



WEEKLY PROPANE MARKET UPDATE

April 12, 2023

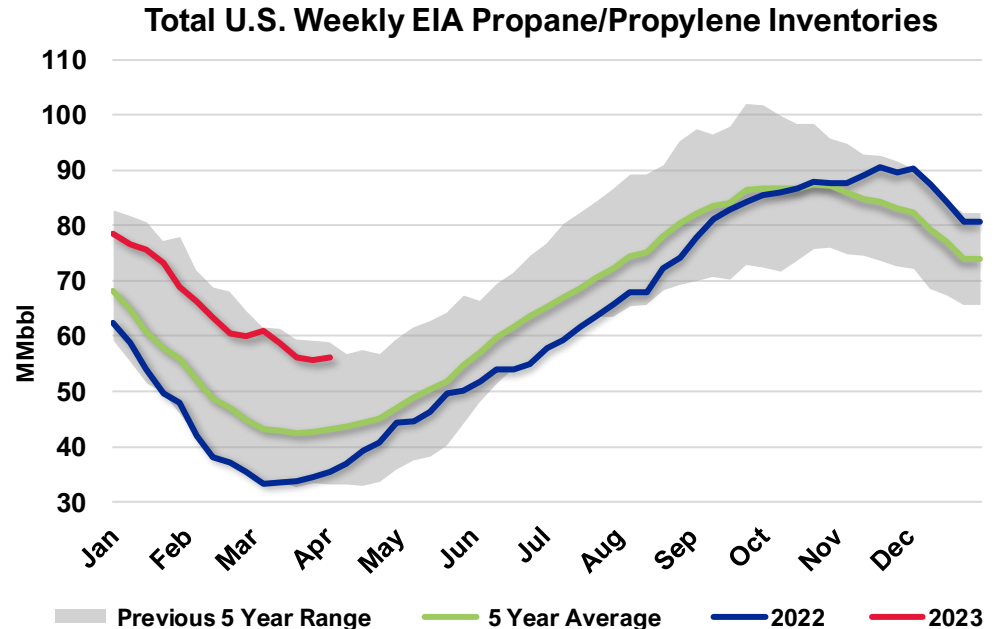
HIGHLIGHTS

- » Total U.S. propane/propylene inventories built by 469 Mbbl for the week ended April 7, the EIA reported, which was better than industry expectations for a small withdrawal of 21 Mbbl and in line with the 463 Mbbl average build for the week. Total U.S. propane stocks are now at 56.2 MMbbl, which is 13.2 MMbbl, or 31%, above the 5-year average.
- » Crude oil prices were slightly stronger for the week, supported by bullish sentiment on hopes that the Fed is ending its interest rate tightening cycle. WTI settled at \$81.53/bbl on April 11, up \$0.82/bbl from April 4. Propane prices were weaker than crude, with Mont Belvieu non-TET falling to 82.5 c/gal on April 11, down 0.9 c/gal from April 4. The propane-to-WTI ratio fell by 1 percentage point from last week to 42%.
- » Weekly exports of propane reported by the EIA rebounded to 1.46 MMbbl/d, up 143 Mbbl/d from the previous week but below the four-week average of 1.67 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 21 Mbbl/d to 2,395 Mbbl/d as PADD 3 production dropped by 15 Mbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices were slightly lower over the past week, declining by 0.9 c/gal, or 1%, to settle at 82.5 c/gal on April 11. WTI prices were modestly higher, rising by \$0.82/bbl, or 1%, to \$81.53/bbl over the same period, which pushed down the propane-to-WTI ratio by 1 percentage point to 42%. The current ratio is below the 53% average recorded in April 2022. The forward propane-to-WTI ratio for May-July 2023 was down 1 percentage point from last week to 43%.

