



## WEEKLY PROPANE MARKET UPDATE

September 21, 2022

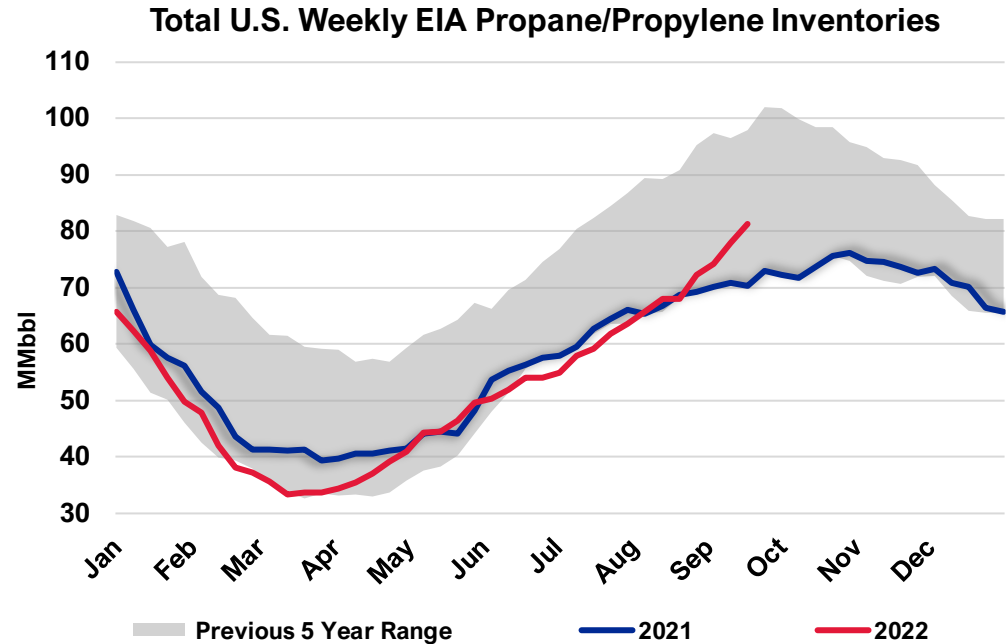
### HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories had a strong gain of 3.3 MMbbl for the week ended September 16, which was well above industry expectations of 2.1 MMbbl. The increase in stocks was about 2.8 MMbbl above the average build for the week and the highest for the week in the past 10 years. This represents the second week in a row that the stock build has been the highest in over 10 years. U.S. propane stocks are now at 81 MMbbl, which is 11 MMbbl above the same week in 2021 and the 5-year minimum.
- » PADD 3 (Gulf Coast) had the largest build for the ninth consecutive week as inventories increased by 1.8 MMbbl. Total stocks on the Gulf Coast are now 12.5 MMbbl above 2021. PADD 2 (Midwest) had a good build of 754 Mbbl, but stocks remain 1 MMbbl below the 5-year minimum.
- » Crude prices declined over the past week, remaining below \$90/bbl. WTI settled at \$84.45/bbl on September 20, down about 3.3% from September 13. Propane prices followed crude oil lower during the week as Mont Belvieu non-TET fell by 5 c/gal to \$1.00/gal on September 20.
- » The propane-to-WTI ratio was weaker at 50%, down 1 percentage point 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 fell sharply to 1.19 MMbbl/d, down 270 Mb/d from the previous week. Four-week average exports came in weaker at 1.29 MMbbl/d, which is at the low end of our forecast range for the next few months.

### MARKET OVERVIEW

Mont Belvieu propane prices were lower during the past week, declining by 5 c/gal, or 4.5%, to come in at \$1.00/gal on September

