



WEEKLY PROPANE MARKET UPDATE

August 9, 2023

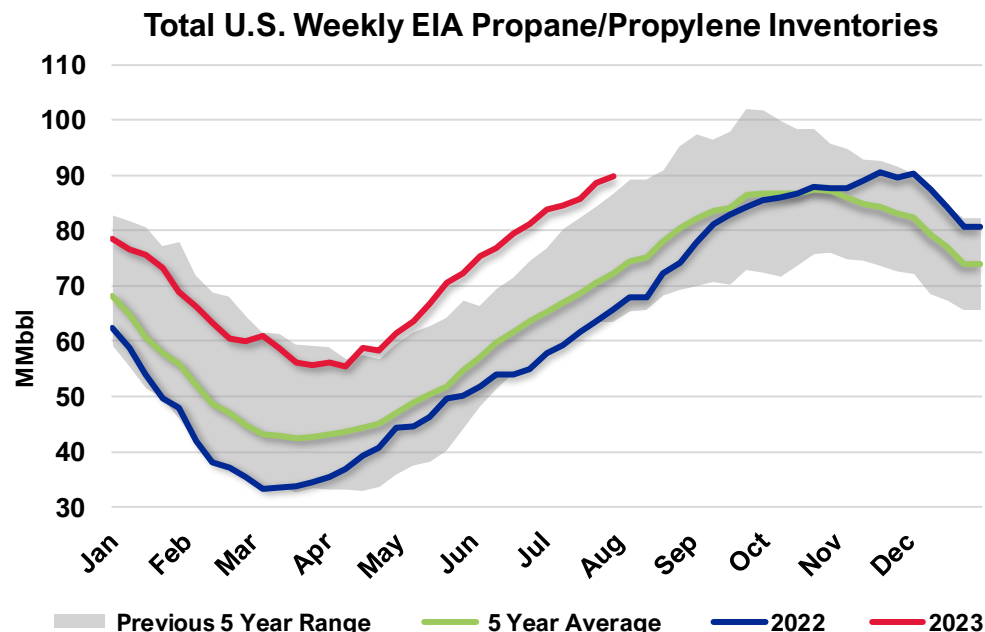
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1.3 MMbbl in the week ended August 4, which was below average industry expectations for a 1.9-MMbbl gain but in line with the 1.2 MMbbl average build for the week. Total U.S. propane stocks are now at 90 MMbbl, which is 17.7 MMbbl, or 25%, above the 5-year average.
- » Crude oil prices moved up during the week, supported by tighter supply and an improved outlook for U.S. economic growth. WTI settled at \$82.92/bbl on August 8, up \$1.55/bbl from August 1. Propane prices were stronger than crude, with Mont Belvieu non-TET up by 4.3 c/gal from last week to 72.6 c/gal on August 8. As a result, the propane-to-WTI ratio increased by 2 percentage points from last week to 37%.
- » The Mont Belvieu non-TET (Enterprise) vs. TET (LST / Energy Transfer) propane OPIS price spread narrowed by 3 c/gal, with non-TET trading at a 0.6 c/gal discount to TET on August 8.
- » Weekly exports of propane reported by the EIA soared to 1.8 MMbbl/d, up 521 Mbb/d from last week and well above the 4-week average of 1.57 MMbbl/d.
- » Total U.S. production of propane/propylene rocketed higher by 187 Mbb/d to an all-time record high of 2,687 Mbb/d, primarily due to a 168 Mbb/d week-on-week increase in PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 6.4% higher during the past week, settling at 72.6 c/gal on August 8. WTI prices were weaker than propane, increasing by \$1.55/bbl, or 1.9%, to \$82.92/bbl over

