

WEEKLY PROPANE MARKET UPDATE

June 22, 2023

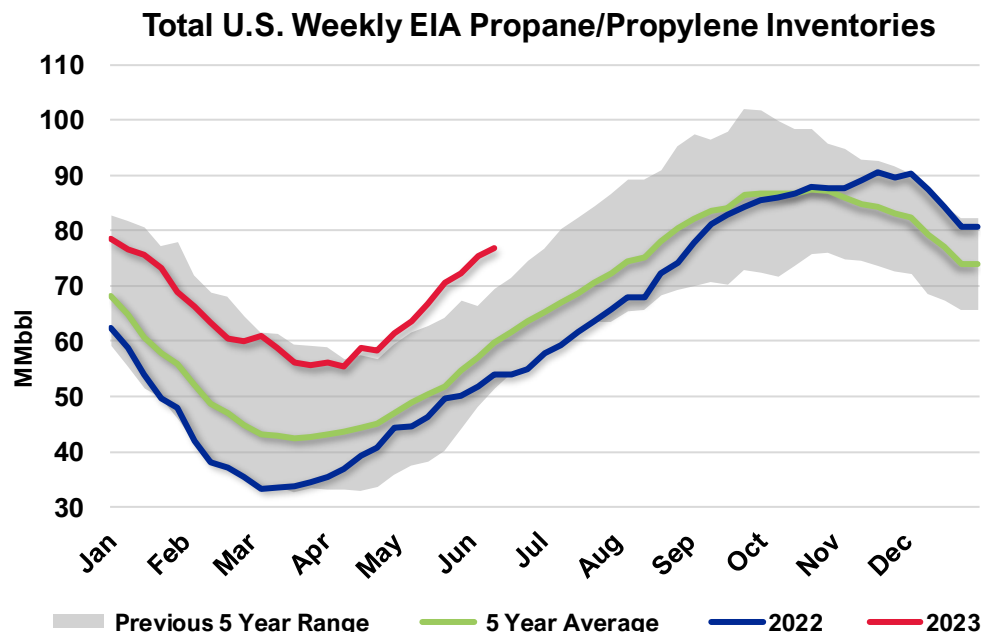
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1.5 MMbbl for the week ended June 16. The build was below industry expectations for an increase of 3.0 MMbbl and the 2.3 MMbbl average build for the week. Total U.S. propane stocks are now at 76.9 MMbbl, which is 17.1 MMbbl, or 29%, above the 5-year average.
- » Crude oil prices moved higher during the week driven by market concerns about tighter supplies and a weaker U.S. dollar. WTI settled at \$72.53/bbl on June 21, up \$3.11/bbl from June 13. Propane prices were lower, with Mont Belvieu non-TET down by 1.1 c/gal to 56.5 c/gal on June 21. As a result, the propane-to-WTI ratio was down 2 percentage points from last week to 33%.
- » Weekly exports of propane reported by the EIA were weaker at 1.39 MMbbl/d, down 257 Mbbbl/d from last week and below the year-to-date average of 1.55 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 43 Mbbbl/d to 2,545 Mbbbl/d as lower PADD 2 and PADD 3 supplies were partially offset by an increase in PADD 1 production.

MARKET OVERVIEW

Mont Belvieu propane prices moved lower during the past week, settling at 56.5 c/gal on June 21. WTI prices were stronger, increasing by \$3.11/bbl, or 4.5%, to \$72.53/bbl over the same period, which pushed the propane-to-WTI ratio down by two percentage points to 33%. 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 34%.

