

WEEKLY PROPANE MARKET UPDATE

March 22, 2023

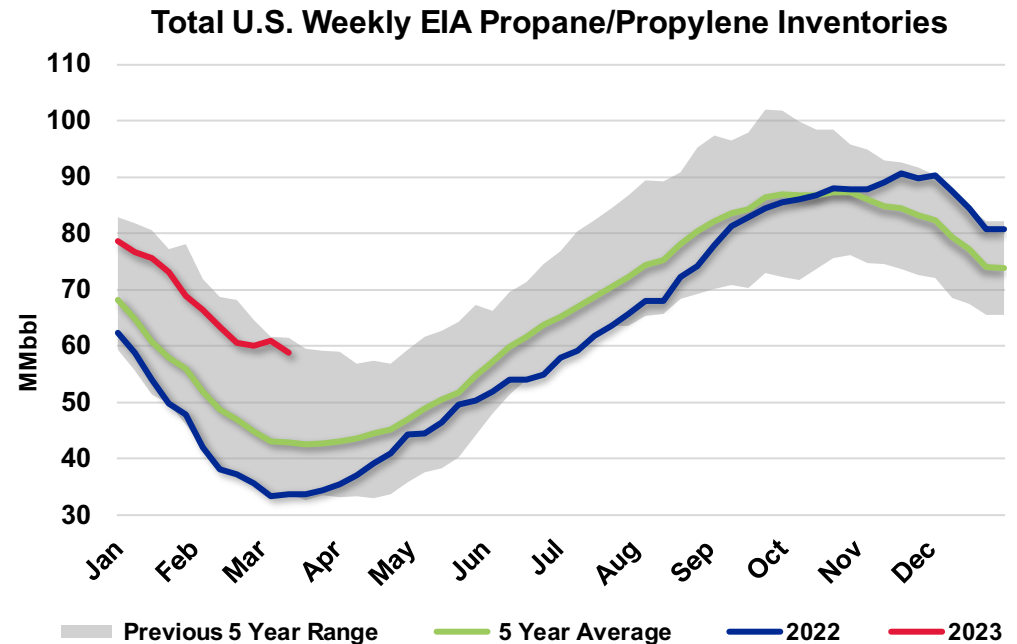
HIGHLIGHTS

- » Total U.S. propane/propylene inventories declined by 2.3 MMbbl for the week ended March 17, the EIA reported, which was well above industry expectations for a withdrawal of 384 Mbbl and the 338 Mbbl average draw for the week. Total U.S. propane stocks are now at 58.7 MMbbl, which is 15.8 MMbbl, or 37%, above the 5-year average.
- » Crude oil prices continued to move lower during the week as instability in the banking sector and looming interest rate hikes by the U.S. Federal Reserve weighed on market sentiment. WTI settled at \$69.33/bbl on March 21, down \$2/bbl from March 14. Propane prices fell more than crude, with Mont Belvieu non-TET falling to 72.4 c/gal on March 21, down 6 c/gal from March 14. The propane-to-WTI ratio was down 2 percentage points from last week to 44%.
- » Weekly exports of propane reported by the EIA remained robust at 1.80 MMbbl/d, which was 48 Mbbl/d higher than the previous week and well above the four-week average of 1.63 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 33 Mbbl/d to 2,400 Mbbl/d as PADD 1 and PADD 3 production dropped by 16 Mbbl/d and 23 Mbbl/d, respectively.
- » than the previous week's rate and well above the four-week average of 1.59 MMbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices were lower over the past week, declining by 6 c/gal, or 7.7%, to settle at 72.4 c/gal on March 21. WTI prices were also weaker, falling by \$2/bbl, or 2.8%, to \$69.33/bbl over the same period, which pushed down the propane-to-WTI ratio by 2 percentage points to 44%. The

