



WEEKLY PROPANE MARKET UPDATE

May 4, 2022

HIGHLIGHTS

- » Propane prices weakened relative to crude oil over the last week with the WTI Cushing ratio falling below 50% on May 2 to the lowest level since July 6, 2020.
- » The EIA reported today that total U.S. inventories built by almost 1.6 million barrels, slightly below industry estimates and the 5-year average. The weekly inventory builds have been very strong for the month of April with most of the stock gains occurring in PADD 3.
- » Total U.S. propane/propylene production declined sharply from last week's record high weekly production to about 2.3 MMb/d, down 154 Mb/d. We think the steep drop is primarily a blip in the weekly EIA data.
- » PADD 2 finally showed a small build in stocks for the week but ending inventories are projected at record low levels for the month of April.

MARKET OVERVIEW

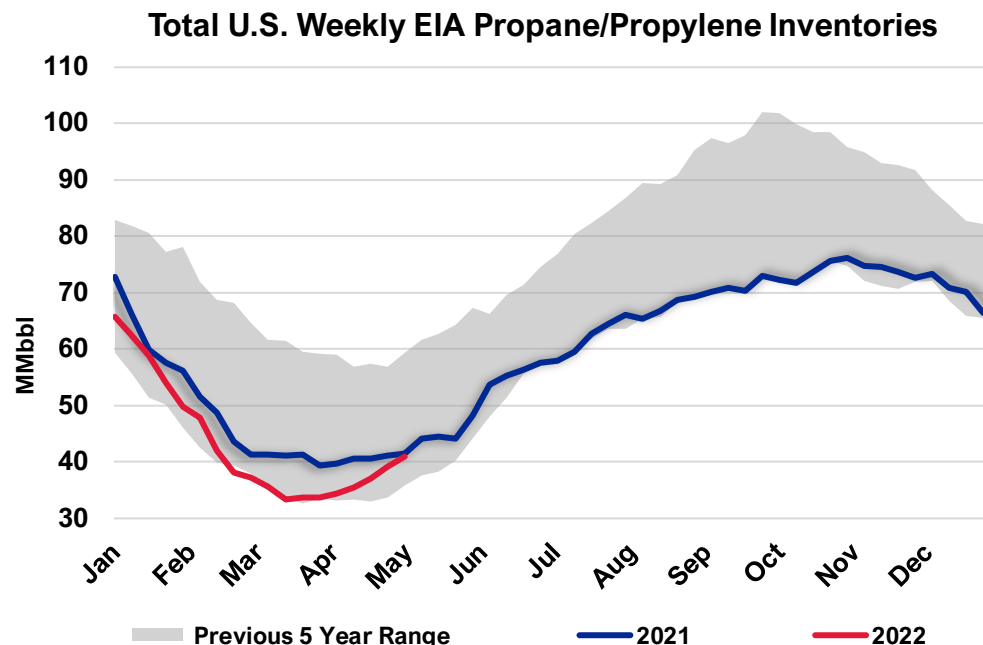
Mont Belvieu propane prices were less volatile than in recent weeks, closing at \$1.26/gal yesterday, down 1.9 c/gal from last week. Crude oil prices also were less volatile with WTI trading in a tight range of \$102/bbl – \$105/bbl, closing at \$102/bbl yesterday, unchanged from last week.

Propane prices continued the recent bearish trend relative to crude oil with the ratio to WTI Cushing falling below 49% on May 2, the lowest level since July 2020. The forward curves project the propane to WTI ratio to gradually increase over the summer reaching a high of 57% in December as crude prices are more steeply backwarddated than propane.

ANALYSIS & INSIGHTS

In today's EIA propane report for the week ending April 29th, propane inventories increased by 1.6 MMbbl which was closely aligned with industry estimates. According to OPIS, expectations were for an average

