



WEEKLY PROPANE MARKET UPDATE

April 20, 2022

HIGHLIGHTS

- » Propane prices traded in line with crude oil over the last week with the WTI Cushing ratio fairly steady at around 54%, the low end of the recent range.
- » The EIA reported today that total U.S. inventories built by almost 1.6 million barrels, well above industry estimates and the 5-year average for the second consecutive week.
- » With exports down and production relatively unchanged from last week, it is not completely clear what is driving the strong weekly stock builds.

MARKET OVERVIEW

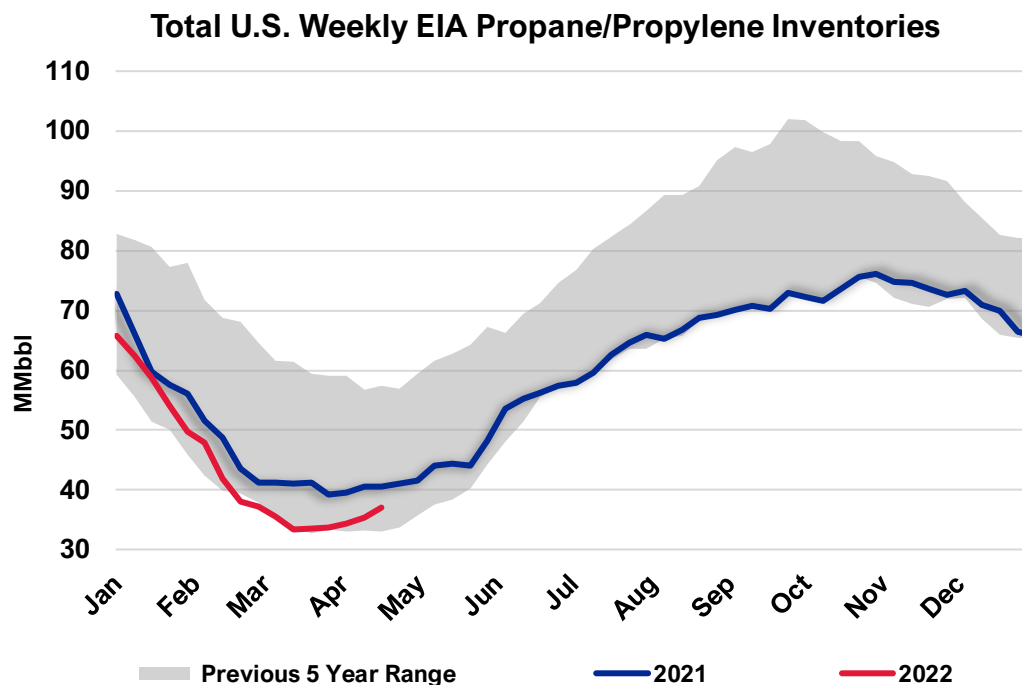
Propane prices continued to be highly volatile, trading in a range between \$1.25/gal - \$1.35/gal, closing at \$1.31/gal yesterday, up 1.2 c/gal from last week. With the extreme volatility in crude oil buffeted by Russia-Ukraine war situation, we expect propane prices to follow every blip in the crude market which likely means a bumpy ride for spring propane.

Over the last week, propane prices moved in tandem with crude oil keeping the ratio to WTI Cushing unchanged around 54%. The forward curve expects propane to hold around 55% of WTI through the injection fill season.

ANALYSIS & INSIGHTS

In today's EIA propane report for the week ending April 15th, propane inventories soared by 1.6 MMbbl to 37 MMbbl. Industry expectations were for a build in inventories less than half that amount. According to OPIS, expectations were for an average build of approximately 705 Mbbl. Total U.S. inventories are now above the 5-year minimum by 4 MMbbl and 3.5 MMbbl below 2021.

