



WEEKLY PROPANE MARKET UPDATE

March 1, 2023

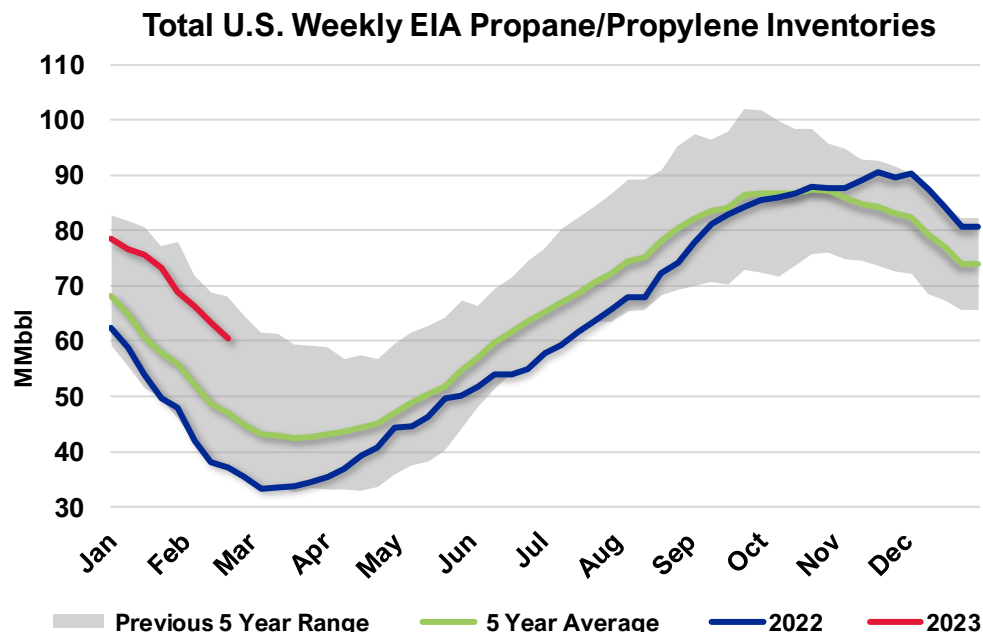
HIGHLIGHTS

- » Total U.S. propane/propylene inventories declined by 2.7 MMbbl in the week ended February 24, the EIA reported, which was above industry expectations for a draw of 2.3 MMbbl and more than the 1.9 MMbbl average draw for the week. Total U.S. propane stocks are now at 60.6 MMbbl, which is 13.6 MMbbl, or 29%, above the 5-year average.
- » Crude prices were stronger over the last week as hopes for a strong economic recovery in China overshadowed worries about U.S. interest rate hikes. WTI settled at \$77.05/bbl on February 28, up \$3.10/bbl from February 22. Propane prices moved higher, tracking crude, with Mont Belvieu non-TET rising by 4.4 c/gal to 85.3 c/gal on February 28. The propane-to-WTI ratio was unchanged from last week at 46%.
- » Weekly exports of propane reported by the EIA remained strong at 1.57 MMbbl/d, which was 104 Mbbbl/d below last week's rate. This week's reported exports were in line with the four-week average of 1.61 MMbbl/d.
- » Total U.S. production of propane/propylene dropped by 22 Mbbbl/d to 2,382 Mbbbl/d as PADD 3 production declined by 25 Mbbbl/d to 1,437 Mbbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices were stronger over the past week, increasing by 4.4 c/gal, or 5.5%, to settle at 85.3 c/gal on February 28. WTI prices were also higher, rising by \$3.10/bbl, or 4.2%, over the same period, which left the propane-to-WTI ratio flat at 46%. The ratio remains well below the 60% average recorded in February 2022. The forward propane-to-WTI ratio for March-April 2023 was also unchanged from last week at 46%.

