



WEEKLY PROPANE MARKET UPDATE

June 28, 2023

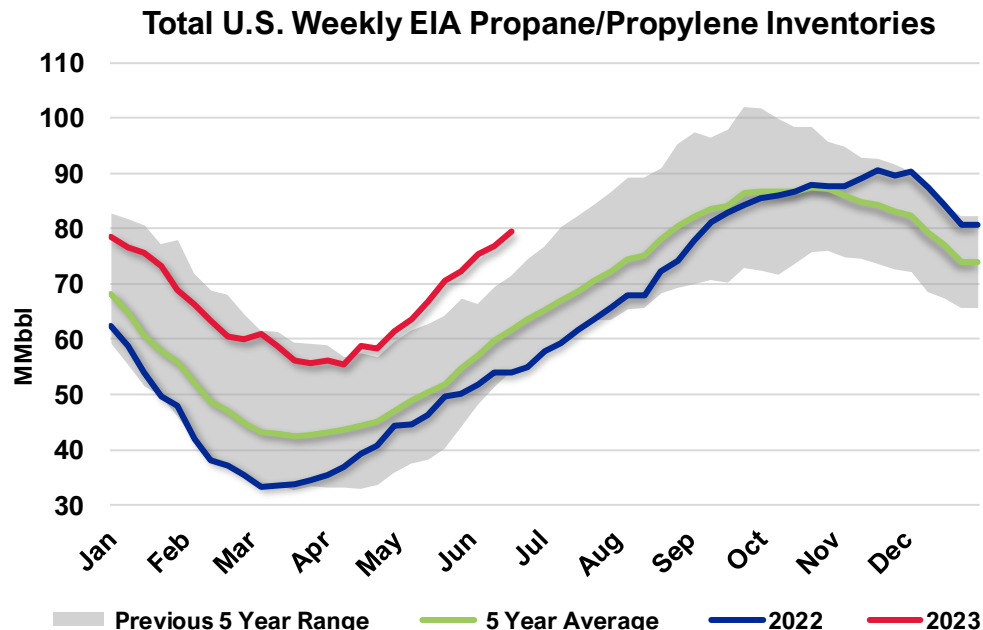
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 2.6 MMbbl for the week ended June 23. The build was slightly above industry expectations for an increase of 2.5 MMbbl and the 2.1 MMbbl average build for the week. Total U.S. propane stocks are now at 79.5 MMbbl, which is 17.9 MMbbl, or 29%, above the 5-year average.
- » Crude oil prices moved lower during the week, driven by market concerns about weaker global demand. WTI settled at \$67.70/bbl on June 27, down \$4.83/bbl from June 21. Propane prices were also lower, with Mont Belvieu non-TET down by 2.6 c/gal to 53.9 c/gal on June 27. As a result, the propane-to-WTI ratio was unchanged from last week at 33%.
- » Weekly exports of propane reported by the EIA soared to a record-high 1.89 MMbbl/d, up 503 Mbbbl/d from last week and well above the year-to-date average of 1.56 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 24 Mbbbl/d to 2,521 Mbbbl/d as lower PADD 1 and PADD 3 supplies were partially offset by an increase in PADD 2 and PADD 4/5 production.

MARKET OVERVIEW

Mont Belvieu propane prices moved lower during the past week, settling at 53.9 c/gal on June 27. WTI prices were also weaker, declining by \$4.83/bbl, or 6.7%, to \$67.70/bbl over the same period, which left the propane-to-WTI ratio unchanged at 33%. The current ratio is below the 45% average recorded in June 2022. The forward propane-to-WTI ratio for July-September 2023 was up 1 percentage point from last week to 35%.

