



WEEKLY PROPANE MARKET UPDATE

May 24, 2023

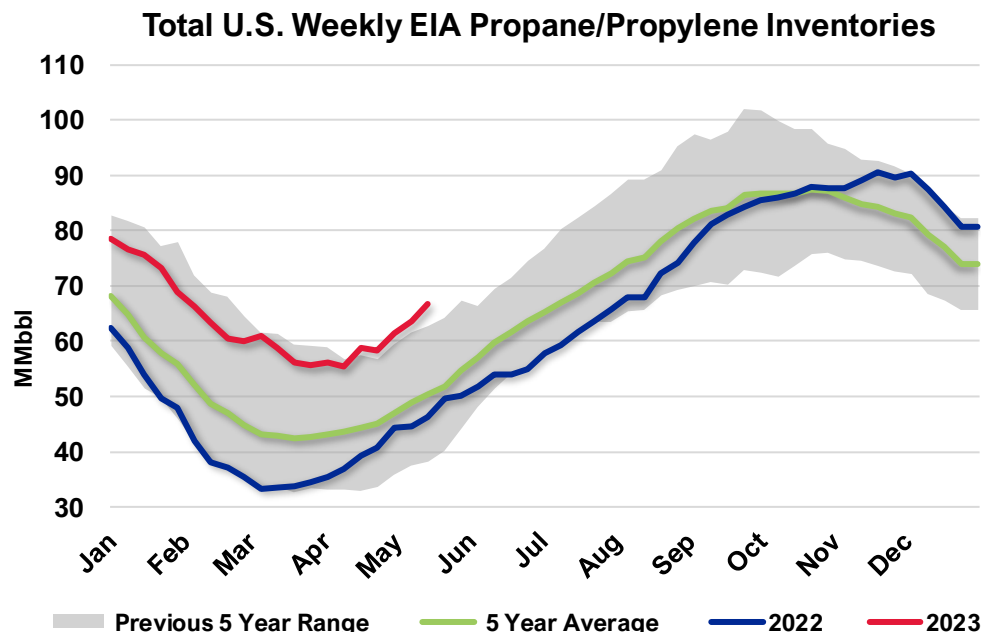
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 3.1 MMbbl for the week ended May 19, which was above industry expectations for a build of 2.4 MMbbl and the 1.7 MMbbl average build for the week. Total U.S. propane stocks are now at 66.7 MMbbl, which is 16.3 MMbbl, or 32%, above the 5-year average.
- » Crude oil prices were modestly higher for the week amid bullish Saudi comments and strong U.S. economic data. WTI settled at \$72.91/bbl on May 23, up \$2.05/bbl from May 16. Propane prices were unable to match the increases in crude, with Mont Belvieu non-TET remaining flat at 63.3 c/gal on May 23. As a result, the propane-to-WTI ratio declined by 1 percentage point from last week to 36%.
- » Weekly exports of propane reported by the EIA declined sharply to 1.30 MMbbl/d, down 314 Mbbl/d from last week and well below the year-to-date average of 1.56 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 12 Mbbl/d to 2,470 Mbbl/d as lower PADD 1 supplies were partially offset by an increase in PADD 3 production.

MARKET OVERVIEW

Mont Belvieu propane prices were unchanged during the past week, settling at 63.3 c/gal on May 23. WTI prices were modestly stronger, rising by \$2.05/bbl, or 2.9%, to \$72.91/bbl over the same period, which pushed the propane-to-WTI ratio down 1 percentage point to 36%. 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 37%.