Figure 1

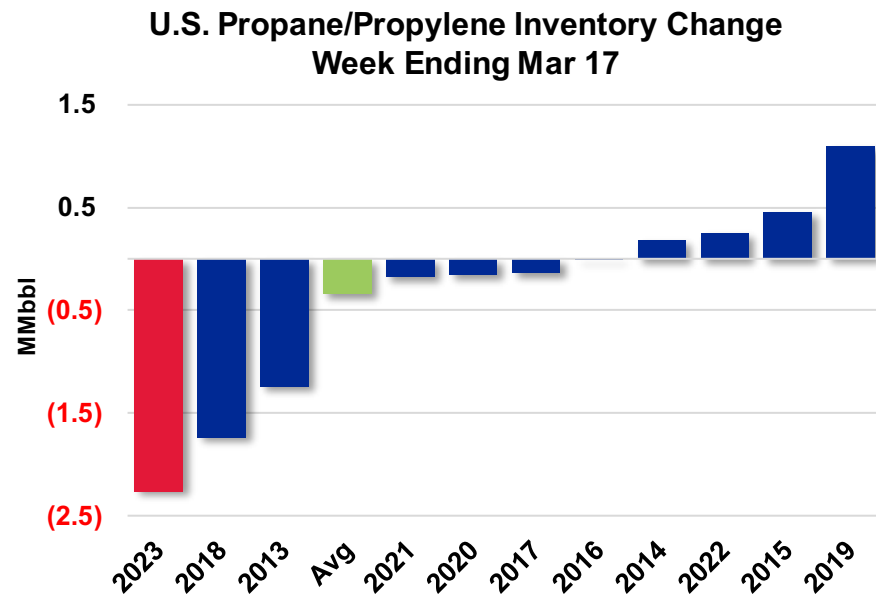


current ratio is below the 55% average recorded in March 2022. The forward propane-to-WTI ratio for April-July 2023 was unchanged from last week at 45%.

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories fell by 2.3 MMbbl for the week ended March 17. According to OPIS, the average of industry expectations called for a withdrawal of 384 Mbbl, for a difference of about 1.9 MMbbl. Total U.S. propane stocks declined to 58.7 MMbbl. Inventories are 25.1 MMbbl above the same week in 2022 and

Figure 2



ANALYSIS & INSIGHTS (continued)

2.7 MMbbl below the 5-year maximum. Inventories drew in all regions, with PADD 1 having the week’s largest decline.

PADD 3 (Gulf Coast) propane inventories declined by 794 Mbbl. Total inventories for the region are now 37.6 MMbbl. Gulf Coast propane inventories are 18.4 MMbbl, or 96%, above 2022 and 6.9 MMbbl below the 5-year maximum. Compared to the 5-year average for the region, inventories are 9.6 MMbbl higher.

PADD 2 (Midwest) inventories fell by 324 Mbbl for the week, bringing total inventories to 13.2 MMbbl. Inventories are 4.5 MMbbl over 2022 and 2.7 MMbbl above the 5-year maximum.

PADD 1 (East Coast) stocks drew by 990 Mbbl. Total inventories for the region are at 5.5 MMbbl, which is 2 MMbbl, or 59%, over 2022 and 1.2 MMbbl more than the 5-year maximum. Inventories are 1.9 MMbbl above the 5-year average for the region.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks declined by 159 Mbbl for the week. Total stocks are at 2.4 MMbbl, which is 454 Mbbl above the 5-year average.

Total U.S. production dropped by 33 Mbbl/d to 2,400 Mbbl/d. PADD 3 production was down 23 Mbbl/d to 1,451 Mbbl/d and remains about 170 Mbbl/d below the peak weekly rate in early December. Exports grew by 48 Mbbl/d to 1,804 Mbbl/d, which is above the 4-week average of 1,627 Mbbl/d. Imports fell by 52 Mbbl/d to 115 Mbbl/d as volumes into PADD 1 declined sharply by 41 Mbbl/d, reflecting the import cargo received into Newington, NH, the previous week. Product supplied rose by 321 Mbbl/d to 1,034 Mbbl/d.

Propane Inventory Change

The decrease in stocks for the week ended March 17 (red bar, Figure 2) of 2.3 Mbbl was about 1.9 MMbbl more than average draw of 338 Mbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu narrowed by 1.8 c/gal from last week, trading at a 3.5 c/gal discount as of March 21. The forward-price differential between Mont Belvieu and Conway narrowed by 1.2 c/gal from the previous week with Mont Belvieu trading at a 3.1 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 54 days, 30 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 21 days of inventory, which is seven days more than 2022 and six 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