Figure 1

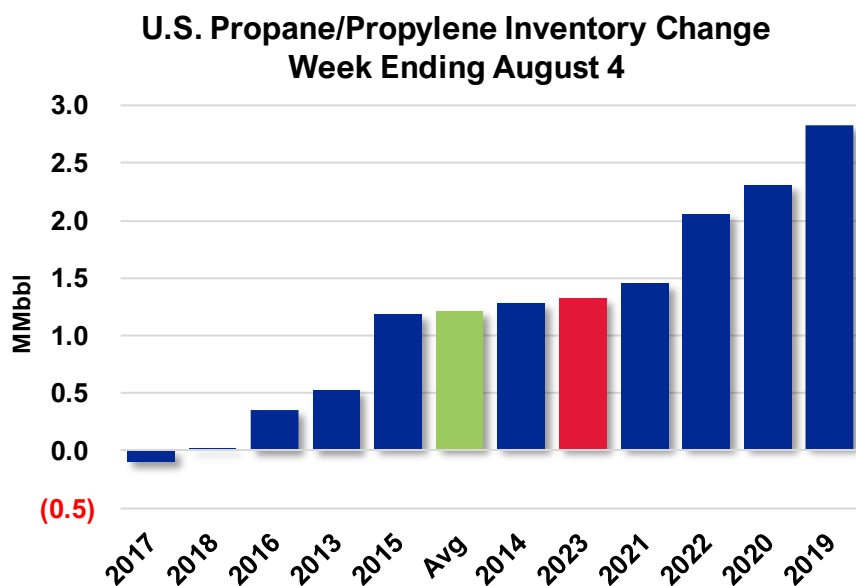


the same period, which pushed the propane-to-WTI ratio up by 2 percentage points to 37%. The current ratio is well below the 50% average recorded in August 2022. The forward propane-to-WTI ratio for September-October 2023 was unchanged from last week at 39%. The Mont Belvieu non-TET vs. TET propane OPIS price spread declined by 3 c/gal over the week, with non-TET trading at a discount of 0.6 c/gal on August 8.

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories grew by 1.3 MMbbl in the week ended August 4, which was about 600 Mbb/d less than expectations. According to OPIS, the average of industry expectations called for a build of 1.9 MMbbl. Total U.S. propane stocks are now at 90 MMbbl. Inventories are 24.3 MMbbl, or 37%, above the same week in 2022 and 3.2 MMbbl, or 3.7%, above the 5-year maximum. Regional changes show inventories increasing in all areas, with PADD 2 having the largest increase.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories increased by 307 Mbbbl. Total inventories for the region are now 52.9 MMbbl, putting them at 18.4 MMbbl, or 53.4%, above 2022 and 1.7 MMbbl, or 3.3%, above the 5-year maximum. Inventories are 13.5 MMbbl, or 34.3%, above the 5-year average.

PADD 2 (Midwest) inventories had a build of 699 Mbbbl. Total inventories for the region are now 23.7 MMbbl. Inventories are 3.3 MMbbl, or 16.5%, over 2022 but 900 Mbbbl, or 3.7%, below the 5-year maximum. Inventories are 1.7 MMbbl, or 7.5%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 137 Mbbbl. Total inventories for the region are now at 8 MMbbl, which is 1 MMbbl, or 14.3%, above 2022 but 170 Mbbbl, or 2.1%, below the 5-year maximum. Inventories are also 1.1 MMbbl, or 16%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) increased by 184 Mbbbl. Total stocks for the region are 5.3 MMbbl, which is 1.5 MMbbl, or 40.5%, over 2022 and 900 Mbbbl, or 20.3%, above the 5-year maximum. Stocks are 1.4 MMbbl, or 37.3%, above the 5-year average.

Total U.S. production grew by 187 Mbbbl/d to 2,687 Mbbbl/d as production increased in all regions with PADD 3 having the largest increase of 168 Mbbbl/d. Exports soared by 521 Mbbbl/d to 1,798 Mbbbl/d, which is well above the 4-week average of 1,570 Mbbbl/d. Imports went up by 25 Mbbbl/d to 104 Mbbbl/d as volumes into PADD 2 and PADD 1 increased by a combined 25 Mbbbl/d while there were no changes to PADD 3 and PADD 4/5. Product supplied fell by 82 Mbbbl/d to 803 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended August 4 (red bar, Figure 2) of 1.3 MMbbl was in line with the average increase of 1.2 MMbbl (green bar) with only a difference of about 120 Mbbbl.

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 discount as of August 8. The forward-price differential between Mont Belvieu (TET or LST) and Conway was relatively unchanged from last week, with Mont Belvieu trading at a 1 c/gal premium to Conway for September 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 105 days, 20 days higher than the same week in 2022 and the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 35 days of inventory, which is four days more than 2022 but six 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