Figure 1

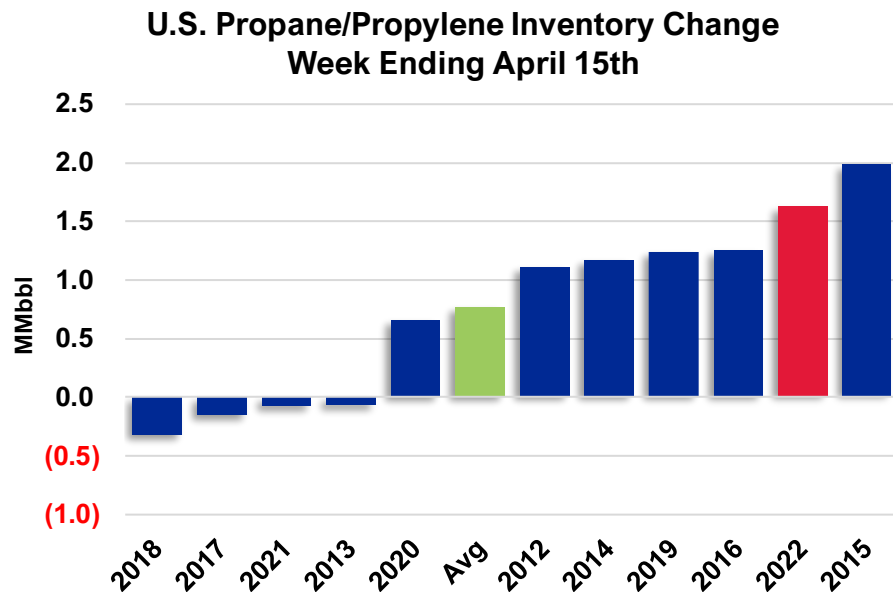


PADD level inventory changes were up however this week, PADD 2 had a drop in inventories. PADD 3 (Gulf Coast) inventories rocketed for the second week with a build of 1.8 MMbbl. Inventories have now surpassed the 5-year minimum by 2.9 MMbbl and are now 1.7 MMbbl below 2021.

Last week we saw PADD 2 (Midwest) inventories increase by 329 Mbbl and this week we saw a drop by almost the same amount. Inventories for PADD 2 fell by 377 Mbbl and are now below the 5-year minimum by 204 Mbbl.

PADD 1 (East Coast) had a slight increase in inventories of 75 Mbbl and are closely tracking 2021 weekly stock level changes. Inventories are below 2021 by 176 Mbbl and in the middles of the 5-year range. They are above the 5-year minimum by 554 Mbbl.

Figure 2



PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories have a similar build to last week with inventories growing by 112 Mbbl. Inventories are below the 5-year maximum and 2021 by 222 Mbbl.

Production was essentially unchanged with a tiny increase of 5 Mb/d to 2,428 Mb/d. Exports declined by 365 Mb/d to 1,205 Mb/d. Imports were down again for the week by 23 Mb/d to 93 Mb/d. Product supplied came back up from last week by 254 Mb/d to 1,083 Mb/d.

