



WEEKLY PROPANE MARKET UPDATE

August 2, 2023

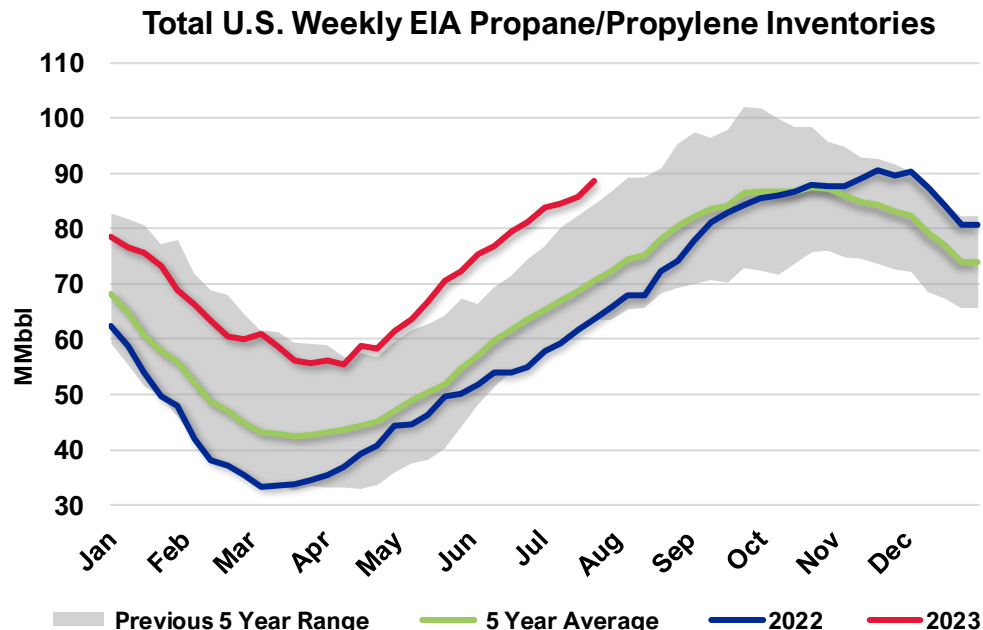
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 2.9 MMbbl for the week ended July 28, which was above average industry expectations for a 2-MMbbl gain and the 1.9 MMbbl average build for the week. Total U.S. propane stocks are now at 88.6 MMbbl, which is 17 MMbbl, or 25%, above the 5-year average.
- » The large increase in inventories for the week was unusual as PADD 1 stocks soared by 1.9 MMbbl, the largest weekly build on record for the region.
- » Crude oil prices moved higher during the week, supported by a tightening supply outlook for the rest of the year. WTI settled at \$81.37/bbl on August 1, up \$1.74/bbl from July 25. Propane prices were stronger than crude, with Mont Belvieu non-TET up by 5.5 c/gal from last week to 68.3 c/gal on August 1. As a result, the propane-to-WTI ratio increased by 2 percentage points from last week to 35%.
- » The Mont Belvieu non-TET (Enterprise) vs. TET (LST or Energy Transfer) propane OPIS price spread increased to the widest differential since March 2022, with non-TET trading at a 3.6 c/gal discount to TET on August 1.
- » Weekly exports of propane reported by the EIA plunged to 1.28 MMbbl/d, the lowest weekly rate of the year, down 363 Mbbl/d from last week and well below the 4-week average of 1.52 MMbbl/d.

MARKET OVERVIEW

Mont Belvieu propane prices were up 8.8% during the past week, settling at 68.3 c/gal on August 1. WTI prices were weaker than propane, increasing by \$1.74/bbl, or 2.2%, to \$81.37/bbl over the same period, which pushed the propane-to-WTI ratio up by 2