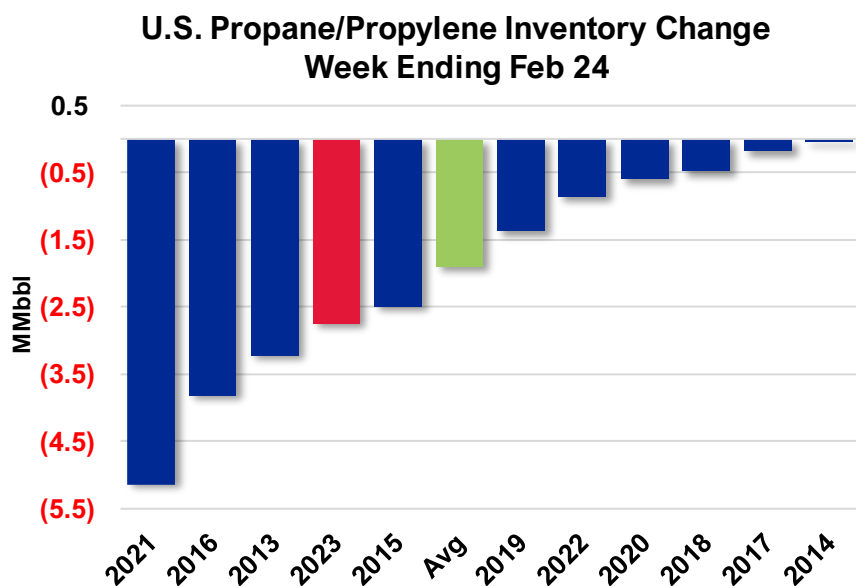
Figure 1



ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations for U.S. propane inventories called for a decline of 2.3 MMbbl for the week ended February 24. In today's EIA report, U.S. propane inventories fell by 2.7 MMbbl, slightly more than industry expectations. Total U.S. propane stocks are now at 60.6 MMbbl. Inventories are 23.4 MMbbl above the same week in 2022 and 7.5 MMbbl below the 5-year maximum. Regional inventory changes all PADDs having a decrease with PADD 2 having the largest withdrawal for the week.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) had a decline of 887 Mbbbl. Total inventories for the region are now 36.8 MMbbl. Gulf Coast propane inventories are 17.1 MMbbl, or 87%, above 2022 and 10.2 MMbbl below the 5-year maximum. Compared to the 5-year average for the region, inventories are 7.6 MMbbl higher.

PADD 2 (Midwest) inventories fell by 1.2 MMbbl for the week, bringing total inventories to 15.8 MMbbl. Inventories are 4.9 MMbbl over 2022 and 2.6 MMbbl above the 5-year maximum.

PADD 1 (East Coast) stocks dropped by 526 Mbbbl. Total inventories for the region are at 5.2 MMbbl, which is 1.6 MMbbl over 2022 and 400 Mbbbl below 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 by 89 Mbbbl, bringing total stocks to 2.6 MMbbl, which is 245 Mbbbl lower than 2022 but about 320 Mbbbl more than the 5-year average.

Total U.S. production fell slightly by 22 Mbbbl/d to 2,382 Mbbbl/d. PADD 3 production was down 25 Mbbbl/d to 1,437 Mbbbl/d and remains about 190 Mbbbl/d below the peak weekly rate in early December. Exports fell by 104 Mbbbl/d to 1,571 Mbbbl/d, which is in line with the 4-week average of 1,609 Mbbbl/d. Imports went down by 25 Mbbbl/d to 140 Mbbbl/d as volumes into PADD 2 and PADD 4/5 declined by 10 Mbbbl/d and 9 Mbbbl/d, respectively. Product supplied increased by 27 Mbbbl/d to 1,343 Mbbbl/d.

Propane Inventory Change

The drop in stocks for the week ended February 24 (red bar, Figure 2) of 2.7 MMbbl was about 850 MMbbl more than average draw of 1.9 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu was much wider than last week, trading at a 7.2 c/gal discount as of February 28. The forward-price differential between Mont Belvieu and Conway also increased from the previous week with Mont Belvieu trading at a 3.8 c/gal average premium over Conway for March-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 44 days, 24 days higher than the same week in 2022 and equal to the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 21 days of inventory, which is seven days more than 2022 and eight days less than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