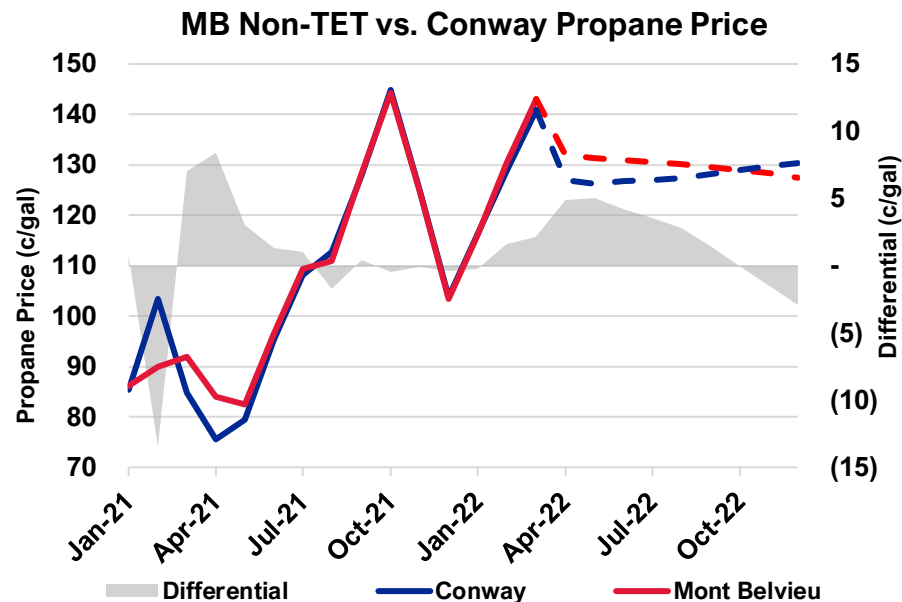
Propane Inventory Change

The change in stocks for the week ended April 15th (red bar, Figure 2) of 1.6 MMbbl was over twice as much as the average for this week of the year (green bar). 2015 was the highest for this week coming in just under 2 MMbbl. The inventory build was robust for the second consecutive week marking a strong start to the injection fill season.

MB Non-TET vs Conway Price

Figure 3 shows monthly average historical and forward propane prices for Mont Belvieu (red line) and Conway (blue line) from January 2021 to December 2022 on the left axis. The grey area is the differential between Mont Belvieu and Conway on the right axis. Over the last week, the

Figure 3



differential has widened noticeably with the Mont Belvieu price premium over Conway increasing by over 1 c/gal for the current injection season (April – September 2022).

Days of Supply

Figure 13 shows days supply using EIA’s methodology dividing the level of stocks by the four-week average of “product supplied,” a surrogate statistic representing domestic demand. On that basis, days supply is up to about 32 days, essentially equal to 2021 and 5 days above the five-year low of this metric.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports, and shows only 16 days of inventory, about 1 day below the five-year minimum. Although the days of supply metrics have improved since the beginning of April, the market remains fairly tight as inventories are below average, production relatively flat and exports are at healthy levels.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