Figure 1

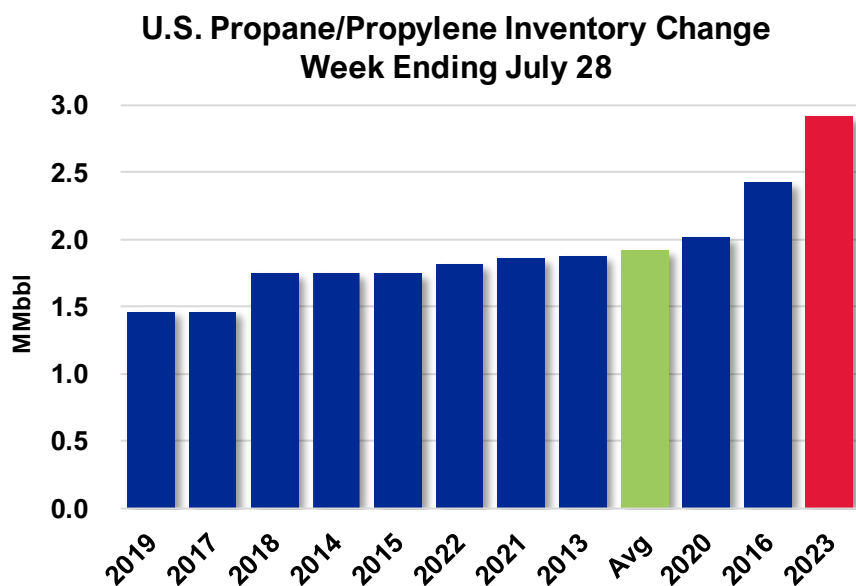


percentage points to 35%. The current ratio is well below the 50% average recorded in August 2022. The forward propane-to-WTI ratio for August-October 2023 increased 3 percentage points from last week to 39%. The Mont Belvieu non-TET vs. TET propane OPIS price spread increased by 1.4 c/gal over the week, with non-TET trading at a discount of 3.6 c/gal on August 1.

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories soared by 2.9 MMbbl in the week ended July 28, nearly 1 MMbbl more than expectations. According to OPIS, the average of industry expectations called for a build of 2 MMbbl. Total U.S. propane stocks are now 88.6 MMbbl. Inventories are 25 MMbbl, or 39.3%, above the same week in 2022 and 4.2 MMbbl, or 5%, above the 5-year maximum. Regional changes show inventories increasing in all areas, with PADD 1 having the largest increase.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories grew by 884 Mbbbl. Total inventories for the region are now 52.5 MMbbl, putting them at 19.3 MMbbl, or 58.4%, above 2022 and 2.9 MMbbl, or 6%, above the 5-year maximum. Inventories are 14.1 MMbbl, or 36%, above the 5-year average.

PADD 2 (Midwest) inventories were essentially unchanged. Inventories are 2.9 MMbbl, or 12.8%, over 2022 but 1 MMbbl, or 4.5%, below the 5-year maximum. Inventories are 1.3 MMbbl, or 6.3%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 1.9 MMbbl. Total inventories for the region are now at 7.9 MMbbl, which is 1.7 MMbbl, or 27.8%, above 2022 but 532 Mbbbl, or 6.3%, below the 5-year maximum. Inventories are also 1.3 Mbbbl, or 19.9%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) increased slightly by 88 Mbbbl. Total stocks for the region are 5.2 MMbbl, which is 1.3 MMbbl, or 33.2%, over 2022 and 759 Mbbbl, or 17.3%, above the 5-year maximum. Stocks are 1.3 MMbbl, or 34.3%, above the 5-year average.

Total U.S. production fell by 54 Mbbbl/d to 2,500 Mbbbl/d as production decreased in all regions except PADD 3, which increased by 8 Mbbbl/d. Exports plunged by 363 Mbbbl/d to 1,277 Mbbbl/d, which is well below the 4-week average of 1,523 Mbbbl/d. Imports went up by 13 Mbbbl/d to 79 Mbbbl/d as volumes into PADD 2 and PADD 4/5 increased by a combined 19 Mbbbl/d while PADD 1 decreased by 5 Mbbbl/d. Product supplied increased slightly by 51 Mbbbl/d to 885 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended July 28 (red bar, Figure 2) of 2.9 MMbbl was about 1 Mbbbl more than the average increase of 1.9 MMbbl (green bar). It was also the largest increase for the week in inventories for the past 10 years.

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET flipped last week, trading at a 1.4 c/gal premium as of August 1. The forward-price differential between Mont Belvieu (TET or LST) and Conway narrowed from last week, with Mont Belvieu trading at a 1.3 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 109 days, 26 days higher than the same week in 2022 and 24 days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 41 days of inventory, which is 12 days more than 2022 and two days above than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

