



WEEKLY PROPANE MARKET UPDATE

June 14, 2023

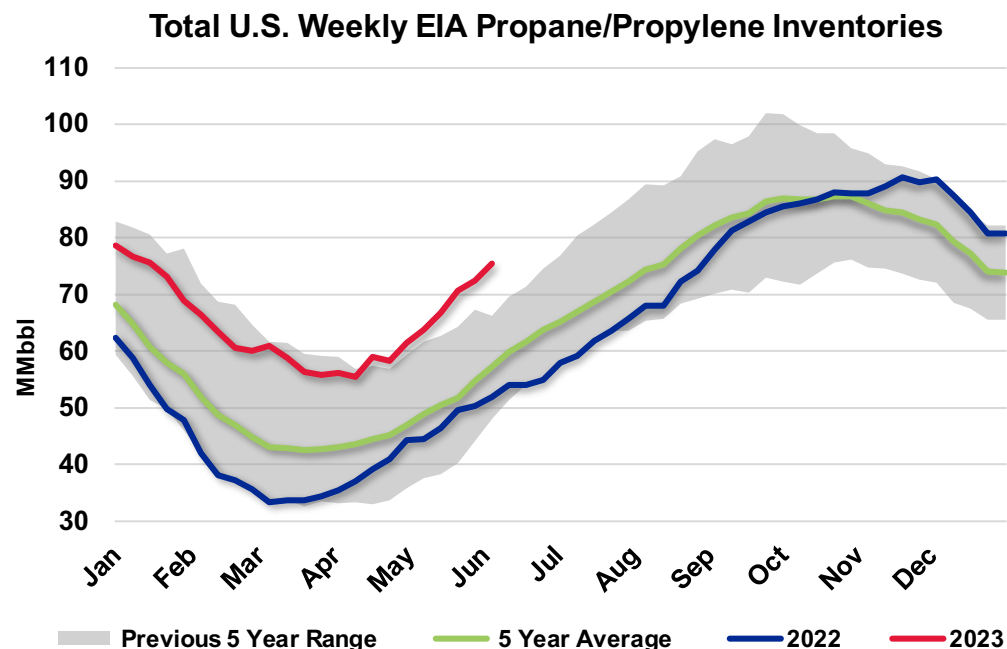
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 3.1 MMbbl for the week ended June 9. The build was above industry expectations for an increase of 2.1 MMbbl and the 2.5 MMbbl average build for the week. Total U.S. propane stocks are now at 75.5 MMbbl, which is 18.3 MMbbl, or 32%, above the 5-year average.
- » Crude oil prices moved down during the week amid market concerns about demand growth and rising global supplies. WTI settled at \$69.42/bbl on June 13, down \$2.32/bbl from June 6. Propane prices were also lower, with Mont Belvieu non-TET down by 2.2 c/gal to 57.6 c/gal on June 13. As a result, the propane-to-WTI ratio was unchanged from last week at 35%.
- » Weekly exports of propane reported by the EIA were stronger at 1.65 MMbbl/d, up 142 Mbbbl/d from last week and above the year-to-date average of 1.56 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 25 Mbbbl/d to 2,588 Mbbbl/d as higher PADD 1, PADD 2 and PADD 3 supplies were partially offset by a decline in PADD 4/5 production.

MARKET OVERVIEW

Mont Belvieu propane prices moved lower during the past week, settling at 57.6 c/gal on June 13. WTI prices were also weaker, declining by \$2.32/bbl, or 3.2%, to \$69.42/bbl over the same period, which left the propane-to-WTI ratio unchanged at 35%. The current ratio is below the 45% average recorded in June 2022. The forward propane-to-WTI ratio for July-September 2023 was down 2 percentage points from last week to 34%.

