



## WEEKLY PROPANE MARKET UPDATE

July 12, 2023

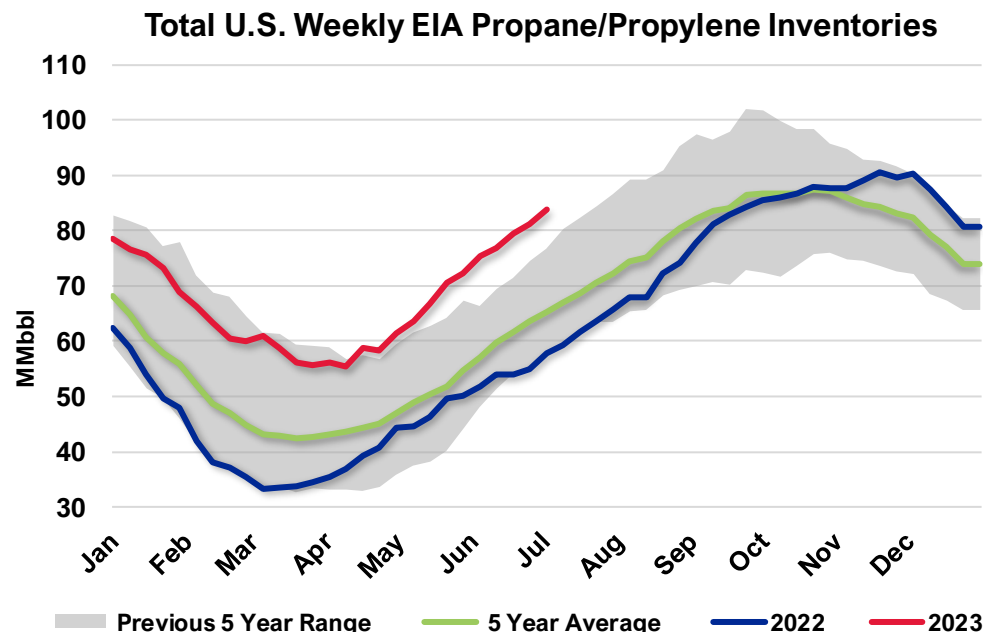
### HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 2.7 MMbbl for the week ended July 7, in line with industry expectations and above the 2 MMbbl average build for the week. Total U.S. propane stocks are now at 83.8 MMbbl, which is 18.6 MMbbl, or 28%, above the 5-year average.
- » Crude oil prices moved higher during the week, supported by supply-cut announcements by several OPEC+ members. WTI settled at \$74.83/bbl on July 11, up \$3.04/bbl from July 5. Propane prices were also stronger, with Mont Belvieu non-TET up by 8.1 c/gal from last week to 60.9 c/gal on July 11. As a result, the propane-to-WTI ratio increased by 3 percentage points from last week to 34%.
- » Weekly exports of propane reported by the EIA were robust at 1.61 MMbbl/d, up 362 Mbbl/d from last week and above the 4-week average of 1.54 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 38 Mbbl/d to 2,530 Mbbl/d, primarily due to lower production in PADD 1 and PADD 2.

### MARKET OVERVIEW

Mont Belvieu propane prices were sharply higher during the past week, settling at 60.9 c/gal on July 11. WTI prices were also stronger, increasing by \$3.04/bbl, or 4.2%, to \$74.83/bbl over the same period, which pushed the propane-to-WTI ratio up by 3 percentage points to 34%. The current ratio is well below the 48% average recorded in July 2022. The forward propane-to-WTI ratio for August-October 2023 also increased by 3 percentage points from last week to 36%.