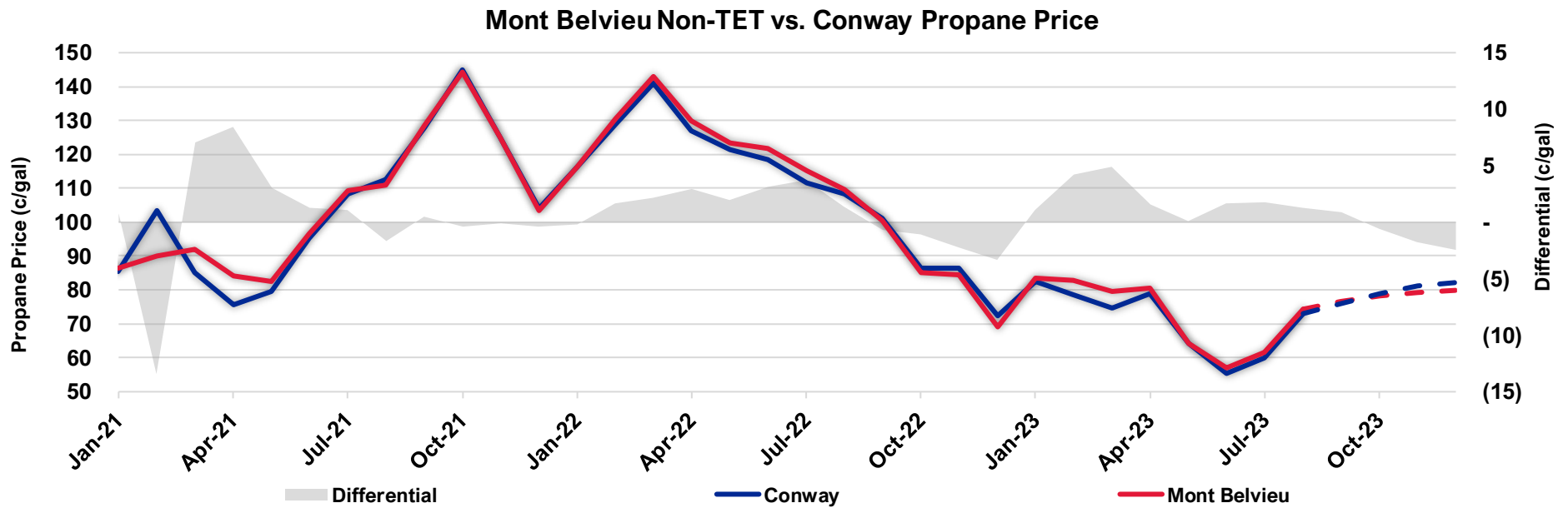
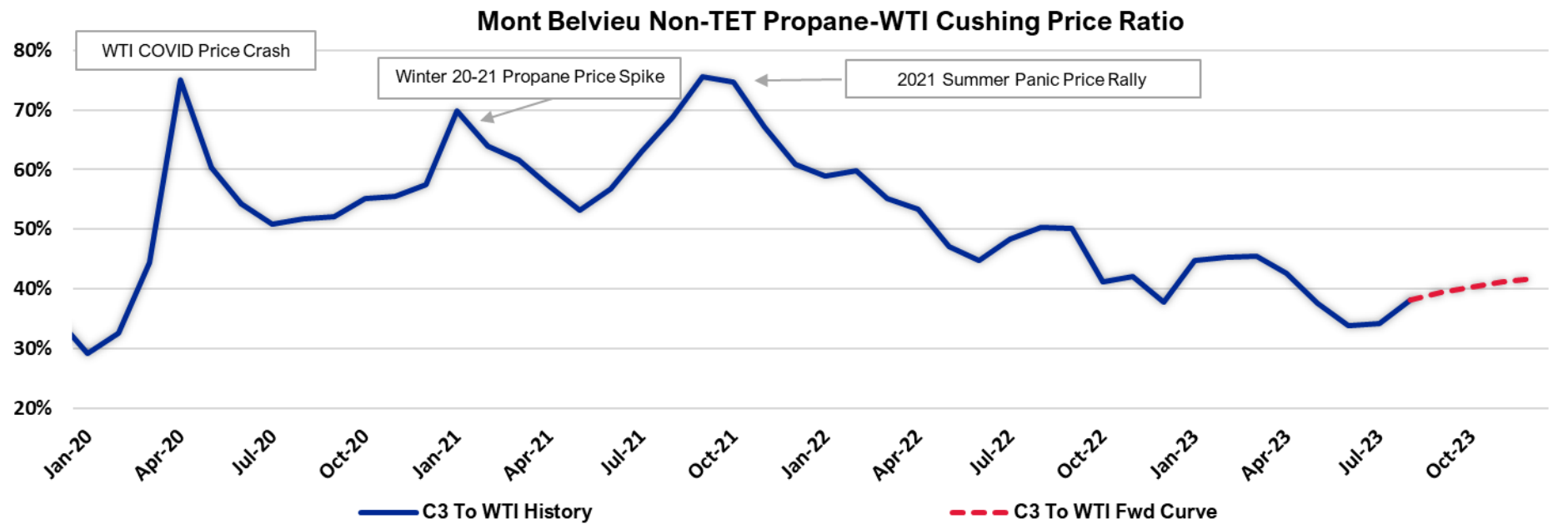


