



WEEKLY PROPANE MARKET UPDATE

June 7, 2023

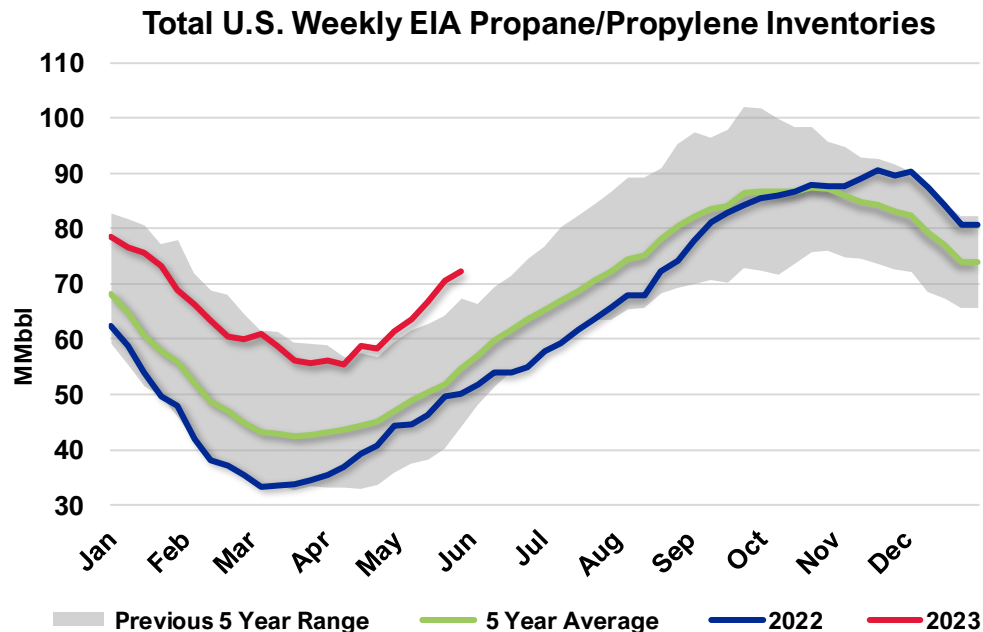
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1.7 MMbbl for the week ended June 2. The build was below industry expectations for an increase of 2.8 MMbbl and the 2.8 MMbbl average build for the week. Total U.S. propane stocks are now at 72.3 MMbbl, which is 17.7 MMbbl, or 32%, above the 5-year average.
- » Crude oil prices moved higher during the week, supported by Saudi Arabia’s announcement that it was cutting production by 1 MMbbl/d in July. WTI settled at \$71.74/bbl on June 6, up \$3.65/bbl from May 31. Propane prices were also stronger, with Mont Belvieu non-TET up by 4.9 c/gal to 59.8 c/gal on June 6. As a result, the propane-to-WTI ratio increased by 1 percentage point from last week to 35%.
- » Weekly exports of propane reported by the EIA were stronger at 1.51 MMbbl/d, up 168 Mbbbl/d from last week and in line with the year-to-date average of 1.55 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 44 Mbbbl/d to 2,563 Mbbbl/d as higher PADD 2 and PADD 3 supplies were partially offset by a decline in PADD 1 production.

MARKET OVERVIEW

Mont Belvieu propane prices moved higher during the past week, settling at 59.8 c/gal on June 6. WTI prices were also stronger, increasing by \$3.65/bbl, or 5.4%, to \$71.74/bbl over the same period, which pushed the propane-to-WTI ratio up 1 percentage point to 35%. The current ratio is below the 45% average recorded in June 2022. The forward propane-to-WTI ratio for July-September 2023 was unchanged from last week at 36%.

