

WEEKLY PROPANE MARKET UPDATE

March 29, 2023

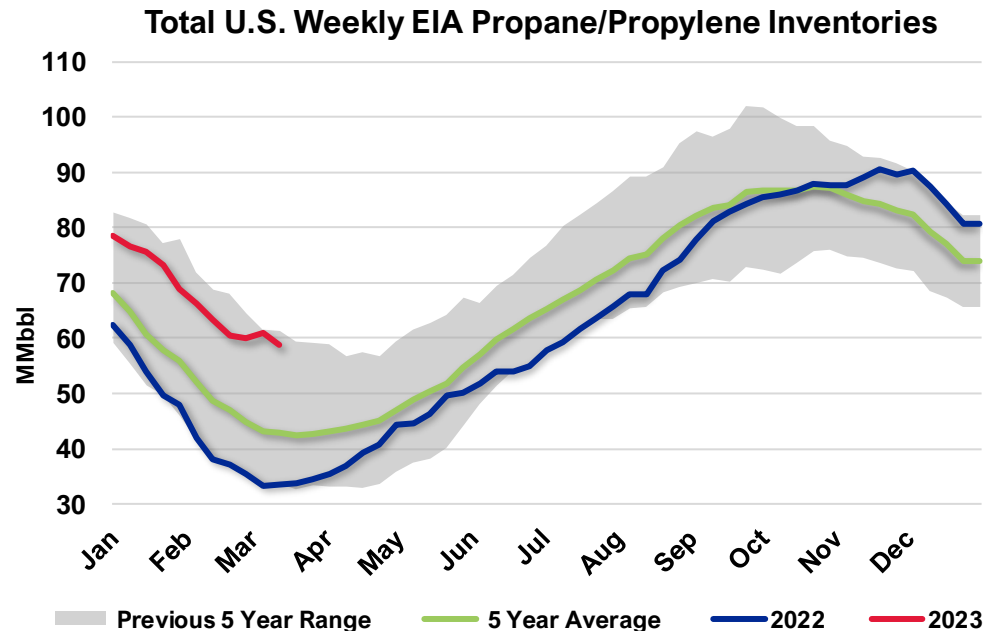
HIGHLIGHTS

- » Total U.S. propane/propylene inventories declined by 2.4 MMbbl for the week ended March 24, the EIA reported, which was well above industry expectations for a withdrawal of 1 Mbbbl and the 660 Mbbbl average draw for the week. Total U.S. propane stocks are now at 56.2 MMbbl, which is 13.7 MMbbl, or 32%, above the 5-year average.
- » Crude oil prices increased during the week as fears over the global banking crisis eased and concerns about tightening supply grew. WTI settled at \$73.20/bbl on March 28, up \$3.87/bbl from March 21. Propane prices rose more than crude, with Mont Belvieu non-TET rising to 78.6 c/gal on March 28, up 6.2 c/gal from March 21. The propane-to-WTI ratio increased by 1 percentage point from last week to 45%.
- » Weekly exports of propane reported by the EIA remained robust at 1.80 MMbbl/d, which was relatively unchanged from the previous week and well above the four-week average of 1.68 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 30 Mbbbl/d to 2,370 Mbbbl/d as PADD 3 production dropped by 38 Mbbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices were higher over the past week, increasing by 6.2 c/gal, or 8.6%, to settle at 78.6 c/gal on March 28. WTI prices were also stronger, rising by \$3.87/bbl, or 5.6%, to \$73.20/bbl over the same period, which pushed up the propane-to-WTI ratio by 1 percentage point to 45%. The 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%.

