



WEEKLY PROPANE MARKET UPDATE

May 18, 2022

HIGHLIGHTS

- » Propane prices fell by 1.6 c/gal or 1.3% for the week with the WTI Cushing ratio weakening to 46% on May 17, down 4% from the prior week.
- » The EIA reported today that total U.S. inventories built by 0.2 million barrels, well below the industry estimates of 2.3 million barrels and the 5-year average. This breaks the eight-week streak of inventory builds exceeding the 5-year average.
- » Total U.S. propane/propylene production disappointed again showing a decline of 40 Mb/d from the prior week to 2.33 MMb/d. Total U.S. production is 140 Mb/d below the record high set for the week ending April 22nd.
- » PADD 2 had a build in stocks for the week of 0.5 million barrels but ending inventories remain at very low levels for this time of the year.

MARKET OVERVIEW

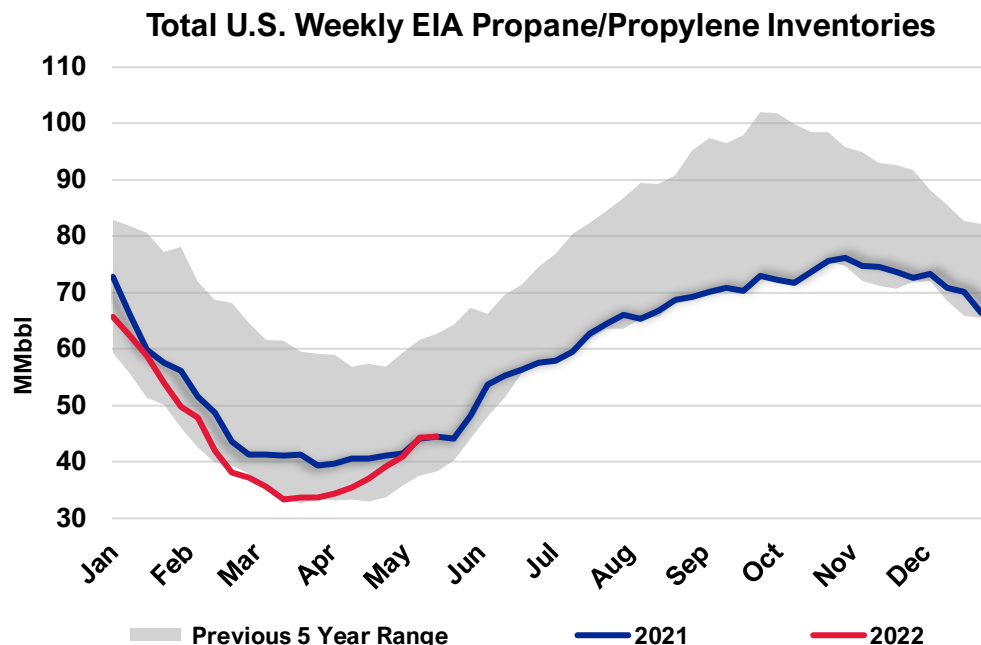
Mont Belvieu propane prices traded in a very narrow range during the week, closing at \$1.22/gal Tuesday, down 1.6 c/gal from the prior week. Crude oil prices rallied strongly, closing at \$112/bbl yesterday, up \$9/bbl on the week.

Propane prices continued to weaken relative to crude oil with the ratio to WTI Cushing closing yesterday at 46%. The forward curves project the propane to WTI ratio to gradually increase over the summer months before reaching a high of 54% in December, which is 3% lower than last week's forward curve.

ANALYSIS & INSIGHTS

In today's EIA propane inventories report for the week ending May 13th, propane inventories were essentially unchanged. According to OPIS, industry expectations were for a build of 2.3 MMbbl however, inventories only increased by 293 Mbbl which brought total U.S.