Figure 1

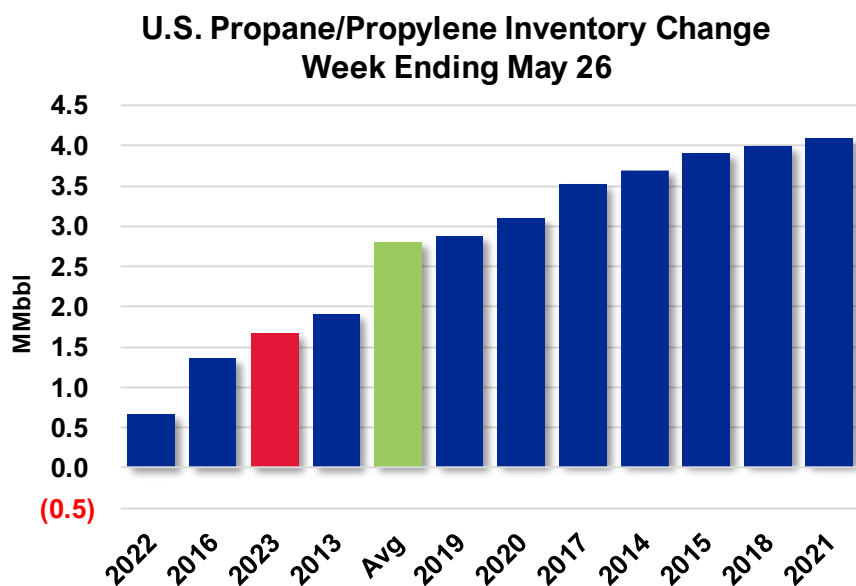


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for an inventory build of 2.8 MMbbl. In today’s EIA report, U.S. propane inventories increased by 1.7 MMbbl for the week ended June 2. Total U.S. propane stocks are now 72.3 MMbbl. Inventories are 22 MMbbl, or 44%, above the same week in 2022 and 5 MMbbl above the 5-year maximum. Regional changes were mixed with PADD 2 having the largest build while PADD 1 had the only decline.

PADD 3 (Gulf Coast) propane inventories had a build of 570 Mbbbl. Total inventories for the region are now 45.2 MMbbl, putting them at 15.3 MMbbl, or 51%, above 2022 and 2.1 Mbbbl above the 5-year maximum. Inventories are 11.6 MMbbl, or 35%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 903 Mbbbl, bringing the total to 17.7 MMbbl. Inventories are 4.6 MMbbl, or 35%, over 2022 and 2.1 Mbbbl, or 15%, above the 5-year maximum.

PADD 1 (East Coast) stocks fell slightly by 149 Mbbbl. Total inventories for the region are at 5.6 MMbbl, which is 1.7 MMbbl, or 43%, over 2022 and 66 Mbbbl, or 1.5 %, above the 5-year maximum. Inventories are 1.3 Mbbbl, or 31%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks rose by 347 Mbbbl. Total stocks are now at 3.7 MMbbl, which is 517 Mbbbl, or 16%, over 2022 and 357 Mbbbl, or 10.5%, above the 5-year maximum. Inventories are 1 MMbbl, or 37%, above the 5-year average.

Total U.S. production increased by 44 Mbbbl/d to 2,563 Mbbbl/d as production in PADD 2, PADD 3 and PADD 4/5 increased by a combined 81 Mbbbl/d while PADD 1 fell by 37 Mbbbl/d. Exports grew by 168 Mbbbl/d to

1,507 Mbbbl/d, which is above the 4-week average of 1,442 Mbbbl/d. Imports went up by 30 Mbbbl/d to 102 Mbbbl/d as volumes into PADD 2 increased by 19 Mbbbl/d, while PADD 1 and PADD 4/5 rose by a combined 11 Mbbbl/d. Product supplied increased by 233 Mbbbl/d to 920 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended June 2 (red bar, Figure 2) of 1.7 MMbbl was about 1.1 MMbbl less than the average increase of 2.8 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 1 c/gal discount as of June 6. The forward-price differential between Mont Belvieu and Conway was relatively unchanged from last week, with Mont Belvieu trading at a 0.4 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 95 days, 41 days higher than the same week in 2022 and two days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 30 days of inventory, which is nine days more than 2022 and 12 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