Figure 1

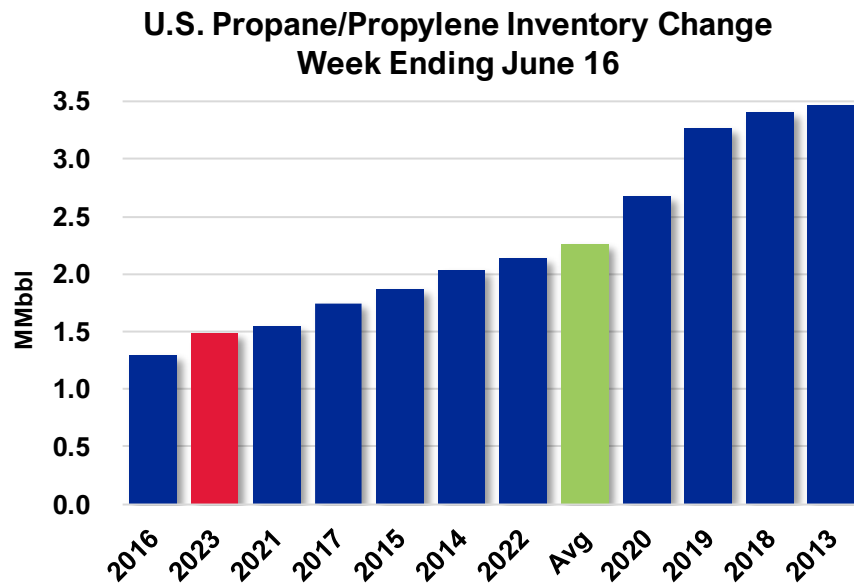


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for an inventory build of 3 MMbbl. In today's EIA report, U.S. propane inventories increased by 1.5 MMbbl for the week ended June 16. Total U.S. propane stocks are now 76.9 MMbbl. Inventories are 23 MMbbl, or 42.6%, above the same week in 2022 and 7.4 MMbbl above the 5-year maximum. Regional changes were mixed, with PADD 3 having the largest build for two consecutive weeks.

PADD 3 (Gulf Coast) propane inventories had a build of 1.6 MMbbl. Total inventories for the region are now 48.2 MMbbl, putting them at 18 MMbbl, or 60%, above 2022 and 4.9 MMbbl above the 5-year maximum. Inventories are 13.4 MMbbl, or 38.5%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 191 Mbbbl, bringing the total to 19.2 MMbbl. Inventories are 3.4 MMbbl, or 21.4%, over 2022 and the same as the 5-year maximum.

PADD 1 (East Coast) stocks fell by 325 Mbbbl. Total inventories for the region are at 5.4 MMbbl, which is 857 Mbbbl, or 18.7%, over 2022 and 1.3 MMbbl, or 25.9%, below the 5-year maximum. Inventories are 257 Mbbbl, or 5%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks were essentially unchanged for the week. Total stocks remain at 4.1 MMbbl, which is 709 Mbbbl, or 21.2%, over 2022 and 581 Mbbbl, or 16.7%, above the 5-year maximum. Inventories are 1 MMbbl, or 33%, above the 5-year average.

Total U.S. production fell by 43 Mbbbl/d to 2,545 Mbbbl/d as production in PADD 2 and PADD 3 decreased by a combined 60 Mbbbl/d while PADD 1 increased by 16 Mbbbl/d. Exports fell by 257 Mbbbl/d to 1,392 Mbbbl/d, which

is below the 4-week average of 1,472 Mbbbl/d. Imports went up by 20 Mbbbl/d to 96 Mbbbl/d as volumes into PADD 2 grew by 24 Mbbbl/d, while PADD 1 and PADD 4/5 declined by a combined 4 Mbbbl/d. Product supplied rose by 466 Mbbbl/d to 1,036 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended June 16 (red bar, Figure 2) of 1.5 MMbbl was about 0.8 MMbbl less than the average increase of 2.3 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET narrowed from last week, trading at a 1.8 c/gal discount as of June 21. The forward-price differential between Mont Belvieu and Conway was unchanged 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 96 days, 36 days higher than the same week in 2022 and 10 days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 32 days of inventory, which is seven days more than 2022 and seven 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