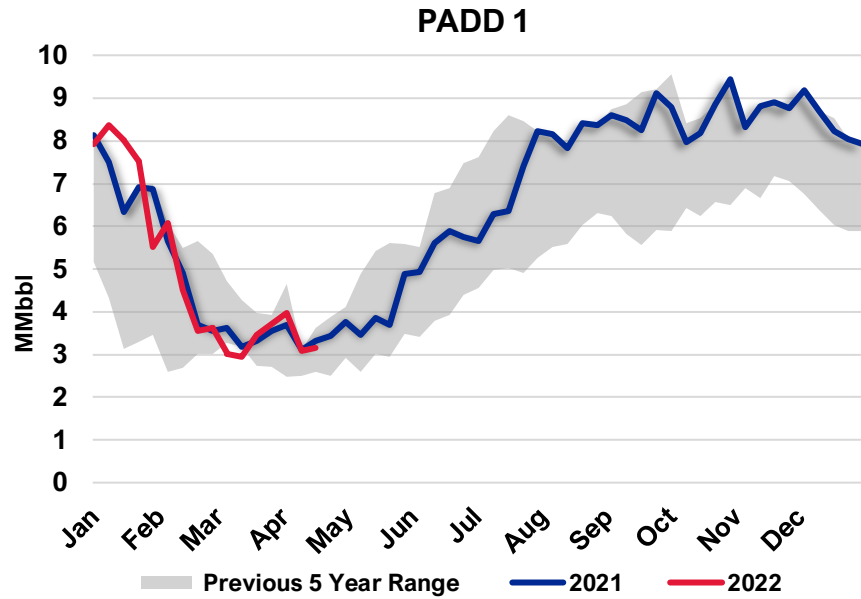


Figure 5

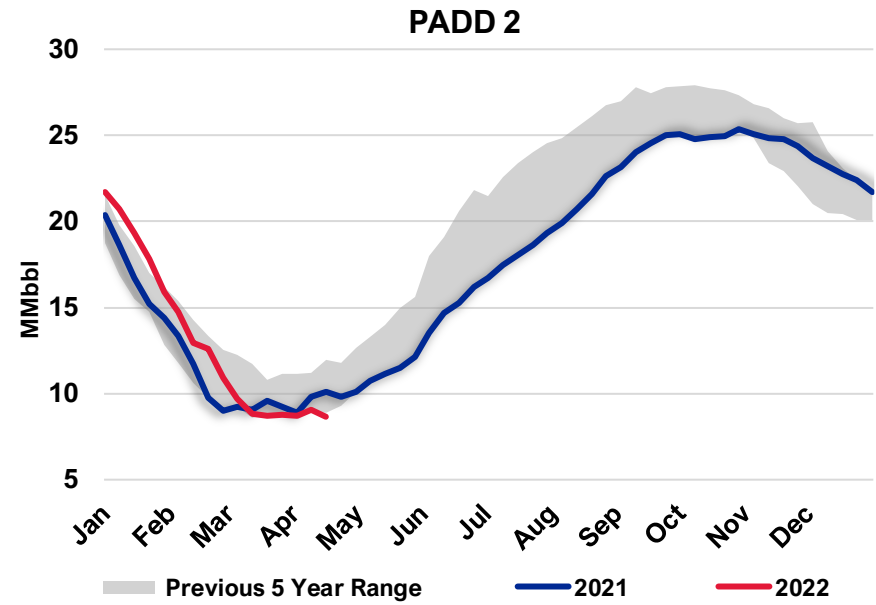


Figure 6