Figure 1



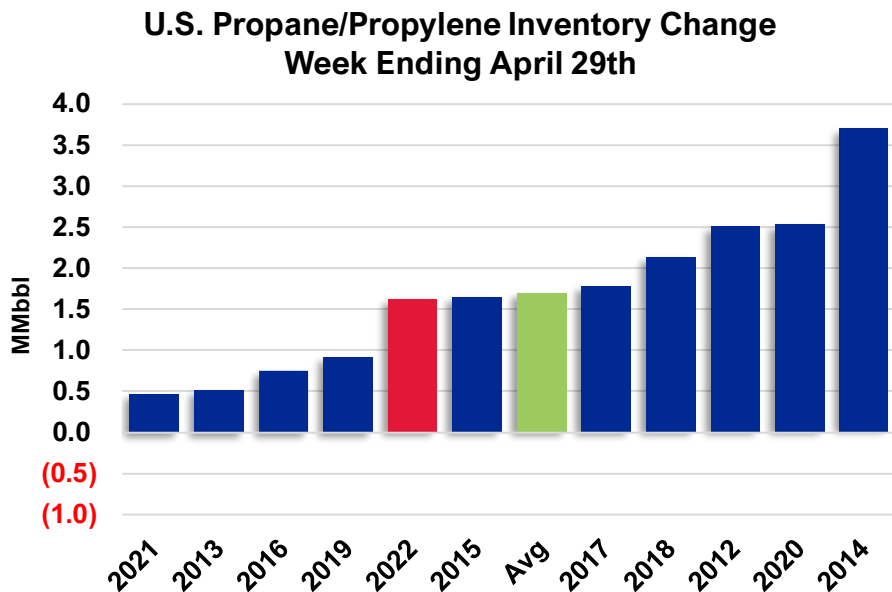
inventory build of approximately 2.0 Mbbbl. Total U.S. propane inventories for the week increased to 40.8 MMbbl. Propane inventories are just under 2021 by 661 Mbbbl and remain above the 5-year minimum by 5 MMbbl.

For the fourth week in a row, PADD 3 (Gulf Coast) had most of the week's growth in propane inventory. Inventories continue to rise significantly with an increase for the week of 1.1 MMbbl bringing total inventories for PADD 3 to 25.4 MMbbl. Stocks have now passed 2021 by 571 Mbbbl and are over the 5-year minimum by 4.5 MMbbl.

PADD 2 (Midwest) also had an increase in inventories by 455 Mbbbl however despite this increase, total inventories remain below the 5-year minimum by 864 Mbbbl.

PADD 1 (East Coast) had the only decrease in propane inventories for the week. Inventories fell by 144 Mbbbl which brought total inventories for PADD 1 under 2021 by 154 Mbbbl. Inventories are under the 5-year maximum by 512 Mbbbl.

Figure 2



PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased this week by 229 Mbbl and are below the 5-year maximum and 2021 by 212 Mbbl.

Production declined by 154 Mb/d to 2,316 Mb/d. Exports are still strong but fell this week by 192 Mb/d to 1,205 Mb/d. Imports are essentially unchanged with the slightest decrease of 3 Mb/d to 102 Mb/d. Product supplied rose by 117 Mb/d to 981 Mb/d.

Propane Inventory Change

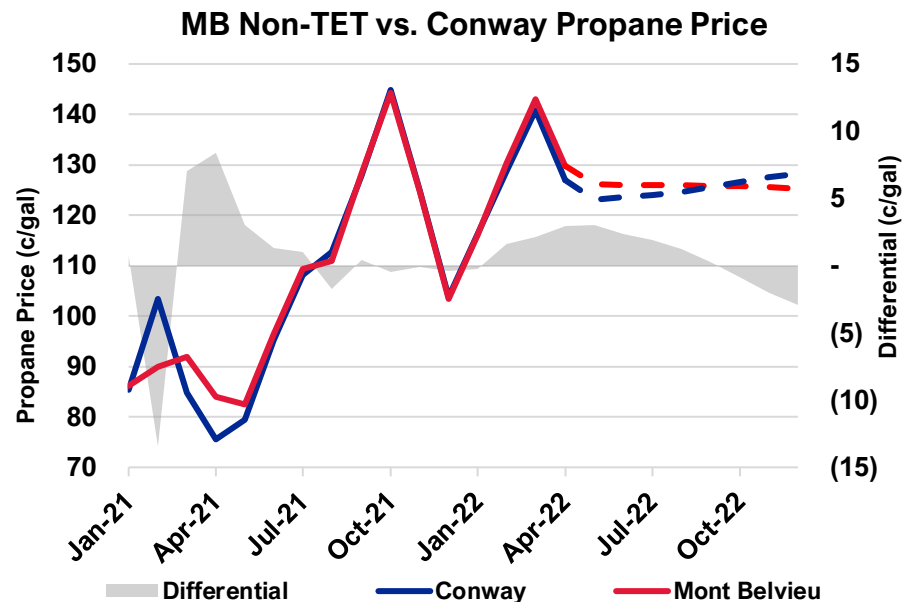
The change in stocks for the week ended April 29th (red bar, Figure 2) of 1.6 MMbbl is slightly under the average for this week of the year (green bar).