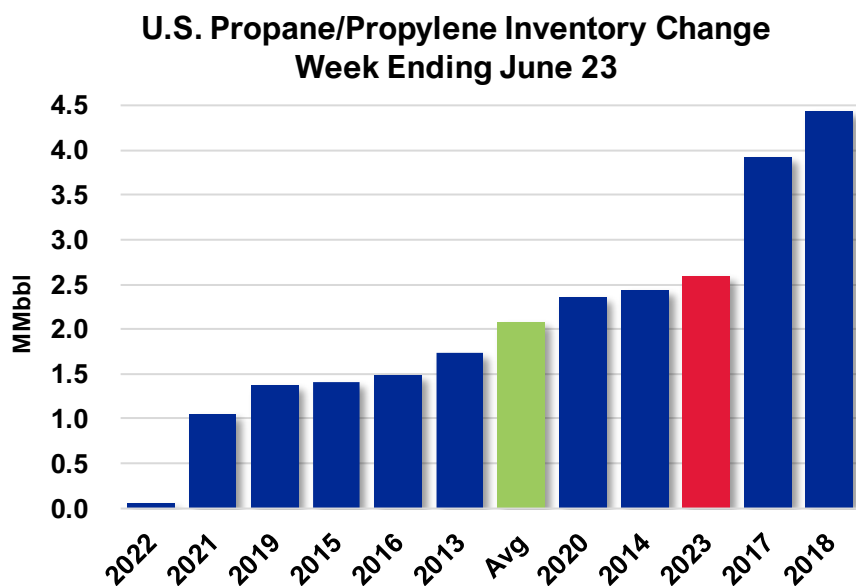
Figure 1



ANALYSIS & INSIGHTS

U.S. propane inventories increased by 2.6 MMbbl, only slightly more than industry expectations, according to today's EIA report. The average of industry expectations called for an inventory build of 2.5 MMbbl for the week ended June 23, according to OPIS. Total U.S. propane stocks are now 79.5 MMbbl. Inventories are 25.5 MMbbl, or 47.3%, above the same week in 2022 and 8.2 MMbbl above the 5-year maximum. Regional changes were mixed, with PADD 3 having the largest build for the third week in a row.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories had a build of 1.4 MMbbl. Total inventories for the region are now 49.6 MMbbl, putting them at 20.5 MMbbl, or 70.5%, above 2022 and 5.6 MMbbl, or 12.9%, above the 5-year maximum. Inventories are 13.9 MMbbl, or 39.2%, above the 5-year average.

PADD 2 (Midwest) inventories grew by 907 Mbbbl, bringing the total to 20.1 MMbbl. Inventories are 3.2 MMbbl, or 19.2%, over 2022. Inventories are 496 Mbbbl, or 2.8%, below the 5-year maximum.

PADD 1 (East Coast) were essentially unchanged. Total inventories for the region remain at 5.4 MMbbl, which is 929 Mbbbl, or 13.5%, over 2022 and 1.4 MMbbl, or 27.4%, below the 5-year maximum. Inventories are 264 Mbbbl, or 5%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks rose by 262 Mbbbl. Total stocks for the region are now 4.3 MMbbl, which is 837 Mbbbl, or 24.1%, over 2022 and the 5-year maximum. Inventories are 1.2 MMbbl, or 37.5%, above the 5-year average.

Total U.S. production fell by 24 Mbbbl/d to 2,521 Mbbbl/d as production in PADD 1 and PADD 3 decreased by a combined 48 Mbbbl/d while PADD 1 and PADD4/5 increased by a total of 24 Mbbbl/d. Exports for the week reached a record high, soaring by 503 Mbbbl/d to 1,895 Mbbbl/d, which is well above the 4-week average of 1,611 Mbbbl/d. Imports fell by 19 Mbbbl/d to 77 Mbbbl/d as volumes into PADD 2 decreased by 27 Mbbbl/d, while PADD 1 and PADD 4/5 increased by a combined 8 Mbbbl/d. Product supplied plummeted by 703 Mbbbl/d to 333 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended June 23 (red bar, Figure 2) of 2.6 MMbbl was about 0.5 MMbbl more than the average increase of 2.1 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 2.0 c/gal discount as of June 27. The forward-price differential between Mont Belvieu and Conway widened from last week, with Mont Belvieu trading at a 2.3 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 111 days, 59 days higher than the same week in 2022 and 22 days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 36 days of inventory, which is 13 days more than 2022 and four 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