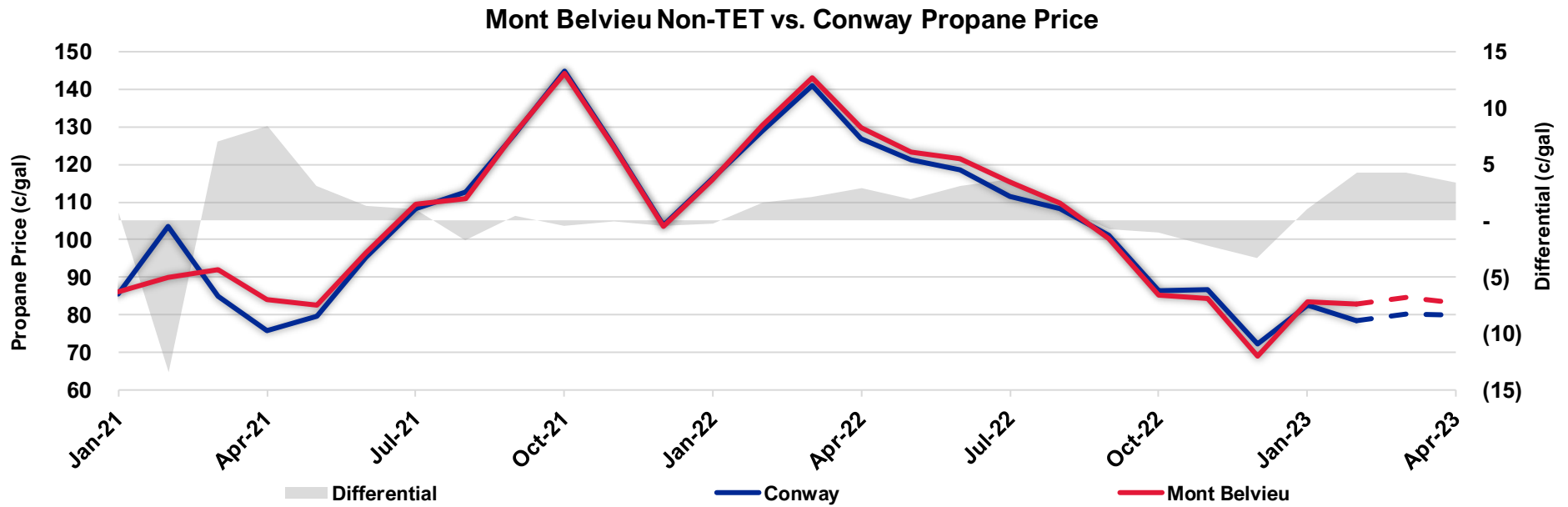
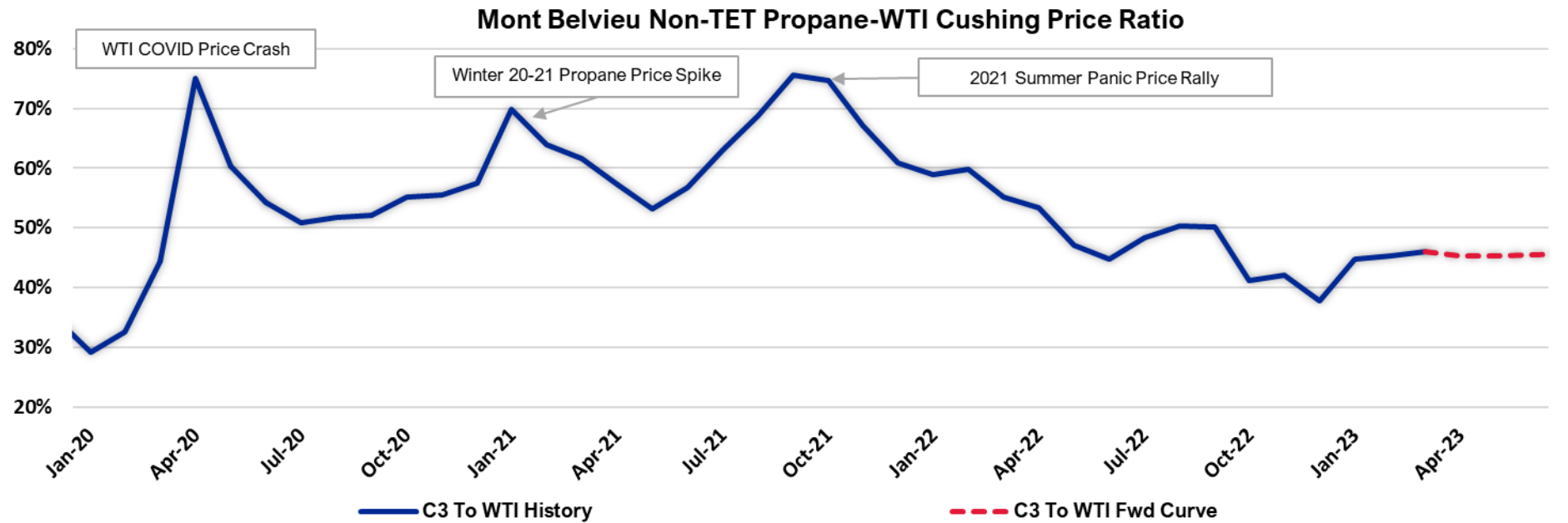


