



WEEKLY PROPANE MARKET UPDATE

May 11, 2022

HIGHLIGHTS

- » Propane prices ended little changed for the week with the WTI Cushing ratio bouncing back to 50% on May 9, up 1% from the prior week.
- » The EIA reported today that total U.S. inventories built by 3.4 million barrels, well above industry estimates and the 5-year average. The weekly inventory builds have been strong for the injection fill season with most of the stock gains occurring in PADD 3.
- » Total U.S. propane/propylene production recovered by only 53 Mb/d from the prior week's steep decline to about 2.37 MMb/d. Total U.S. production is still over 100 Mb/d below the record high set for the week ending April 22nd.
- » PADD 2 had another small build in stocks for the week but ending inventories remain at low levels for this time of the year.

MARKET OVERVIEW

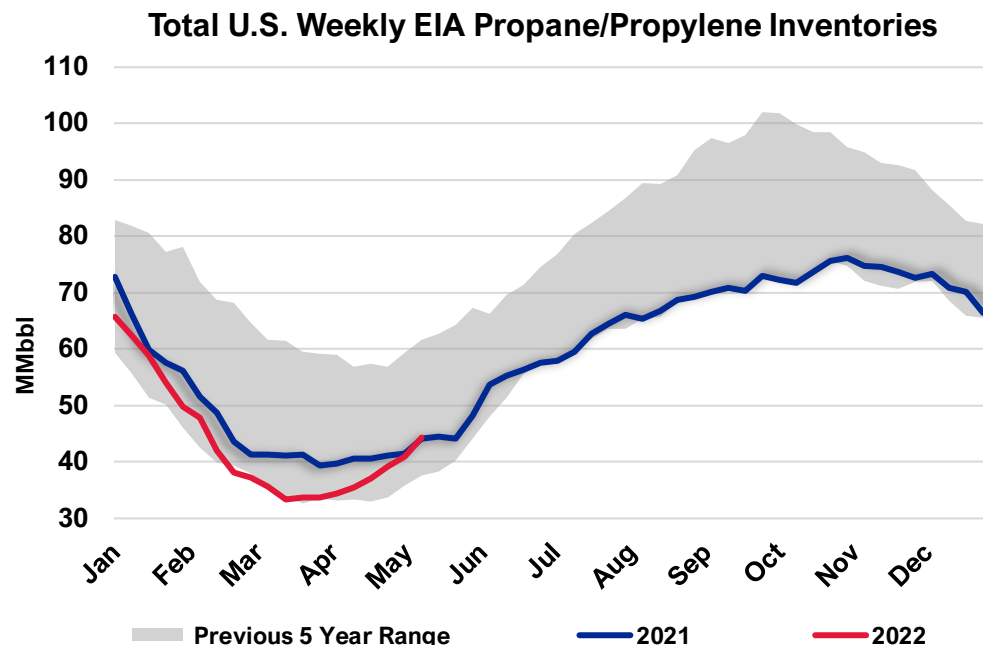
Mont Belvieu propane prices traded in a fairly narrow range for the week, closing at \$1.23/gal yesterday, unchanged from the prior week. Crude oil prices stayed above \$100/bbl, settling at \$103/bbl yesterday, down \$2/bbl for the week.

Propane prices continue to be weak relative to crude oil with the ratio to WTI Cushing hovering around 50%. The forward curves project the propane to WTI ratio to gradually increase over the summer months before reaching a high of 57% in December.

ANALYSIS & INSIGHTS

For the week ending May 6th, propane inventories almost doubled industry forecasts. According to OPIS, expectations were for an average build of only 1.8 MMbbl. In today's EIA propane report, inventories increased by 3.4 MMbbl, bringing total U.S. propane stocks to 44.2 MMbbl.