Figure 1

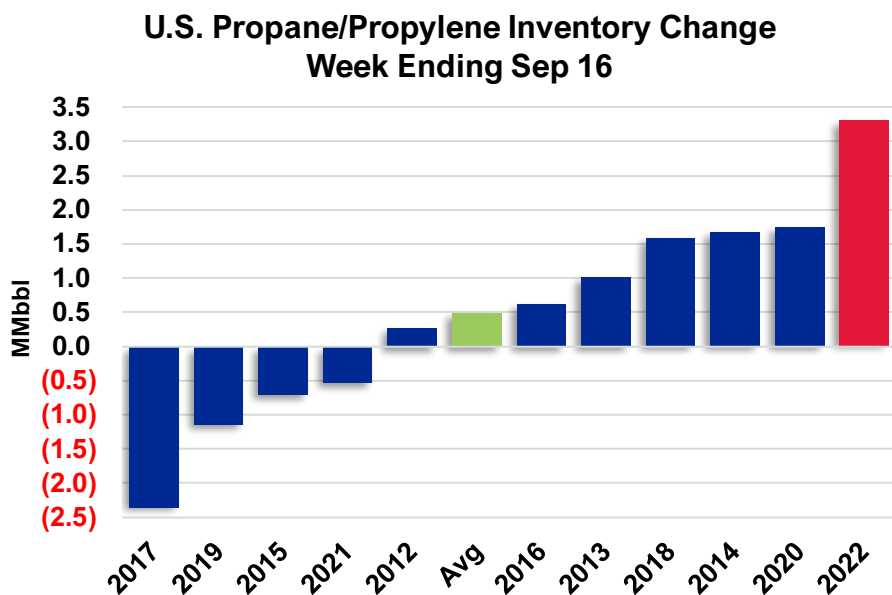


20. WTI prices held up better than propane, falling by \$2.86/bbl, or 3.3%, over the same period, which pushed the propane-to-WTI ratio down to 50%, 1 percentage point lower than reported September 13. The forward propane-to-WTI ratio for September 2022-March 2023 was also weaker at 50%, down from an average of 51% on September 13.

### ANALYSIS & INSIGHTS

Propane inventories grew by 3.3 MMbbl, exceeding average industry expectations by more than 1 million barrels. According to OPIS, the average industry expectation was for a build of 2.13 MMbbl. For the week ended September 16, total U.S. propane stocks are now at 81.2 MMbbl, which is almost 11 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 ninth week in a row.

Figure 2



#### ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) came in with an inventory build of 1.8 MMbbl, bringing total inventories for the region to 44.8 MMbbl. Gulf Coast propane inventories are now 12.5 MMbbl above 2021 and the 5-year minimum.

PADD 2 (Midwest) inventories grew by 754 Mbbbl to 23.5 MMbbl. Total inventories remain 1 MMbbl below 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories increased by 625 Mbbbl to 8 MMbbl. Total inventories are only 255 Mbbbl below 2021 and 1.1 Mbbbl below the 5-year maximum.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories rose by 150 Mbbbl. Total stocks are now at 4.8 MMbbl, which is 337 Mbbbl below 2021 and 672 Mbbbl below the 5-year maximum.

Total U.S. production was essentially unchanged with a tiny decrease of 3 Mbbbl/d to 2,442 Mbbbl/d. PADD 1 production surged by 71 Mbbl/d, which was offset by declines in all other regions. Exports fell by 270 Mbbbl/d to 1,190 Mbbbl/d, which is below the 4-week average of 1,289 Mbbbl/d. Imports increased slightly by 6 Mbbbl/d to 73 Mbbbl/d. All gains were in PADD 4/5, where imports increased by 12 Mbbbl/d. Product supplied grew by 337 Mbbbl/d to 852 Mbbbl/d.

#### Propane Inventory Change

The increase in stocks for the week ended September 16 (red bar, Figure 2) of 3.3 MMbbl was about 2.8 MMbbl above the average build (green bar) and the highest in the past 10 years. This represents the second week in a row that the stock build has been the highest in over 10 years.

#### MB Non-TET vs Conway Price

The Conway propane OPIS price premium to Mont Belvieu increased to 2.2 c/gal on September 20, which was 1.2 c/gal higher than last week. The forward-price differential between Mont Belvieu and Conway was slightly wider by about 0.3 c/gal, with the Conway winter peak premium over Belvieu trading at 6.1 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 105 days, 41 days above the same week in 2021 and 13 days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 40 days of inventory, which is 10 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