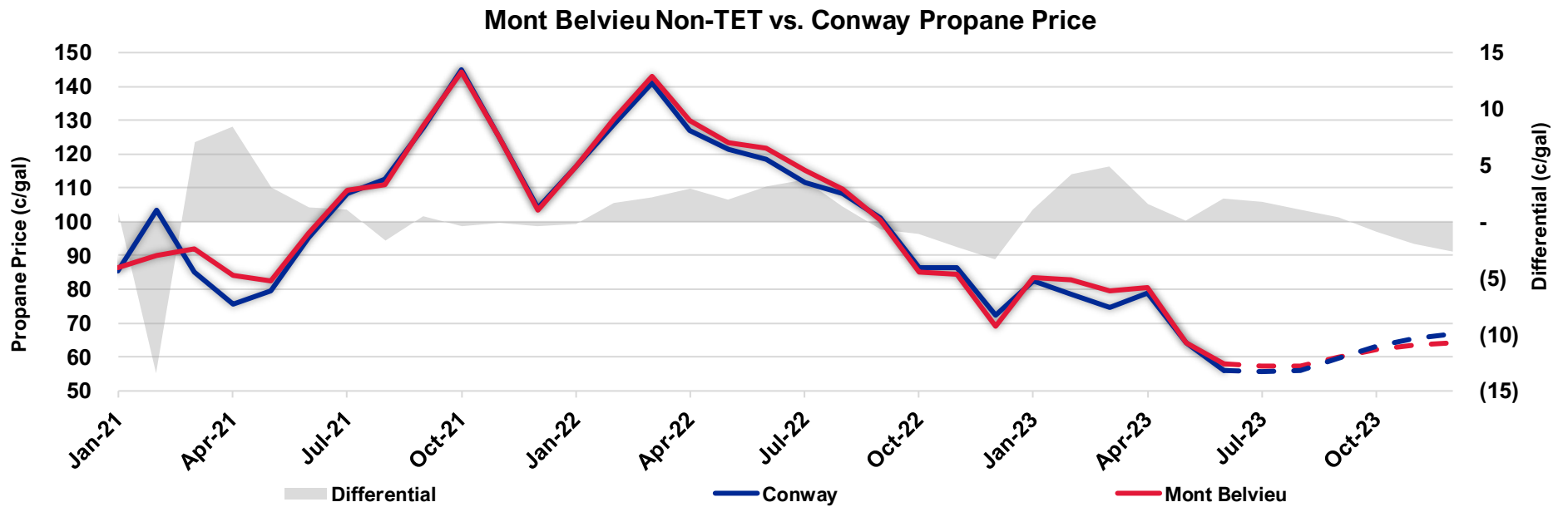
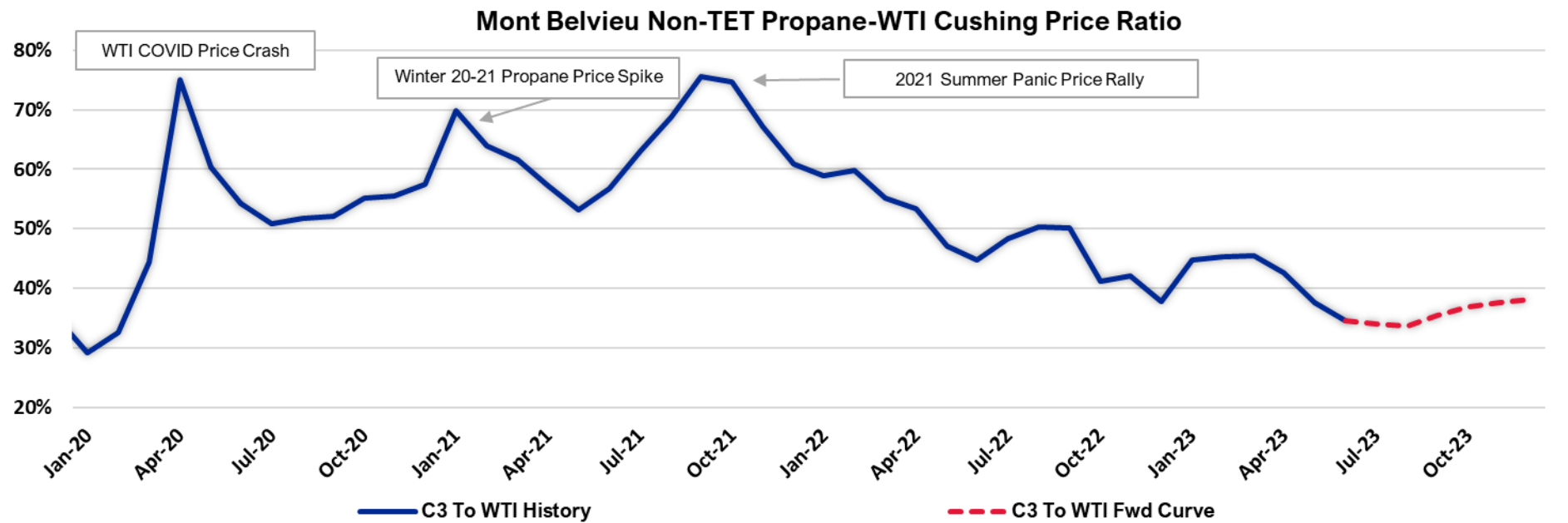