Figure 1

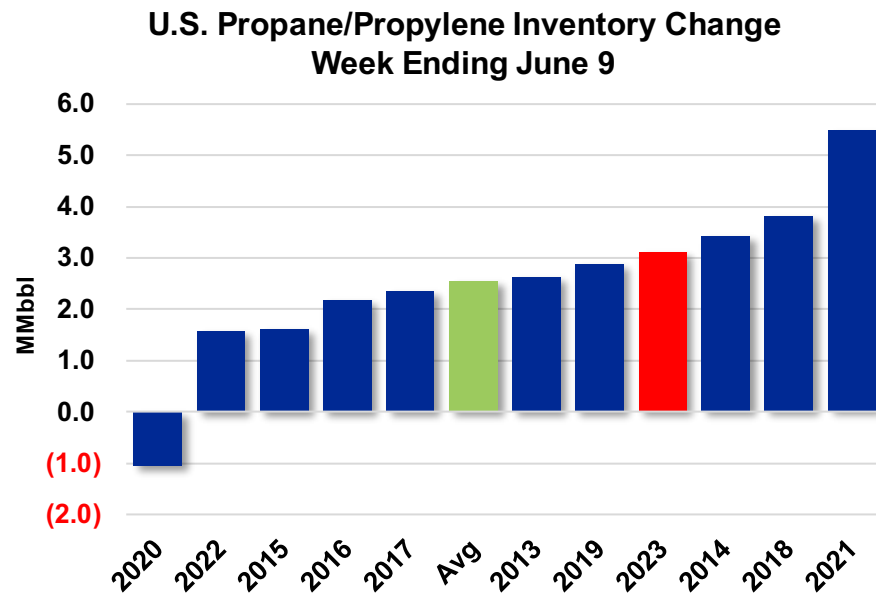


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for an inventory build of 2.1 MMbbl. In today's EIA report, U.S. propane inventories increased by 3.1 MMbbl for the week ended June 9. Total U.S. propane stocks are now 75.5 MMbbl. Inventories are 23.6 MMbbl, or 45.6%, above the same week in 2022 and 9.2 MMbbl above the 5-year maximum. Inventories grew in all regions, with PADD 3 having the largest build for the week.

PADD 3 (Gulf Coast) propane inventories had a build of 1.4 MMbbl. Total inventories for the region are now 46.6 MMbbl, putting them at 16.7 MMbbl, or 55.9%, above 2022 and 4.3 MMbbl above the 5-year maximum. Inventories are 12.4 MMbbl, or 36.2%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 1.2 MMbbl, bringing the total to 19 MMbbl. Inventories are 4.7 MMbbl, or 33.1%, over 2022 and 1 MMbbl, or 6.4%, above the 5-year maximum.

PADD 1 (East Coast) stocks built by 112 Mbbbl. Total inventories for the region are at 5.8 MMbbl, which is 1.4 MMbbl, or 32.5%, over 2022 and 247 Mbbbl, or 5.6%, above the 5-year maximum. Inventories are 1.4 MMbbl, or 31.6%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks rose by 313 Mbbbl. Total stocks are now at 4.1 MMbbl, which is 788 Mbbbl, or 24%, over 2022 and 531 Mbbbl, or 15%, above the 5-year maximum. Inventories are 1.1 MMbbl, or 38.3%, above the 5-year average.

Total U.S. production increased by 25 Mbbbl/d to 2,588 Mbbbl/d as production in PADD 1, PADD 2 and PADD 3 increased by a combined 37 Mbbbl/d while PADD 4/5 fell by 12 Mbbbl/d. Exports grew by 142 Mbbbl/d to

1,649 Mbbbl/d, which is above the 4-week average of 1,450 Mbbbl/d. Imports went down by 26 Mbbbl/d to 76 Mbbbl/d as volumes into PADD 2 fell by 13 Mbbbl/d, while PADD 1 and PADD 4/5 declined by a combined 13 Mbbbl/d. Product supplied declined by 350 Mbbbl/d to 570 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended June 9 (red bar, Figure 2) of 3.1 MMbbl was about 0.6 MMbbl more than the average increase of 2.5 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET widened from last week, trading at a 2.3 c/gal discount as of June 13. The forward-price differential between Mont Belvieu and Conway was also wider from last week, with Mont Belvieu trading at a 1.8 c/gal premium to Conway for July 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 101 days, 41 days higher than the same week in 2022 and 16 days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 34 days of inventory, which is 11 days more than 2022 and one day less than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

