

## WEEKLY PROPANE MARKET UPDATE

September 8,

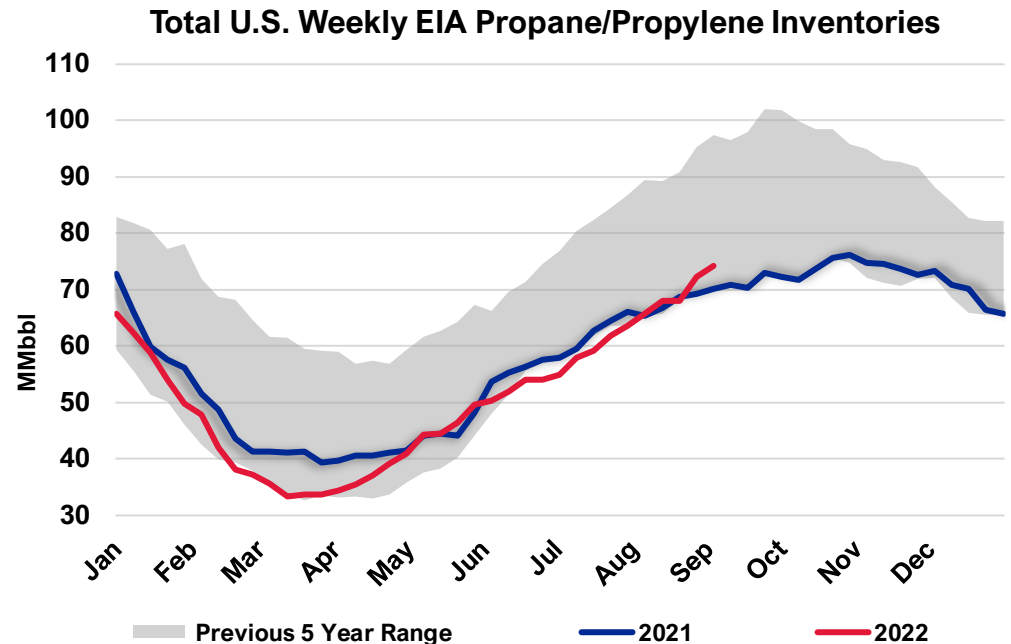
### HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories had a respectable build of 1.9 MMbbl for the week ended September 2, which was in line with industry average expectations of 2 MMbbl.
- » PADD 3 (Gulf Coast) had the largest build for the seventh consecutive week as inventories increased by 827 Mbbl.
- » Crude oil markets continued to decline over the past week, falling below \$90/bbl. WTI settled at \$81.94/bbl on September 7, down about 10.6% for the week. Propane prices were weaker too, with Mont Belvieu non-TET closing at \$1.06/gal on September 7.
- » The propane-to-WTI ratio increased to 54%, up 3 percentage points from a week ago. The ratio continues to be well below the 76% average recorded for September 2021.
- » Weekly exports of propane reported by the EIA were little changed at 1.24 MMbbl/d, down 37 Mb/d from the previous week. Four-week average exports remain relatively healthy at 1.34 MMbbl/d, in line with our forecast for the next few months of 1.3-1.5 MMbbl/d.

### MARKET OVERVIEW

Mont Belvieu propane prices followed crude oil lower over the past week, declining 4.6%, or 5.2 c/gal, to come in at \$1.06/gal on September 7. With WTI down 10.6% over the same period, the propane-to-WTI ratio increased to 54%, 3 percentage points higher than reported August 30. The ratio has steadily increased since hitting a yearly low of 42% in mid-June. The forward propane-to-WTI ratio for September 2022-March 2023 increased to 53%, up from an average of 50% on August 30.