Figure 1



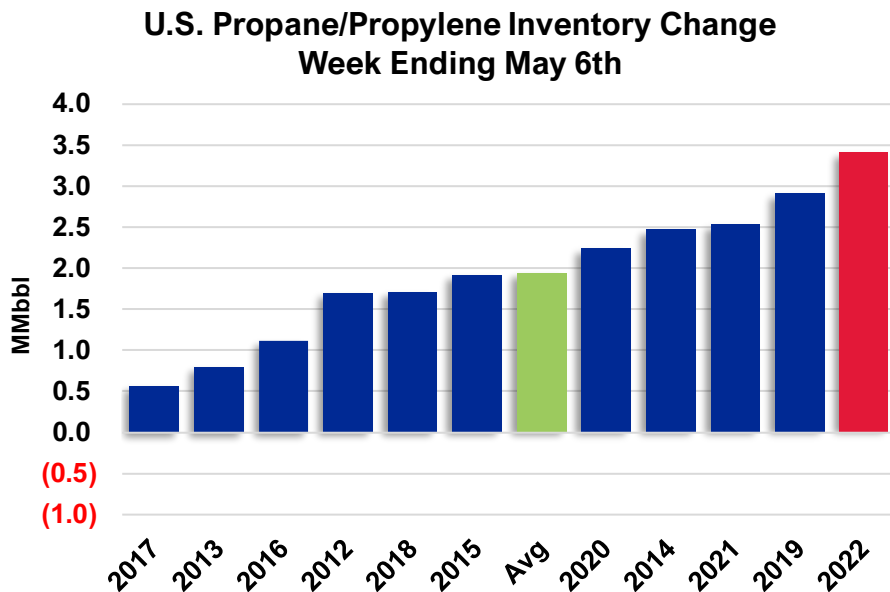
Propane inventories are now over 2021 by 200 Mbbl and cruising above the 5-year minimum by 6.7 MMbbl.

PADD 3 (Gulf Coast) inventories soared this week with a growth of 3.8 MMbbl bringing the total to 29.2 MMbbl. Stocks have now surged passed 2021 by 2.4 Mbbl and are above the 5-year minimum by 7.8 MMbbl.

PADD 2 (Midwest) inventories rose by 164 Mbbl but continue below the 5-year minimum by 1.3 MMbbl.

PADD 1 (East Coast) had a decrease again this week in propane inventories. Stocks fell by 602 Mbbl bringing PADD 1 to 401 Mbbl over the 5-year minimum.

Figure 2



PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories had a tiny increase of 68 Mbbl. Stocks are below the 5-year maximum and 2021 by 354 Mbbl.

Production went up by a meager 53 Mb/d to 2,369 Mb/d. Exports were essentially unchanged with a slight decrease of 10 Mb/d to 1,195. Imports also fell slightly with a decrease of 11Mb/d to 91 Mb/d. Product supplied dropped for the week by 204 Mb/d to 777 Mb/d.