Figure 1



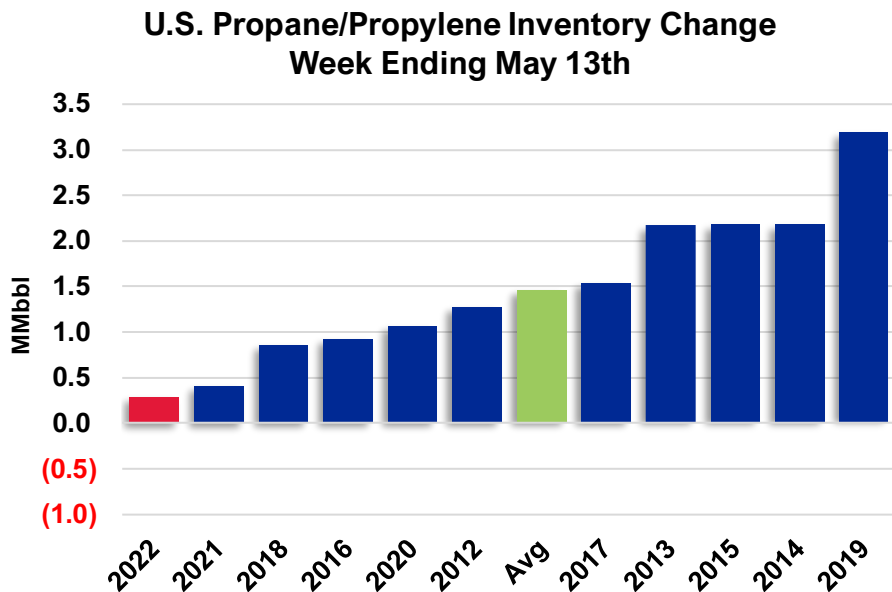
propane stocks to 44.5 MMbbl. Propane inventory levels are now the same as 2021 and above the 5-year minimum by 6.2 MMbbl. PADD level inventory changes show PADD 3 having its first decrease of propane inventories in the last six weeks. Respectively, exports remained at a similar level to last week.

PADD 3 (Gulf Coast) inventories plunged this week by 1 MMbbl bringing total inventories to 28.2 MMbbl. Compared to last year, inventories are 1.9 MMbbl over 2021 and remain above the 5-year minimum by 7.2 MMbbl.

PADD 2 (Midwest) inventories increased by 484 Mbbl however inventories are below both 2021 and the 5-year minimum by 1.3 MMbbl.

PADD 1 (East Coast) had the largest increase in inventories for the week. Stocks grew by 614 Mbbl bringing inventories 245 Mbbl under 2021 and 600 Mbbl over the 5-year minimum.

Figure 2



PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories rose by 218 Mbbl. Stocks are below the 5-year maximum and 2021 by 236 Mbbl.

Production fell by 40 Mb/d to 2,329 Mb/d. Exports remain robust with a slight boost of 118 Mb/d to 1,313 Mb/d. Imports had a tiny decline of 4 Mb/d to 87 Mb/d. Product supplied increased for the week by 204 Mb/d to 1,061 Mb/d.

