

WEEKLY PROPANE MARKET UPDATE

September 14, 2022

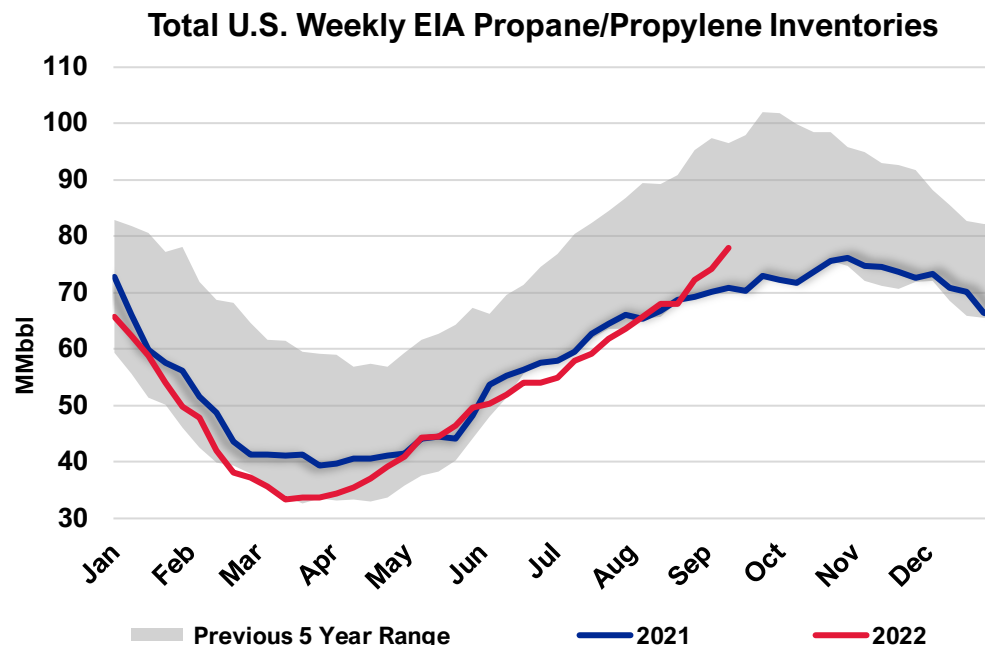
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories had a strong build of 3.76 MMbbl for the week ended September 9, which was well above industry average expectations of 1.86 MMbbl.
- » PADD 3 (Gulf Coast) had the largest build for the eighth consecutive week as inventories increased by 2.5 MMbbl. Total stocks on the Gulf Coast are now 10 MMbbl above 2021. PADD 2 (Midwest) had a build of 721 Mbbl, which was the largest increase since the week ended July 22, but stocks remain 1.2 MMbbl below the 5-year minimum.
- » Crude prices rebounded over the past week but were unable to break above \$90/bbl. WTI settled at \$87.31/bbl on September 13, up about 6.5% from September 7. Propane prices did not follow crude oil higher during the week as Mont Belvieu non-TET fell by 1 c/gal to \$1.05/gal on September 13.
- » The propane-to-WTI ratio declined to 51%, down 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 stronger at 1.46 MMbbl/d, up 225 Mb/d from the previous week. Four-week average exports remain relatively healthy at 1.42 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 were slightly lower during the past week, declining by 1 c/gal, to come in at \$1.05/gal on September 13. With WTI up 6.5% over the same period, the propane-to-WTI ratio declined to 51%, 3 percentage points