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

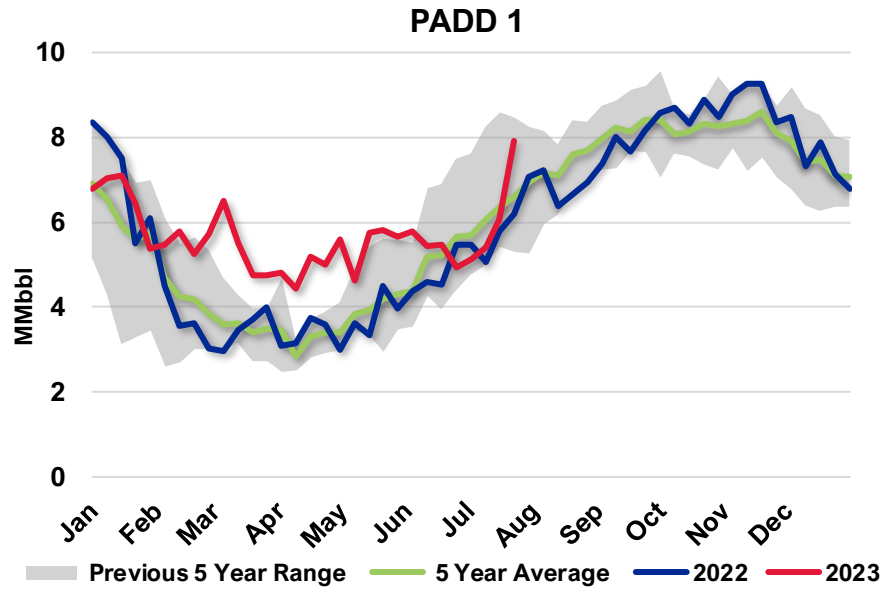


Figure 6

