



WEEKLY PROPANE MARKET UPDATE

March 8, 2023

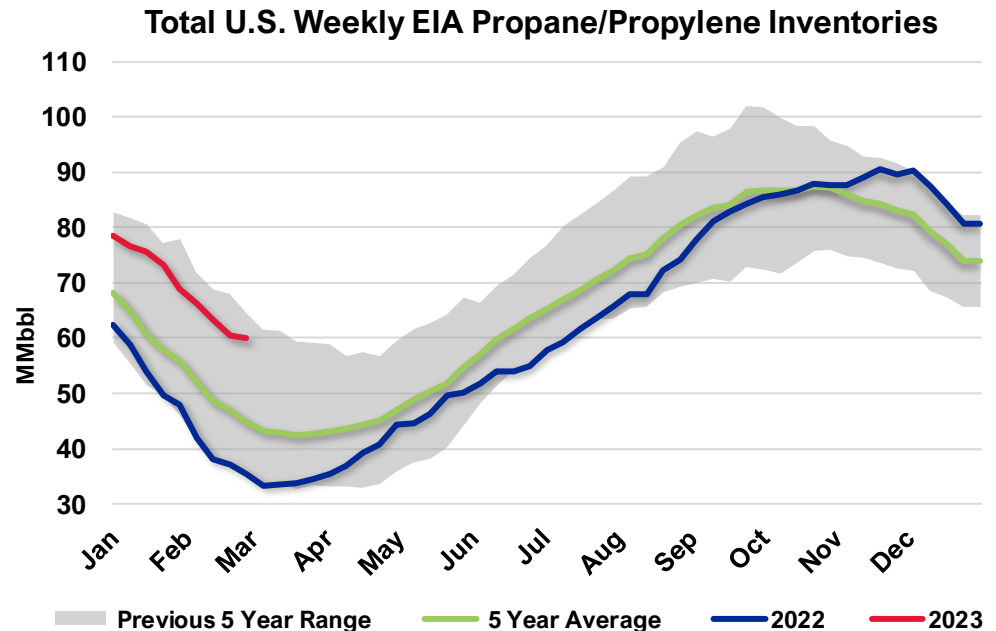
HIGHLIGHTS

- » Total U.S. propane/propylene inventories declined by 0.5 MMbbl for the week ended March 3, the EIA reported, which was below industry expectations for a draw of 1.84 MMbbl and the 2.2 MMbbl average draw for the week. Total U.S. propane stocks are now at 60 MMbbl, which is 15.3 MMbbl, or 34%, above the 5-year average.
- » Crude prices were little changed last week as hopes for a strong economic recovery in China were balanced by worries about U.S. interest rate hikes. WTI settled at \$77.58/bbl on March 7, up \$0.53/bbl from February 28. Propane prices were stronger than crude, with Mont Belvieu non-TET rising to 88.5 c/gal on March 7, up 3.2 c/gal from February 28. The propane-to-WTI ratio was up 2 percentage points from last week to 48%.
- » Weekly exports of propane reported by the EIA dropped sharply to 1.38 MMbbl/d, which was 194 Mbbbl/d below the previous week's rate and well below the four-week average of 1.62 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 32 Mbbbl/d to 2,414 Mbbbl/d as PADD 3 and PADD 2 production rose by 18 Mbbbl/d and 11 Mbbbl/d, respectively.

MARKET OVERVIEW

Mont Belvieu propane prices were stronger over the past week, increasing by 3.2 c/gal, or 3.8%, to settle at 88.5 c/gal on March 7. WTI prices were relatively unchanged, rising by \$0.53/bbl, or 0.7%, over the same period, which increased the propane-to-WTI ratio by 2 percentage points to 48%. The ratio is below the 55% average recorded in March 2022. The forward propane-to-WTI ratio for April-July 2023 was up 1 percentage point from last week to 47%.