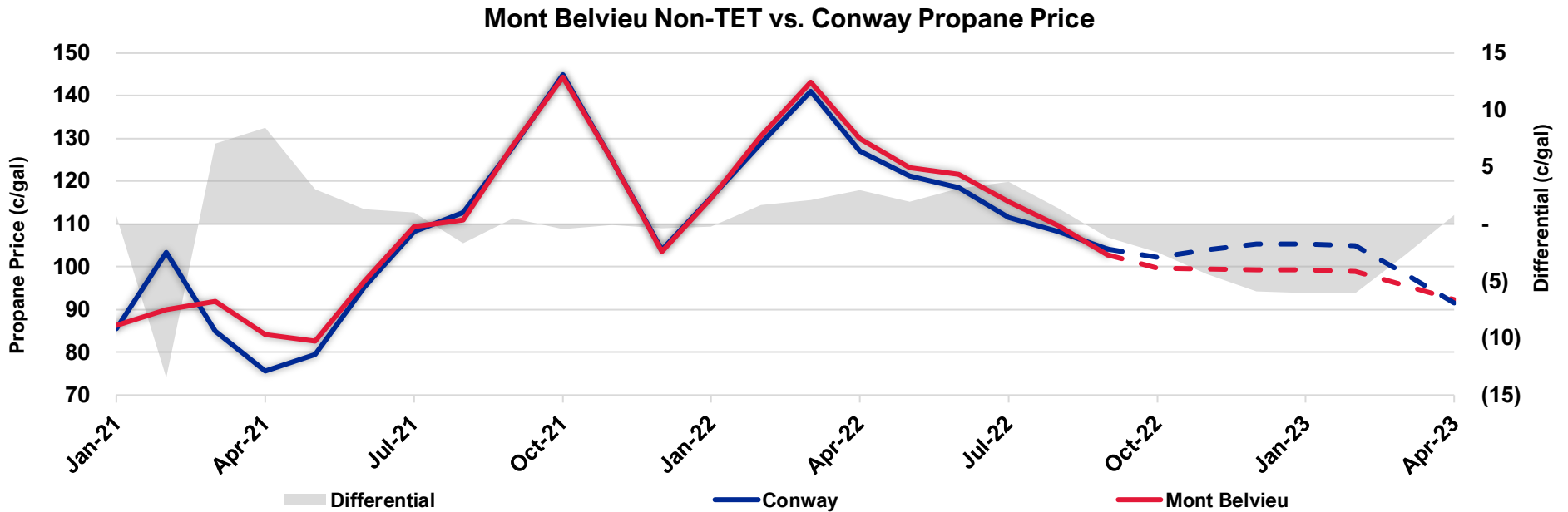
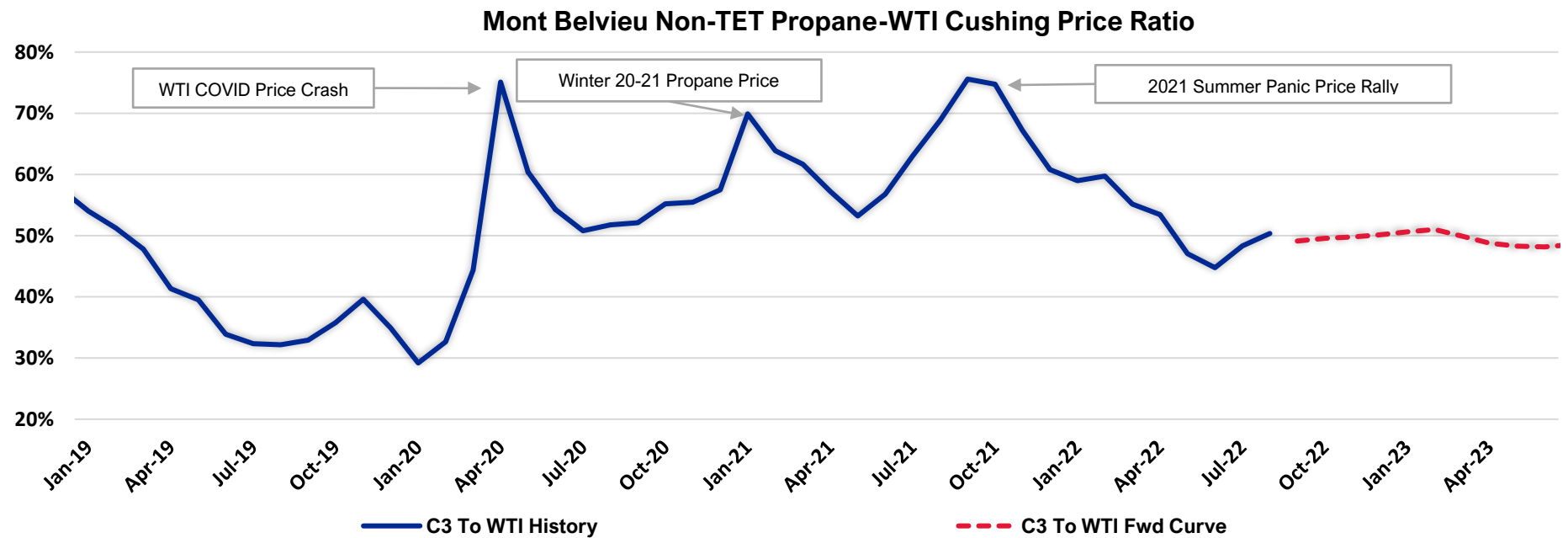


