



WEEKLY PROPANE MARKET UPDATE

September 28, 2022

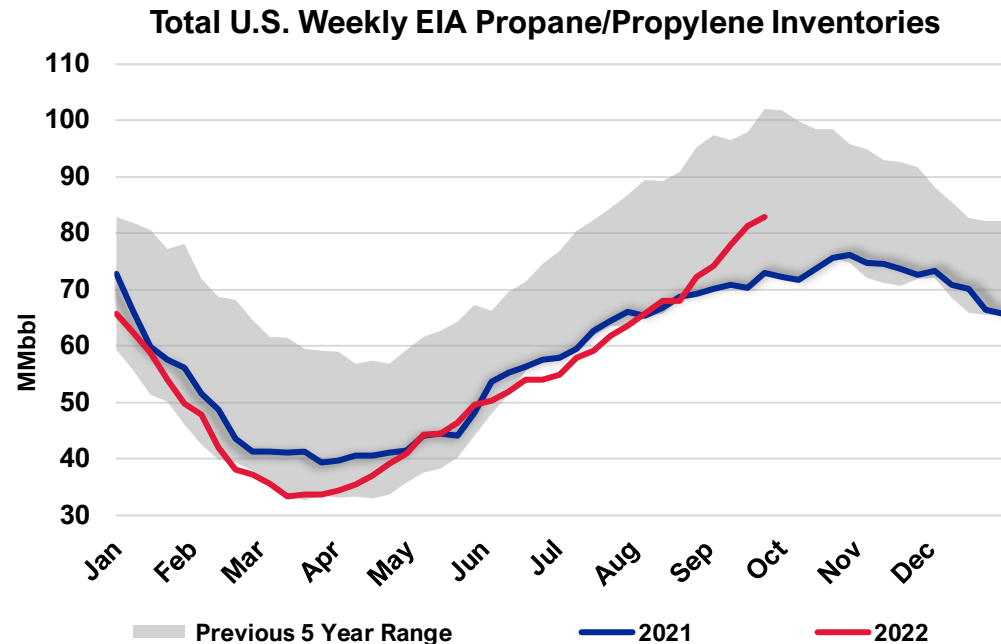
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories rose by 1.6 MMbbl for the week ended September 23, which was below industry expectations of 2.5 MMbbl. The increase was slightly above the average build for the week but about 1 MMbbl less than the build last year. U.S. propane stocks are now at 83 MMbbl, which is 10 MMbbl above the same week in 2021 and the 5-year minimum.
- » PADD 3 (Gulf Coast) had the largest build for the 10th consecutive week as inventories increased by 0.9 MMbbl. PADD 2 (Midwest) had a good build of 796 Mbbl, but stocks remain slightly below the 5-year minimum.
- » Crude prices continued to decline over the past week, falling below \$80/bbl. WTI settled at \$78.50/bbl on September 27, down about 7% from September 20. Propane prices followed crude oil lower during the week as Mont Belvieu non-TET fell by 12 c/gal to 88 c/gal on September 27.
- » The propane-to-WTI ratio was weaker at 47%, 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 rebounded to 1.47 MMbbl/d, up 285 Mb/d from the previous week. Four-week average exports came in stronger at 1.34 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 12 c/gal, or 12%, to come in at 88 c/gal on September 27. WTI prices held up better than propane, falling by \$5.95/bbl,