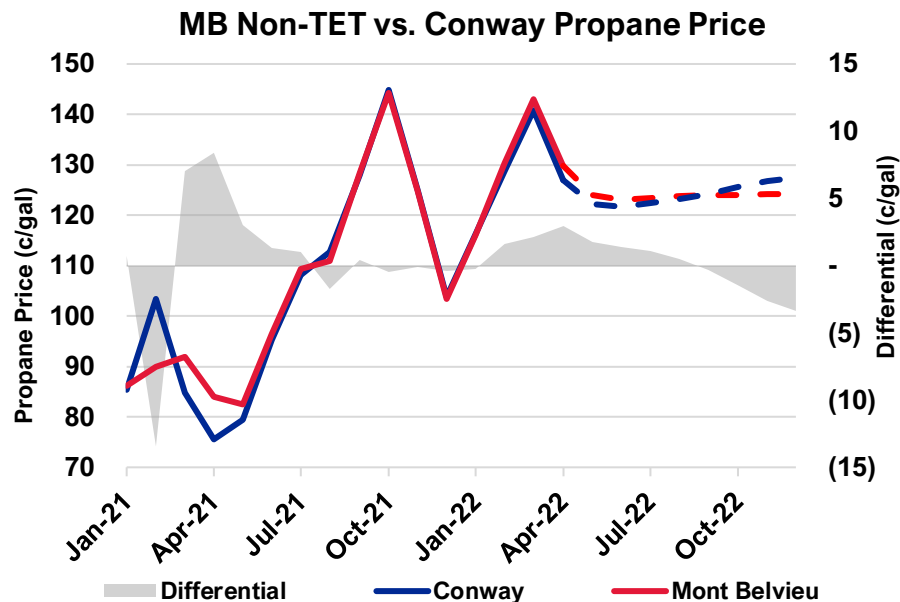
Propane Inventory Change

The change in stocks for the week ended May 13th (red bar, Figure 2) of 293 Mbbl was the lowest for this week of the year since 2012 and approximately 1.2 MMbbl below the average (green bar). This marks the first week that the inventory build has been well below industry estimates and the 5-year average for the 2022 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 average price differential between Mont Belvieu and Conway for the rest of the injection season (May – September 2022) narrowed

Figure 3



to 0.1 c/gal, down 0.6 c/gal. The Mont Belvieu spot price premium over Conway for May declined by 0.1 c/gal with the premium ending yesterday at 1.2 c/gal.

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 6 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 indicates only 19 days of inventory which is the same as 2021, and the 5-year low.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