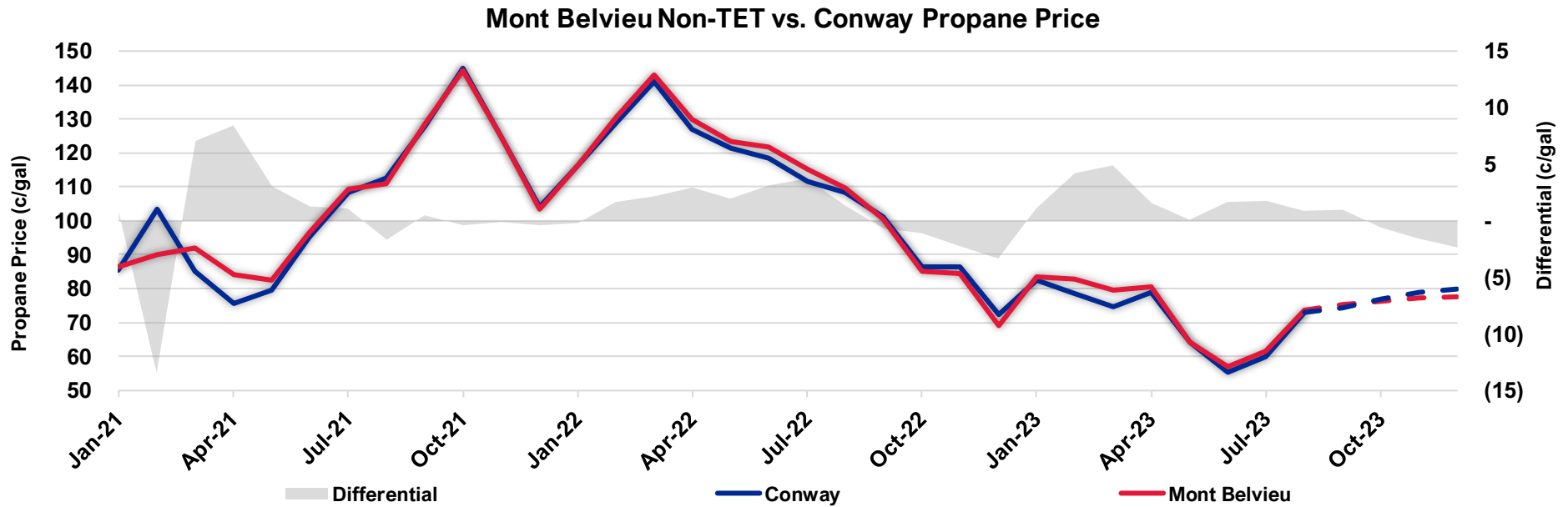
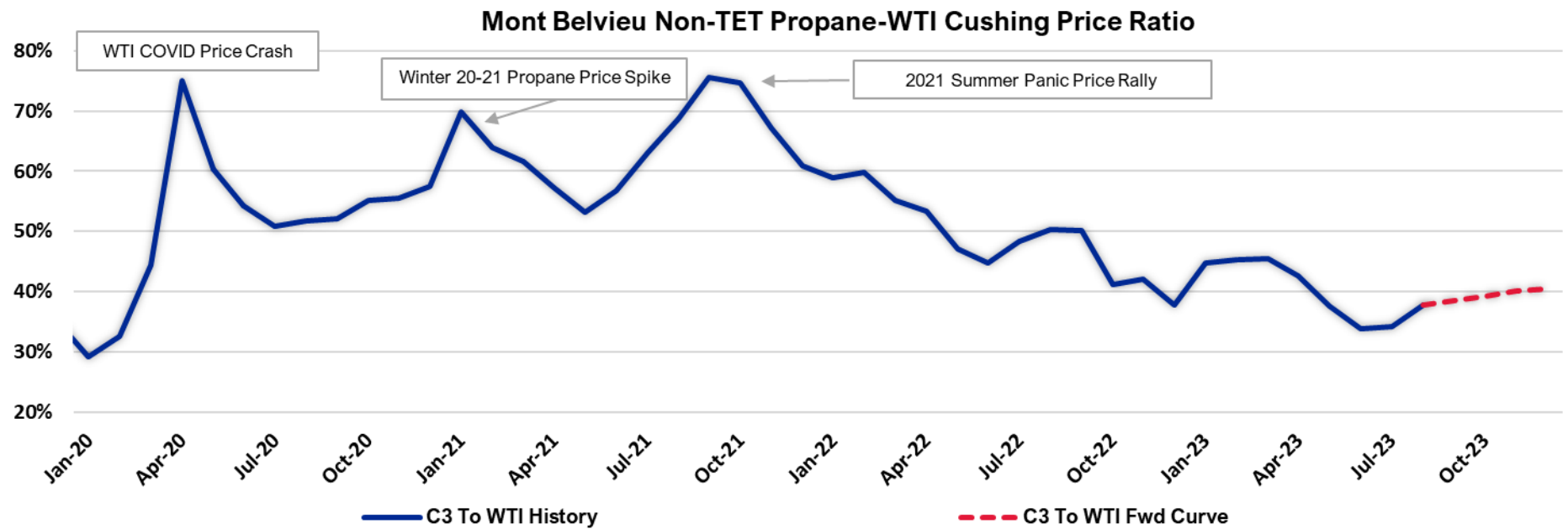