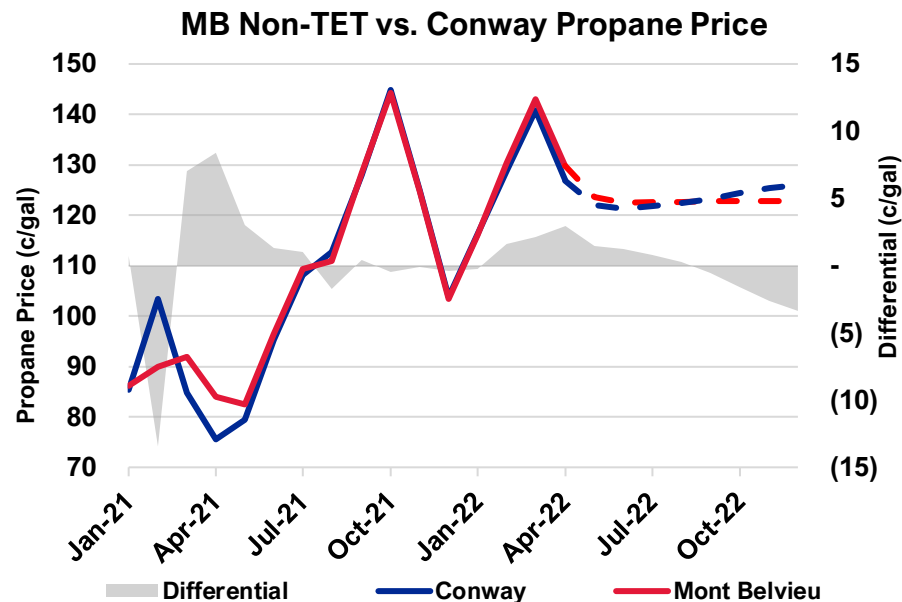
Propane Inventory Change

The change in stocks for the week ended May 6th (red bar, Figure 2) of 3.4 MMbbl was the highest for this week of the year since 2013 and approximately 1.5 MMbbl above the average (green bar). The inventory builds for the last five weeks have been strong, totaling almost 10 million barrels marking a solid 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) on the left axis. The grey area is the differential between Mont Belvieu and Conway on the right axis. Continuing the trend from last week, the forward price differential between Mont

Figure 3



Belvieu and Conway for the rest of the injection season (May – September 2022) narrowed to 0.7 c/gal, down 1.3 c/gal. Consistent with the forward curve spread movement, the Mont Belvieu spot price premium over Conway declined sharply with the differential dropping to 1.3 c/gal, from 4.5 c/gal last week.

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 48 days and over this week in 2021 by 2 days. Compared to the 5-year low of the metric, days’ supply is 9 days higher.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicating only 22 days of inventory which is only 1 day more than this week in 2021, and the 5-year low.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