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

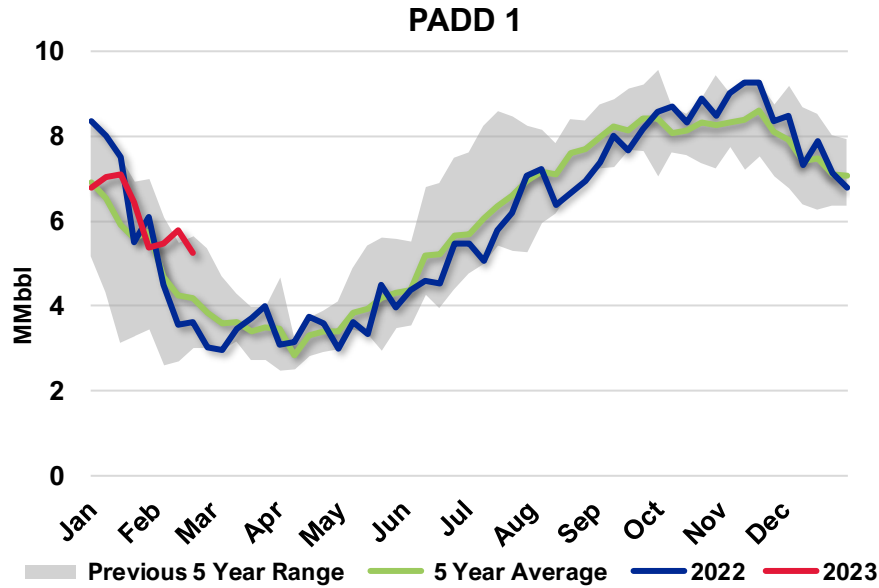


Figure 6