Figure 1

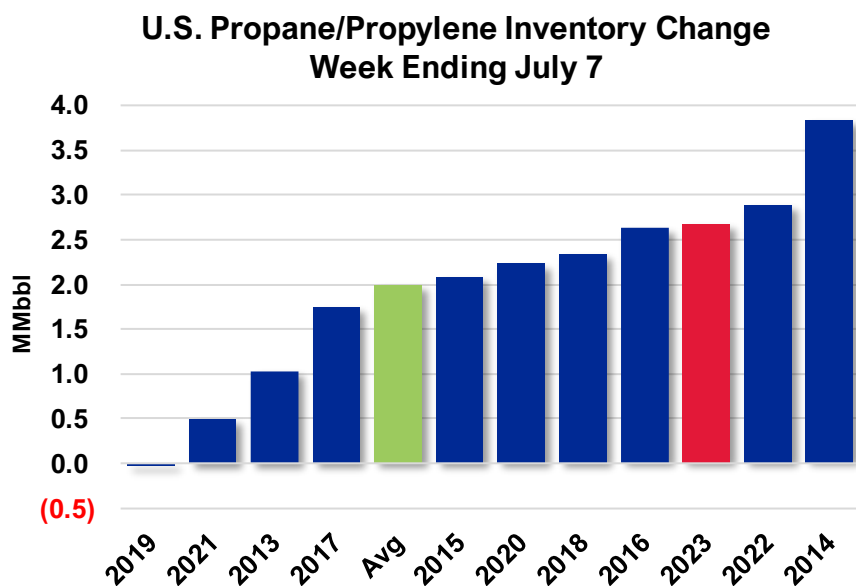


### ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a build of 2.7 MMbbl for the week ended July 7. In today's EIA report, inventories grew by 2.7 MMbbl, on par with expectations. Total U.S. propane stocks are now 83.8 MMbbl. Inventories are 26 MMbbl, or 45%, above the same week in 2022 and 7 MMbbl above the 5-year maximum. Regional stock changes were mixed with PADD 4/5 unchanged for the week and PADD 2 having the largest build in inventory.

PADD 3 (Gulf Coast) propane inventories had a build of 1.2 MMbbl. Total inventories for the region are now 51.8 MMbbl, putting them at 21.5 MMbbl, or 70.9%, above 2022 and 5.7 MMbbl, or 12.5%, above the 5-year maximum. Inventories are 14.9 MMbbl, or 40.4%, above the 5-year average.

Figure 2



**ANALYSIS & INSIGHTS (continued)**

PADD 2 (Midwest) inventories grew by 1.3 MMbbl, bringing the total to 22.3 MMbbl. Inventories are 4 MMbbl, or 21.8%, over 2022 and 818 Mbbbl, or 4.3%, above the 5-year maximum. Inventories are 3 MMbbl, or 15.8%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 182 Mbbbl. Total inventories for the region are now at 5.1 MMbbl, which is 348 Mbbbl, or 4.6%, below 2022 and 2.5 MMbbl, or 44.2%, below the 5-year maximum. Inventories are 579 Mbbbl, or 10.2%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks were essentially unchanged. Total stocks for the region remained at 4.6 MMbbl, which is 888 Mbbbl, or 23.6%, over 2022 and 734 Mbbbl, or 18.8%, above the 5-year maximum. Stocks are 1.2 MMbbl, or 35.1%, above the 5-year average.

Total U.S. production declined by 38 Mbbbl/d to 2,530 Mbbbl/d as production in PADD 1, PADD 2 and PADD 4/5 decreased by a combined 40 Mbbbl/d while PADD 3 increased by 3 Mbbbl/d. Exports grew by 362 Mbbbl/d to 1,612 Mbbbl/d, which is above the 4-week average of 1,537 Mbbbl/d. Imports rose by 30 Mbbbl/d to 91 Mbbbl/d driven primarily by higher volumes into PADD 2 and PADD 4/5. Product supplied fell by 528 Mbbbl/d to 626 Mbbbl/d.

**Propane Inventory Change**

The build in propane stocks for the week ended July 7 (red bar, Figure 2) of 2.7 MMbbl was about 0.7 MMbbl more than the average increase of 2 MMbbl (green bar).

**MB Non-TET vs Conway Price**

The Conway propane OPIS spot price relative to Mont Belvieu non-TET widened by 0.3 c/gal from last week, trading at a 2.1 c/gal discount as of July 11. The forward-price differential between Mont Belvieu and Conway also increased from last week, with Mont Belvieu trading at a 2.8 c/gal premium to Conway for August 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 106 days, 31 days higher than the same week in 2022 and eight days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 37 days of inventory, which is 10 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

