mb/d. Product supplied dropped by 130 Mb/d to 1,271 Mb/d.

Propane Inventory Change

The change in stocks for the week ended April 1 (red bar, Figure 2) of 665 Mbbbl was slightly above average for this week of the year (green bar). This week's inventory change number is typical for this time of year.

MB Non-TET vs Conway Price

Figure 3 shows average monthly Mont Belvieu (red line) propane prices and Conway (blue line) propane prices since January 2021 to date on the left axis. The grey area is the differential on the right axis. For most of the winter season, the monthly prices were essentially equal, with Mont Belvieu moving to a premium in recent weeks. The forward curve (dashed red and blue lines) indicates a Mont Belvieu premium until Winter 2022-23.

Days Supply

Figure 12 shows days supply using EIA's methodology dividing the level of stocks divided by the four-week average of "product supplied," a surrogate statistic representing domestic demand. On that basis, days supply is up to about 25 days, essentially equal to the five-year low of this metric. Figure 13 is an alternative calculation that divides stocks by product supplied plus exports, and shows only 14 days of inventory, about 2 days below the five-year minimum. The takeaway is that inventories remain low relative to demand.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

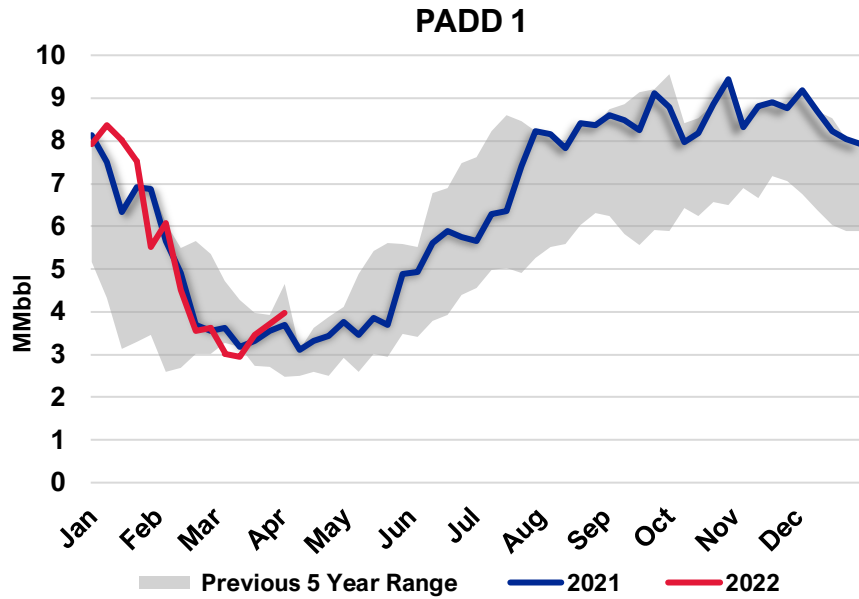


Figure 5

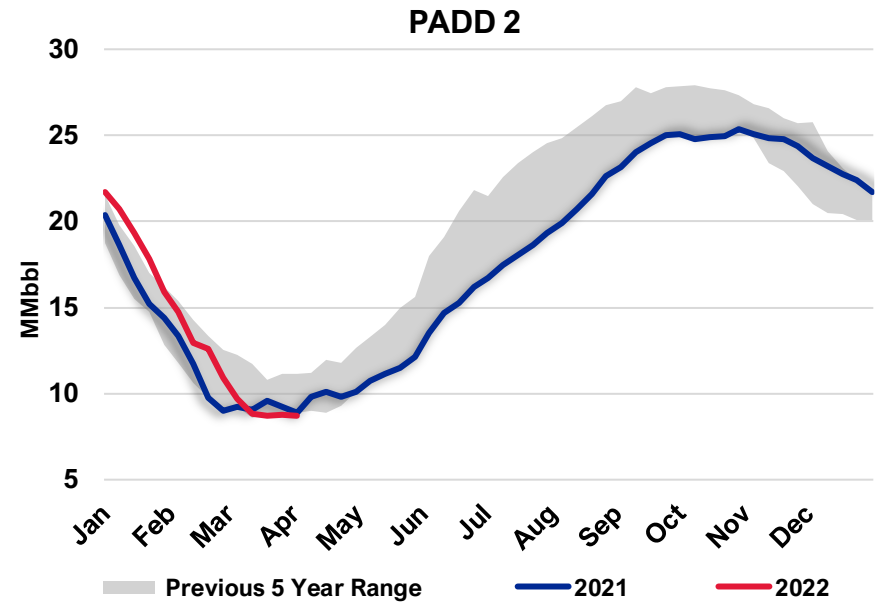


Figure 6

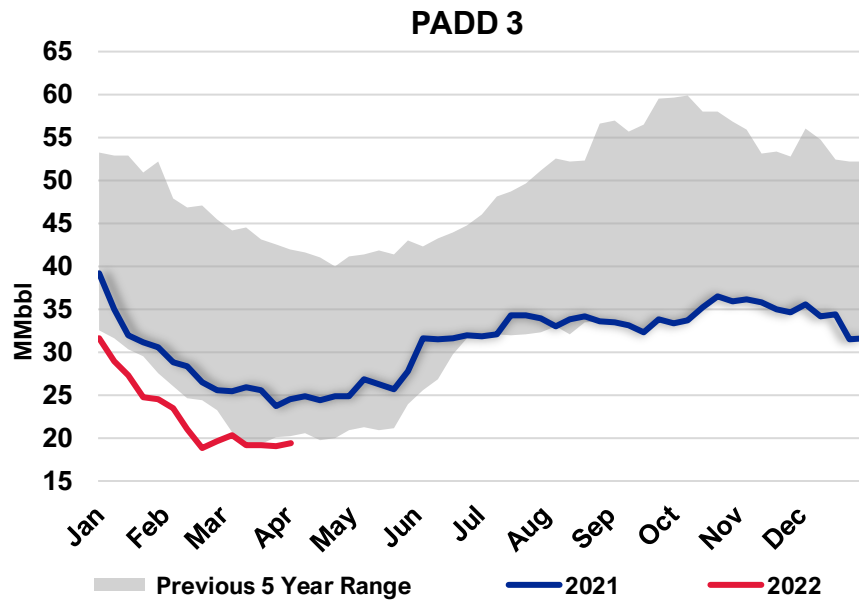


Figure 7

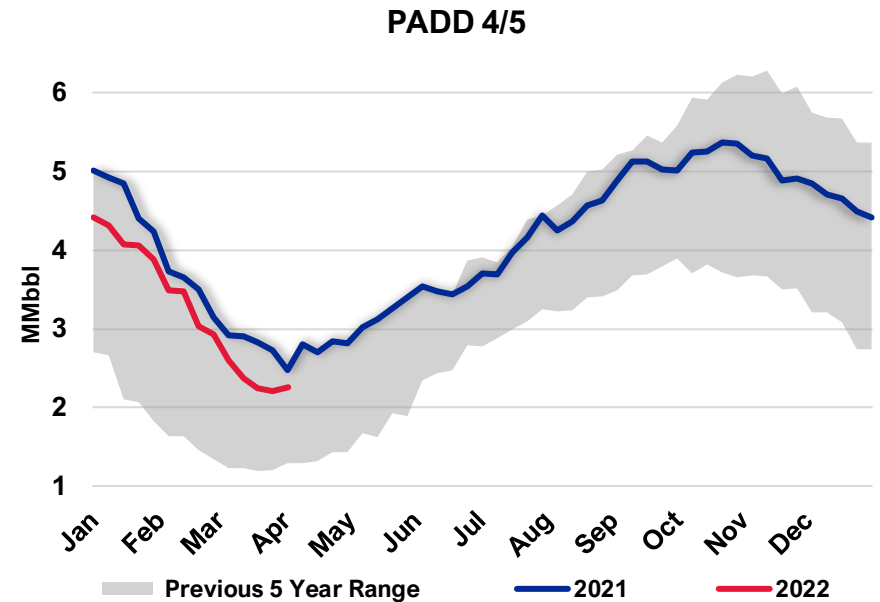


Figure 8

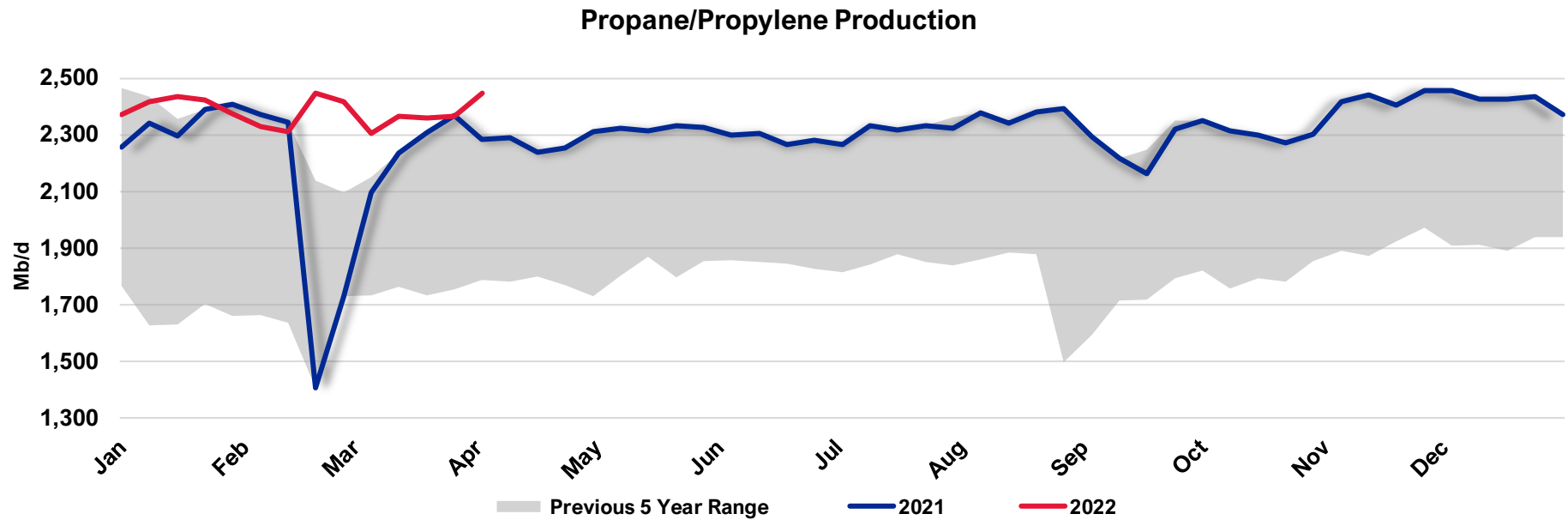