Figure 1

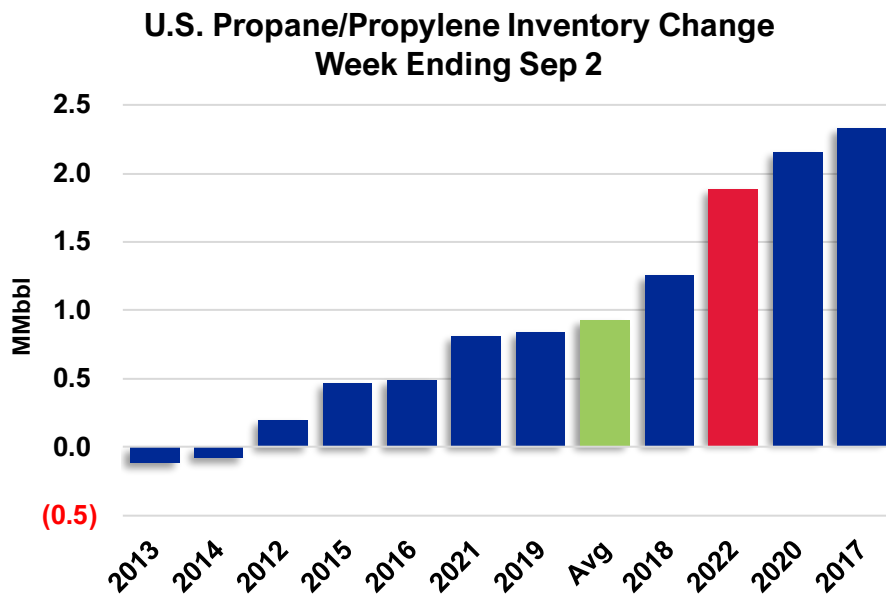


### ANALYSIS & INSIGHTS

Propane inventories were aligned with industry expectations for the week ended September 2. According to OPIS, the average industry expectation was for a build of 2 MMbbl. U.S. propane stocks grew by 1.9 MMbbl and are now at 74.1 MMbbl, 4 MMbbl above the same week in 2021 and the 5-year minimum. Regional inventory changes show all PADDs increasing in propane inventories, with PADD 3 having the largest build for the seventh week in a row.

PADD 3 (Gulf Coast) had an inventory build of 827 Mbbl, bringing total inventories for the region to 40.6 MMbbl. Gulf Coast propane inventories are now 7.1 MMbbl above 2021 and the 5-year minimum.

Figure 2



**ANALYSIS & INSIGHTS (continued)**

PADD 2 (Midwest) inventories grew by 573 Mbbbl to 22.1 MMbbl. Total inventories for PADD 2 remain 1.1 MMbbl below 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories increased by 274 Mbbbl to 6.95 MMbbl. Total inventories for PADD 1 remain 1.7 MMbbl below 2021 but are now 711 Mbbbl above the 5-year minimum.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories rose by 214 Mbbbl. Total stocks are now at 4.5 MMbbl, which is 370 Mbbbl below 2021 and 708 Mbbbl below the 5-year maximum.

Total U.S. production increased by 51 Mbbbl/d to 2,454 Mbbbl/d as PADD 3 moved up by 55 Mbbbl/d. PADD 2 production increased by 9 Mbbbl/d to 462 Mbbbl/d but remains well below the rate in early July, prior to ONEOK’s NGL fractionator outage in Medford, OK. (EIA models weekly propane production volumes based primarily on fractionator propane output). Exports fell by 37 Mbbbl/d to 1,235 Mbbbl/d. Imports were essentially unchanged with a small

increase of 2 Mbbbl/d to 121 Mbbbl/d. PADD 2 imports increased sharply by 41 Mbbbl/d to 61 Mbbbl/d, but that was partially offset by a decline in PADD 1. Product supplied went up by 424 Mbbbl/d to 1,070 Mbbbl/d.

**Propane Inventory Change**

The increase in stocks for the week ended September 2 (red bar, Figure 2) of 1.9 MMbbl was about 950 Mbbbl above the average build (green bar).

**MB Non-TET vs Conway Price**

The Mont Belvieu-Conway spot propane price differential was close to parity, with a Conway premium of 0.3 c/gal on September 7. The forward price differential between Mont Belvieu and Conway widened on average by about 0.5 c/gal, with the Conway winter peak premium over Belvieu trading at 6.4 c/gal for January 2023.

**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 remain substantially high at about 86 days, 23 days above the same week in 2021 but 10 days below the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 32 days of inventory, which is one day more than 2021 and the 5-year low for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