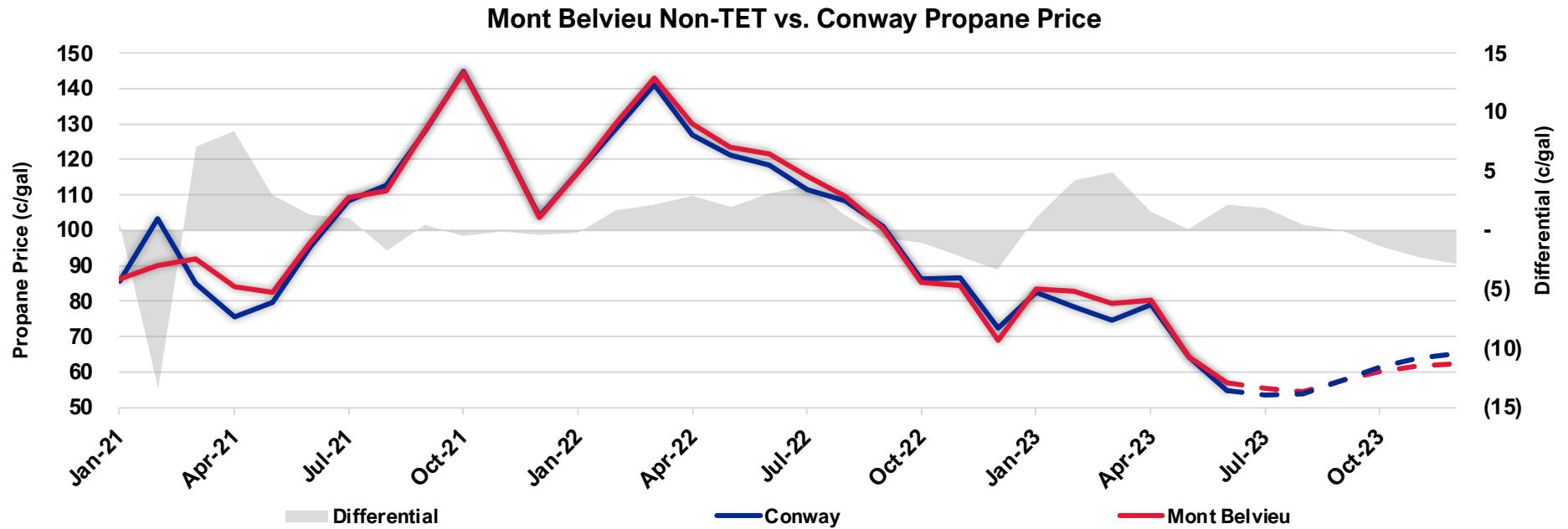
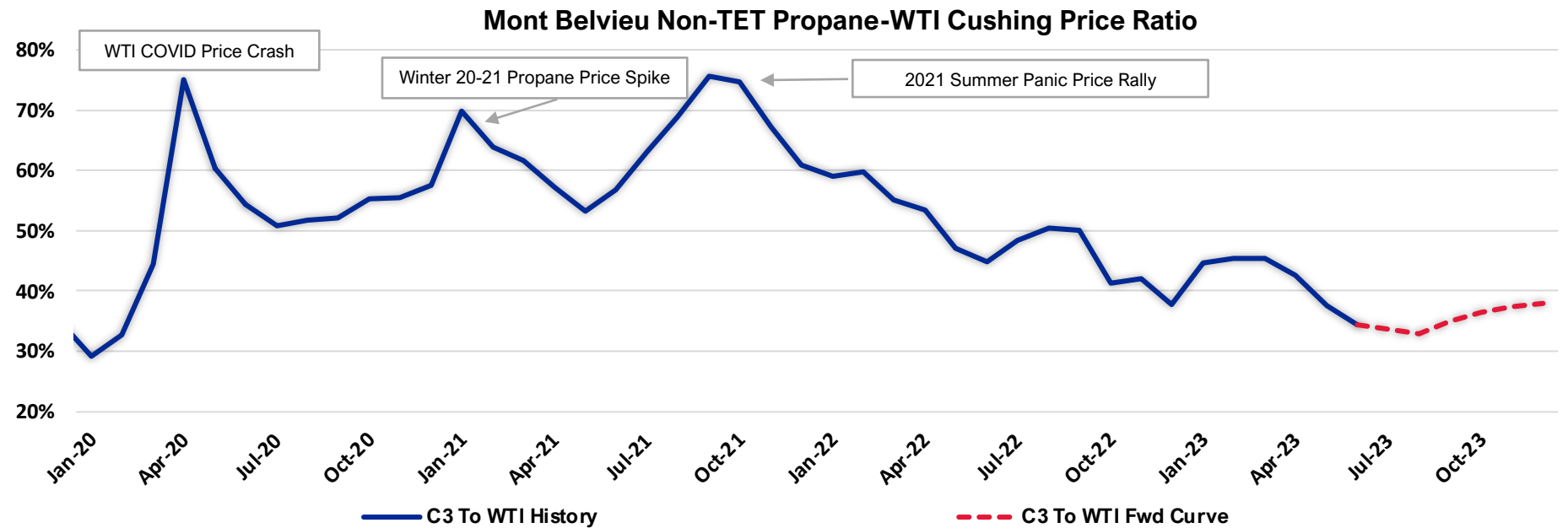


