



WEEKLY PROPANE MARKET UPDATE

August 16, 2023

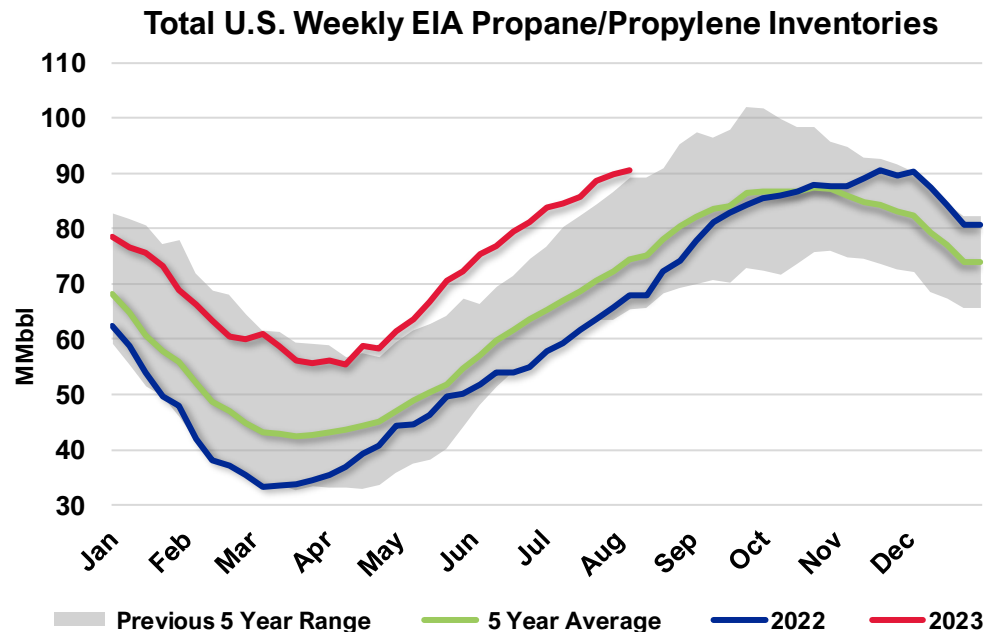
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 671 Mbbbl in the week ended August 11, which was below average industry expectations for a 2.4-MMbbl gain and the 1.8 MMbbl average build for the week. Total U.S. propane stocks are now at 90.6 MMbbl, which is 16.2 MMbbl, or 22%, above the 5-year average.
- » Crude oil prices moved lower during the week, driven by weak economic data out of China. WTI settled at \$80.99/bbl on August 15, down \$1.93/bbl from August 8. Propane prices were weaker than crude, with Mont Belvieu non-TET down by 10.2 c/gal from last week to 62.4 c/gal on August 15. As a result, the propane-to-WTI ratio declined by 5 percentage points from last week to 32%.
- » Weekly exports of propane reported by the EIA plunged to 1.4 MMbbl/d, down 400 Mbbbl/d from last week and below the 4-week average of 1.53 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 33 Mbbbl/d to 2,654 Mbbbl/d, primarily due to volumes in PADD 2 and PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 14% lower during the past week, settling at 62.4 c/gal on August 15. WTI prices held up better than propane, declining by \$1.93/bbl, or 2.3%, to \$80.99/bbl over the same period, which pushed the propane-to-WTI ratio down by 5 percentage points to 32%. The current ratio is well below the 50% average recorded in August 2022. The forward propane-to-WTI ratio for September-October 2023 was down 3 percentage points from last week at 36%. The Mont Belvieu non-TET vs. TET propane OPIS price spread was unchanged from last week, with non-TET trading at a discount of 0.6 c/gal on August 15.

Figure 1

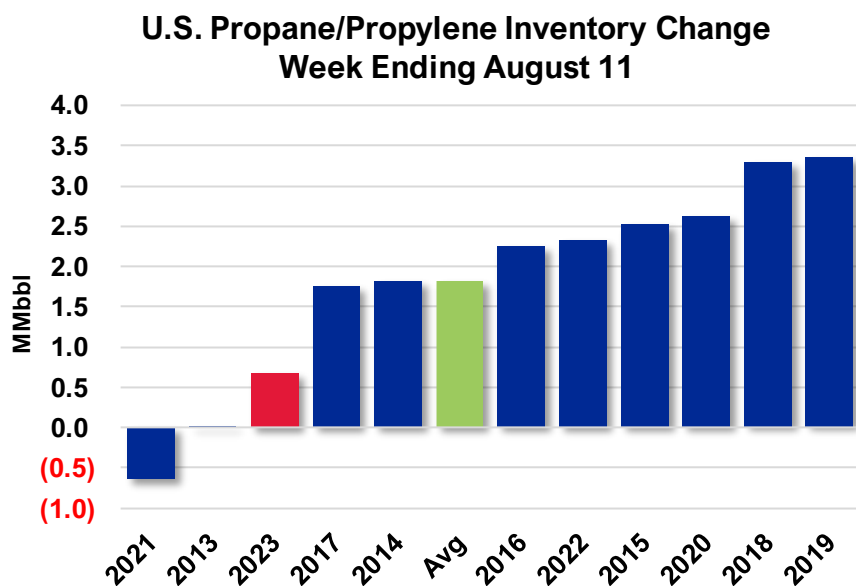


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories grew by 671 Mbbbl in the week ended August 11, which was about 1.8 MMbbl less than expectations. According to OPIS, the average of industry expectations called for a build of 2.4 MMbbl. Total U.S. propane stocks are now at 90.6 MMbbl. Inventories are 22.6 MMbbl, or 33%, above the same week in 2022 and 1.3 MMbbl, or 1.4%, above the 5-year maximum. Regional changes were mixed, with PADD 3 having the largest increase in inventory.