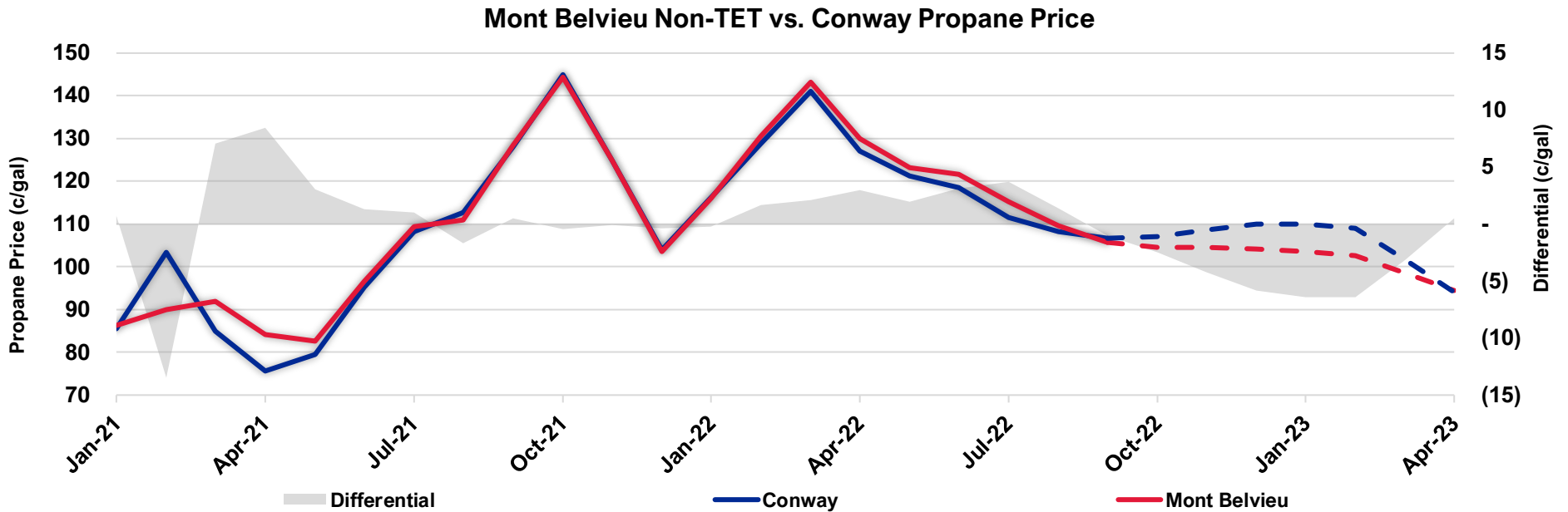
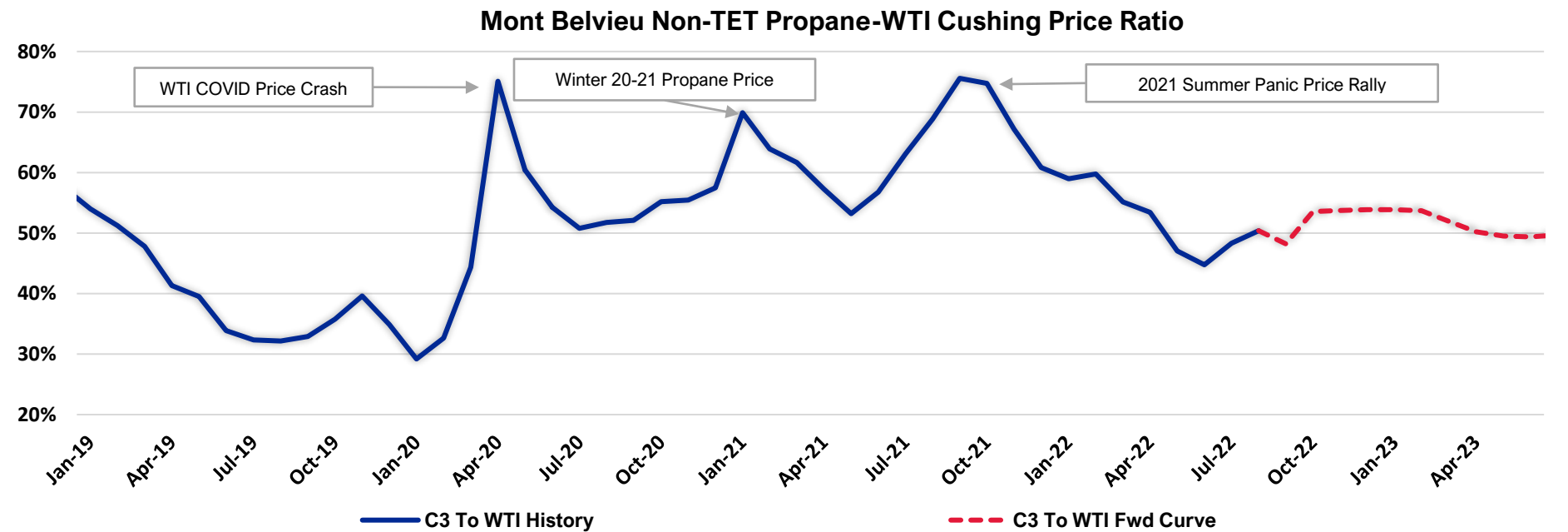