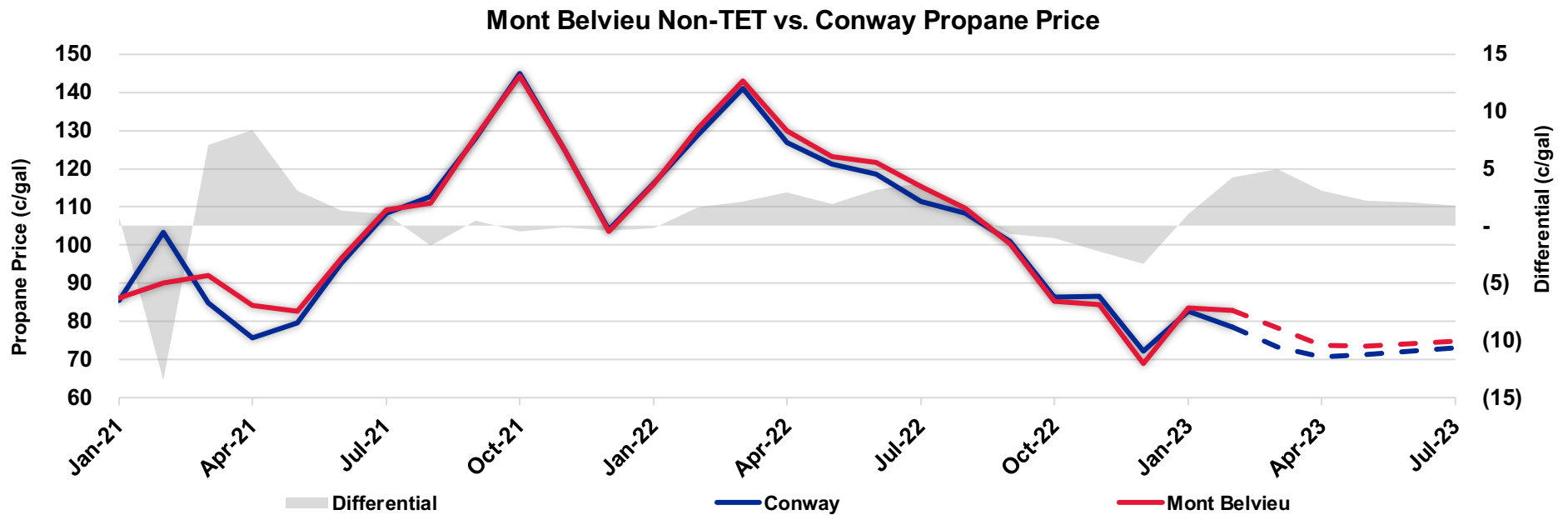
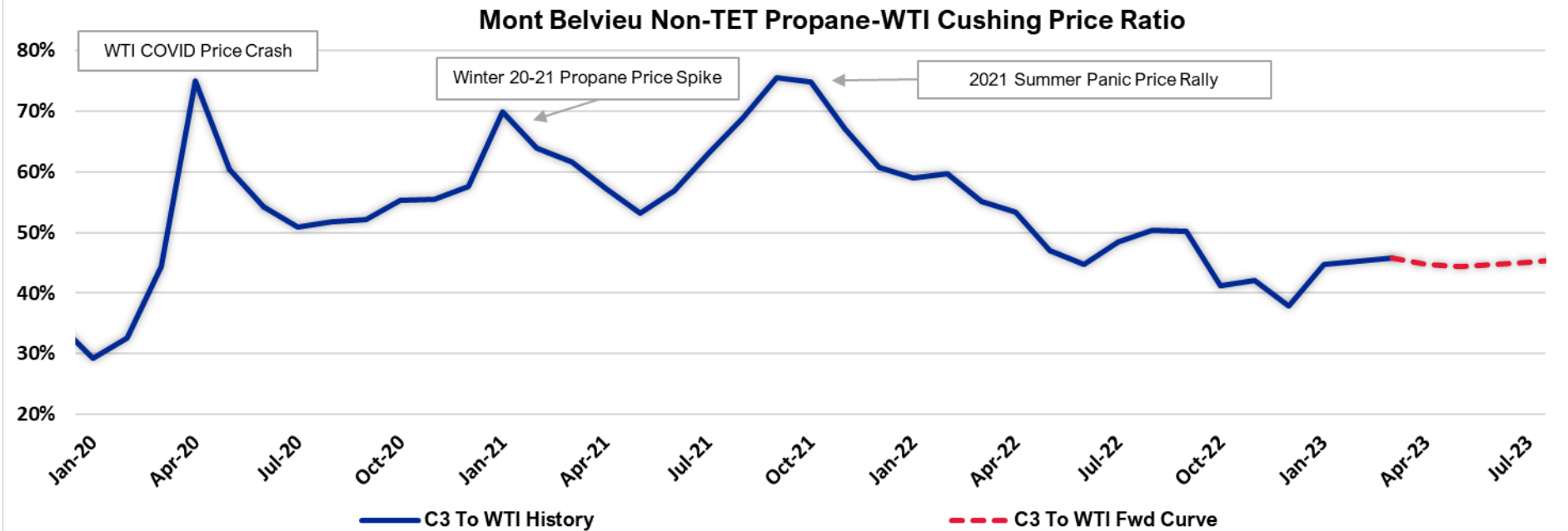