Figure 1

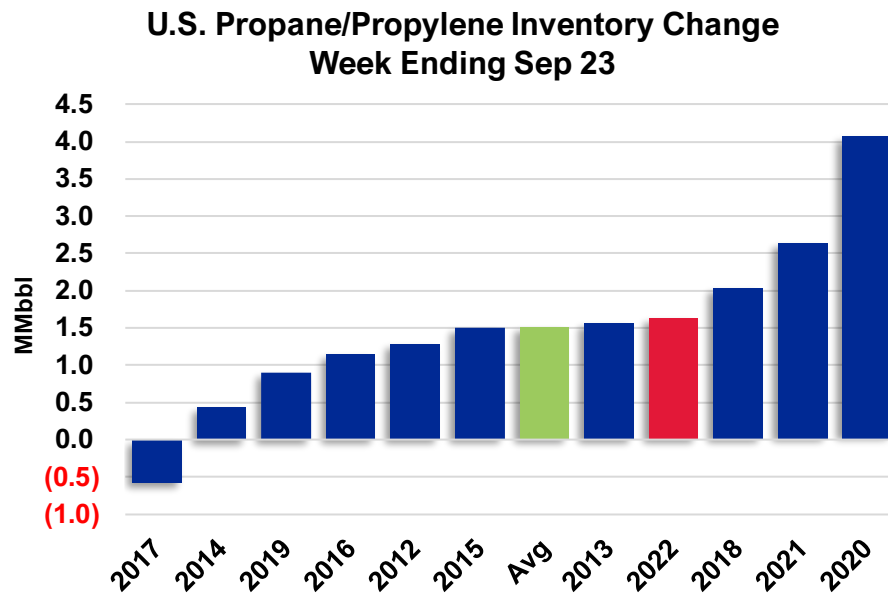


or 7%, over the same period, which pushed the propane-to-WTI ratio down to 47%, 3 percentage points lower than reported September 20. The forward propane-to-WTI ratio for September 2022-March 2023 was also weaker at 47%, down from an average of 50% on September 20.

ANALYSIS & INSIGHTS

Propane inventories grew by 1.63 MMbbl for the week ended September 23, which is about 800 Mbbl less than industry expectations. According to OPIS, the average industry expectation was for a build of 2.47 MMbbl. Total U.S. propane stocks are now at 82.8 MMbbl, 10 MMbbl above the same week in 2021 and the 5-year minimum. Regional changes show PADD 1 having the only decrease in propane inventories for the week, with PADD 3 having the largest build for the 10th week in a row.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) came in with an inventory build of 930 Mbbbl, bringing total inventories for the region to 45.8 MMbbl. Gulf Coast propane inventories are now 12 MMbbl above 2021 and the 5-year minimum.

PADD 2 (Midwest) inventories grew by 796 Mbbbl to 24.4 MMbbl. Total inventories are now 643 Mbbbl below 2021 and the bottom of the 5-year range.

PADD 1 (East Coast) inventories fell by 319 Mbbbl to 7.7 MMbbl. Total inventories are 1.4 MMbbl below 2021 and 1.5 Mbbbl below the 5-year maximum.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories rose by 230 Mbbbl. Total stocks are now at 5 MMbbl, which is essentially the same as 2021 and 350 Mbbbl below the 5-year maximum.

Total U.S. production increased slightly by 73 Mbbbl/d to 2,515 Mbbbl/d. Exports grew by 285 Mbbbl/d to 1,475 Mbbbl/d, which is above the 4-week average of 1,340 Mbbbl/d. Imports rose by 39 Mbbbl/d to 112 Mbbbl/d. All of the increase was in PADD 2, where imports increased by 57 Mbbbl/d. Product supplied increased by 66 Mbbbl/d to 918 Mbbbl/d.

Propane Inventory Change

The increase in stocks for the week ended September 23 (red bar, Figure 2) of 1.63 MMbbl was aligned with the average build (green bar) of 1.5 MMbbl. The increase in propane inventories is about 120 Mbbbl more than the average.

MB Non-TET vs Conway Price

The Conway propane OPIS price relative to Mont Belvieu moved to a 0.5 c/gal discount on September 27 compared to a 2.2 c/gal premium last week. The forward-price differential between Mont Belvieu and Conway narrowed by about 0.8 c/gal, with the Conway winter peak premium over Belvieu trading at 5.3 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 99 days, 28 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 35 days of inventory, which is one day less 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