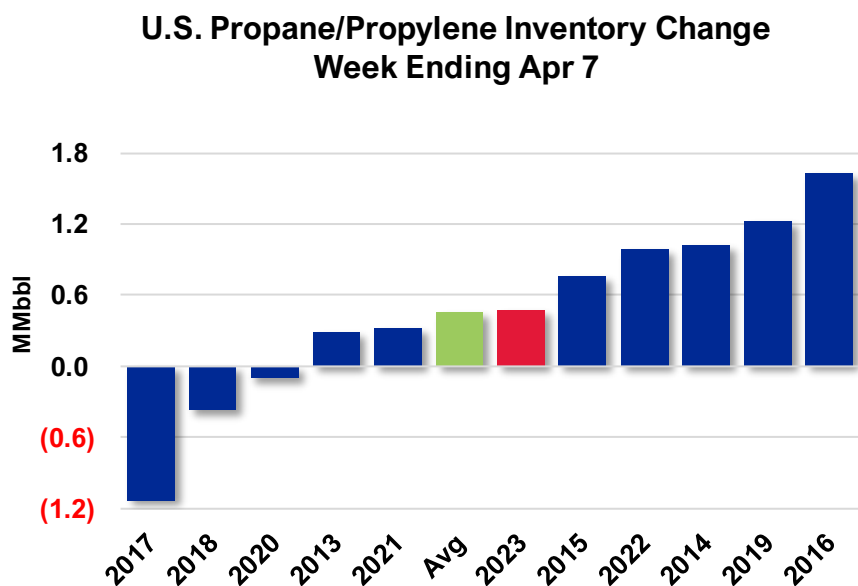
Figure 1



ANALYSIS & INSIGHTS

According to OPIS, the expectations for propane inventories were mixed, with the average calling for a decline of only 21 Mbbl for the week ended April 7. In today's EIA report, U.S. propane inventories grew by 469 Mbbl. Total U.S. propane stocks increased to 56.2 MMbbl. Inventories are 20.8 MMbbl, or 58.9%, above the same week in 2022 and 2.8 MMbbl below the 5-year maximum. Regional inventory changes show a withdrawal in PADD 2 but increases in all other areas.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories grew by 581 Mbbbl. Total inventories for the region are now 37.5 MMbbl. Gulf Coast propane inventories are 16.7 MMbbl, or 80%, above 2022 and 4.4 MMbbl below the 5-year maximum. Inventories are 9.2 MMbbl, or 32%, above the 5-year average.

PADD 2 (Midwest) inventories fell by 272 Mbbbl, bringing total inventories to 11.5 MMbbl. Inventories are 2.5 MMbbl, or 29.8%, over 2022 and 876 Mbbbl above the 5-year maximum.

PADD 1 (East Coast) stocks grew slightly by 70 Mbbbl. Total inventories for the region are now 4.8 MMbbl, which is 1.7 MMbbl, or 56.6%, over 2022 and 157 Mbbbl 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 rose by 89 Mbbbl for the week. Total stocks are at 2.2 MMbbl, which is 395 Mbbbl above the 5-year average.

Total U.S. production fell a tad by 21 Mbbbl/d to 2,395 Mbbbl/d. PADD 3 production was down 15 Mbbbl/d to 1,433 Mbbbl/d and remains well below the early December peak rate. Exports went up by 143 Mbbbl/d to 1,457 Mbbbl/d, which is below the 4-week average of 1,594 Mbbbl/d. Imports decreased by 18 Mbbbl/d to 104 Mbbbl/d as volumes into PADD 1 and PADD 4/5 both fell by 10 Mbbbl/d while PADD 2 imports increased by 2 Mbbbl/d. Product supplied declined by 326 Mbbbl/d to 975 Mbbbl/d.

Propane Inventory Change

The increase in stocks for the week ended April 7 (red bar, Figure 2) of 469 Mbbbl was essentially the same as the average of 463 Mbbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu narrowed by 0.6 c/gal from last week, trading at a 1.9 c/gal discount as of April 11. The forward-price differential between Mont Belvieu and Conway was also lower, with Mont Belvieu trading at a 1.5 c/gal premium over Conway for May 2023.

Days of Supply

Figure 13 shows days of supply using the 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 51 days, 22 days higher than the same week in 2022 and the same as 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 eight days more than 2022 and five 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