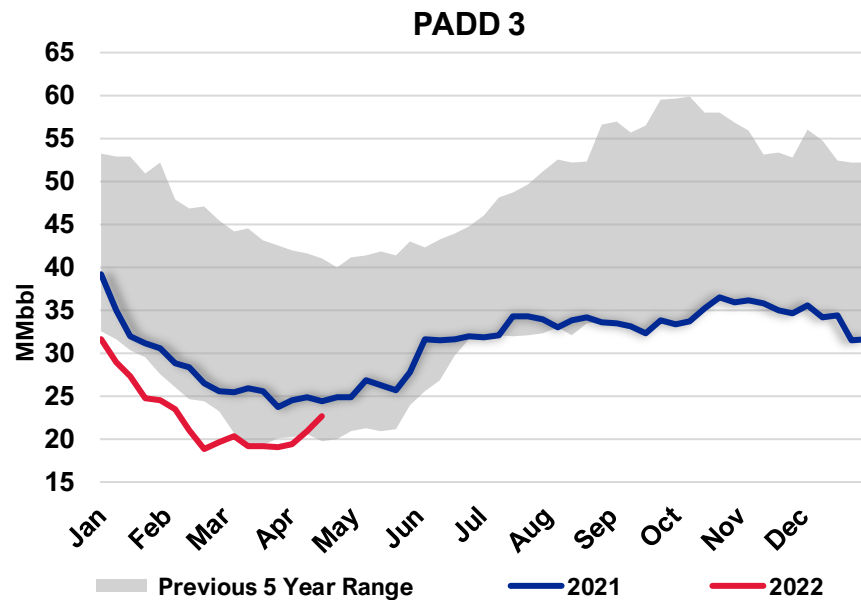


Figure 7

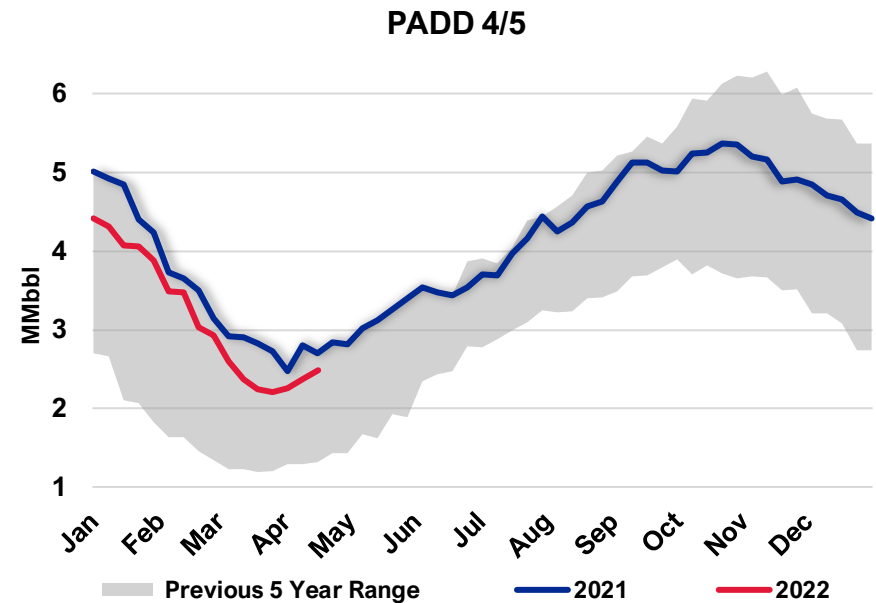


Figure 8