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

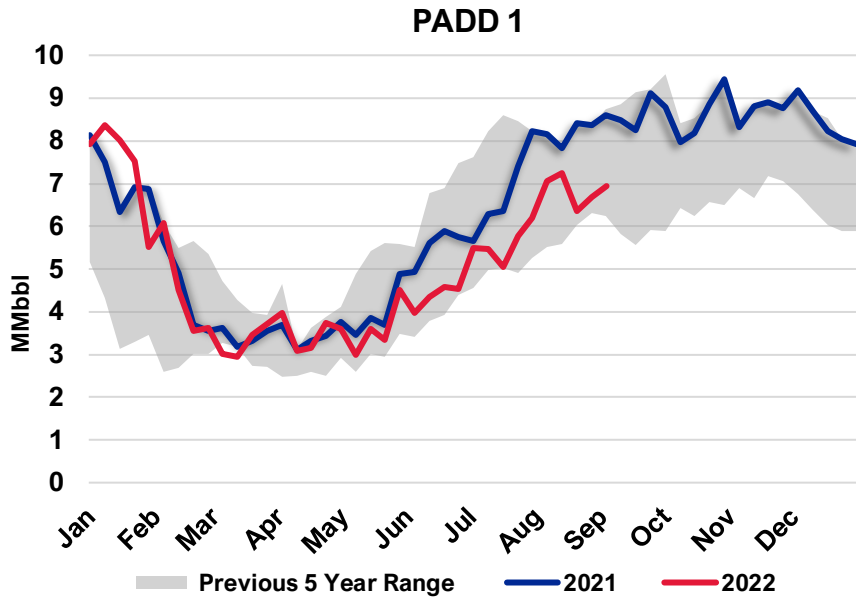


Figure 6