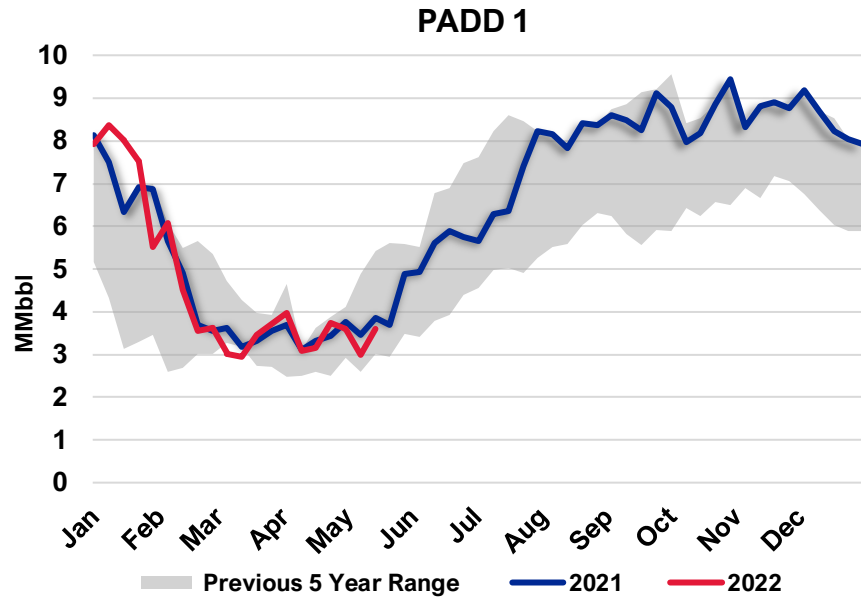


Figure 5

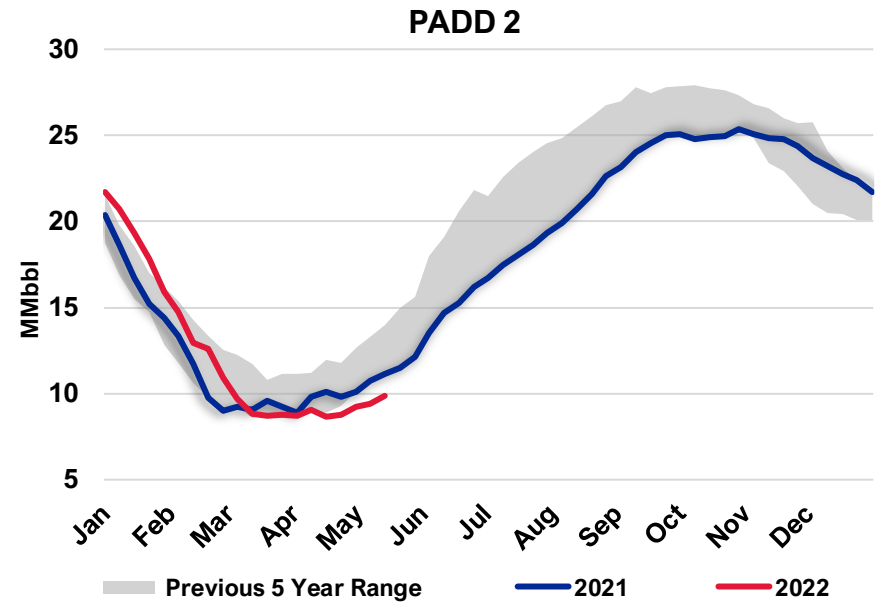


Figure 6