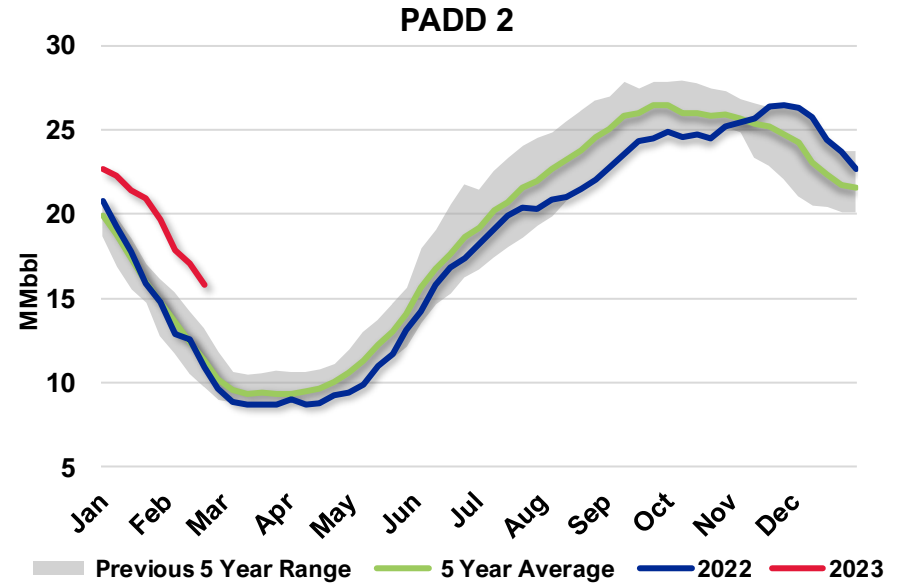


Figure 7

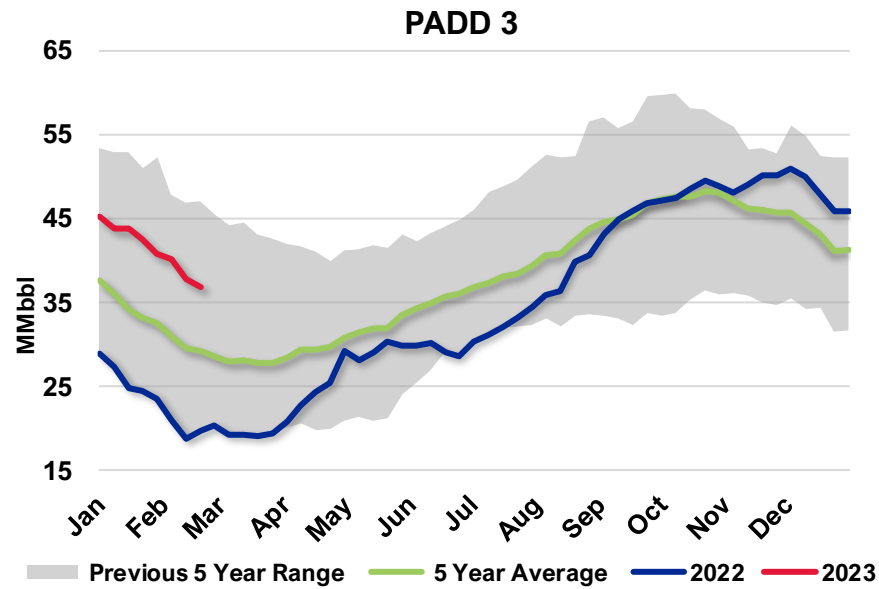


Figure 8

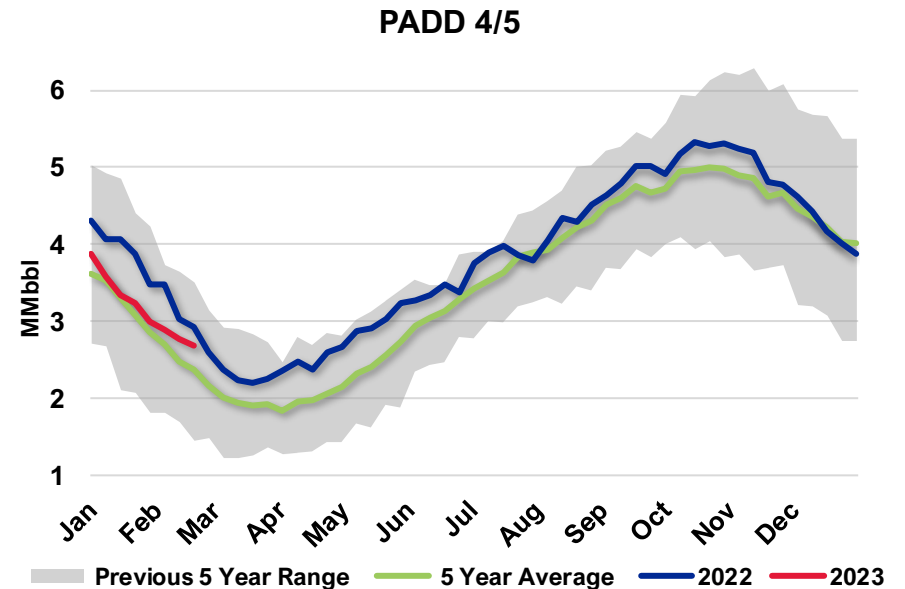