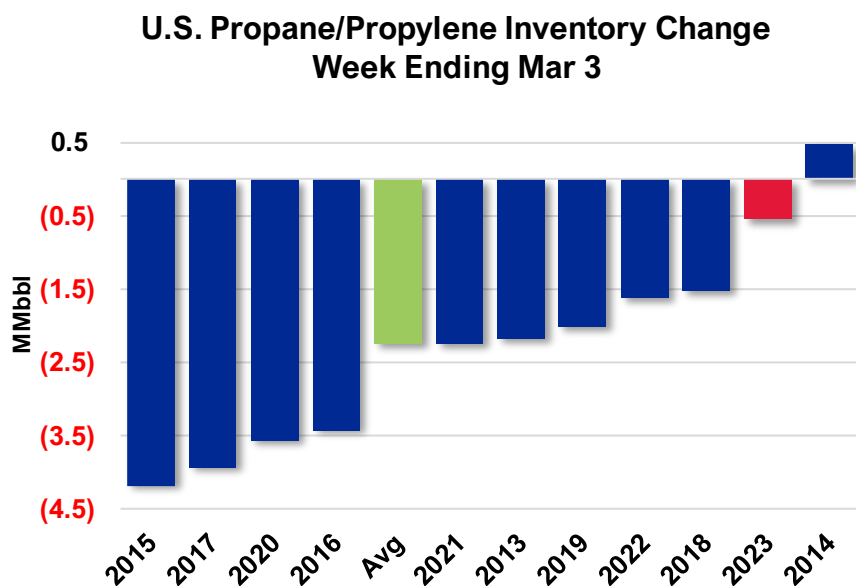
Figure 1



ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories fell by 537 Mbbbl for the week ended March 3, about 1.3 MMbbl less than expectations. According to OPIS, the average of industry expectations called for a withdrawal of 1.84 MMbbl. Total U.S. propane stocks remain at 60 MMbbl. Inventories are 24.5 MMbbl above the same week in 2022 and 4.5 MMbbl below the 5-year maximum. Regional inventory changes were mixed, with PADD 2 having the week's largest decrease while PADD 3 had the largest increase.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories increased by 1.1 MMbbl. Total inventories for the region are now 37.9 MMbbl. Gulf Coast propane inventories are 17.6 MMbbl, or 87%, above 2022 and 7.6 MMbbl below the 5-year maximum. Compared to the 5-year average for the region, inventories are 9.3 MMbbl higher.

PADD 2 (Midwest) inventories dropped by 1.9 MMbbl for the week, bringing total inventories to 13.8 MMbbl. Inventories are 4.2 MMbbl over 2022 and 2 MMbbl above the 5-year maximum.

PADD 1 (East Coast) stocks grew by 457 Mbbbl. Total inventories for the region are at 5.7 MMbbl, which is 2.7 MMbbl over 2022 and 366 Mbbbl over the 5-year maximum. Inventories are 1 MMbbl above the 5-year average for the region.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories decreased slightly by 128 Mbbbl, bringing total stocks to 2.5 MMbbl, which is essentially the same as 2022 but about 400 Mbbbl more than the 5-year average.

Total U.S. production went up by 32 Mbbbl/d to 2,414 Mbbbl/d. PADD 3 production was up 18 Mbbbl/d to 1,455 Mbbbl/d and remains about 170 Mbbbl/d below the peak weekly rate in early December. Exports fell by 194 Mbbbl/d to 1,377 Mbbbl/d, well below the 4-week average of 1,617 Mbbbl/d. Imports went down by 19 Mbbbl/d to 121 Mbbbl/d as volumes into PADD 4/5 plunged by 22 Mbbbl/d. Product supplied dropped by 109 Mbbbl/d to 1,234 Mbbbl/d. A drop in product supplied along with a decline in exports could partially explain the low draw in propane inventories.

Propane Inventory Change

The drop in stocks for the week ended March 3 (red bar, Figure 2) of 537 Mbbbl was about 1.7 MMbbl less than average draw of 2.2 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu narrowed by 0.5 c/gal from last week, trading at a 6.7 c/gal discount as of March 7. The forward-price differential between Mont Belvieu and Conway increased by 0.9 c/gal from the previous week with Mont Belvieu trading at a 4.3 c/gal premium over Conway for April 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, supply is at about 49 days, 27 days higher than the same week in 2022 and 10 more days than the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 23 days of inventory, which is 10 days more than 2022 and one day less than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