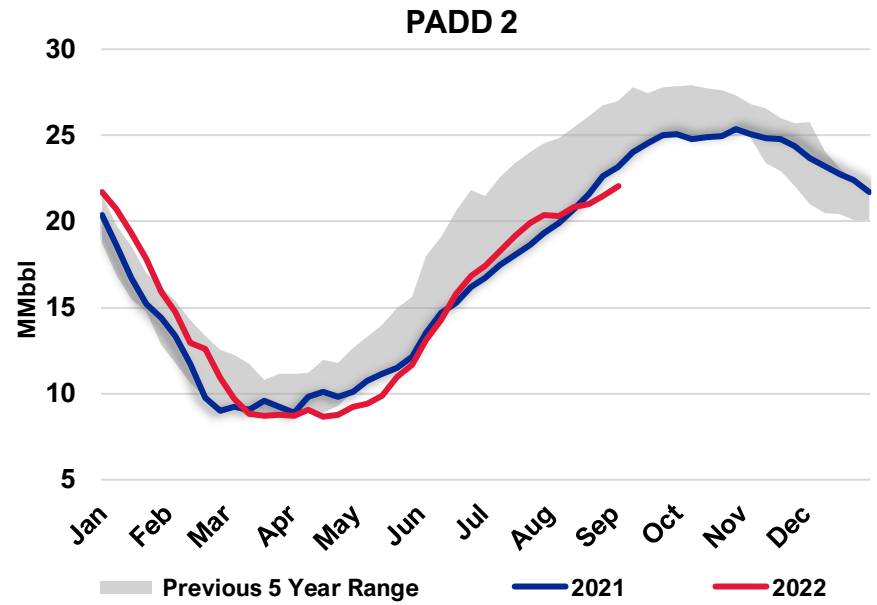


Figure 7

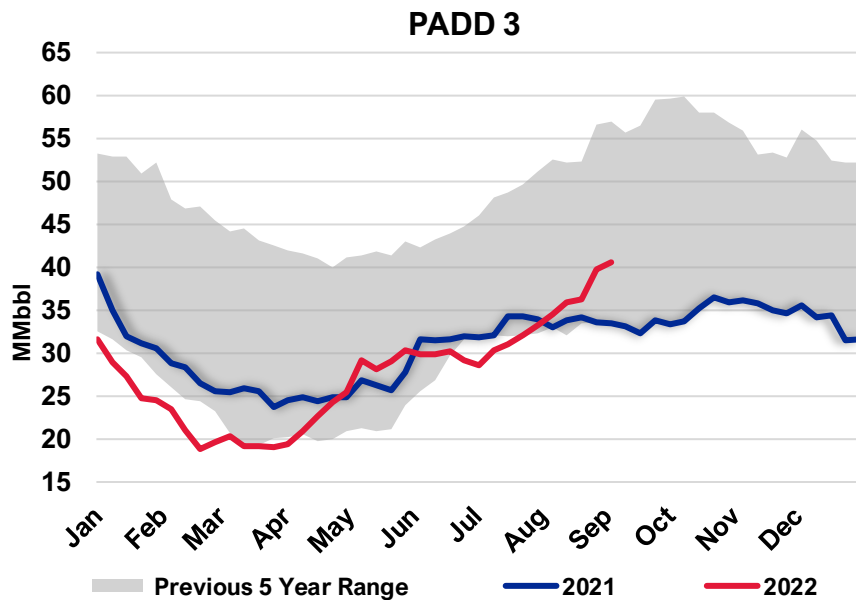


Figure 8

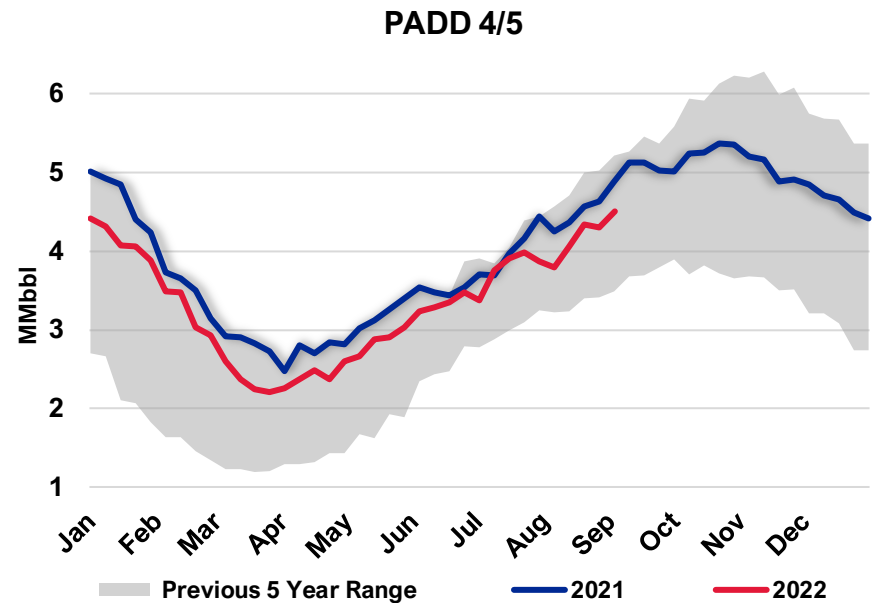