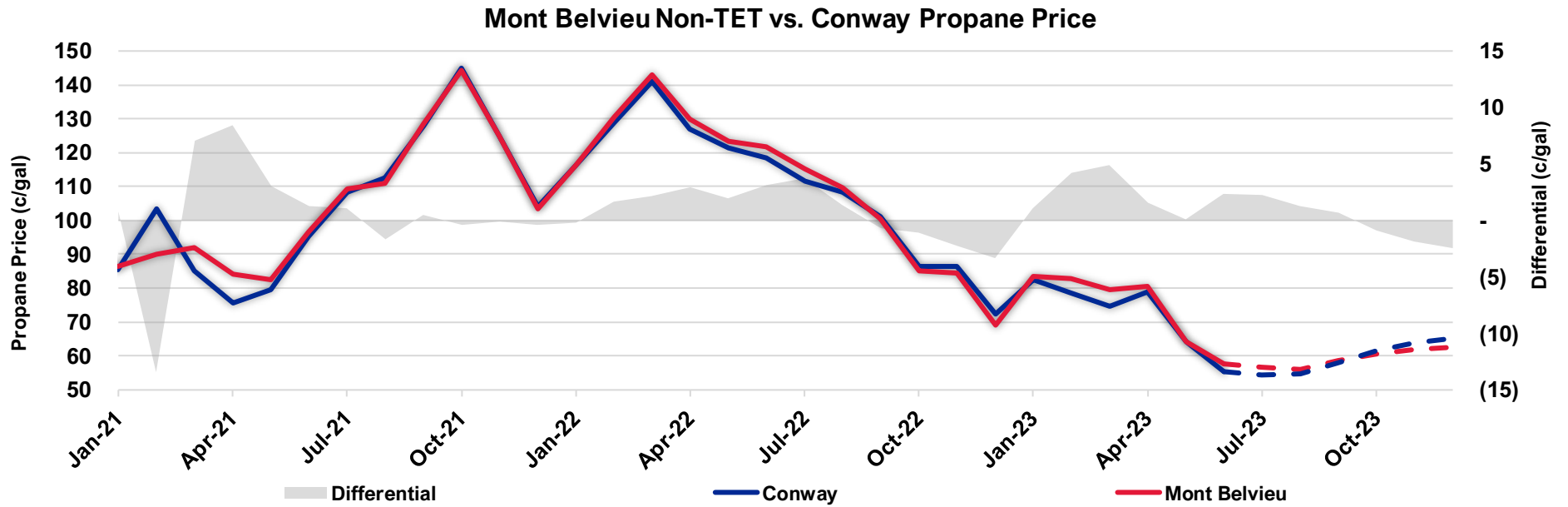
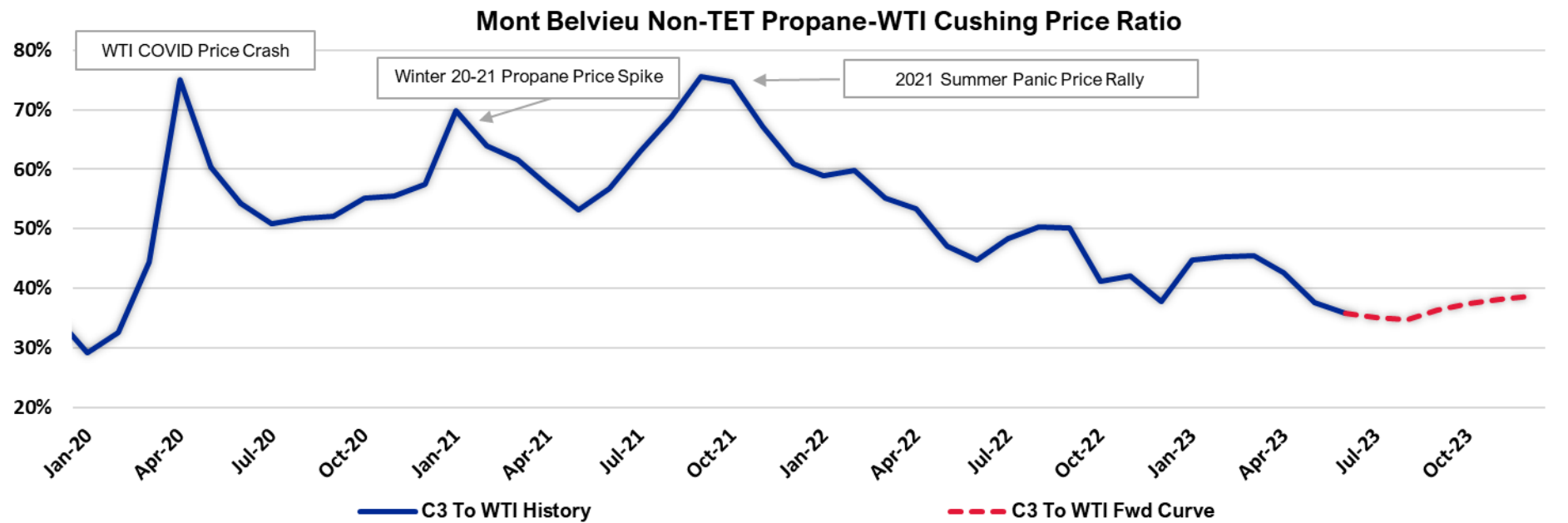


