



WEEKLY PROPANE MARKET UPDATE

June 29, 2022

HIGHLIGHTS

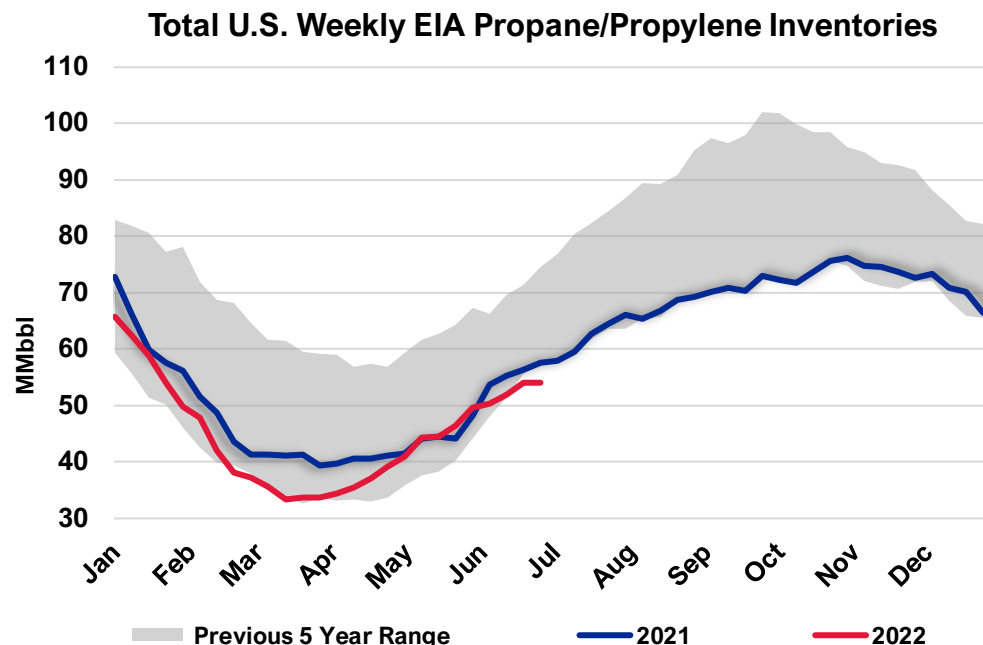
- » Mont Belvieu propane prices have consistently traded in the \$1.20/gal range for the past two weeks, up 1% since mid-June. Crude oil prices have been weaker than propane, falling to around \$110/bbl, down 3.8% over the last two weeks. That finally broke the bearish trend for the propane-to-WTI Cushing ratio, which rose 4 percentage points to close at 46% as of June 28. However, the ratio is still well below the 60% recorded at this time last year.
- » The EIA reported June 29 that weekly U.S. propane inventories grew by a paltry 0.05 MMbbl in the week ended June 24, well below industry estimates. This marks the third time in the last four weeks that the inventory build has come in below market expectations.
- » PADD 2 (Midwest) reported another good build of more than 1 MMbbl for the fourth consecutive week, bringing stocks to almost 17 MMbbl. Midwest inventory conditions have improved over the past month and are now 645 Mbbl above last year.
- » PADD 1 (East Coast) and PADD 3 (Gulf Coast) inventory builds have been non-existent during the last five weeks as strong exports have kept stocks in check. We are becoming somewhat concerned about the robust exports and low stocks in PADD 1.
- » Total U.S. propane exports remained strong over the last two weeks at 1.3-1.4 MMbbl/d. We expect total U.S. propane exports to stay at healthy levels around 1.3 MMbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices inched higher over the last two weeks, ending at \$1.22/gal on June 28, up 2.06 c/gal from June 14. Crude oil prices were weaker than propane, closing at \$111.76/bbl, down ~4% from mid-June.