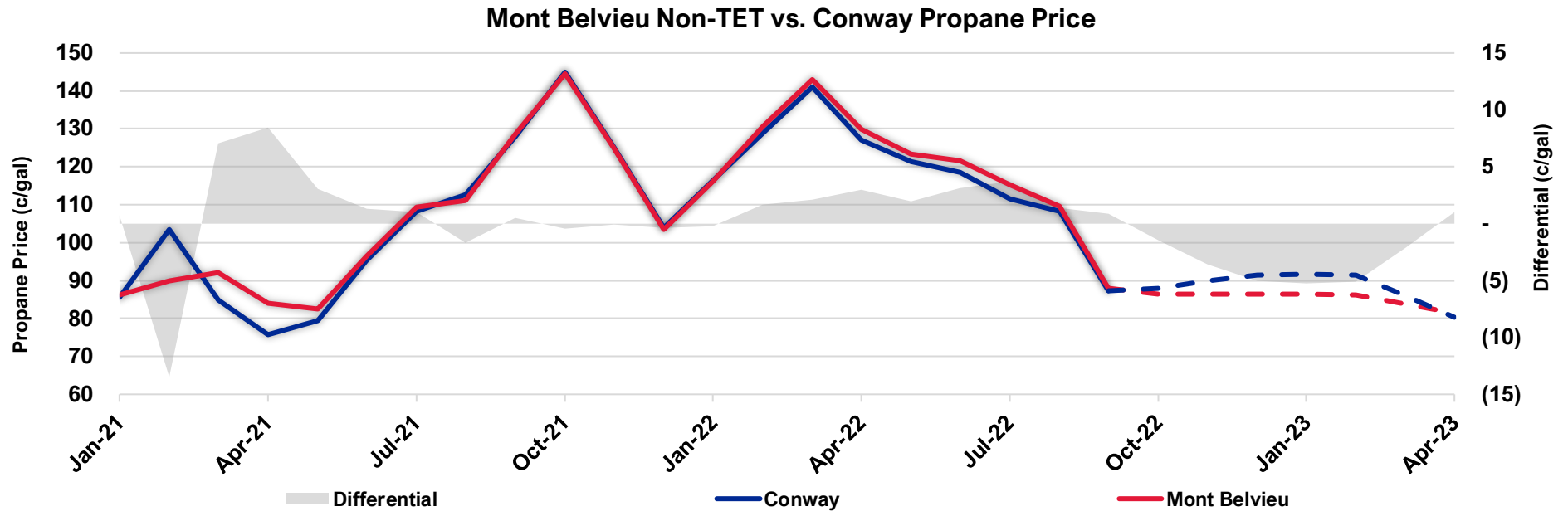
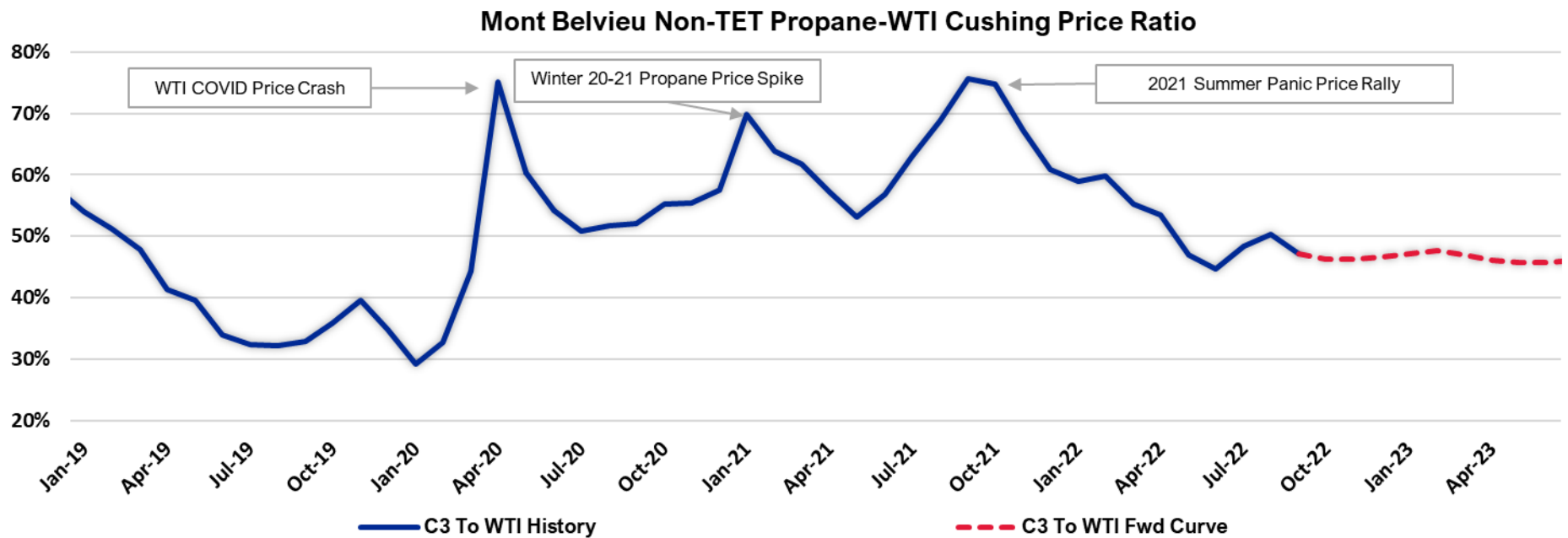