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

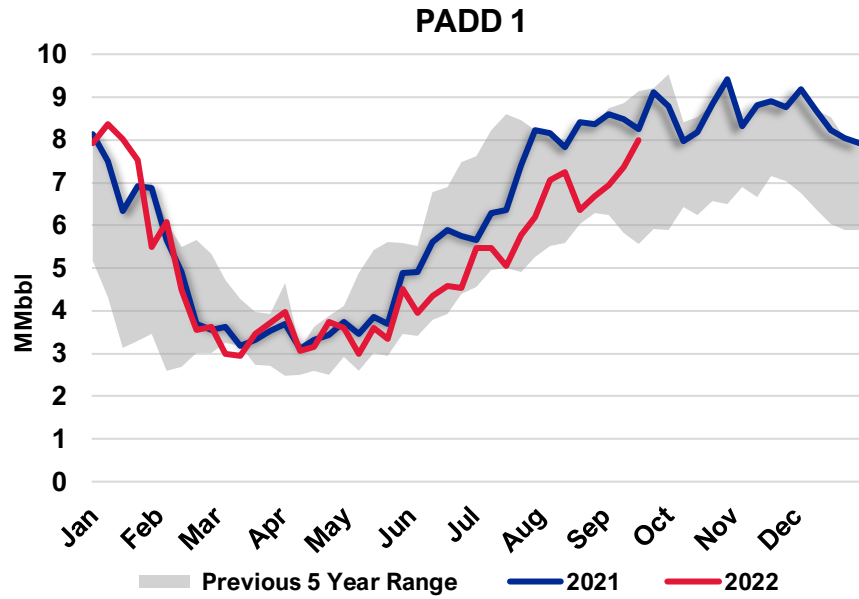


Figure 6