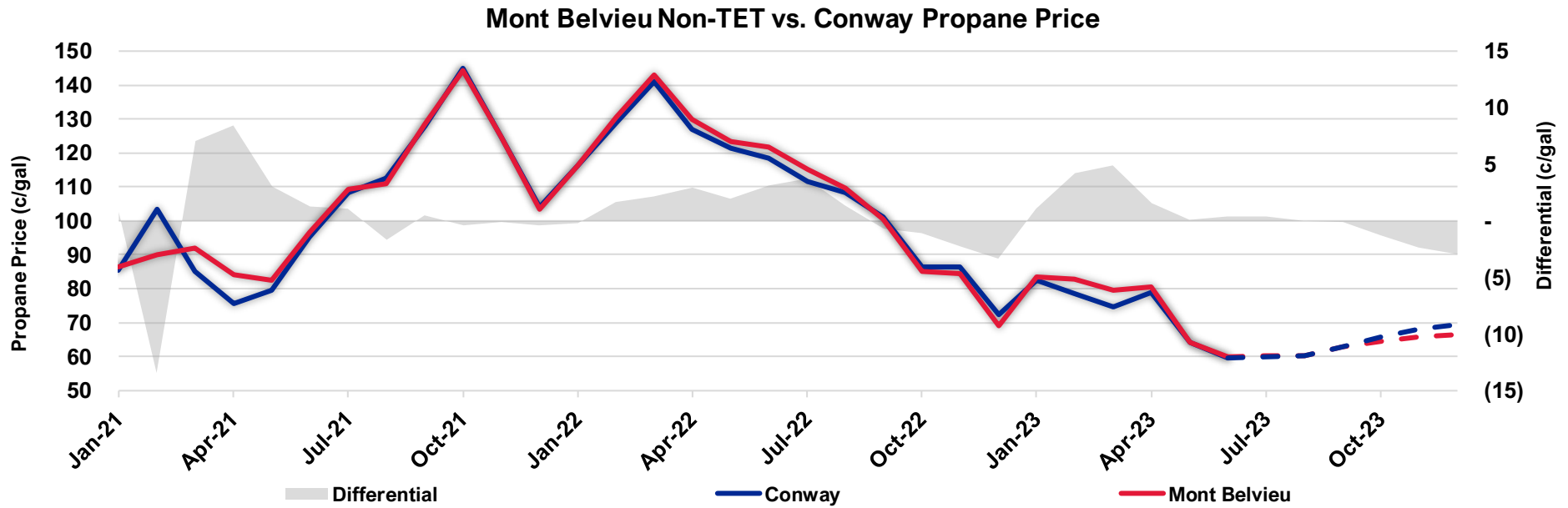
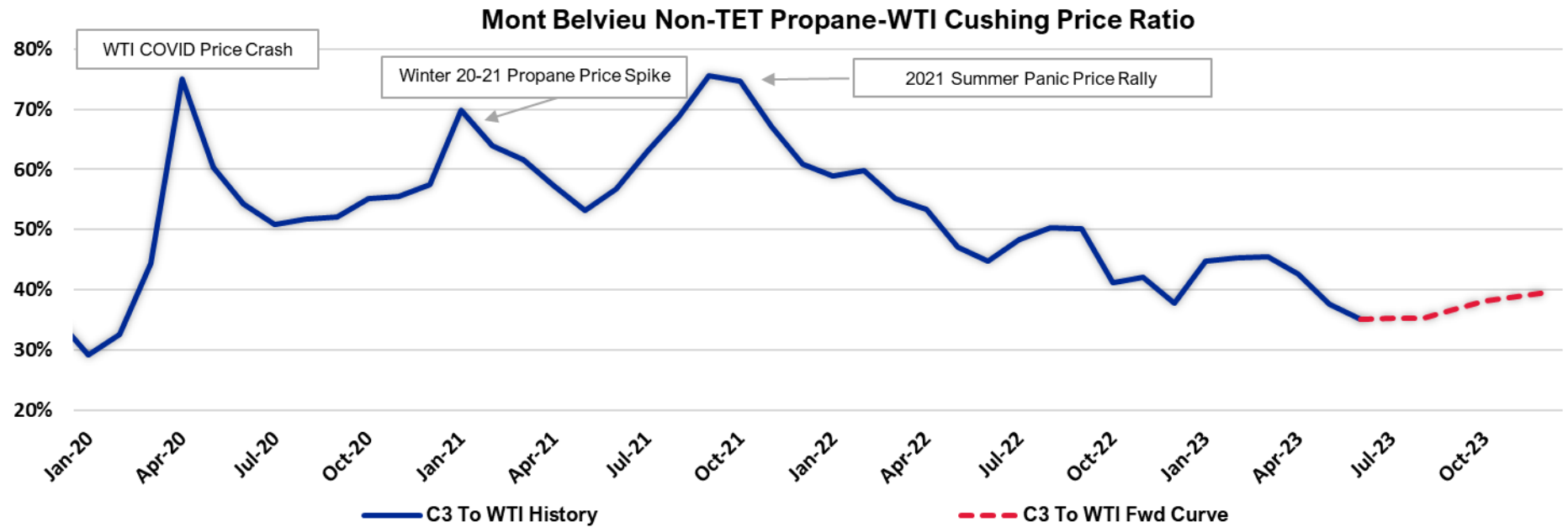


