

WEEKLY PROPANE MARKET UPDATE

May 17, 2023

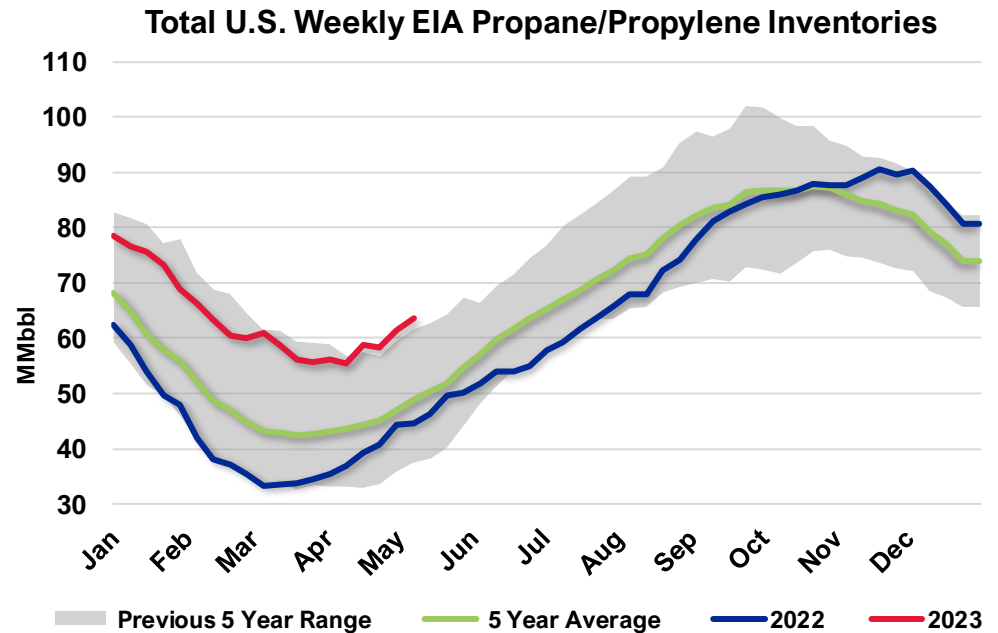
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 2.2 MMbbl for the week ended May 12, which was slightly above industry expectations for a build of 1.8 MMbbl and the 1.7 MMbbl average build for the week. Total U.S. propane stocks are now at 63.6 MMbbl, which is 14.7 MMbbl, or 30%, above the 5-year average.
- » Crude oil prices were lower for the week as economic worries and demand concerns weighed on market sentiment. WTI settled at \$70.86/bbl on May 16, down \$2.85/bbl from May 9. Propane prices were weaker than crude, with Mont Belvieu non-TET falling to 63.3 c/gal on May 16, down 5.4 c/gal from May 9. As a result, the propane-to-WTI ratio declined by 2 percentage points from last week to 37%.
- » Weekly exports of propane reported by the EIA were robust at 1.62 MMbbl/d, essentially unchanged from last week and slightly above the year-to-date average of 1.58 MMbbl/d.
- » Total U.S. production of propane/propylene was slightly higher at 2,482 Mbbbl/d as higher PADD 1 and PADD 3 supplies were partially offset by a decline in PADD 2 production.

MARKET OVERVIEW

Mont Belvieu propane prices were lower over the past week, declining by 5.4 c/gal, or 7.8%, to settle at 63.3 c/gal on May 16. WTI prices were also weaker, falling by \$2.85/bbl, or 3.9%, to \$70.86/bbl over the same period, which pushed the propane-to-WTI ratio down 2 percentage points to 37%. The current ratio is below the 47% average recorded in May 2022. The forward propane-to-WTI ratio for June-September 2023 was down 2 percentage points from last week to 39%.