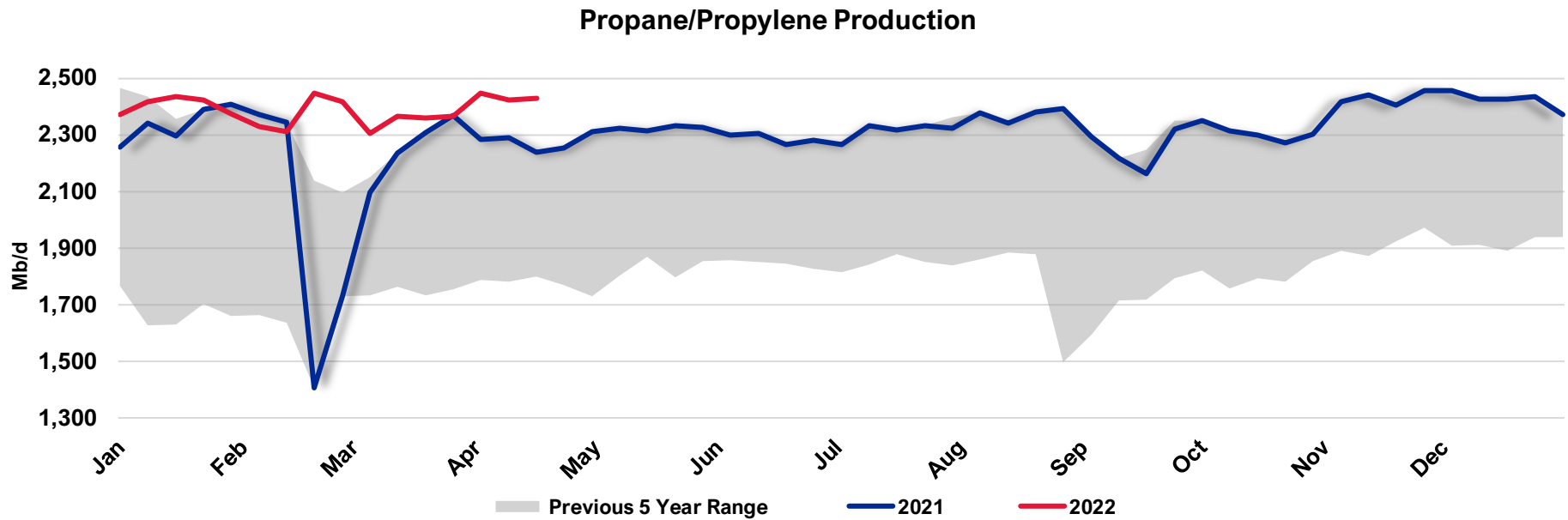


Figure 9

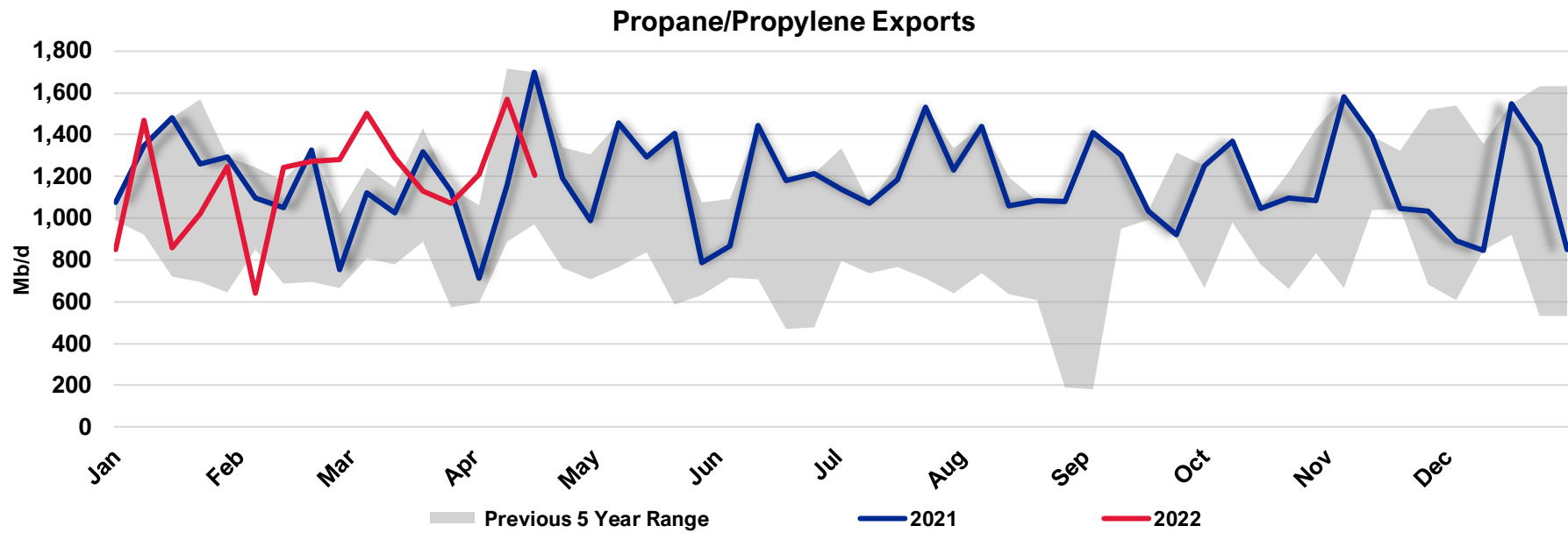


Figure 10

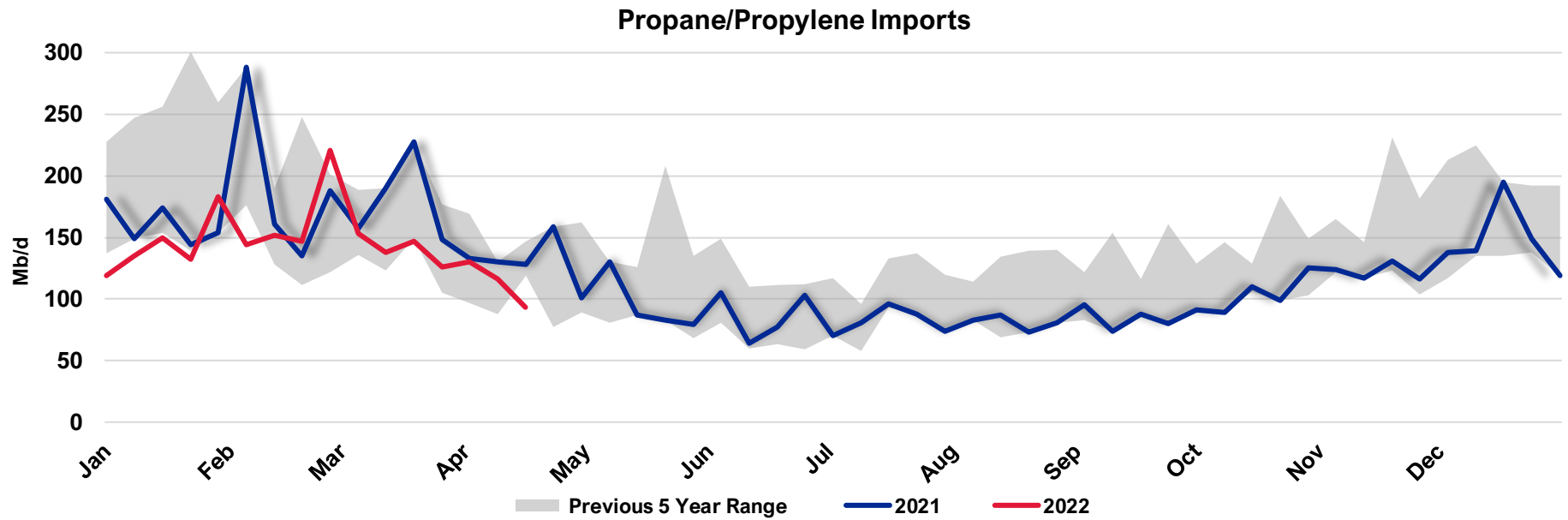