Figure 1

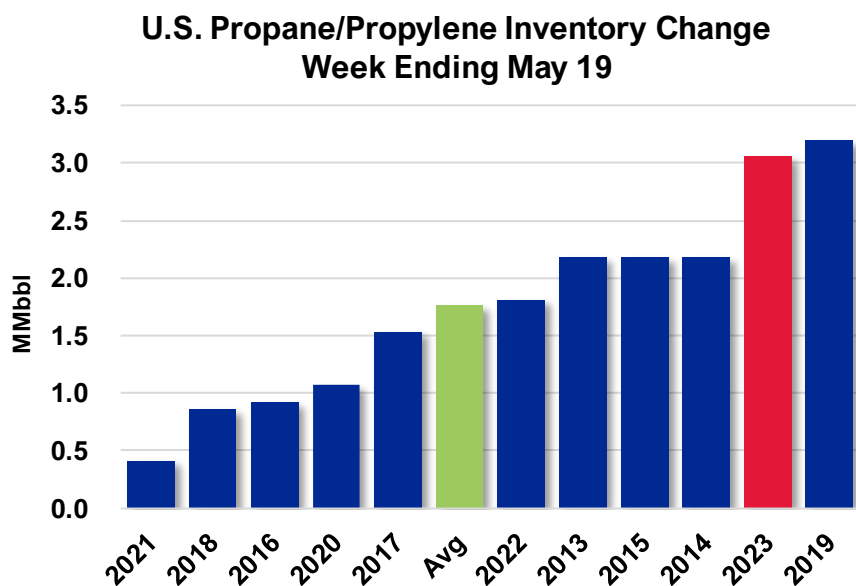


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories soared by 3.1 MMbbl for the week ended May 19. According to OPIS, the average of industry expectations called for a build of 2.4 MMbbl. Total U.S. propane stocks are now 66.7 MMbbl. Inventories are 20.4 MMbbl, or 44%, above the same week in 2022 and 4 MMbbl above the 5-year maximum. Inventories grew in all regions, with PADD 1 having the largest build for the week.

PADD 3 (Gulf Coast) propane inventories had a build of 1 MMbbl. Total inventories for the region are now 42.5 MMbbl, putting them at 13.3 MMbbl, or 46%, above 2022 and 611 Mbbl above the 5-year maximum. Inventories are 10.6 MMbbl, or 33%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 662 Mbbbl, bringing the total to 15.2 MMbbl. Inventories are 4.3 MMbbl, or 39%, over 2022 and 1.5 Mbbbl, or 13%, above the 5-year maximum.

PADD 1 (East Coast) stocks increased 1.1 MMbbl. Total inventories for the region are now 5.7 MMbbl, which is 2.4 MMbbl, or 72%, over 2022 and 321 Mbbbl, or 8 %, above the 5-year maximum. Inventories are 1.8 Mbbbl, or 46%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks rose by 252 Mbbbl. Total stocks are now at 3.2 MMbbl, which 300 Mbbbl, or 10%, over 2022 and 90 Mbbbl, or 3%, above the 5-year maximum. Inventories are 803 Mbbbl, or 33%, above the 5-year average.

Total U.S. production was essentially unchanged for the week at 2,470 Mbbbl/d as production in PADD 1 and PADD 2 decreased by a combined 25 Mbbbl/d while PADD 3 and PADD 4/5 increased by a total

of 13 Mbbbl/d. Exports plunged by 314 Mbbbl/d to 1,303 Mbbbl/d, which is below the 4-week average of 1,525 Mbbbl/d. Imports went up by 14 Mbbbl/d to 88 Mbbbl/d as volumes into PADD 2 and PADD 4/5 increased by a combined 19 Mbbbl/d, while PADD 1 declined by a 5 Mbbbl/d. Product supplied increased by 200 Mbbbl/d to 818 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended May 19 (red bar, Figure 2) of 3.1 MMbbl was about 1.4 MMbbl more than the average increase of 1.7 MMbbl (green bar). It is the second-largest inventory build for the week over the last 10 years.

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu narrowed from last week, trading at a 0.1 c/gal premium as of May 23. The forward-price differential between Mont Belvieu and Conway flipped from last week, with Mont Belvieu trading at a 0.3 c/gal discount to 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, 35 days higher than the same week in 2022 and 11 days less than the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 31 days of inventory, which is 11 days more than 2022 and three 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