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

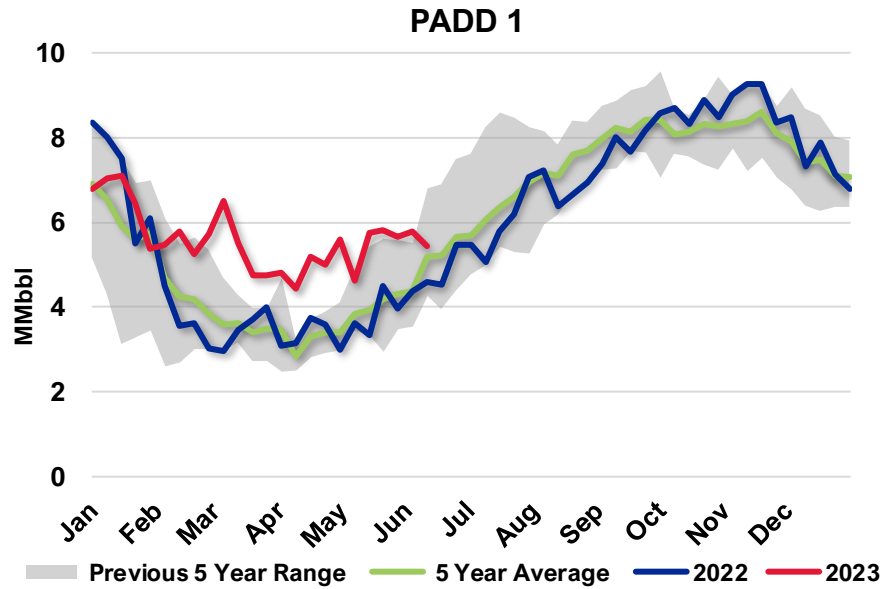


Figure 6