Figure 1

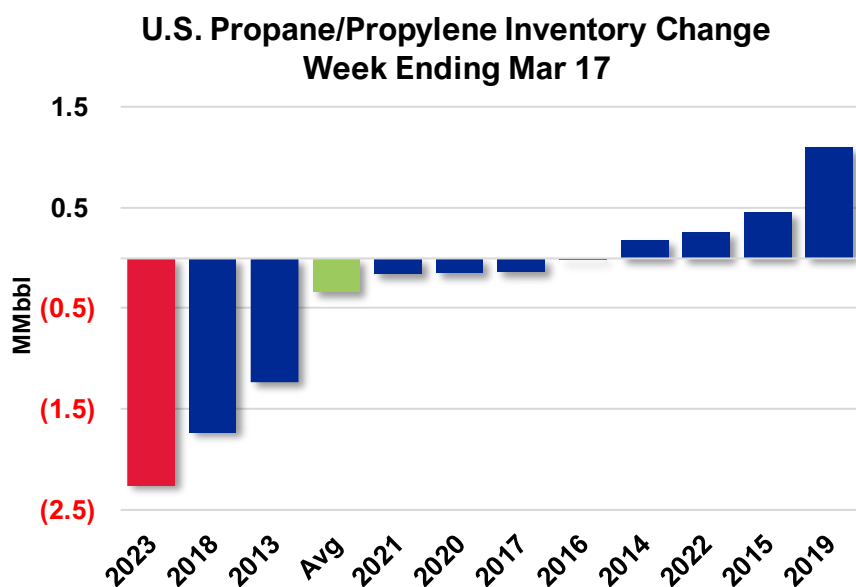


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories fell by 2.4 MMbbl for the week ended March 24. According to OPIS, the average of industry expectations called for a withdrawal of 1 MMbbl, for a difference of about 1.4 MMbbl. The withdrawal is the largest decrease in inventories for the reporting week over the last 10 years. Total U.S. propane stocks declined to 56.2 MMbbl. Inventories are 22.5 MMbbl above the same week in 2022 and 3.1 MMbbl below the 5-year maximum. Most regions had a withdrawal in inventories with only PADD 4/5 having a slight increase.

PADD 3 (Gulf Coast) propane inventories had the largest decline for the week at 1.1 MMbbl. Total inventories for the region are now 36.4 MMbbl. Gulf Coast propane inventories are 17.4 MMbbl, or 91%, above 2022 and 6.6 MMbbl below the 5-year

Figure 2



**ANALYSIS & INSIGHTS (continued)**

maximum. Compared to the 5-year average for the region, inventories are 8.6 MMbbl higher.

PADD 2 (Midwest) inventories fell by 735 Mbbl for the week, bringing total inventories to 12.4 MMbbl. Inventories are 3.7 MMbbl over 2022 and 1.9 MMbbl above the 5-year maximum.

PADD 1 (East Coast) stocks drew by 768 Mbbl. Total inventories for the region are at 4.7 MMbbl, which is 1 MMbbl, or 27%, over 2022 and 780 Mbbl more than the 5-year maximum. Inventories are 1.3 MMbbl above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks grew slightly by 194 Mbbl for the week. Total stocks are at 2.6 MMbbl, which is 384 Mbbl above the 5-year average.

Total U.S. production fell by 30 Mbbl/d to 2,370 Mbbl/d. PADD 3 production was down 38 Mbbl/d to 1,413 Mbbl/d and remains about 200 Mbbl/d below

the peak weekly rate in early December. Exports were essentially unchanged but still strong at 1,802 Mbbl/d, which is above the 4-week average of 1,685 Mbbl/d. Imports grew by 57 Mbbl/d to 172 Mbbl/d as volumes into PADD 4/5 increased by 29 Mbbl/d from the previous week to 78 Mb/d. Product supplied rose by 57 Mbbl/d to 1,091 Mbbl/d.

**Propane Inventory Change**

The decrease in stocks for the week ended March 24 (red bar, Figure 2) of 2.4 MMbbl was about 1.8 MMbbl more than average draw of 660 Mbbl (green bar). Looking back over the last 10 years, the decrease in inventory of 2.4 MMbbl is the highest withdrawal amount for the week.

**MB Non-TET vs Conway Price**

The Conway propane OPIS spot price relative to Mont Belvieu was relatively unchanged from last week, trading at a 3.6 c/gal discount as of March 28. The forward-price differential between Mont Belvieu and Conway was also little changed with Mont Belvieu trading at a 3.2 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 55 days, 31 days higher than the same week in 2022 and 11 more days than the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 19 days of inventory, which is six days more than 2022 and four 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