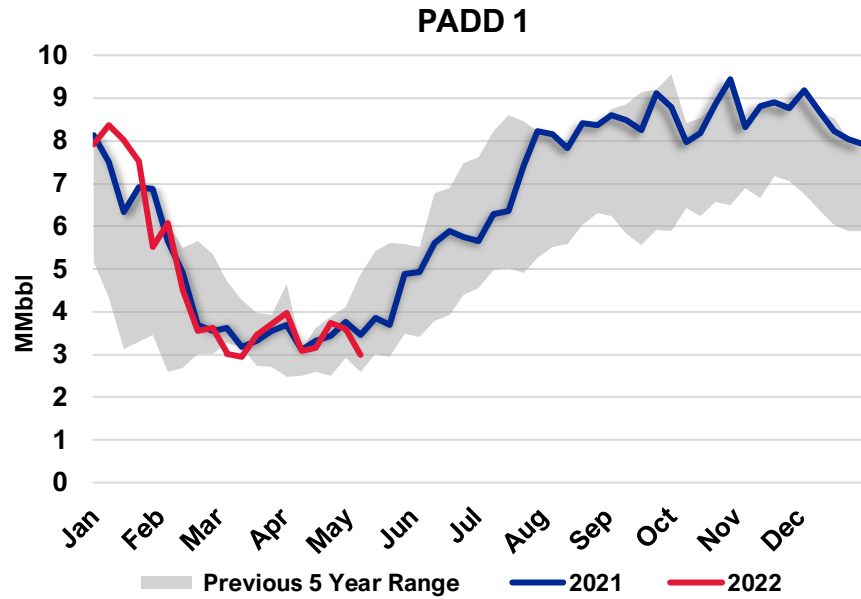


Figure 5

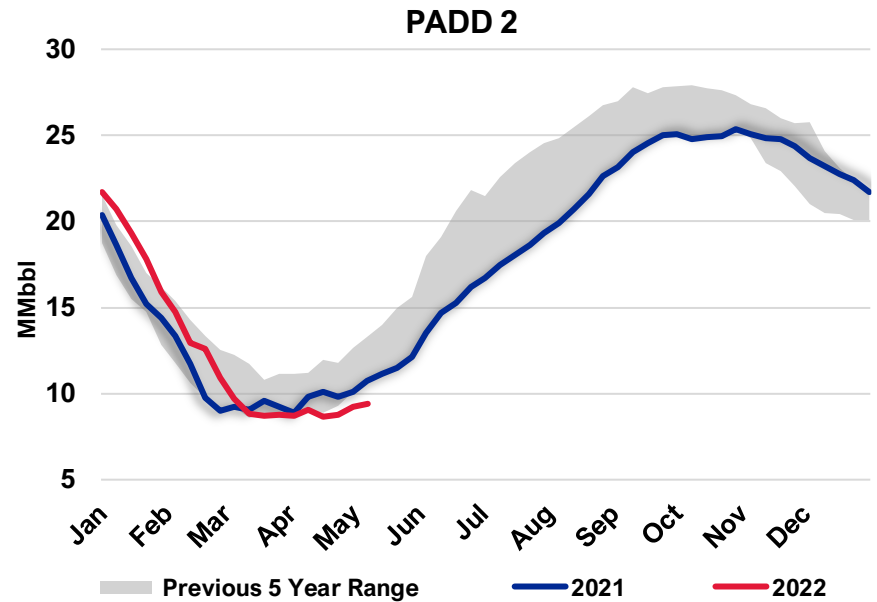


Figure 6