Propane prices strengthened relative to crude oil, with the ratio to WTI Cushing closing June 28 at 46%, up 4 percentage points from mid-month. The forward propane-to-WTI ratio was also stronger, with the

Figure 1



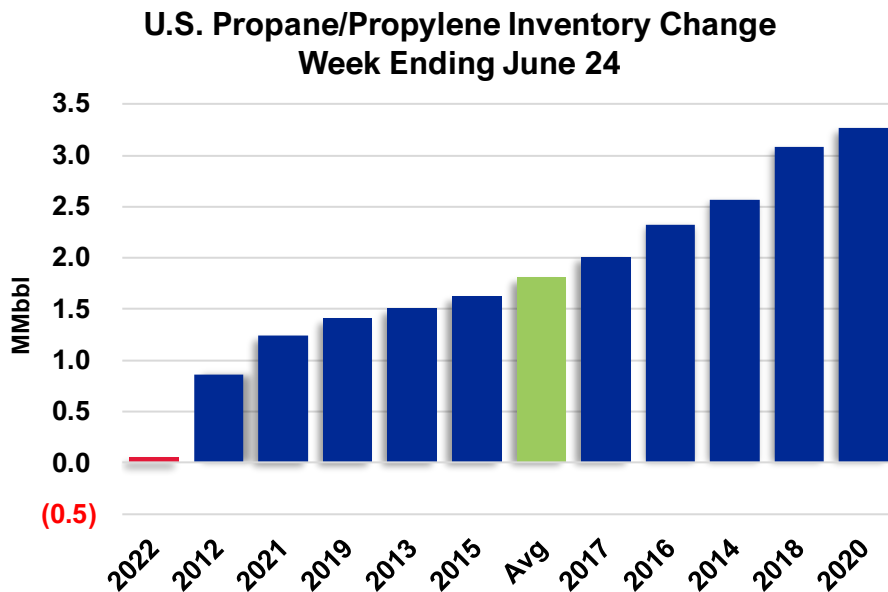
winter peak increasing to 52% in February 2023, about 3 percentage points higher than the ratio implied by the June 14 forward curve.

ANALYSIS & INSIGHTS

The EIA's propane inventory report for the week ended June 17 was not published last week due to system issues at the EIA. Today's propane report contains data for the weeks ended June 17 and 24. For the week ended June 17, propane inventories grew a little over 2.1 MMbbl. Propane inventories for the week ended June 24 were essentially unchanged, with a tiny build of 50 Mbbl. Total U.S. propane stocks are now at 54 MMbbl, 3.5 MMbbl below the same week in 2021 and the 5-year minimum. PADD-level inventory changes for the week ended June 24 show PADD 2 with most of the increase in inventory, offset by PADD 3's drop in stocks.

PADD 3 (Gulf Coast) inventories declined by 1.1 MMbbl to 29.1 MMbbl. Gulf Coast propane inventories are now 2.9 MMbbl under 2021 and 2.4 MMbbl below the 5-year minimum.

Figure 2



PADD 2 (Midwest) inventories came in with a build of 1 MMbbl, pushing total inventories to 16.9 MMbbl. Total inventories for PADD 2 are now 645 Mbbl above 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories fell slightly by 46 Mbbl for a total of 4.5 MMbbl. Stocks are 2.9 MMbbl below 2021 but 148 Mbbl above the 5-year minimum.

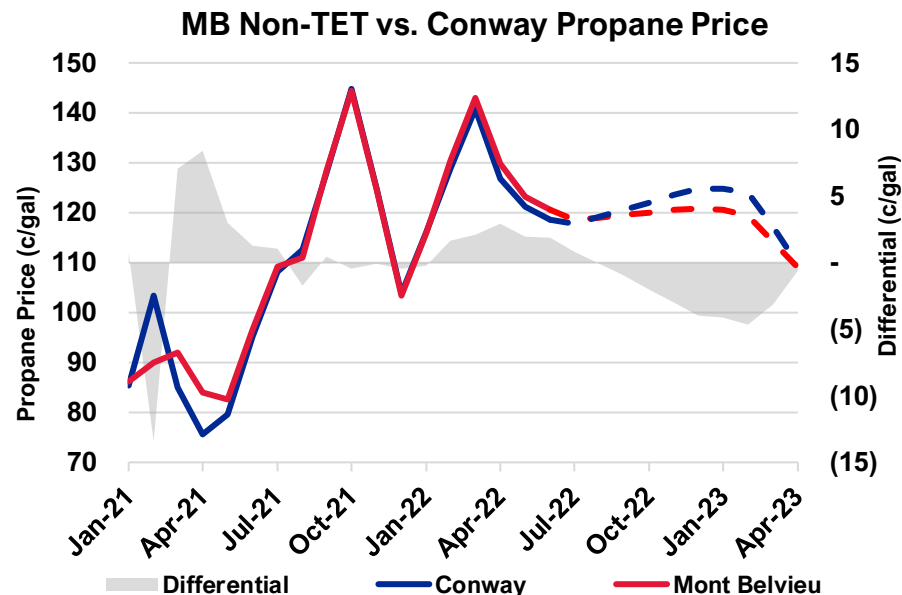
PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories went up by 134 Mbbl, bringing total stocks to 3.5 MMbbl. Stocks are 64 Mbbl below 2021 and 395 Mbbl below the 5-year maximum.