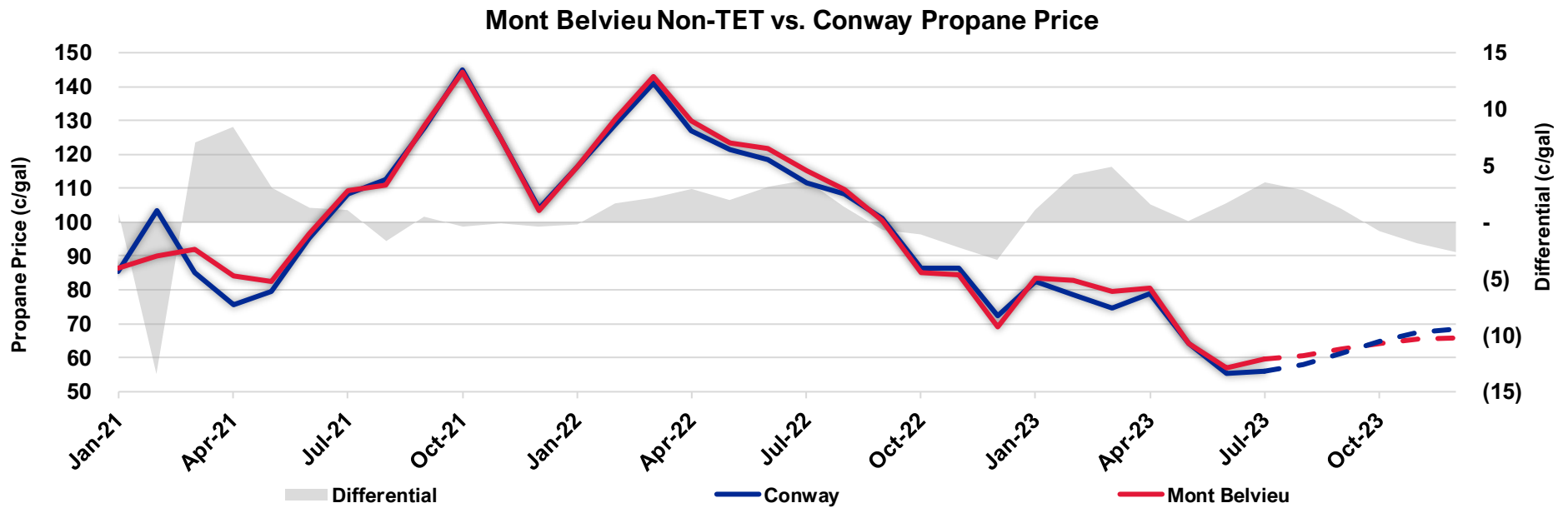
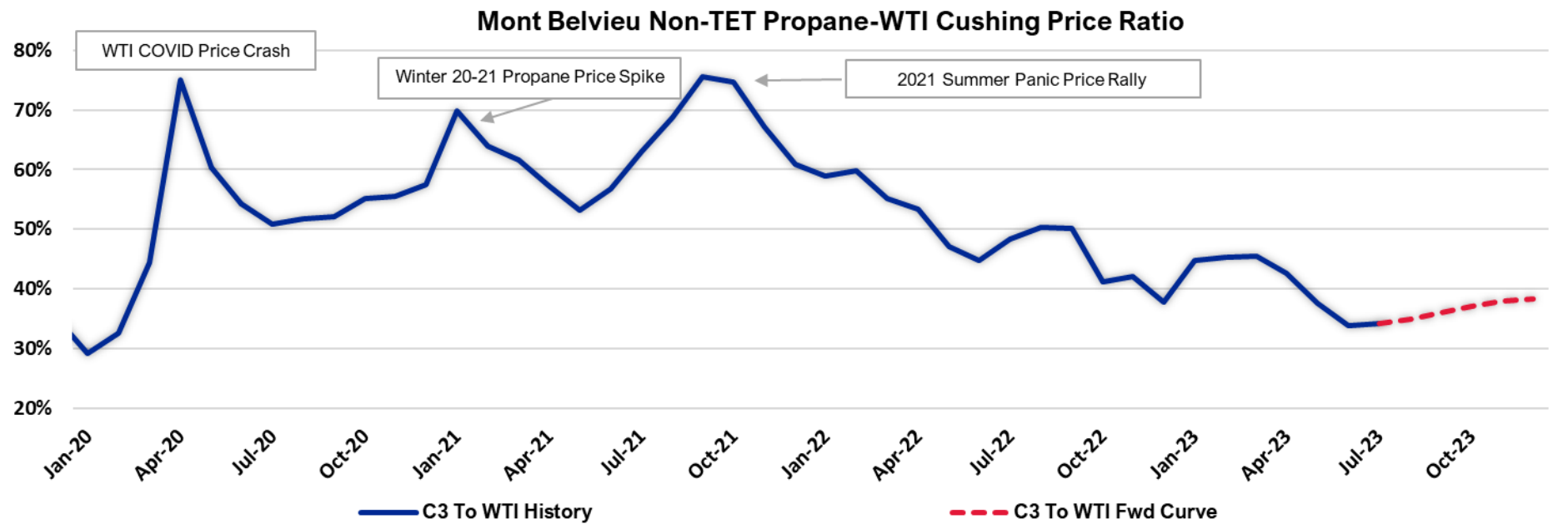