Figure 1

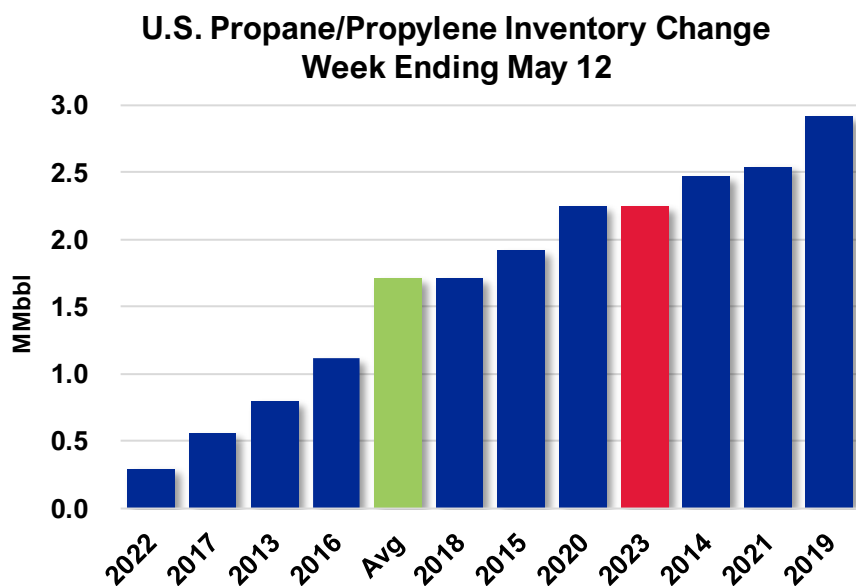


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a build of 1.8 MMbbl for the week ended May 12. In today's EIA report, propane inventories grew by 2.2 MMbbl. Total U.S. propane stocks are now 63.6 MMbbl. Inventories are 19.1 MMbbl, or 43%, above the same week in 2022 and 2 MMbbl above the 5-year maximum. Regional changes in inventory were mixed, with PADD 3 having the largest build for the second week in a row.

PADD 3 (Gulf Coast) propane inventories had a build of 2 MMbbl. Total inventories for the region are now 41.5 MMbbl, putting them at 13.3 MMbbl, or 47%, above 2022 and 113 Mbbbl above the 5-year maximum. Inventories are 10 MMbbl, or 32%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 961 Mbbbl, bringing the total to 14.6 MMbbl. Inventories are 4.7 MMbbl, or 48%, over 2022 and 1.5 Mbbbl, or 14%, above the 5-year maximum.

PADD 1 (East Coast) stocks fell 989 Mbbbl. Total inventories for the region are now 4.6 MMbbl, which is 1 MMbbl, or 27%, over 2022 and 287 Mbbbl, or 7.5%, below the 5-year maximum. Inventories are 787 Mbbbl, or 21%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks went up by 311 Mbbbl. Total stocks are now at 2.9 MMbbl, which 74 Mbbbl, or 2.6%, over 2022 and only 62 Mbbbl, or 2%, below the 5-year maximum. Inventories are 640 Mbbbl, or 27%, above the 5-year average.

Total U.S. production was up marginally from the previous week at 2,482 Mbbbl/d as production in PADD 1 and PADD 3 increased by a combined 52 Mbbbl/d while PADD 2 fell by 28 Mbbbl/d. Exports remained robust at 1,617

Mbbbl/d, down 25 Mbbbl/d from last week but above the 4-week average of 1,546 Mbbbl/d. Imports fell slightly by 7 Mbbbl/d to 74 Mbbbl/d as volumes into PADD 4/5 declined by 10 Mbbbl/d, while PADD 1 and 2 rose by a combined 3 Mbbbl/d. Product supplied increased by 164 Mbbbl/d to 618 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended May 12 (red bar, Figure 2) of 2.2 MMbbl was about 0.5 MMbbl more than the average increase of 1.7 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu widened by 0.4 c/gal from last week, trading at a 0.7 c/gal discount as of May 16. The forward-price differential between Mont Belvieu and Conway was unchanged from last week, with Mont Belvieu trading at a 0.3 c/gal premium over Conway for June 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 89 days, 41 days higher than the same week in 2022 and two days more than the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 28 days of inventory, which is 10 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