Figure 1

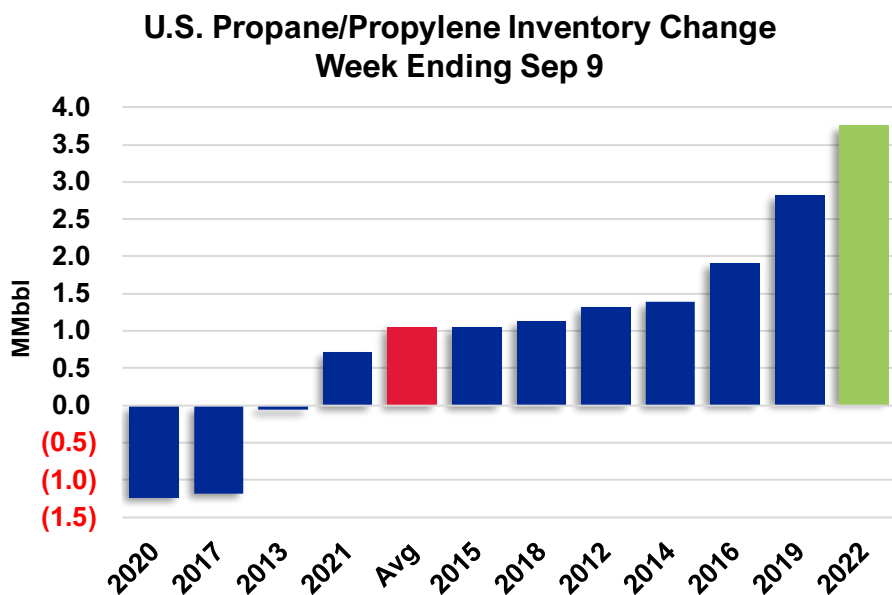


lower than reported September 7. The forward propane-to-WTI ratio for September 2022-March 2023 was also weaker at 51%, down from an average of 53% on September 7.

ANALYSIS & INSIGHTS

Propane inventories soared past industry expectations by almost 2 MMbbl for the week ended September 9. According to OPIS, the average industry expectation was for a build of 1.86 MMbbl. U.S. propane stocks grew by 3.76 MMbbl and are now at 77.9 MMbbl, 7 MMbbl above the same week in 2021 and the 5-year minimum. Regional changes show all PADDs increasing in propane inventories, with PADD 3 having the largest build for the eighth week in a row.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) came in with an inventory build of 2.5 MMbbl, bringing total inventories for the region to 43 MMbbl. Gulf Coast propane inventories are now 10 MMbbl above 2021 and the 5-year minimum.

PADD 2 (Midwest) inventories grew by 721 Mbbbl to 22.8 MMbbl. Total inventories for PADD 2 remain 1.2 MMbbl below 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories increased by 420 Mbbbl to 7.4 MMbbl. Total inventories for PADD 1 remain 1.1 MMbbl below 2021 but are now 1.5 Mbbbl above the 5-year minimum.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories rose by 128 Mbbbl. Total stocks are now at 4.6 MMbbl, which is 493 Mbbbl below 2021 and 629 Mbbbl below the 5-year maximum.

Total U.S. production fell by 9 Mbbbl/d to 2,445 Mbbbl/d as PADD 3 output moved down by 10 Mbbbl/d. PADD 2 production increased for a third week in

a row to 474 Mbbbl/d, its highest level since 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 grew by 225 Mbbbl/d to 1,460 Mbbbl/d, which is just slightly above the 4-week average of 1,422 Mbbbl/d. Imports fell sharply by 54 Mbbbl/d to 67 Mbbbl/d. PADD 2 had the largest decline as imports dropped by 41 Mbbbl/d. Product supplied dropped by 555 Mbbbl/d to 515 Mbbbl/d.

Propane Inventory Change

The increase in stocks for the week ended September 9 (red bar, Figure 2) of 3.76 MMbbl was about 2.7 MMbbl above the average build (green bar) and the highest in the past 10 years.

MB Non-TET vs Conway Price

Conway spot propane prices moved to a premium over Mont Belvieu for the first time since early February. After trading close to parity last week, the Conway OPIS average price was 1.0 c/gal higher than Belvieu on September 13. The forward price differential between Mont Belvieu and Conway narrowed on average by about 0.6 c/gal, with the Conway winter peak premium over Belvieu trading at 5.8 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 104 days, 36 days above the same week in 2021 and three days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 39 days of inventory, which is seven days 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