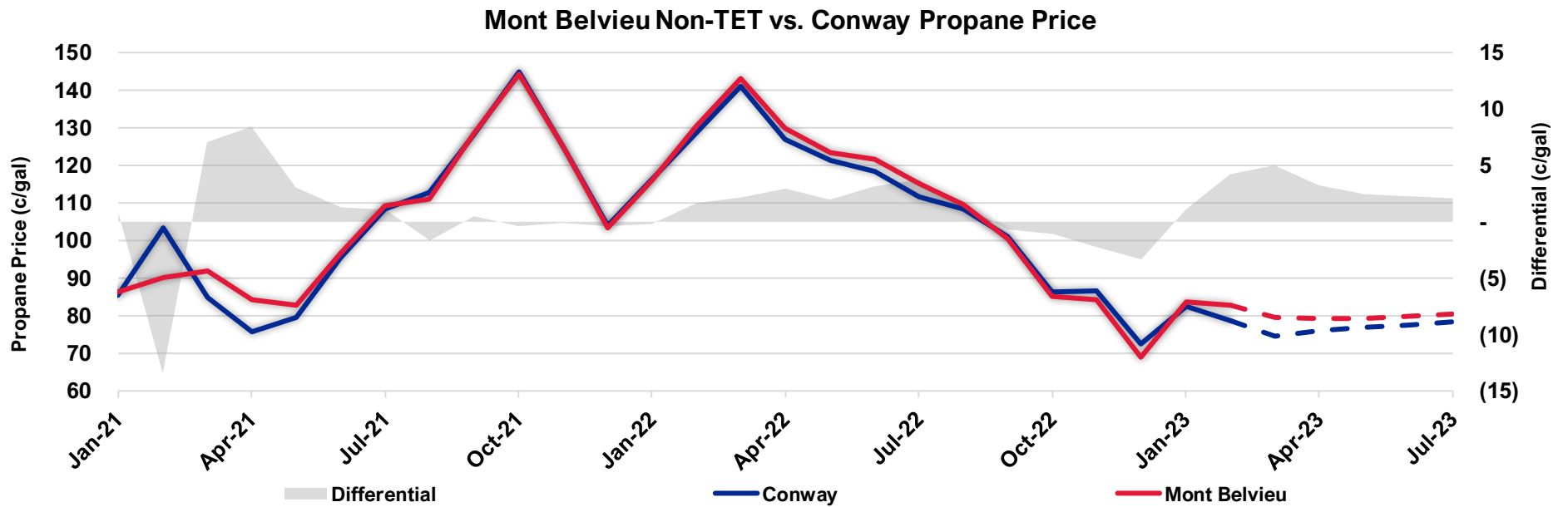
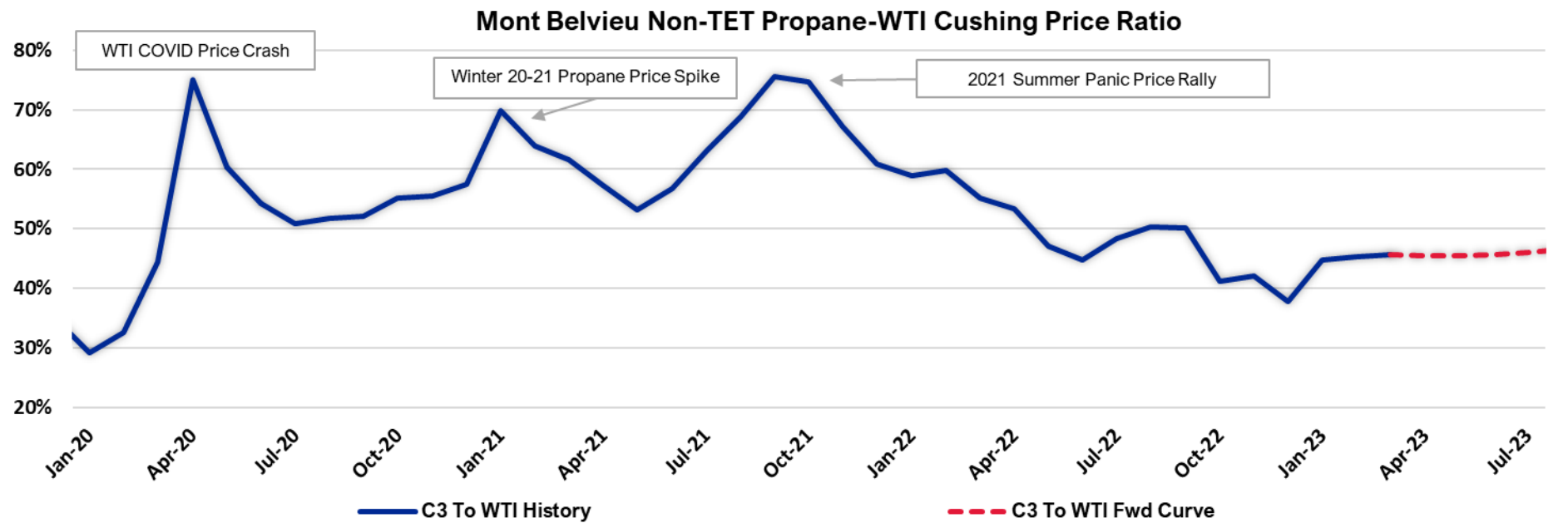