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

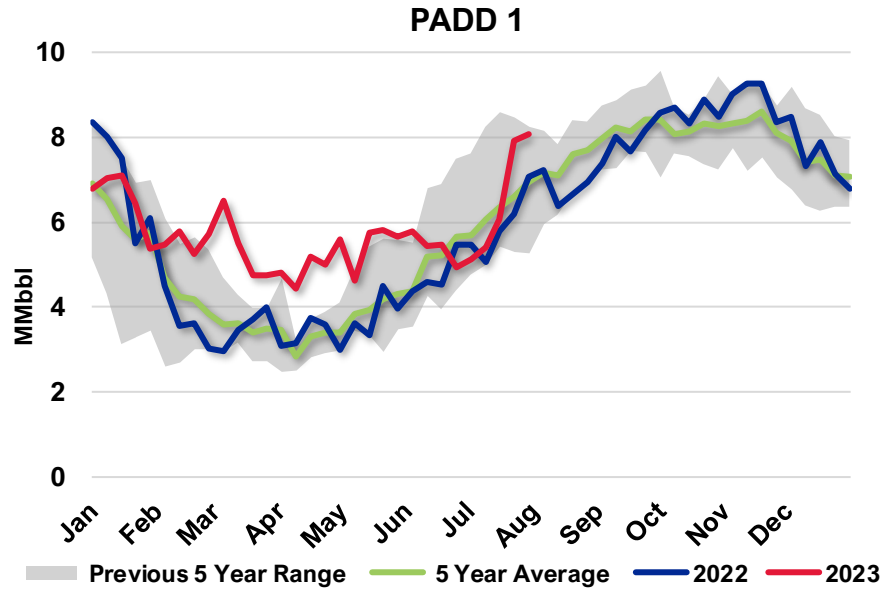


Figure 6