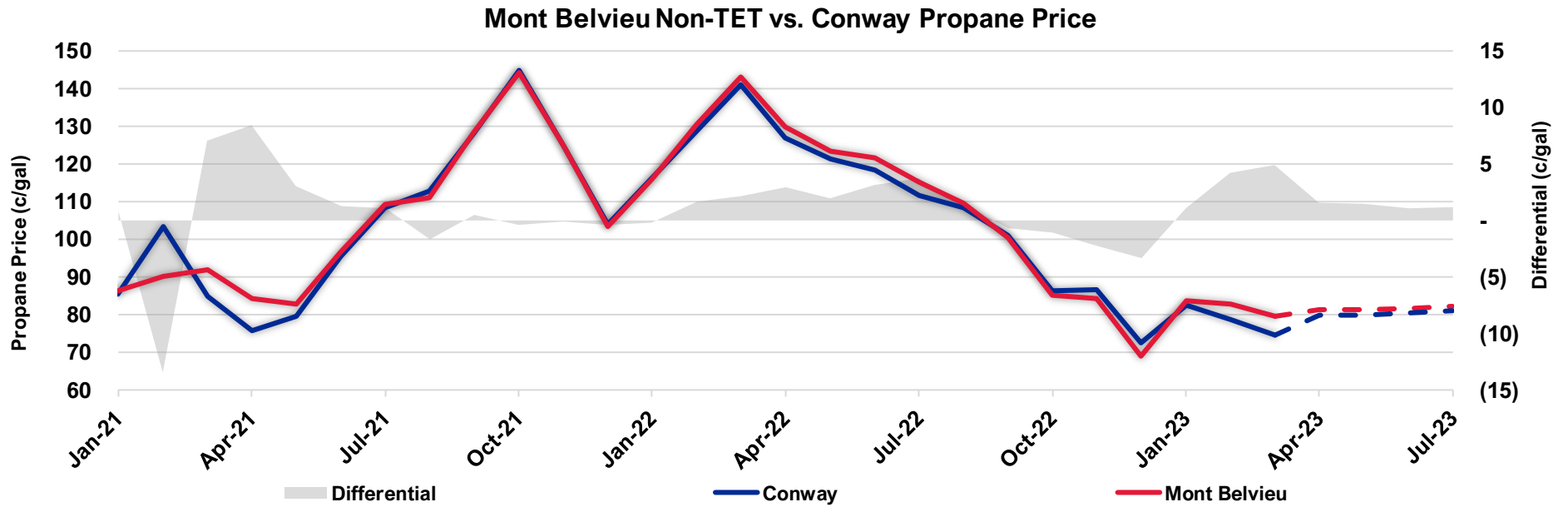
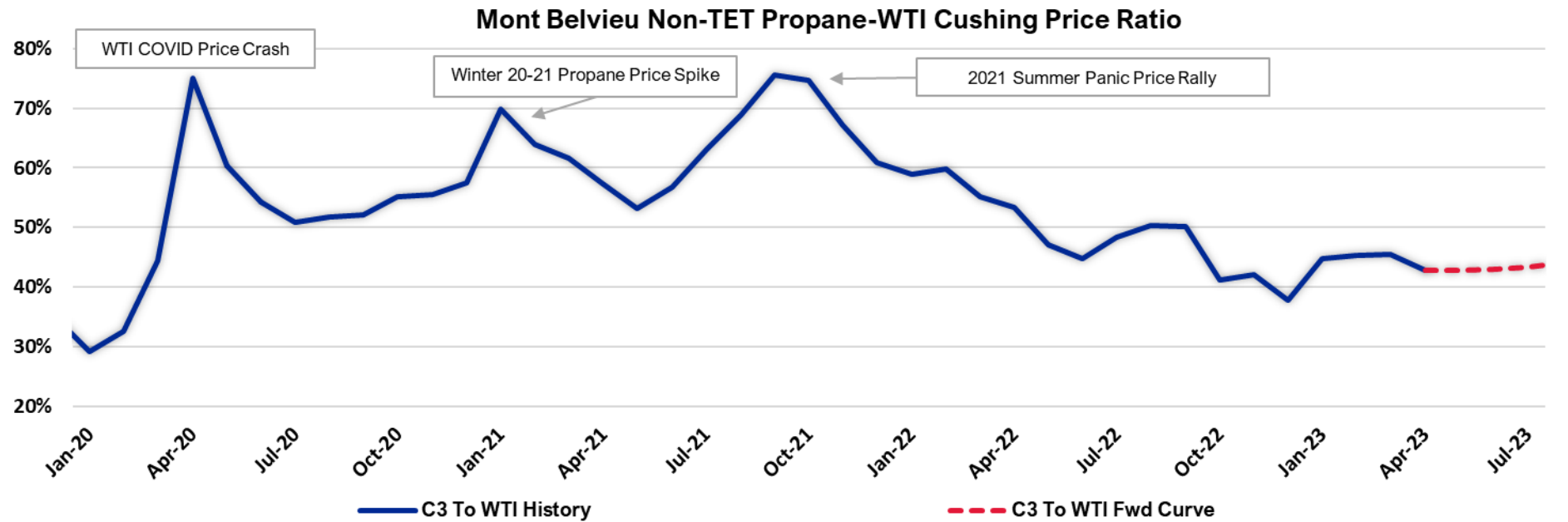