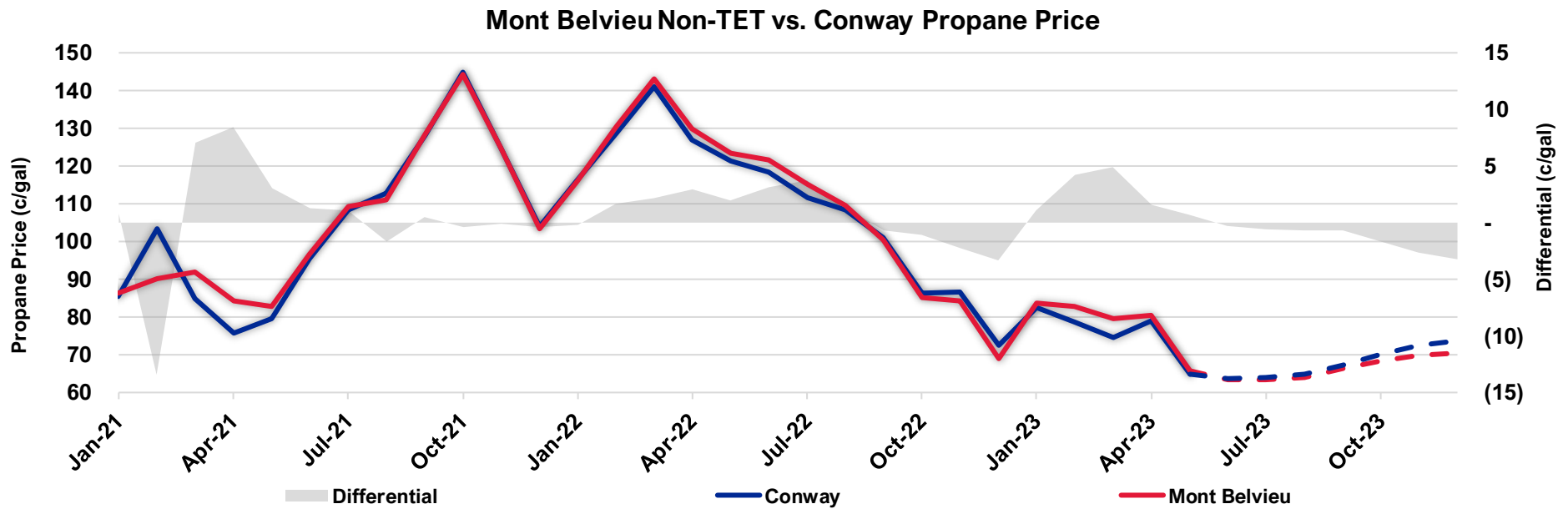
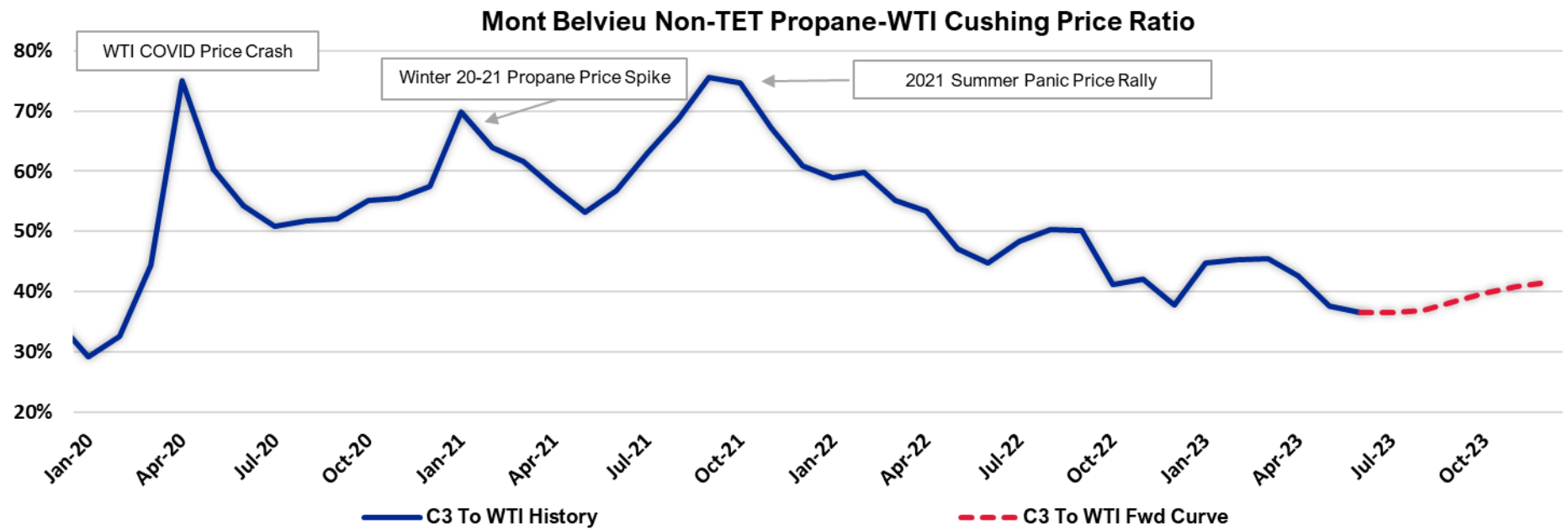


