



## WEEKLY PROPANE MARKET UPDATE

June 15, 2022

### HIGHLIGHTS

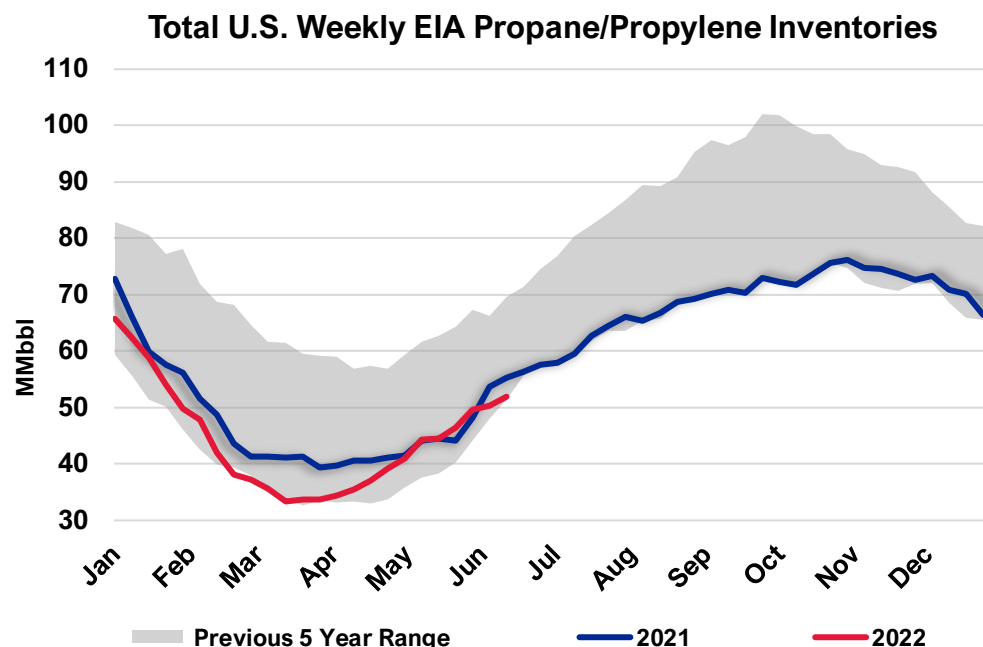
- » Mont Belvieu propane prices declined for the fourth consecutive session Tuesday, ending down 3.2% week-on-week while crude oil was little changed around \$119/bbl. The propane-to-WTI-Cushing ratio continued its downward trend, closing at 42% on Tuesday, well below the ~60% average level seen earlier in the year. For comparison purposes, the ratio was 56% at this time last year before skyrocketing to over 80% in early October 2021.
- » The EIA reported Wednesday that weekly U.S. propane inventories grew by 1.6 MMbbl, which was in line with the 1.5 MMbbl increase reported last year but about 0.5 MMbbl below industry estimates. PADD 2 (Midwest) reported a strong build for the fourth consecutive week, increasing by 1.1 MMbbl. Midwest stock levels have improved over the past month but are still 385 Mbbbl below last year and 2.8 MMbbl below the 5-year average.
- » Total U.S propane exports came in strong for the week at 1.4 MMb/d, rebounding from a low rate of 1 MMb/d last week. We expect total U.S. propane exports to remain at healthy levels around 1.2-1.3 MMb/d.
- » Steam cracker margins for ethane and propane stayed relatively close during the week, averaging ~9 c/lb; however, normal butane held on to the top spot on the margin pecking order with an average margin of about 11 c/lb. We don't think there has been a significant amount of steam cracker feedstock switching to propane at this point given the small margin differential to ethane and a recent weakness in propylene prices.

### MARKET OVERVIEW

Mont Belvieu propane prices trended lower for the week, ending at \$1.19/gal on Tuesday, down 3.96 c/gal from June 7. Crude oil prices were essentially unchanged, closing at \$118.93/bbl, down \$0.48/bbl from the prior week.