2014 was the highest for this week of the year at 3.7 MMbbl. The inventory builds for the last four weeks have been strong totaling 6.4 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

Figure 3



trend from last week, the forward price differential between Mont Belvieu and Conway for the injection season (April – September 2022) narrowed to 2 c/gal, down 1 c/gal. Unlike the forward curve spread, the Mont Belvieu spot price premium over Conway moved higher with the average weekly premium increasing to 3.8 c/gal, up 1.1 c/gal from 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 43 days and over 2021 by 5 days. Compared to the 5-year low of the metric, days supply is 7 days higher.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and shows only 19 days of inventory which is only 1 day more than 2021 and the 5-year low.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

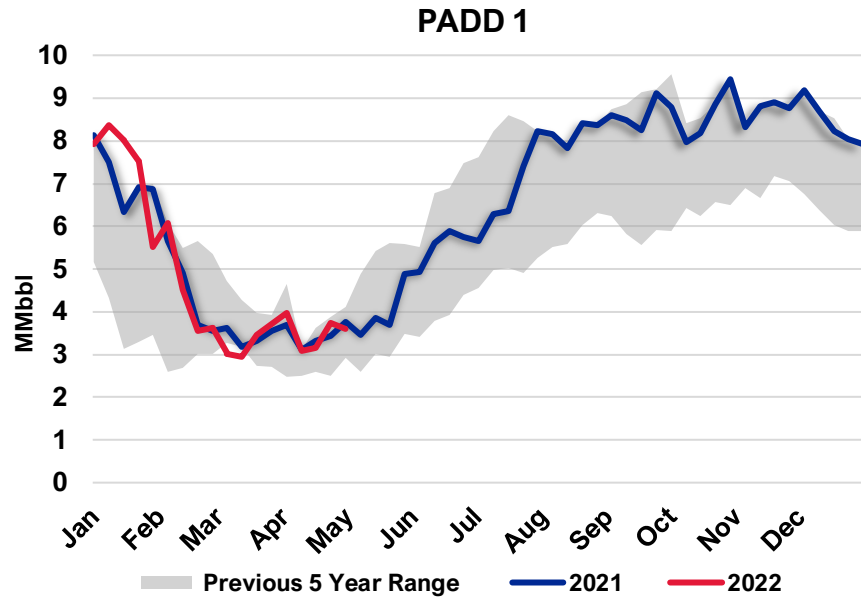


Figure 5

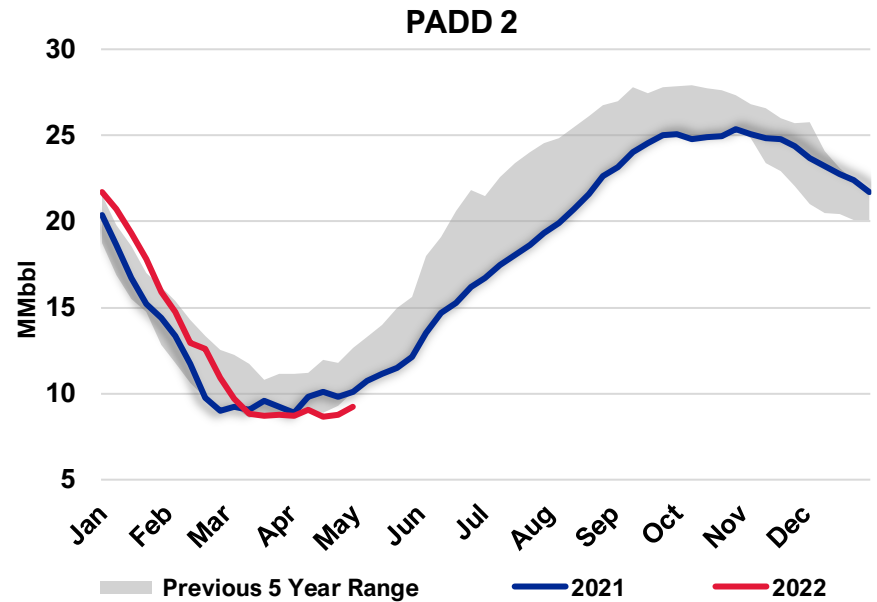


Figure 6

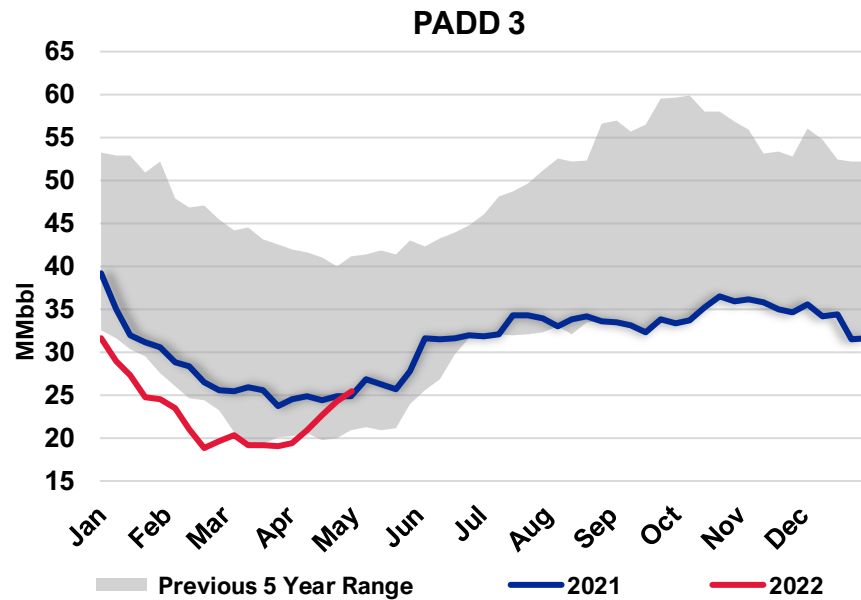


Figure 7

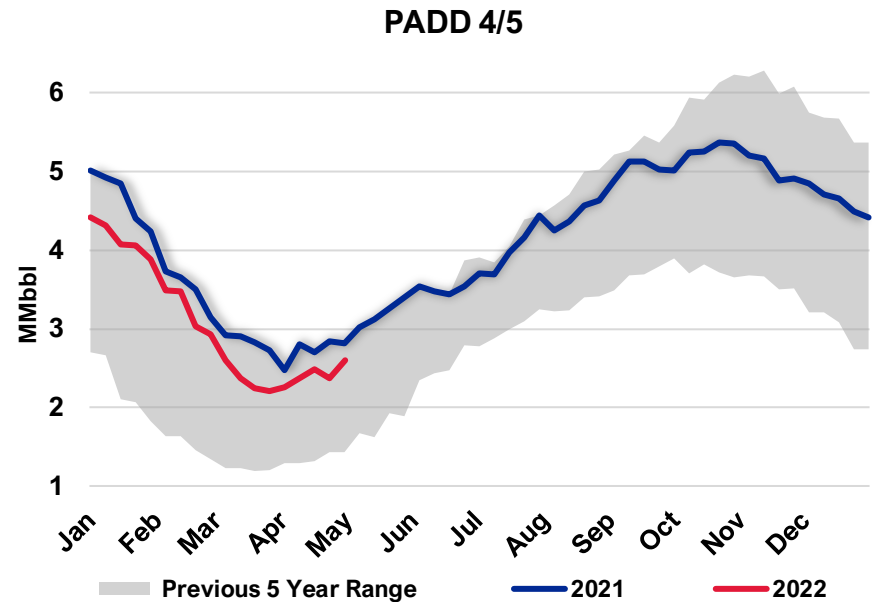


Figure 8