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

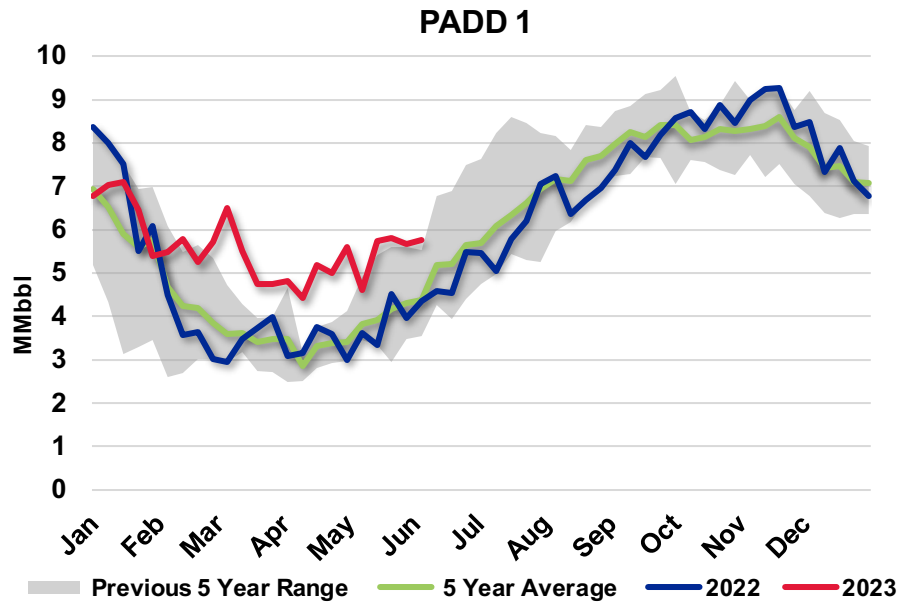


Figure 6