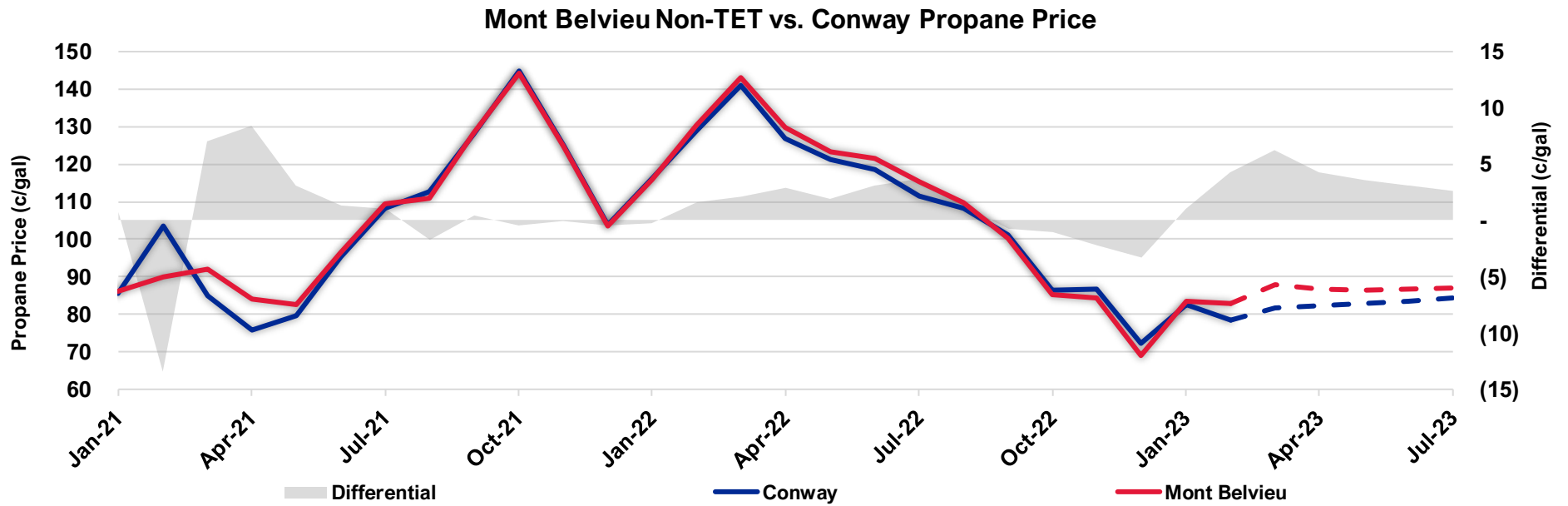
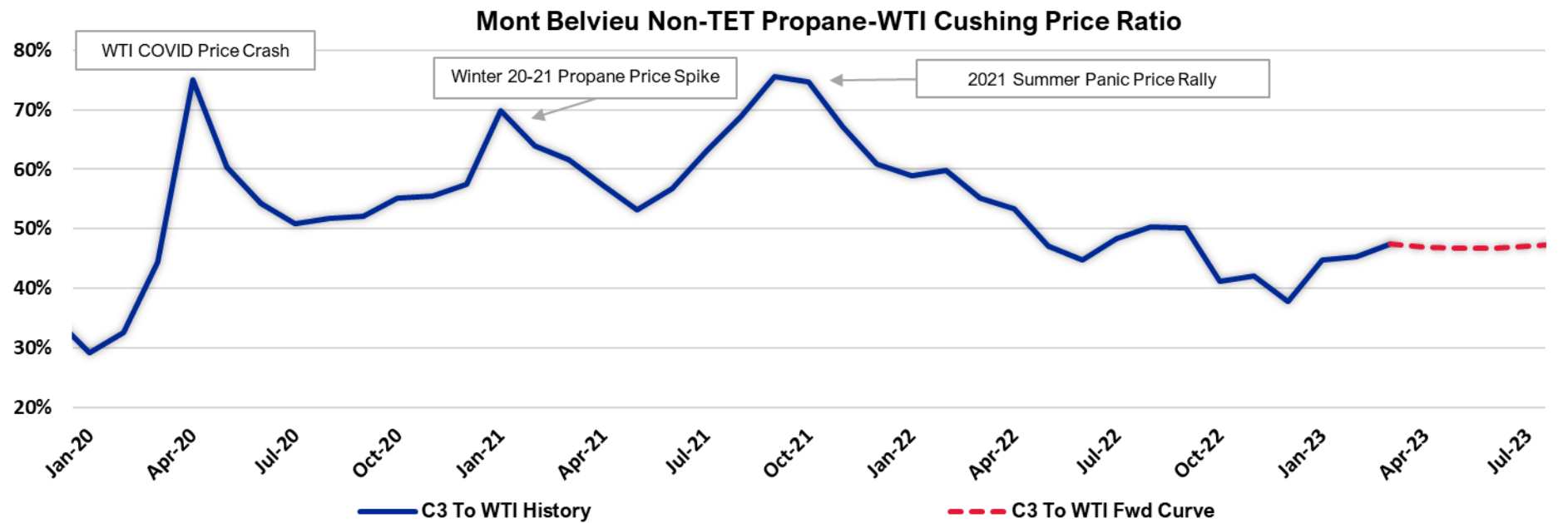