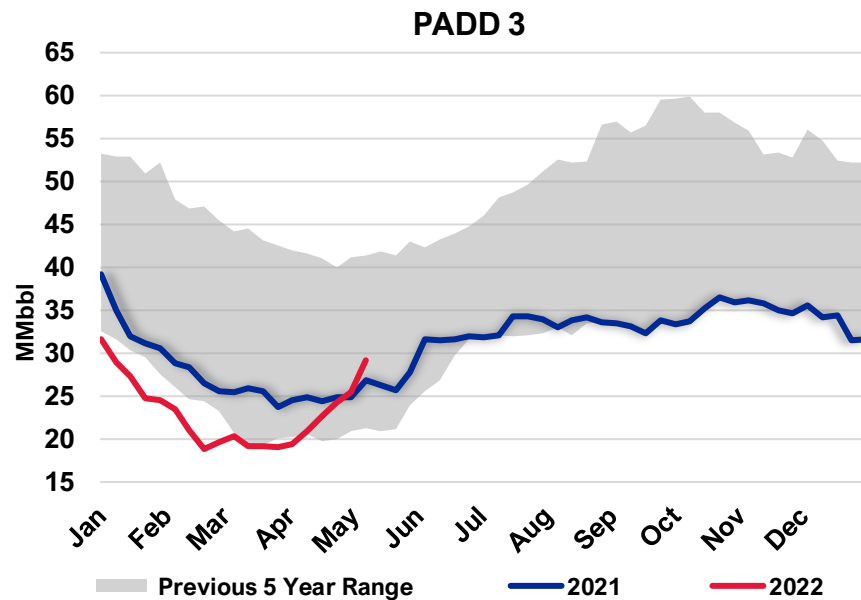


Figure 7

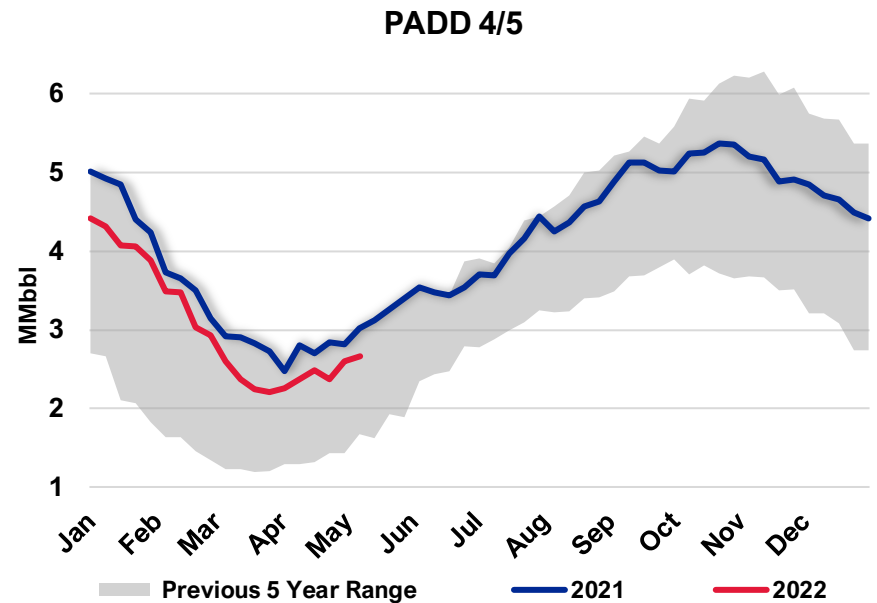


Figure 8