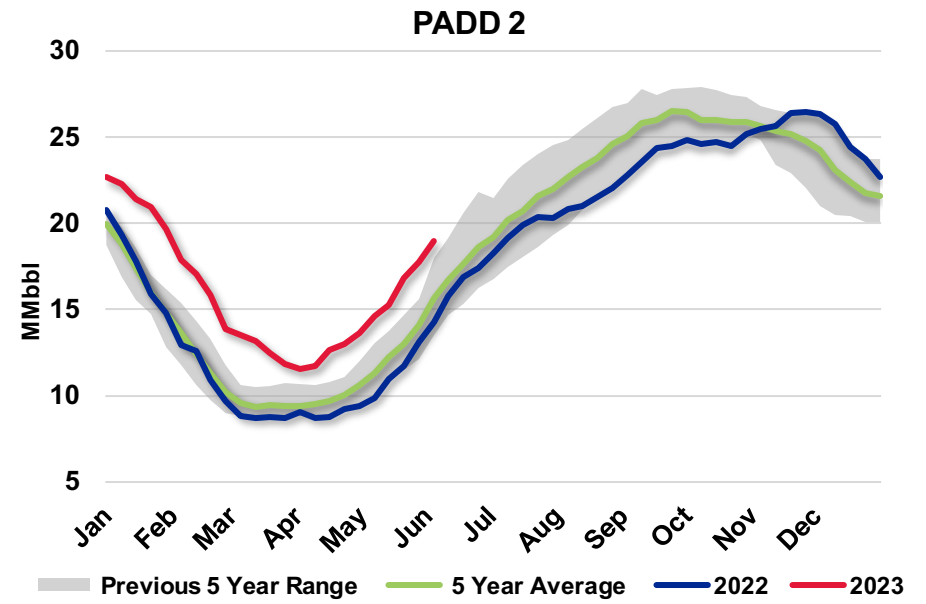


Figure 7

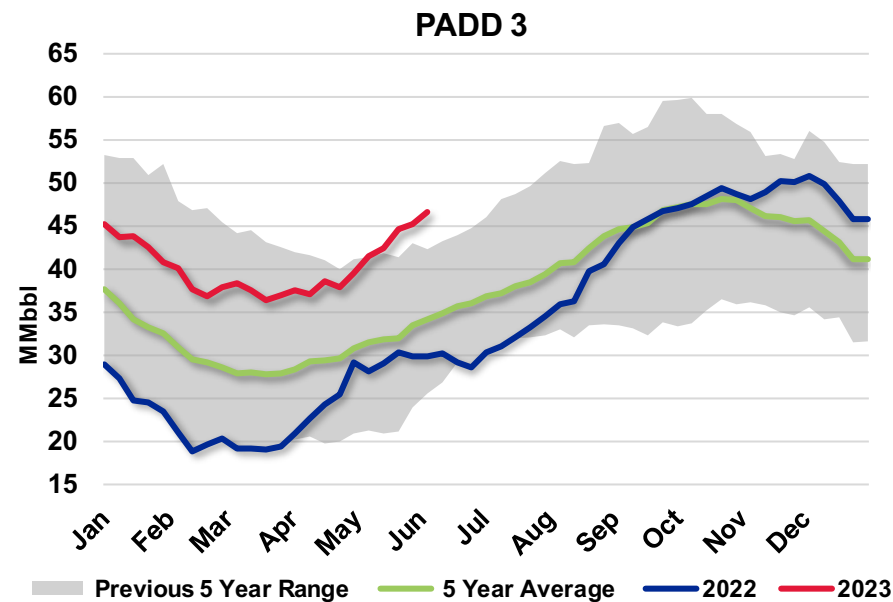


Figure 8

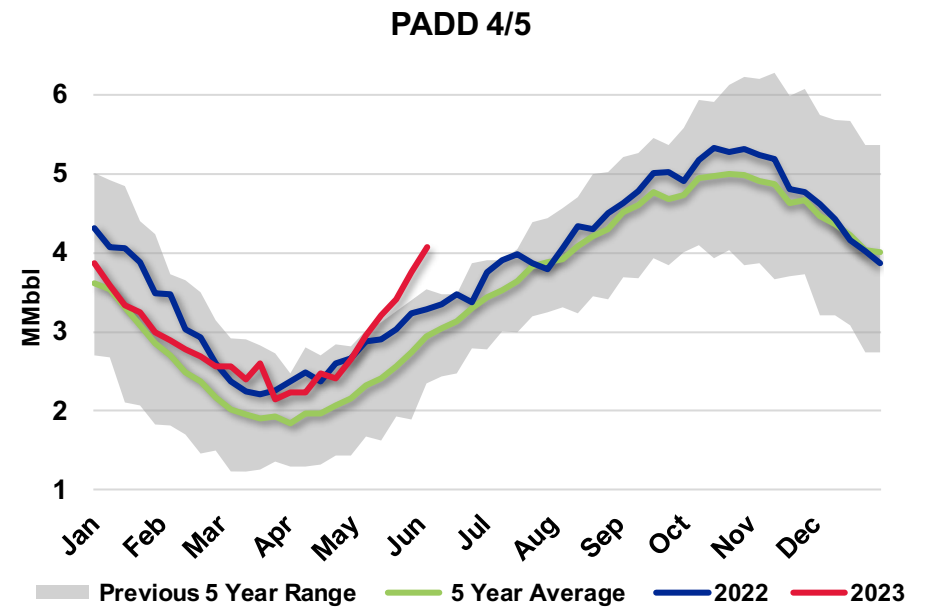