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

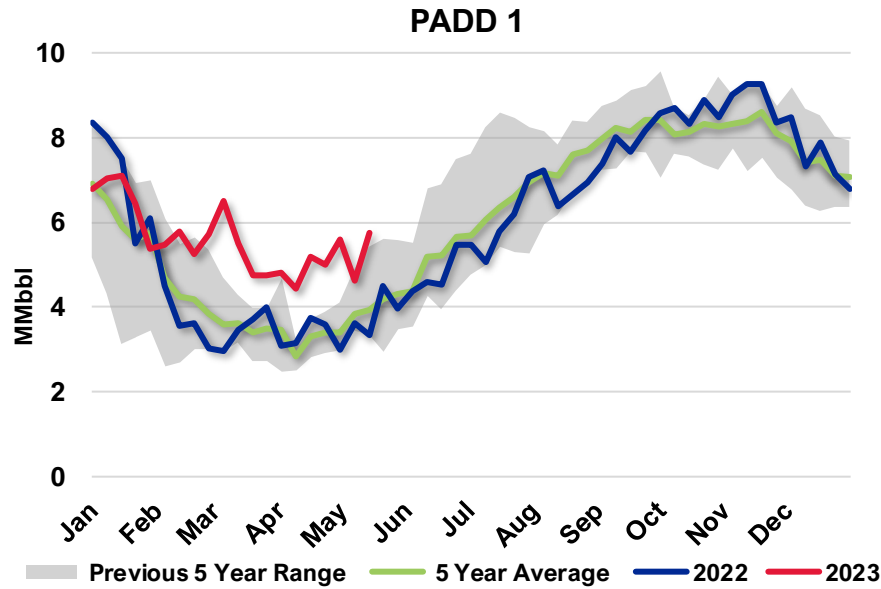


Figure 6