U.S. production decreased by 55 Mb/d to 2,341 Mb/d. Exports fell by 154 Mb/d to 1,294 Mb/d. Imports were up by 9 Mb/d to 76 Mb/d. Product supplied increased by 321 Mb/d to 1,116 Mb/d.

Propane Inventory Change

The change in stocks for the week ended June 24 (red bar, Figure 2) of 50 Mbbl is about 1.8 Mbbl (green bar) below the average. Stocks gains have been low for the last month, primarily due to strong exports, which held PADD 1 and PADD 3 inventories unchanged from early-May levels.

Figure 3



MB Non-TET vs Conway Price

The Mont Belvieu-Conway spot price differential increased over the last two weeks, with the Mont Belvieu premium over Conway closing at 3.9 c/gal as of June 28, up 2.4 c/gal from June 14. The forward price differential between Mont Belvieu and Conway was slightly weaker, with the Conway winter peak premium over Belvieu trading at 4.6 c/gal for February 2023, down from ~5.1 c/gal on June 14.

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 52 days, or 14 days below the same week in 2021 and seven days under the 5-year low of the metric.

Figure 13 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 22 days of inventory, which is four days under 2021. Compared to the 5-year low for this metric, days of supply is four days lower.

U.S. PROPANE INVENTORIES BY PADD

Figure 4

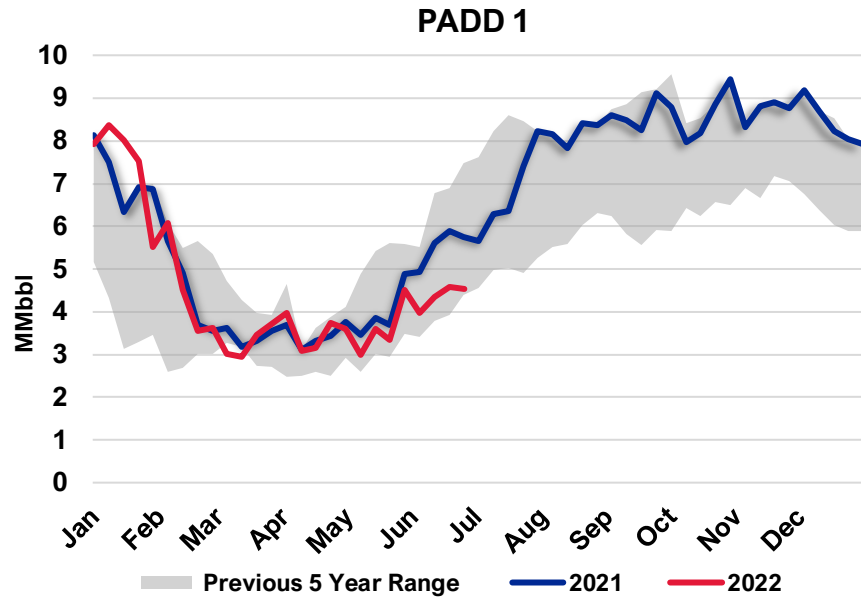


Figure 5

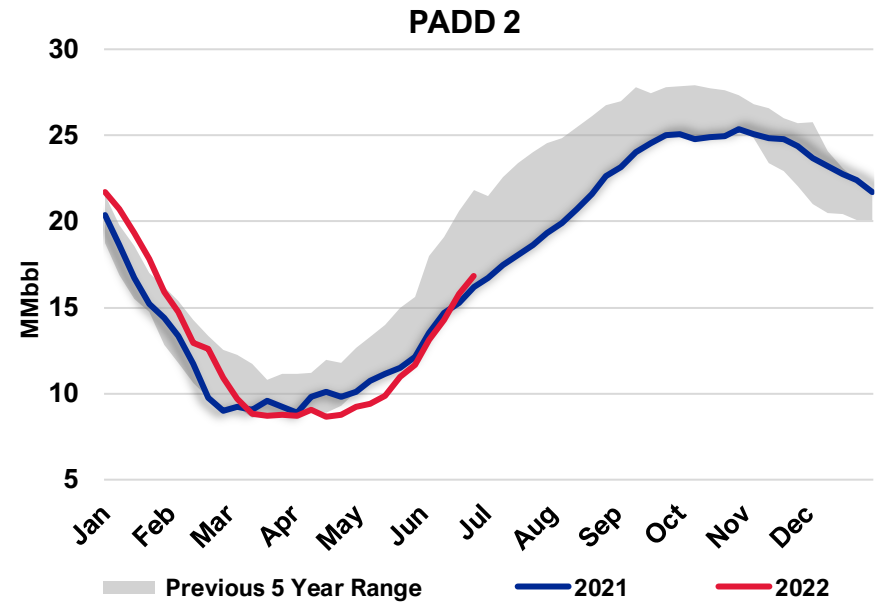


Figure 6

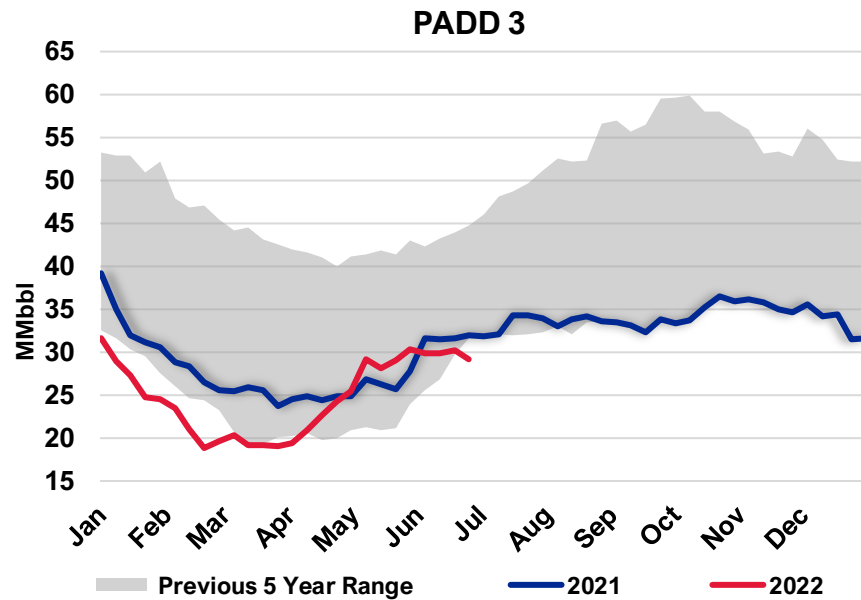


Figure 7

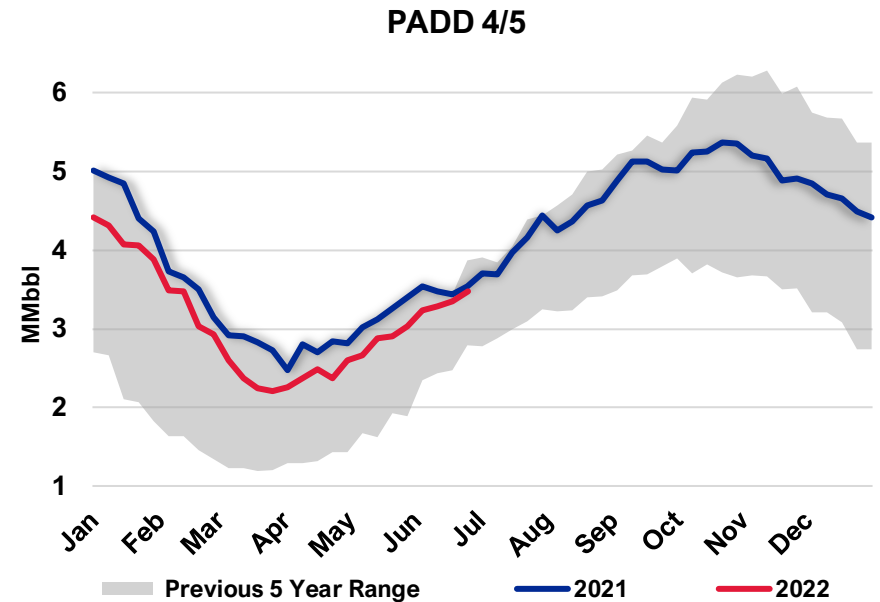


Figure 8

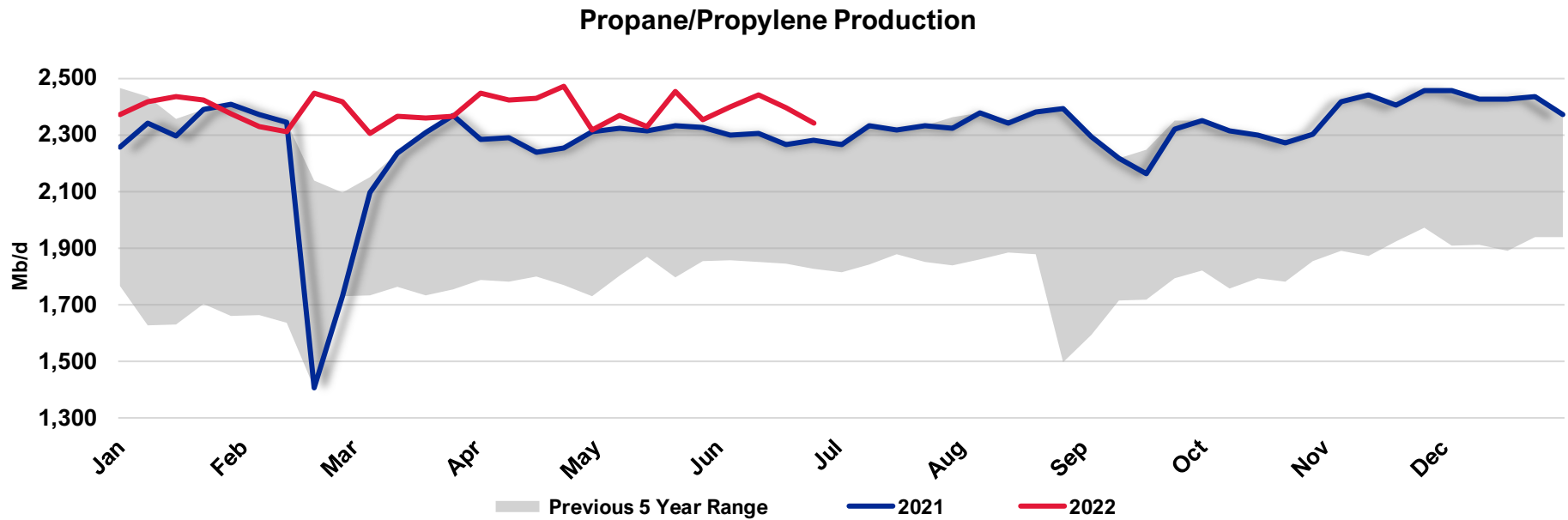


Figure 9