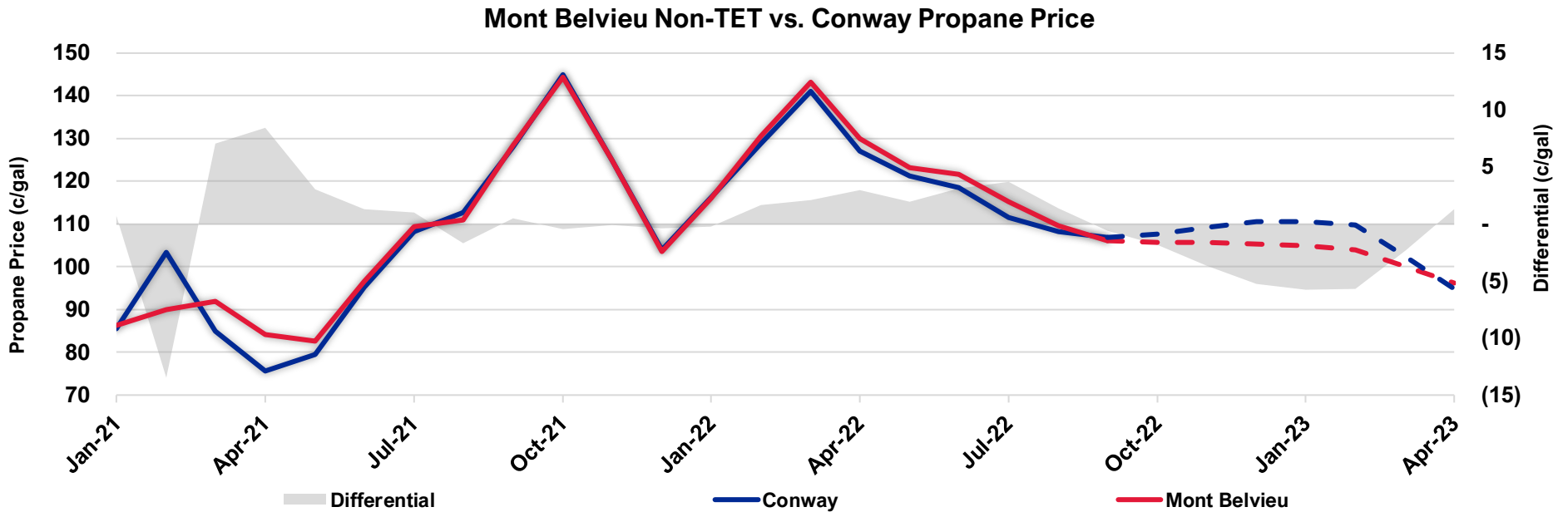
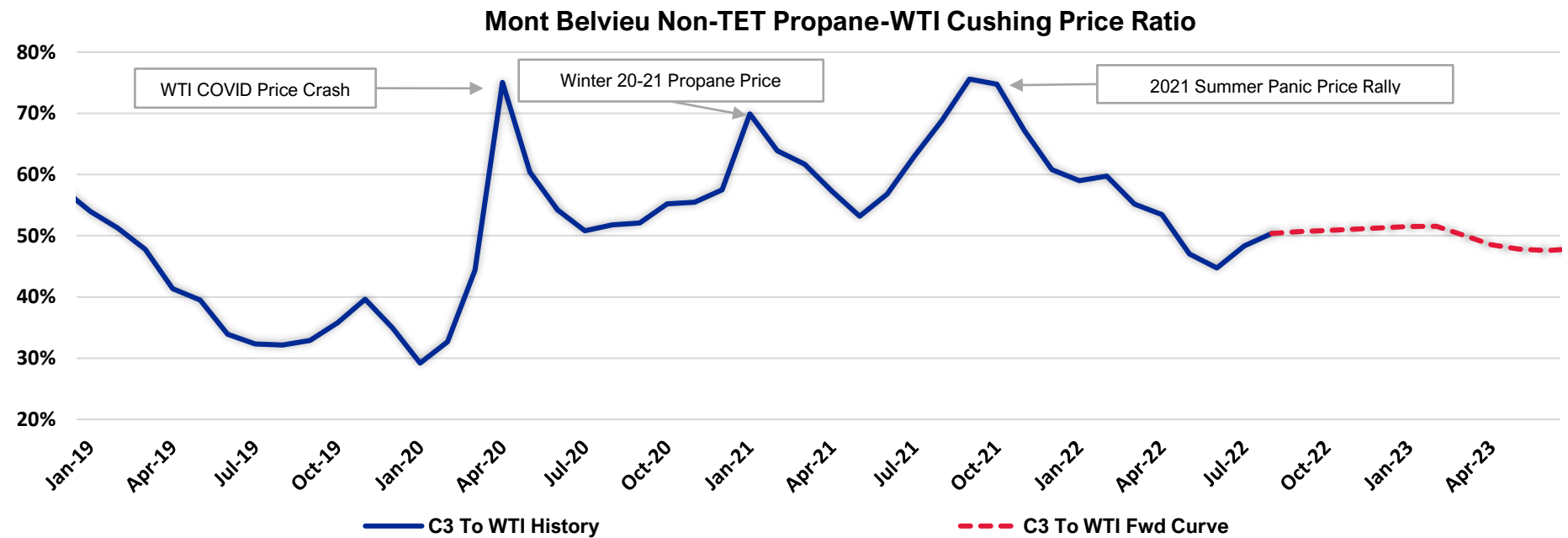