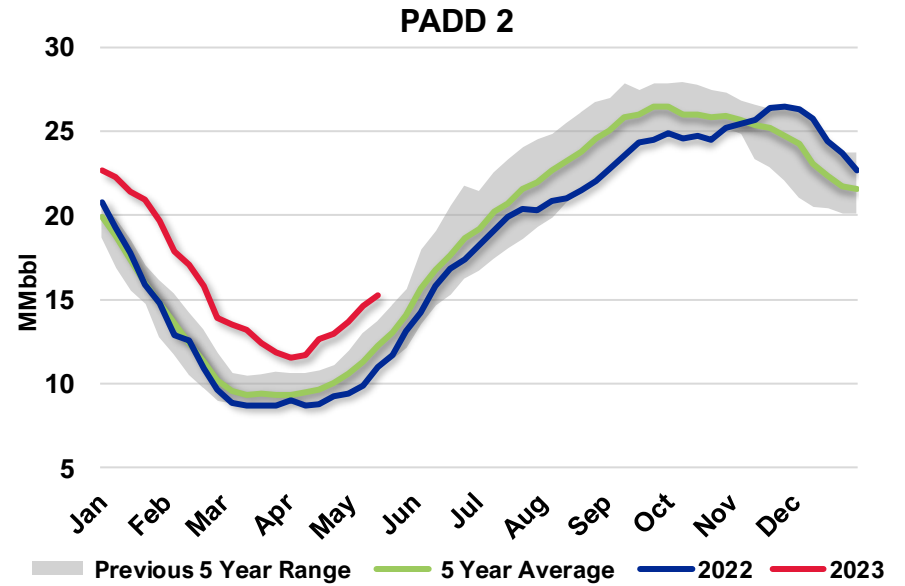


Figure 7

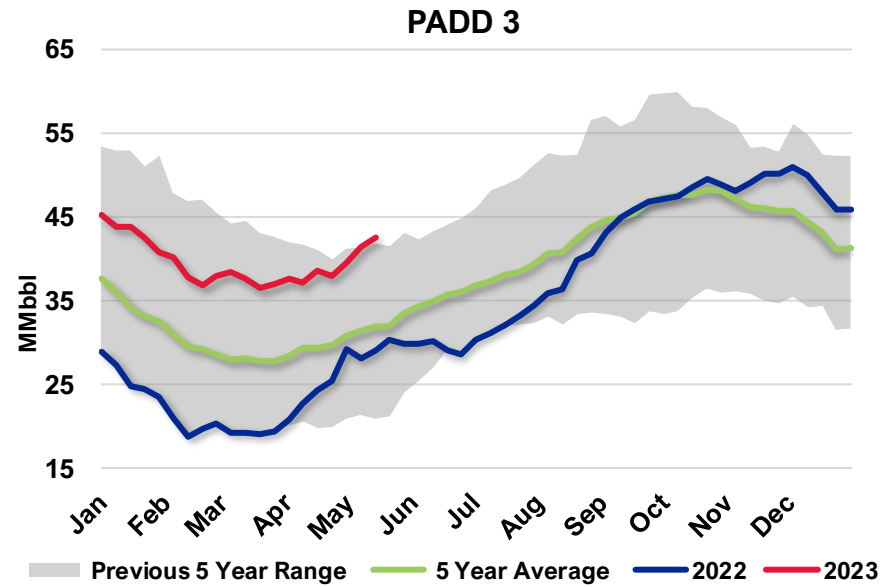


Figure 8

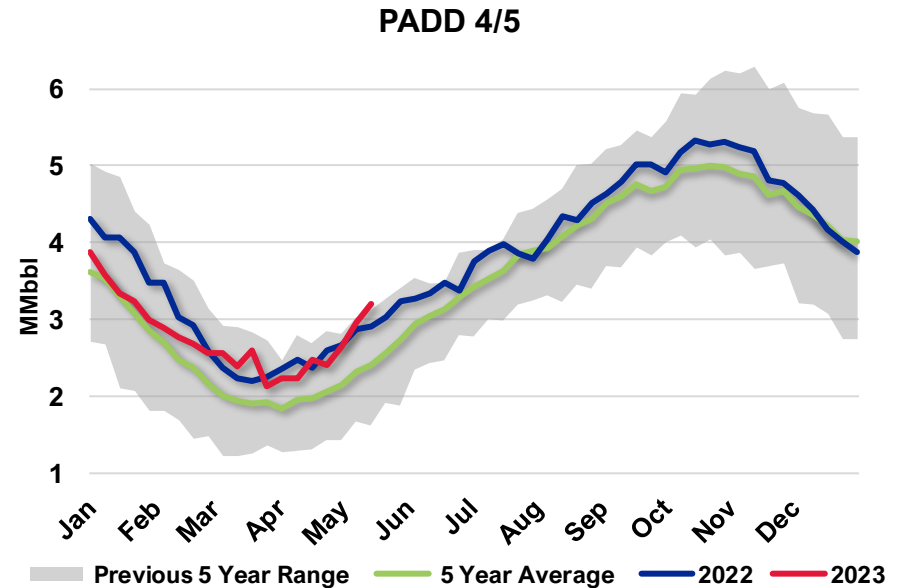