Propane prices continued their steady decline relative to crude oil, with the ratio to WTI Cushing closing Tuesday at 42%, down 1% week-on-

Figure 1



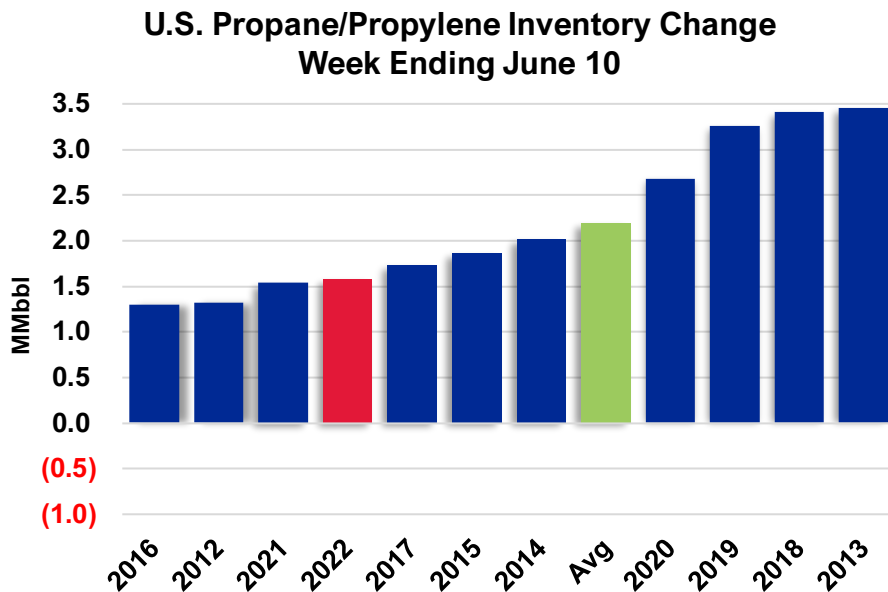
week. The forward propane-to-WTI ratio also moved lower, with the winter peak declining to below 49% in February 2023, about 1.4% lower than the ratio implied by last week's forward curve.

### ANALYSIS & INSIGHTS

In Wednesday's EIA propane inventory report, propane inventories had a build of 1.6 MMbbl, about 500 Mbbbl less than industry expectations. According to OPIS, market expectations were for a build in inventories averaging approximately 2.1 MMbbl. Total U.S. propane stocks are now at 51.8 MMbbl, 3.4 MMbbl below the same week in 2021 and only 440 Mbbbl above the 5-year minimum. PADD-level inventory changes show PADD2 having most of the increase in inventories followed by PADD 1, with minimal increases for the remaining PADDs.

PADD 3 (Gulf Coast) inventories were basically unchanged with a tiny increase of 7 Mbbbl. Total inventories remain slightly under 30 MMbbl. Gulf Coast propane inventories are now 1.5 MMbbl under 2021 and 3 MMbbl over the 5-year minimum.

Figure 2



PADD 2 (Midwest) inventories continue to rise with an increase of 1.1 MMbbl, driving total inventories to 14.3 MMbbl. However, total inventories for PADD 2 are 385 Mbbl under 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories grew by 390 Mbbl for a total of 4.4 MMbbl. Stocks are 1.3 MMbbl below 2021 but 573 Mbbl above the 5-year minimum.

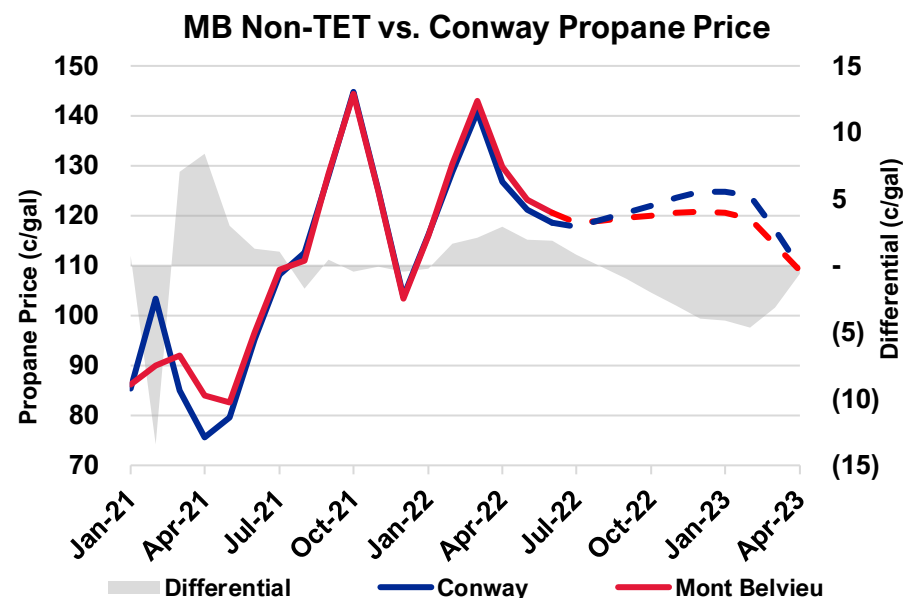
PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased slightly by 42 Mbbl, bringing total stocks to 3.3 MMbbl. Stocks are below 2021 and the 5-year maximum by 191 Mbbl.