Figure 11

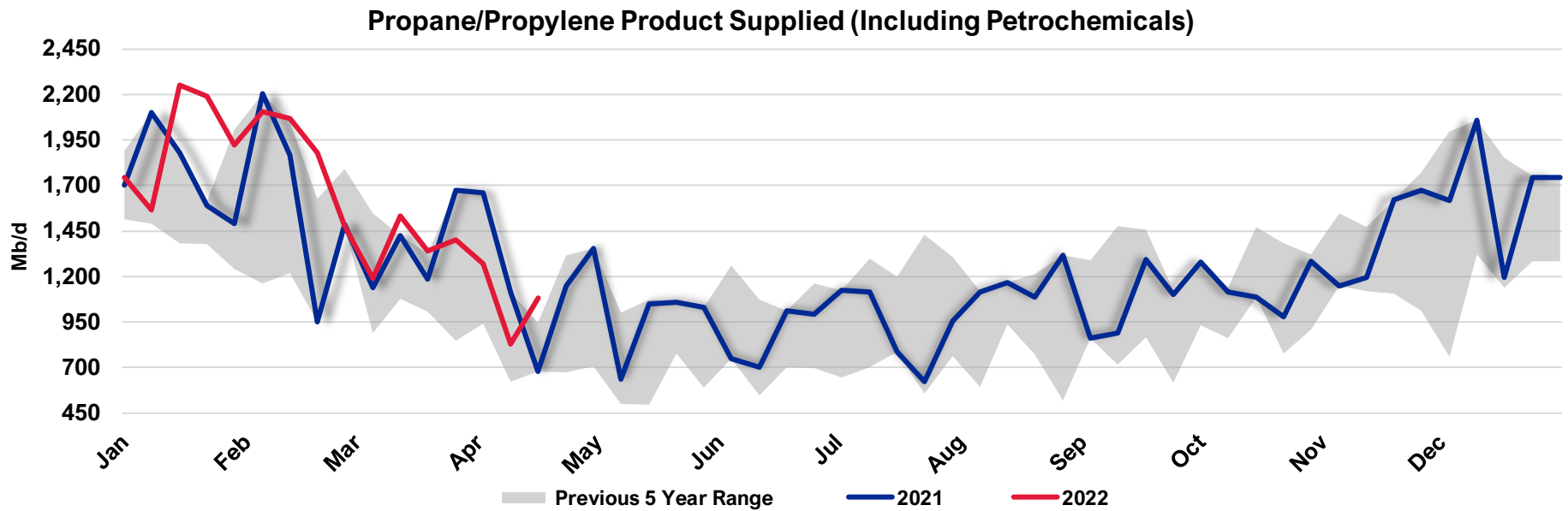


Figure 12

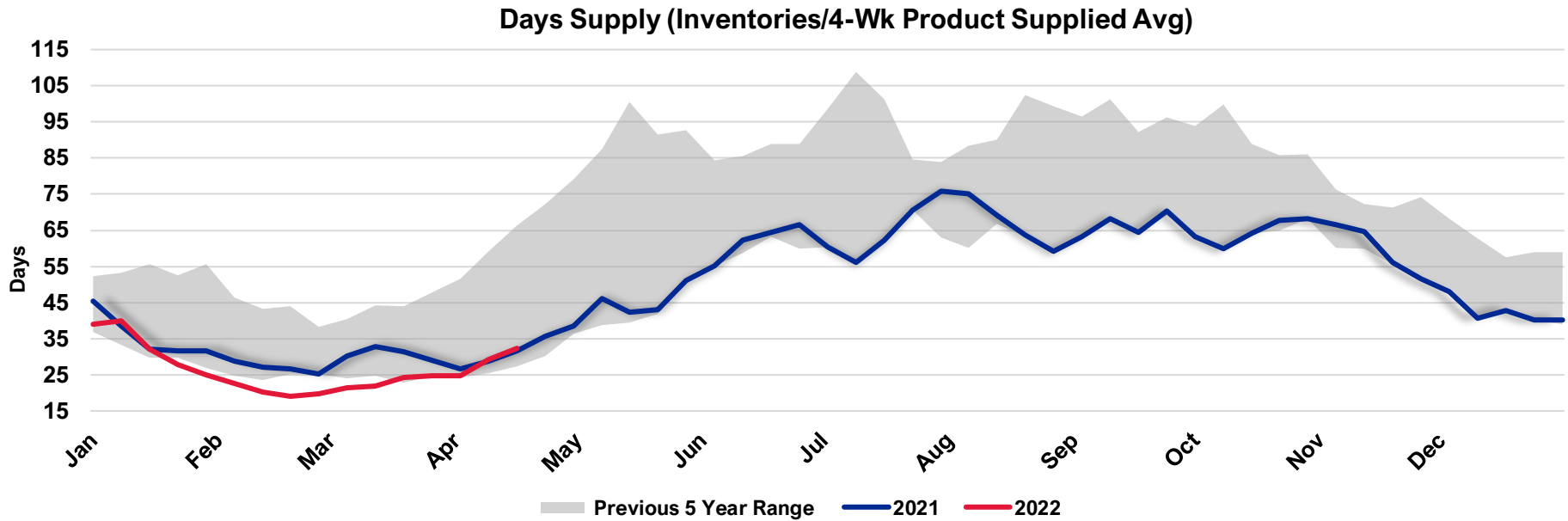