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

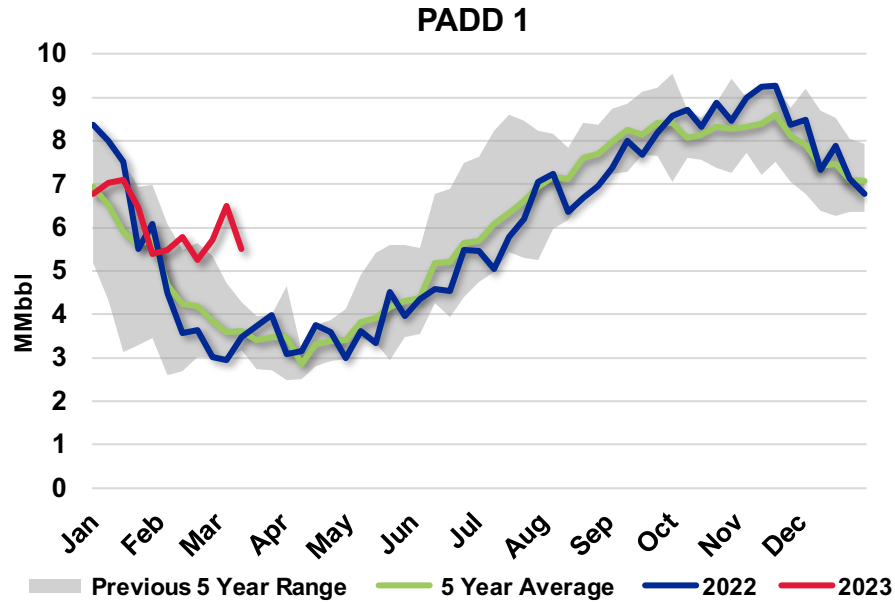


Figure 6