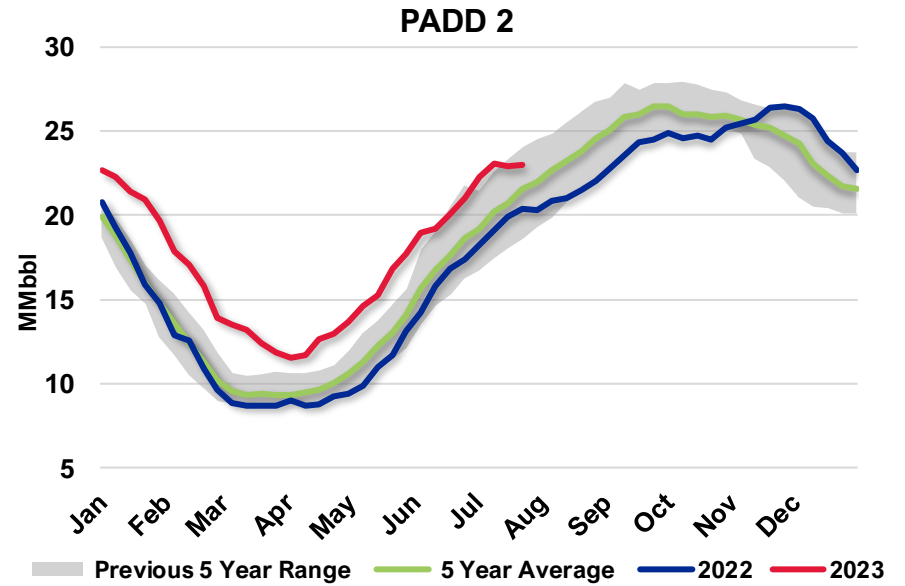


Figure 7

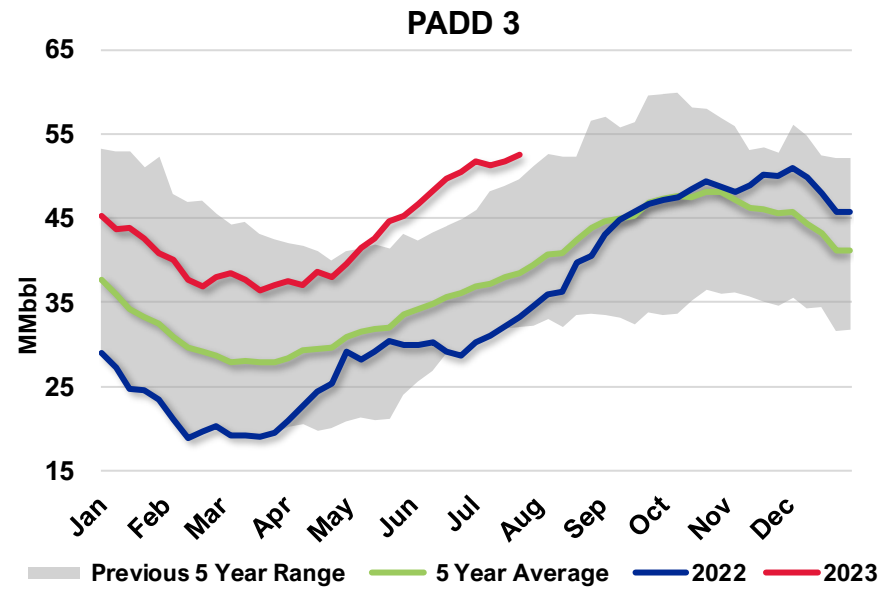


Figure 8

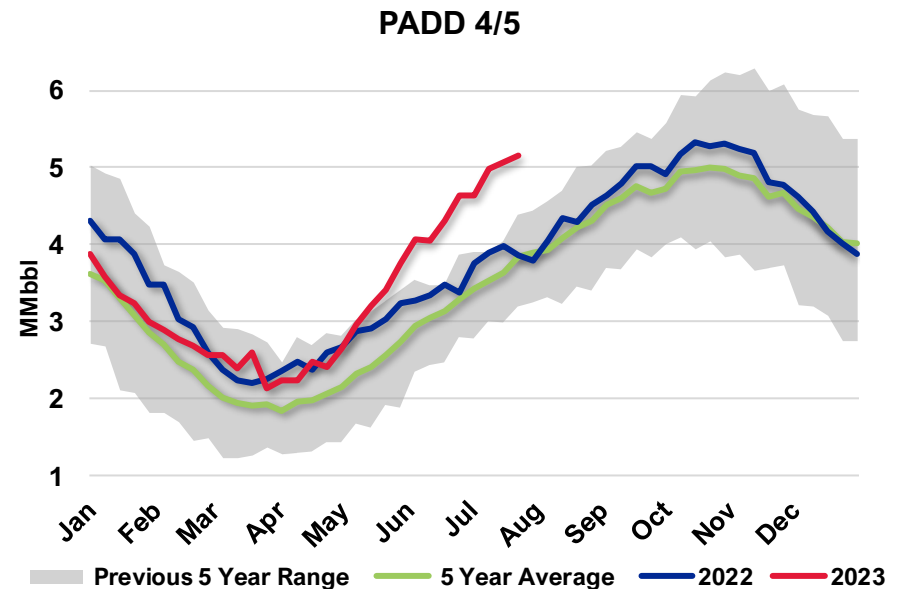