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

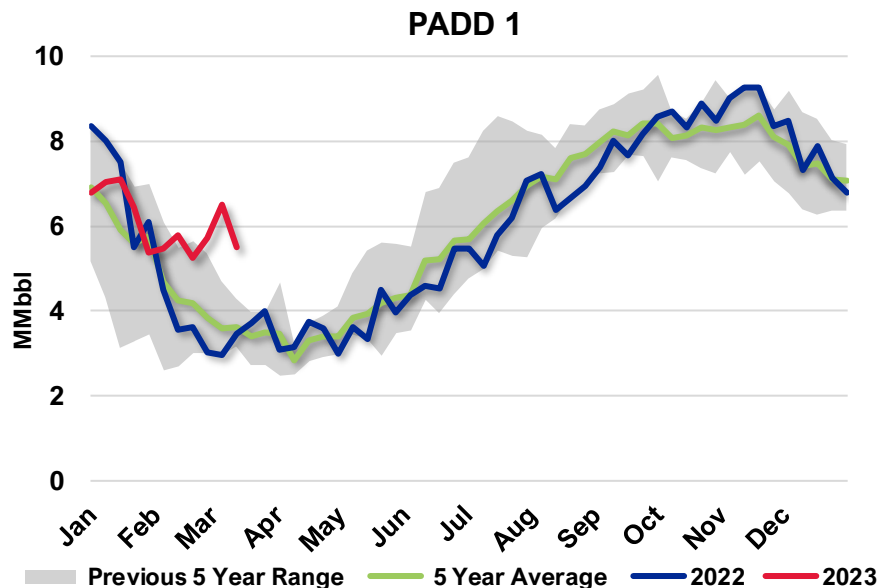


Figure 6