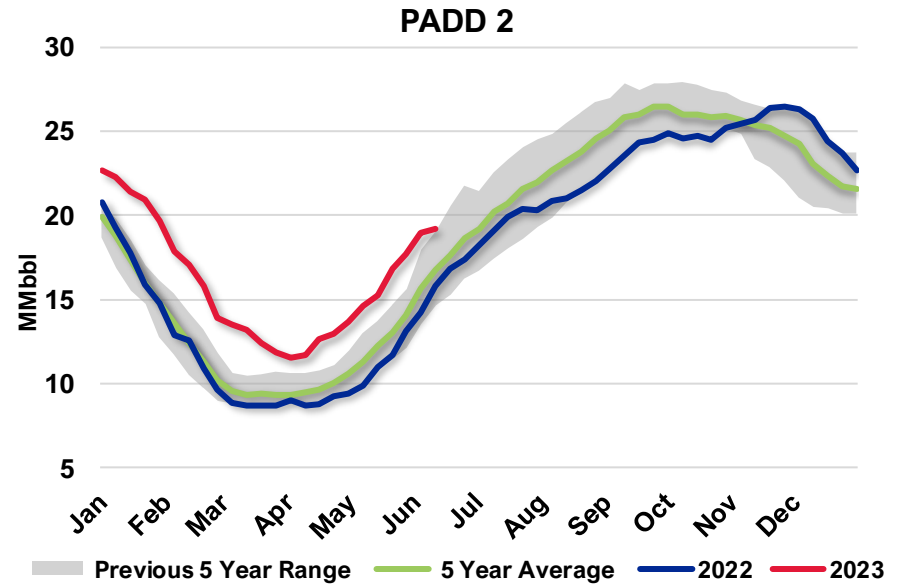


Figure 7

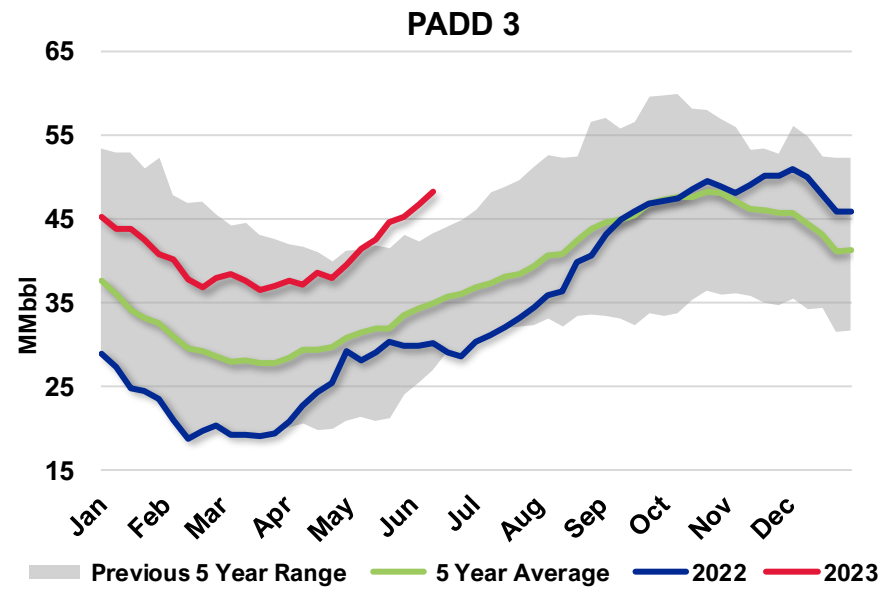


Figure 8

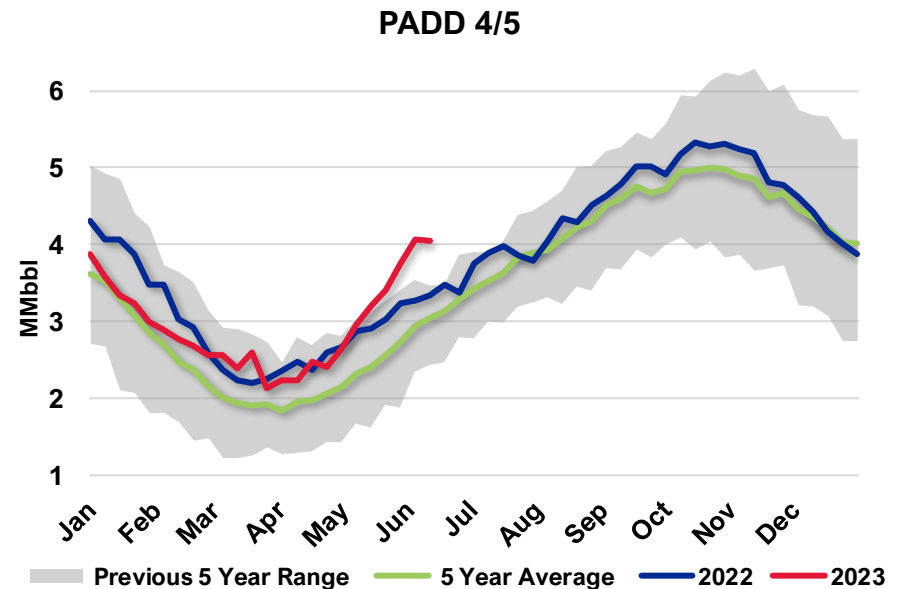