Figure 9

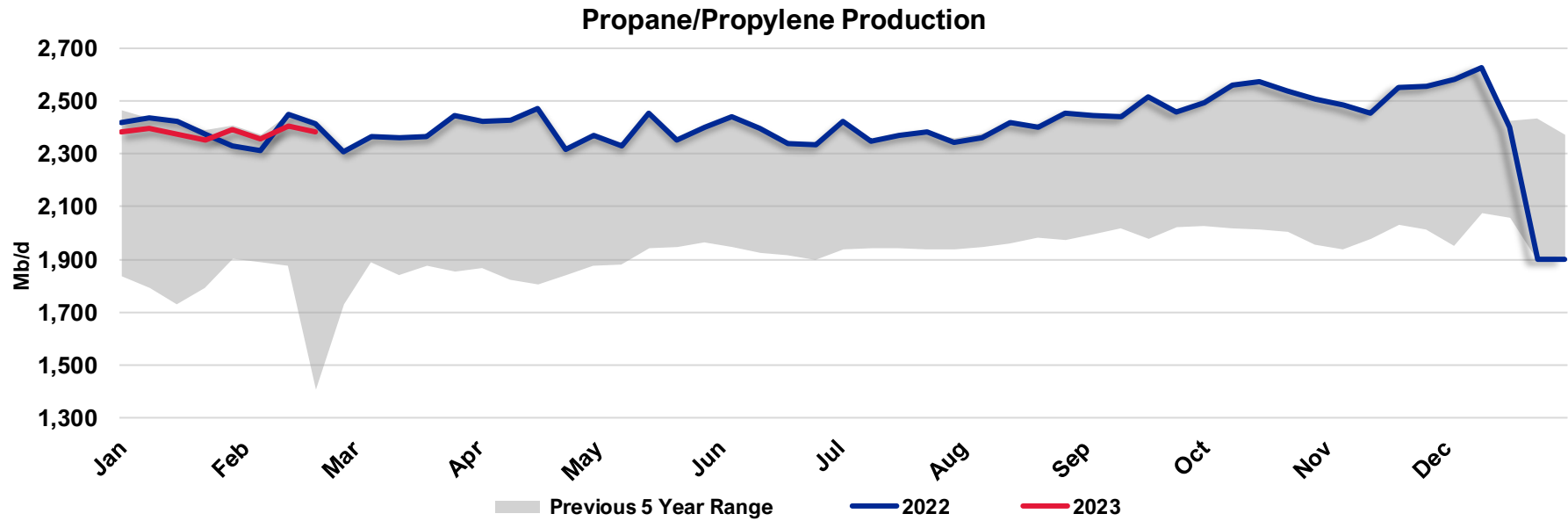


Figure 10

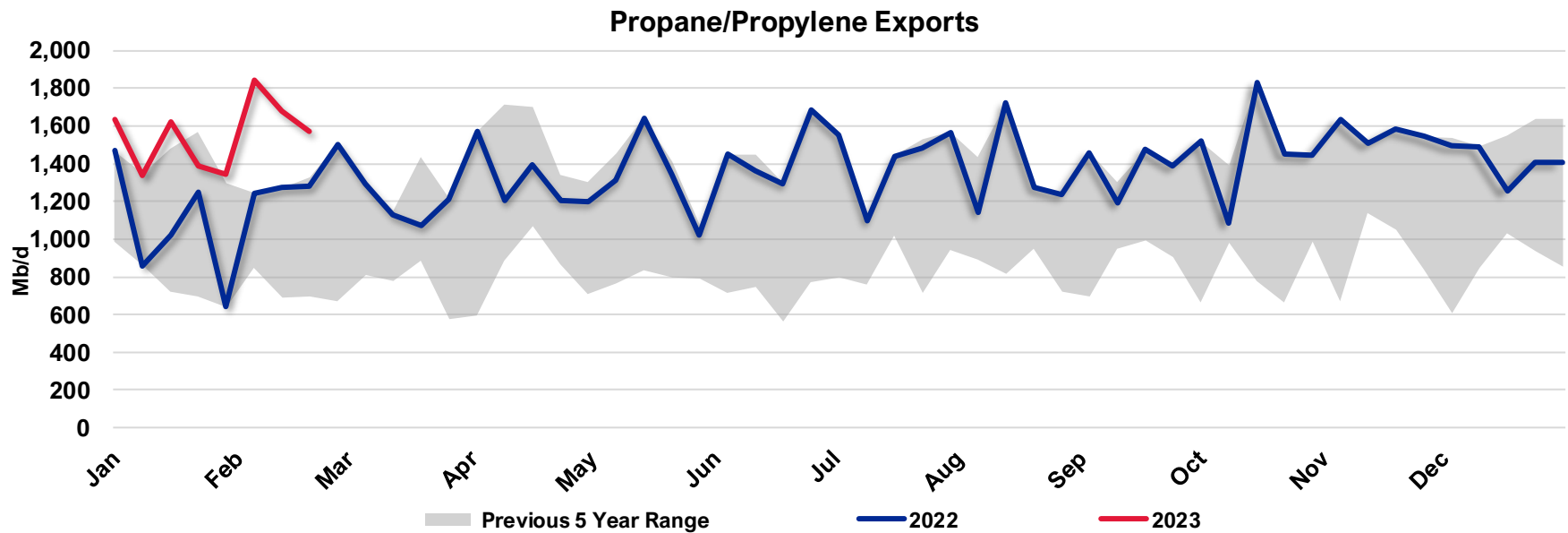


Figure 11