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

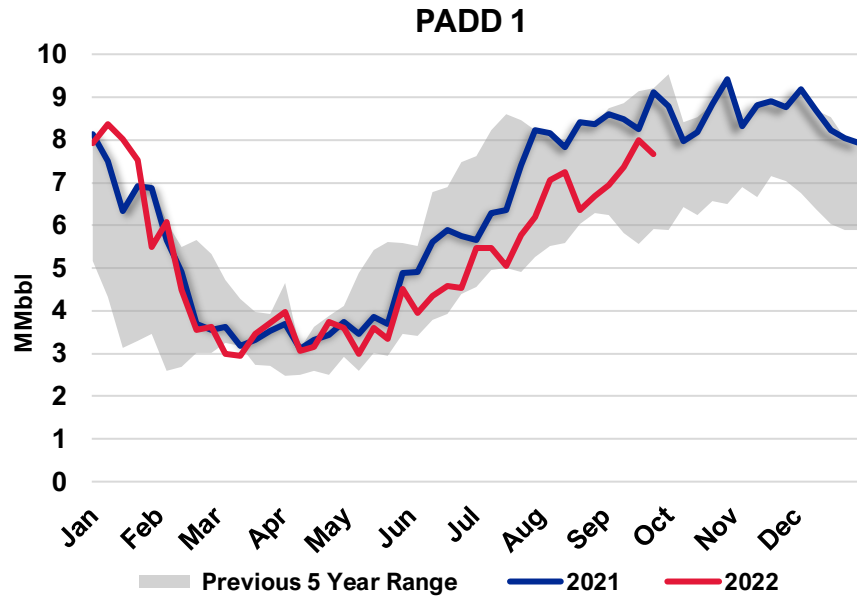


Figure 6