Figure 9

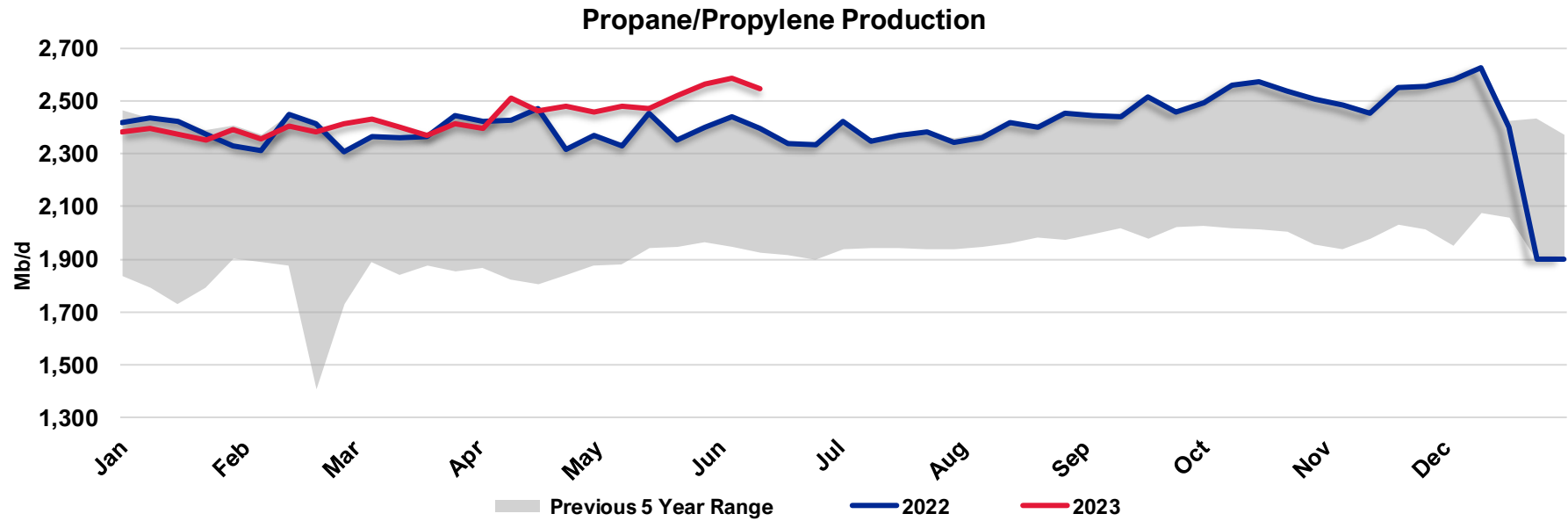


Figure 10

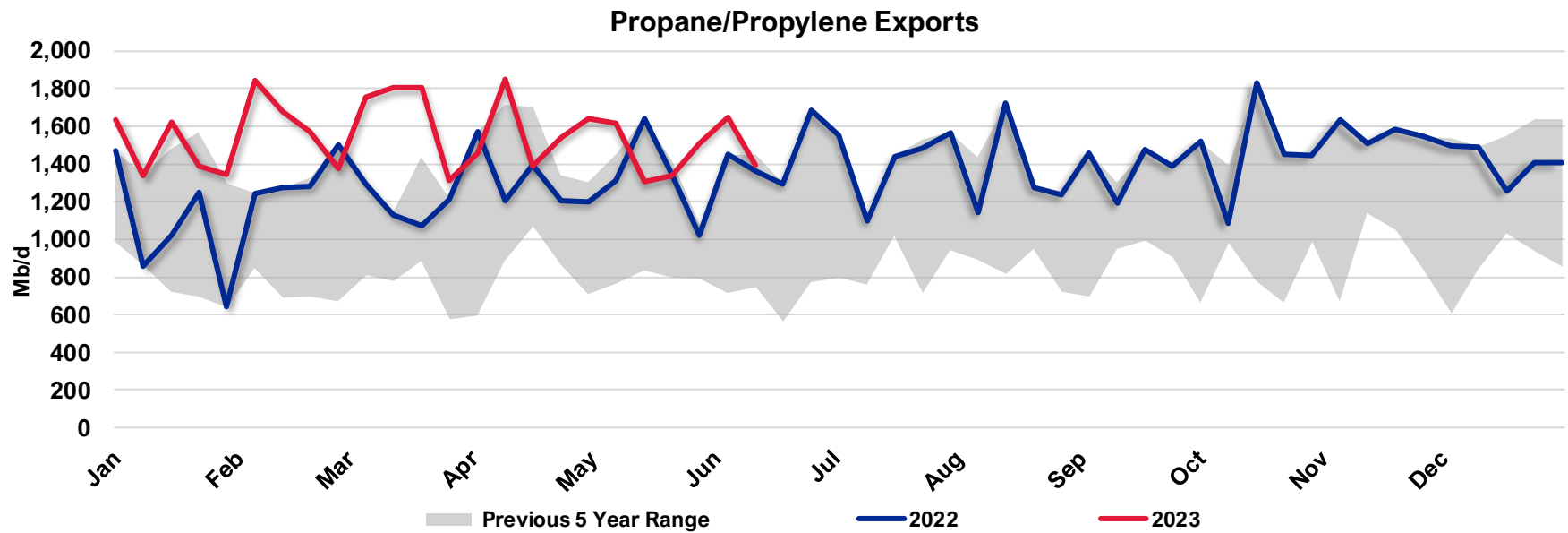


Figure 11