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

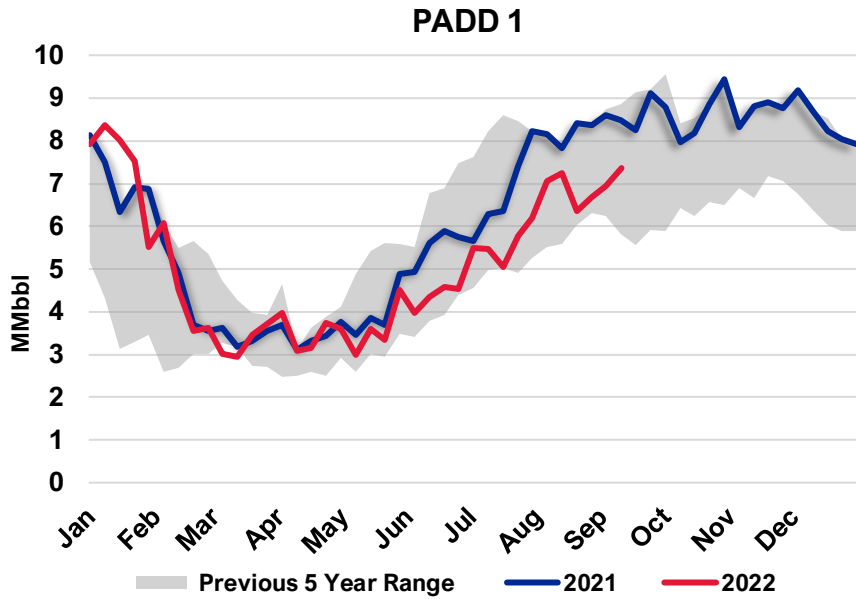


Figure 6