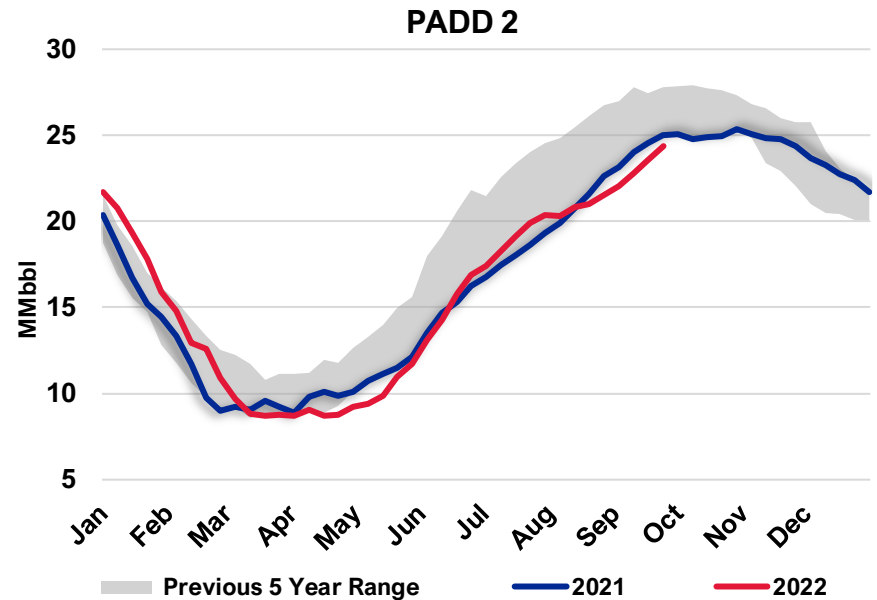


Figure 7

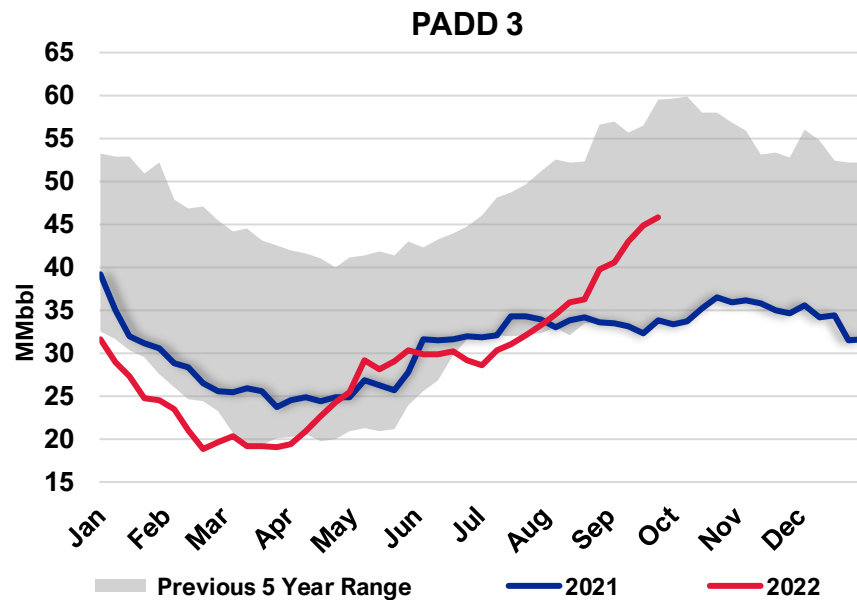


Figure 8

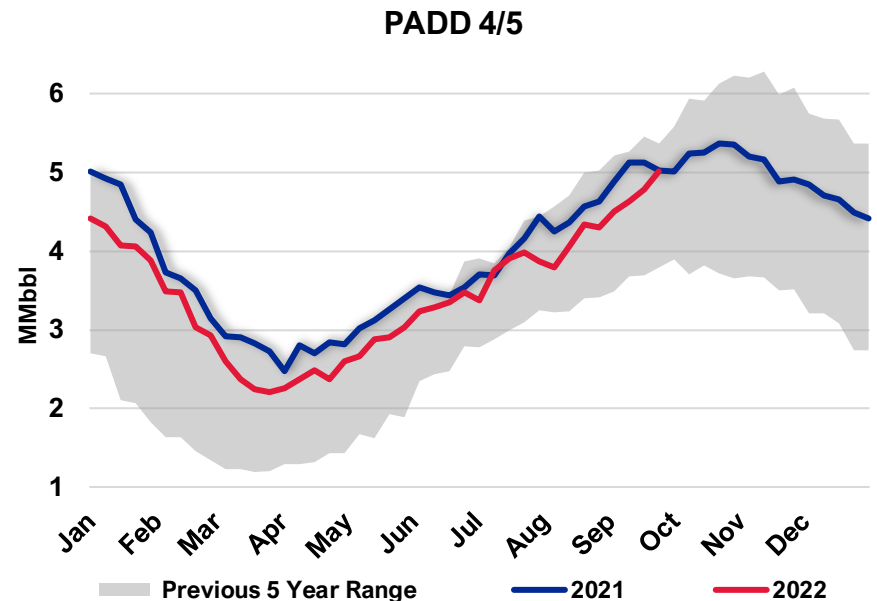