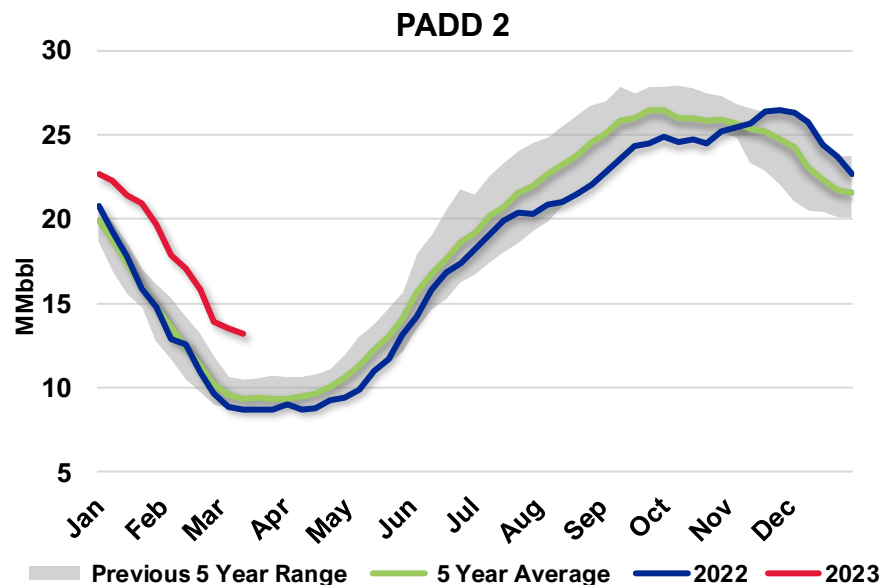


Figure 7

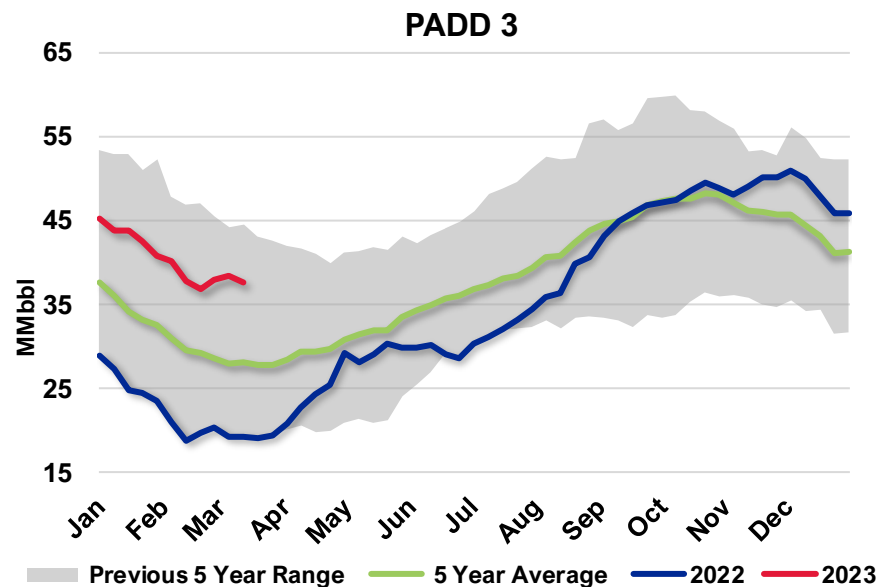


Figure 8

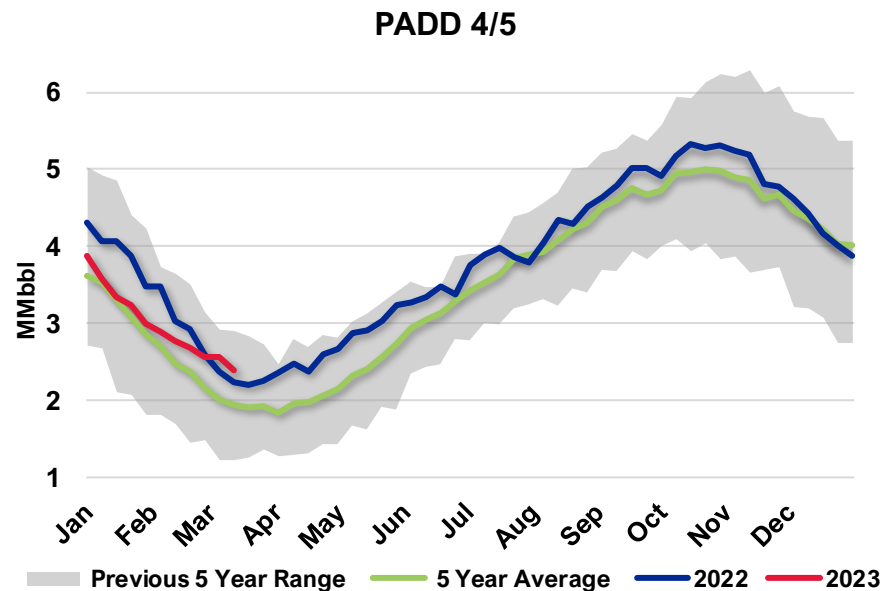