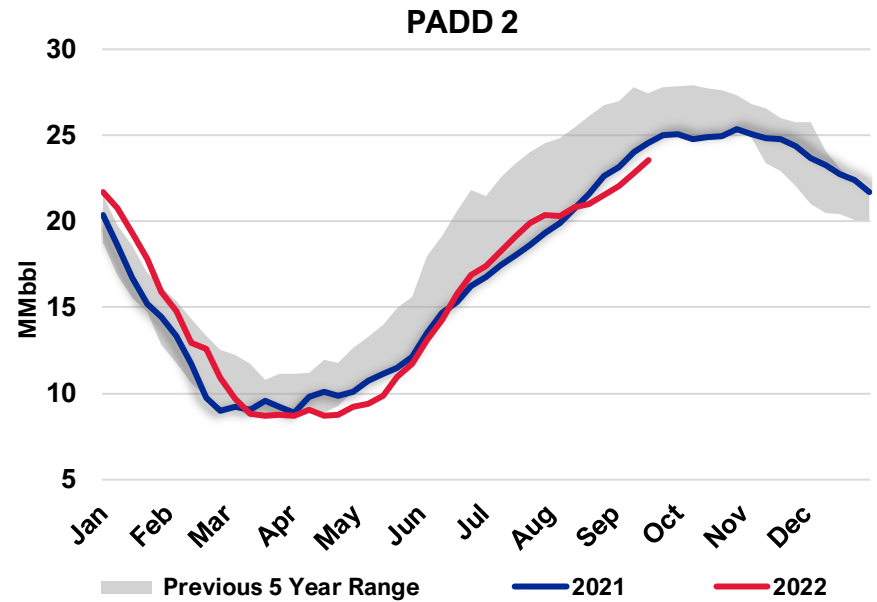


Figure 7

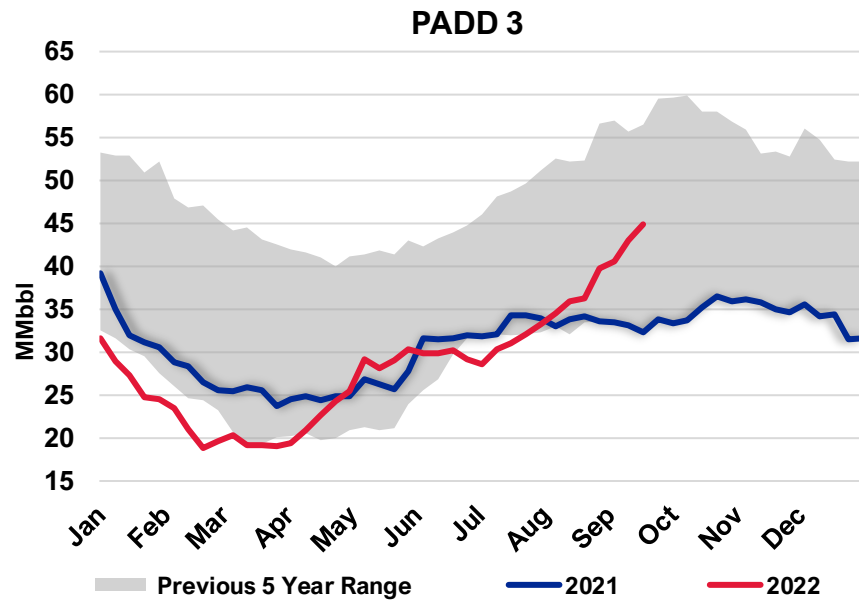


Figure 8

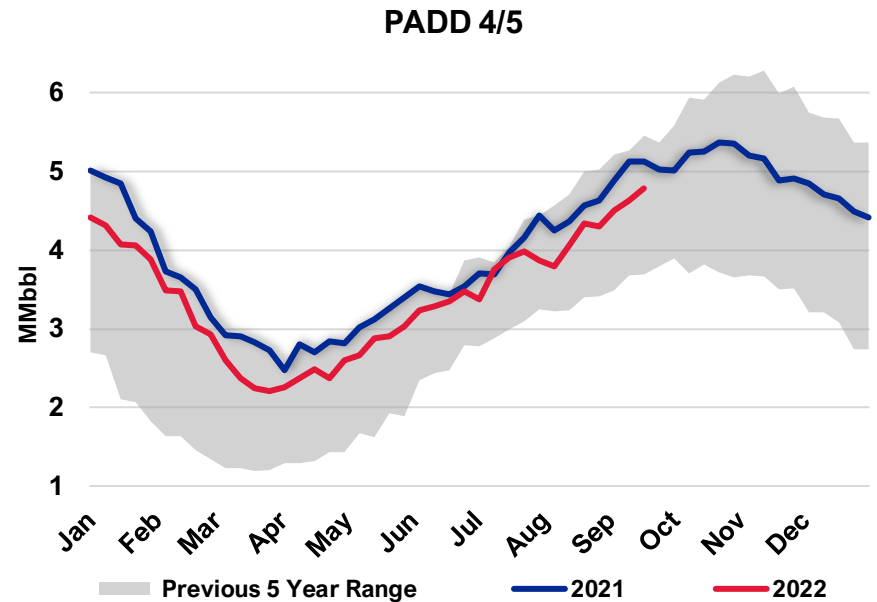