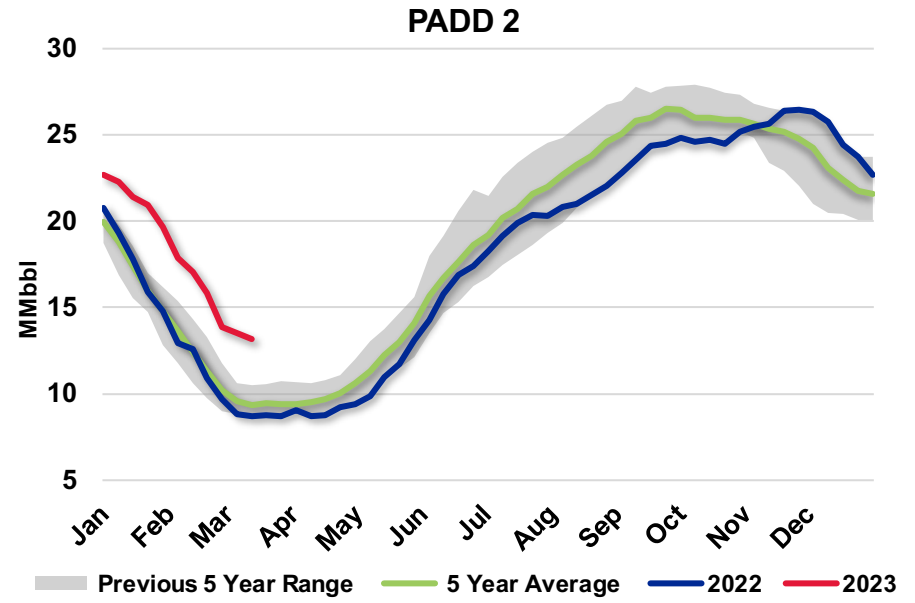


Figure 7

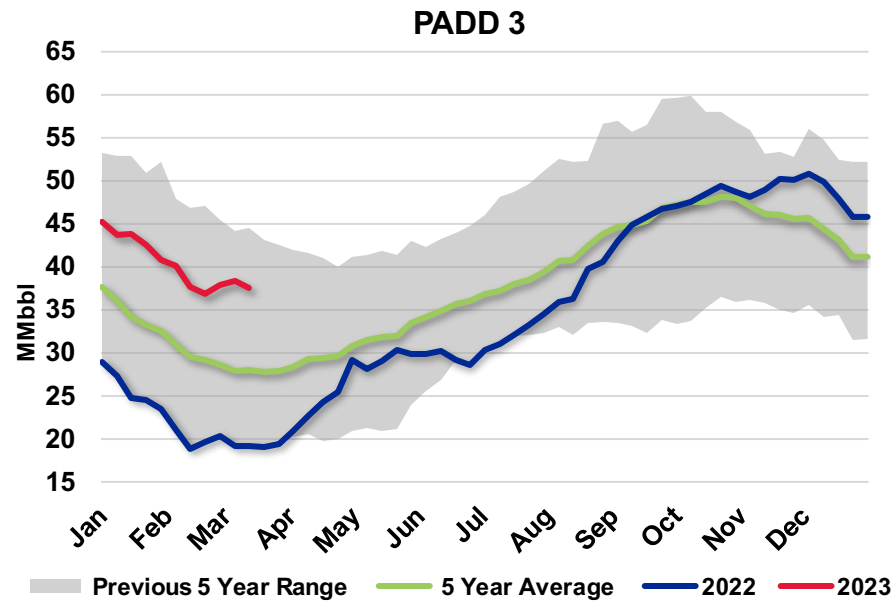


Figure 8

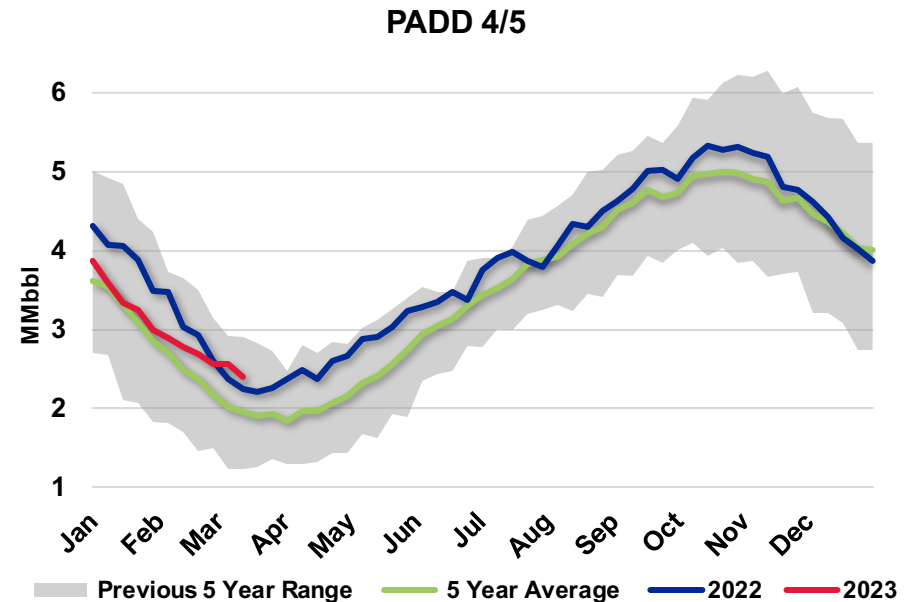