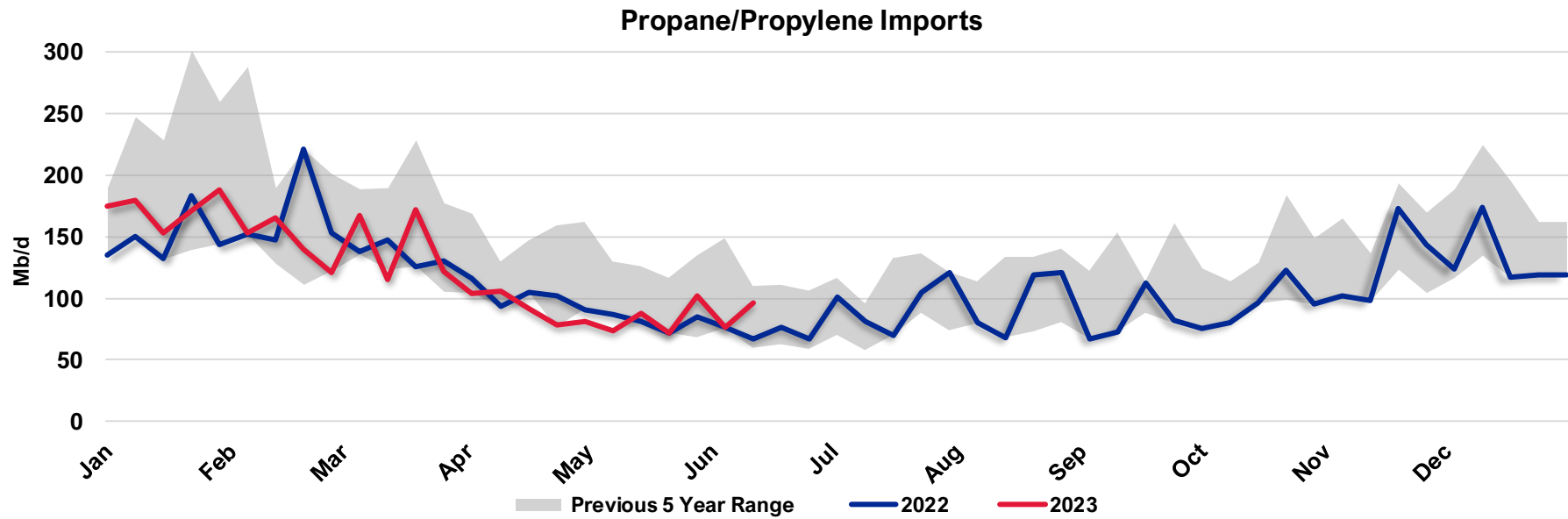


Figure 12

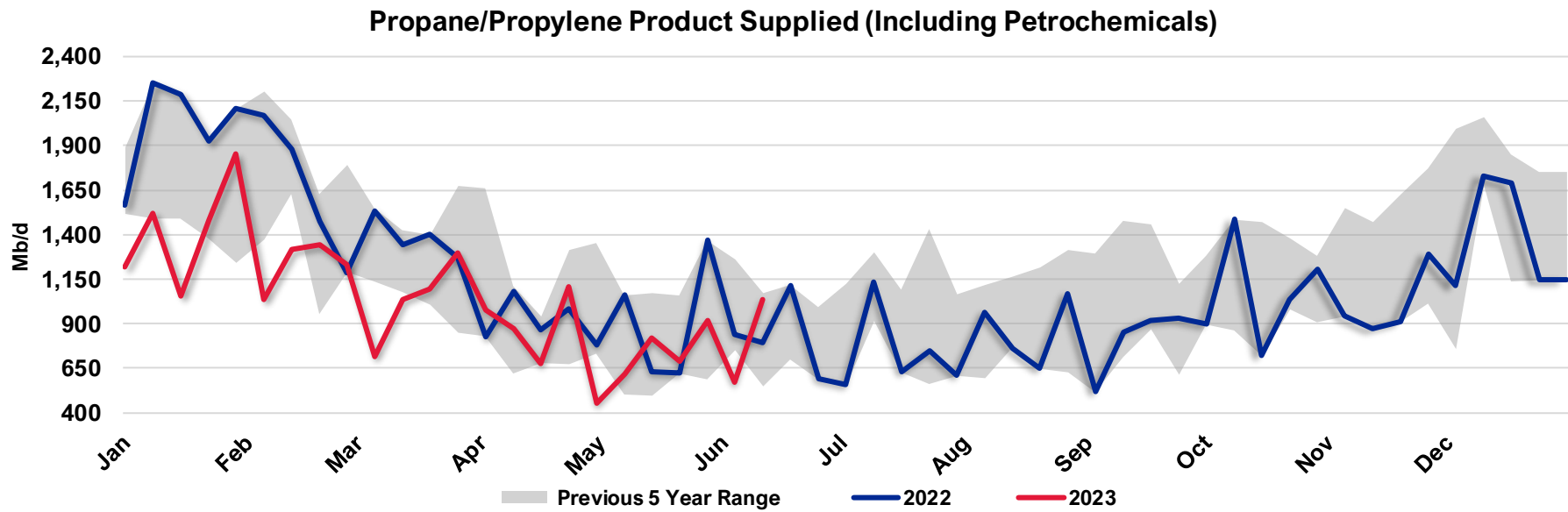


Figure 13

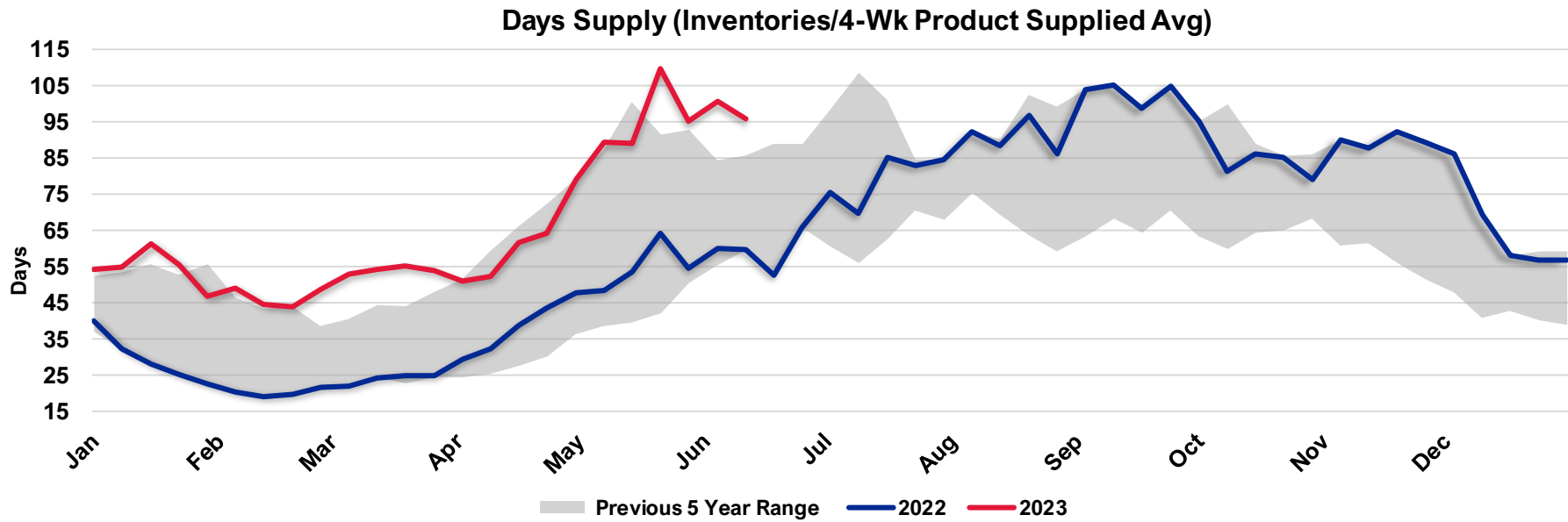