Figure 9

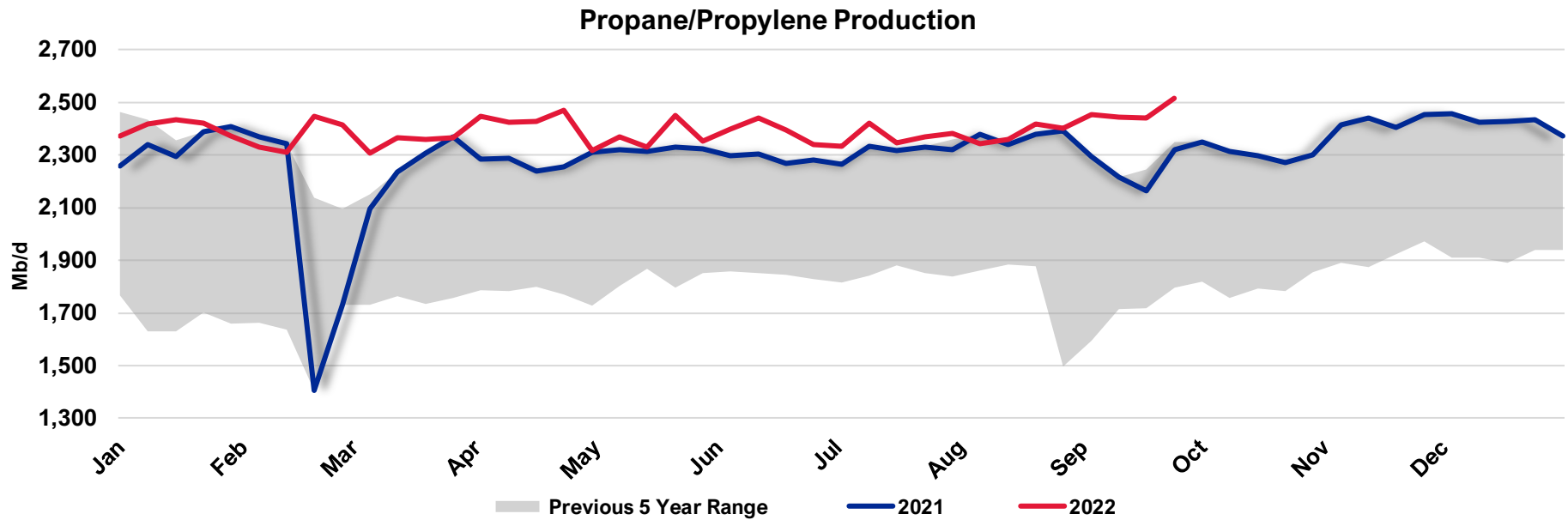


Figure 10

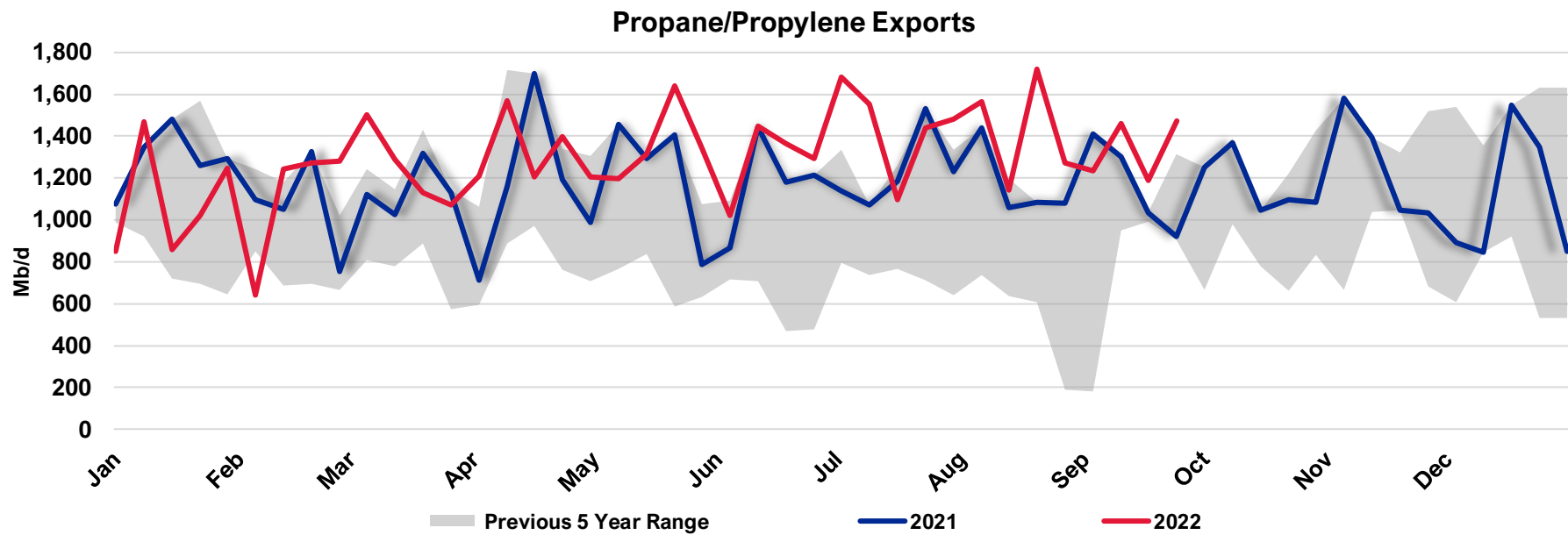


Figure 11