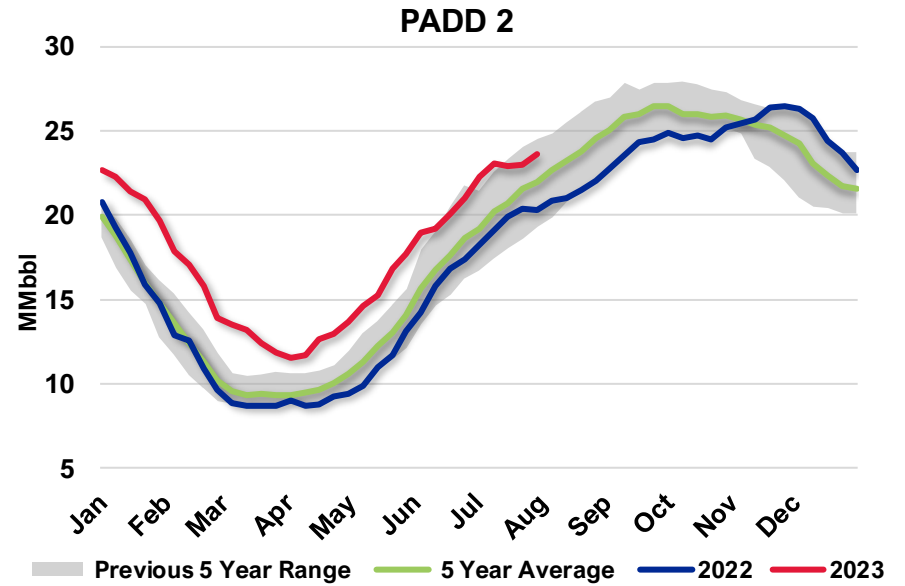


Figure 7

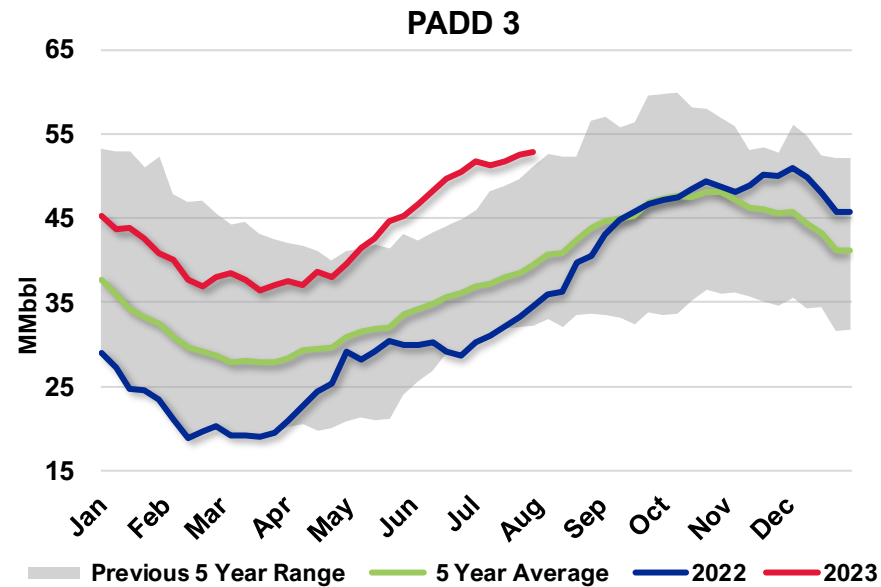


Figure 8

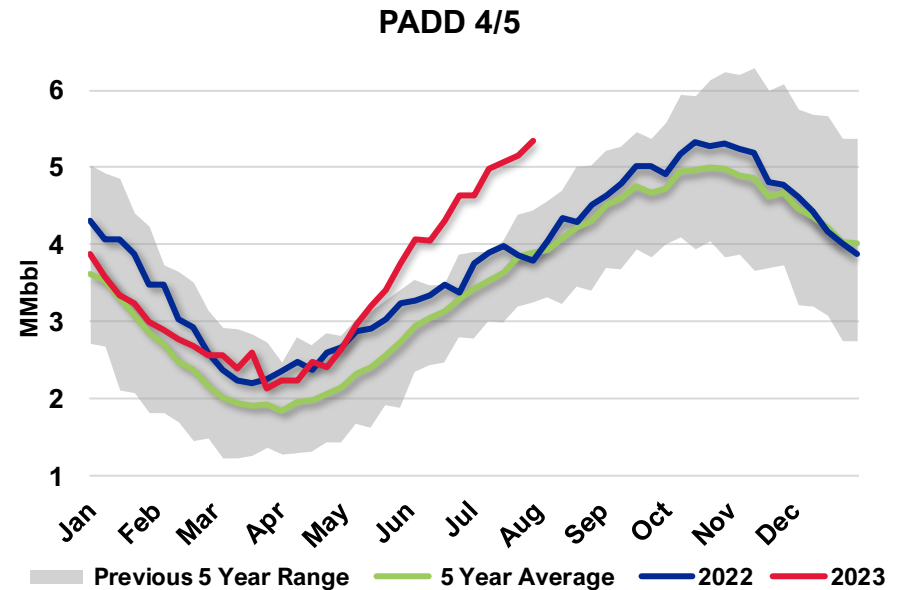