Figure 9

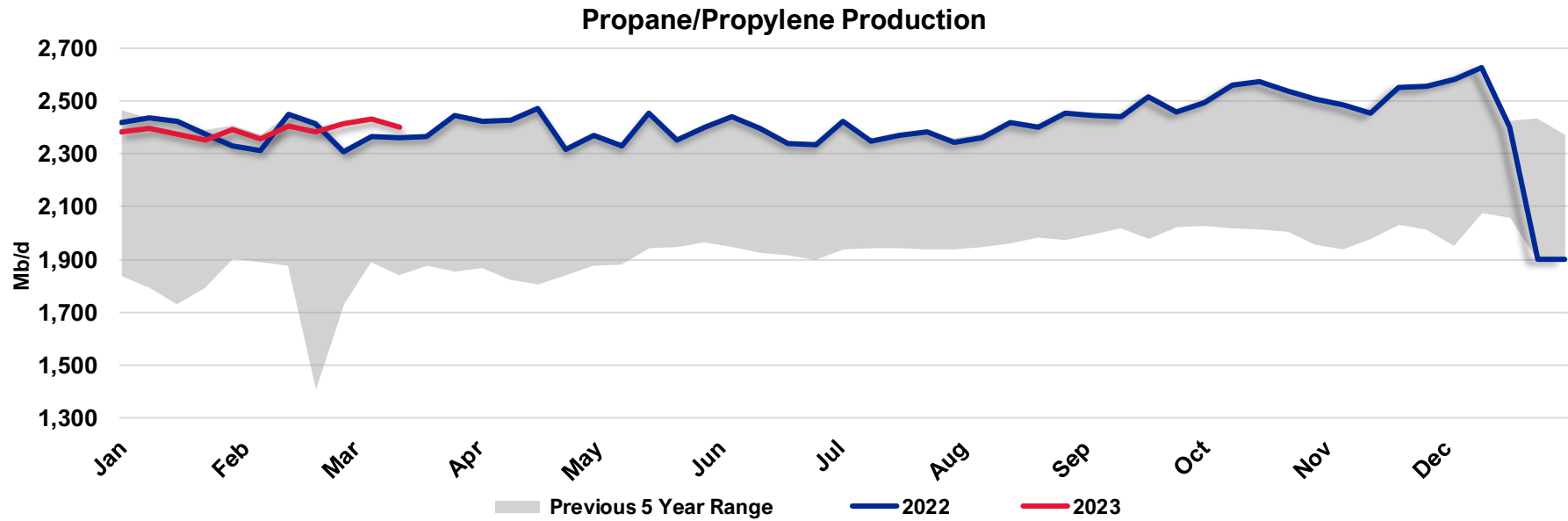


Figure 10

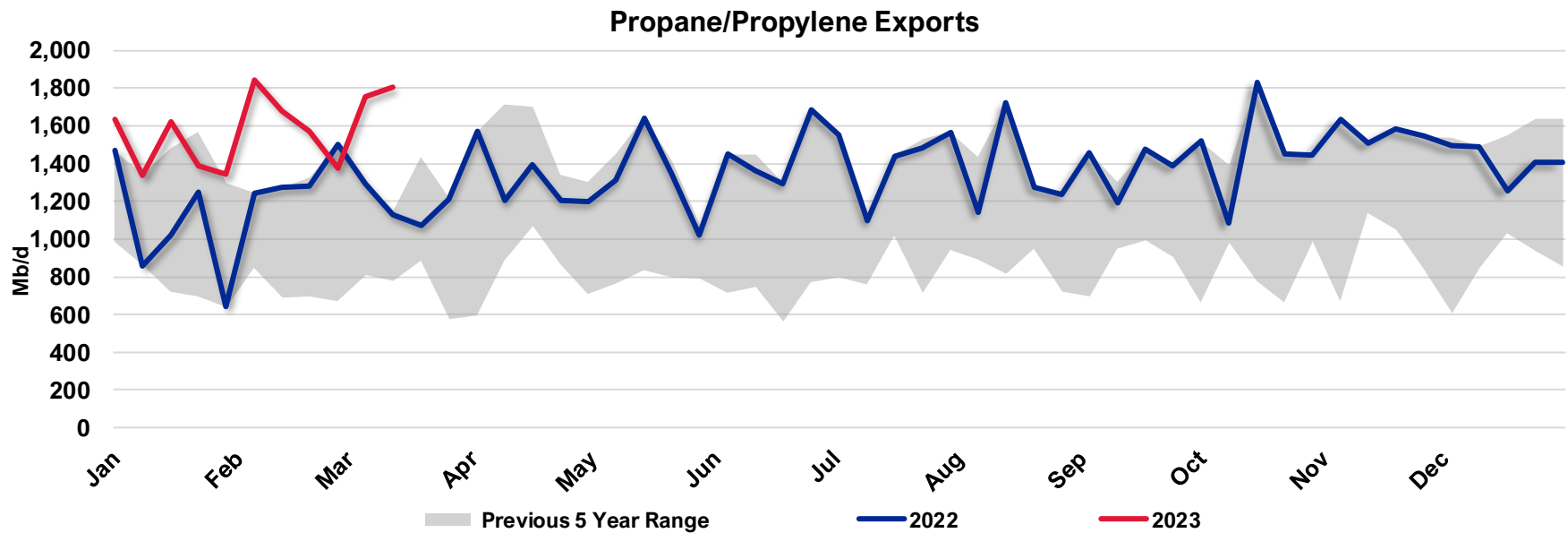


Figure 11