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

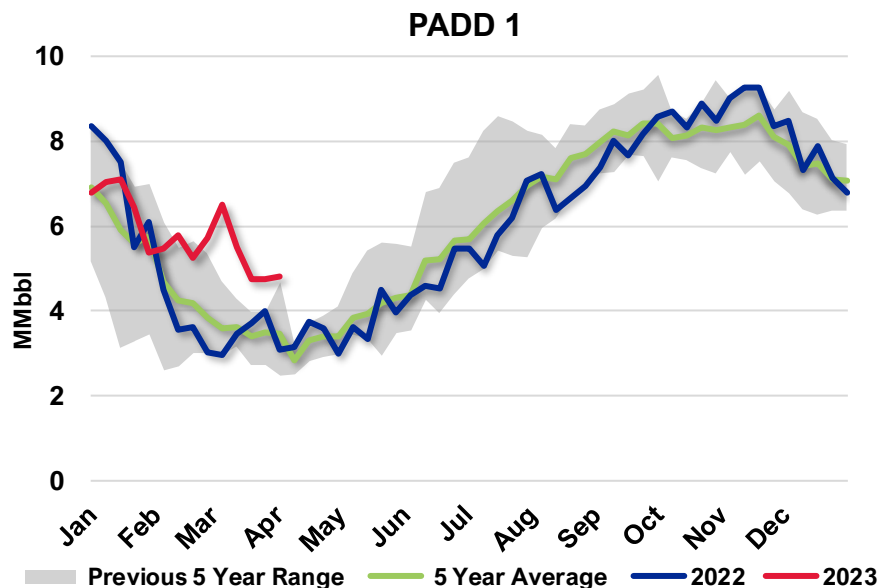


Figure 6