Figure 9

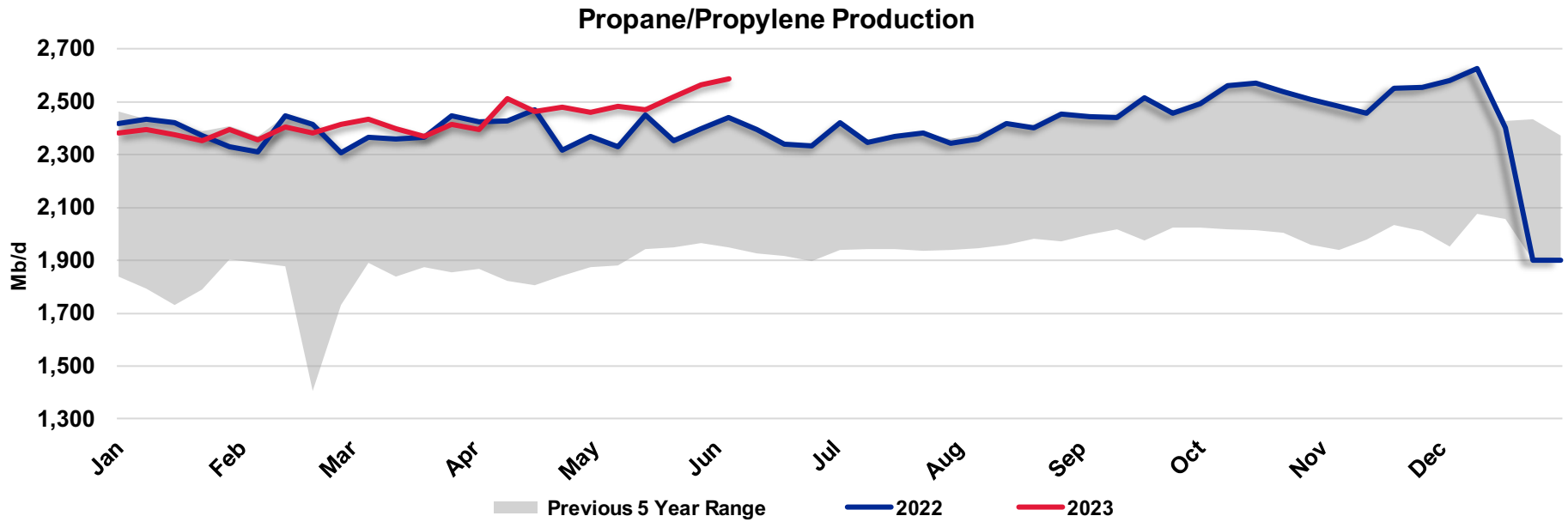


Figure 10

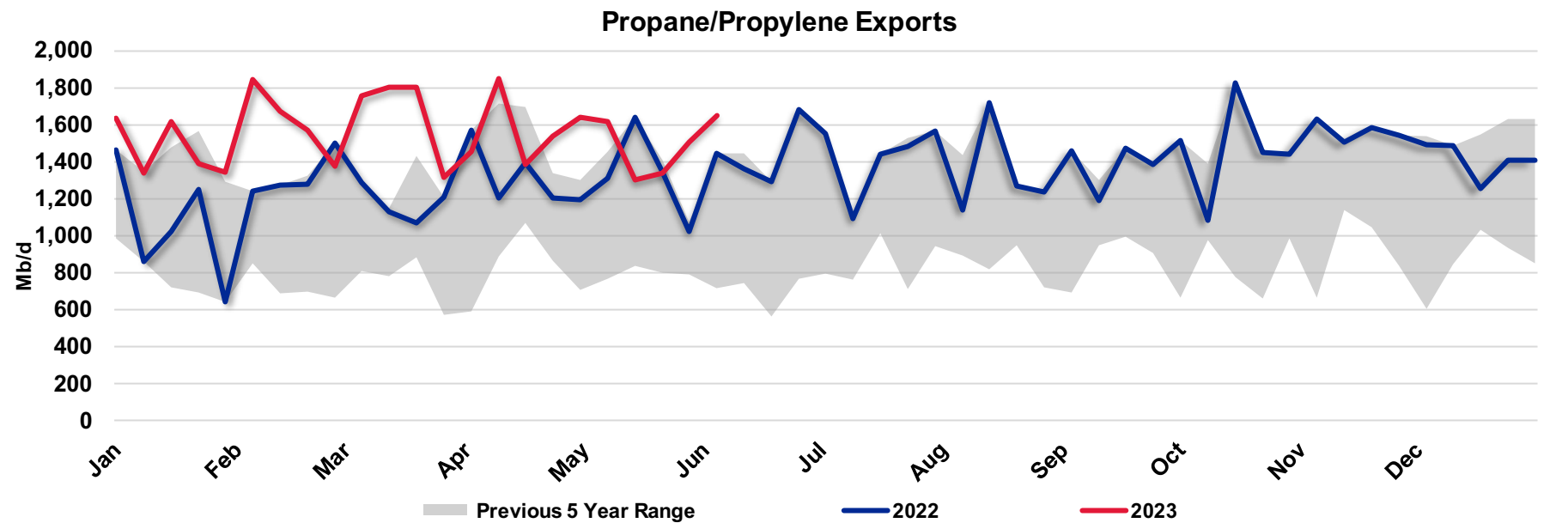


Figure 11