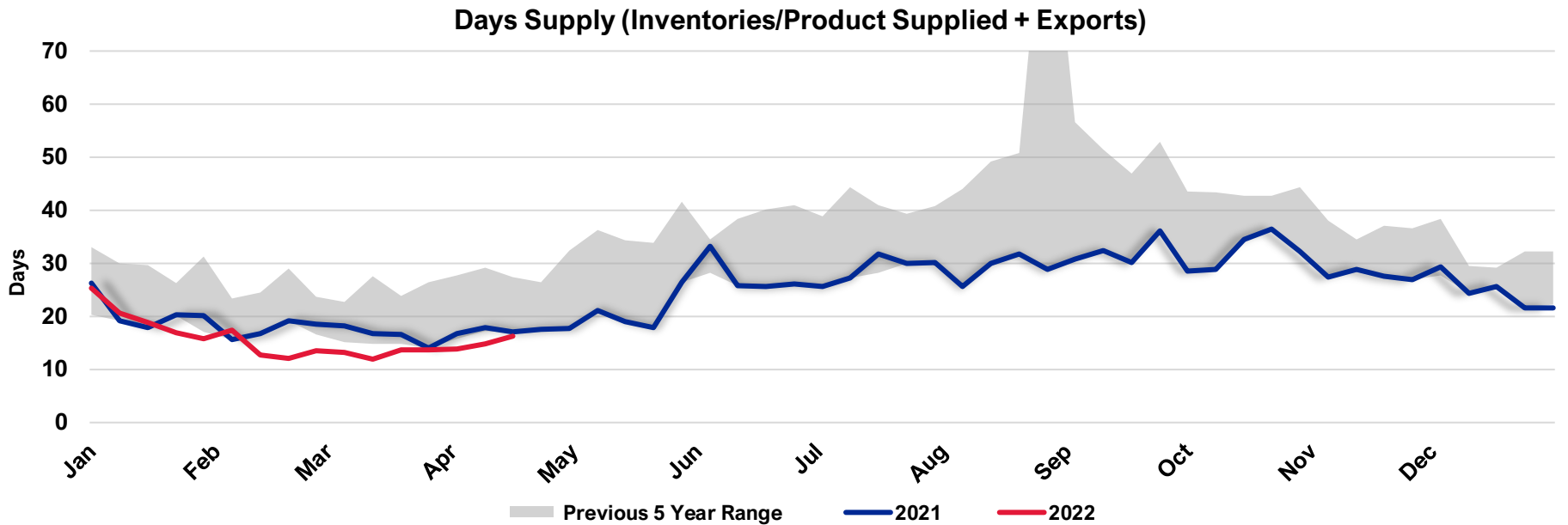


Figure 13



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