



WEEKLY PROPANE MARKET UPDATE

May 25, 2022

HIGHLIGHTS

- » Propane prices fell by 4.1 c/gal, or 3.3%, for the week and the propane-to-WTI-Cushing ratio remained weak, closing at 45% on Tuesday, down 1% from the prior week.
- » The EIA reported Wednesday that total U.S. inventories built by 1.8 MMbbl, slightly above industry expectations and the 5-year average gain of 1.3 MMbbl.
- » Total U.S. propane/propylene production showed signs of life, increasing by 123 Mb/d from the prior week to 2.45 MMb/d. PADD 2 and PADD 3 had the biggest increases in production at 41 Mb/d and 65 Mb/d, respectively.
- » PADD 2 had a strong build for the week of 1.1 MMbbl, but inventories are still 0.5 MMbbl below the 5-year minimum.
- » Propane regained the top spot on the steam cracker feedstock margin pecking order during the week, overtaking ethane for the first time in about a year. Propane cracking margins were 12.7 c/lb on Tuesday, about 2 c/lb better than ethane's margin, which has been declining due to rising natural gas prices.

MARKET OVERVIEW

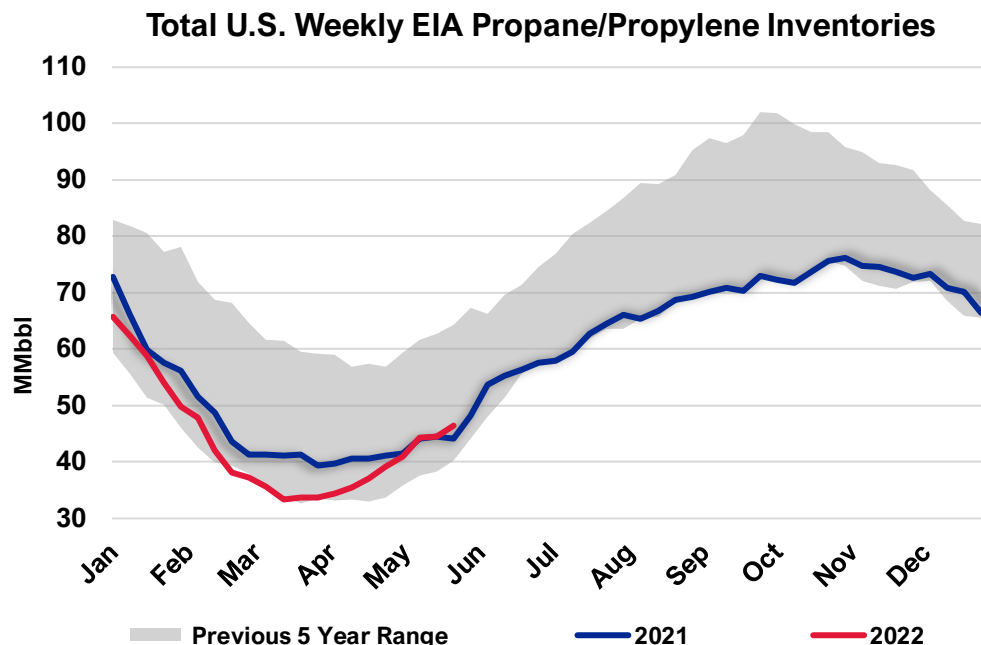
Mont Belvieu propane prices trended lower during the week, closing at \$1.18/gal Tuesday, down 4.1 c/gal from the prior week. Crude oil prices were also weaker, closing at \$109.77/bbl, down \$2.63/bbl on the week.

Propane prices stayed weak relative to crude oil, with the ratio to WTI Cushing closing Tuesday at 45%. The forward curves project the propane-to-WTI ratio to gradually increase over the summer before reaching a high of 53% in January 2023, which is ~1% lower than ratio implied by last week's forward curve.