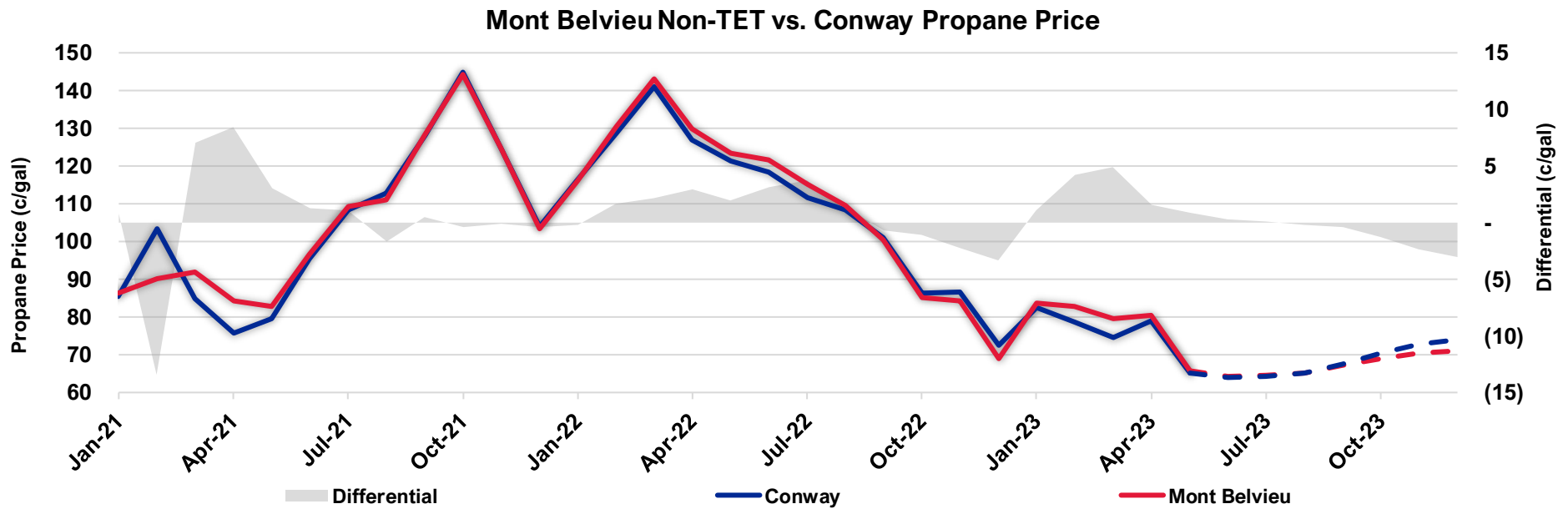
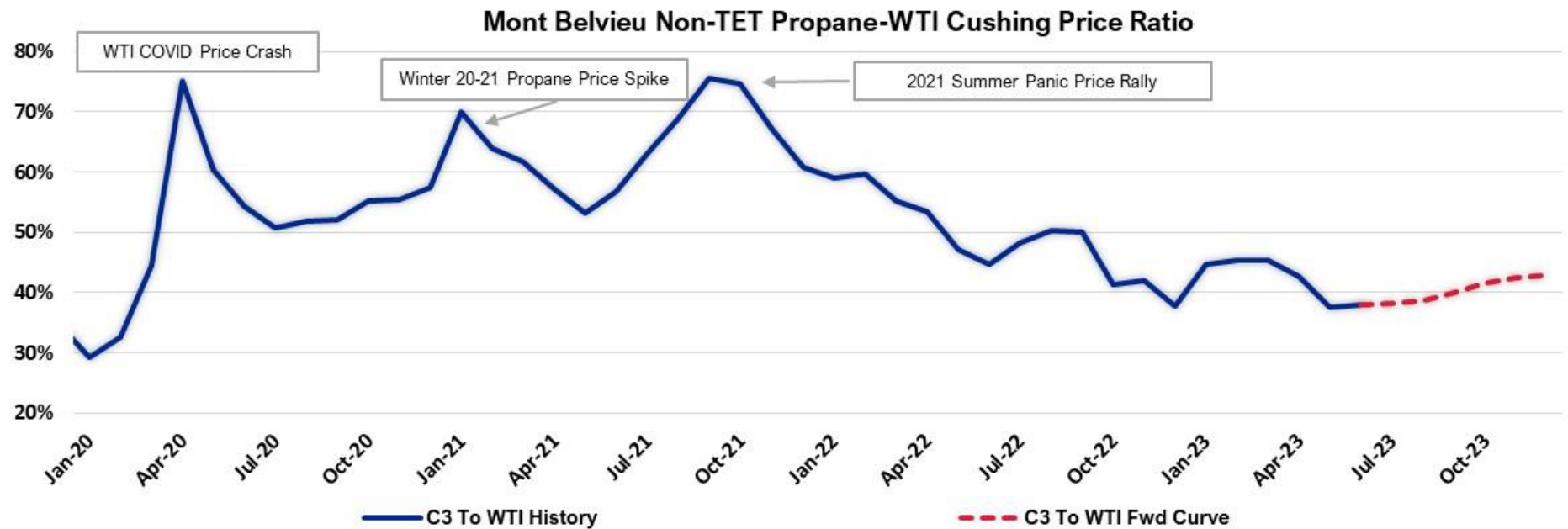