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

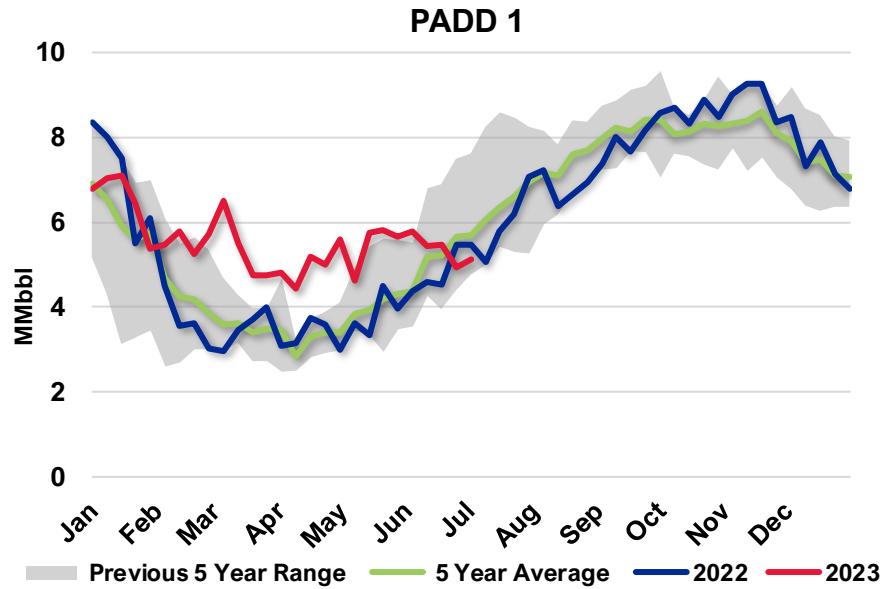


Figure 6