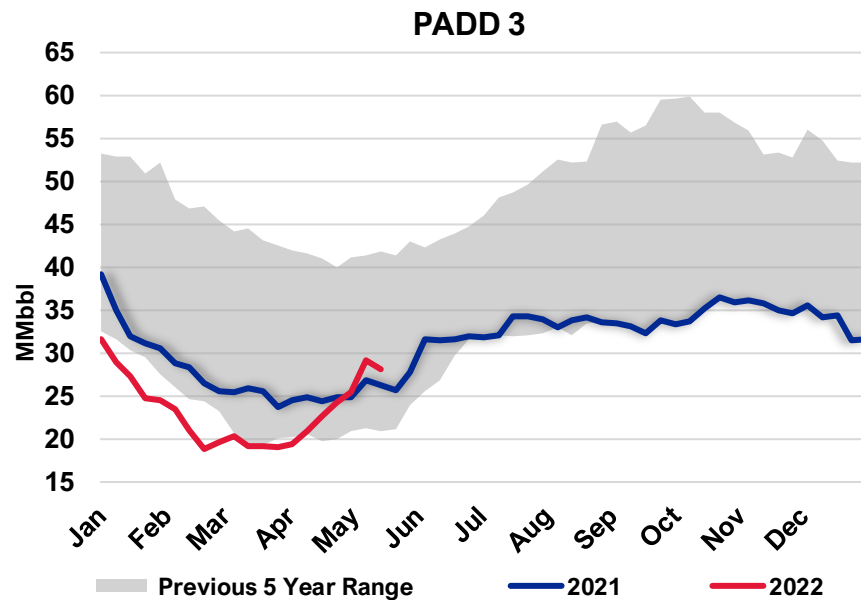


Figure 7

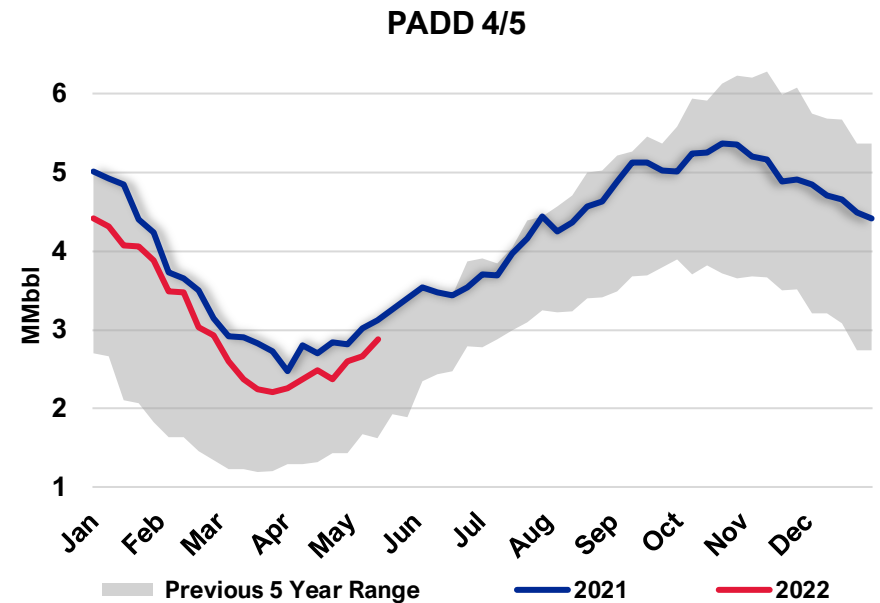


Figure 8