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

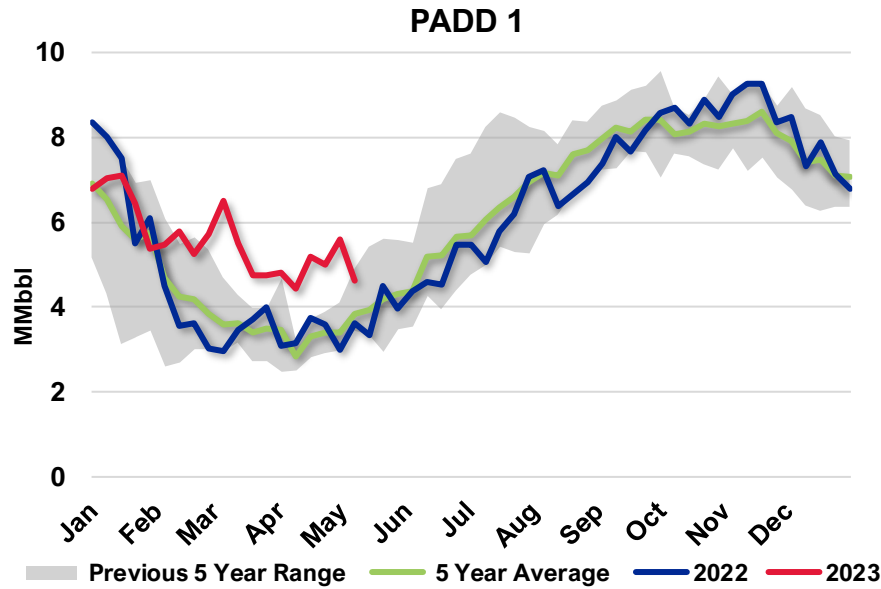


Figure 6