Figure 9

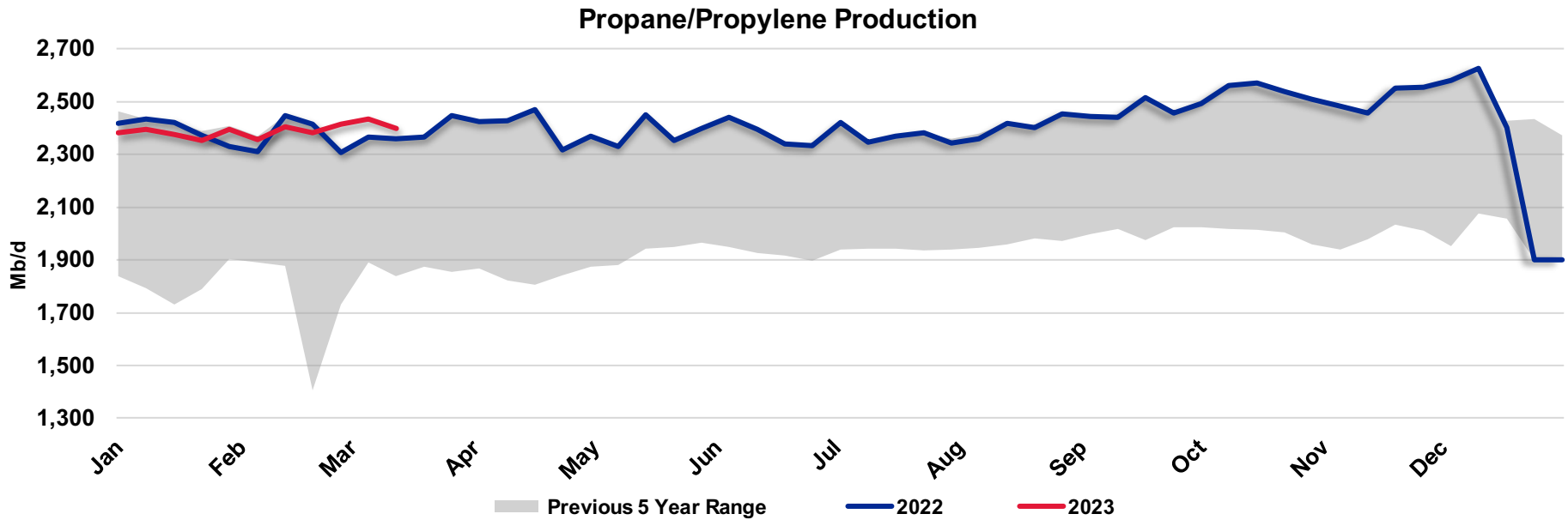


Figure 10

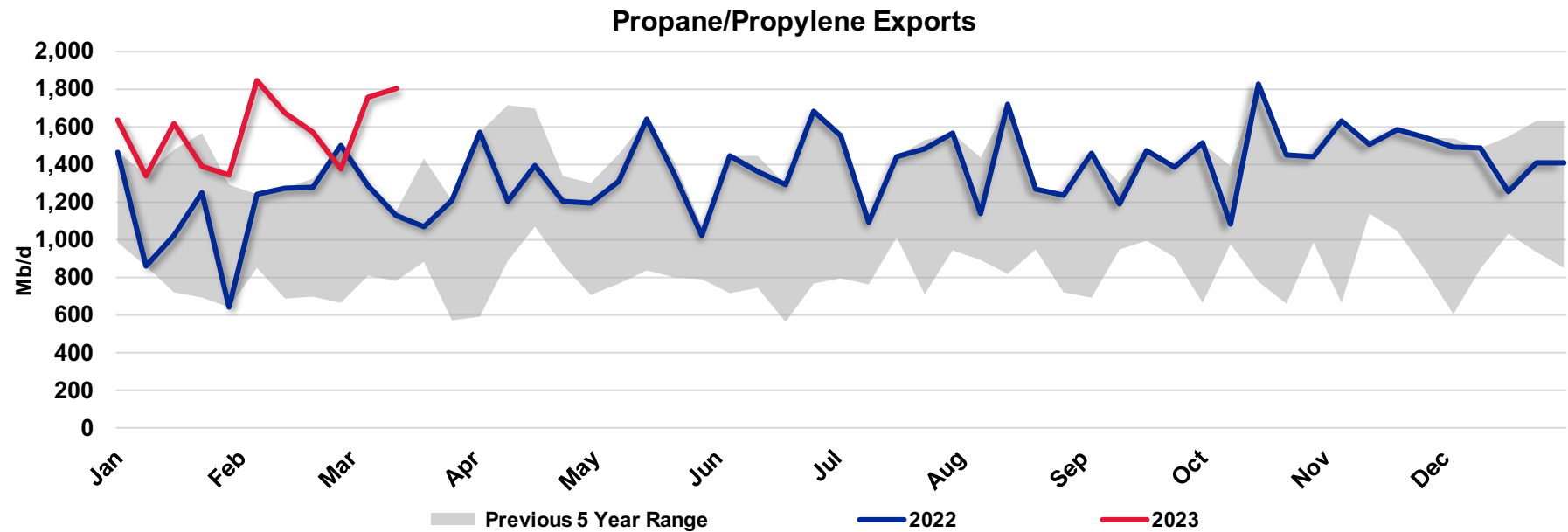


Figure 11