Figure 9

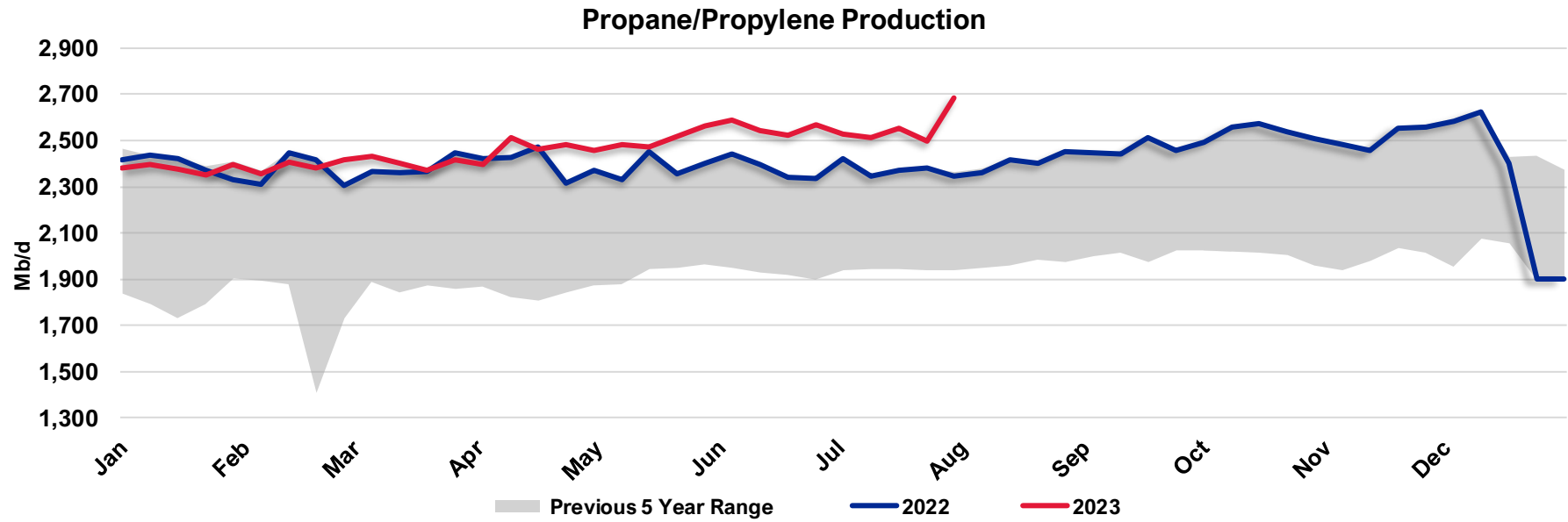


Figure 10

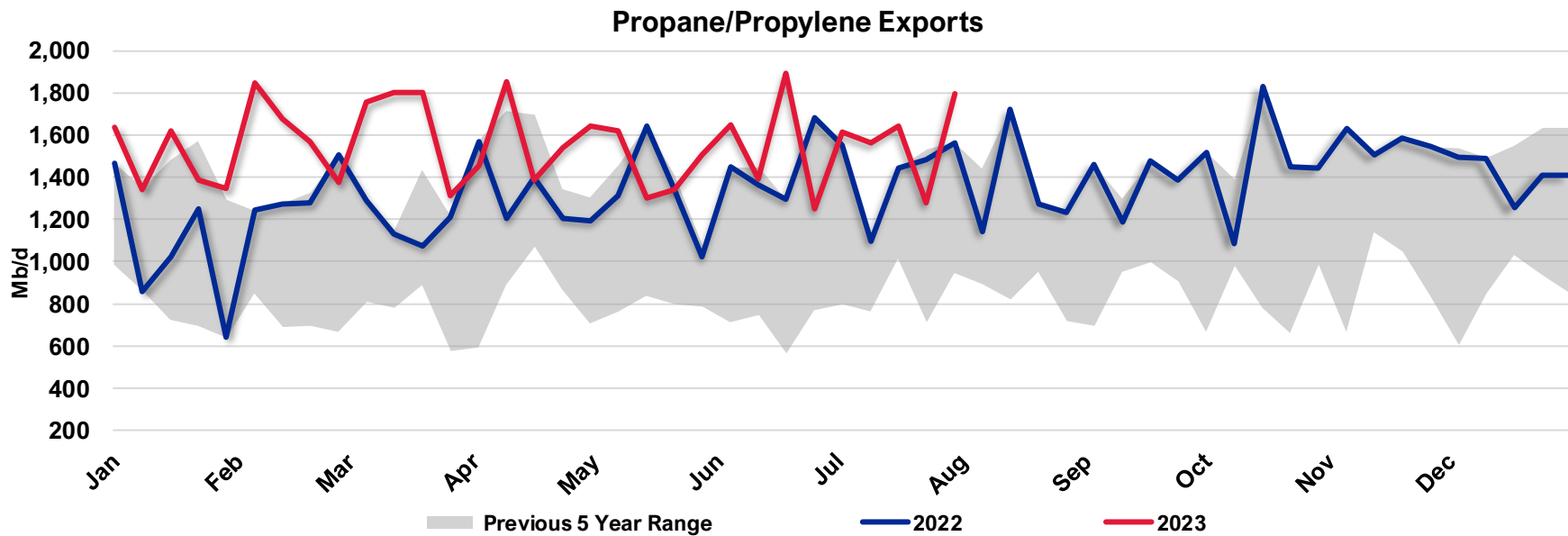


Figure 11