ANALYSIS & INSIGHTS

The Energy Information Administration's (EIA) propane inventory report for the week ended May 20, published Wednesday, shows propane

Figure 1



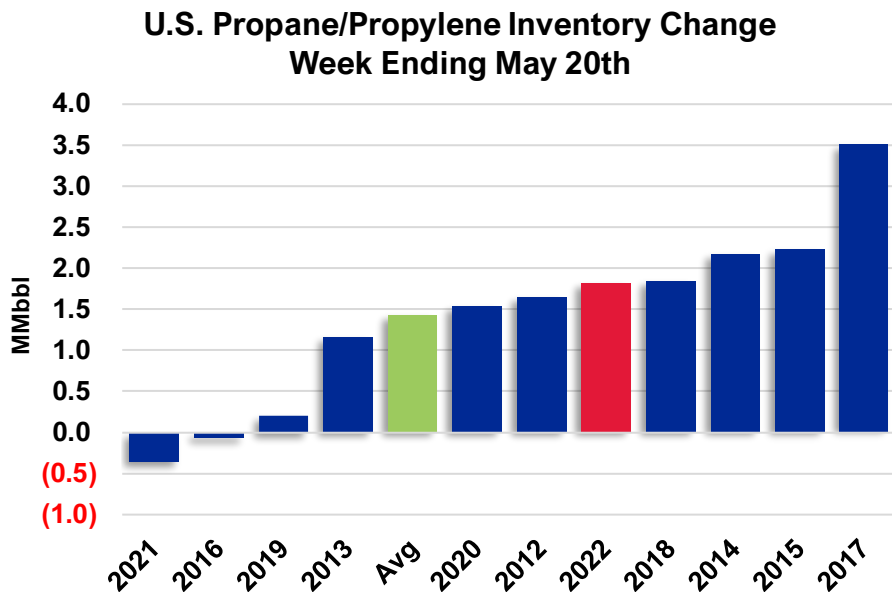
inventories increasing slightly more than industry expectations. According to OPIS, industry expectations were for a rise in propane inventories of 1.7 MMbbl. Propane inventories increased by 1.8 MMbbl, bringing total U.S. propane stocks to 46.3 MMbbl, 2.3 MMbbl above the same week in 2021 and 6.2 MMbbl above the 5-year minimum. PADD-level inventory changes show PADD 2 having the largest increase in propane inventory for the week.

PADD 3 (Gulf Coast) inventories rose by 948 Mbbl, bringing total inventories to 29.1 MMbbl. Propane inventories are now 3.5 MMbbl above 2021 and over the 5-year minimum by 8 MMbbl.

PADD 2 (Midwest) inventories increased by 1.1 MMbbl; however, inventories continue to remain below both 2021 and the 5-year minimum by 481 Mbbl.

PADD 1 (East Coast) had the only decrease in inventories for the week. Stocks fell by 274 Mbbl, bringing inventories 349 Mbbl under 2021 and 381 Mbbl over the 5-year minimum.

Figure 2



PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) were essentially unchanged with a slight build in inventories of 27 Mbbl. Stocks remain below 2021 and the 5-year maximum by 352 Mbbl.

Production grew by 123 Mb/d to 2,452 Mb/d. Exports remain robust and increased by 328 Mb/d to 1,641 Mb/d. Imports had a tiny decline of 6 Mb/d to 81 Mb/d. Product supplied dropped by 428 Mb/d to 633 Mb/d.