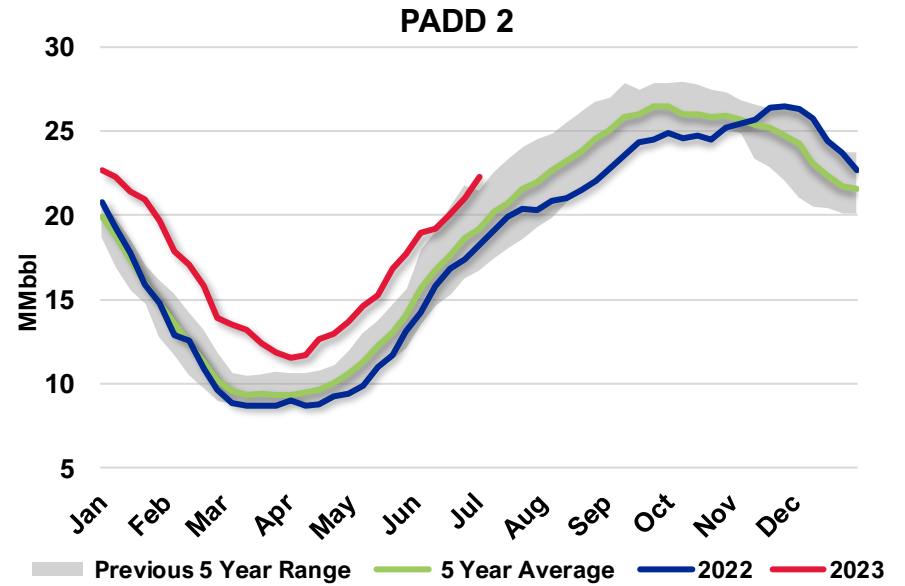


Figure 7

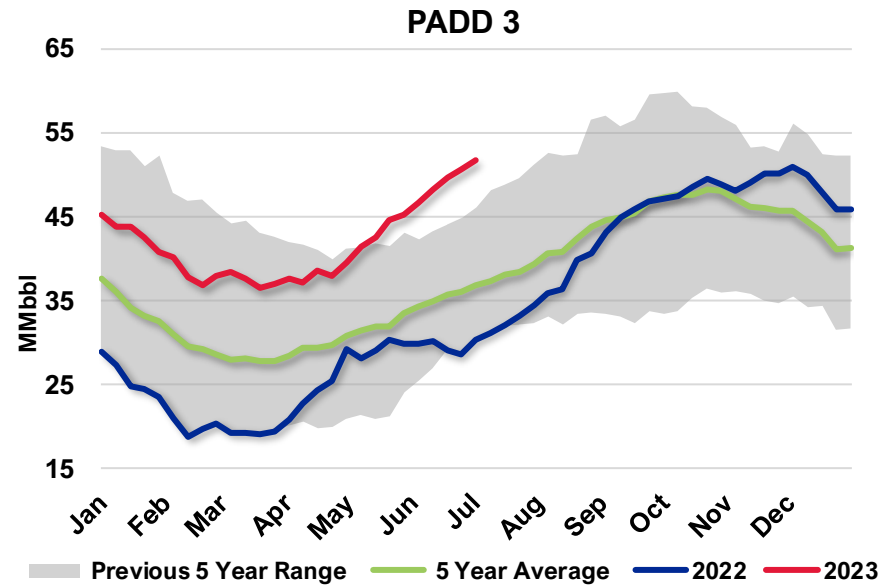


Figure 8

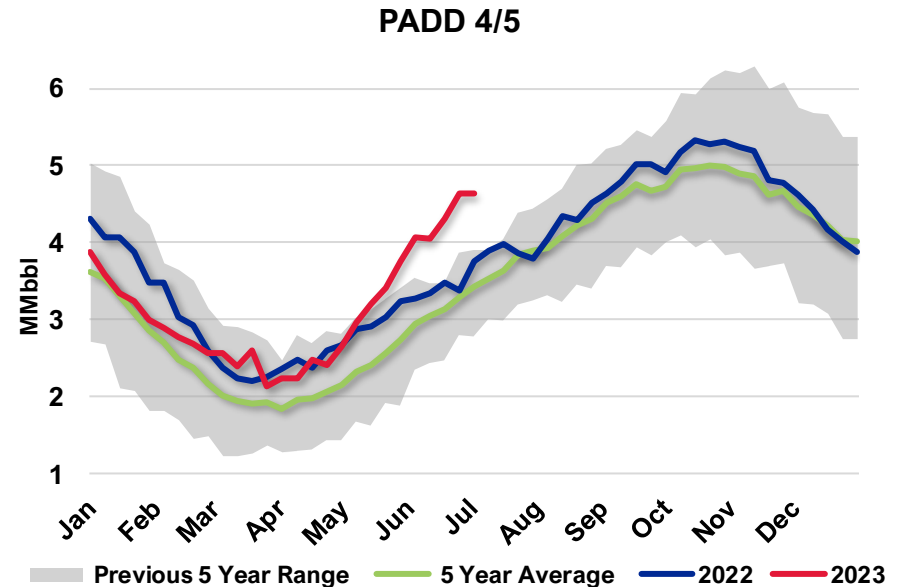