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

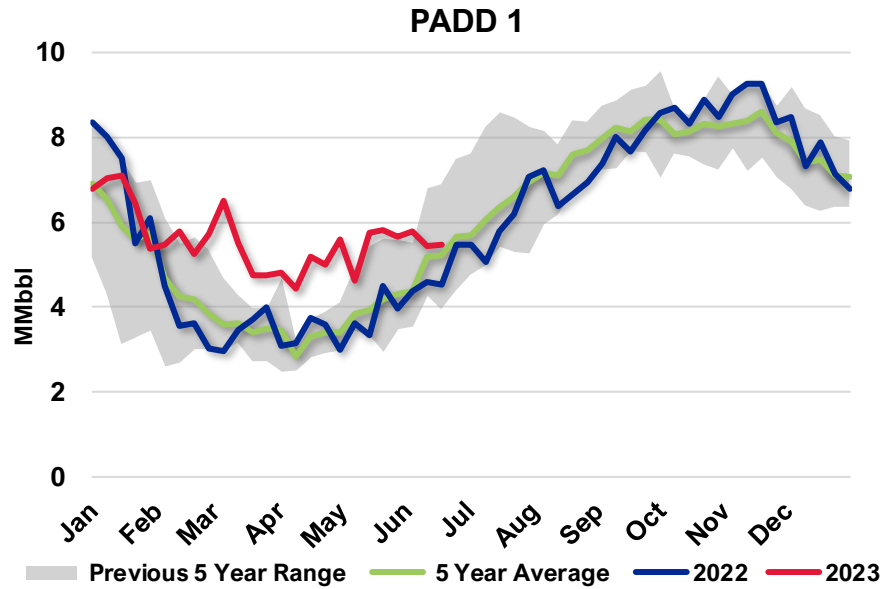


Figure 6