Figure 9

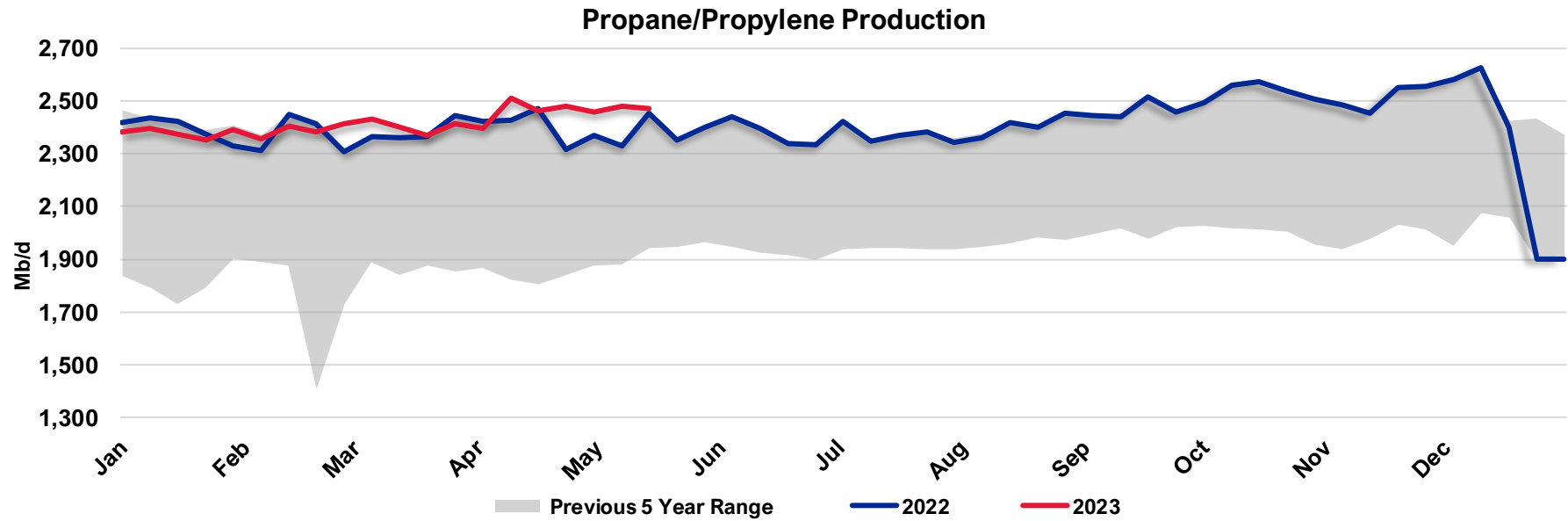


Figure 10

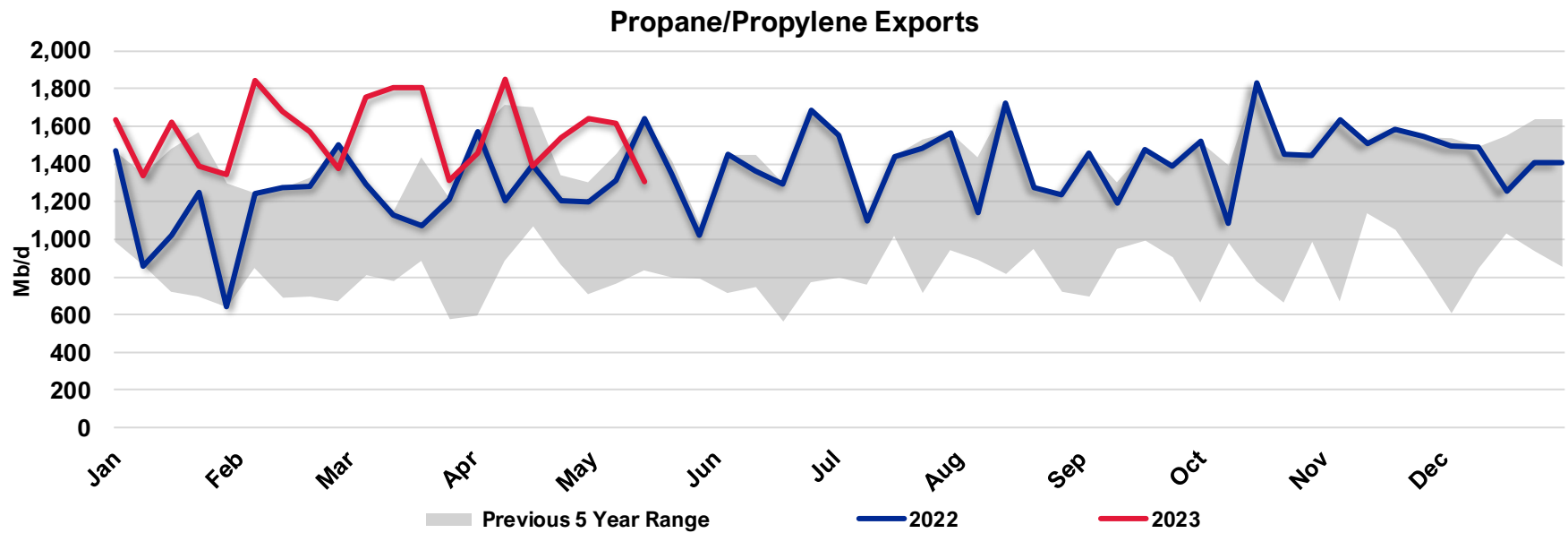


Figure 11