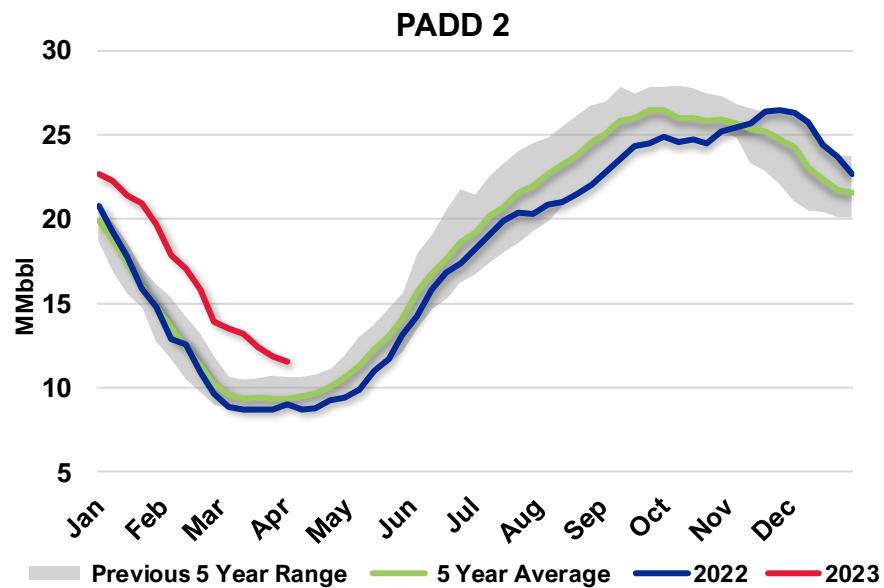


Figure 7

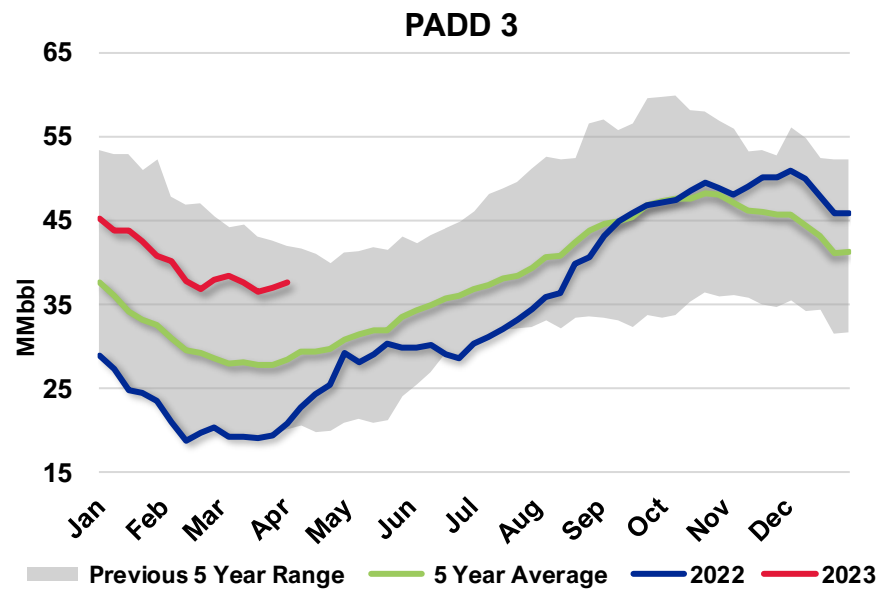


Figure 8

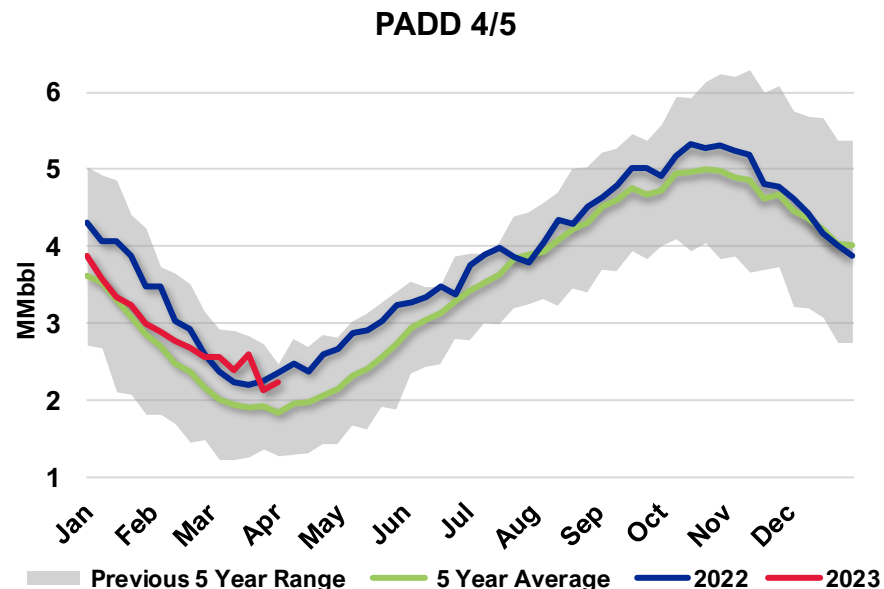