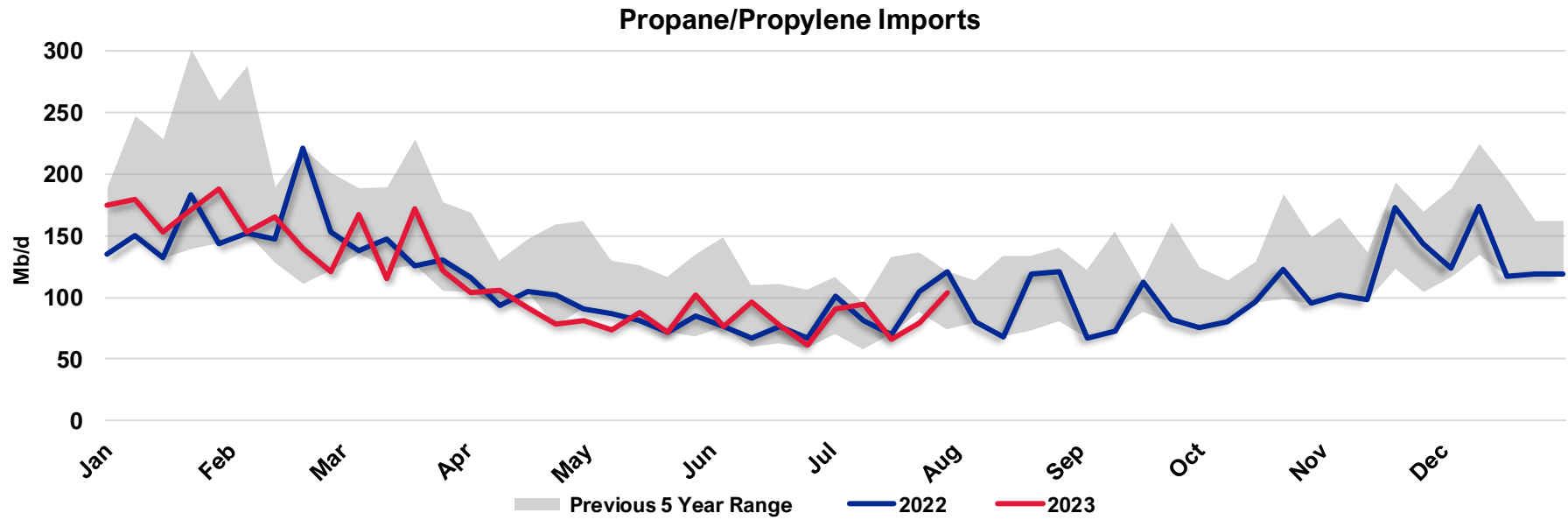


Figure 12

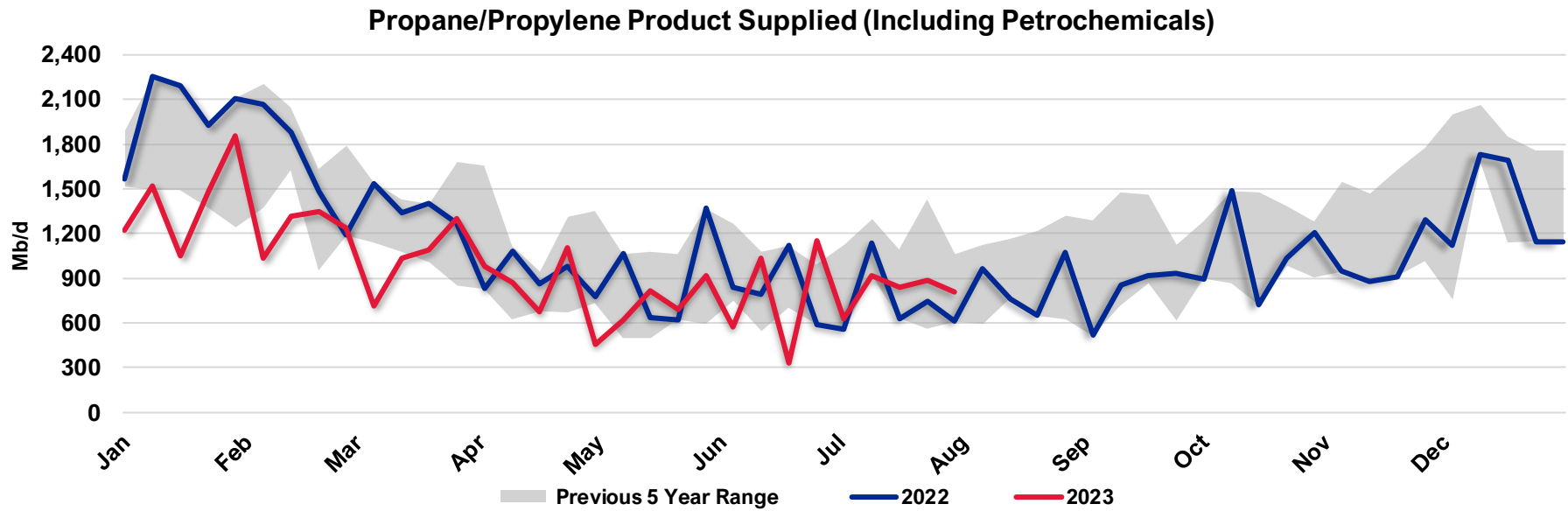


Figure 13

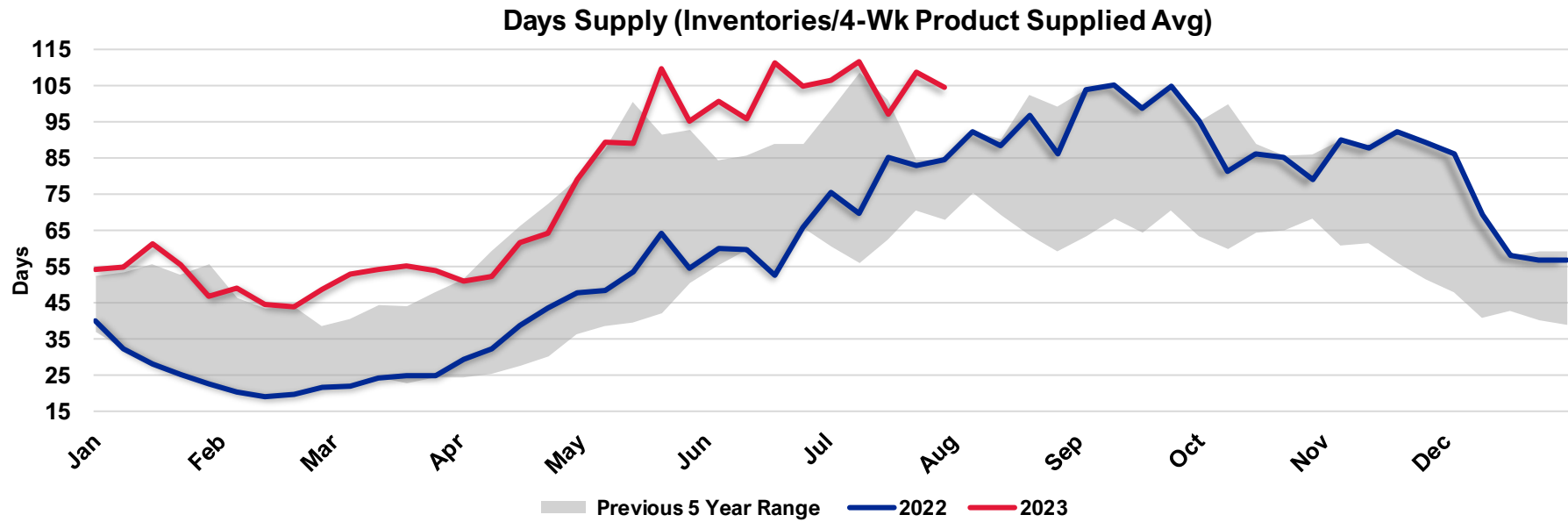