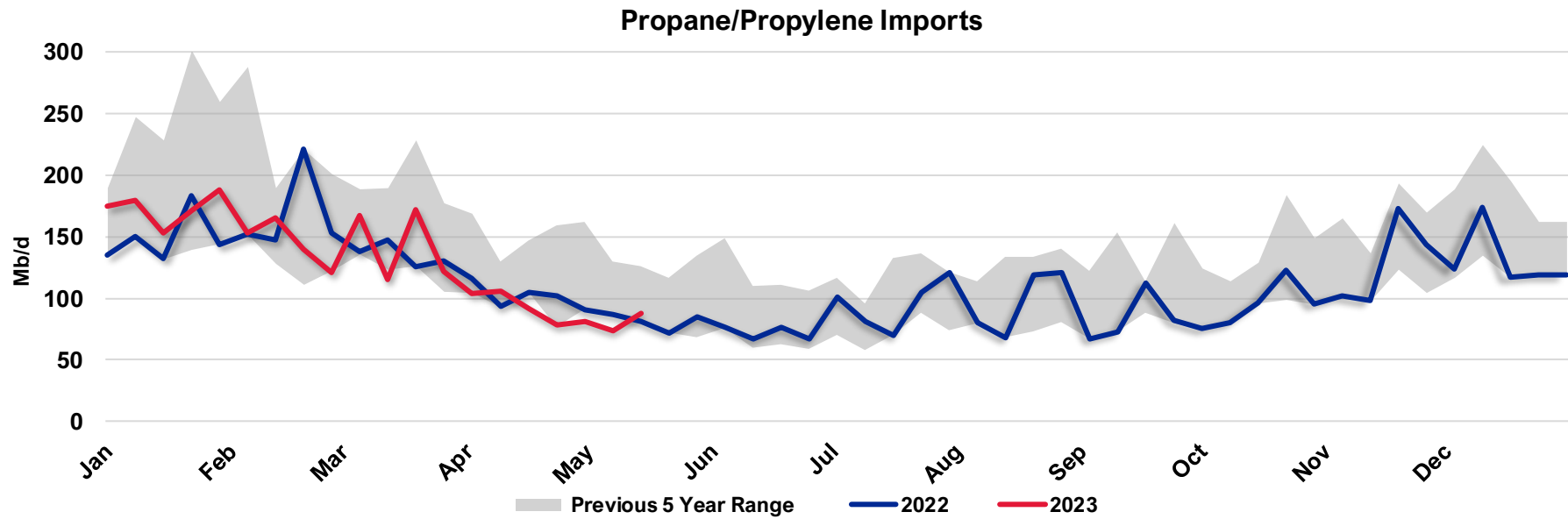


Figure 12

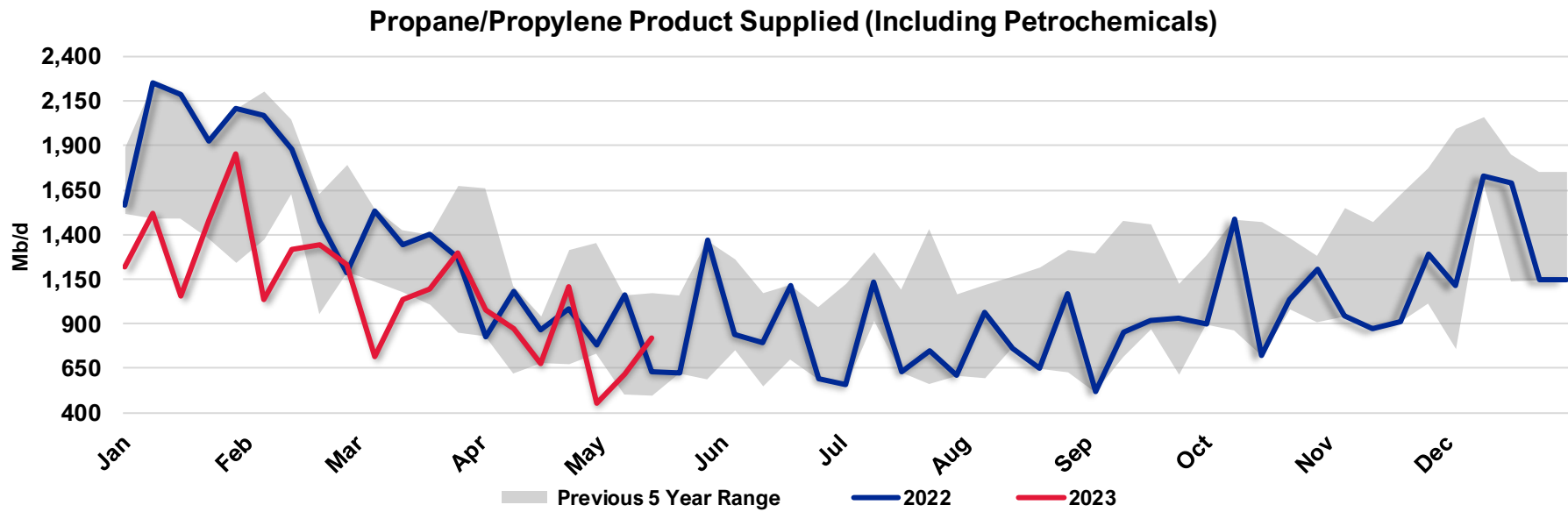


Figure 13

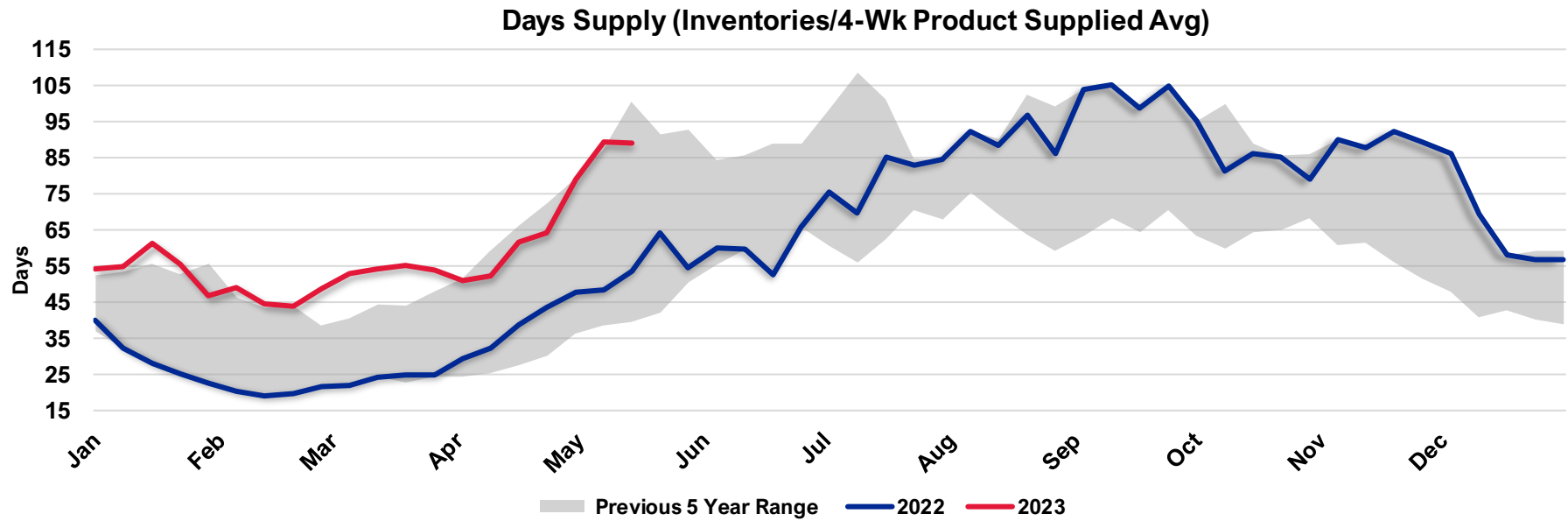