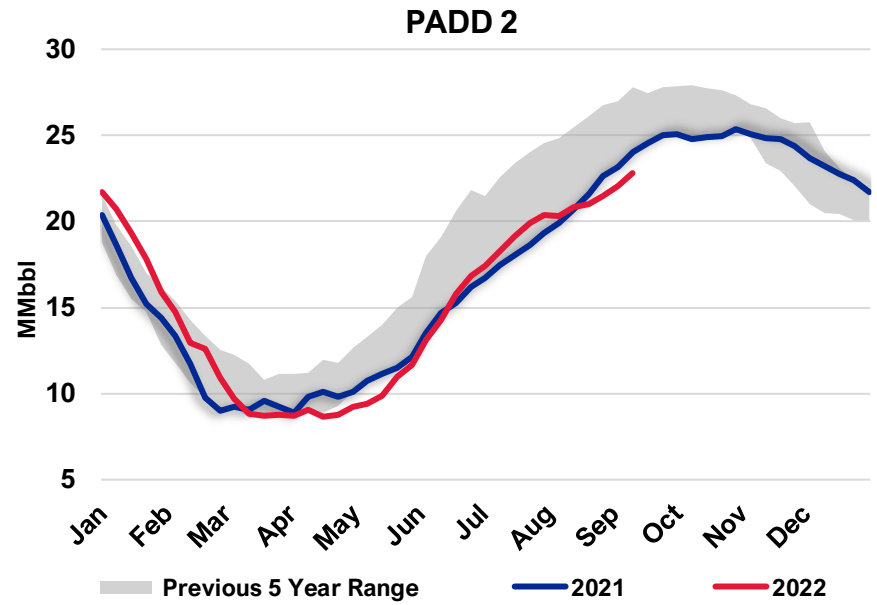


Figure 7

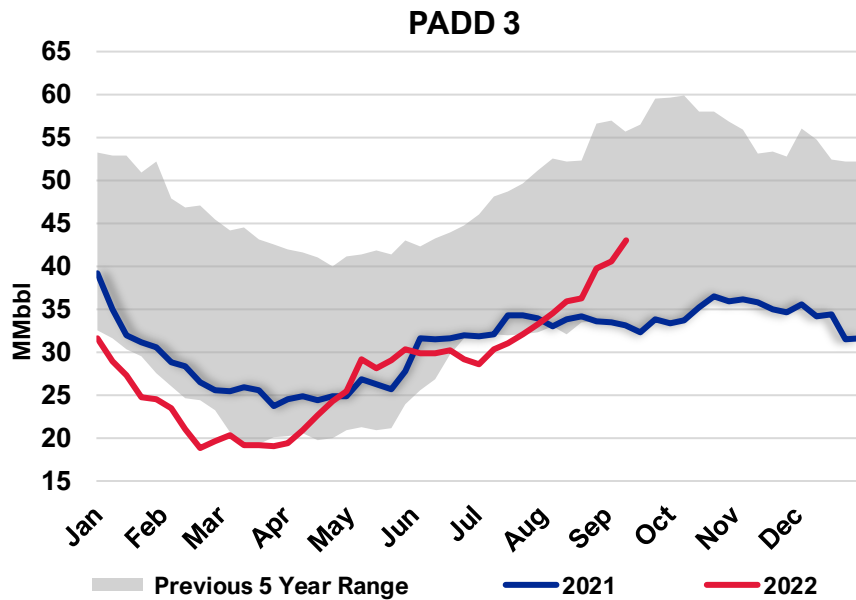


Figure 8

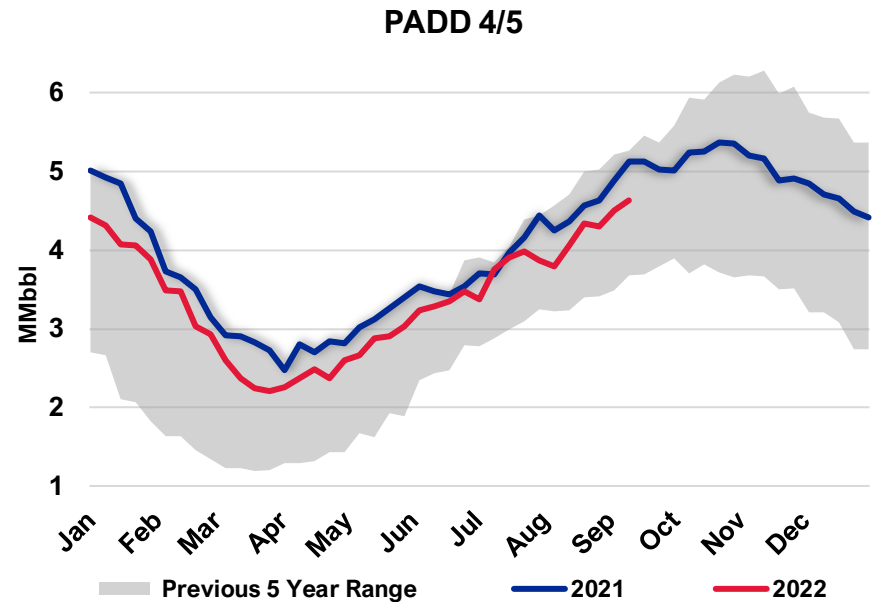