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

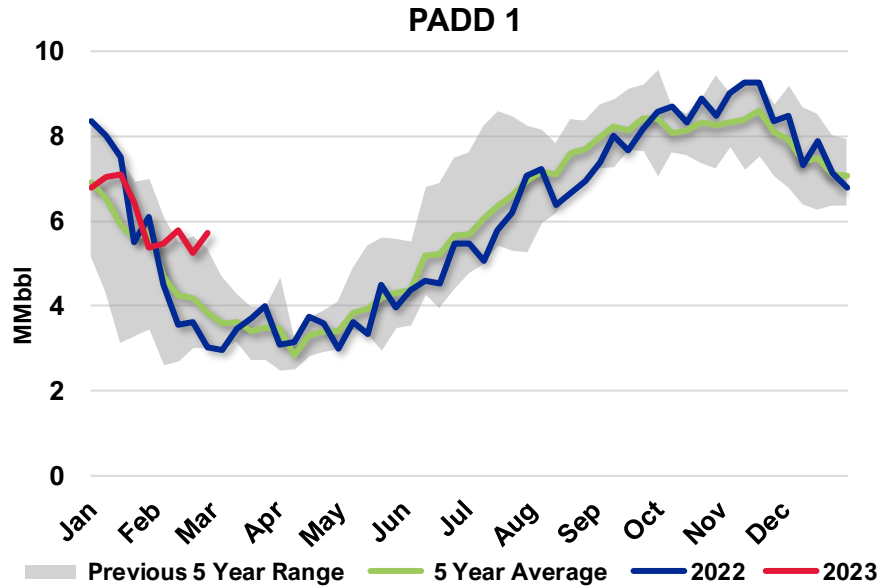


Figure 6