U.S. production went up slightly by 41 Mb/d to 2,440 Mb/d. Exports were still robust, increasing by 425 Mb/d to 1,448 Mb/d. Imports fell by 9 Mb/d to 76 Mb/d. Product supplied dropped by 525 Mb/d to 841 Mb/d.

**Propane Inventory Change**

The change in stocks for the week ended June 3 (red bar, Figure 2) of 1.6 MMbbl is about 612 Mbbl (green bar) below the average. The lower-than-average build was primarily due to strong exports, which kept PADD 3 inventories flat week-on-week.

Figure 3



**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 Mont Belvieu-Conway spot price differential was unchanged for the week, with the Belvieu premium over Conway closing at 1.4 c/gal as of Tuesday. The forward price differential between Mont Belvieu and Conway was also relatively stable during the week, with the Conway winter peak premium over Belvieu trading at around 4.6 c/gal for February 2023.

**Days of Supply**

Figure 12 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 60 days, or two days below the same week in 2021 and one day over the 5-year low of the metric.

Figure 13 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 23 days of inventory, which is three days under 2021. Compared to the 5-year low for this metric, days of supply is also three days lower.

# U.S. PROPANE INVENTORIES BY PADD

Figure 4

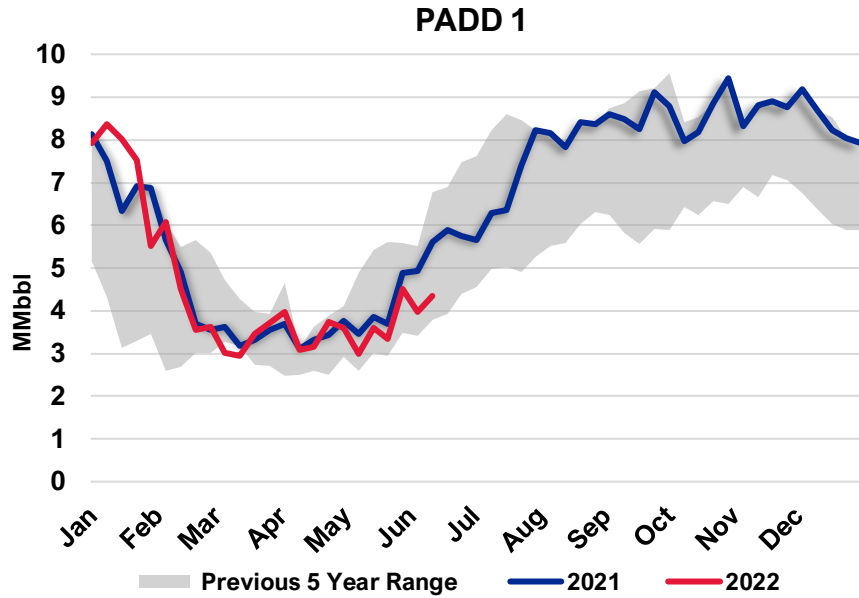


Figure 5

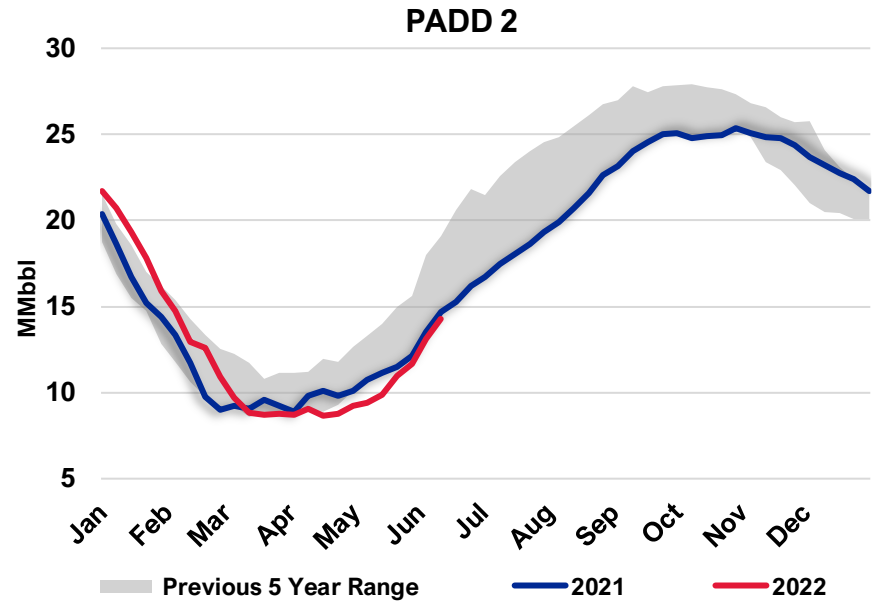


Figure 6

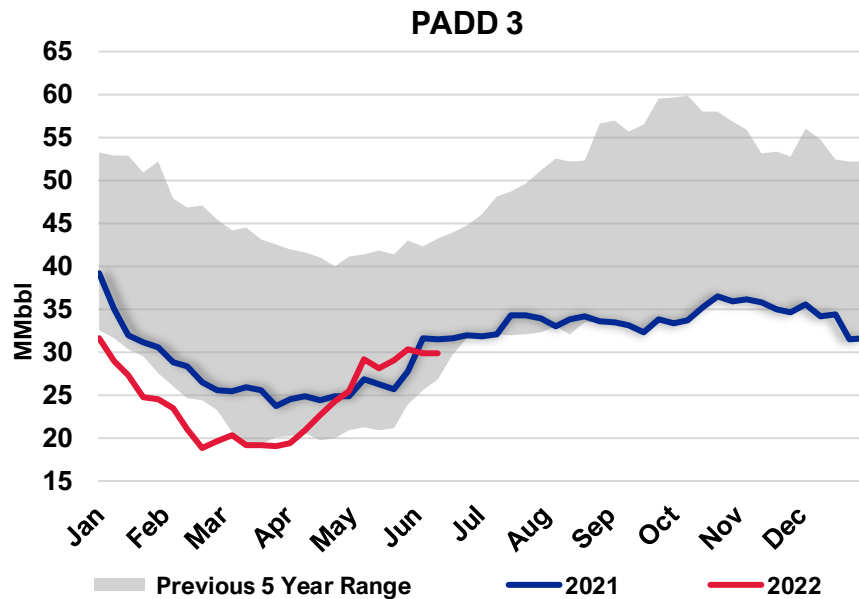


Figure 7

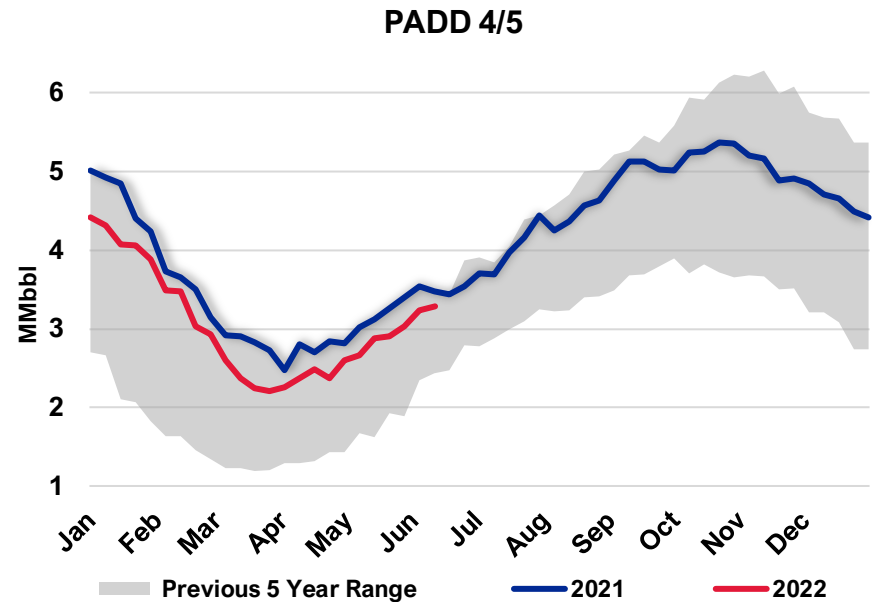


Figure 8

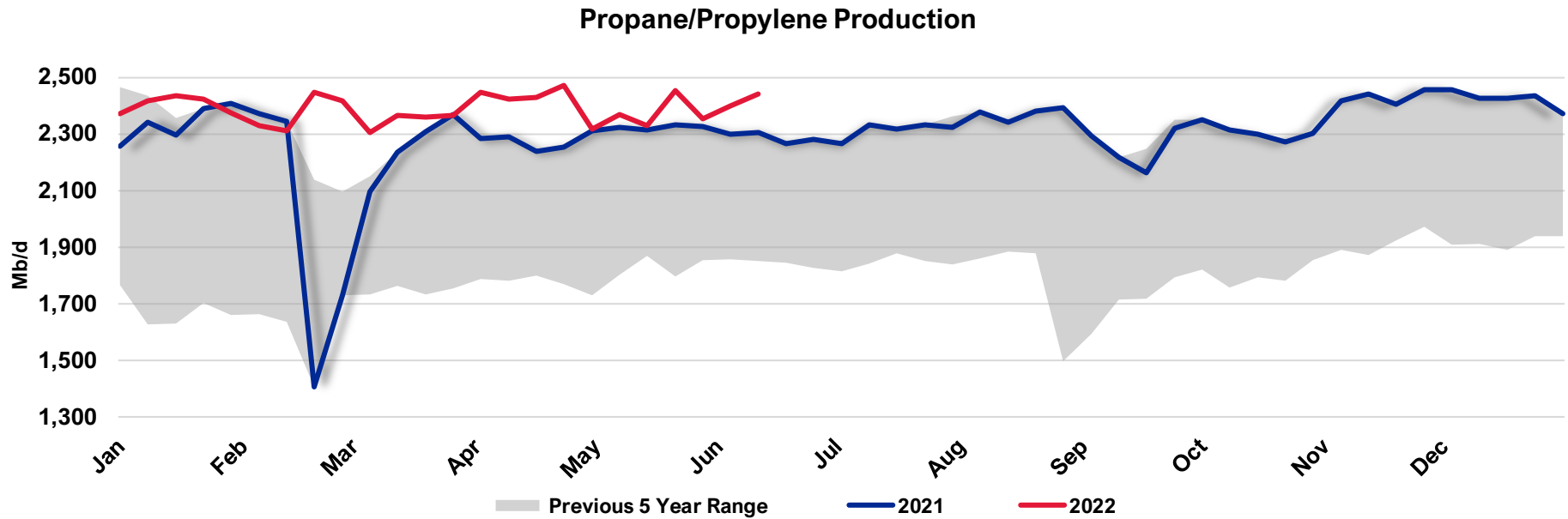