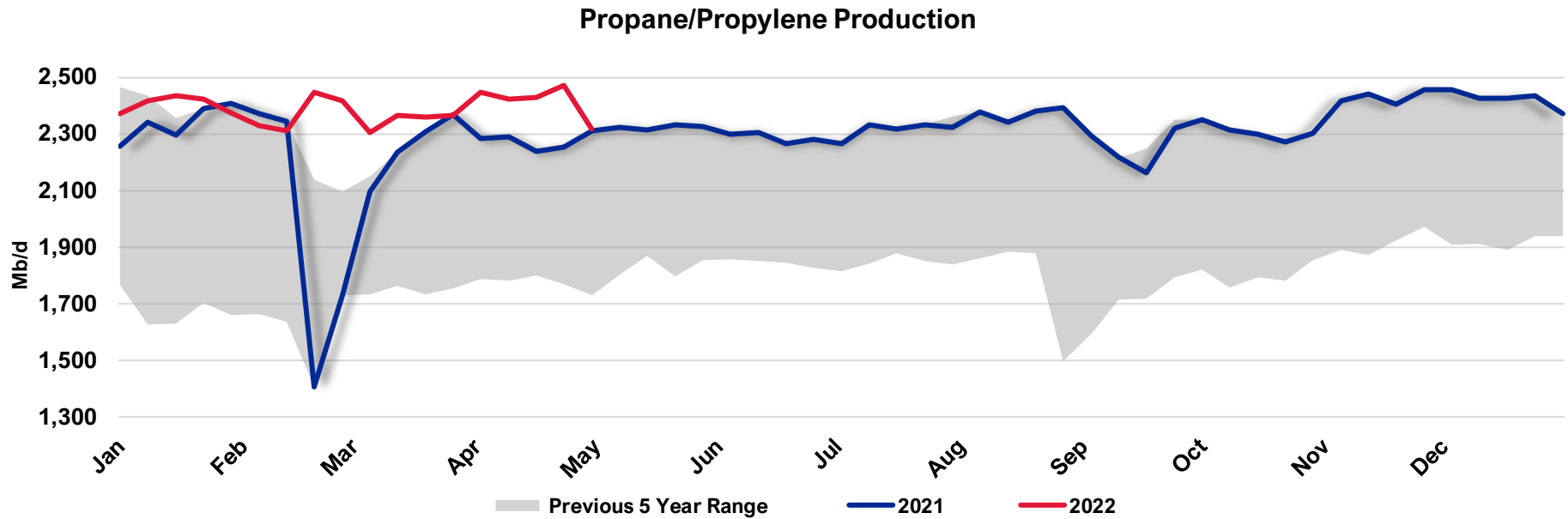


Figure 9

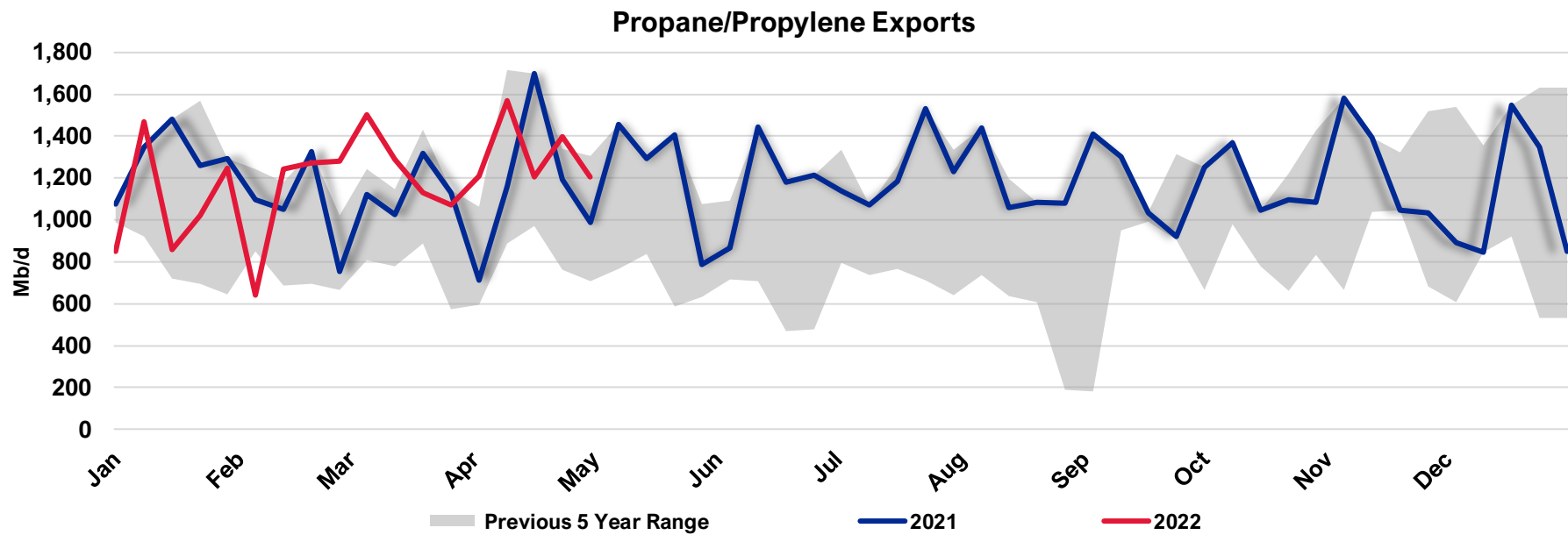


Figure 10

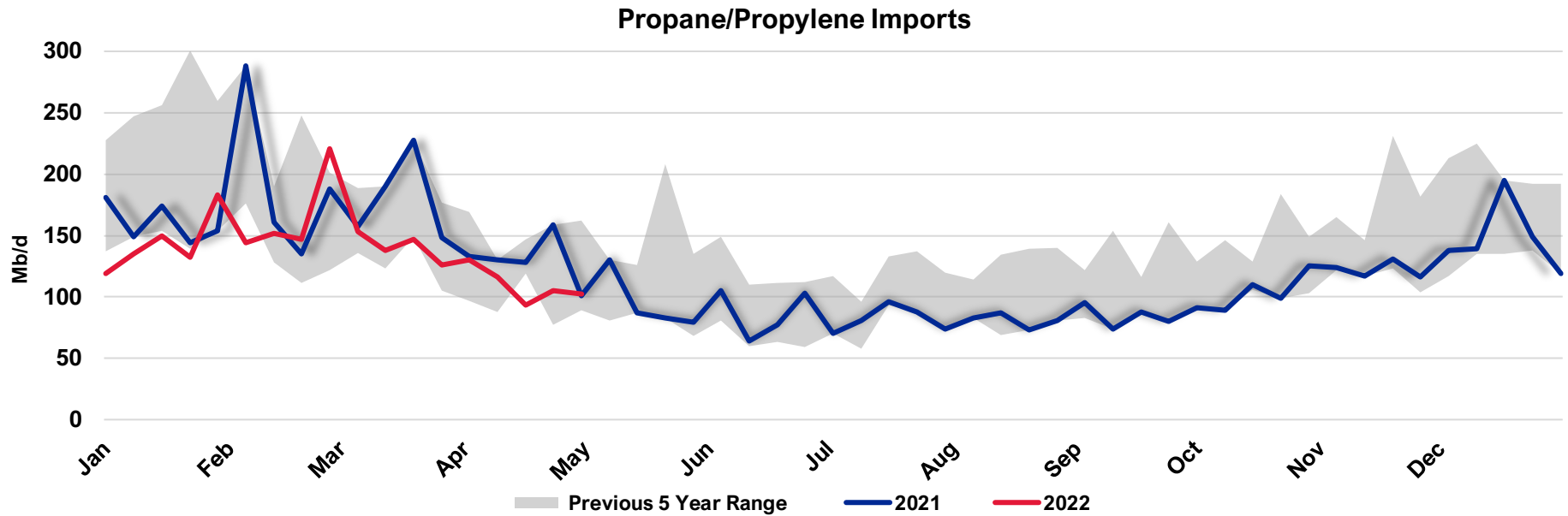


Figure 11

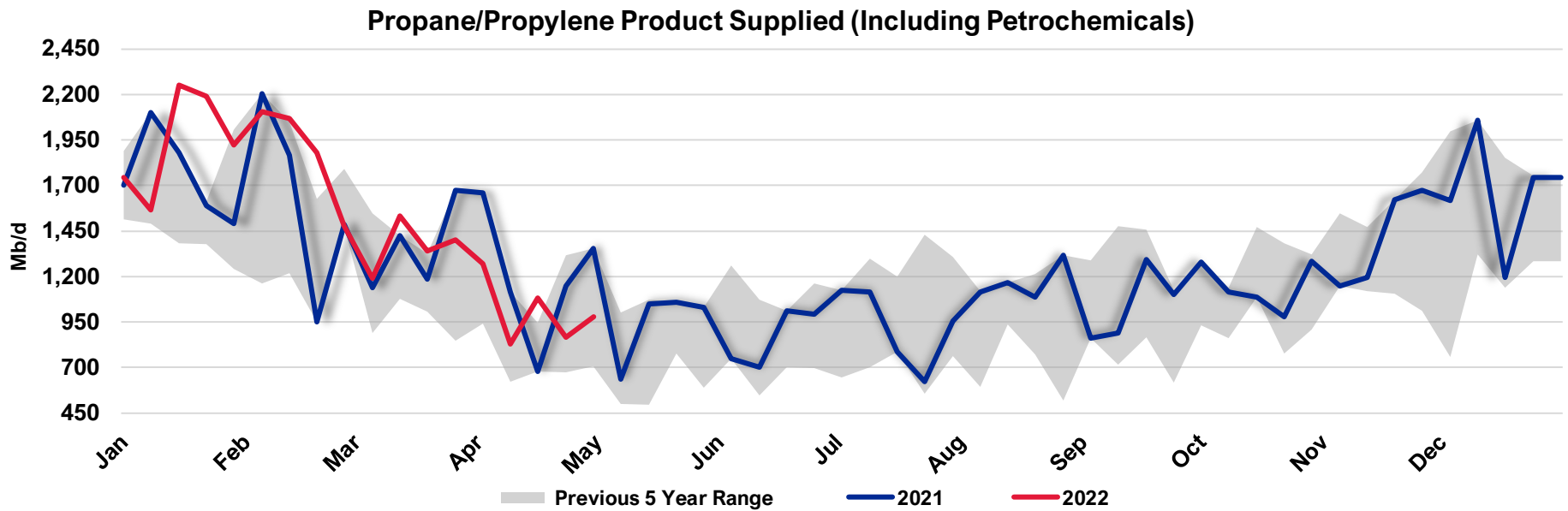


Figure 12

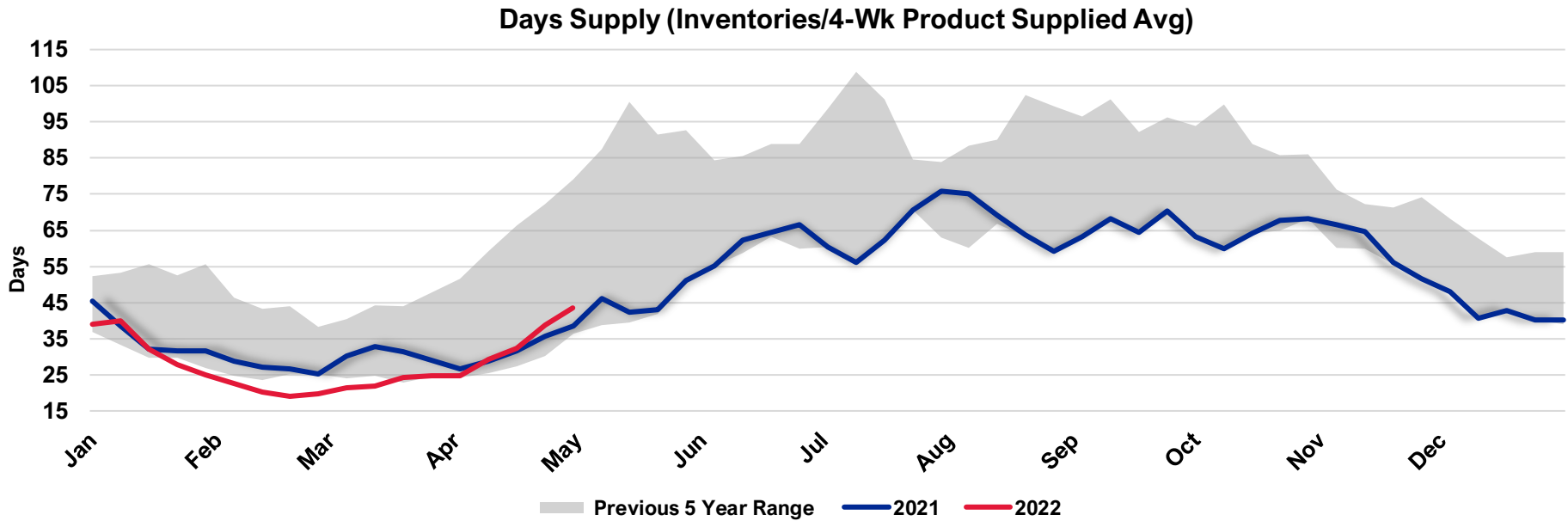
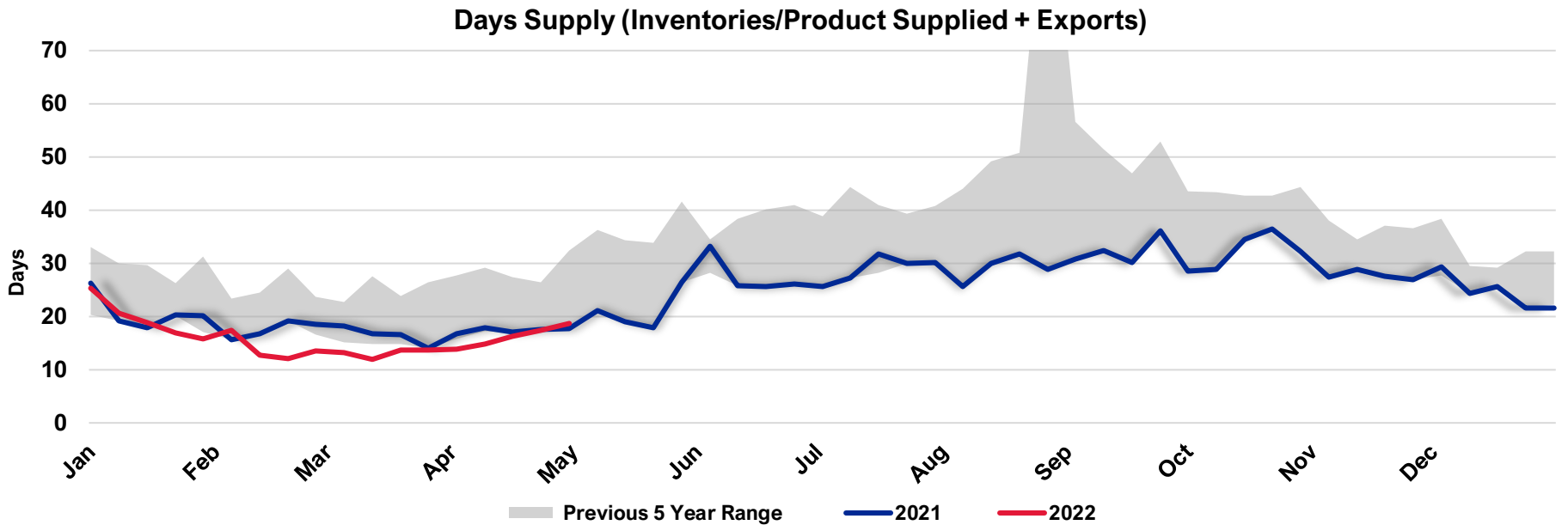


Figure 13



DISCLOSURE: This report is provided for the exclusive use of the Subscribing Customer. It is not permissible to make copies of this report for distribution to anyone who is not a Subscribing Customer. RBN Energy (the “Company”) is not an investment advisor. The Company does not provide investment, financial, tax, or other advice, nor does the company operate as a broker-dealer. The Company does not recommend the purchase or sale of any particular securities. The data and information in this report may be wrong. This report has been prepared using information derived from publicly available data sourced primarily from internet websites including www.eia.gov, press releases, and media reports. The topics covered are subject to continuous revision. Some of these revisions may not be reported publicly. Some of the reported information used in this report may be erroneous. Accordingly, this report is subject to errors and inaccuracies. You should not rely on any information provided in this report as the basis for any decision or conclusion regarding the topics covered by this report. The information and data in this report are provided on an “as is” basis. The Company makes no warranties as to the accuracy or completeness of any information or data in this report. The Company shall not be liable for any loss or damage arising from any party’s reliance on the contents of this report and the Company disclaims any and all liability related to the use of this report to the full extent permissible by law, whether based on warranty, contract, tort or any other legal theory. By using this report, you acknowledge and agree that you, and not the Company are solely responsible for your own investment research and decisions. You further agree that the Company assumes no responsibility or liability for your trading and investment results, and you agree to hold the Company harmless for any such results or losses.