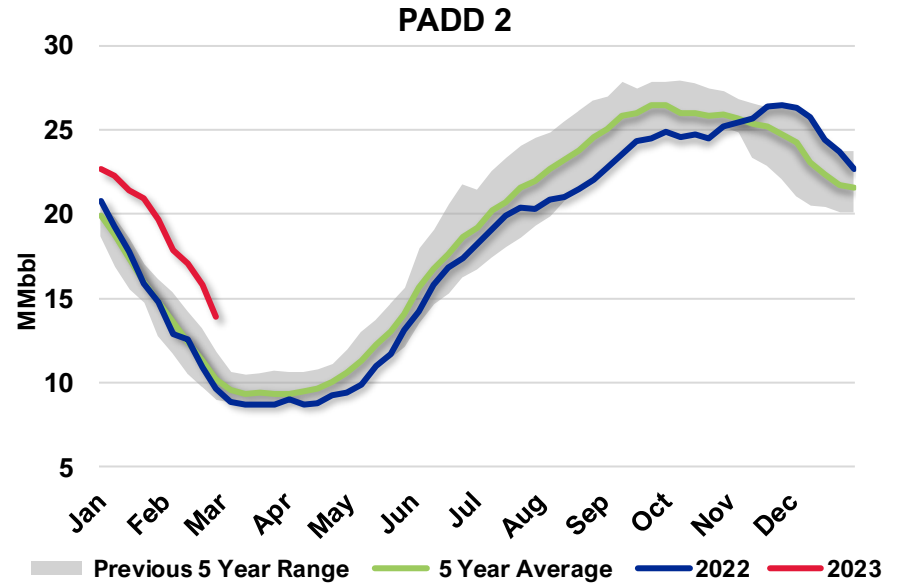


Figure 7

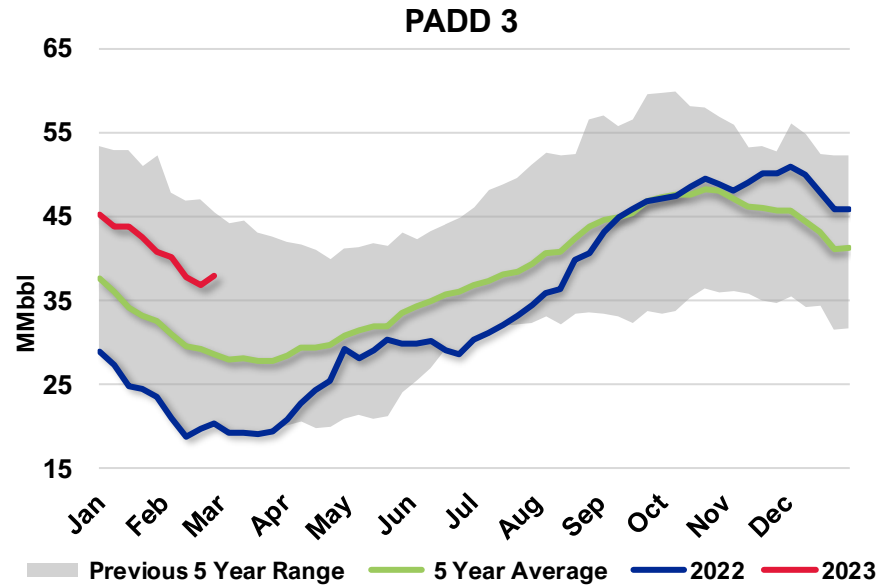


Figure 8

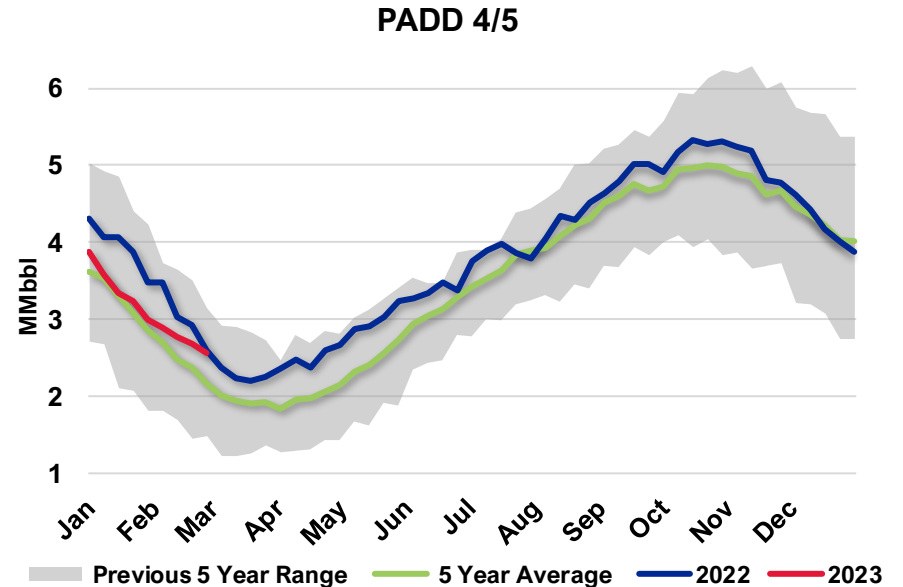