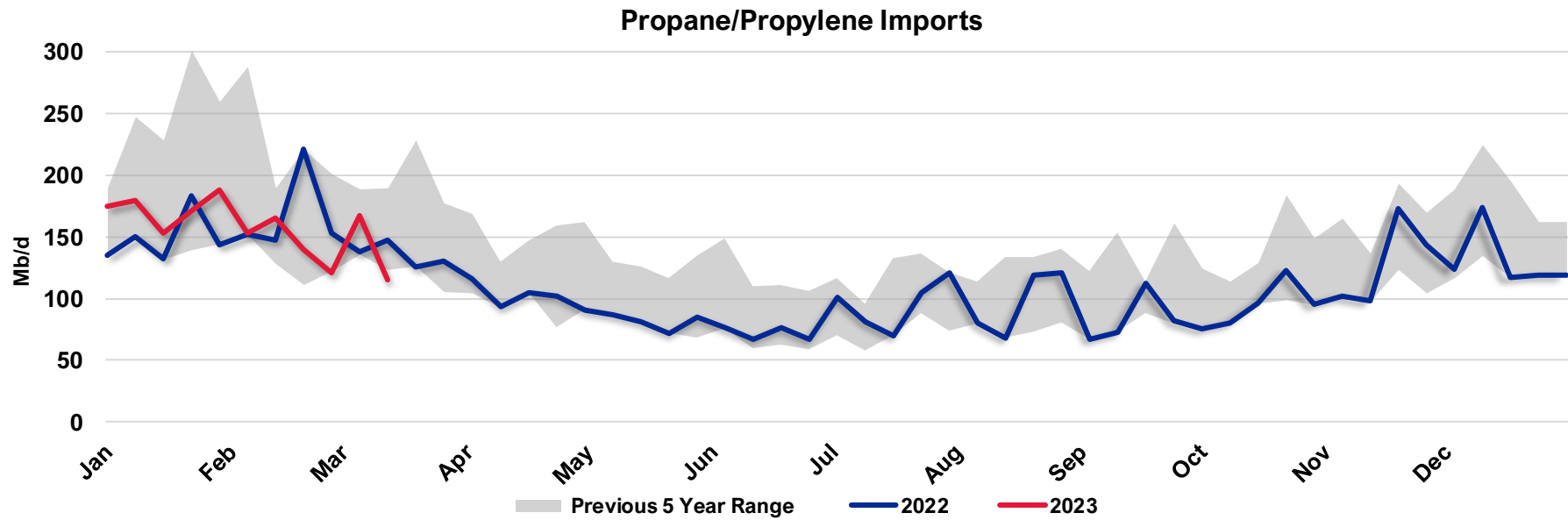


Figure 12

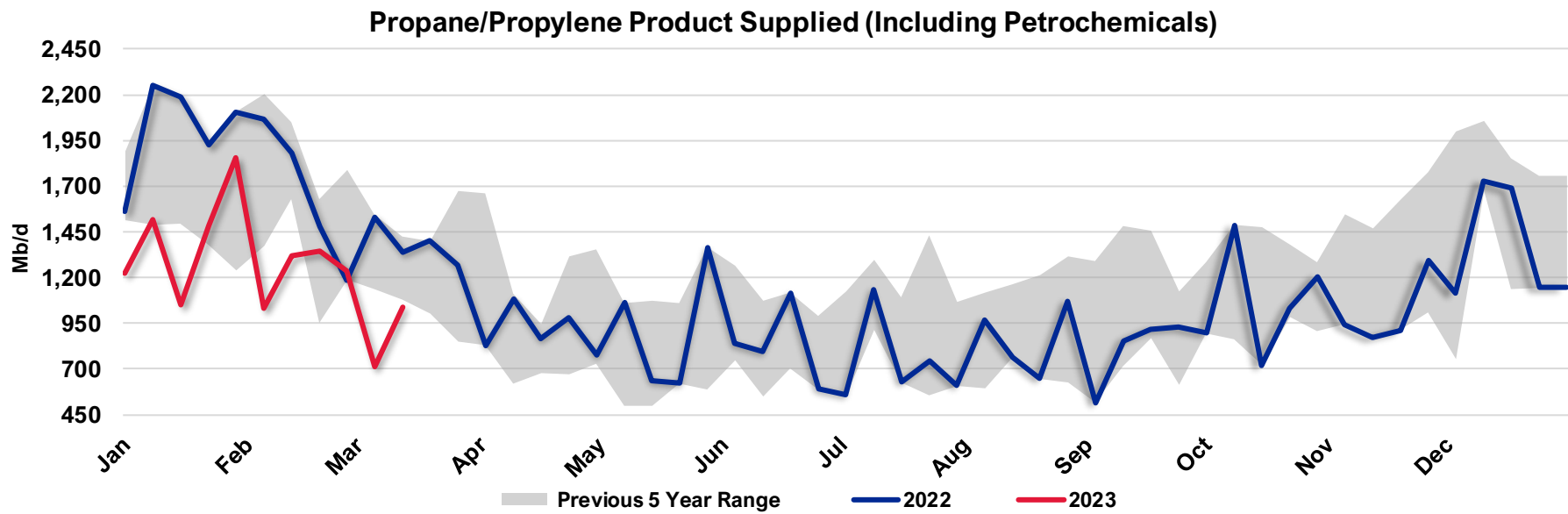


Figure 13

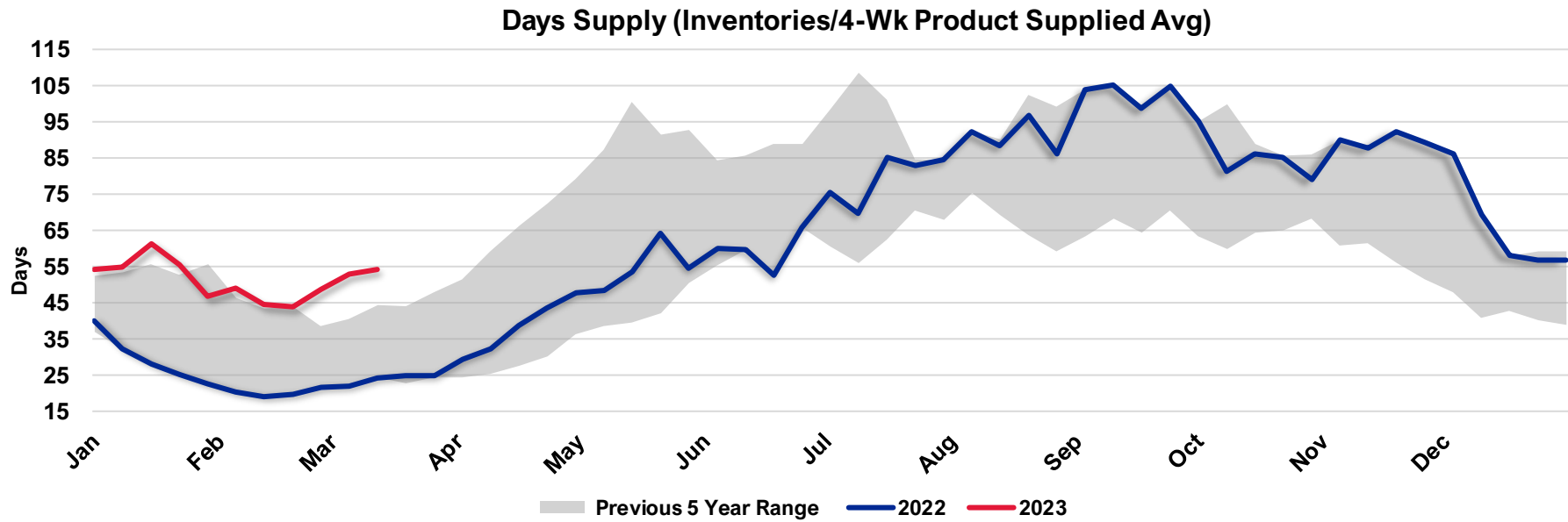