Figure 9

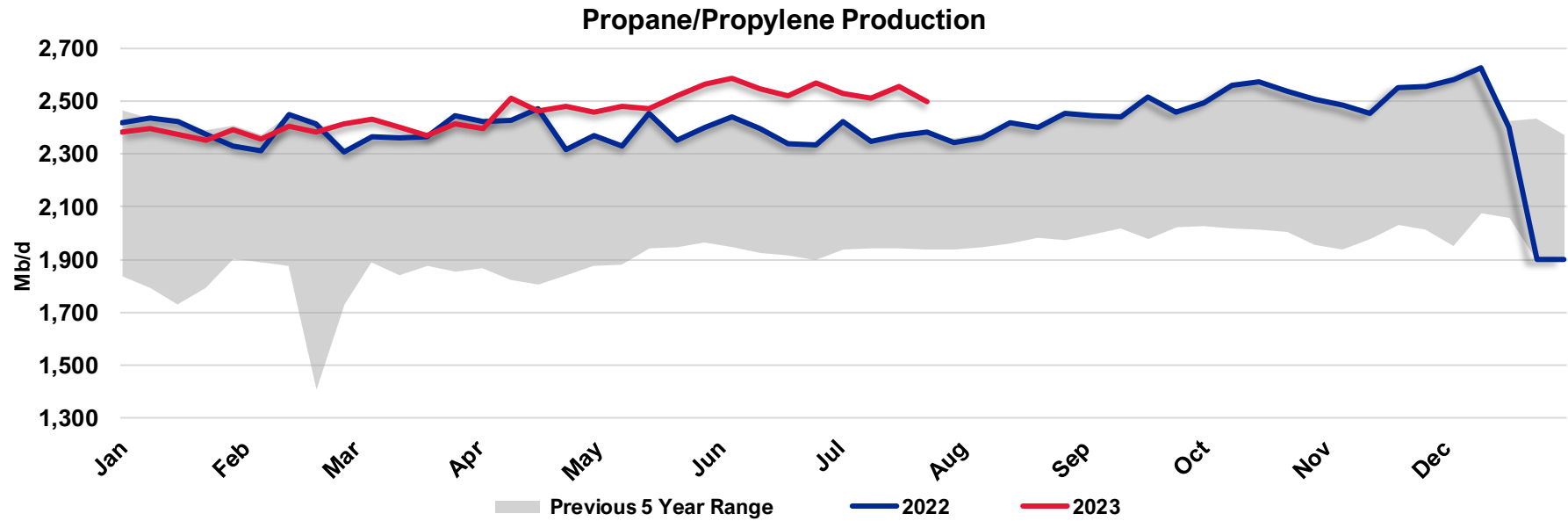


Figure 10

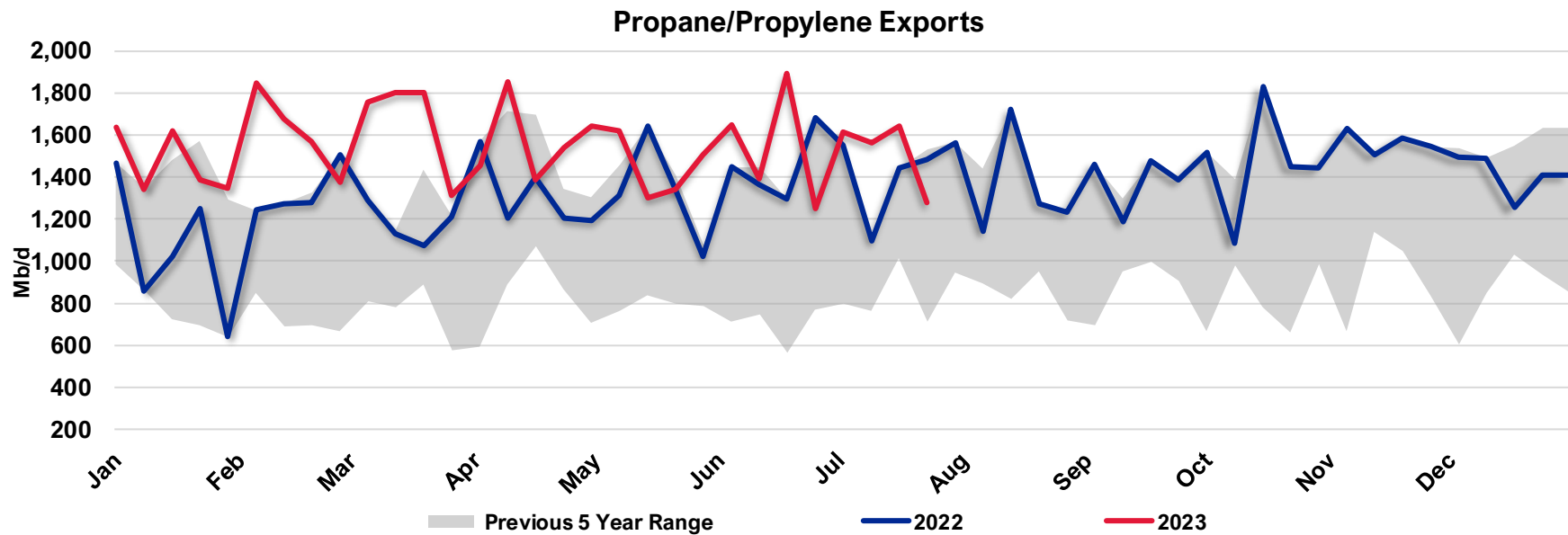


Figure 11