Figure 9

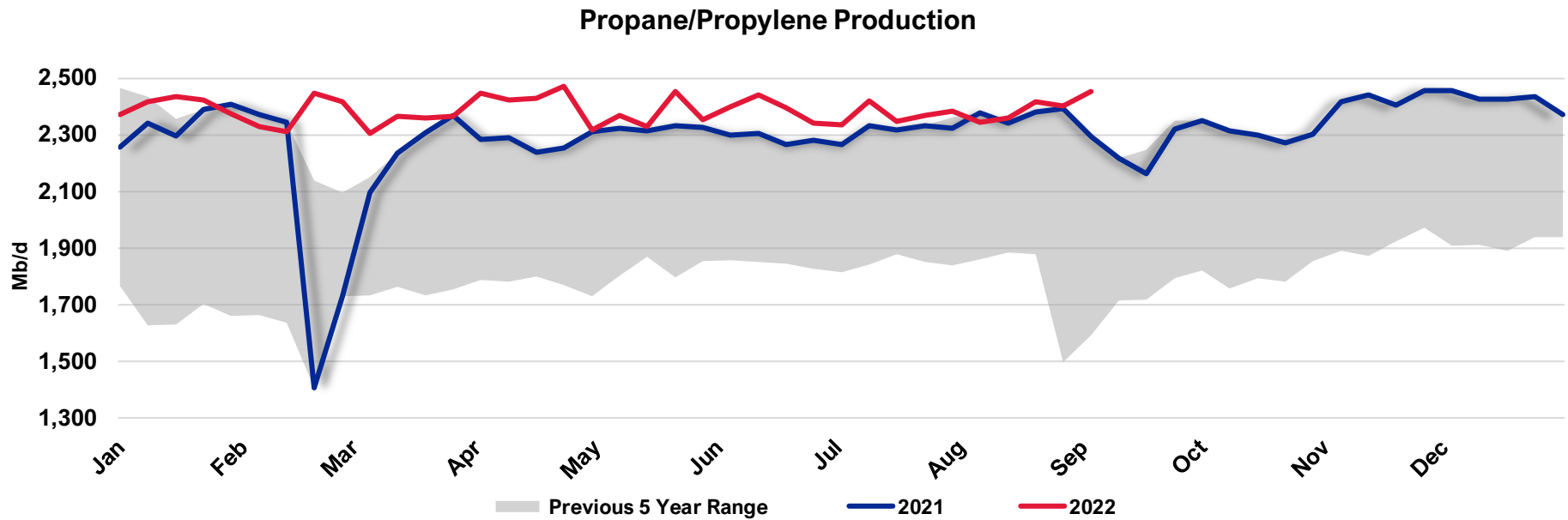


Figure 10

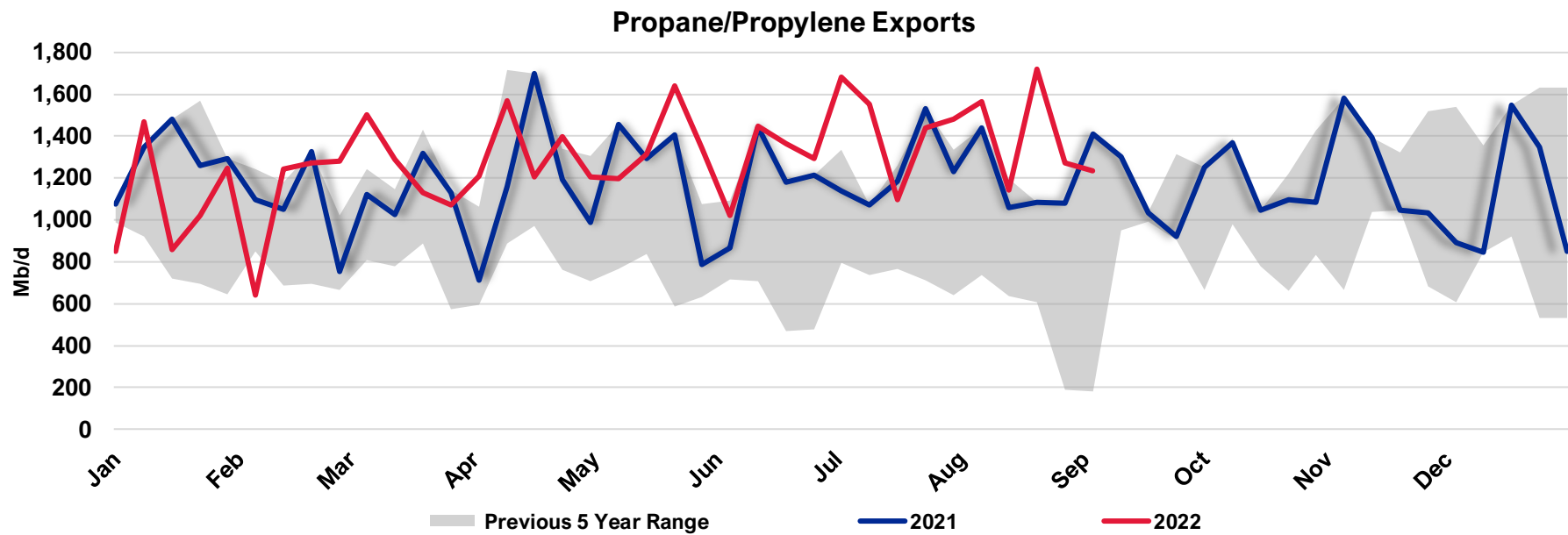


Figure 11