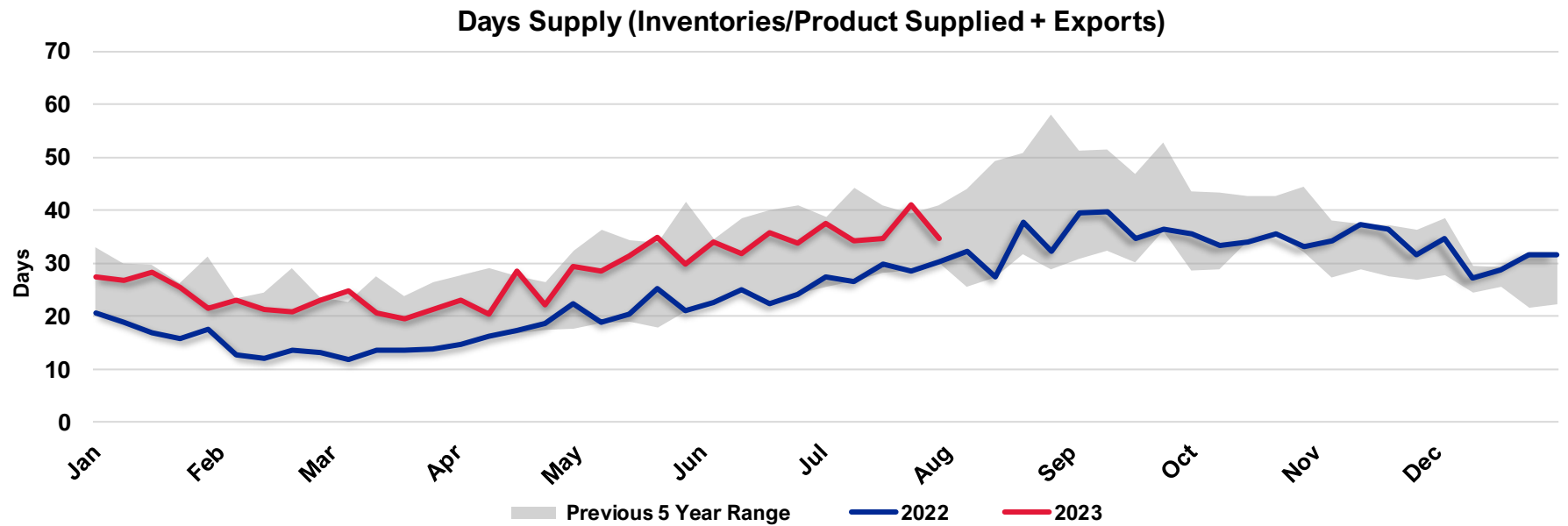


Figure 14



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