Figure 9

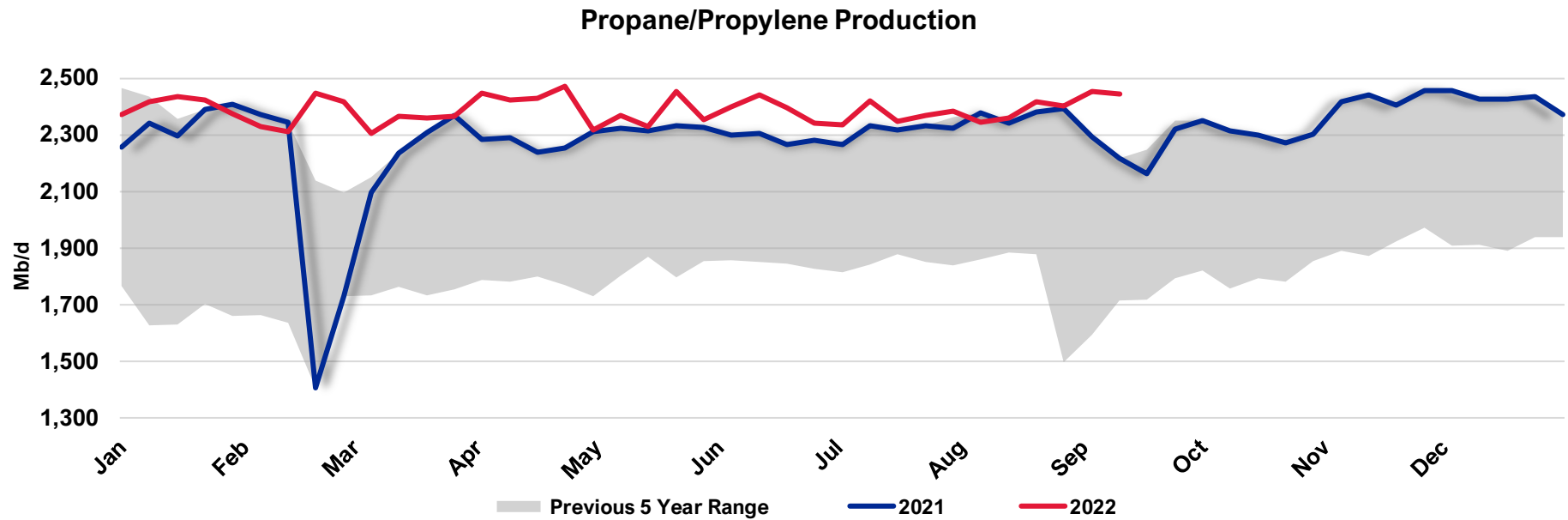


Figure 10

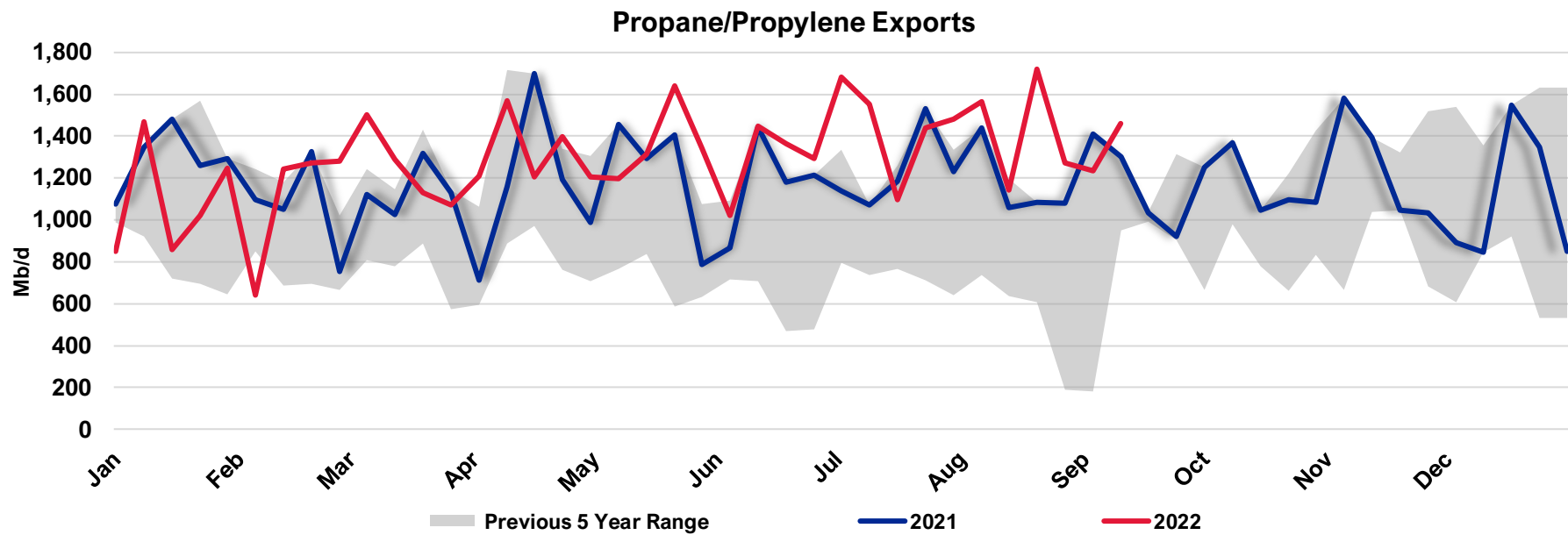


Figure 11