Figure 9

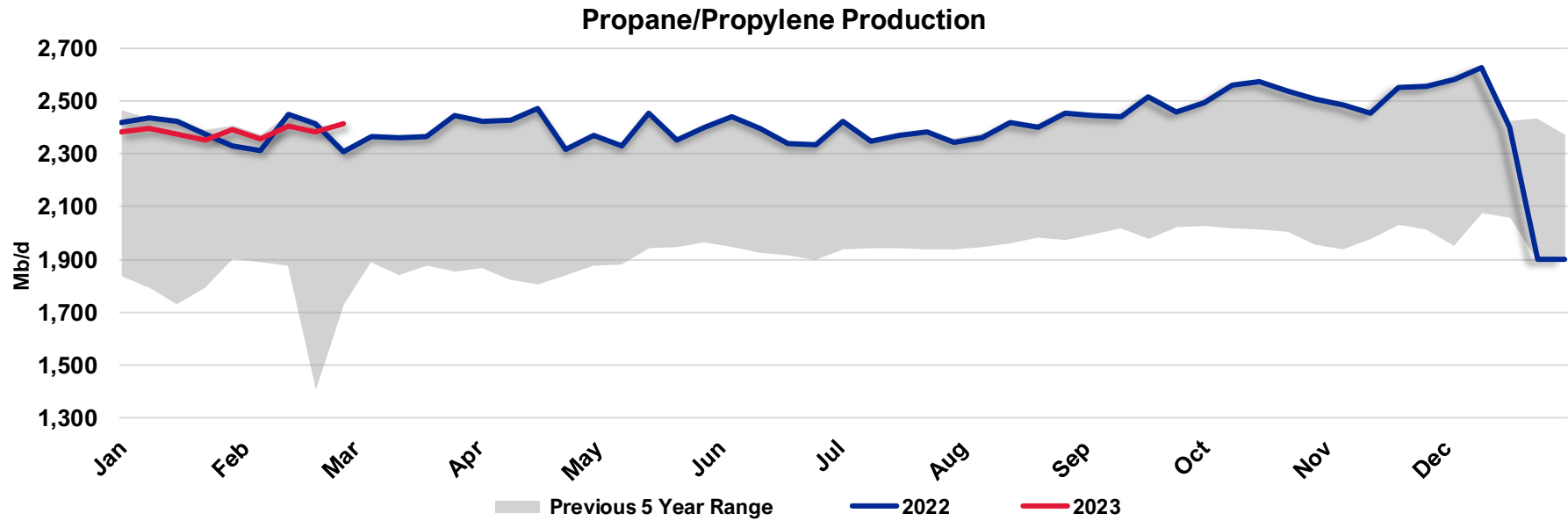


Figure 10

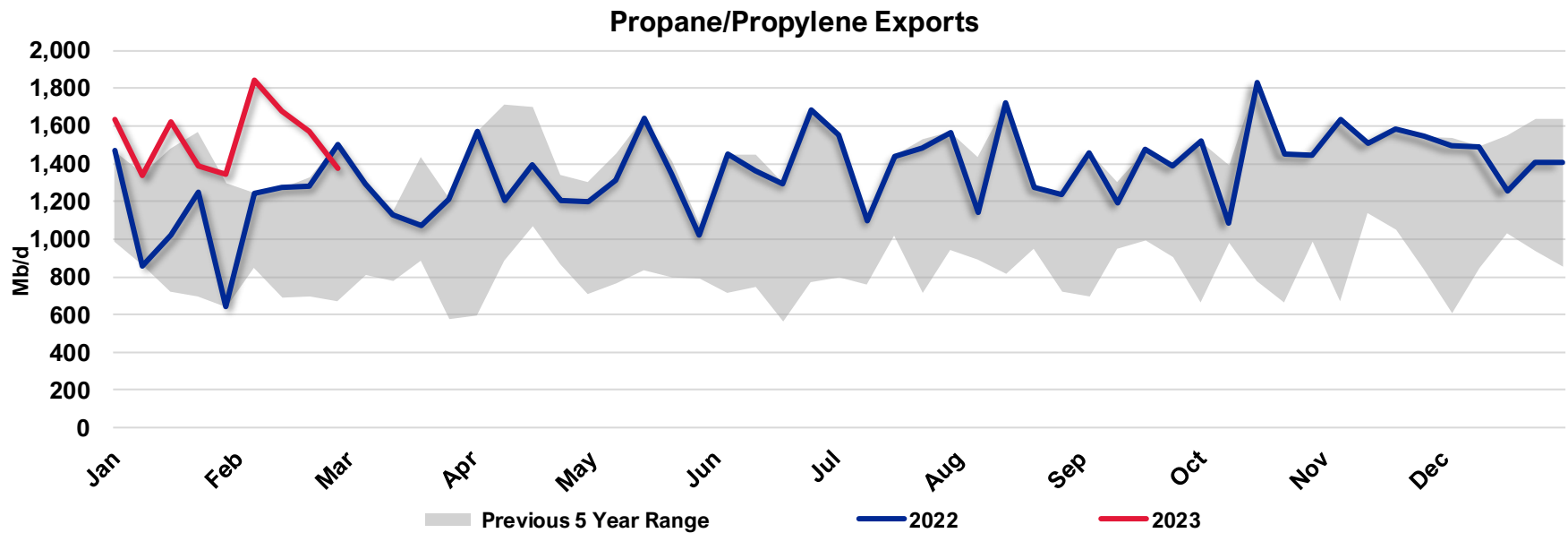


Figure 11