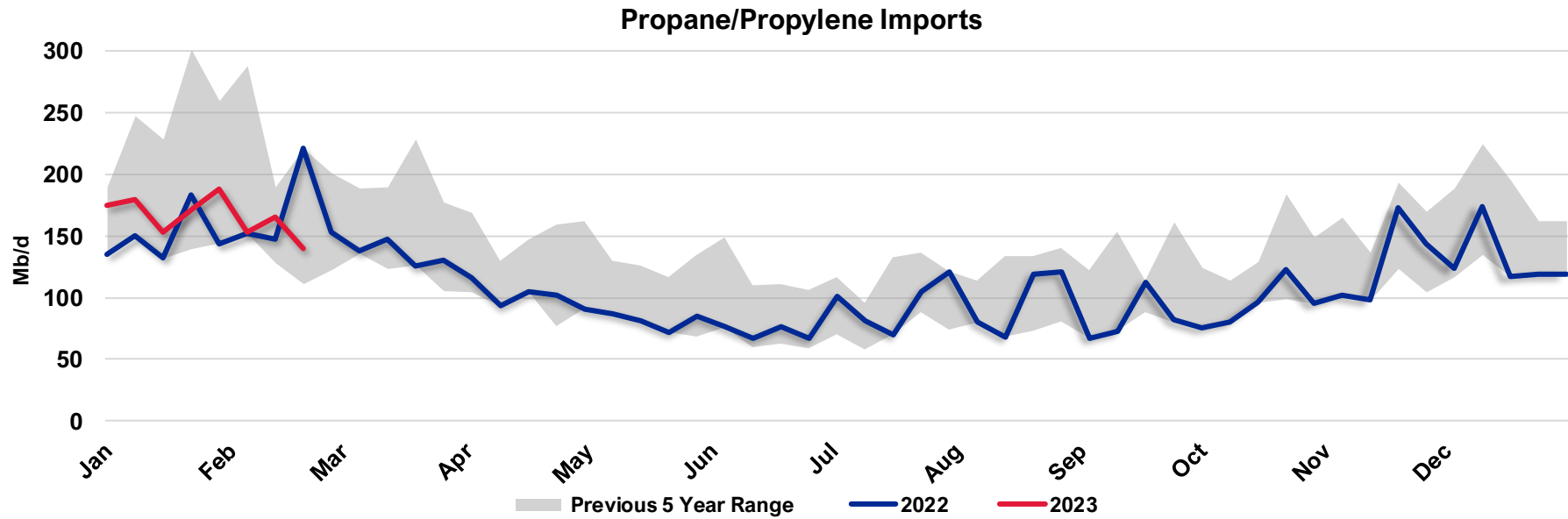


Figure 12

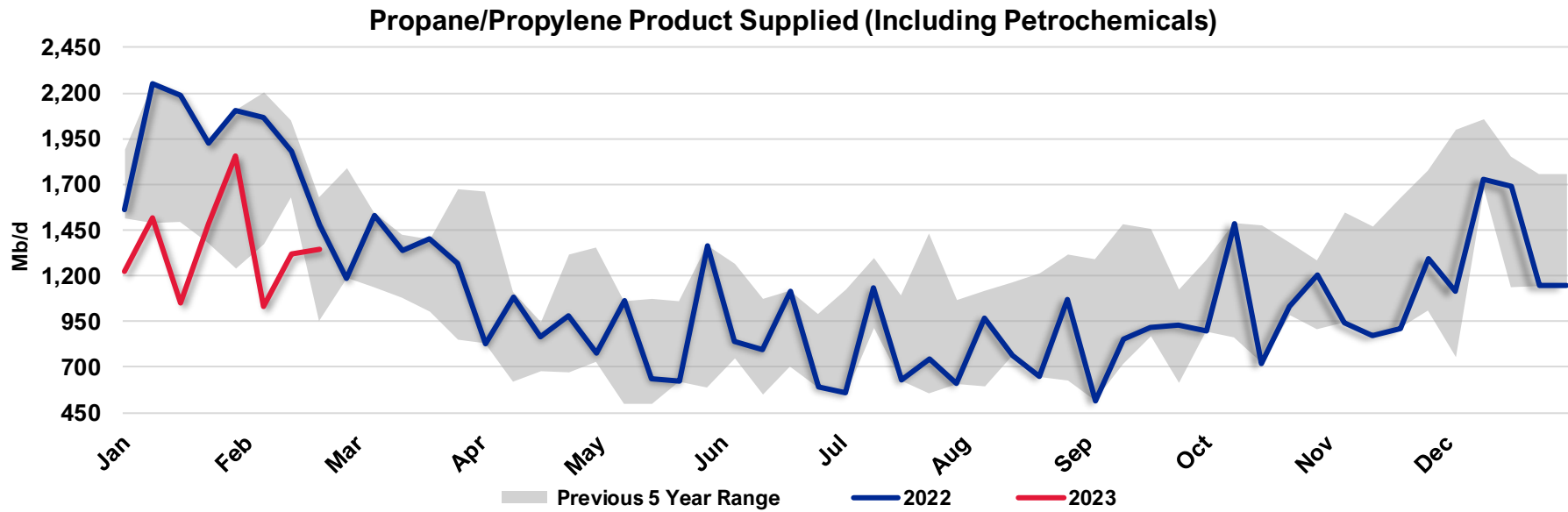


Figure 13

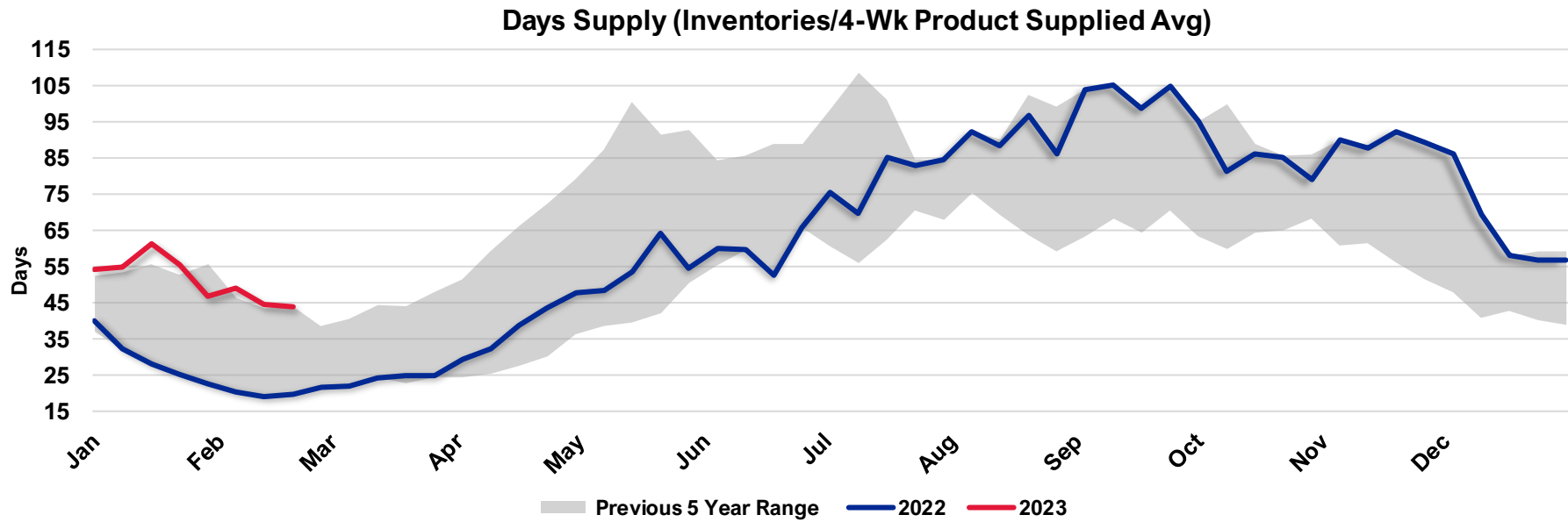