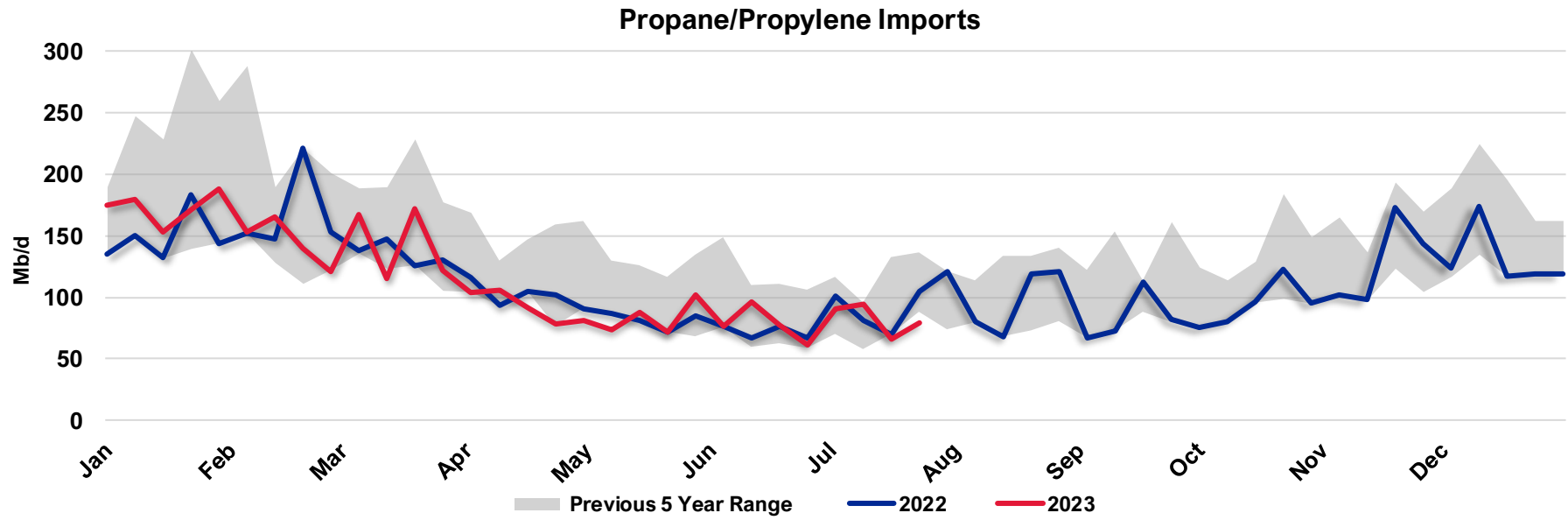


Figure 12

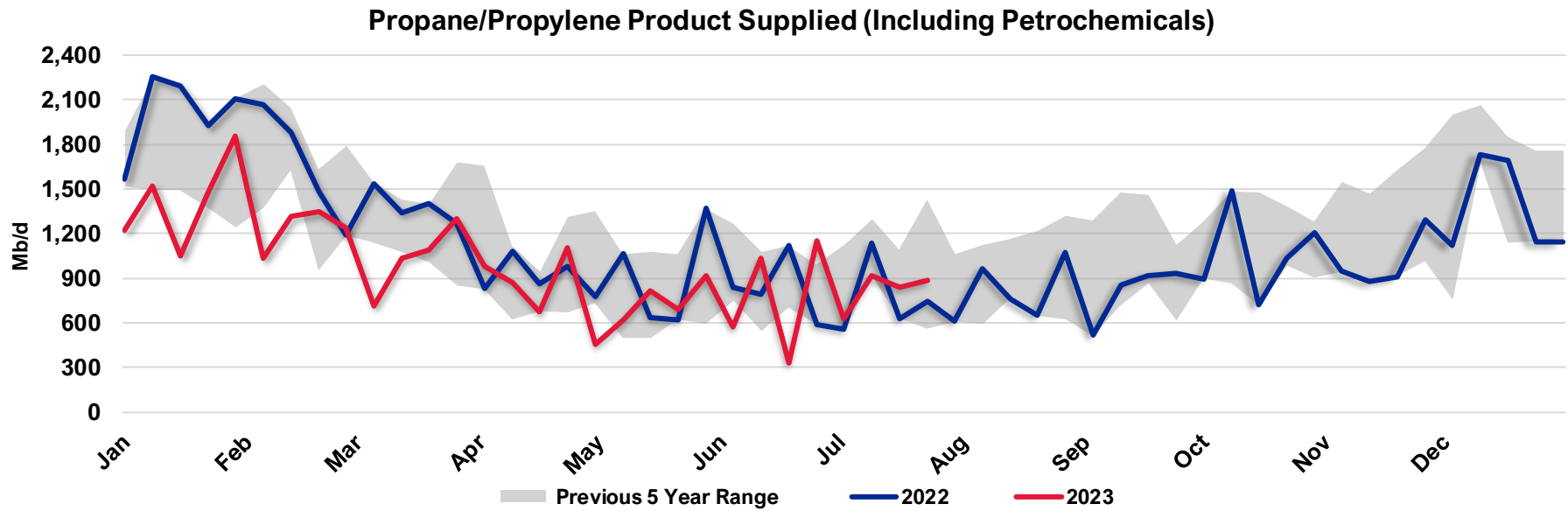


Figure 13

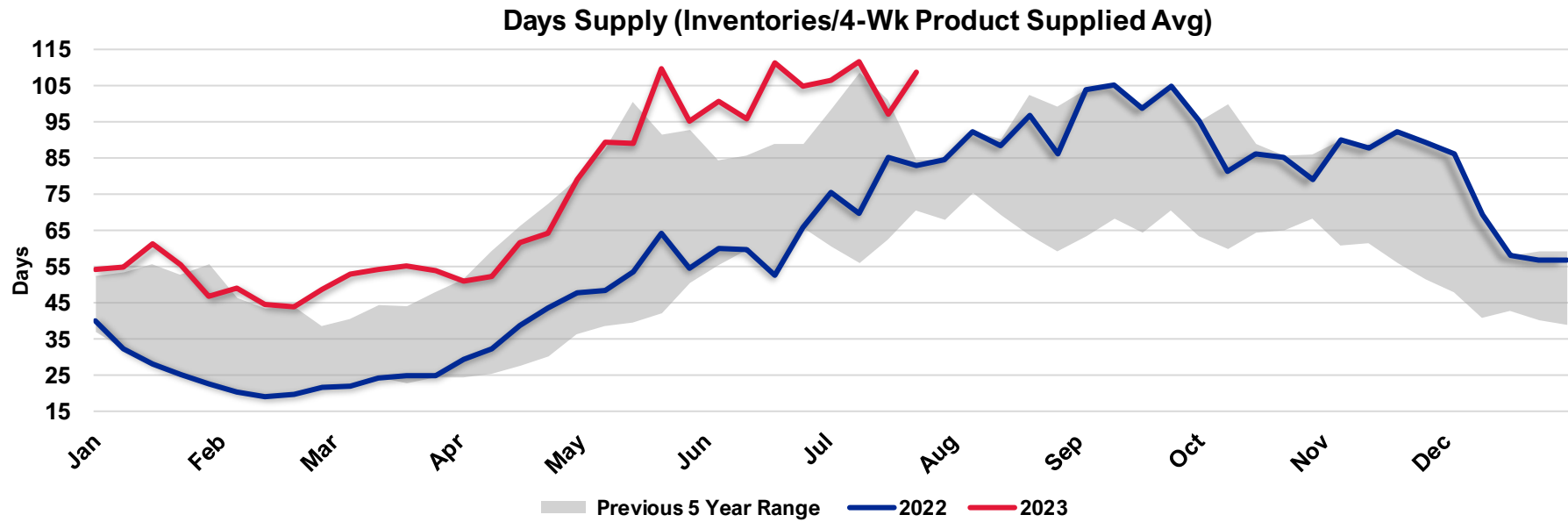