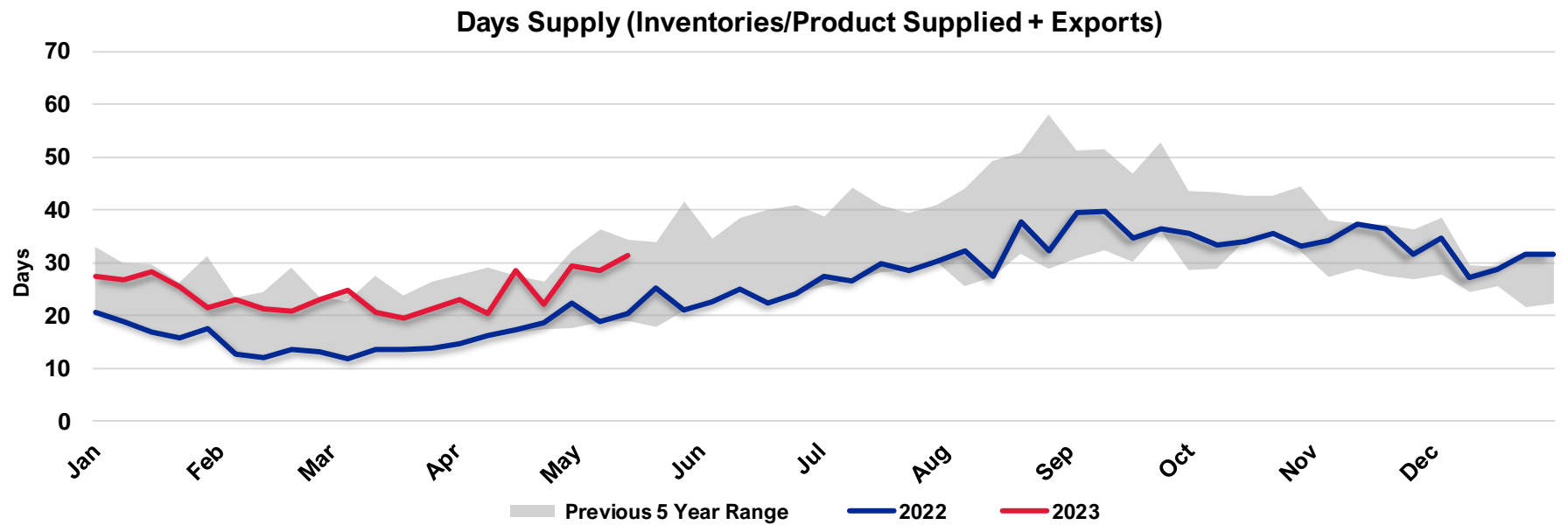


Figure 14



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