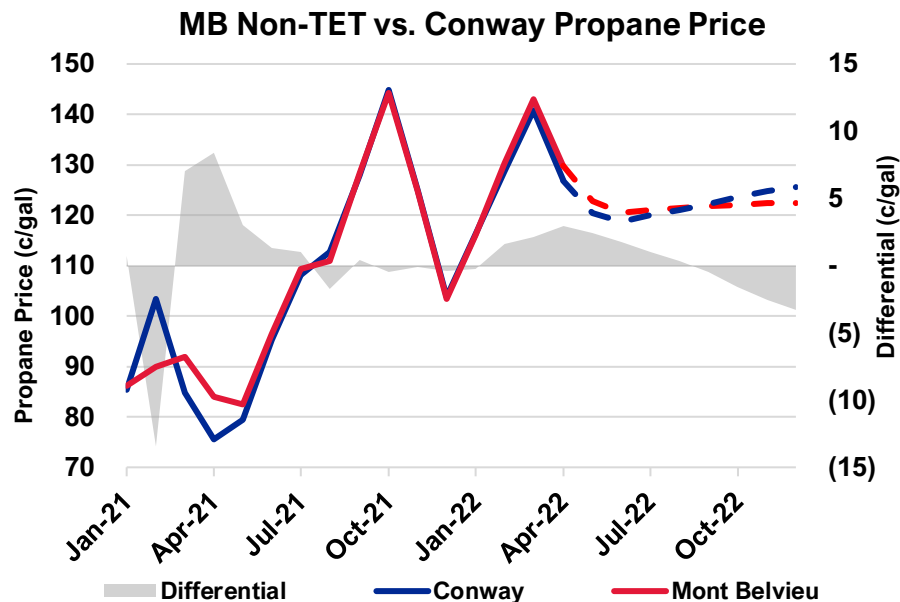
Propane Inventory Change

The change in stocks for the week ended May 20 (red bar, Figure 2) of 1.8 MMbbl was approximately 390 Mbbl above the average (green bar). Propane inventories had another strong increase, bringing total stocks higher by 12 MMbbl since the beginning of April, well above the 4.8 MMbbl build recorded for the same period last year.

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 gray area is the differential between Mont Belvieu and Conway on the right axis. The forward price differential between Mont Belvieu and Conway was relatively unchanged for the week, with Conway trading at a small discount until September, then flipping to

Figure 3



a 2-3 c/gal premium during the winter. The Mont Belvieu May spot price premium over Conway declined by 0.5 c/gal, with the premium closing Tuesday at 0.7 c/gal.

Days of Supply

Figure 13 shows days of 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 of supply is up to about 54 days, or 11 days above the same week in 2021. Compared to the 5-year low of the metric, days of supply is 12 days higher.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 20 days of inventory, which is over 2021 and the 5-year low by three days.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