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

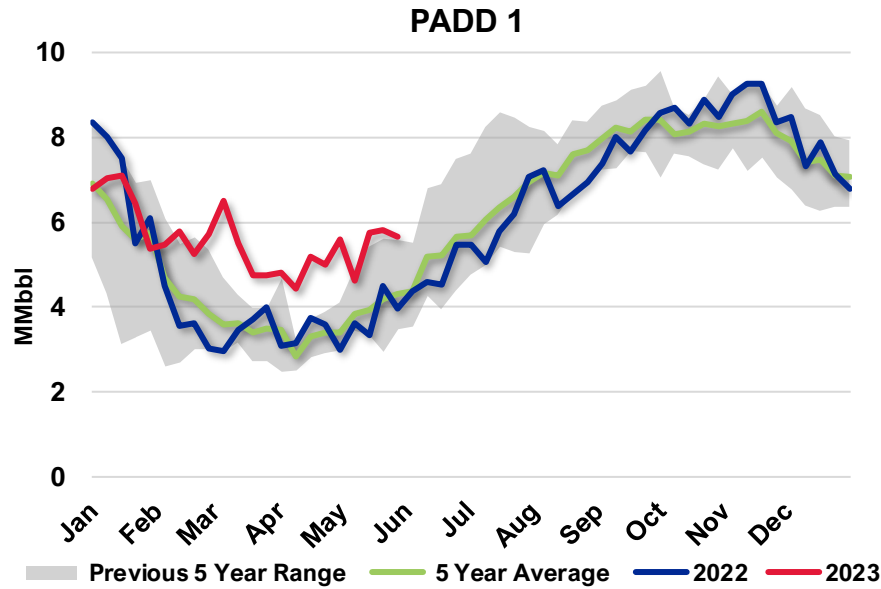


Figure 6