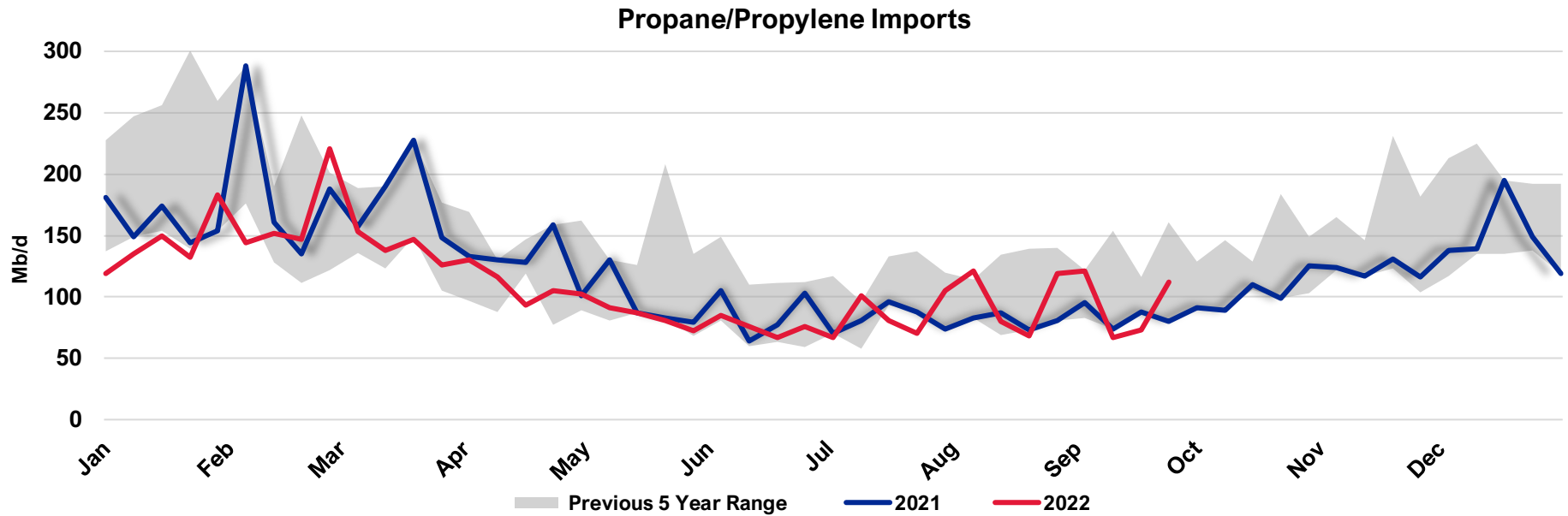


Figure 12

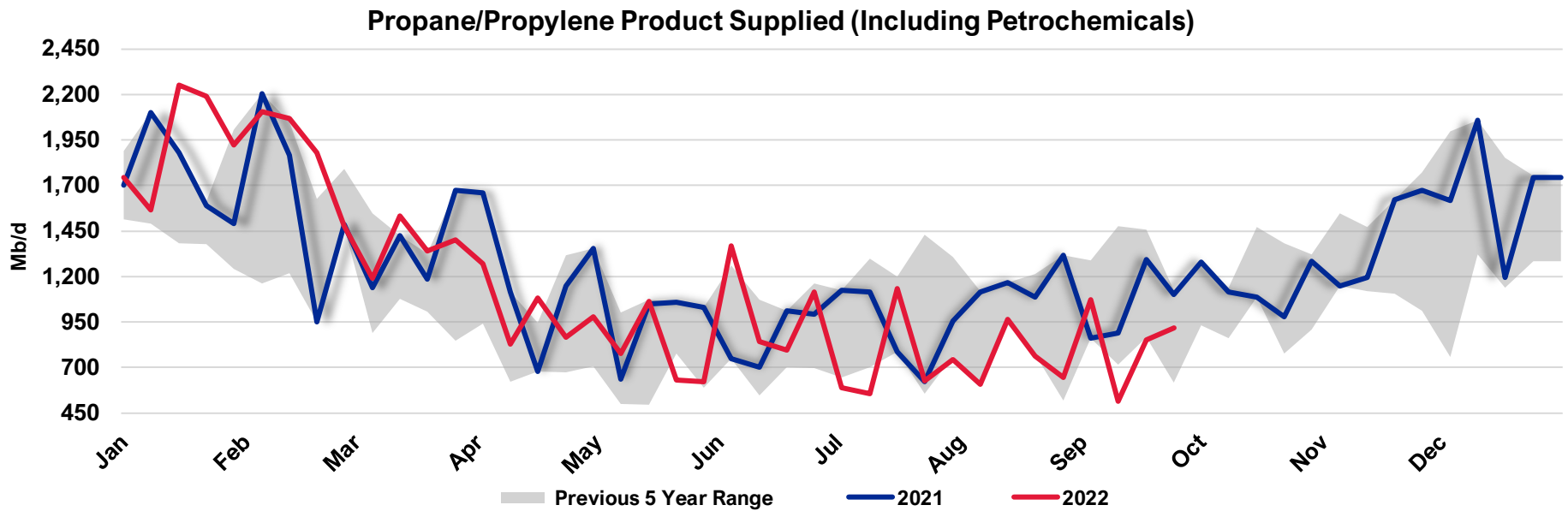


Figure 13

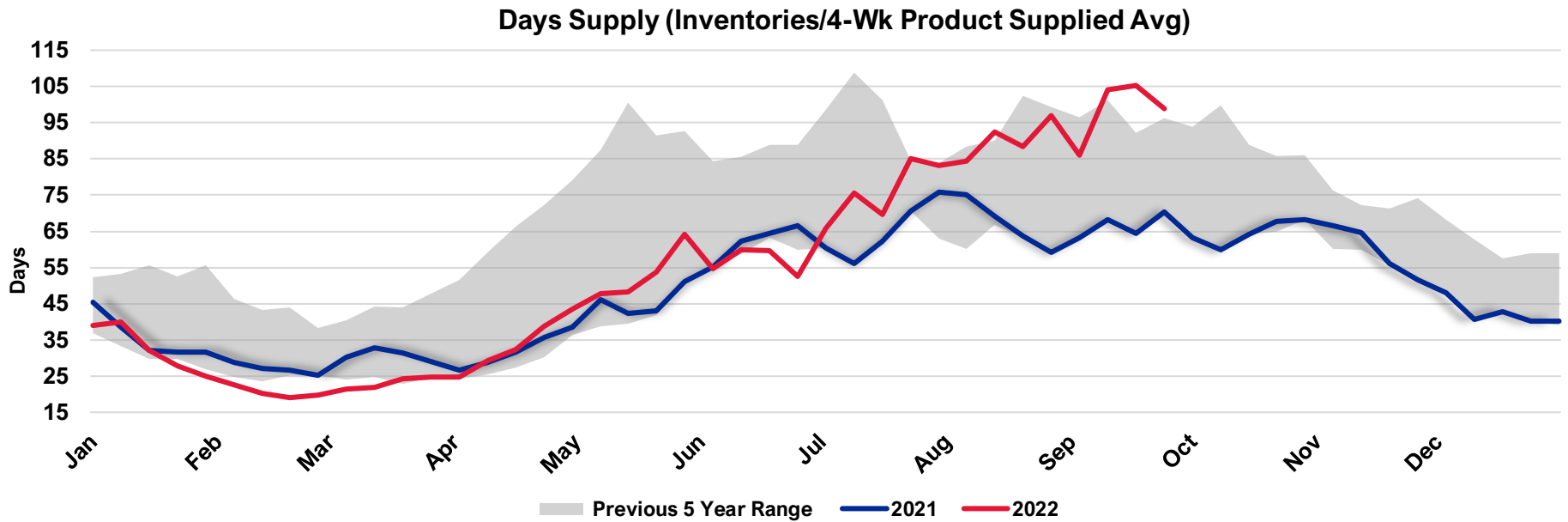