Figure 9

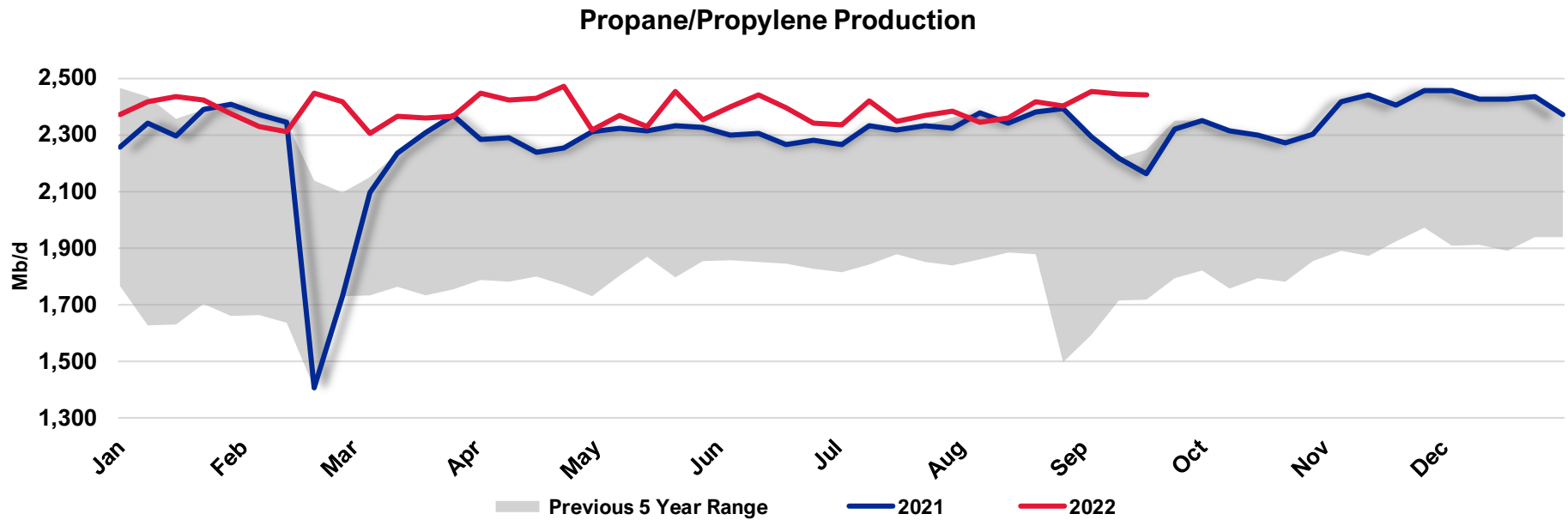


Figure 10

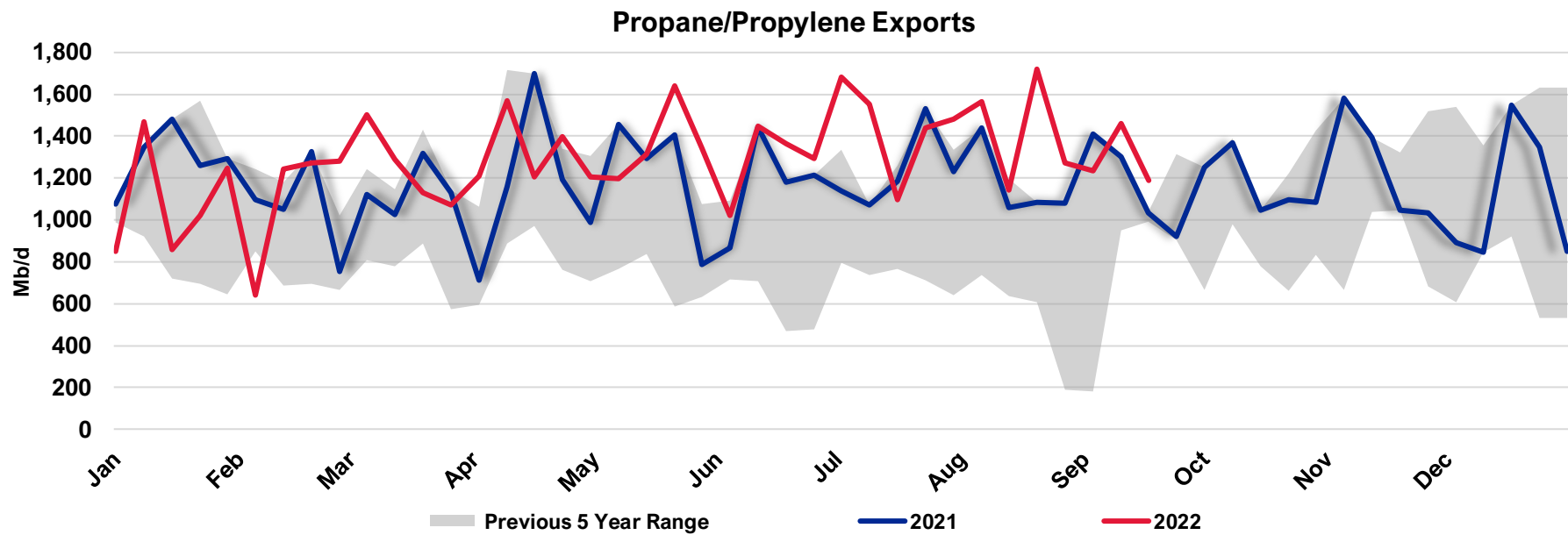


Figure 11