Figure 9

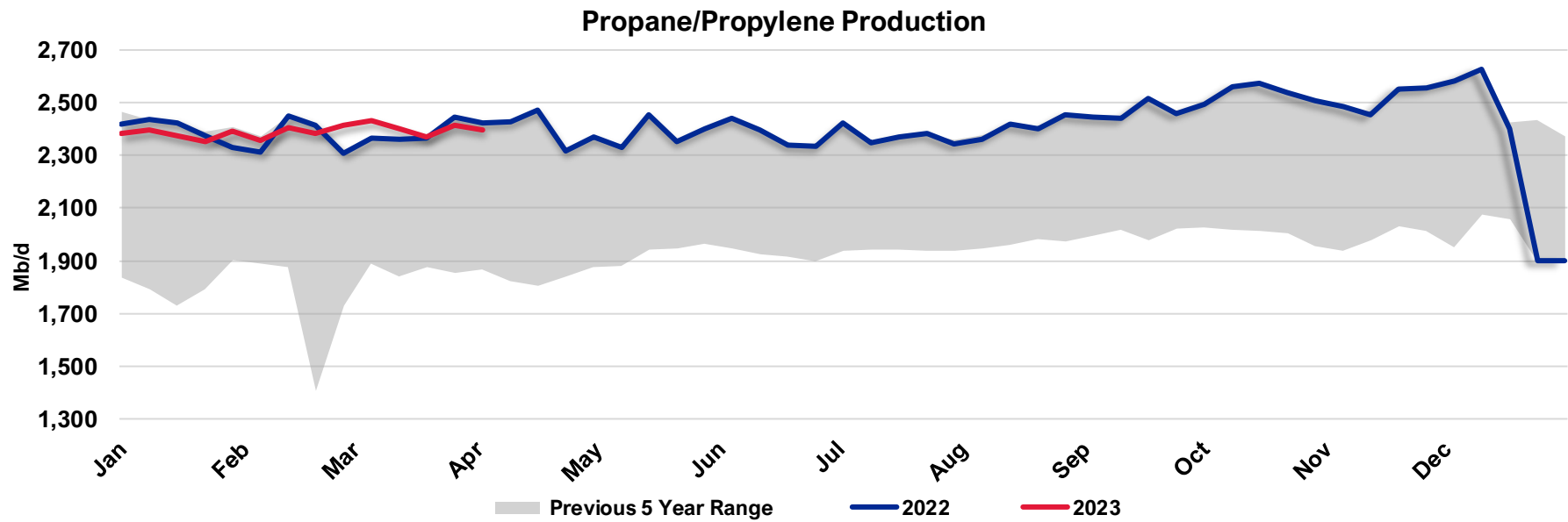


Figure 10

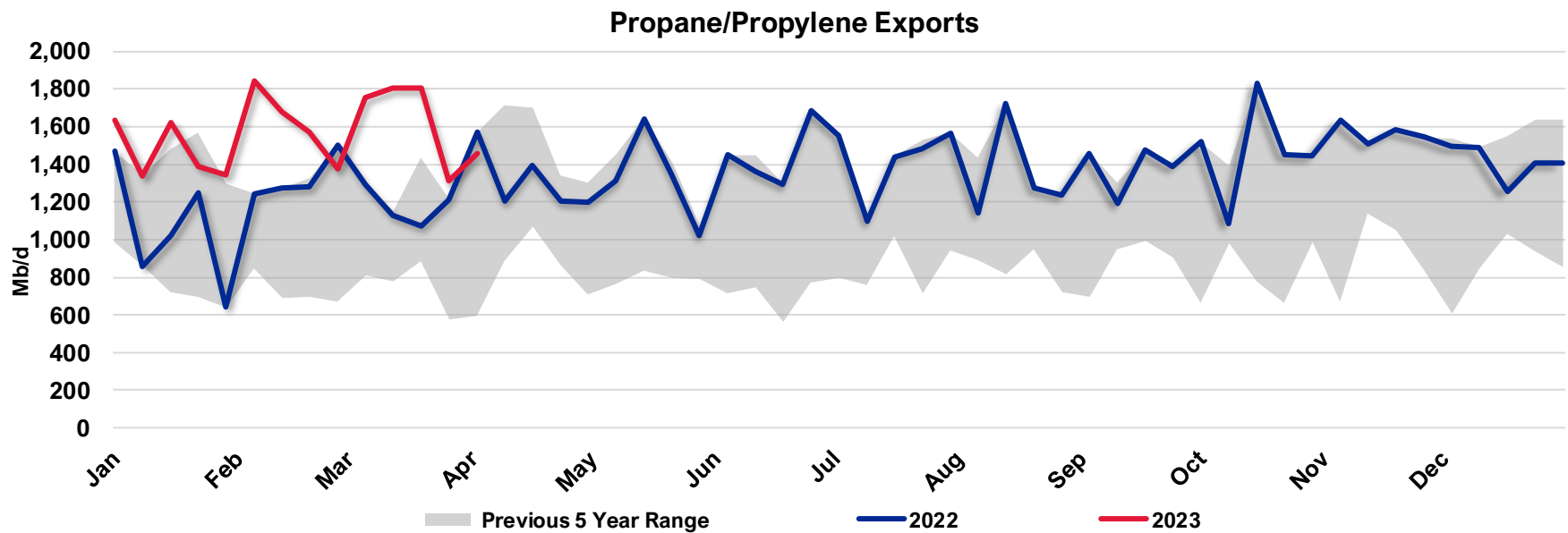


Figure 11