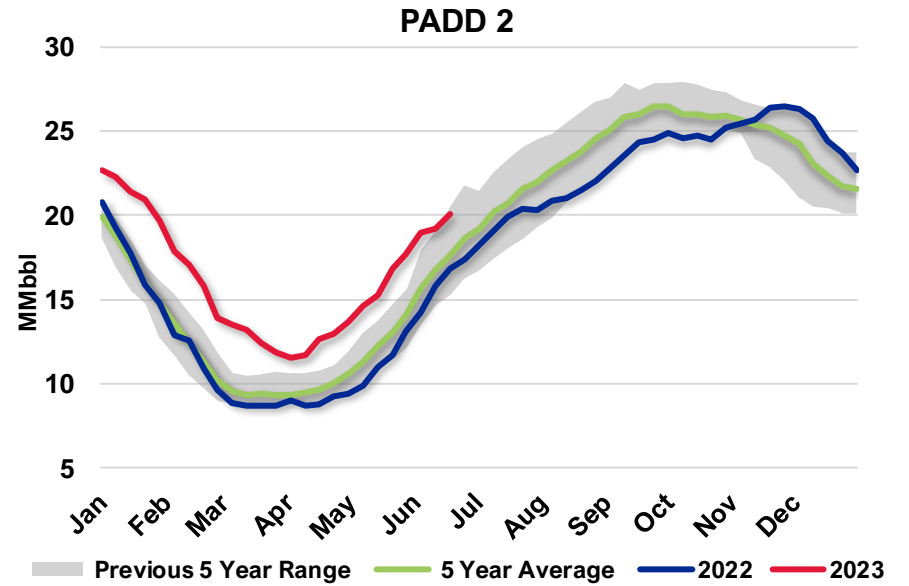


Figure 7

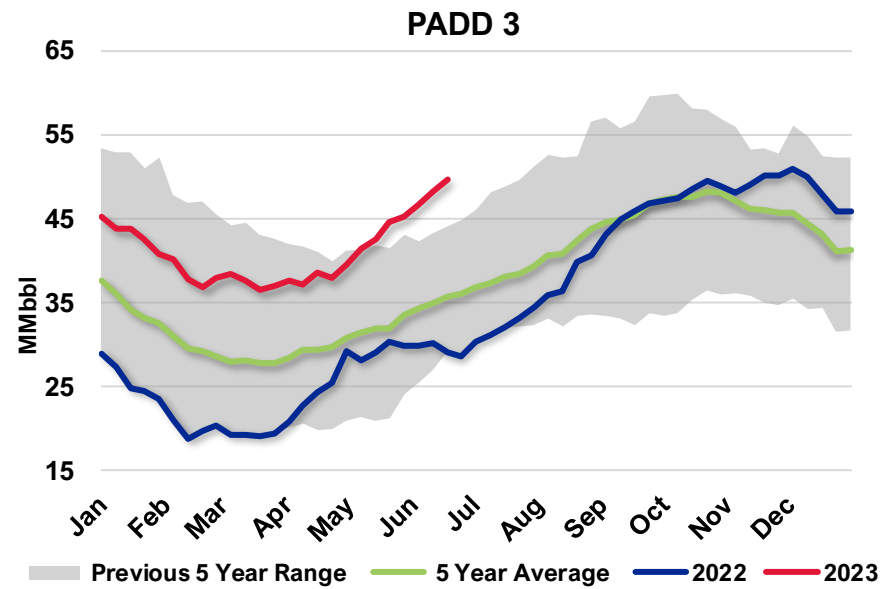


Figure 8

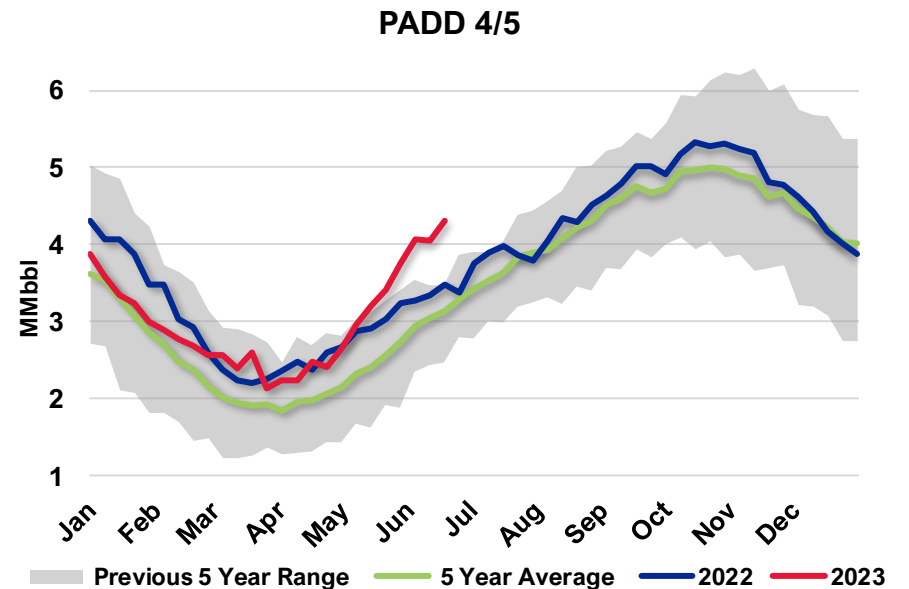