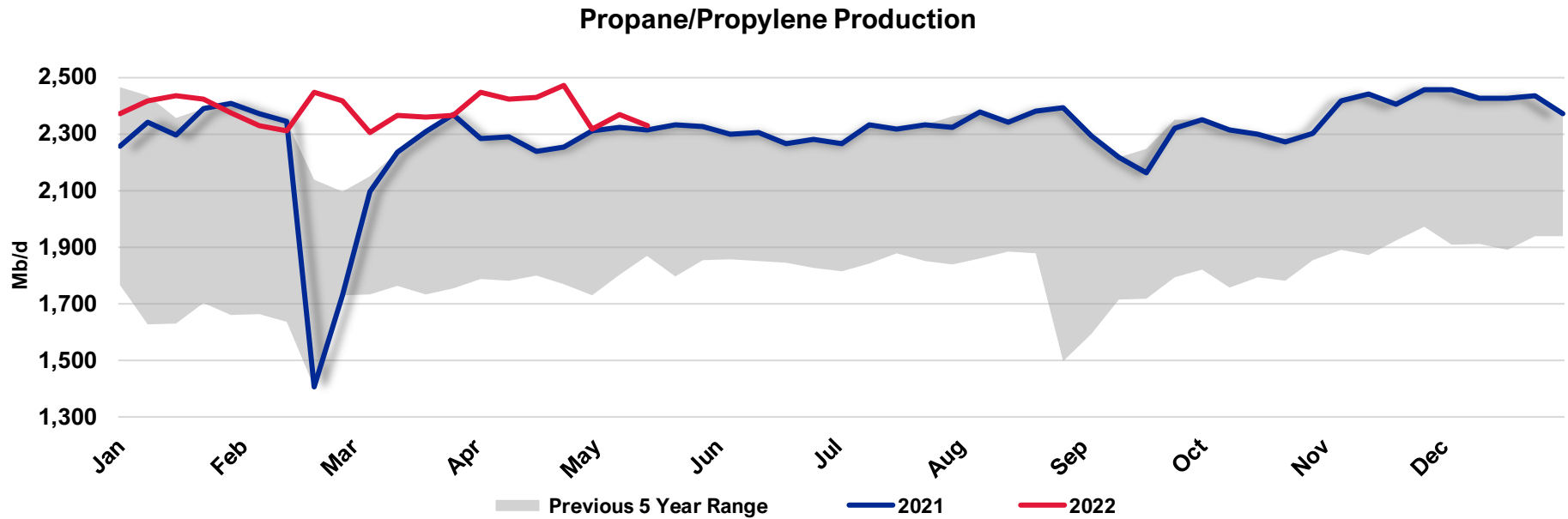


Figure 9

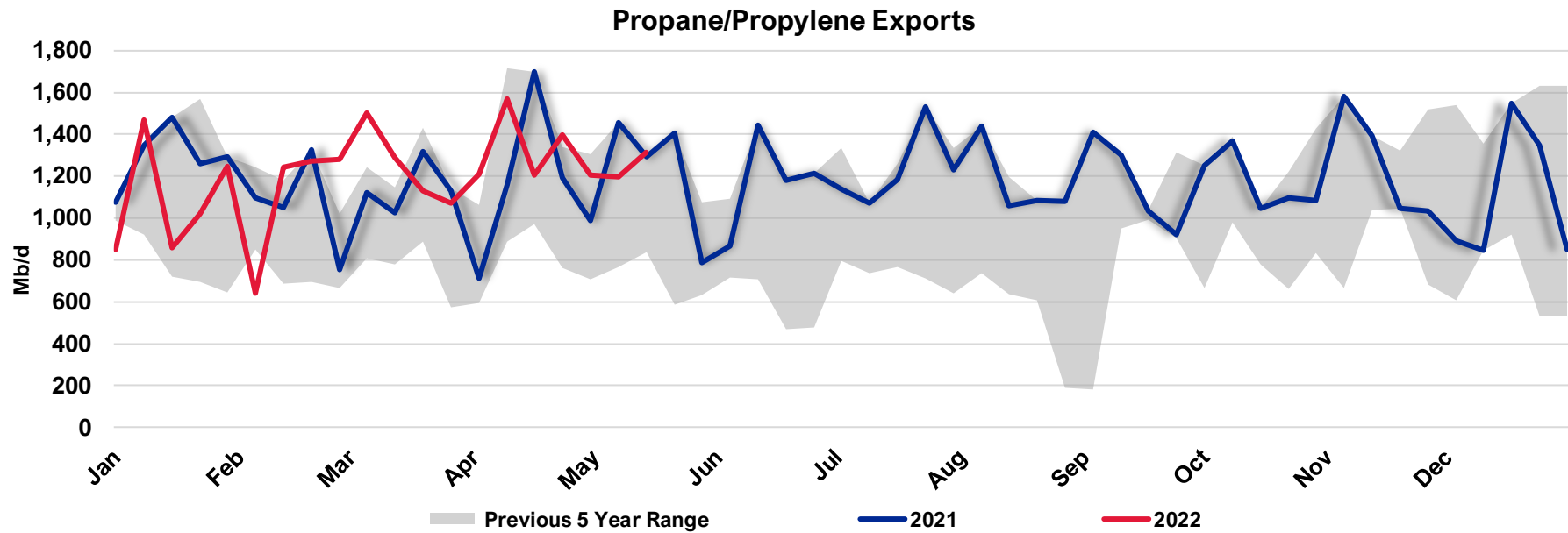


Figure 10

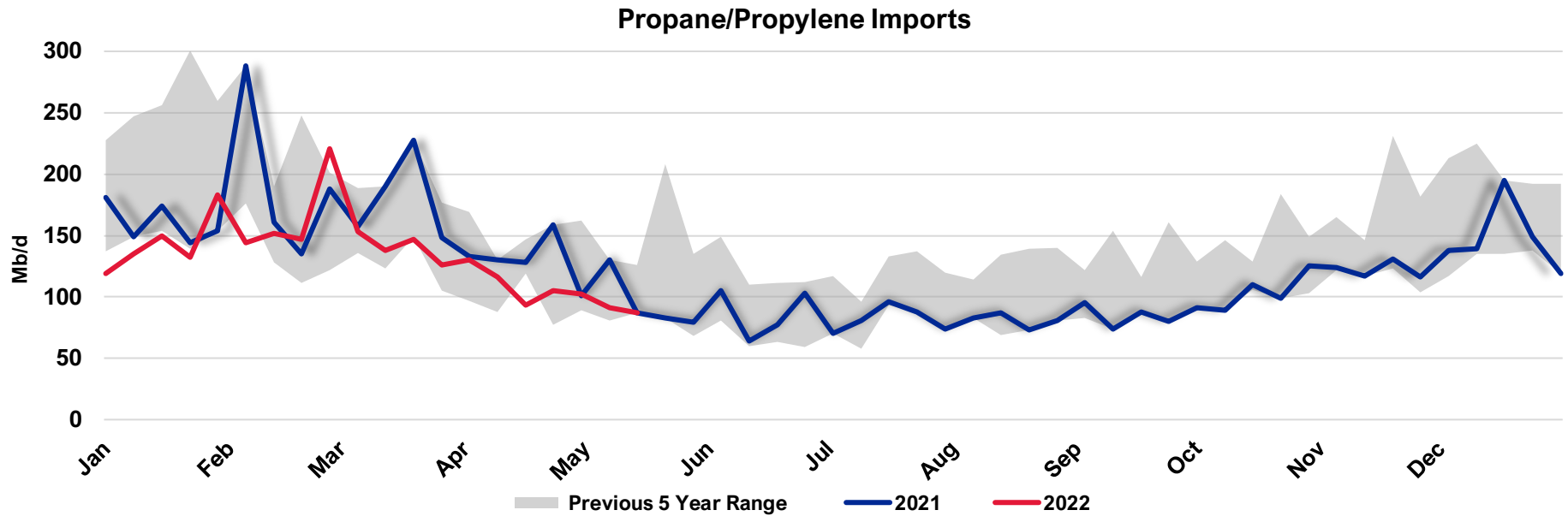