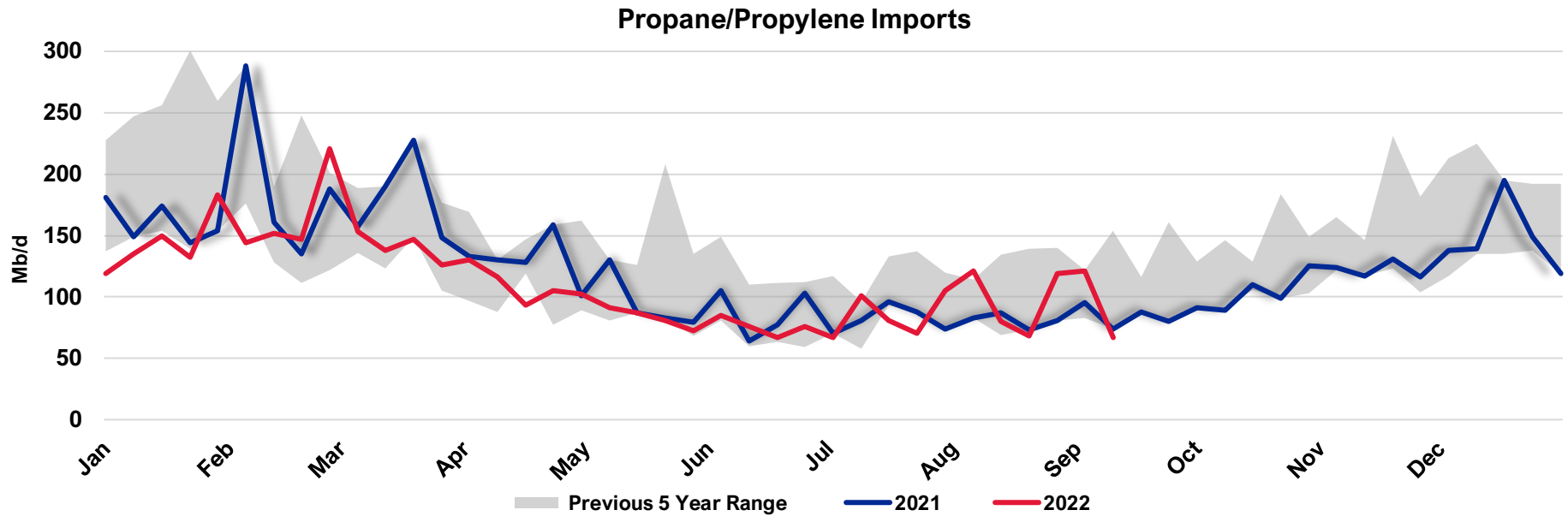


Figure 12

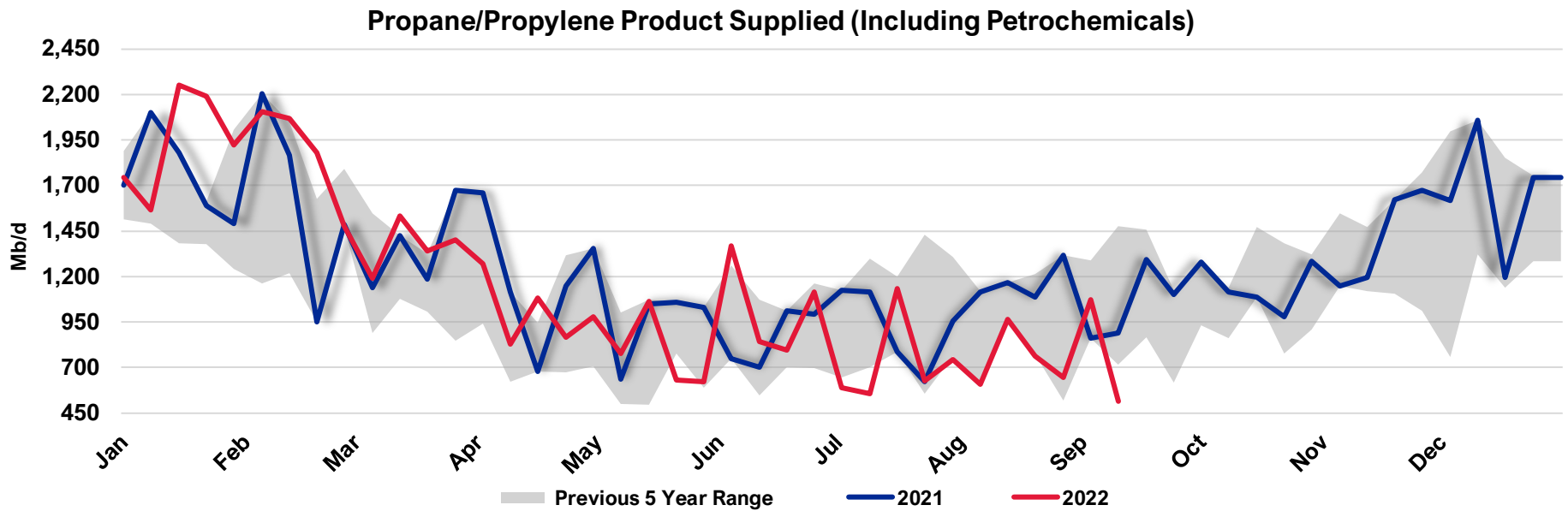


Figure 13

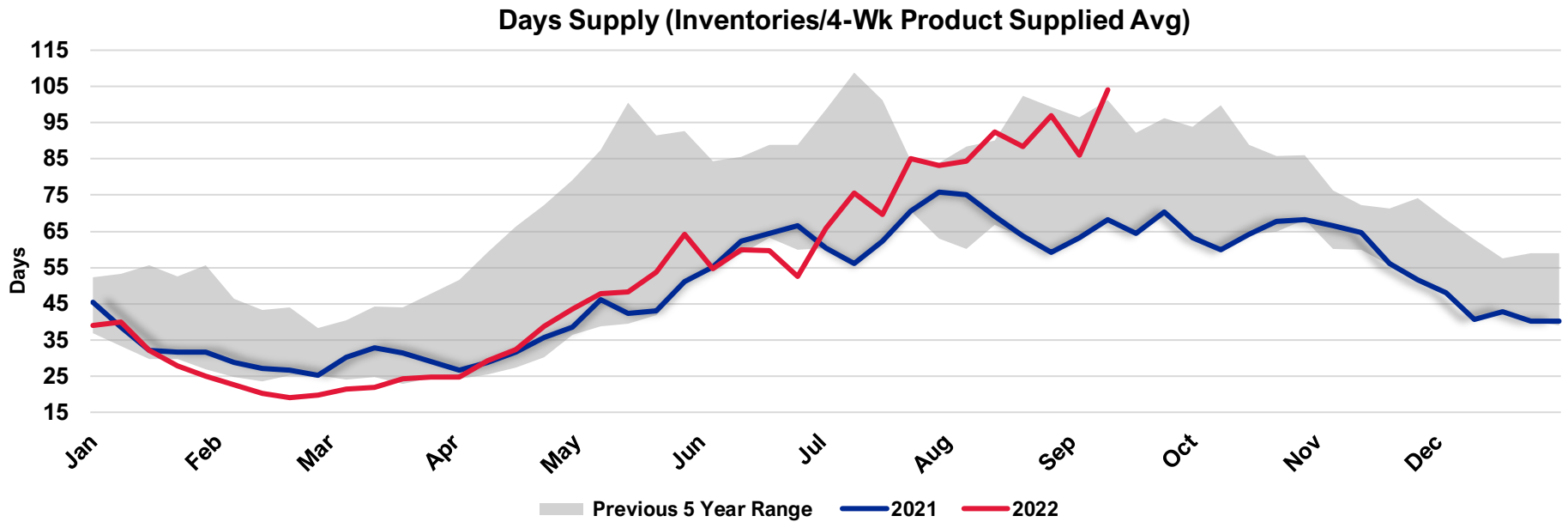