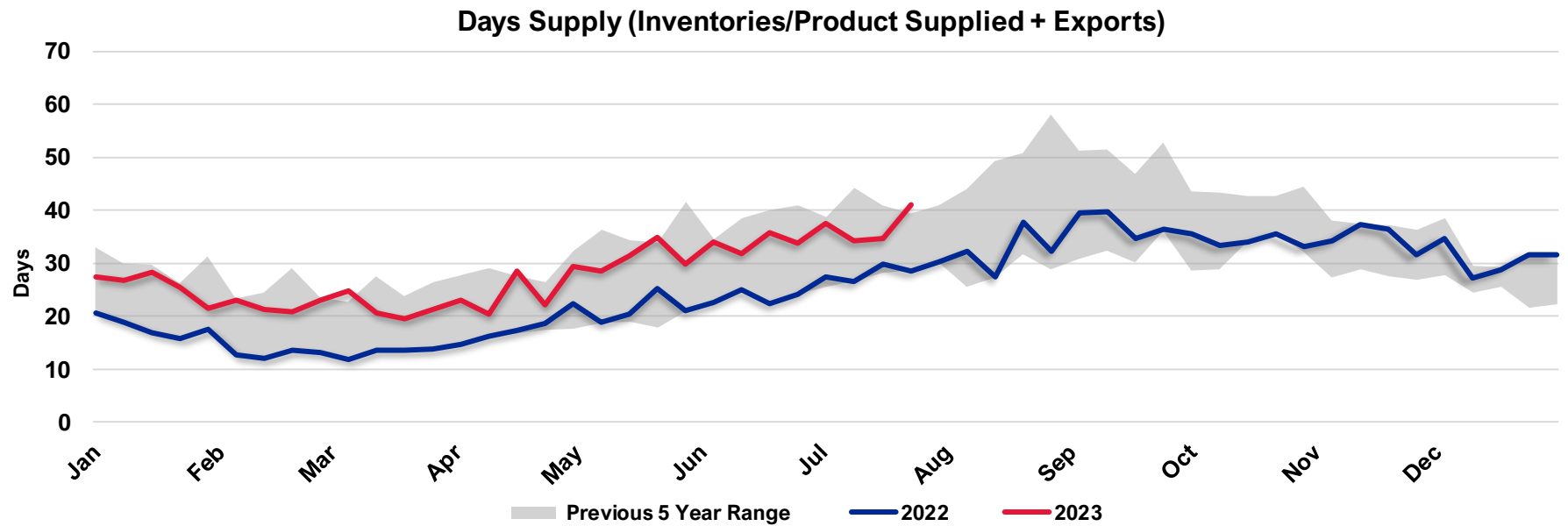


Figure 14



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