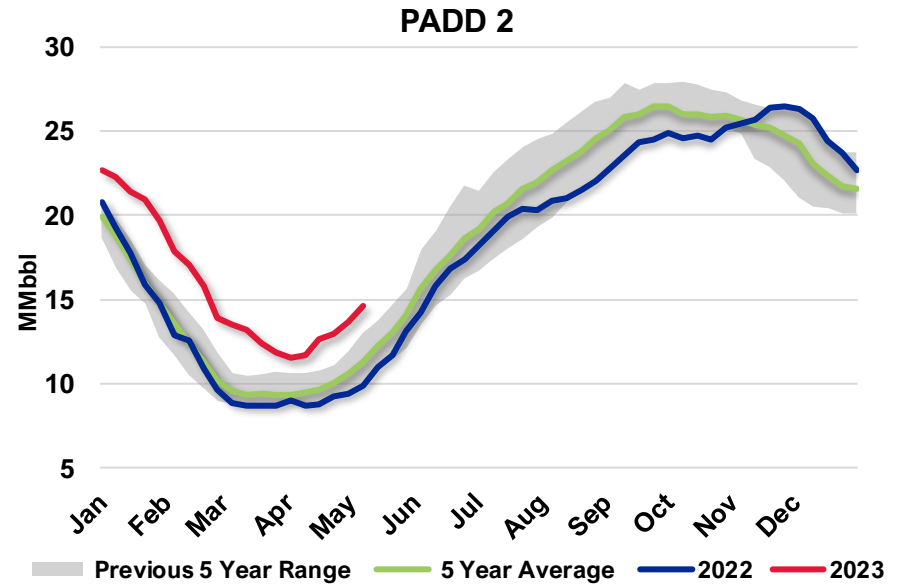


Figure 7

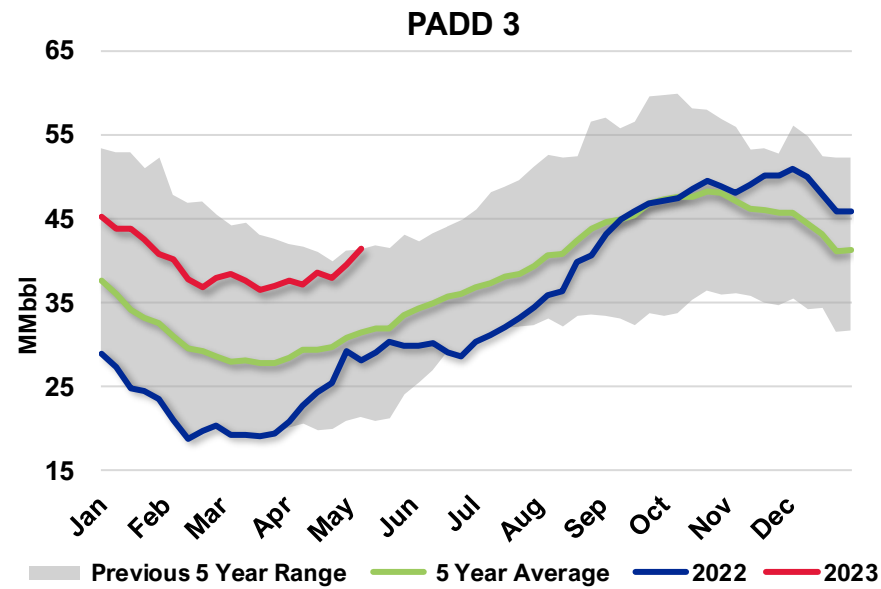


Figure 8

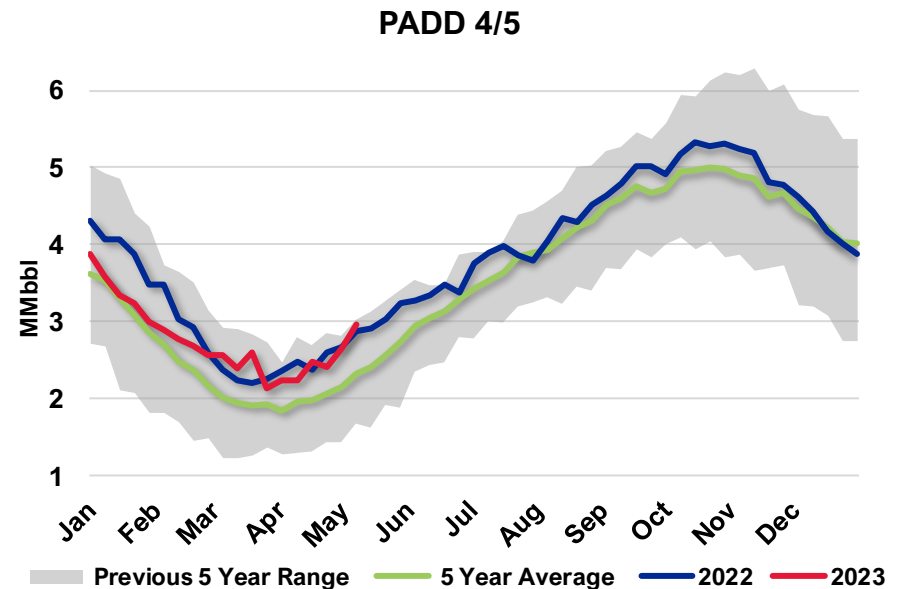