Figure 9

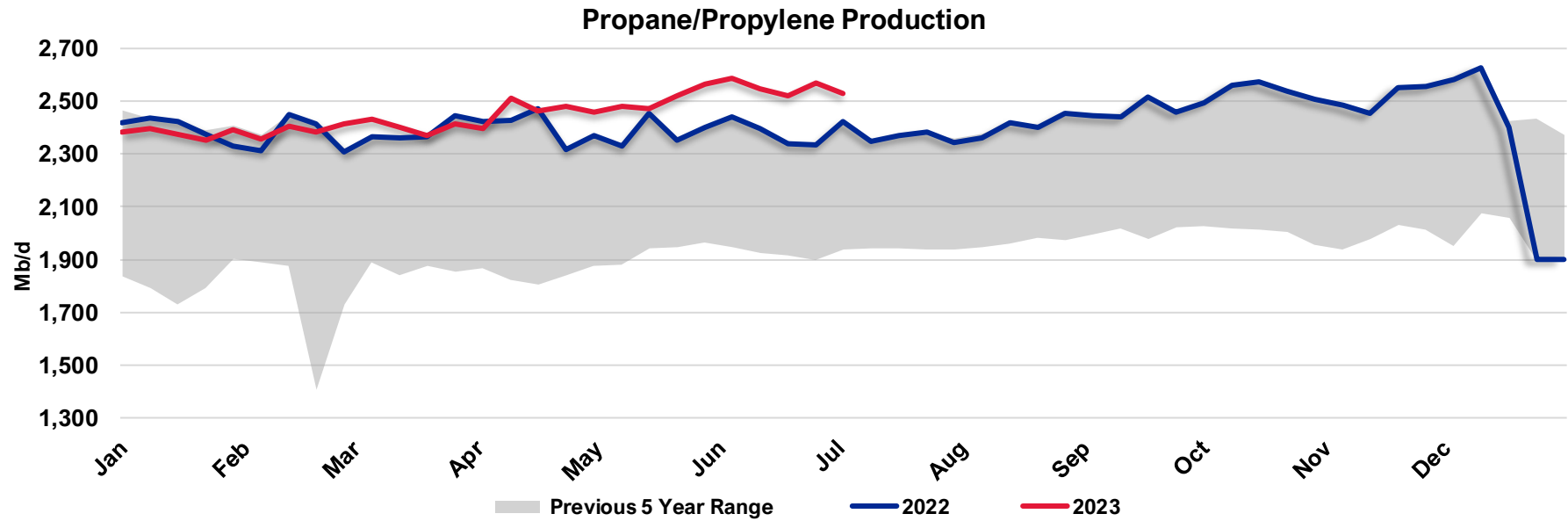


Figure 10

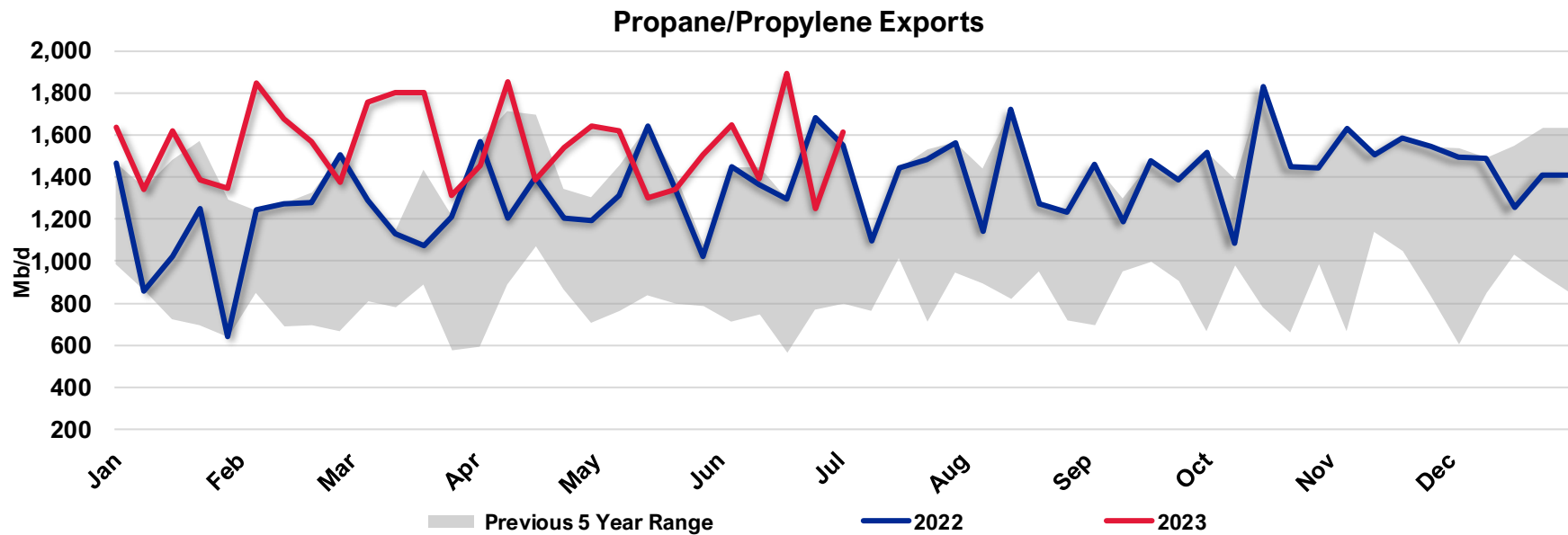


Figure 11