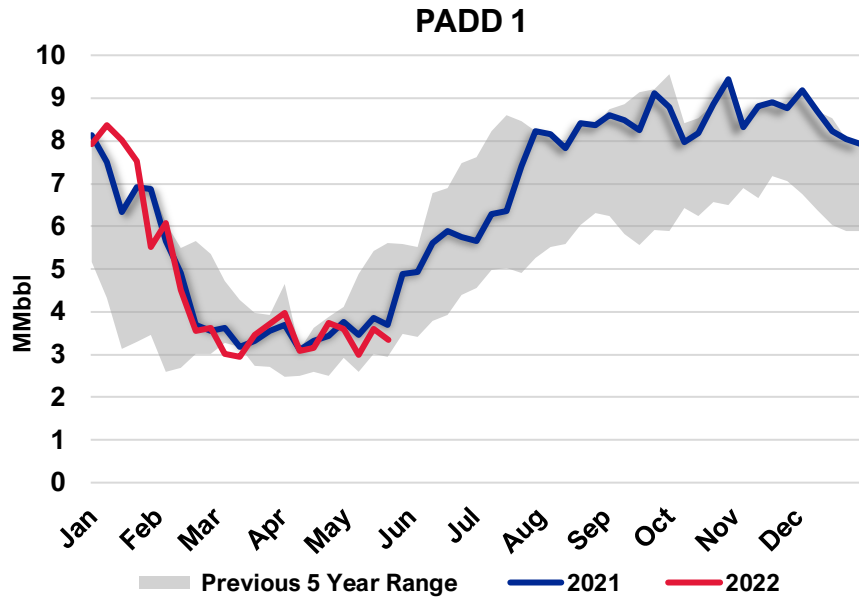


Figure 5

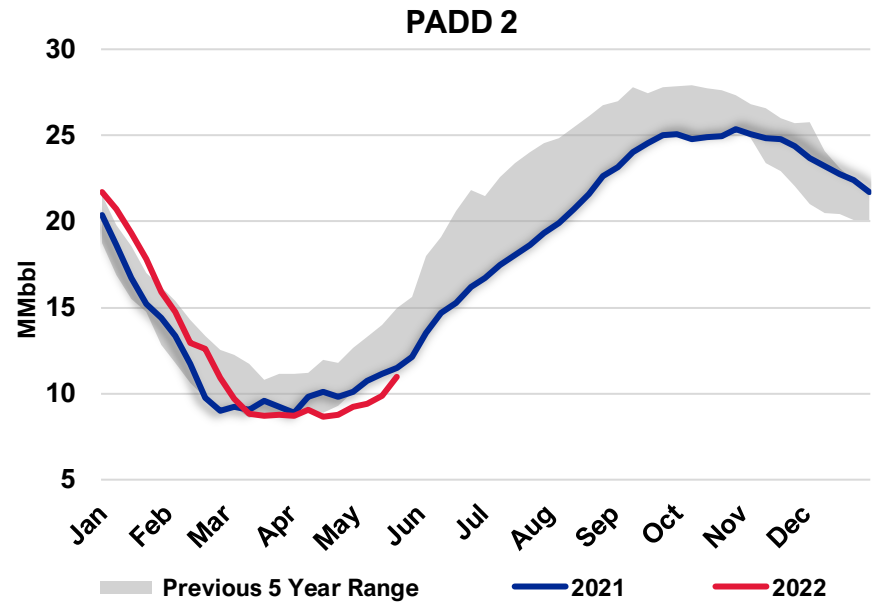


Figure 6