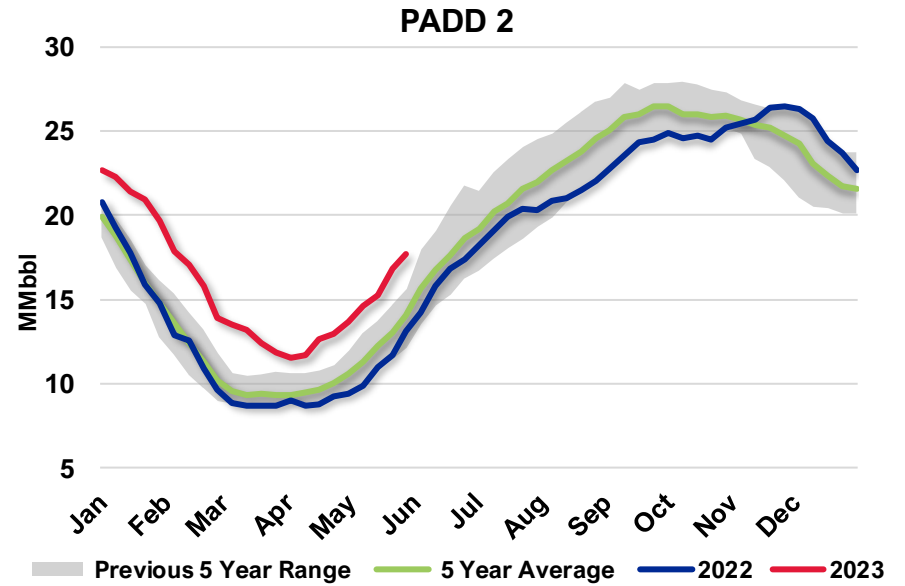


Figure 7

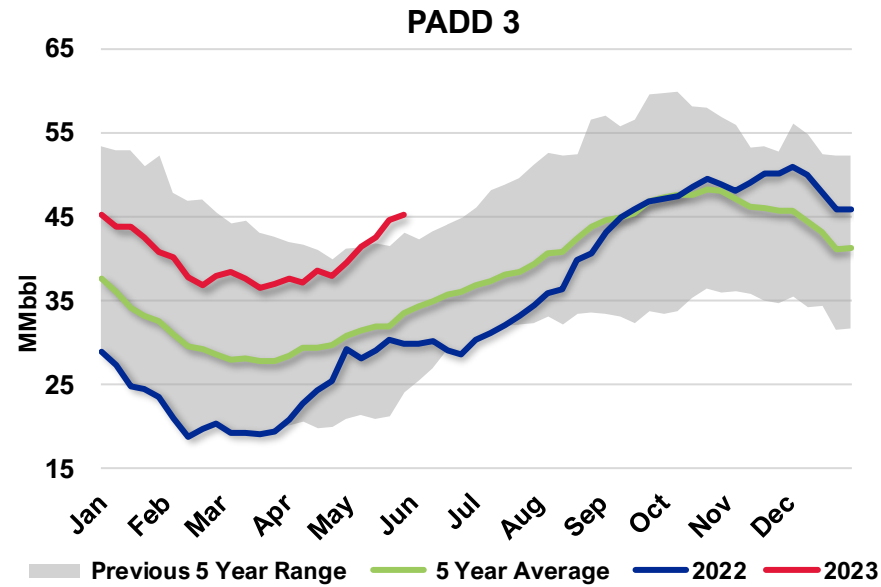


Figure 8

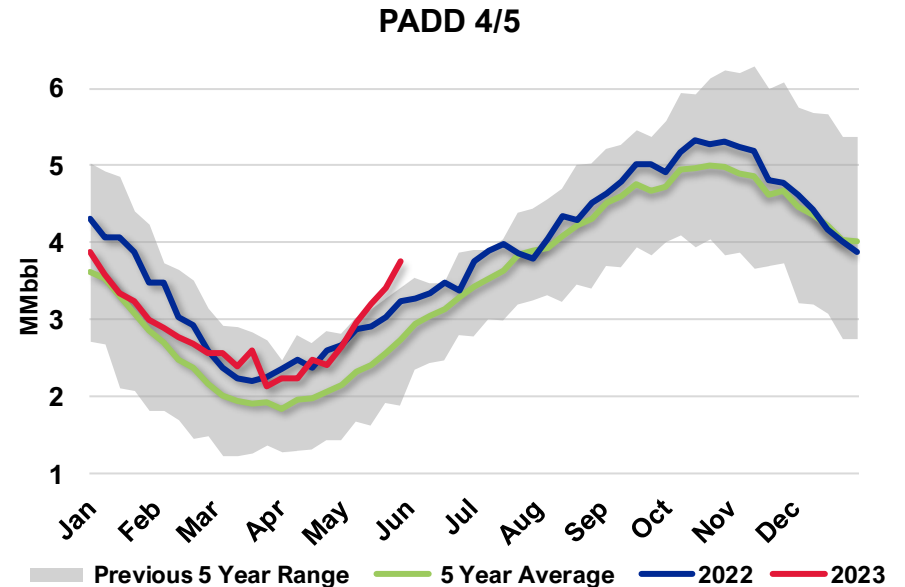