Figure 11

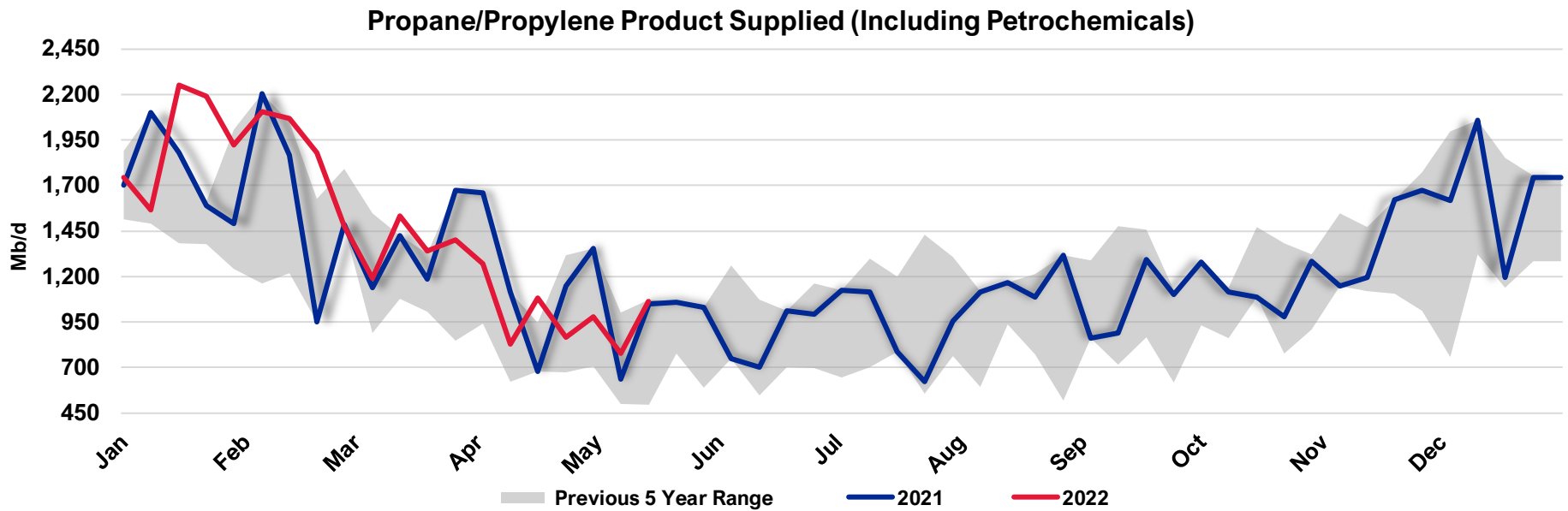


Figure 12

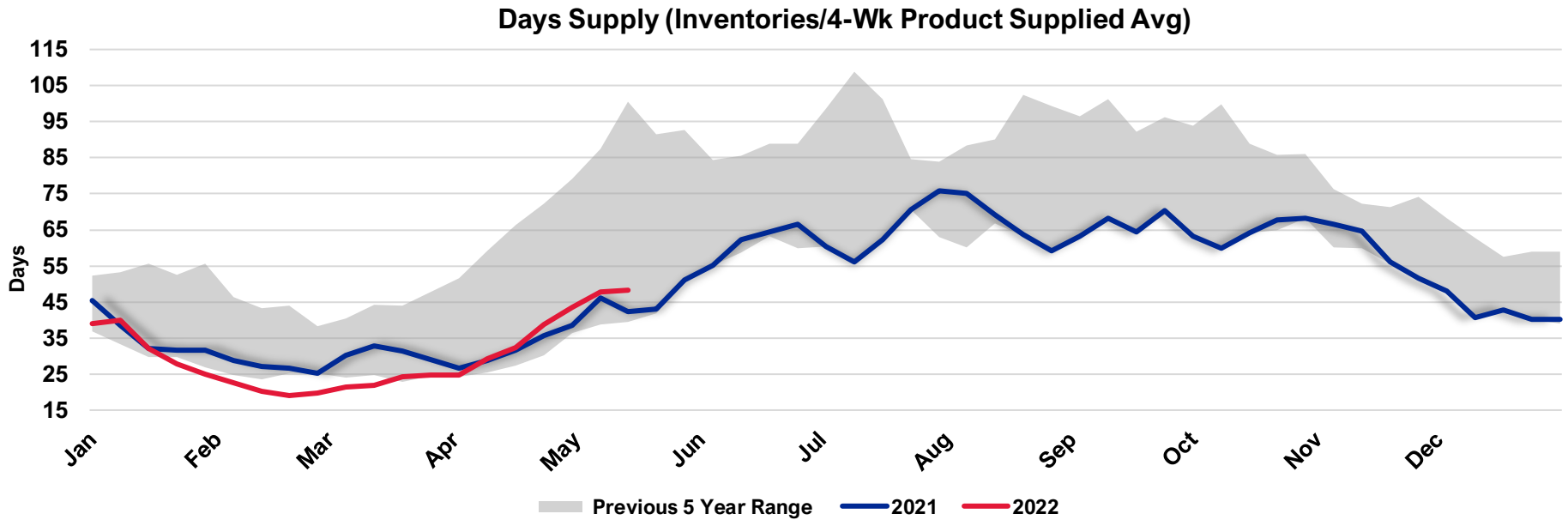