Figure 9

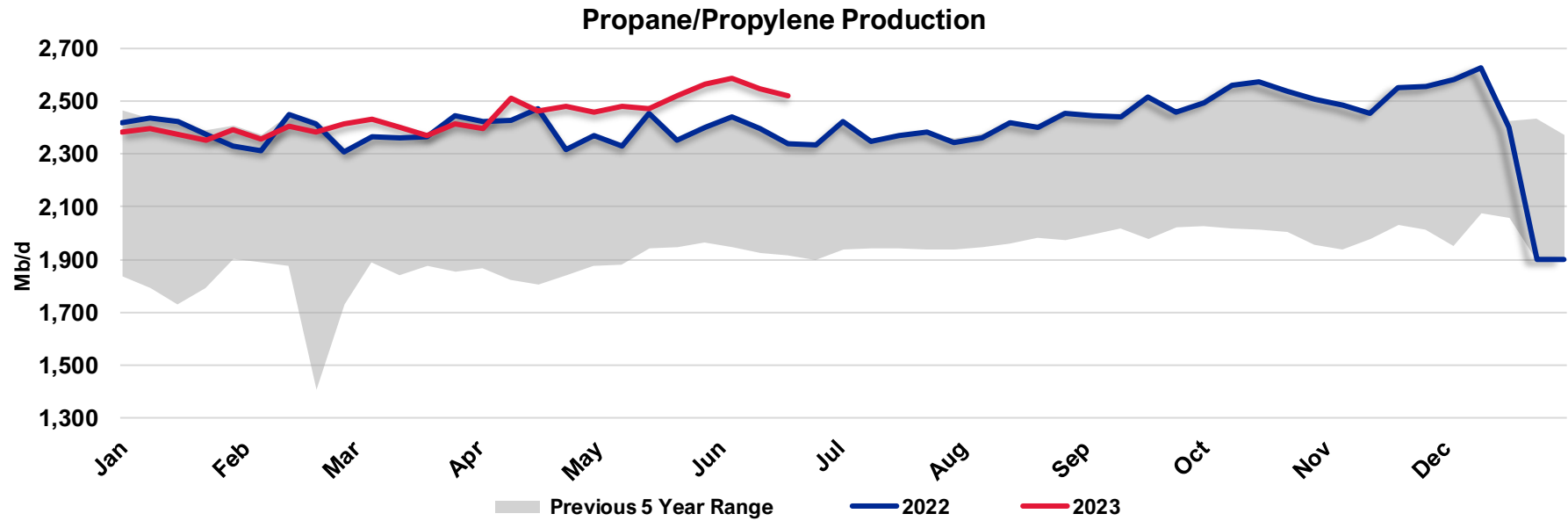


Figure 10

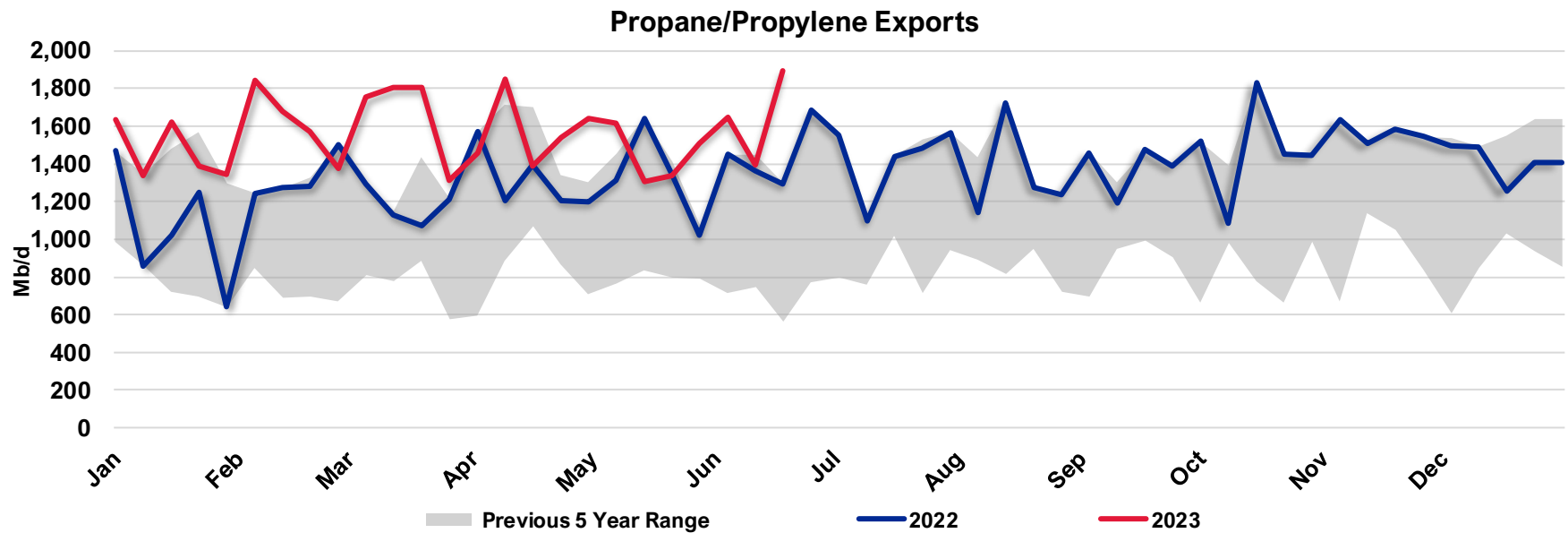


Figure 11