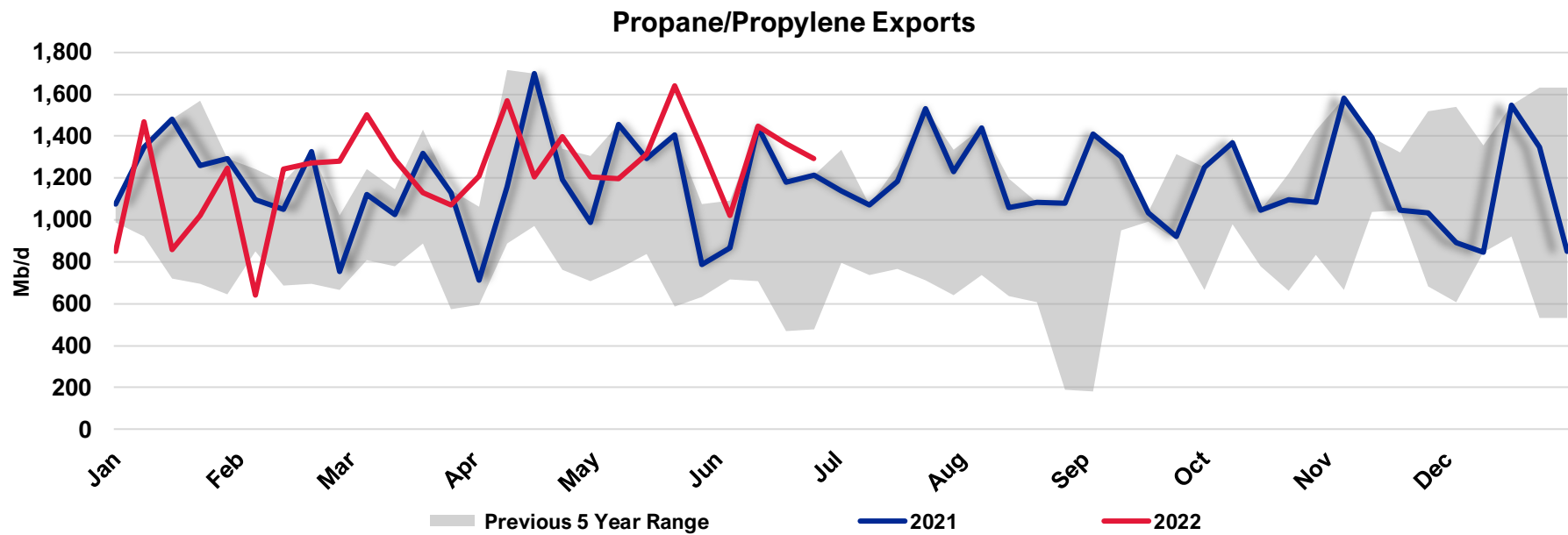


Figure 10

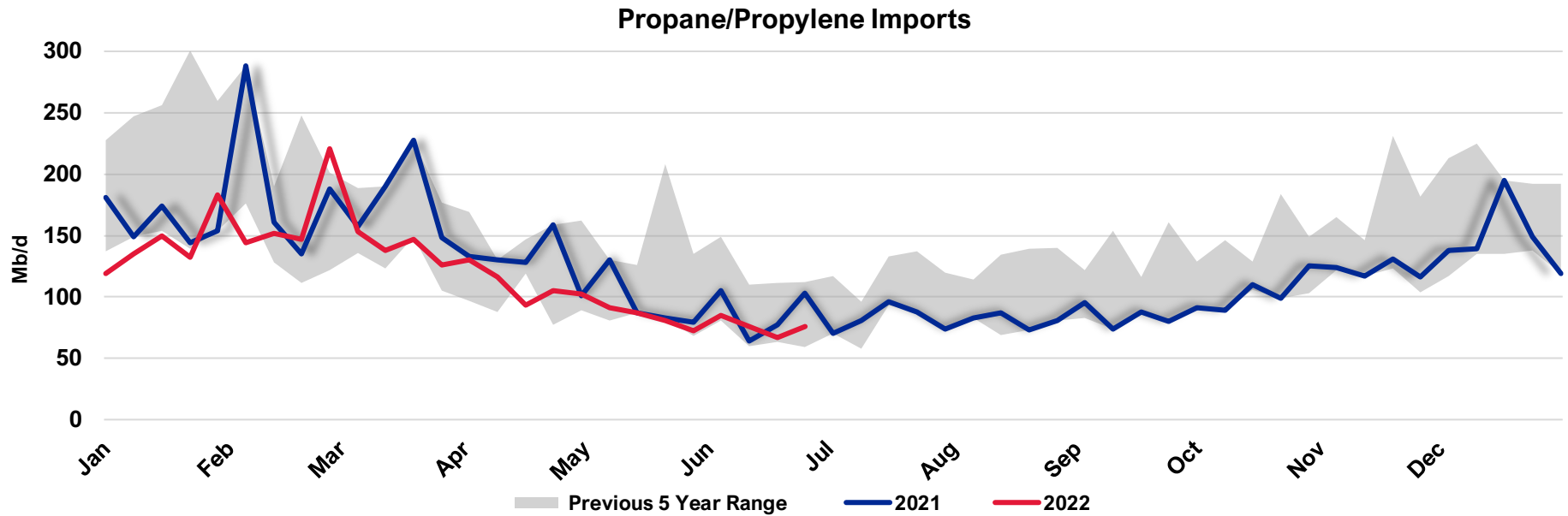


Figure 11

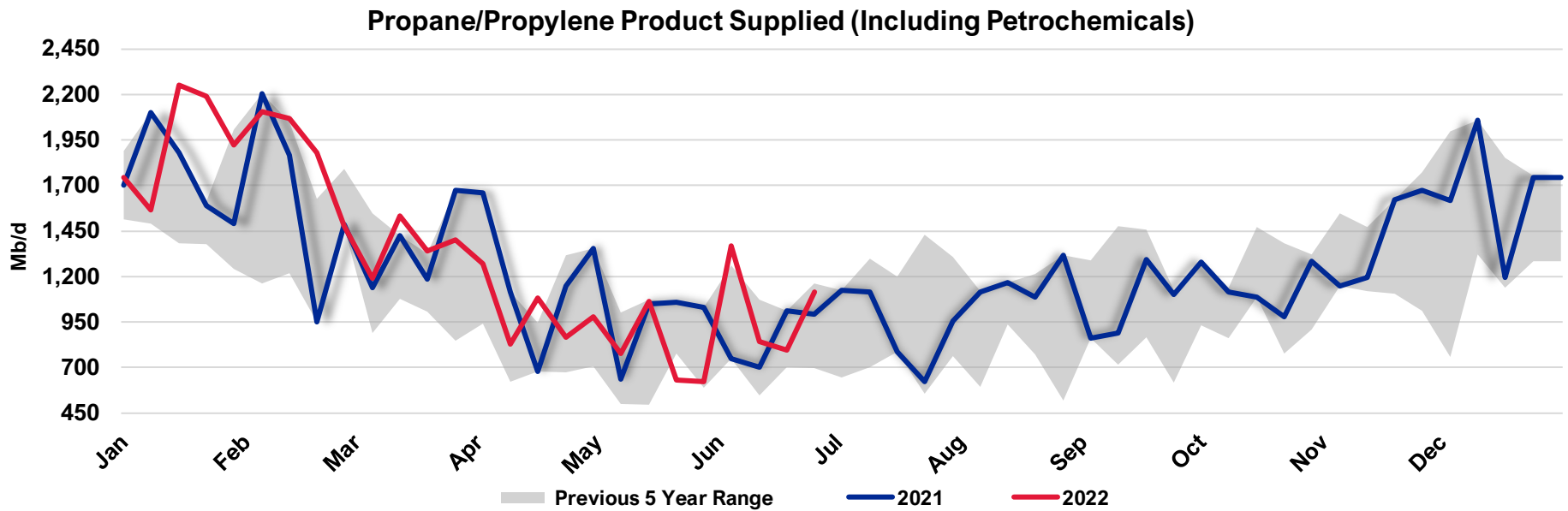


Figure 12

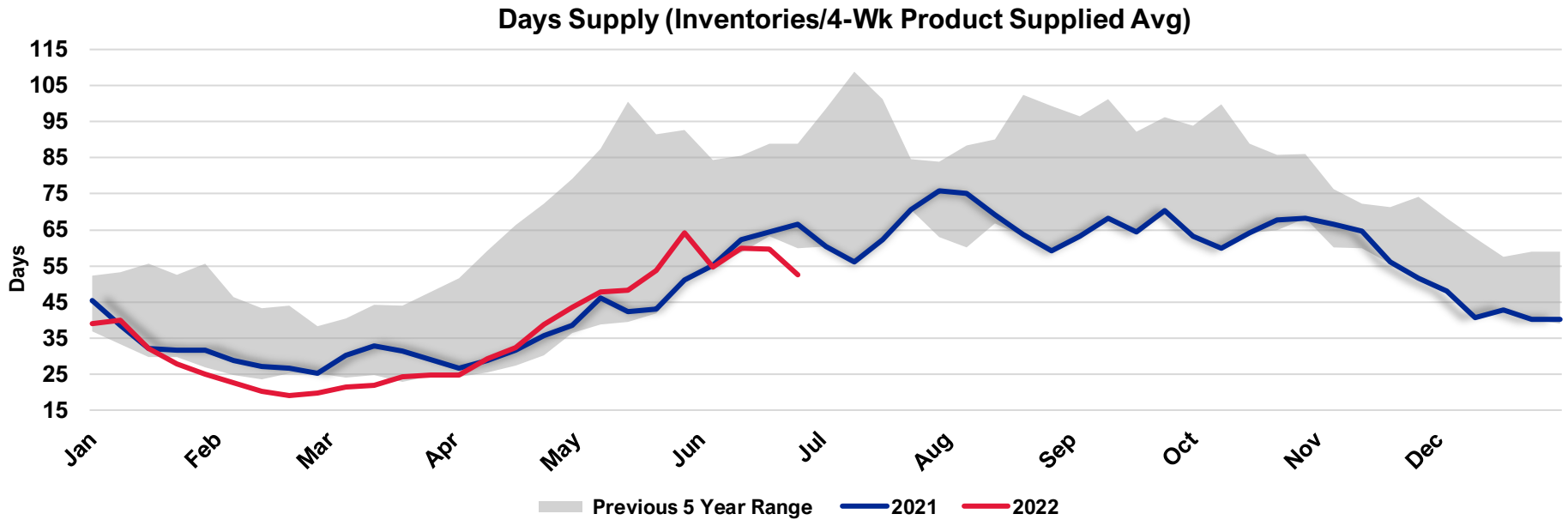
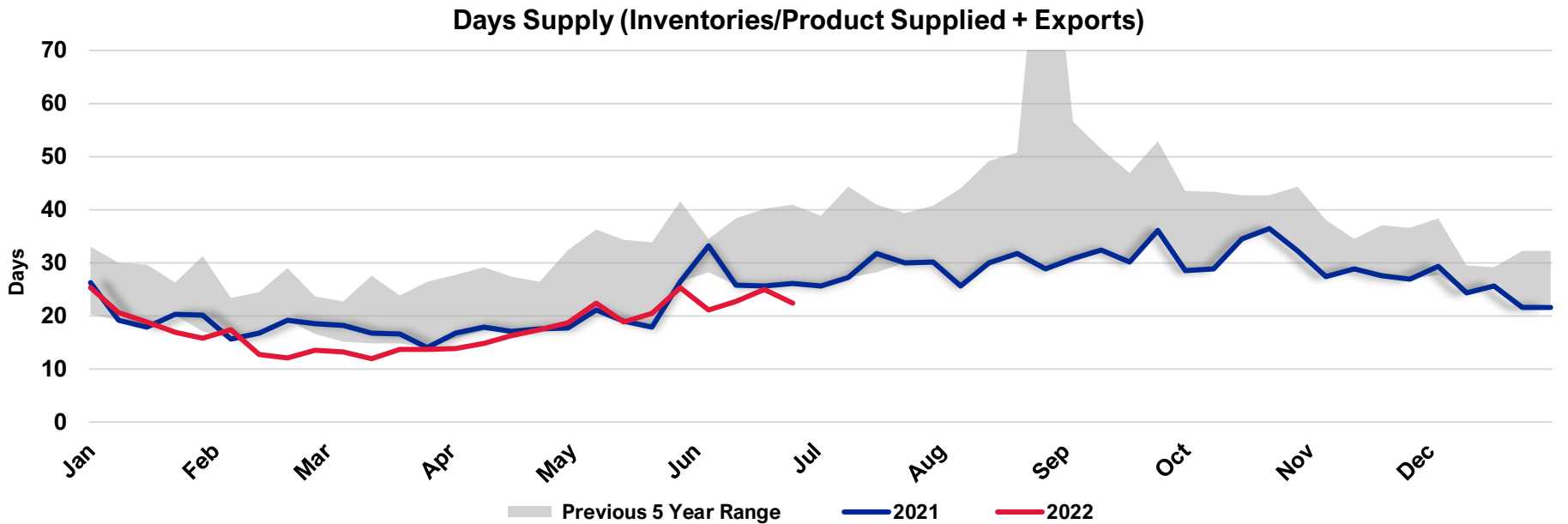


Figure 13



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