Figure 9

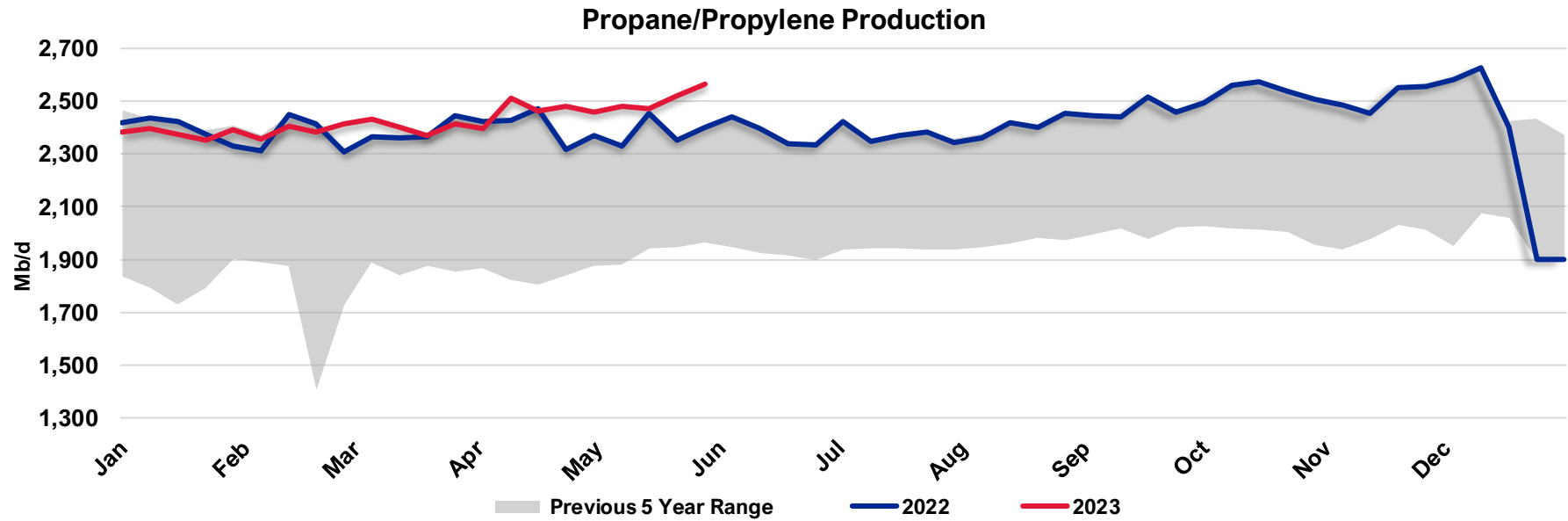


Figure 10

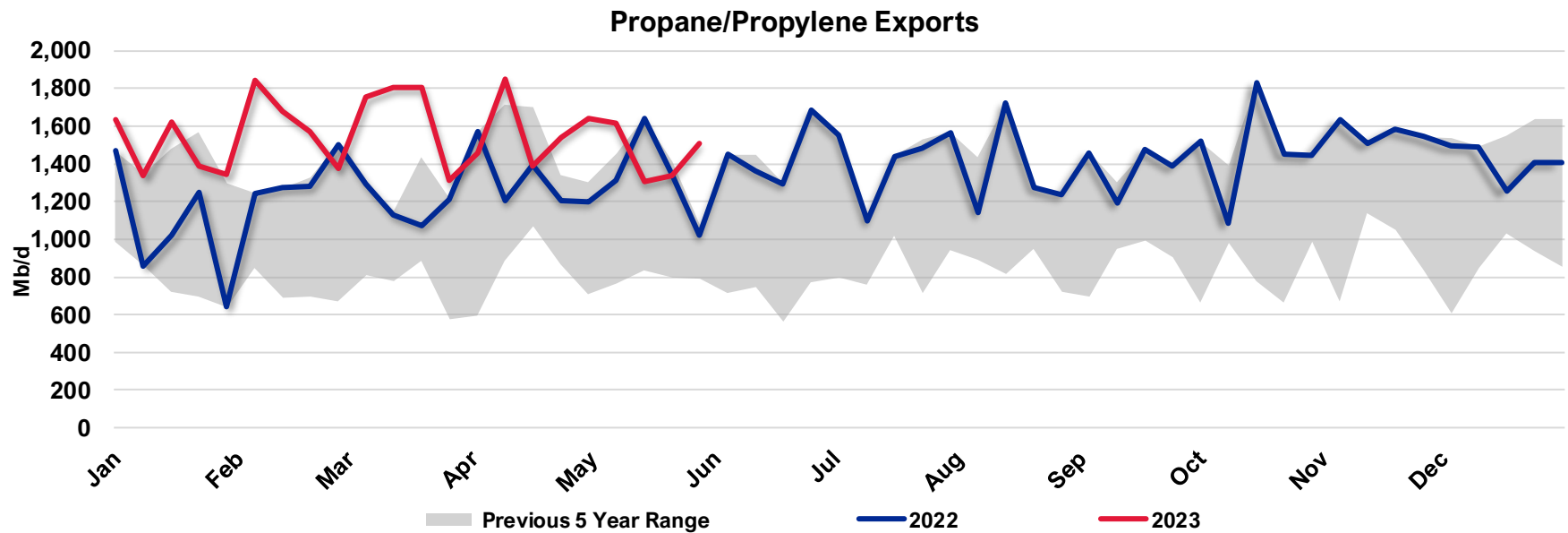


Figure 11