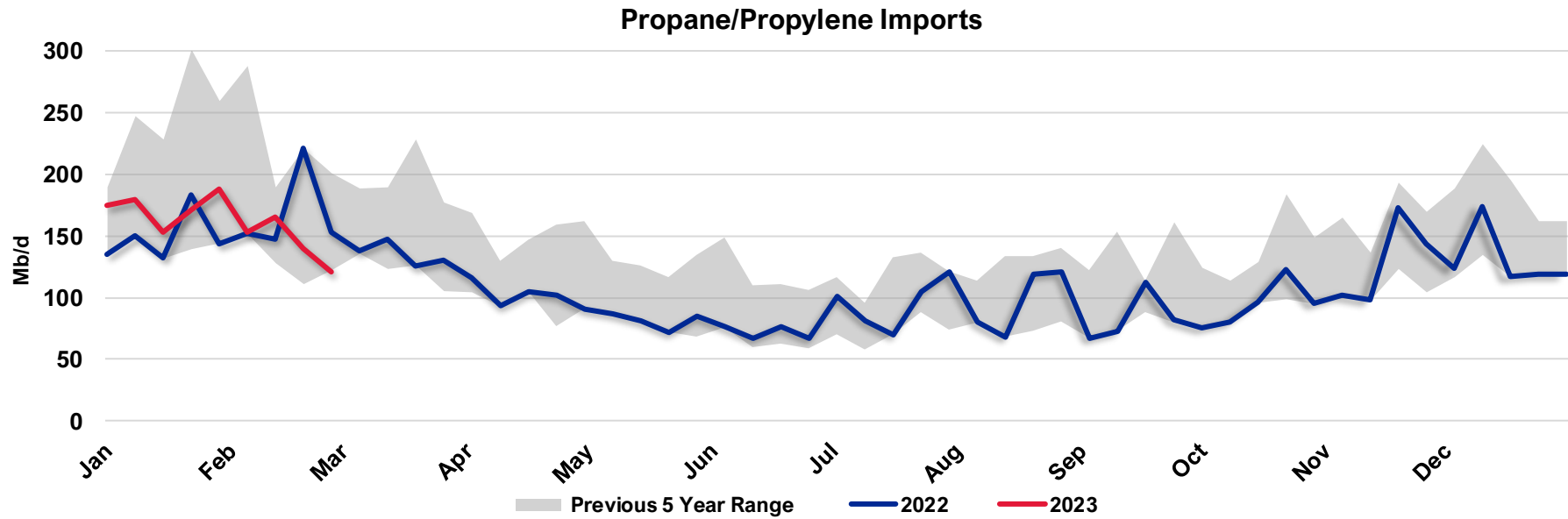


Figure 12

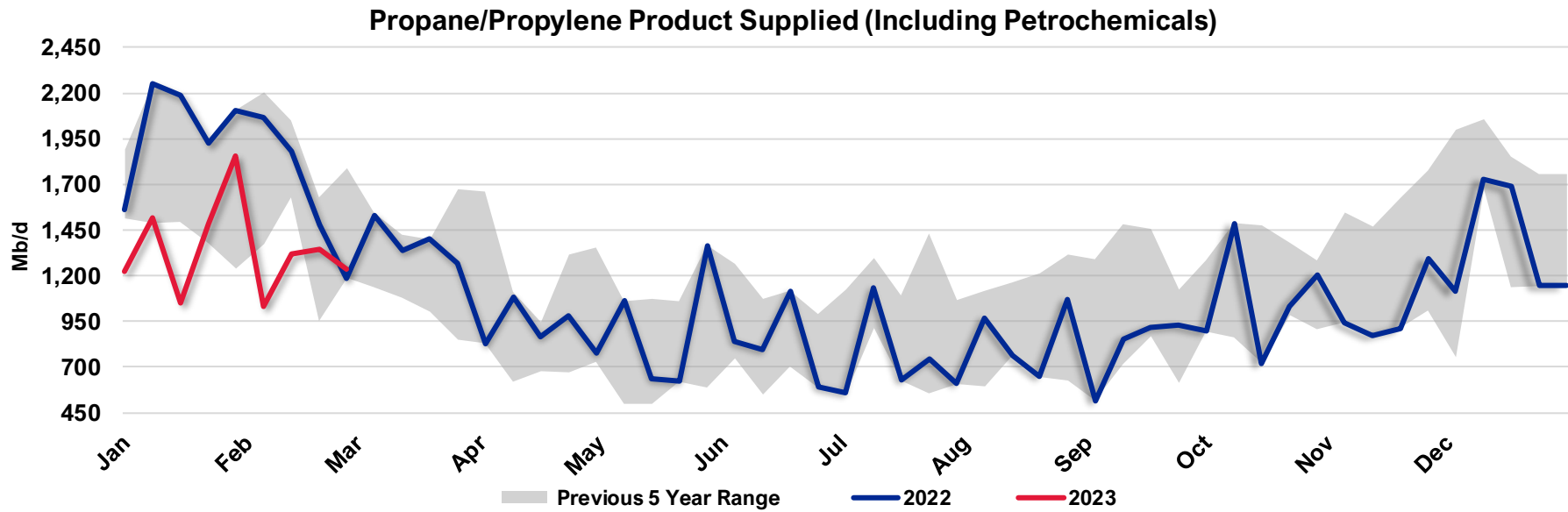


Figure 13

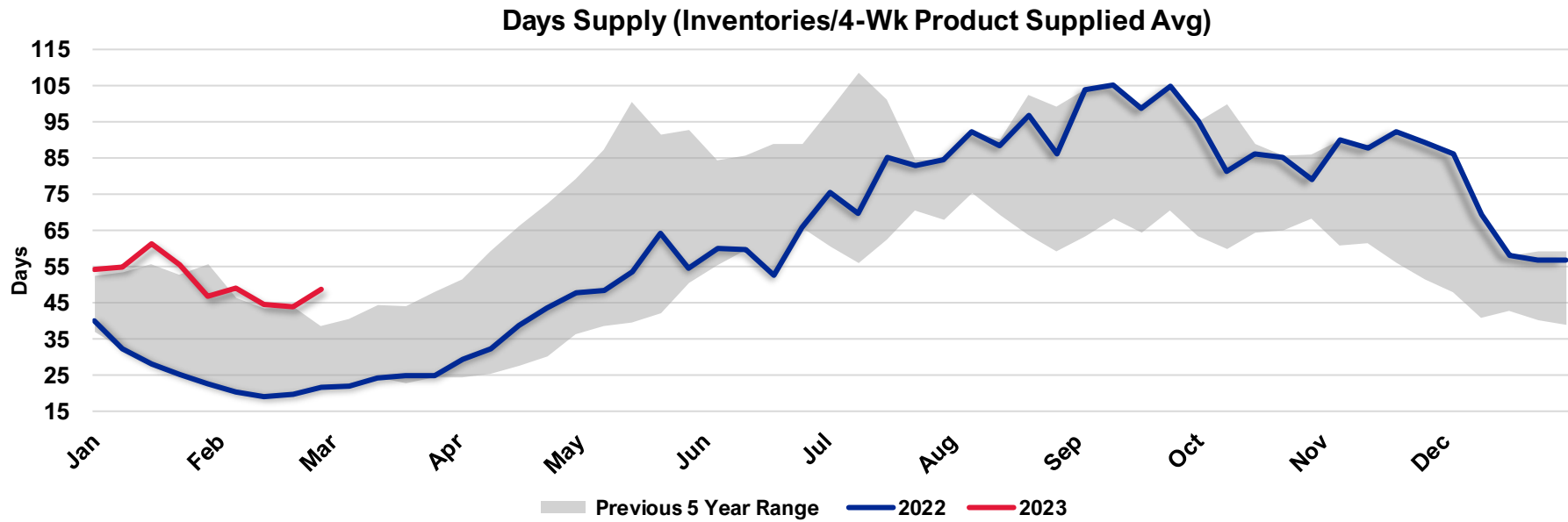