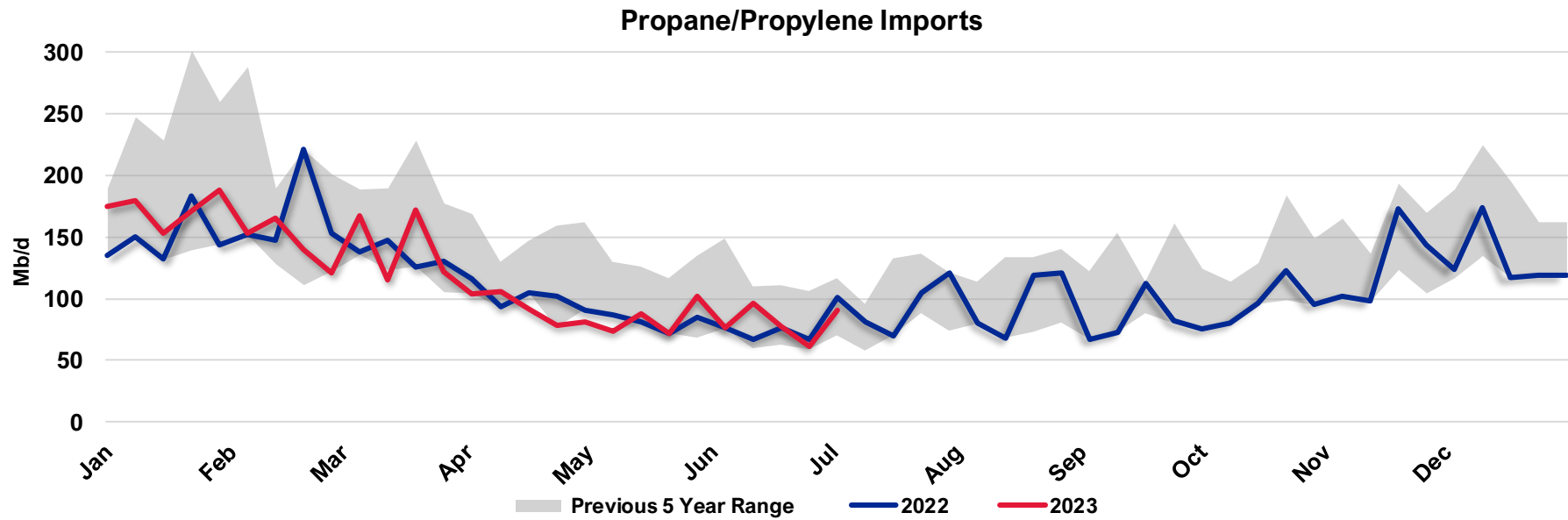


Figure 12

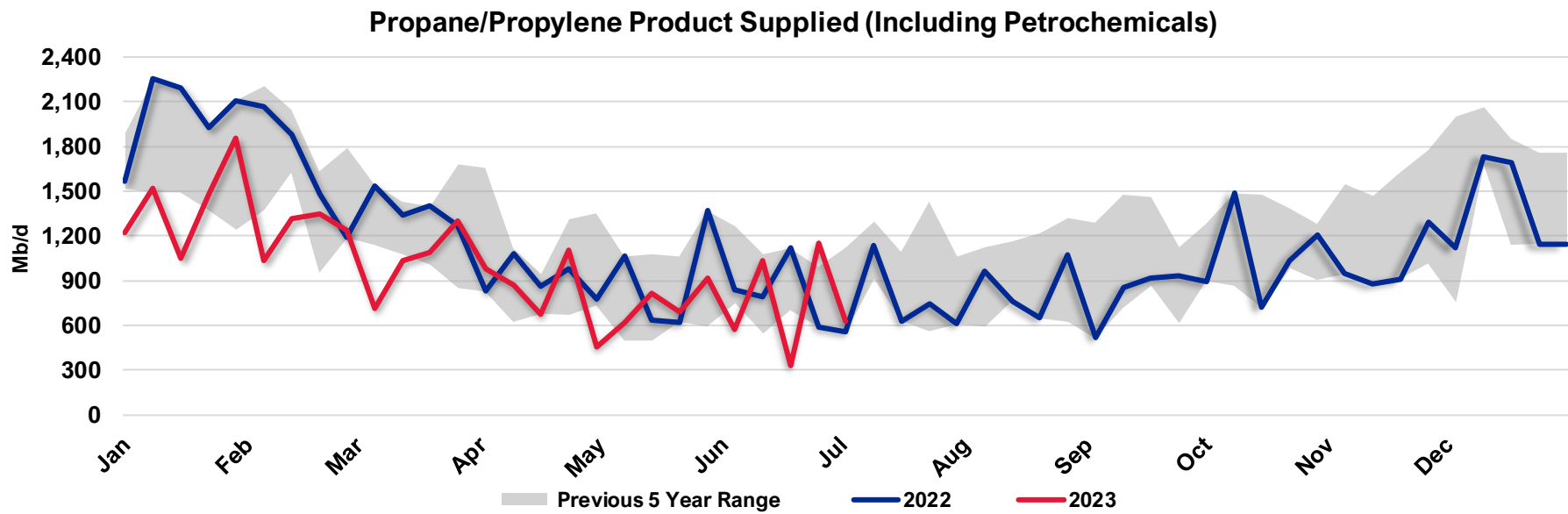


Figure 13

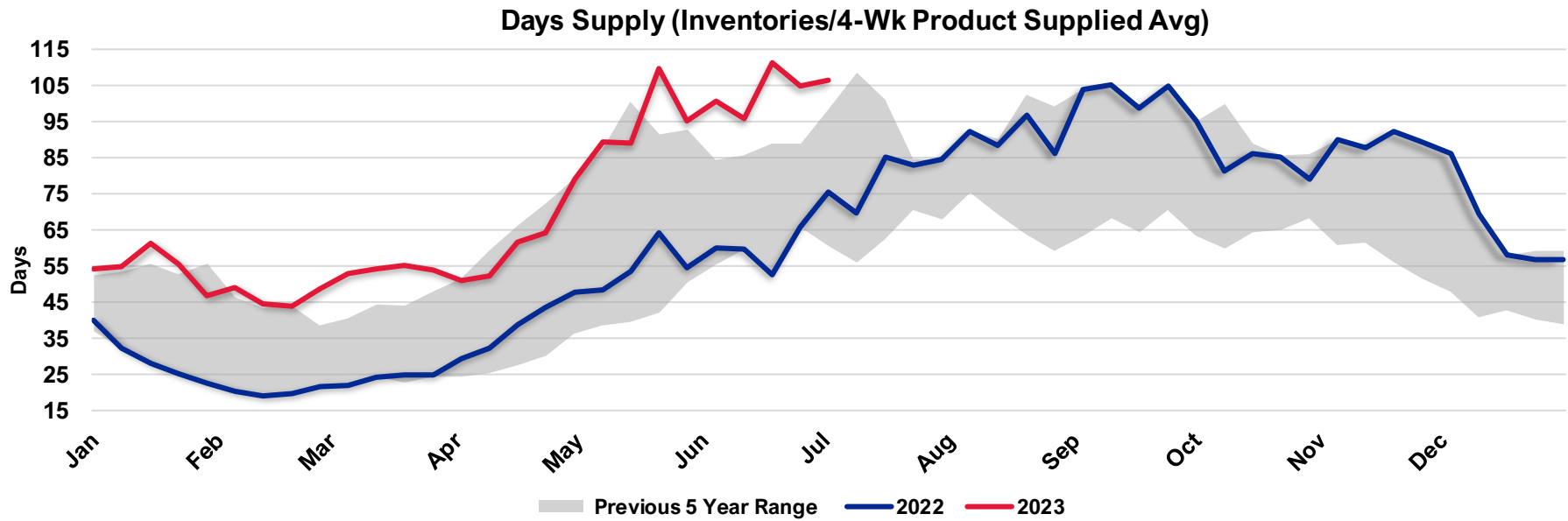