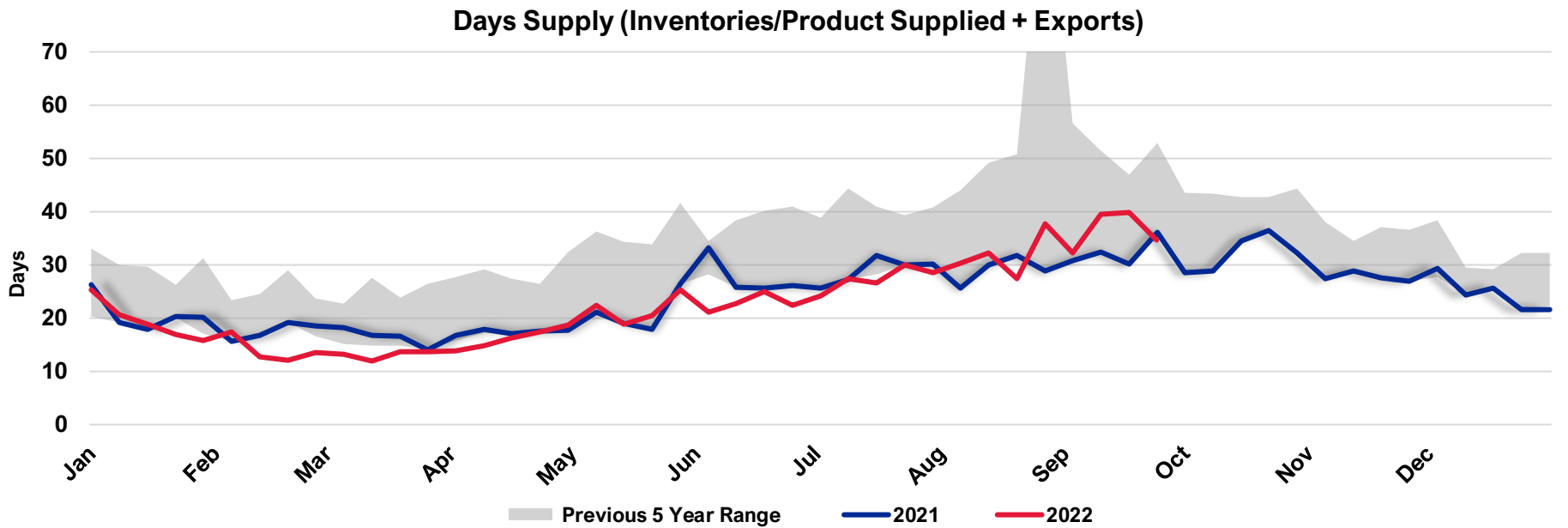


Figure 14



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