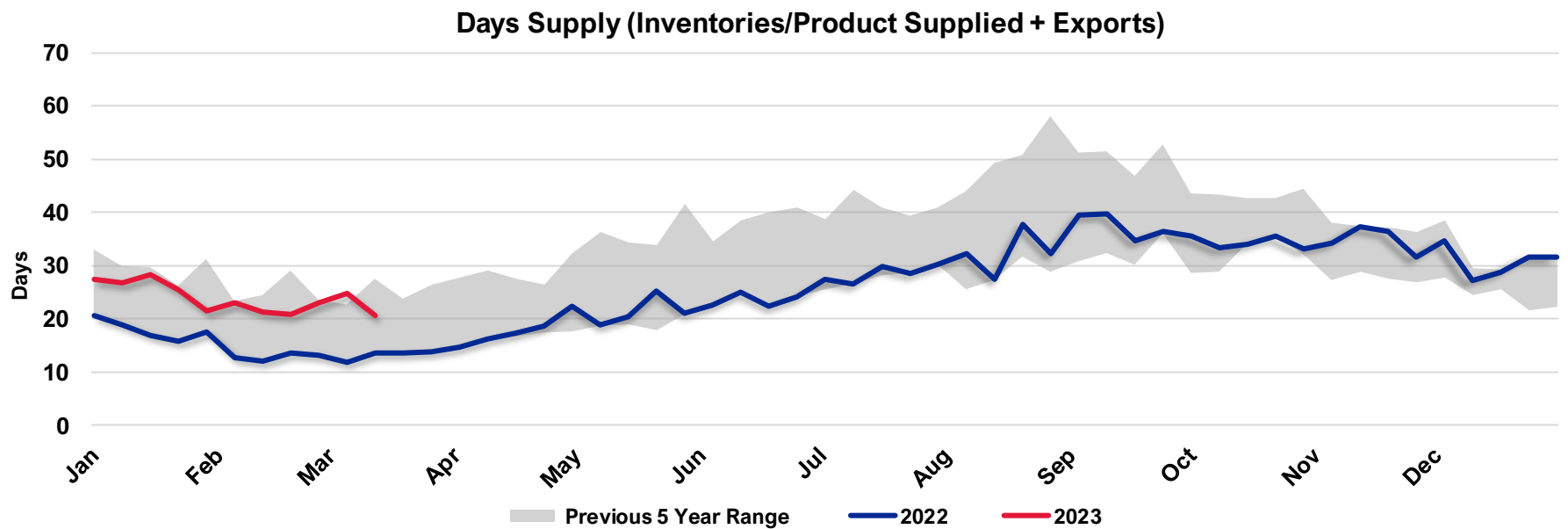


Figure 14



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