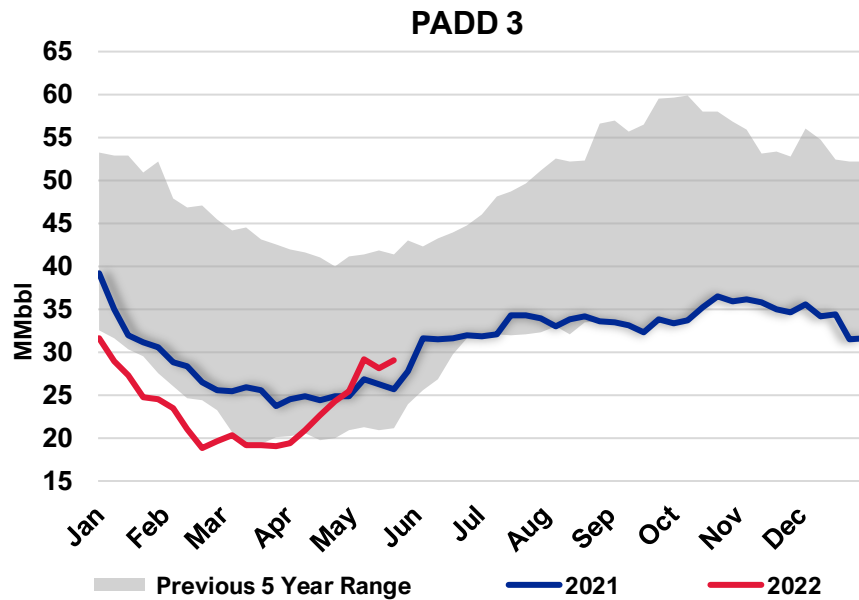


Figure 7

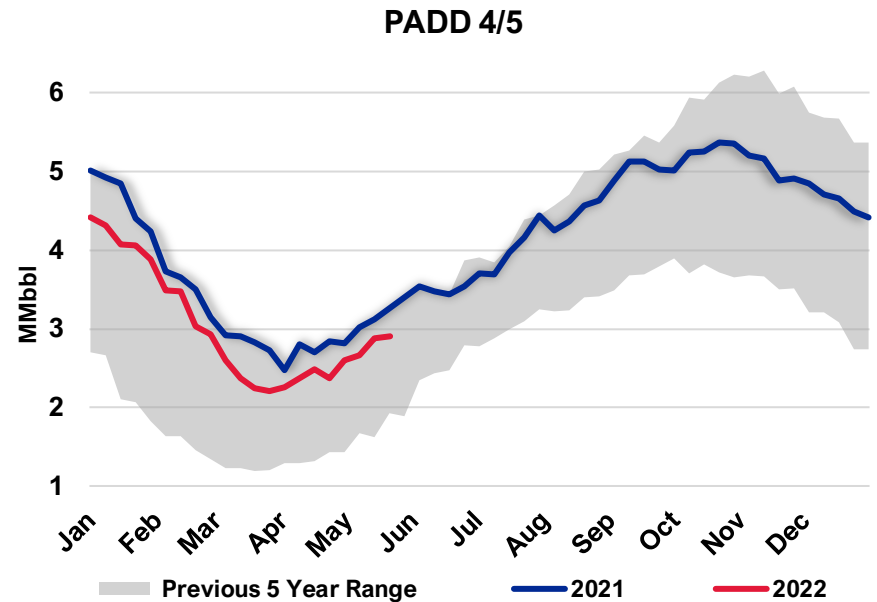


Figure 8