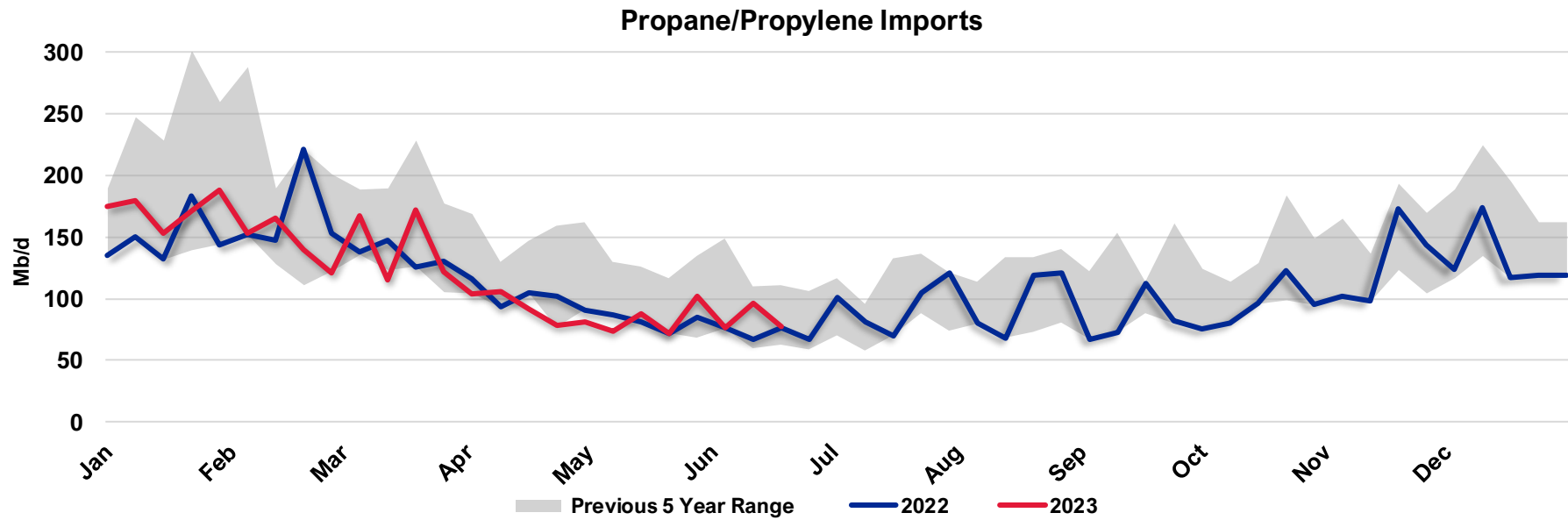


Figure 12

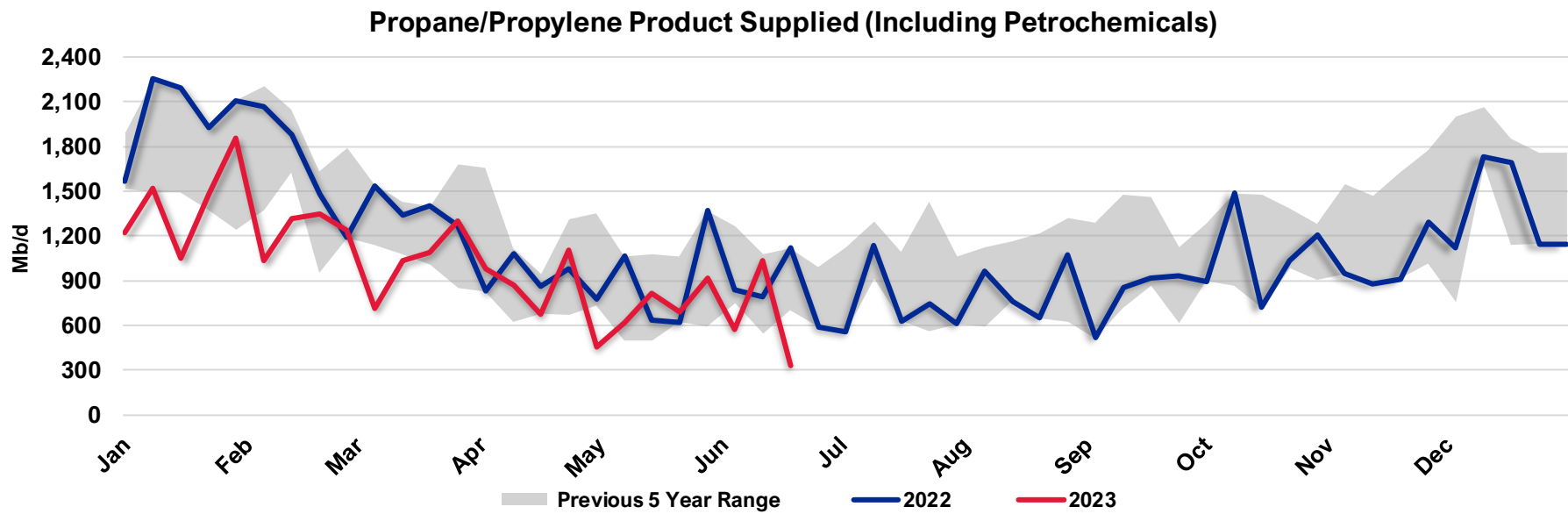


Figure 13

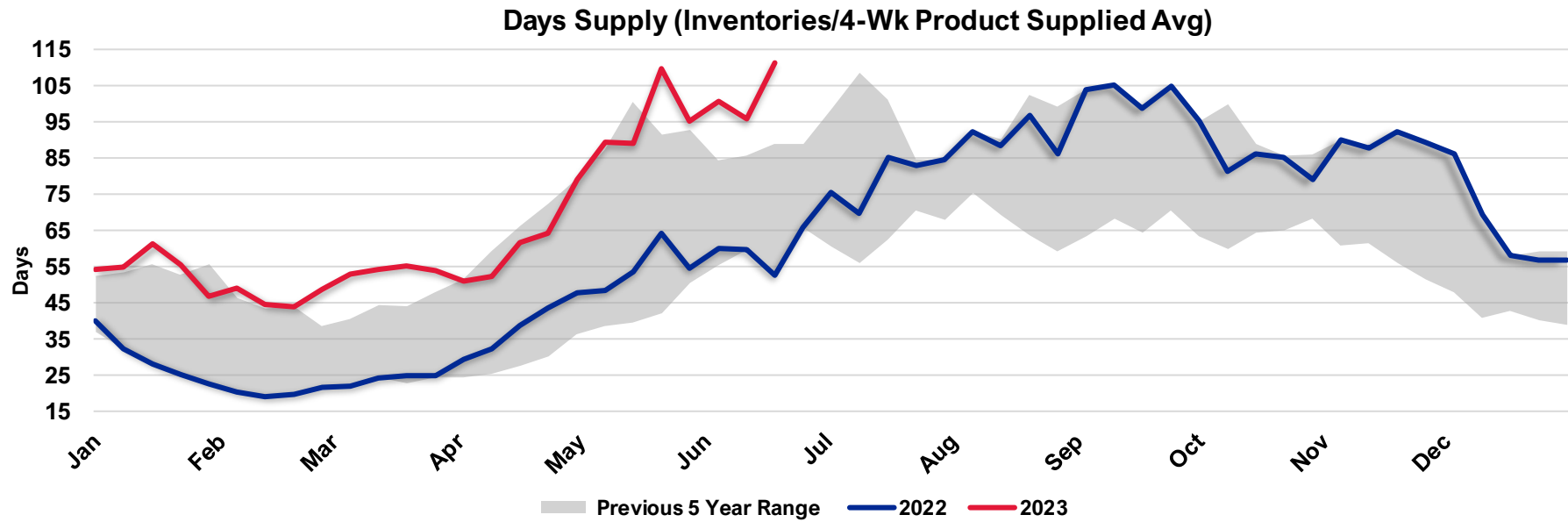