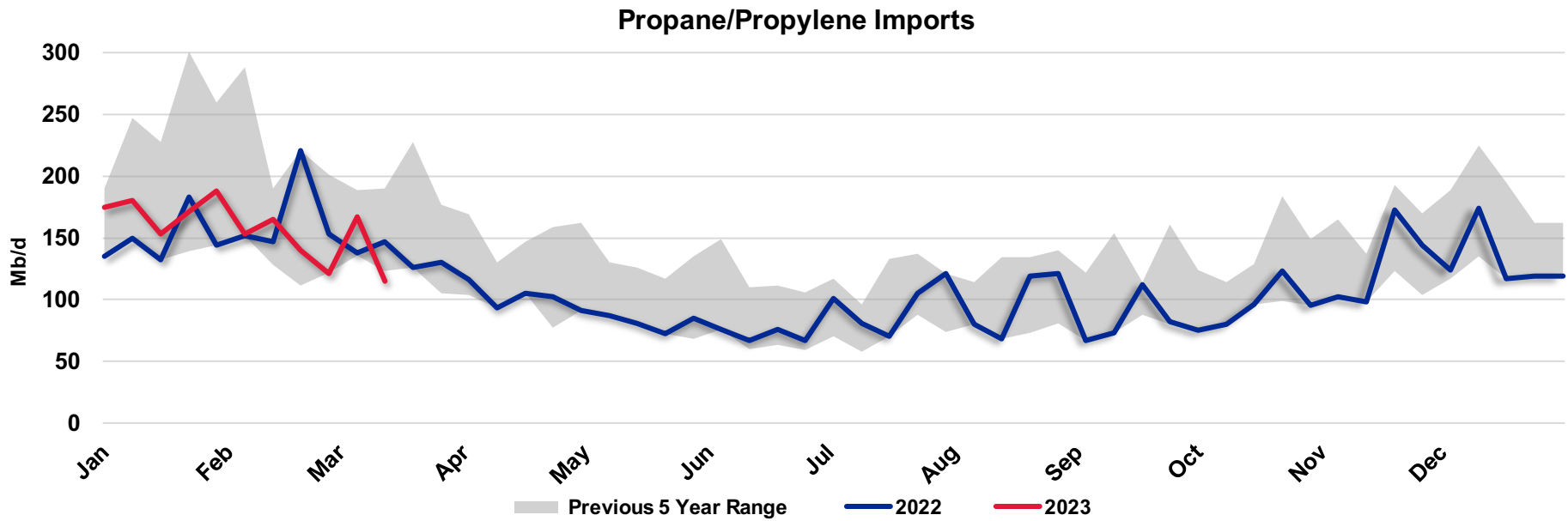


Figure 12

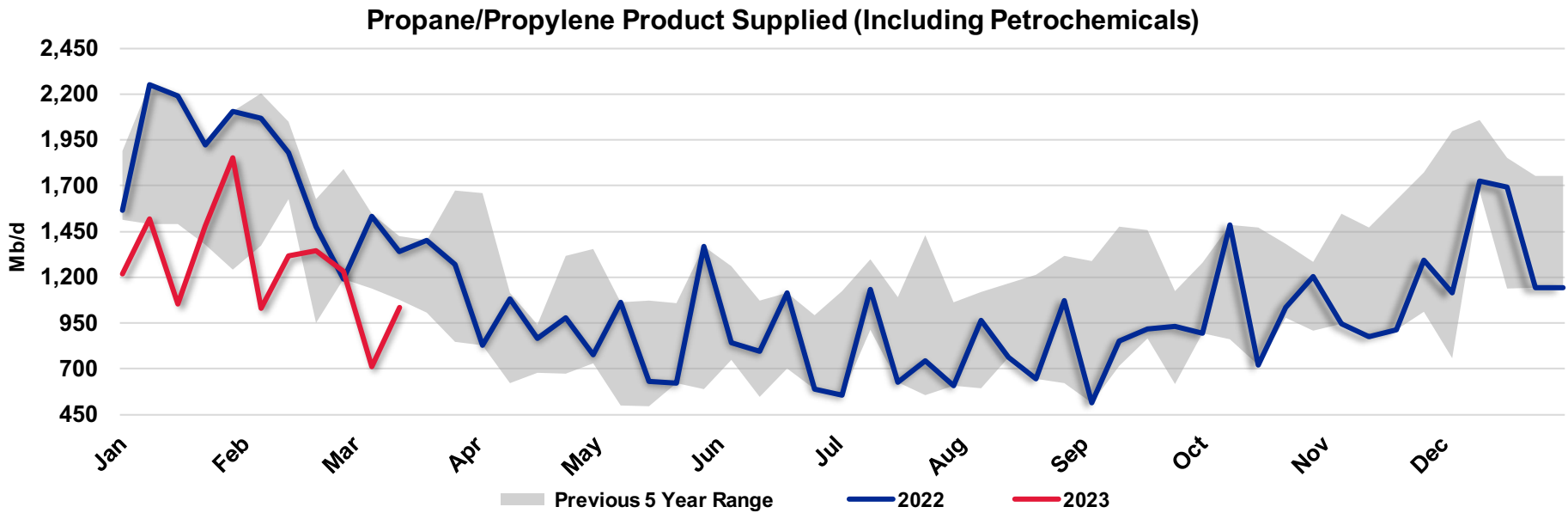


Figure 13

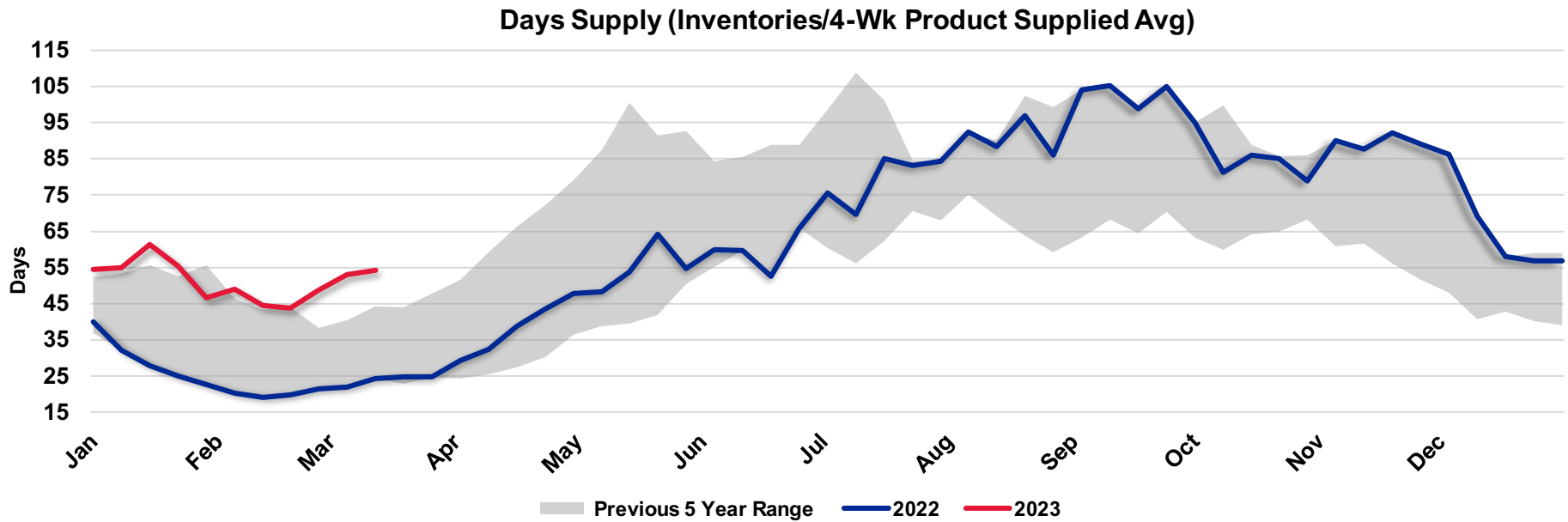