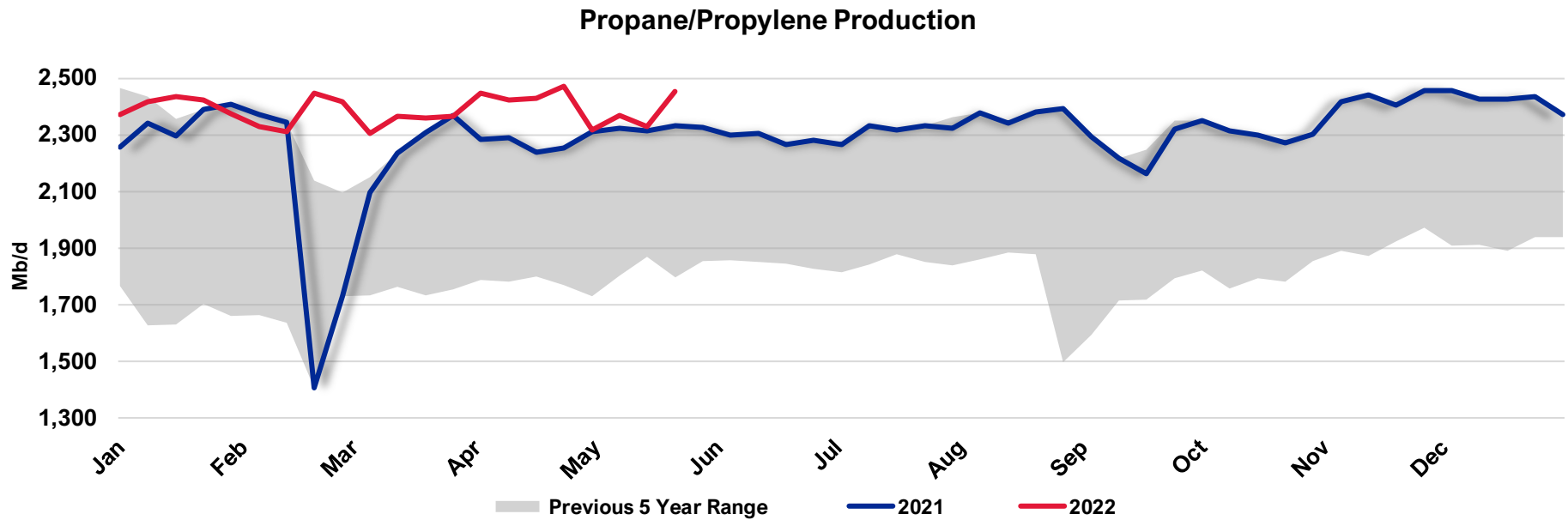


Figure 9

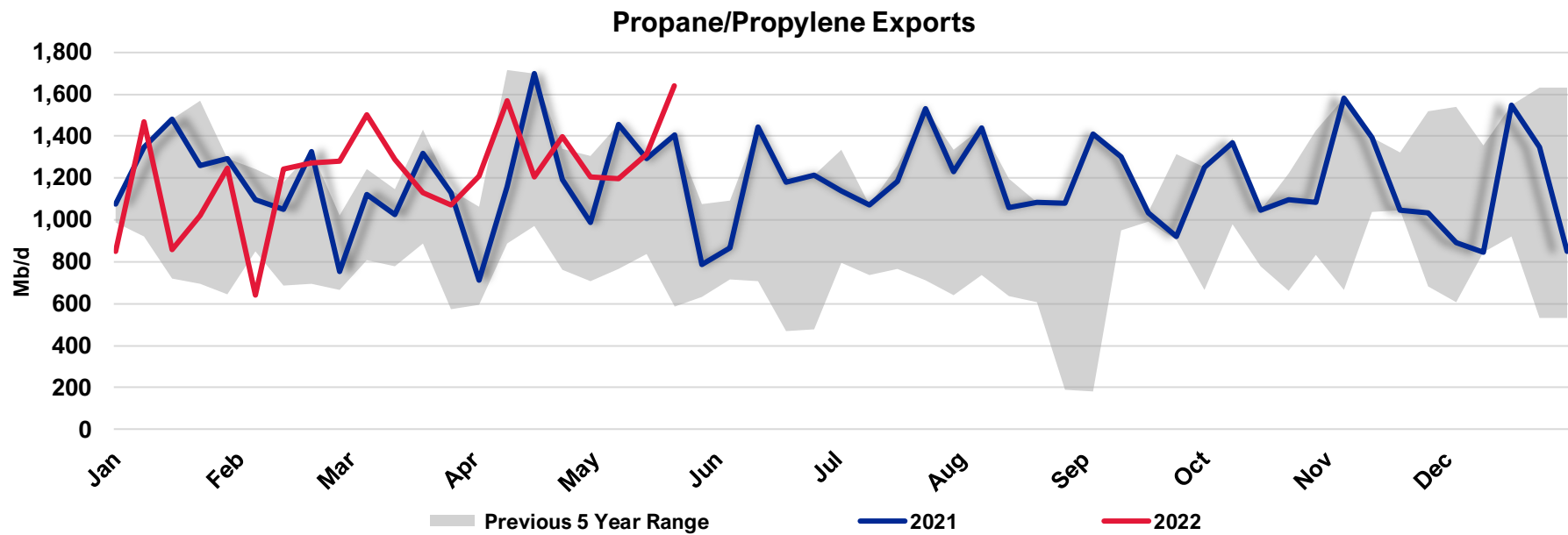


Figure 10

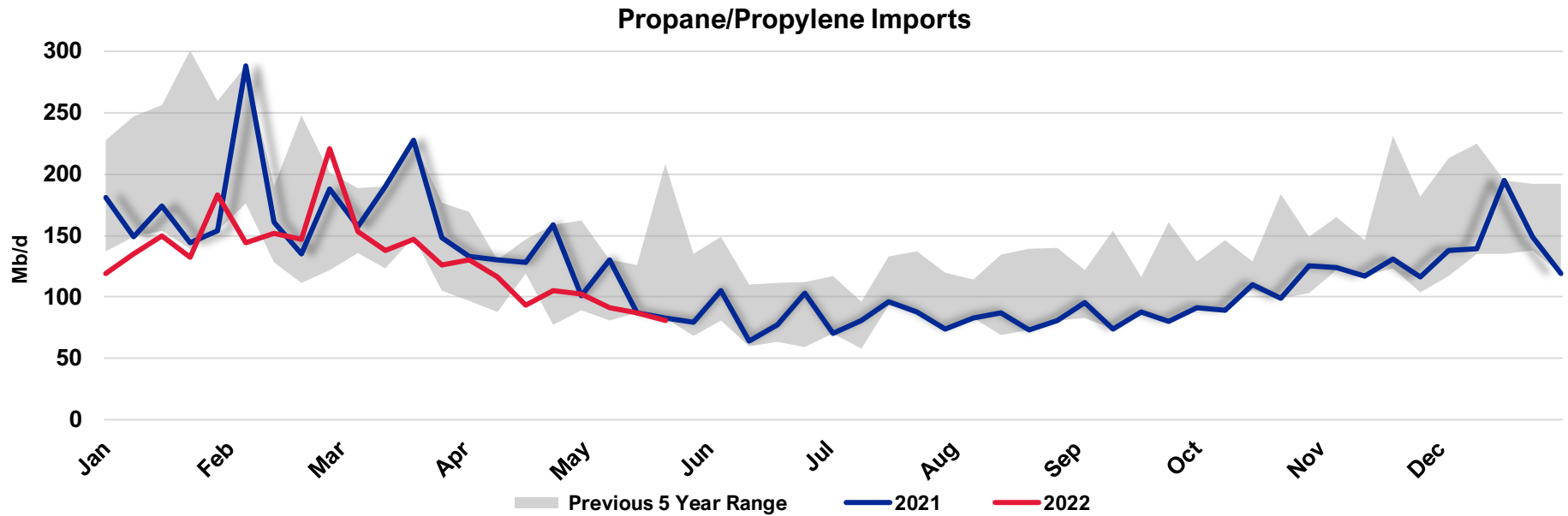