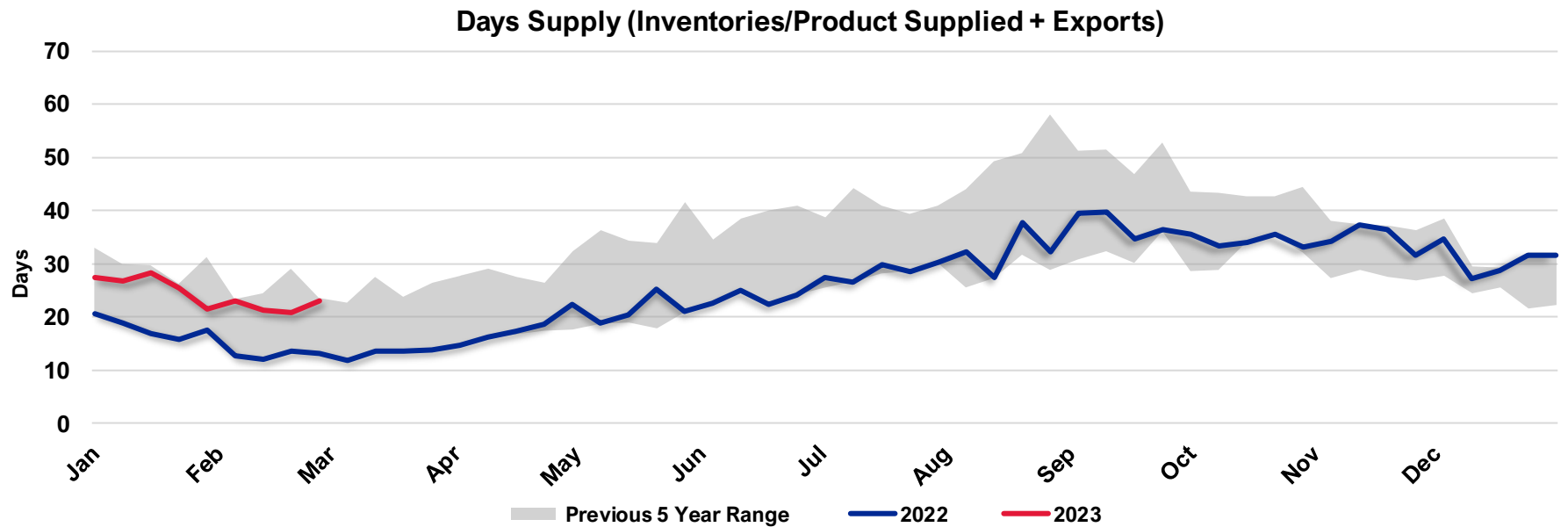


Figure 14



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