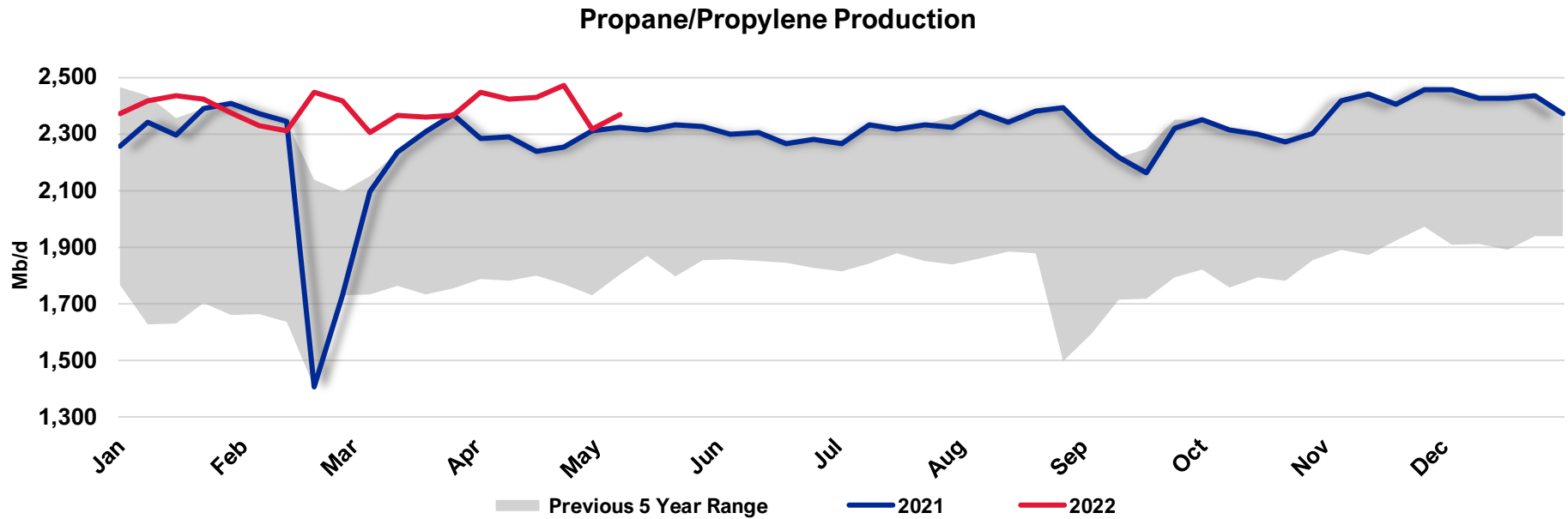


Figure 9

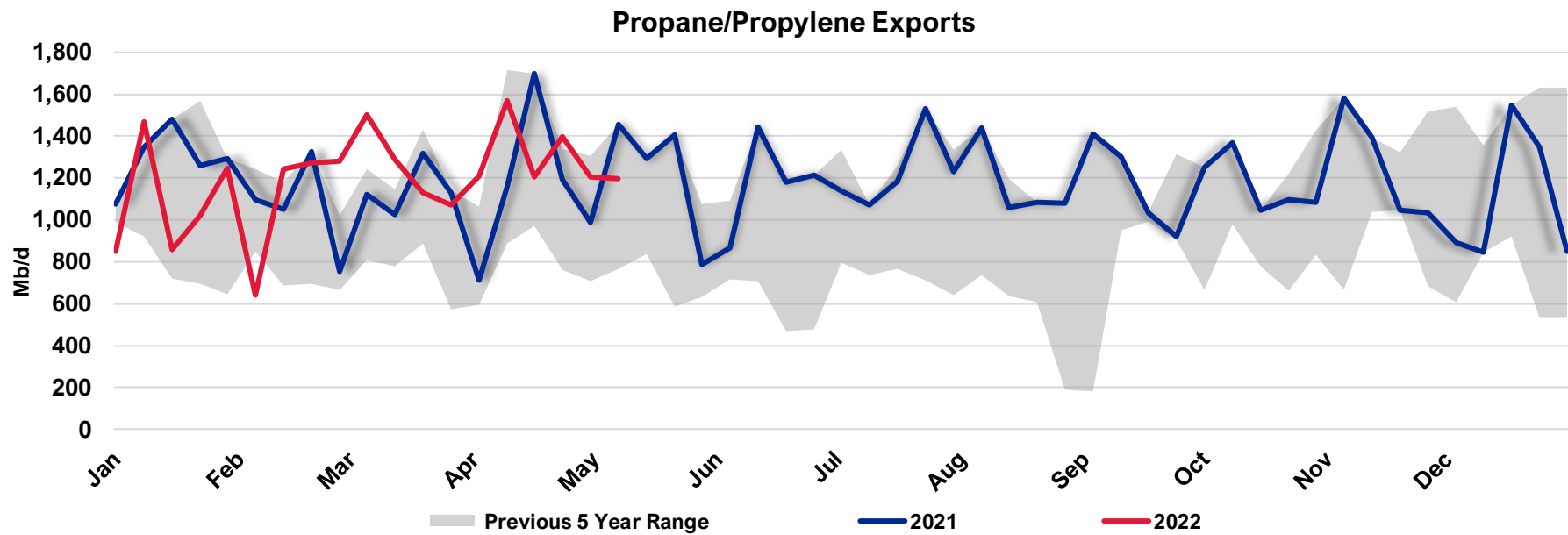


Figure 10

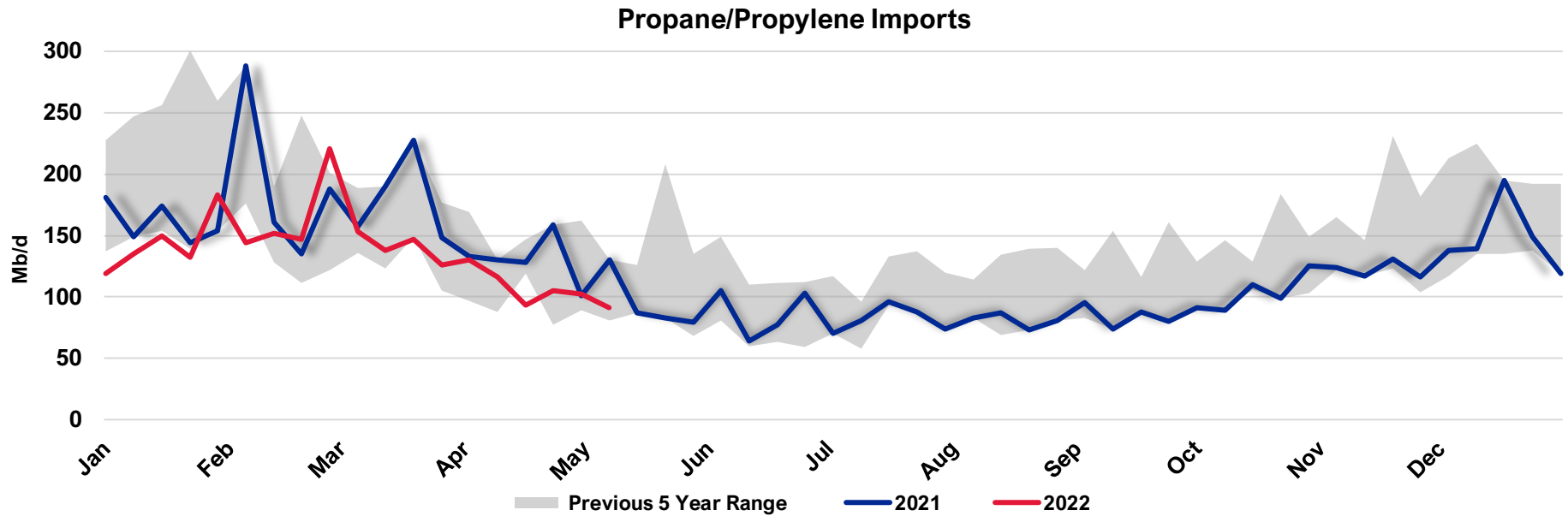