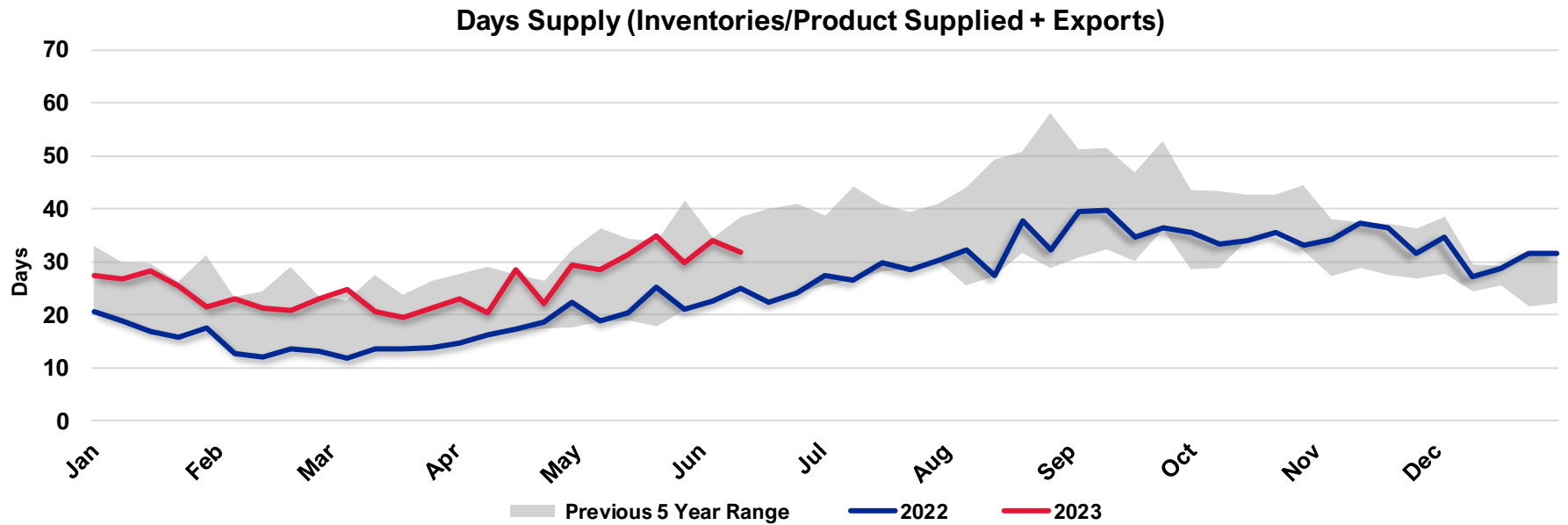


Figure 14



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