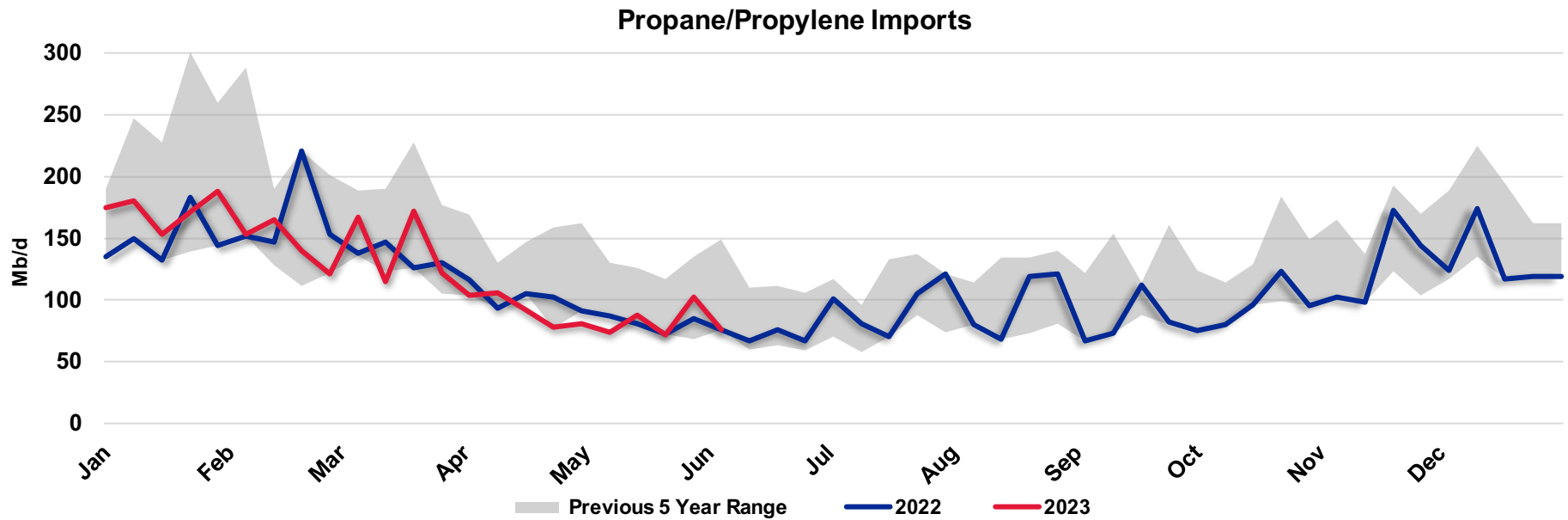


Figure 12

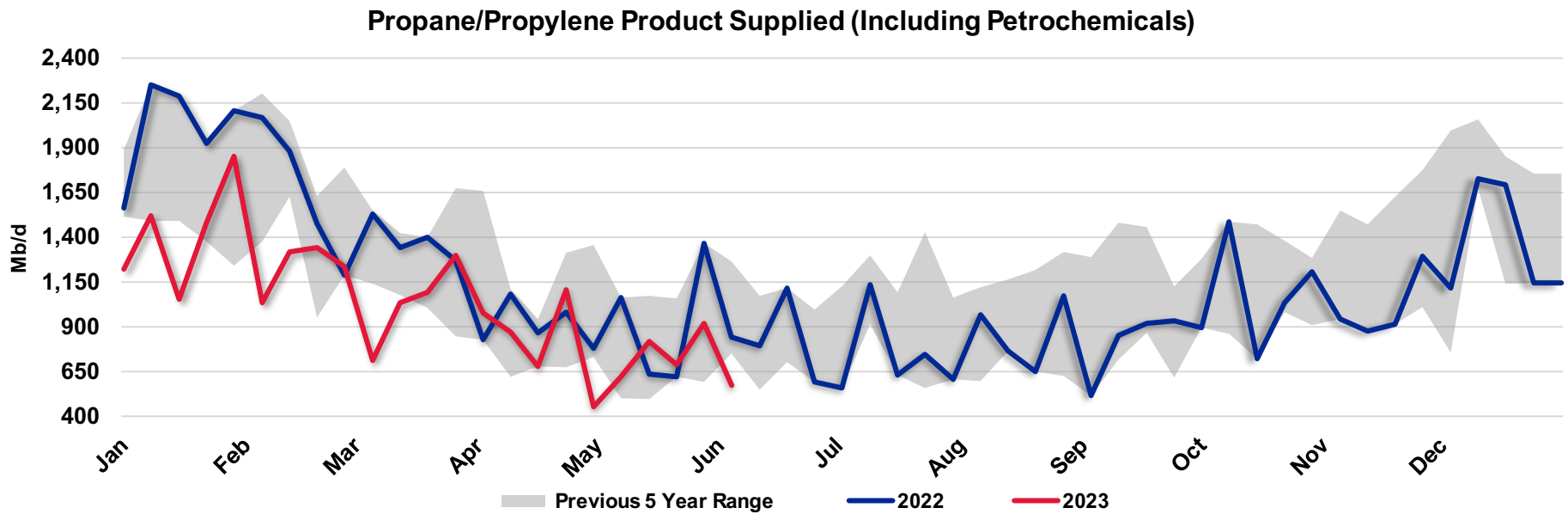


Figure 13

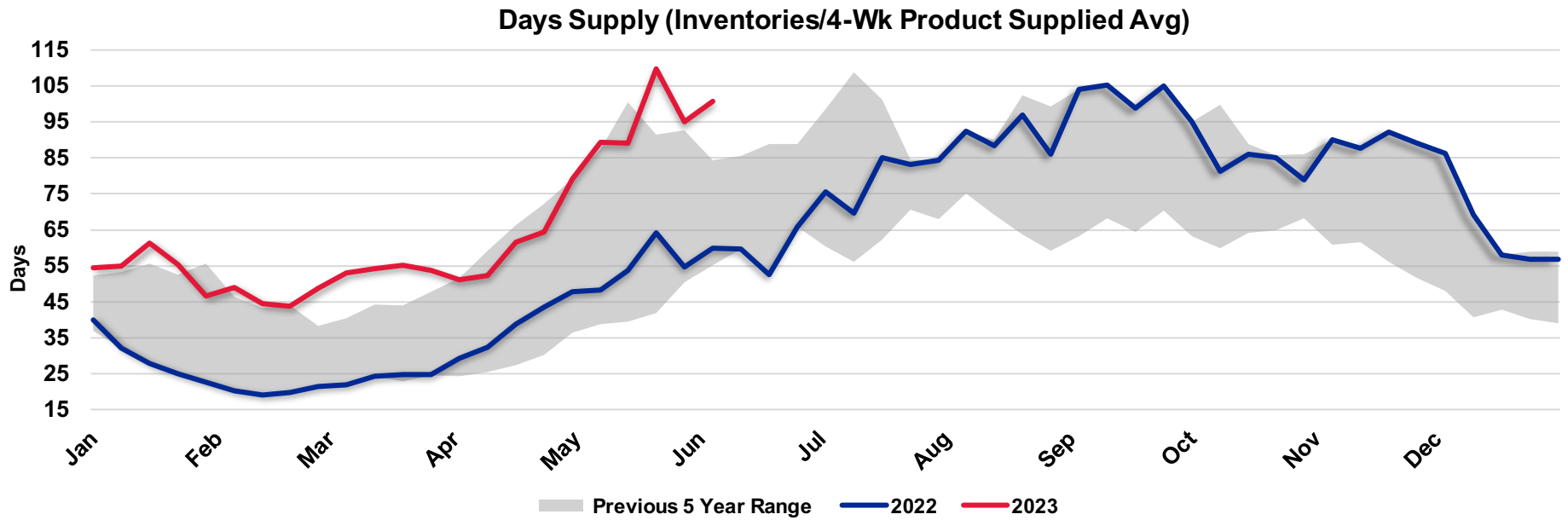