Figure 11

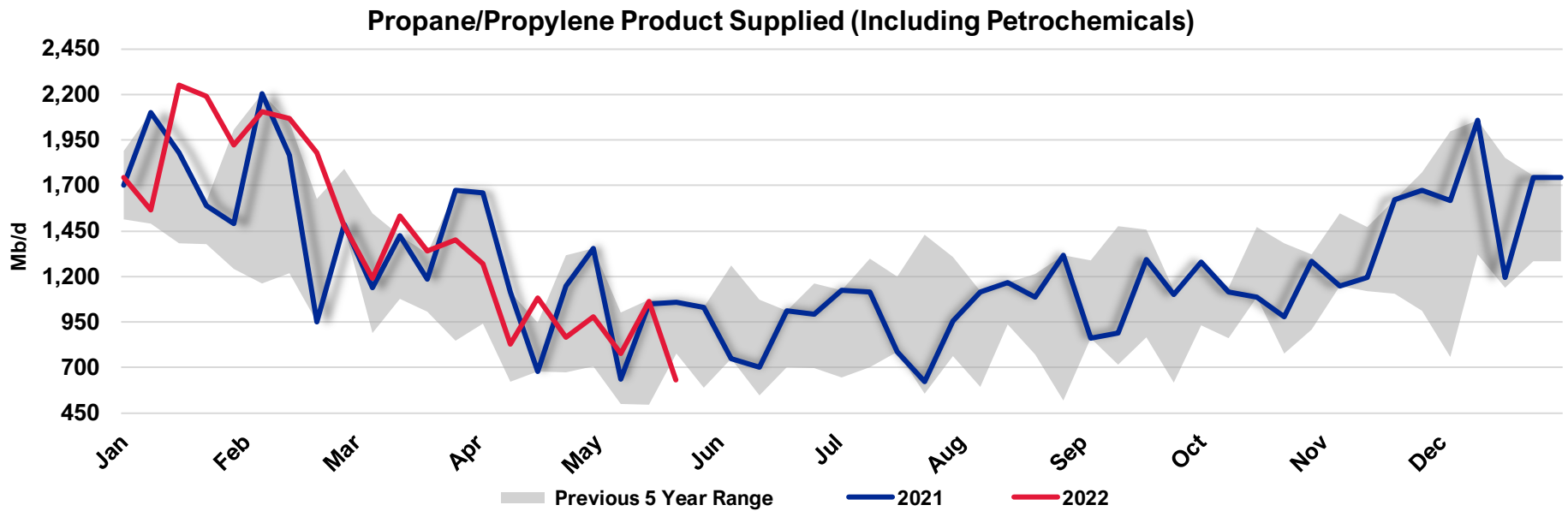


Figure 12

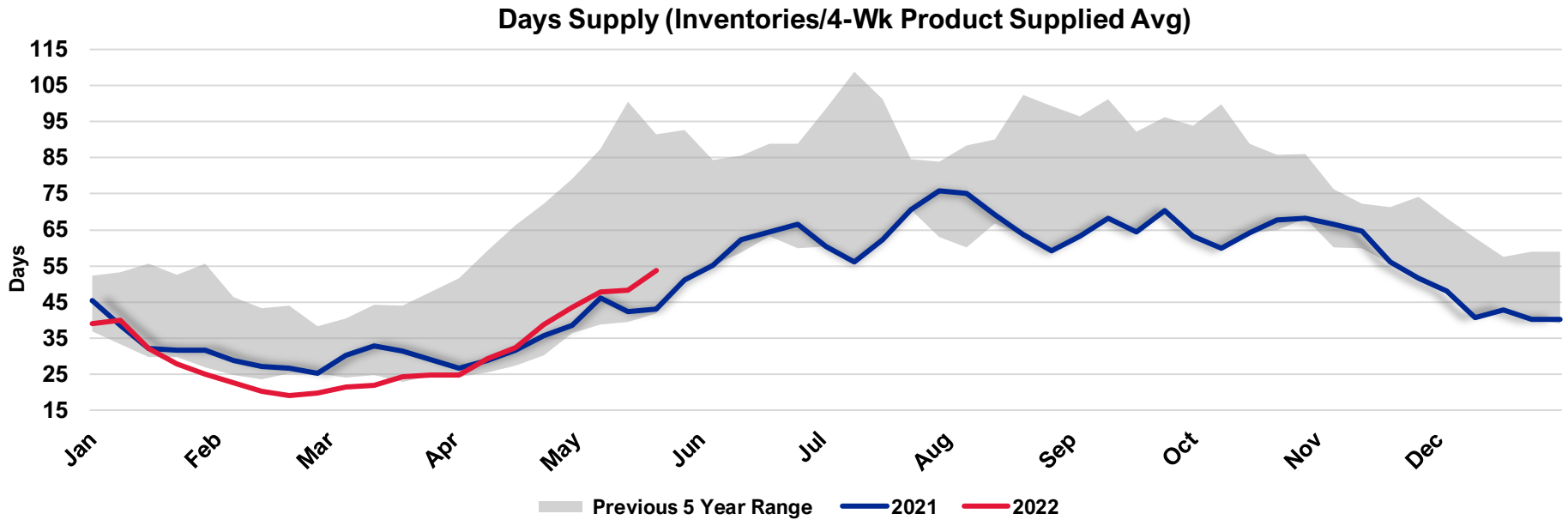