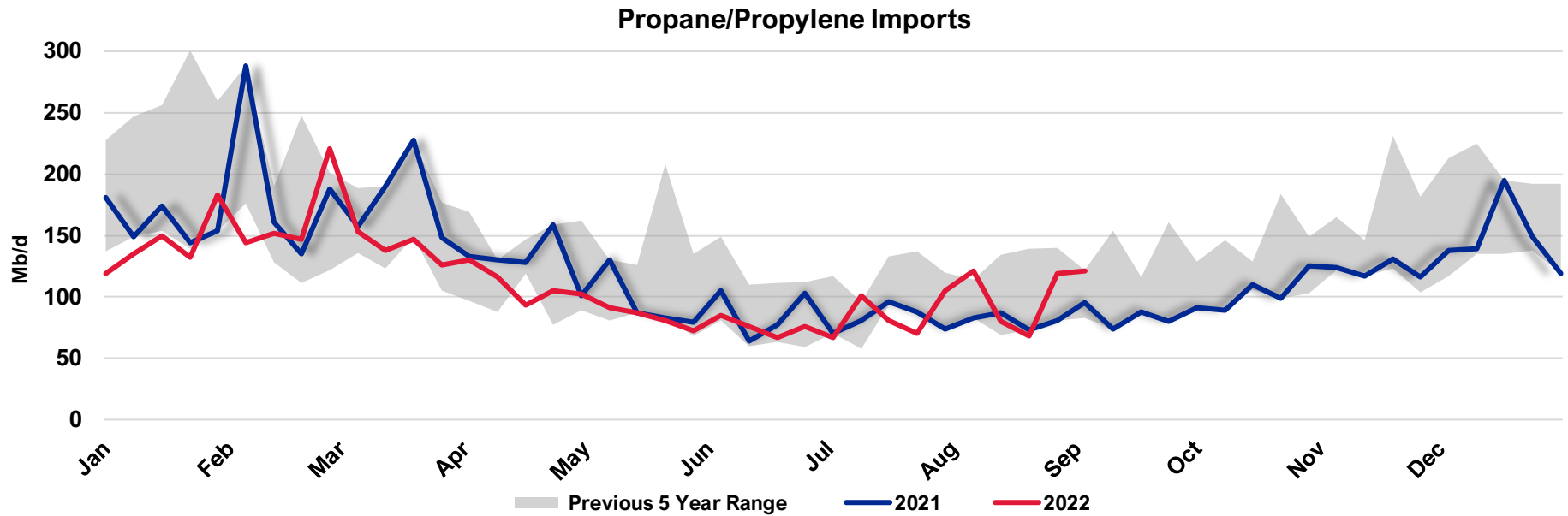


Figure 12

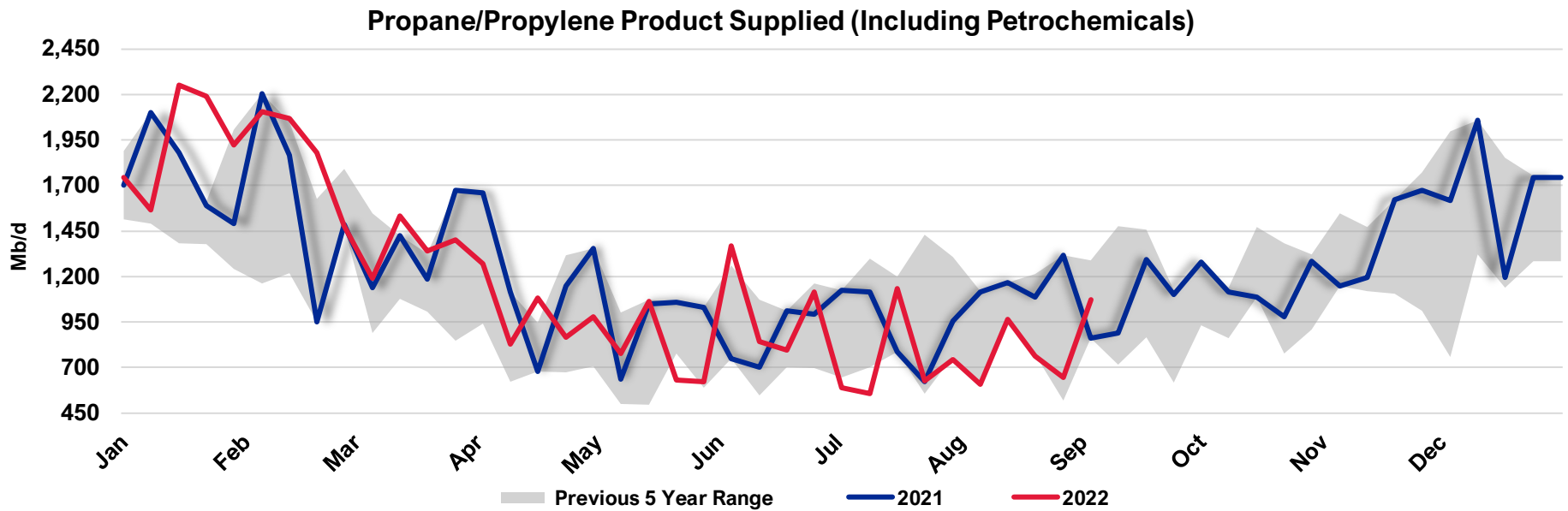


Figure 13

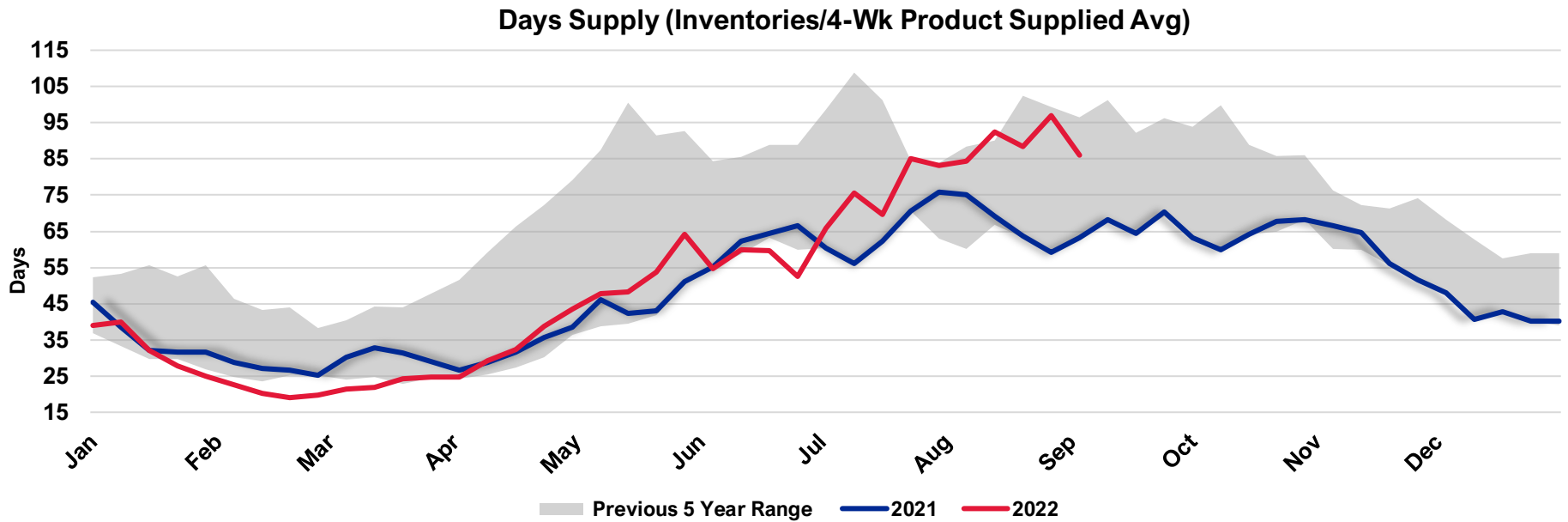