Figure 11

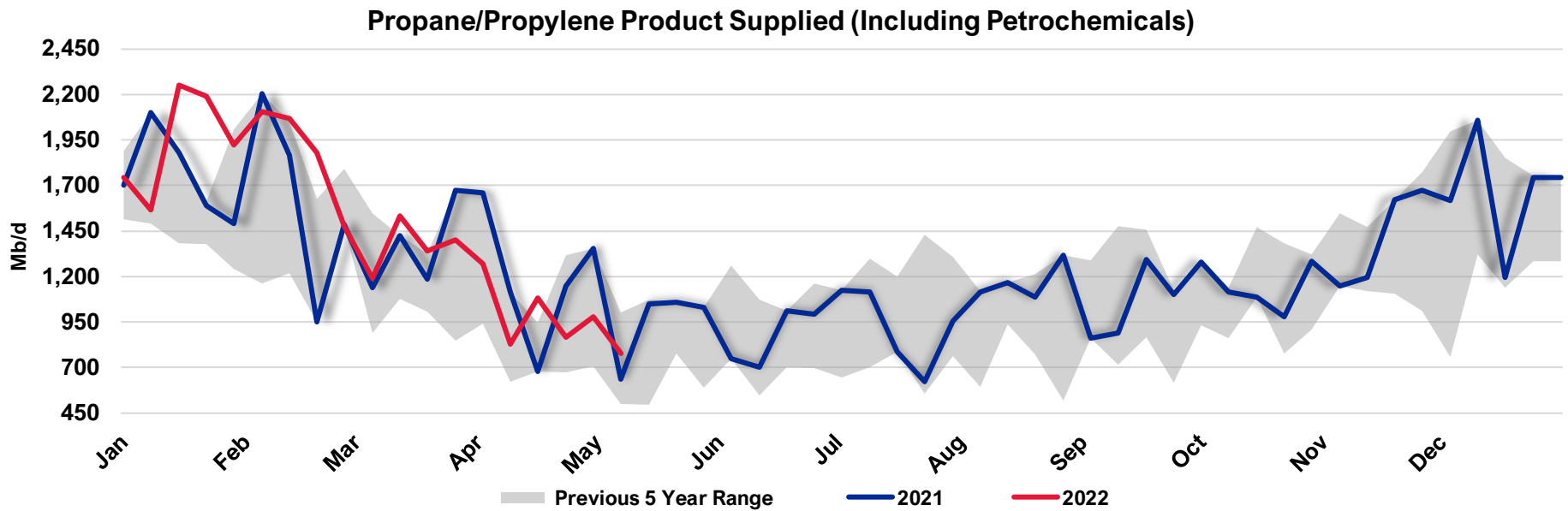


Figure 12

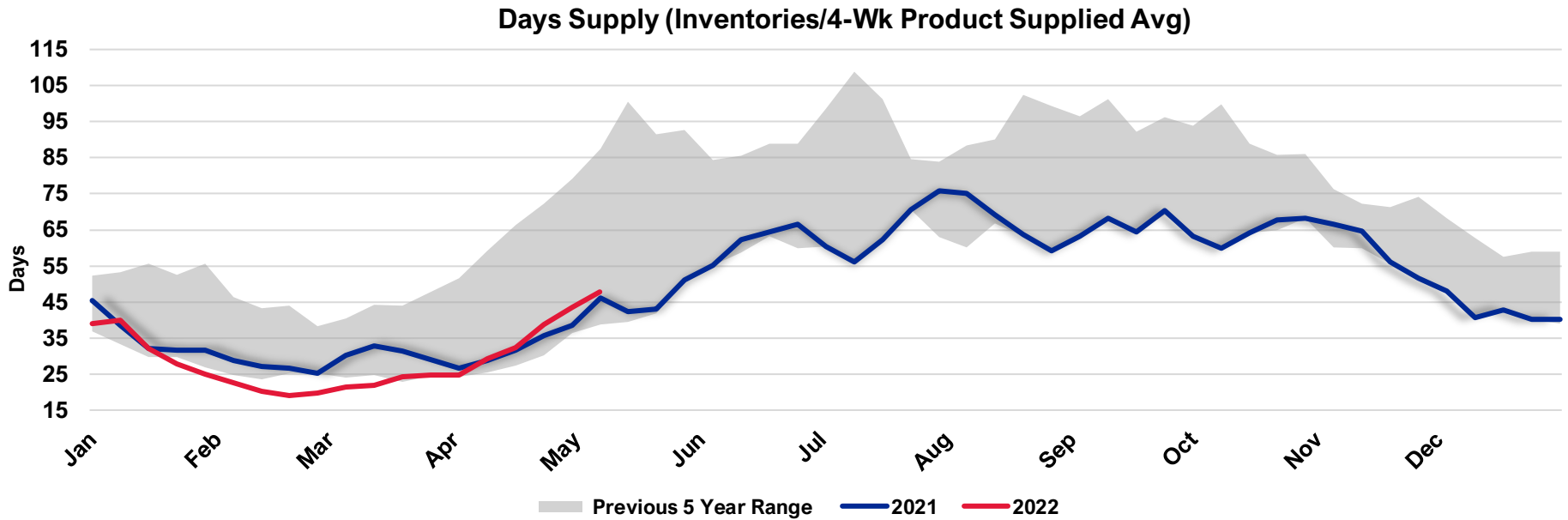