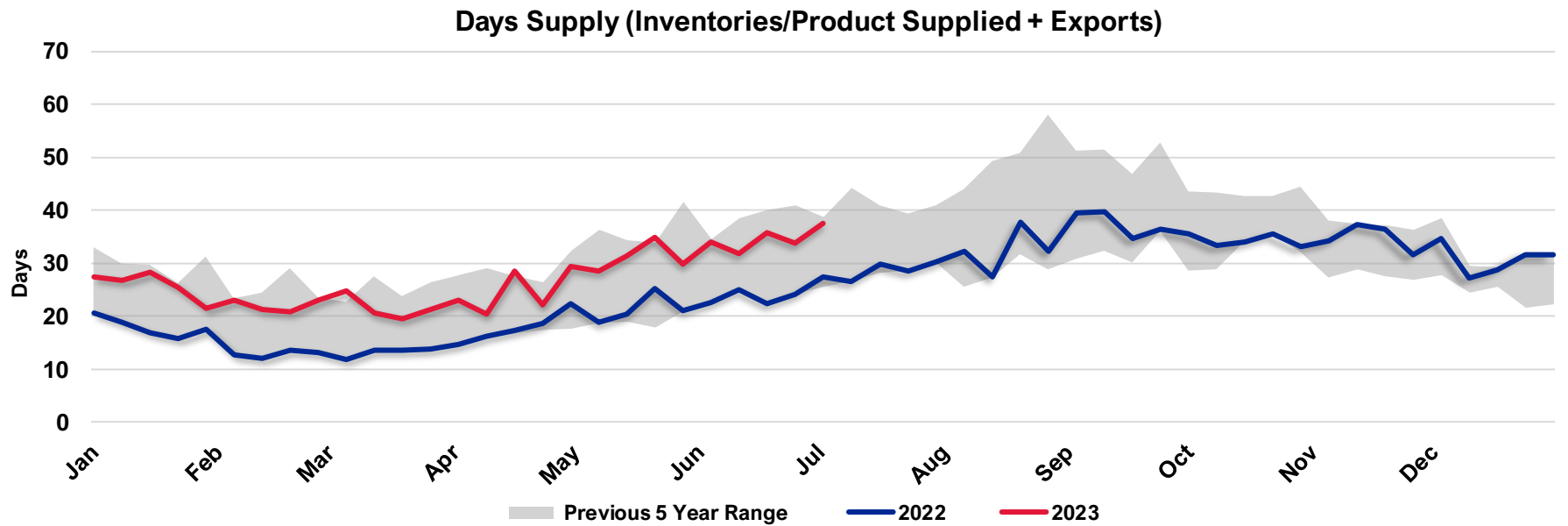


Figure 14



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