Figure 9

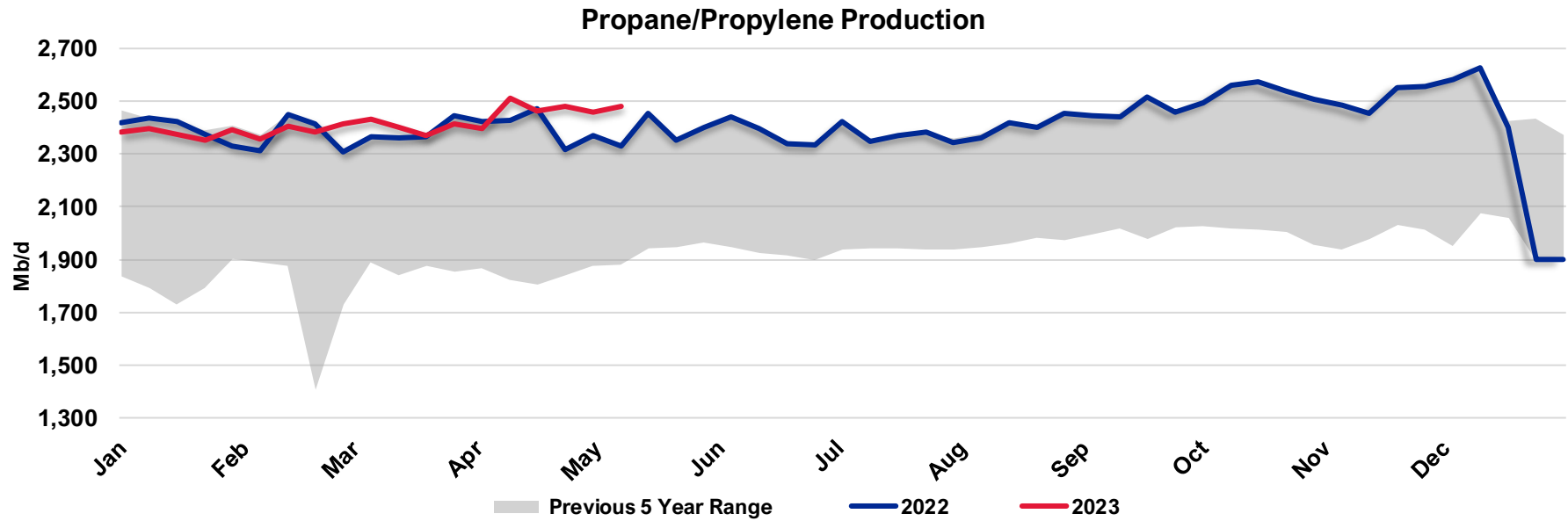


Figure 10

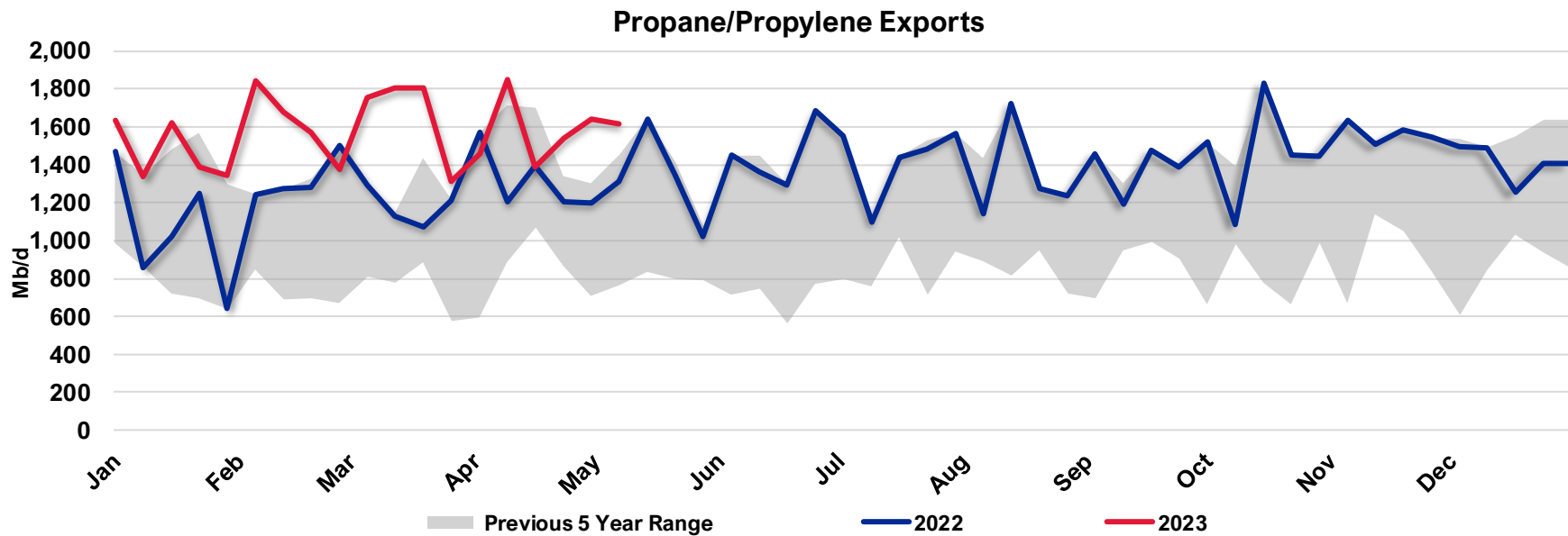


Figure 11