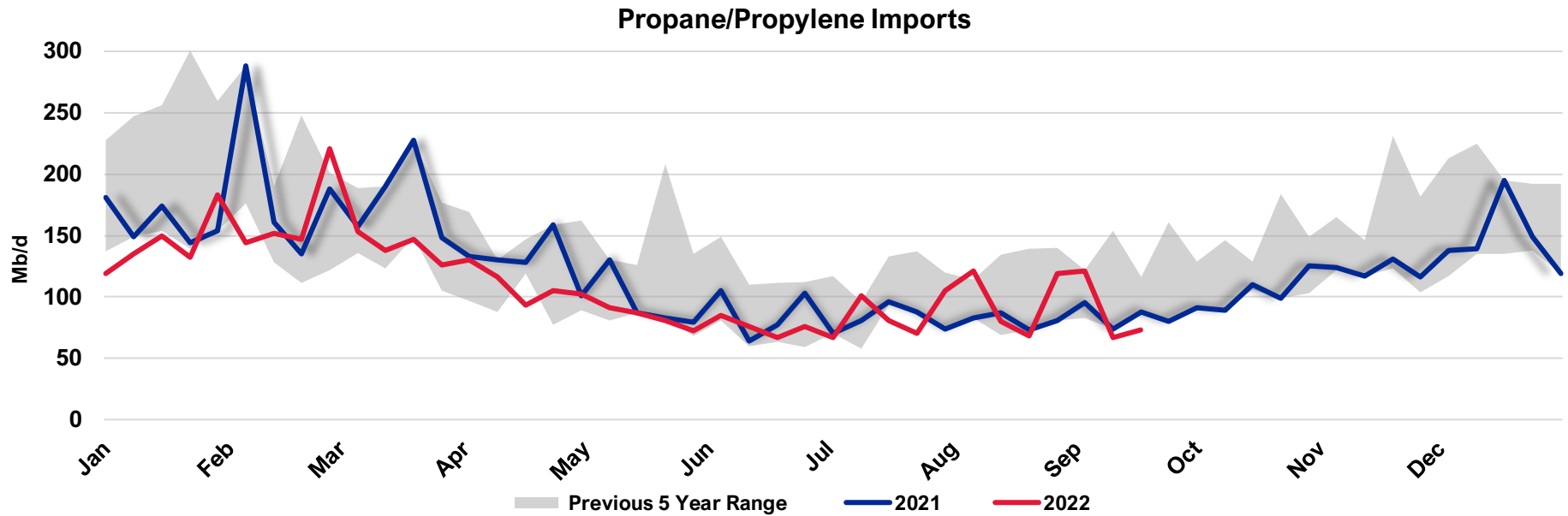


Figure 12

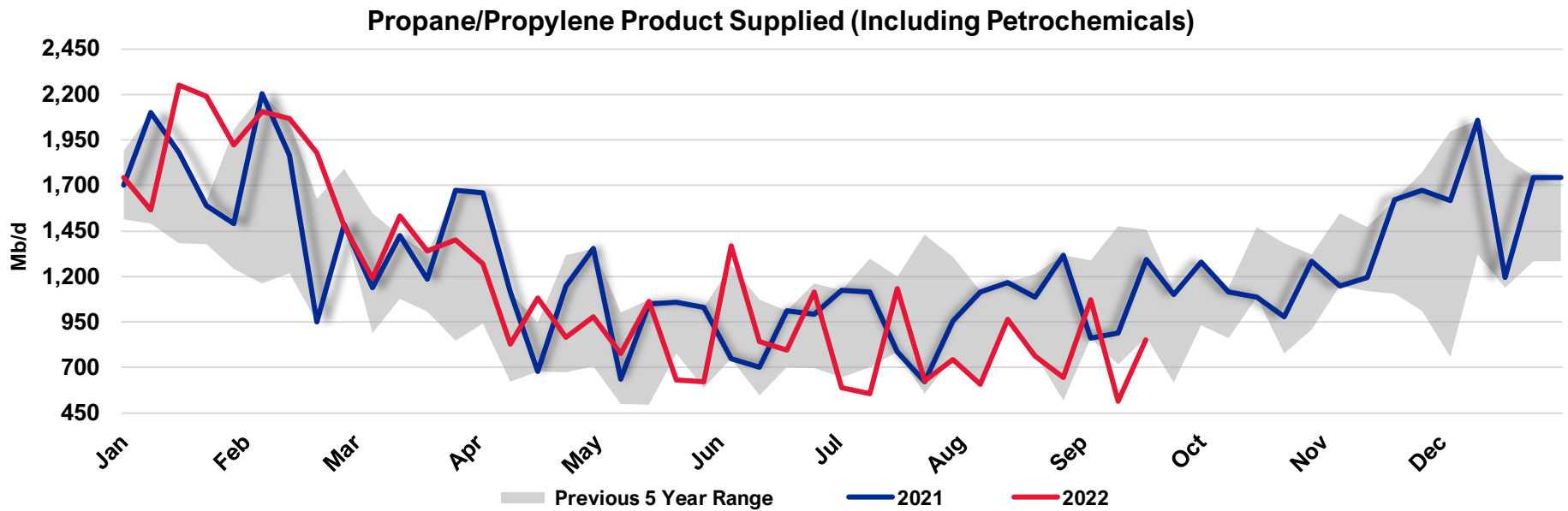


Figure 13

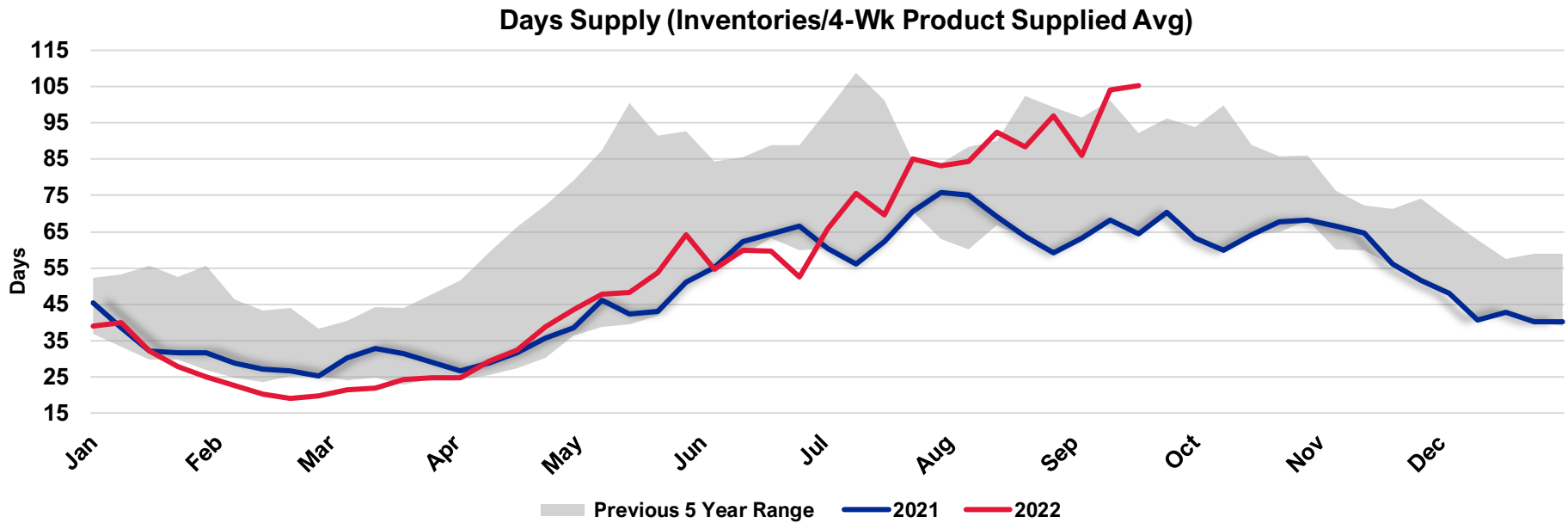