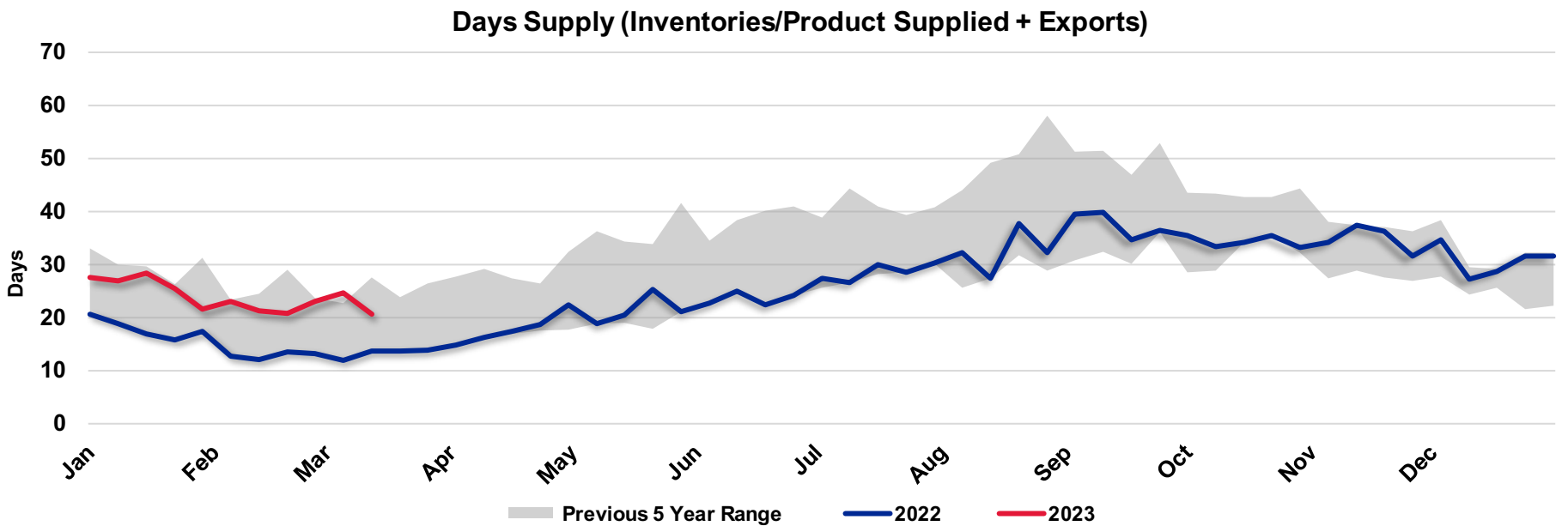


Figure 14



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