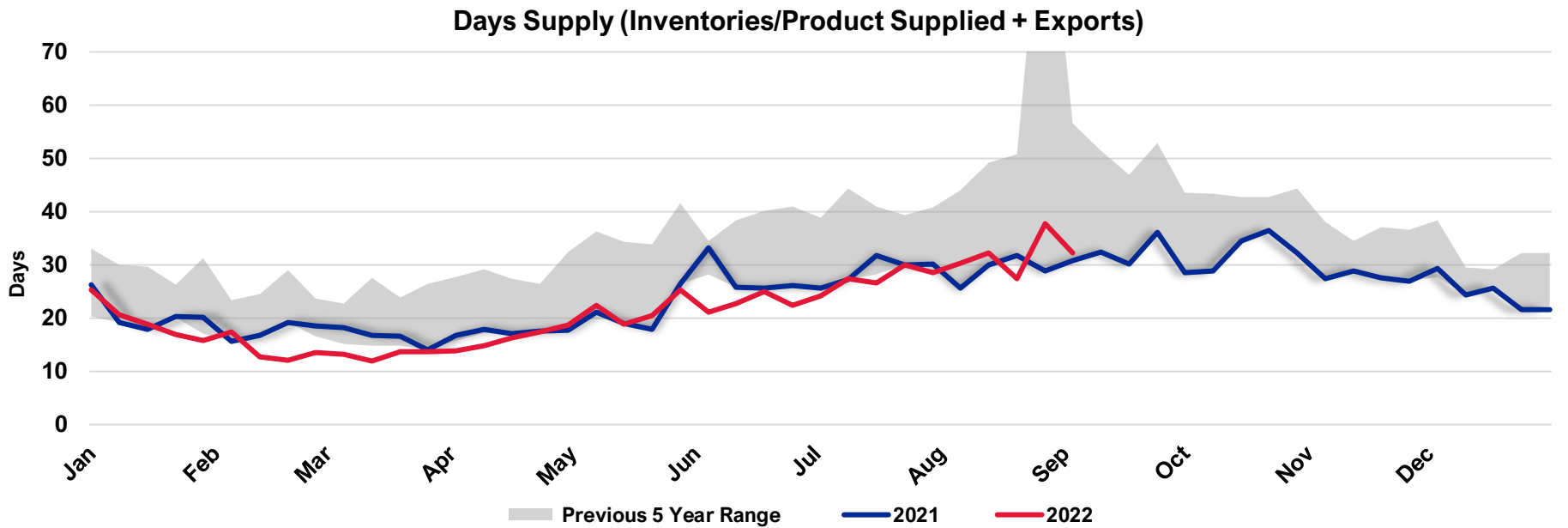


Figure 14



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