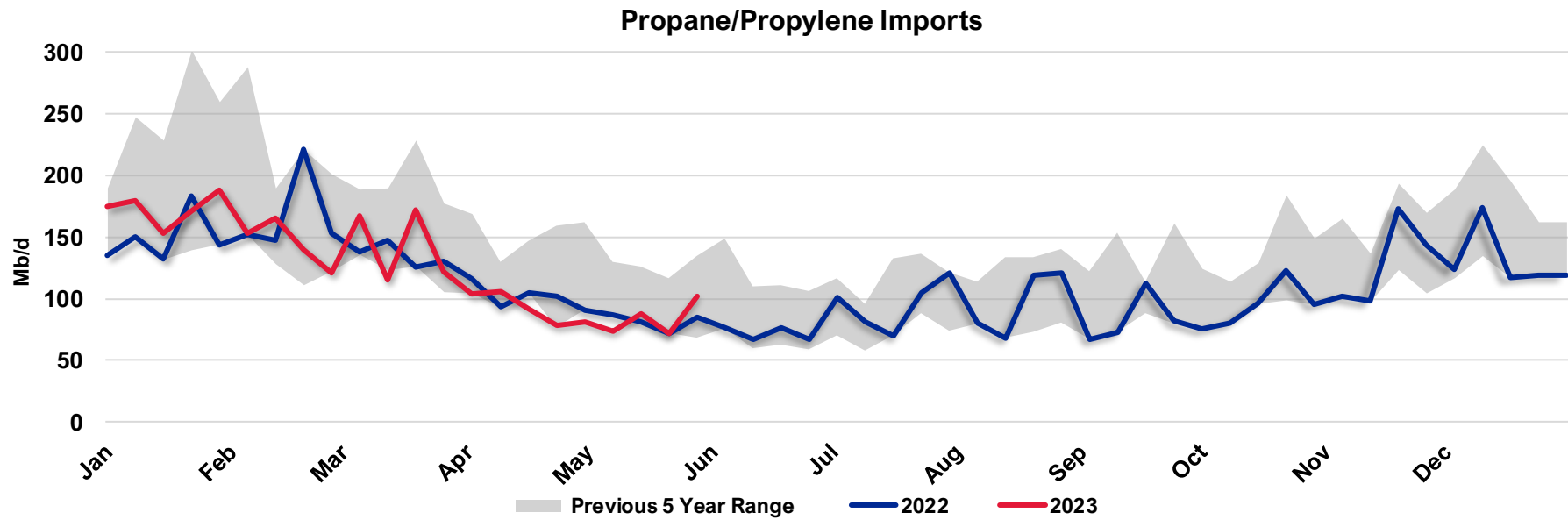


Figure 12

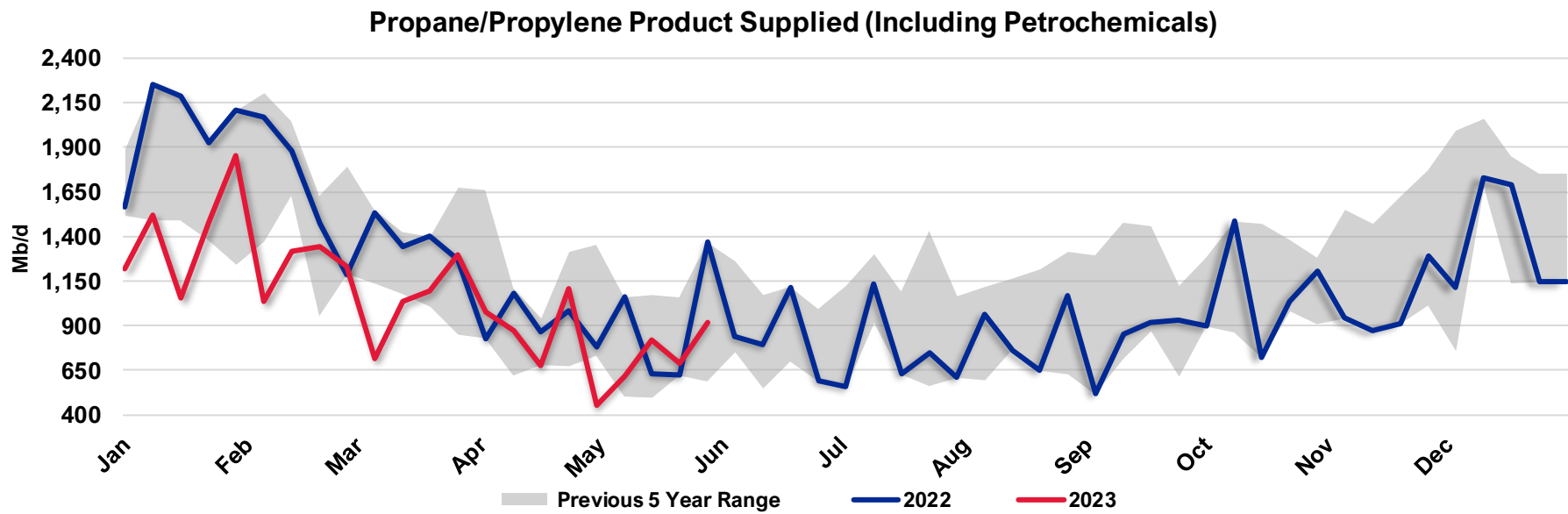


Figure 13

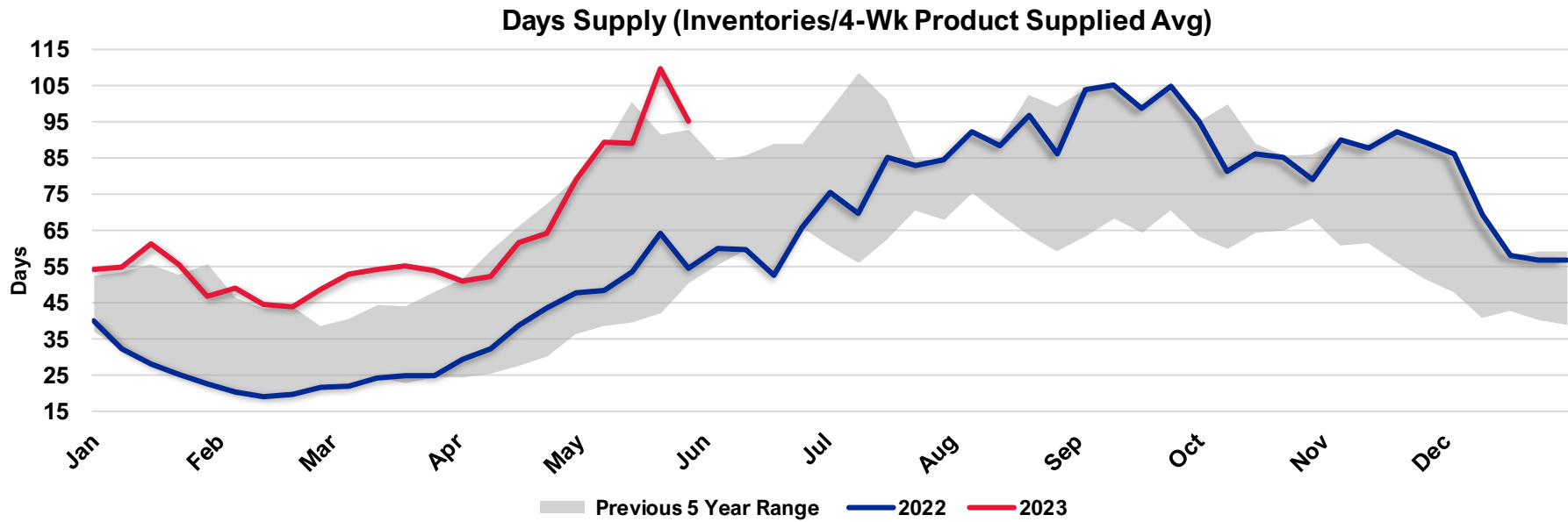