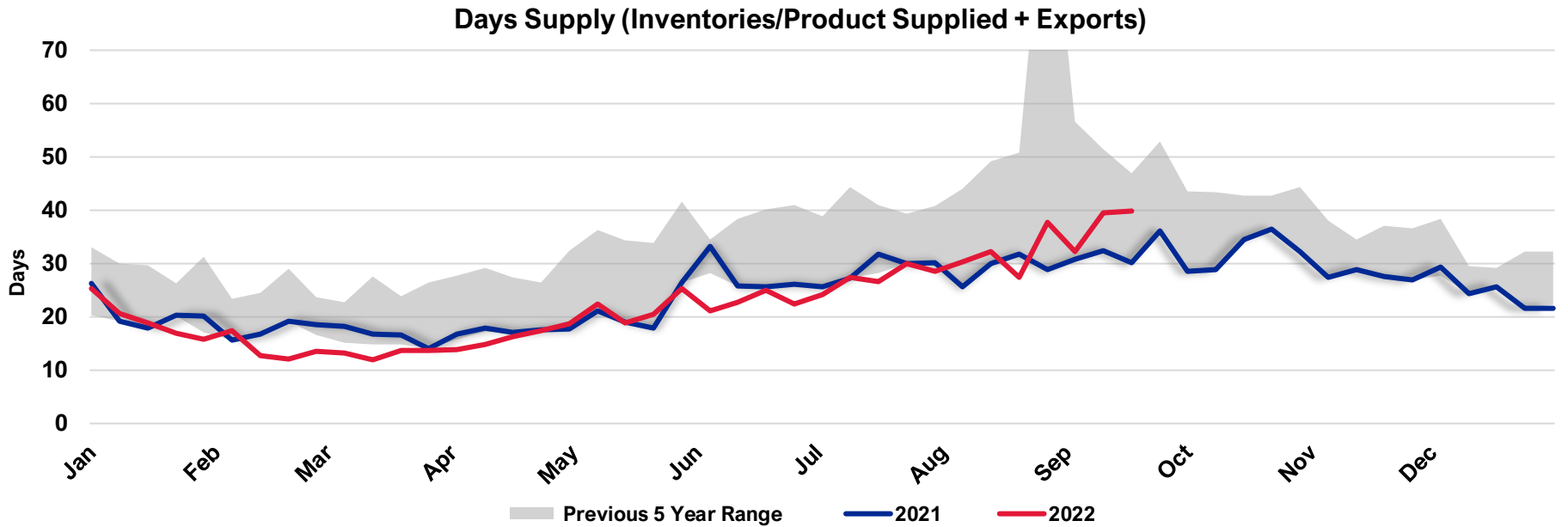


Figure 14



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