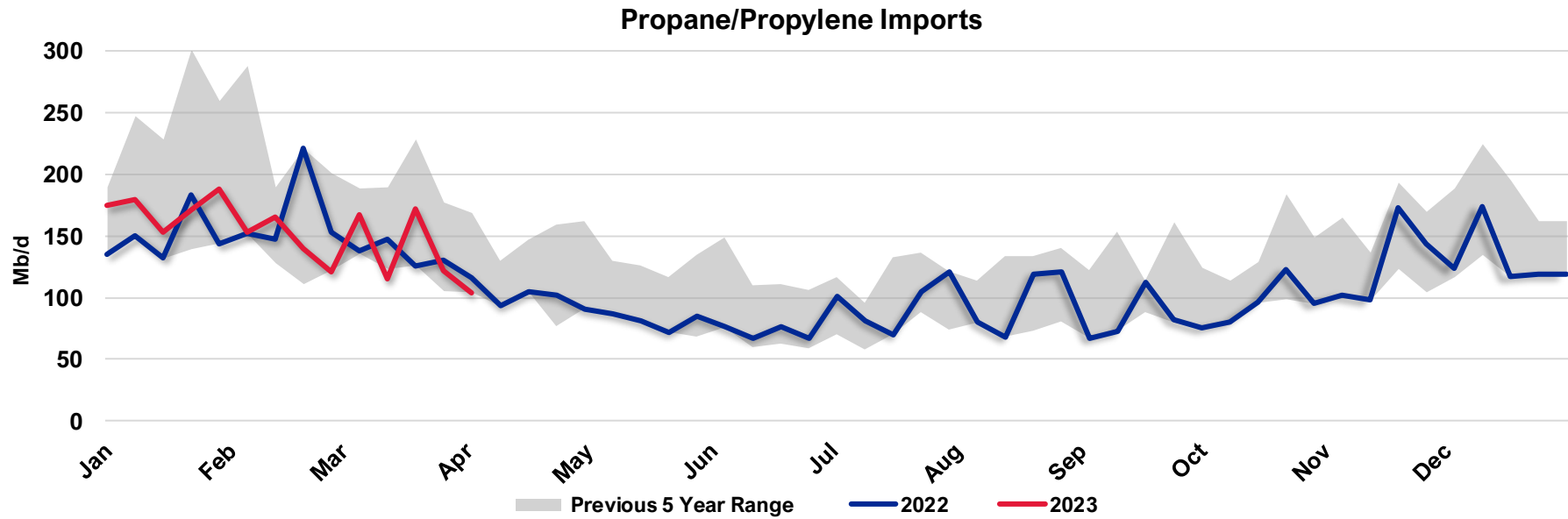


Figure 12

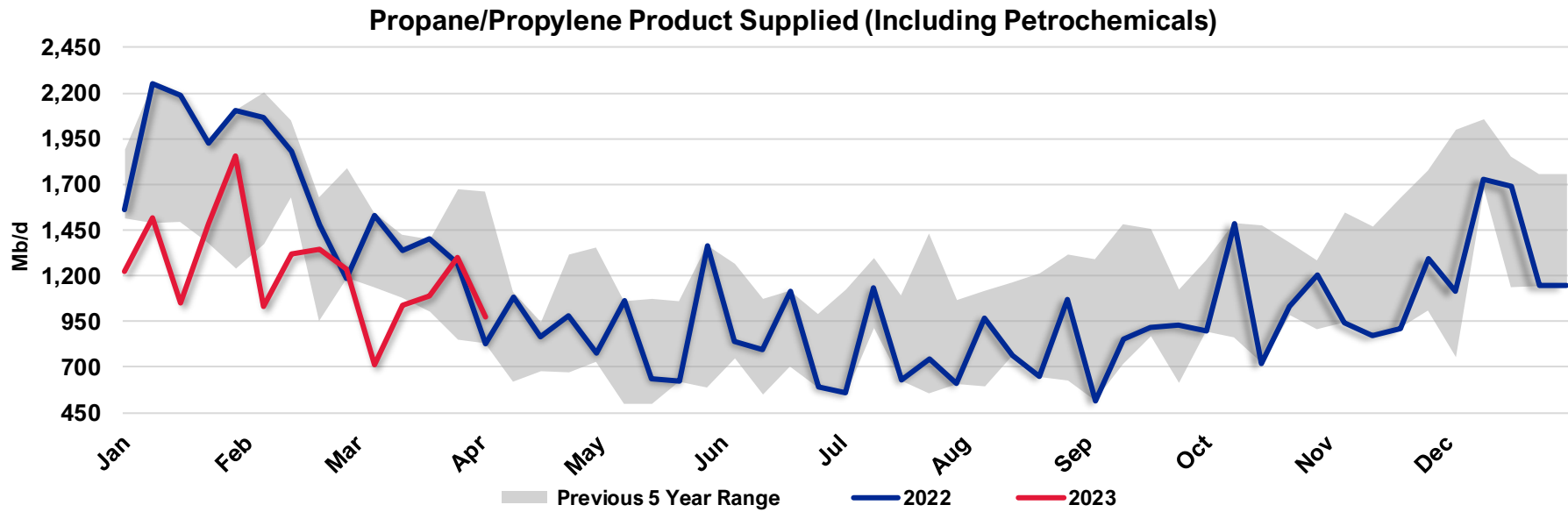


Figure 13

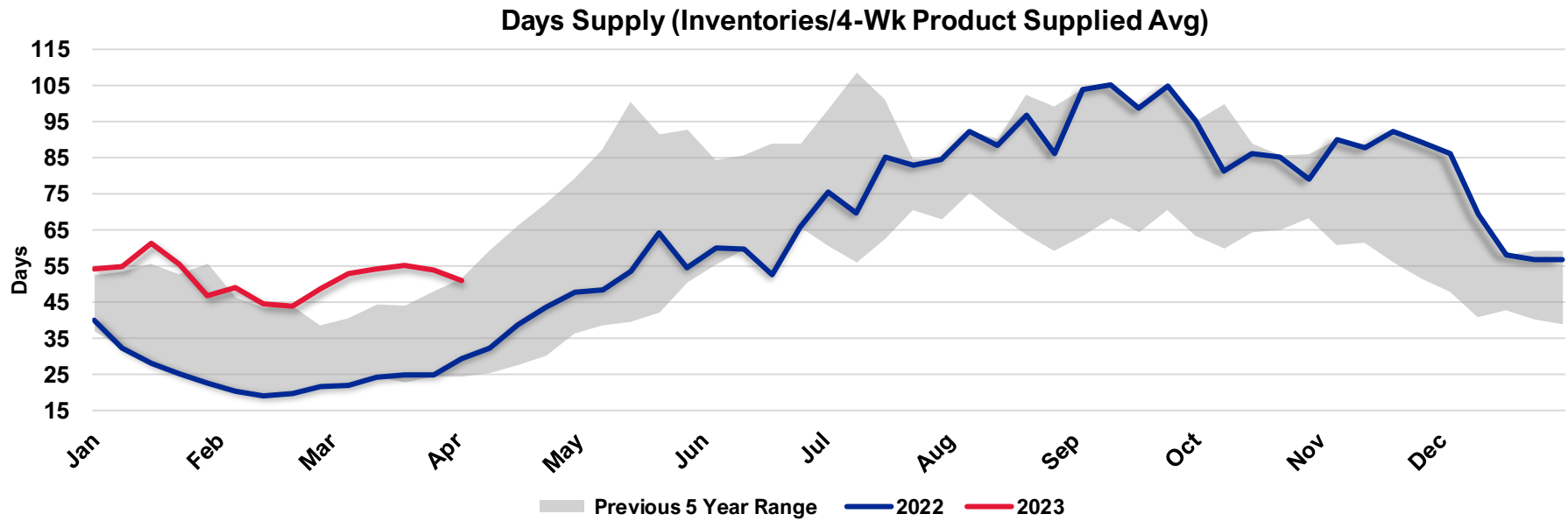