Figure 9

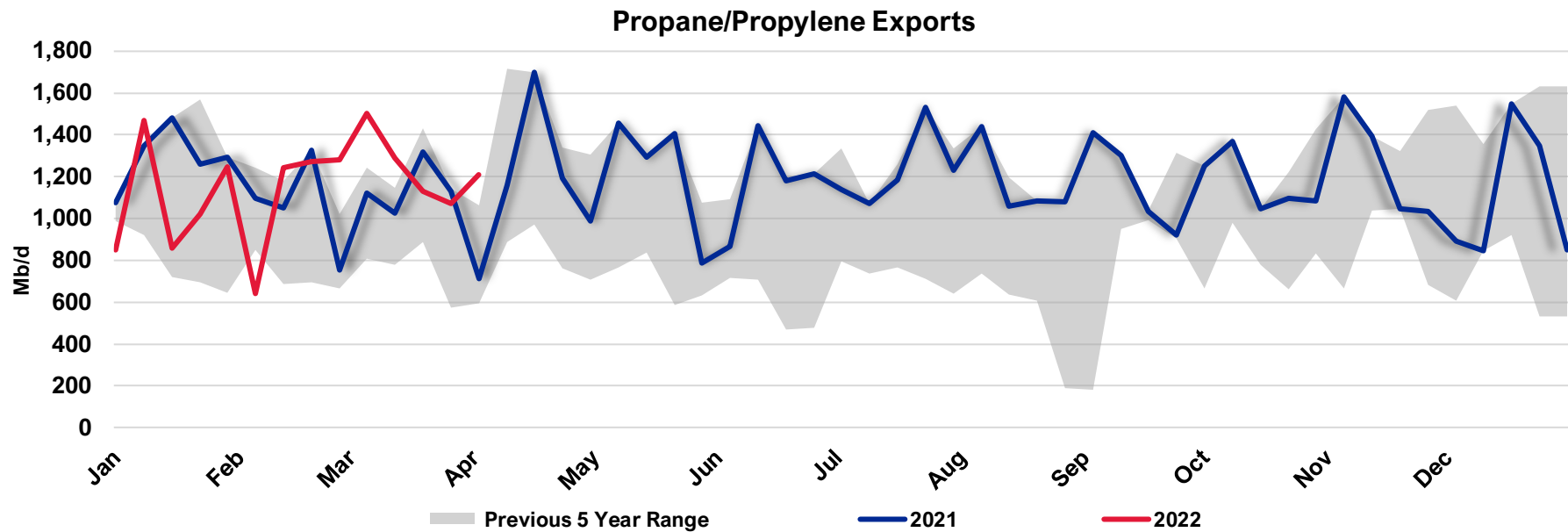


Figure 10

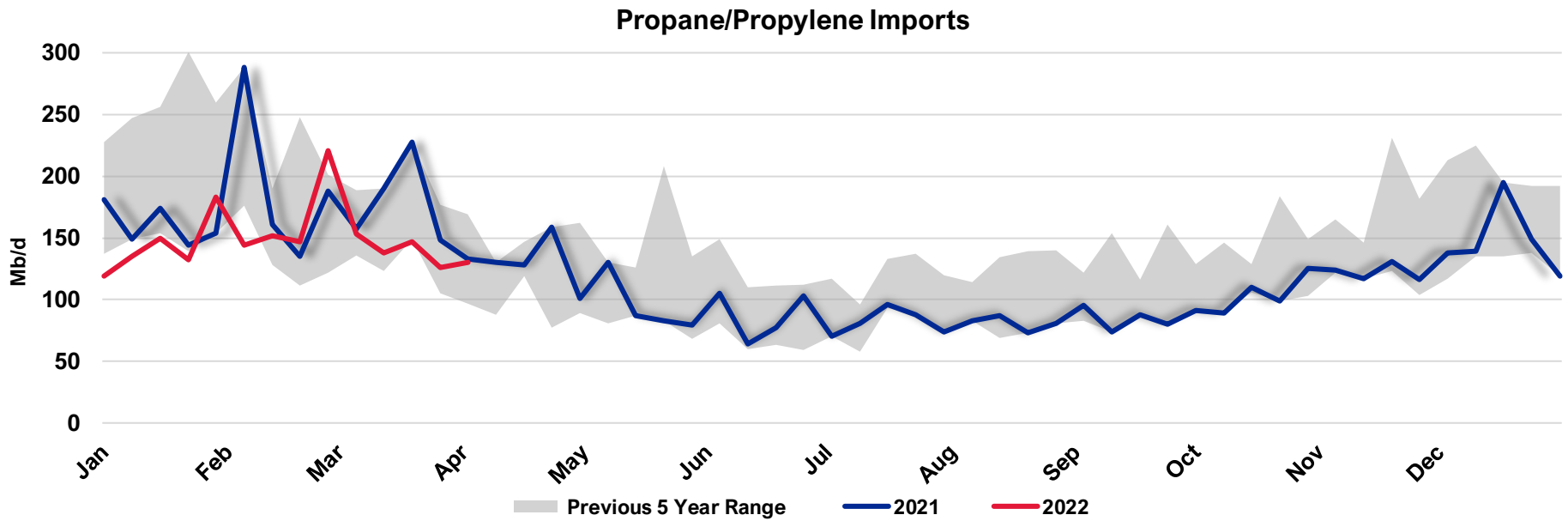


Figure 11

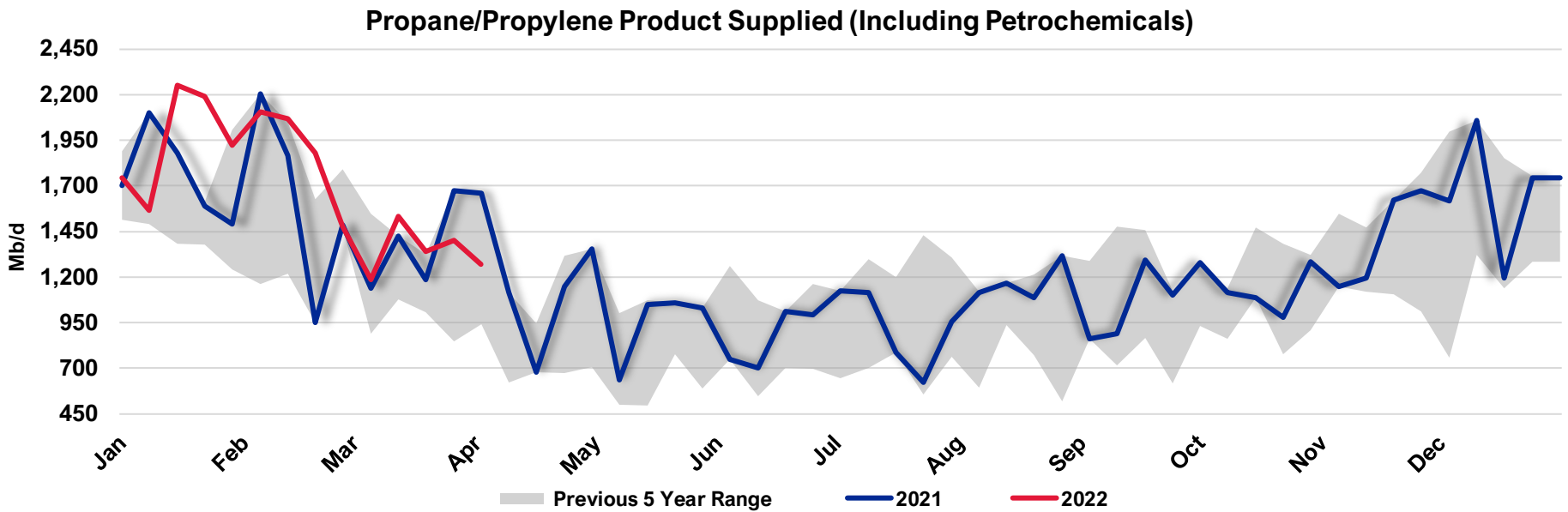


Figure 12

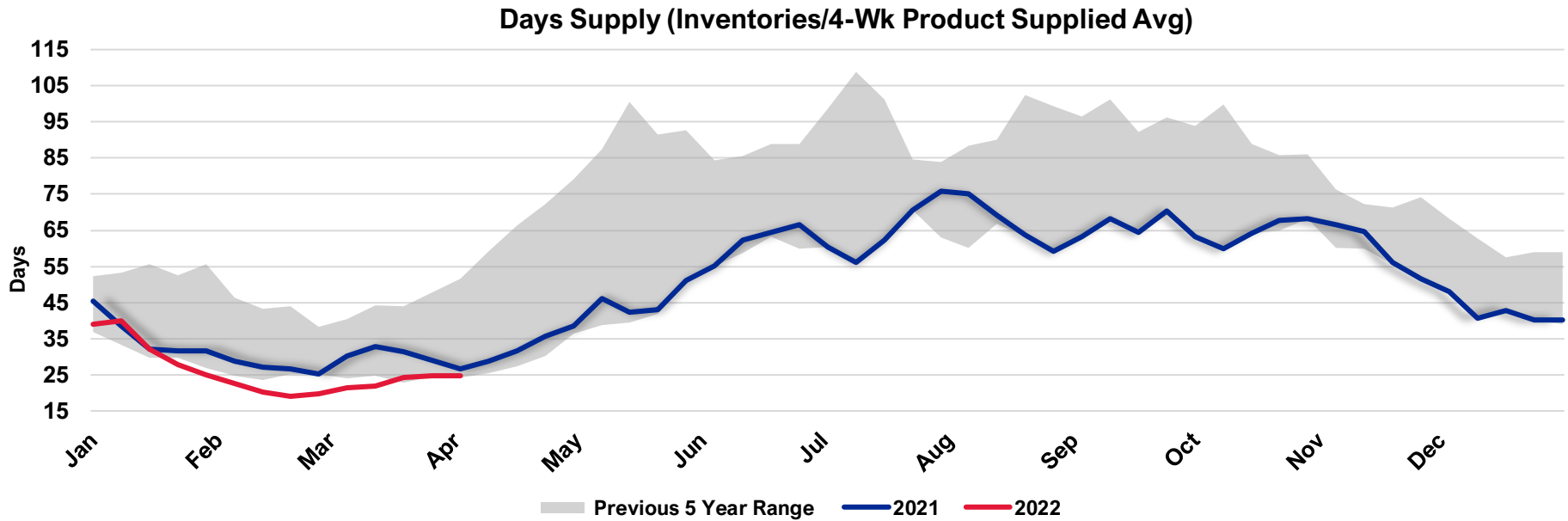
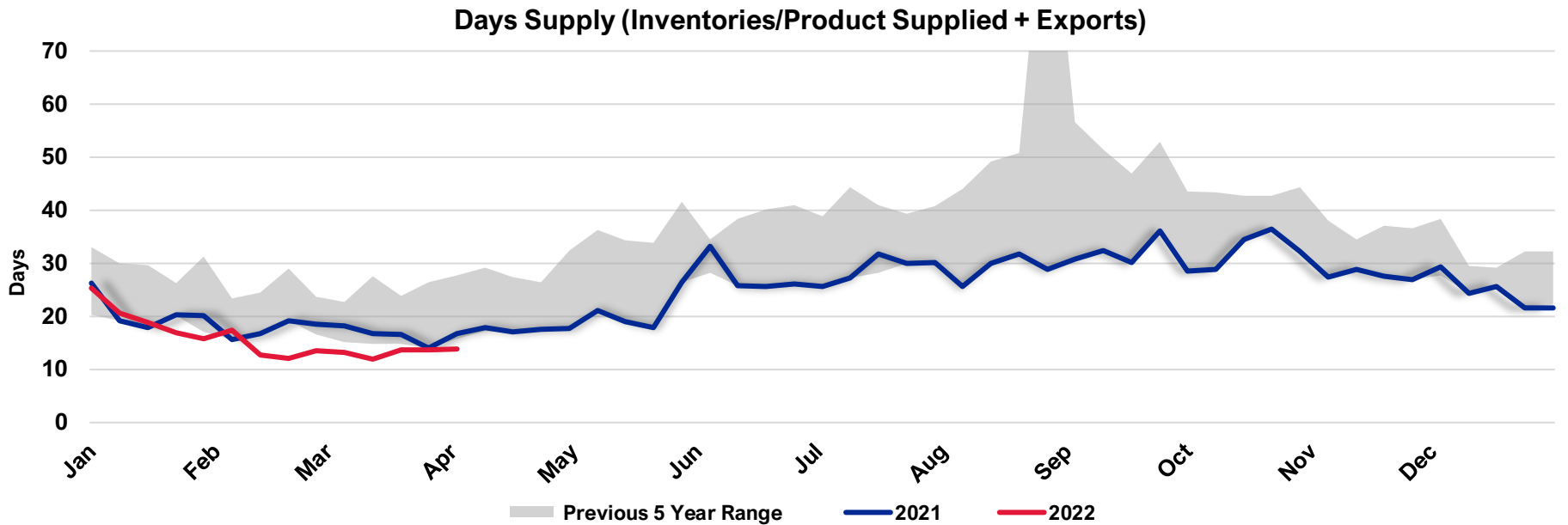


Figure 13



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