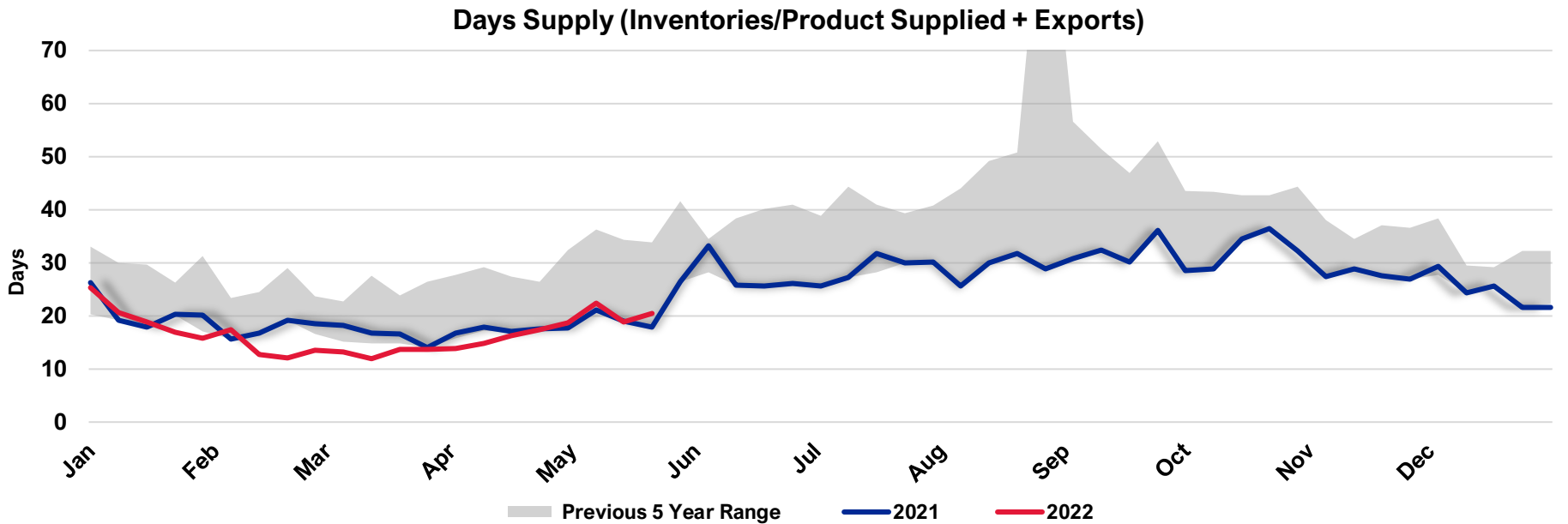


Figure 13



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