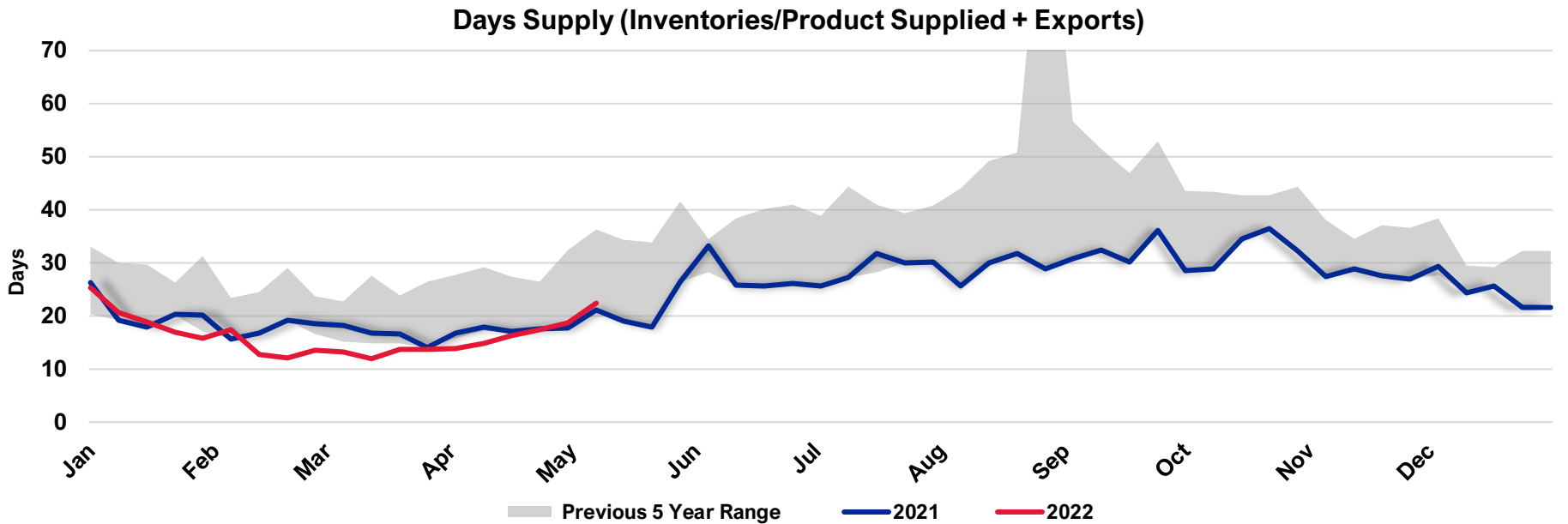


Figure 13



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