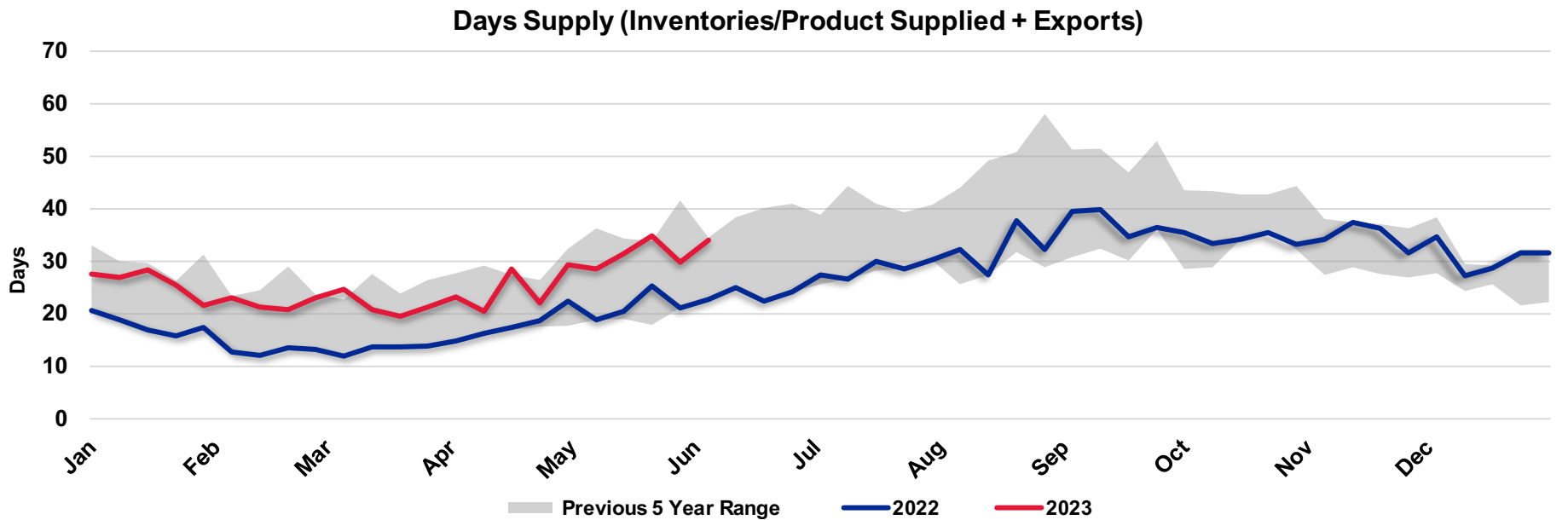


Figure 14



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