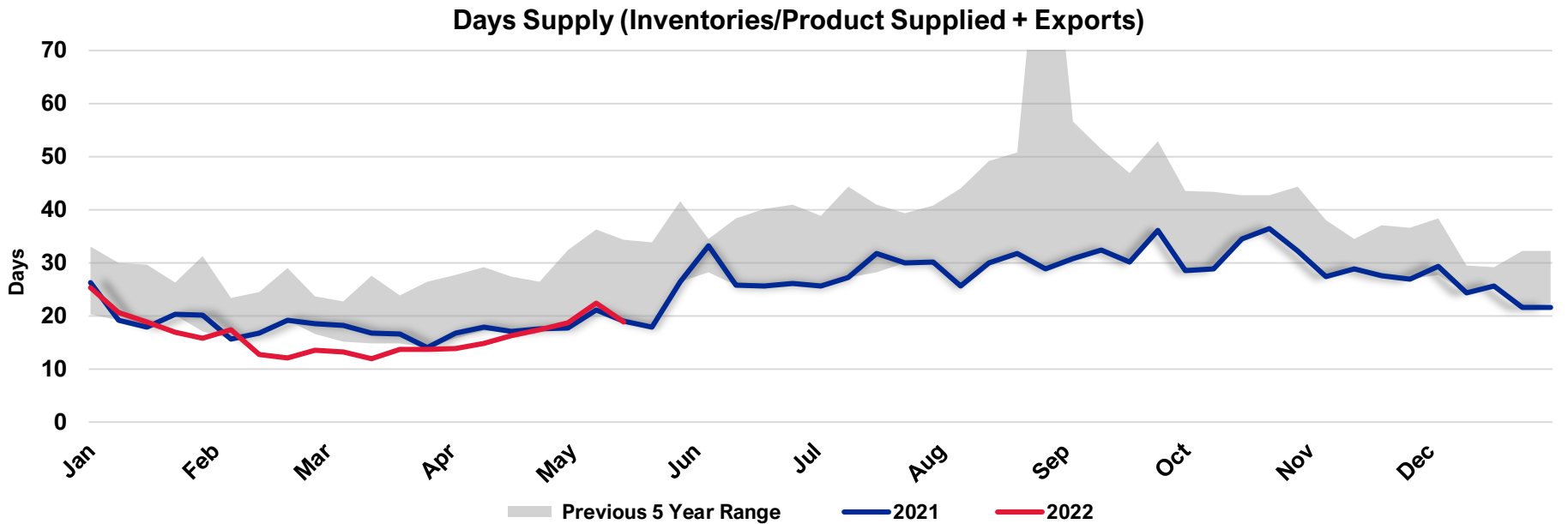


Figure 13



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