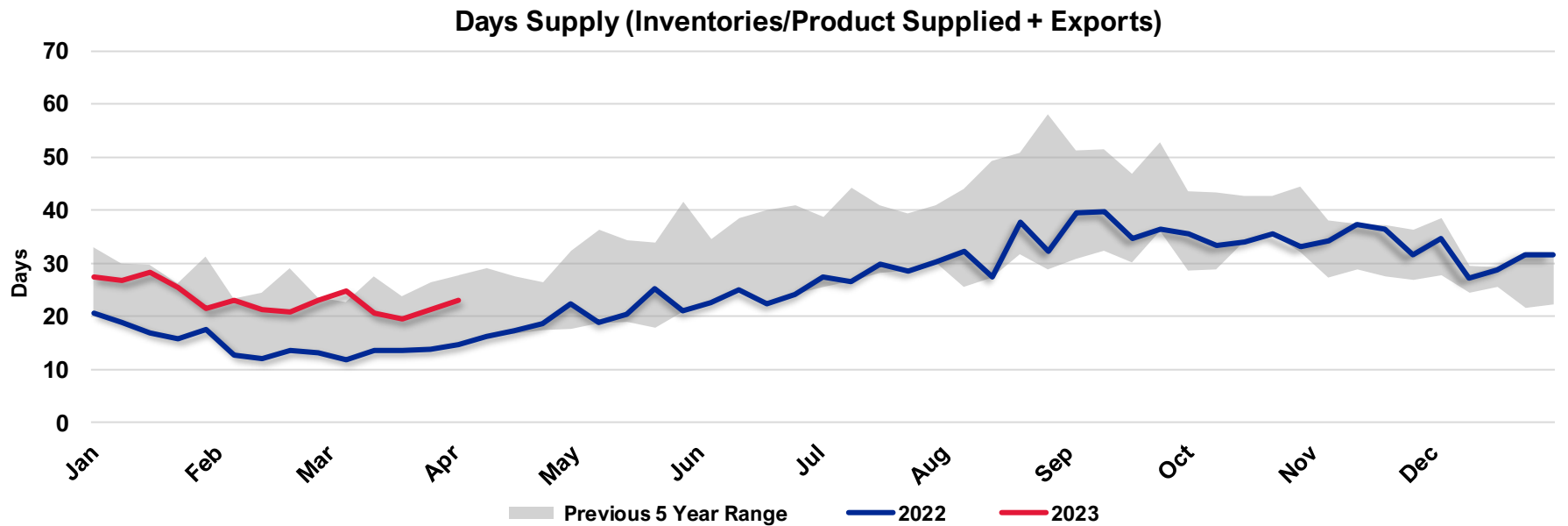


Figure 14



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