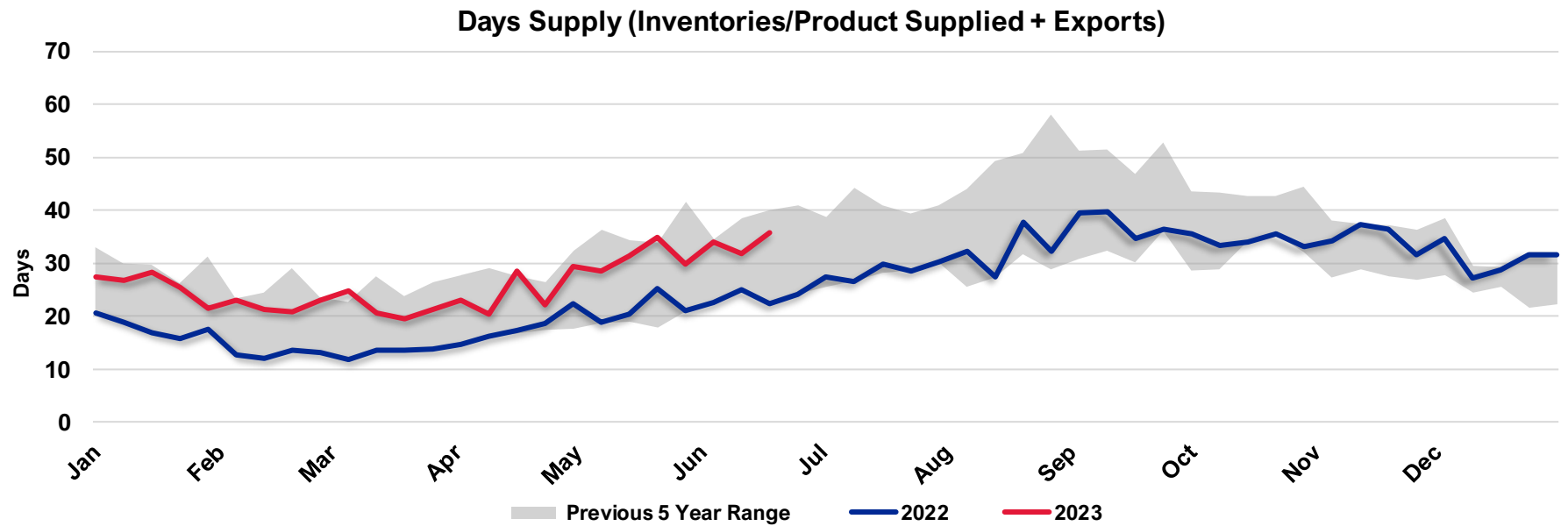


Figure 14



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