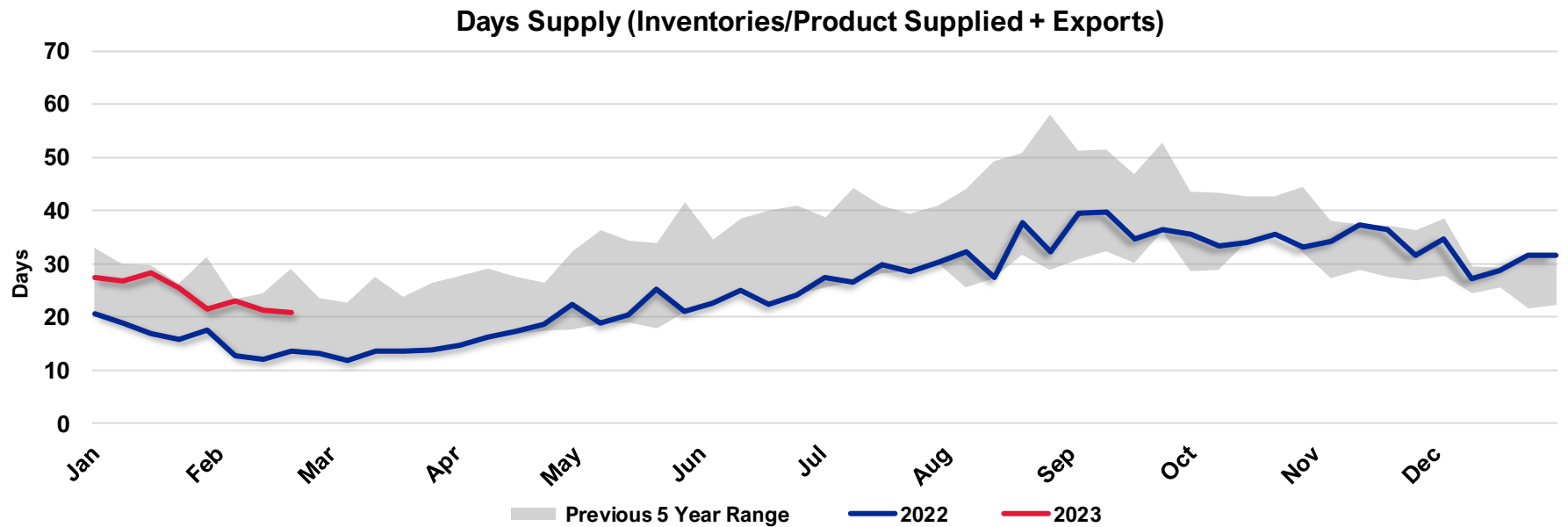


Figure 14



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