Figure 9

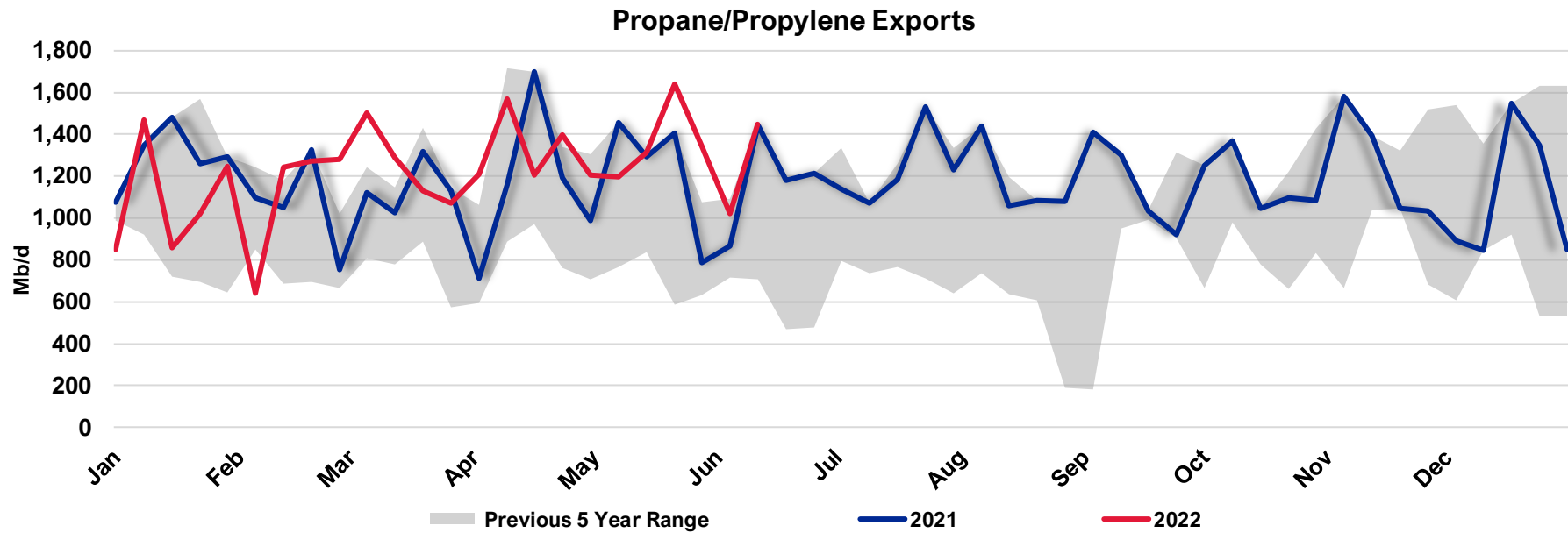


Figure 10

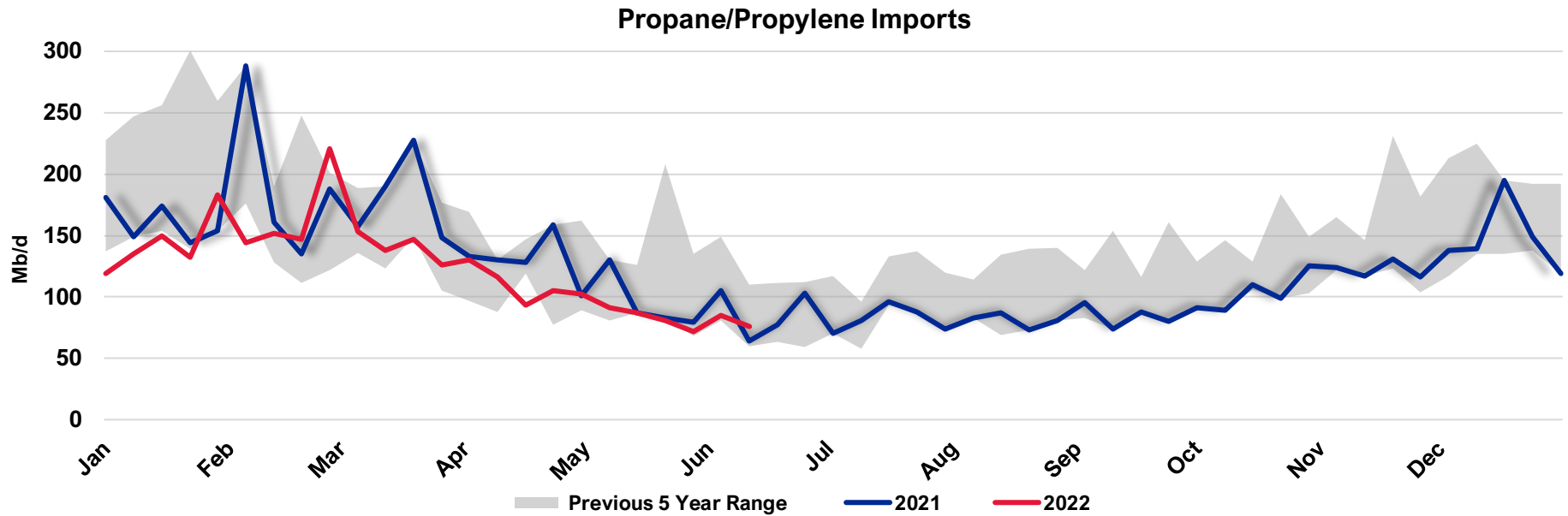


Figure 11

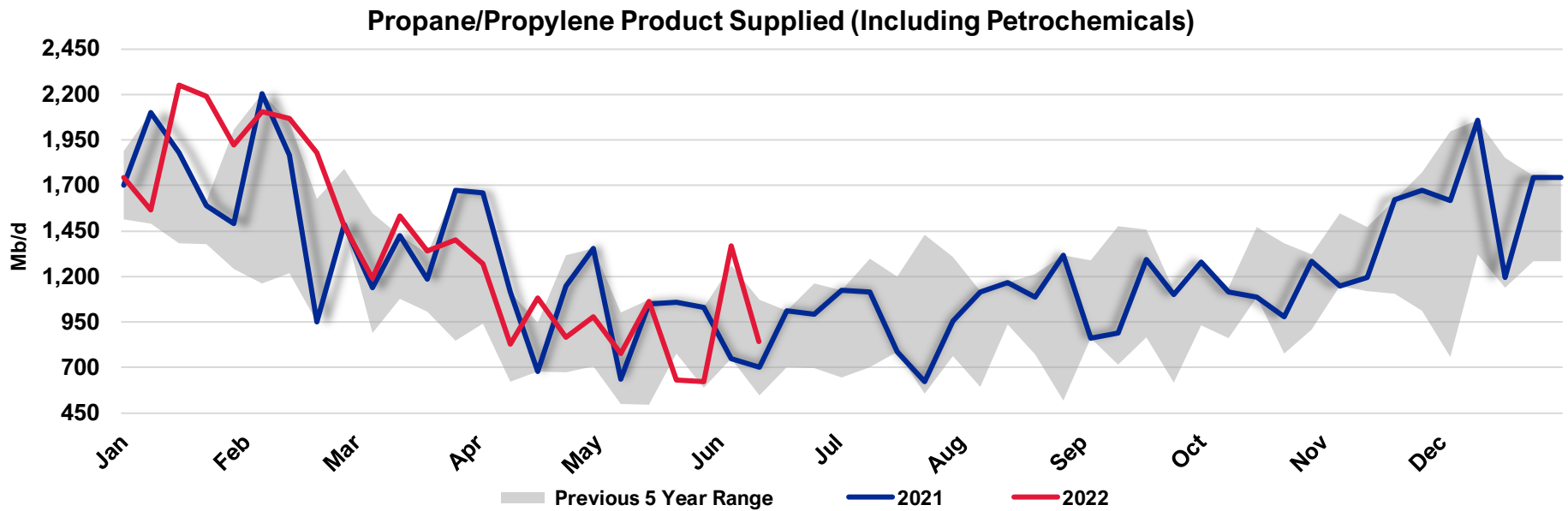


Figure 12

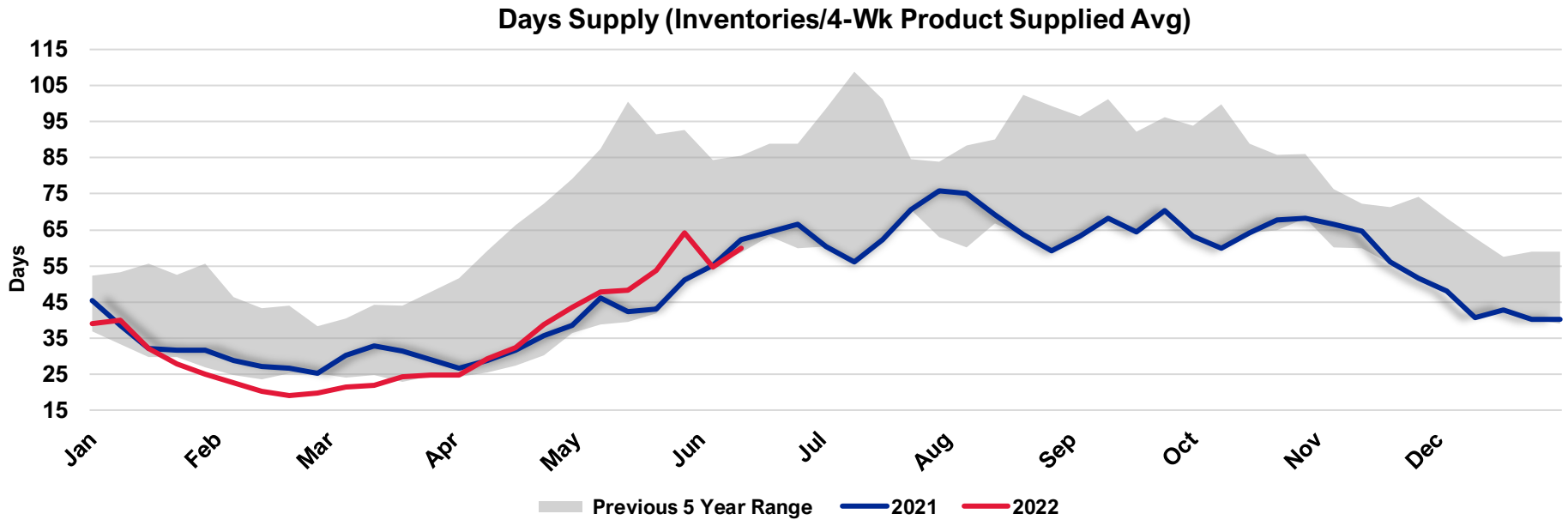
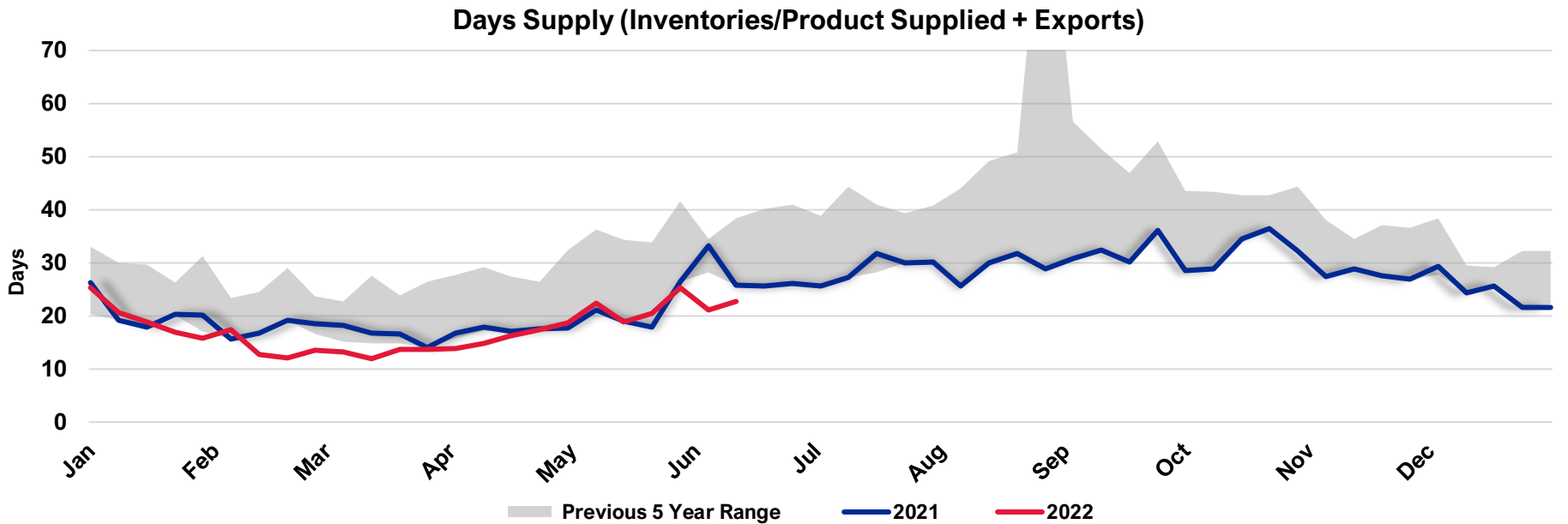


Figure 13



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