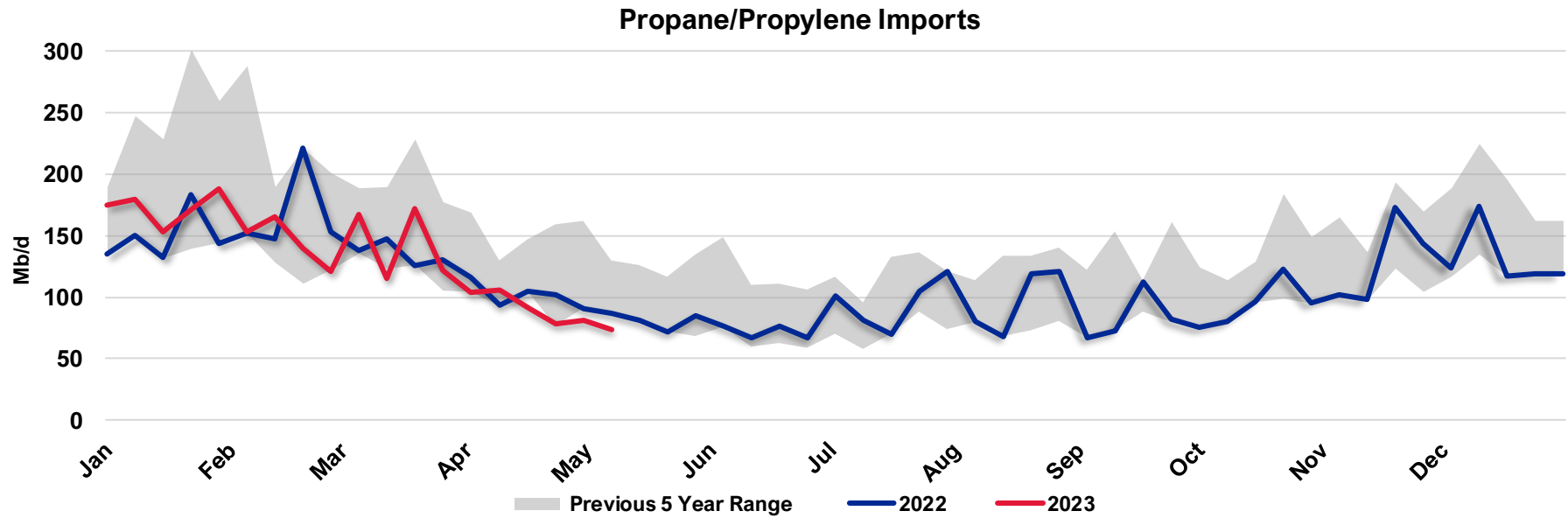


Figure 12

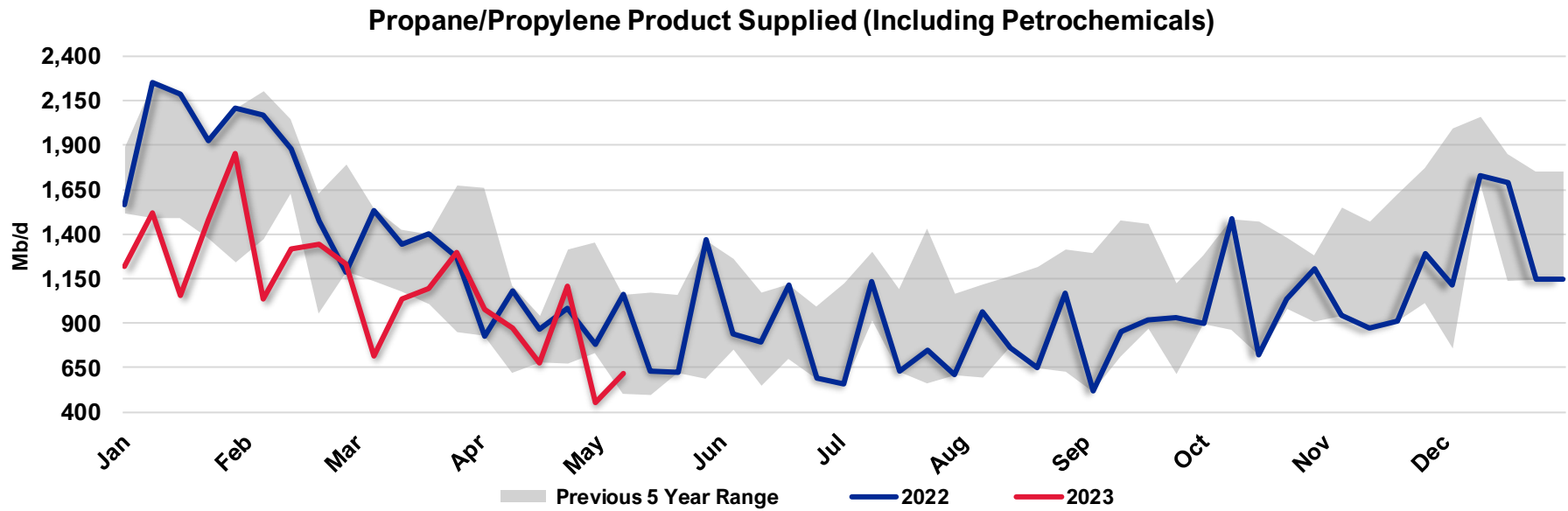


Figure 13

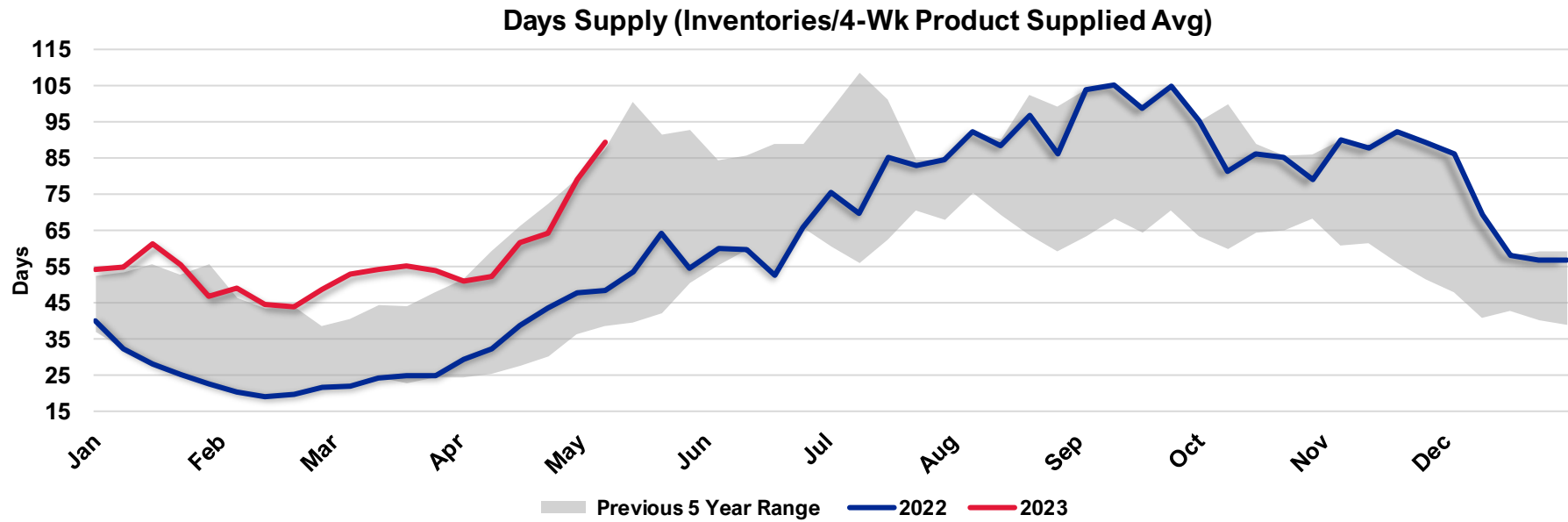