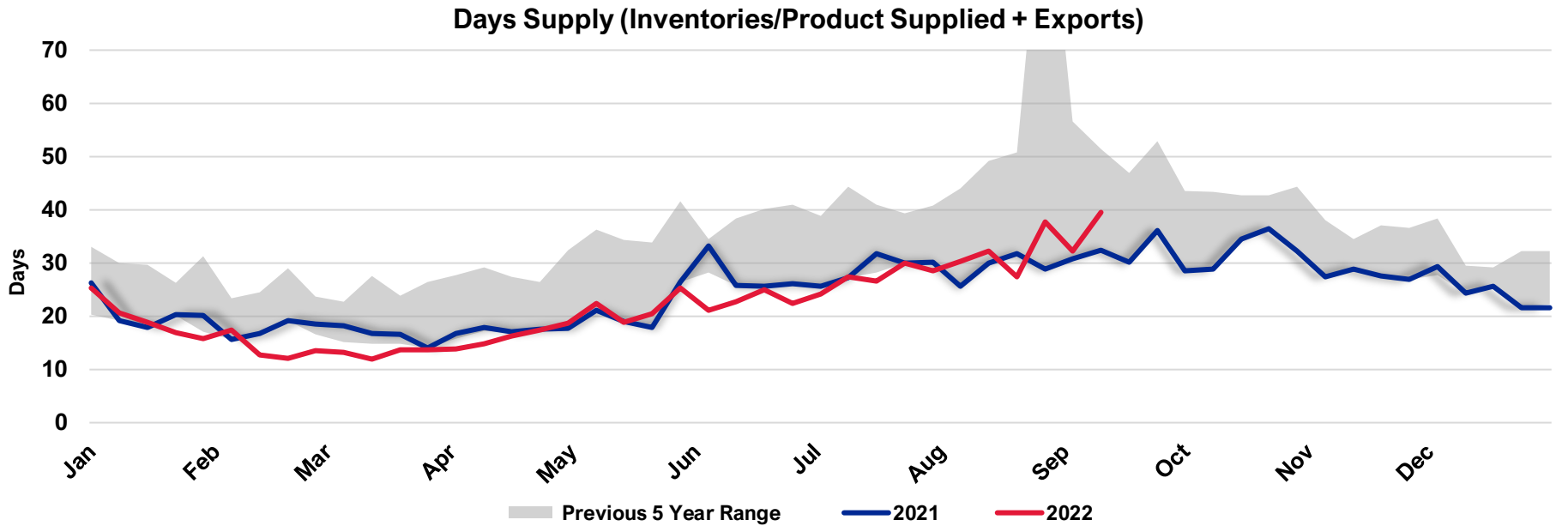


Figure 14



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