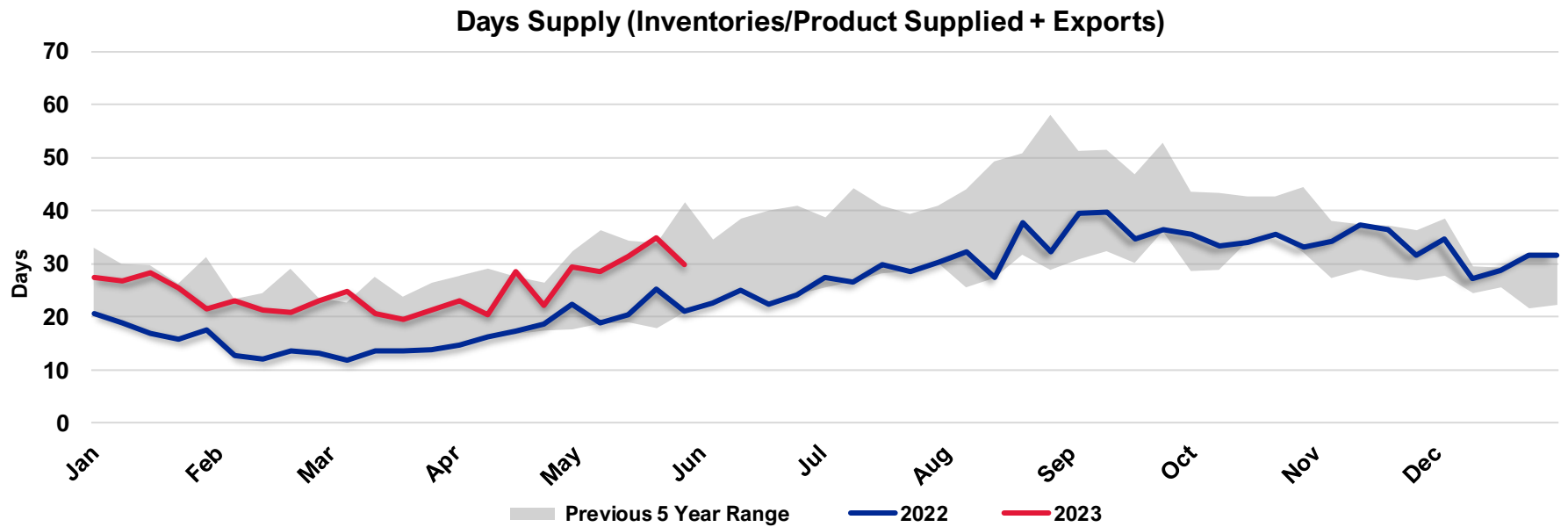


Figure 14



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