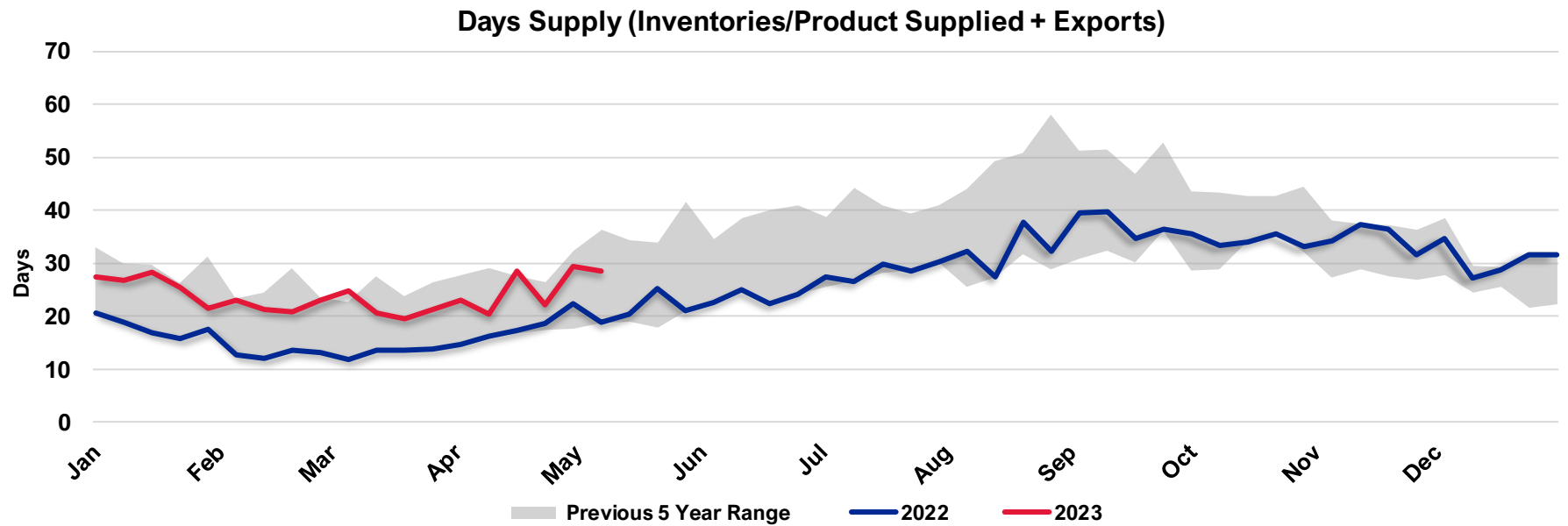


Figure 14



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