PADD 3 (Gulf Coast) propane inventories increased by 2 MMbbl. Total inventories for the region are now 54.8 MMbbl, putting them at 18.9 MMbbl, or 53 %, above 2022 and 2.2 MMbbl, or 4.3%, above the 5-year maximum. Inventories are 14.2 MMbbl, or 35%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories had a build of 238 Mbbbl. Total inventories for the region are now 23.9 MMbbl. Inventories are 3 MMbbl, or 14.6%, over 2022 but 930 Mbbbl, or 3.7%, below the 5-year maximum. Inventories are 1.2 MMbbl, or 5.3%, above the 5-year average.

PADD 1 (East Coast) stocks dropped by 1.1 MMbbl. Total inventories for the region are now at 6.9 MMbbl, which is now 300 Mbbbl, or 4.3%, below 2022 and 1.2 Mbbbl, or 15%, below the 5-year maximum. Inventories are also 223 Mbbbl, or 3.1%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories decreased by 395 Mbbbl. Total stocks for the region are 4.9 MMbbl, which is 886 MMbbl, or 21.85%, over 2022 and 378 Mbbbl, or 8.28%, above the 5-year maximum. Stocks are 1 MMbbl, or 26%, above the 5-year average.

Total U.S. production fell by 33 Mbbbl/d to 2,654 Mbbbl/d with PADD 1 having the largest increase of 35 Mbbbl/d and all other regions having a combined decrease of 67 Mbbbl/d. Exports declined by 400 Mbbbl/d to 1,398 Mbbbl/d, which is below well the 4-week average of 1,528 Mbbbl/d. Imports reduced by 21 Mbbbl/d to 83 Mbbbl/d as volumes into PADD 2 and PADD 4/5 decreased by a combined 23 Mbbbl/d while PADD 1 increased by 2 Mbbbl/d. Product supplied grew by 441 Mbbbl/d to 1,244 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended August 11 (red bar, Figure 2) of 671 Mbbbl was about 1.2 MMbbl less than the average increase of 1.8 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET was relatively unchanged from last week, trading at a 1.0 c/gal discount as of August 15. The forward-price differential between Mont Belvieu (TET or LST) and Conway was also little changed from the prior 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 96 days, four 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 34 days of inventory, which is two days more than 2022 but 10 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

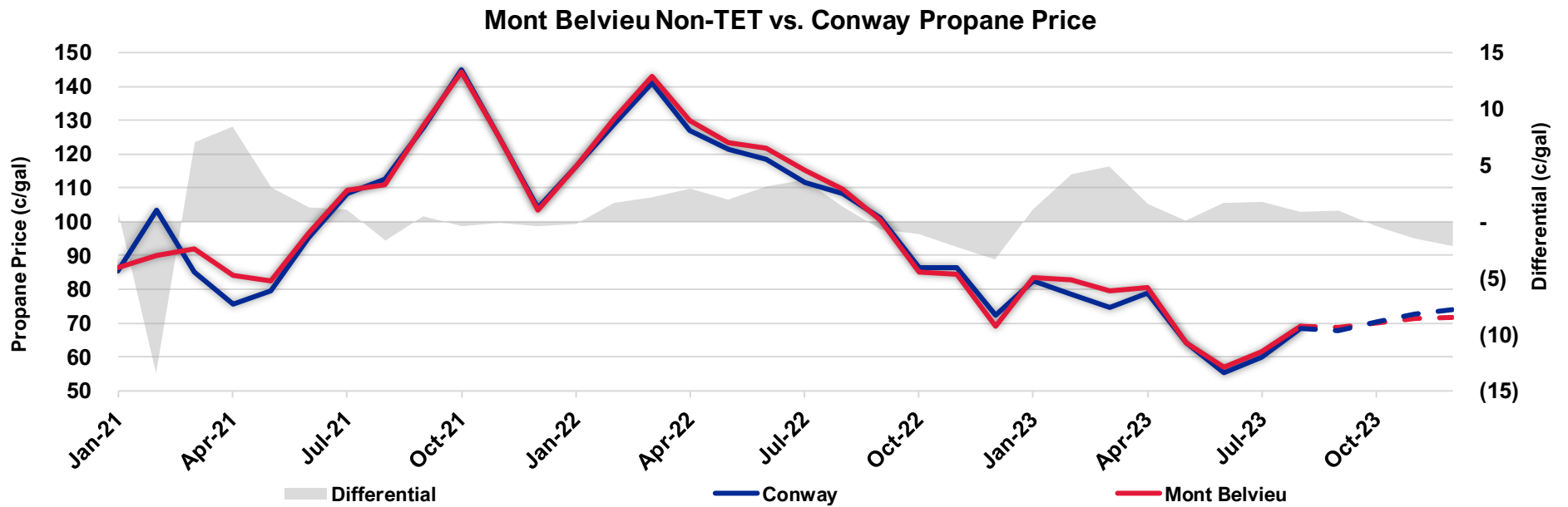
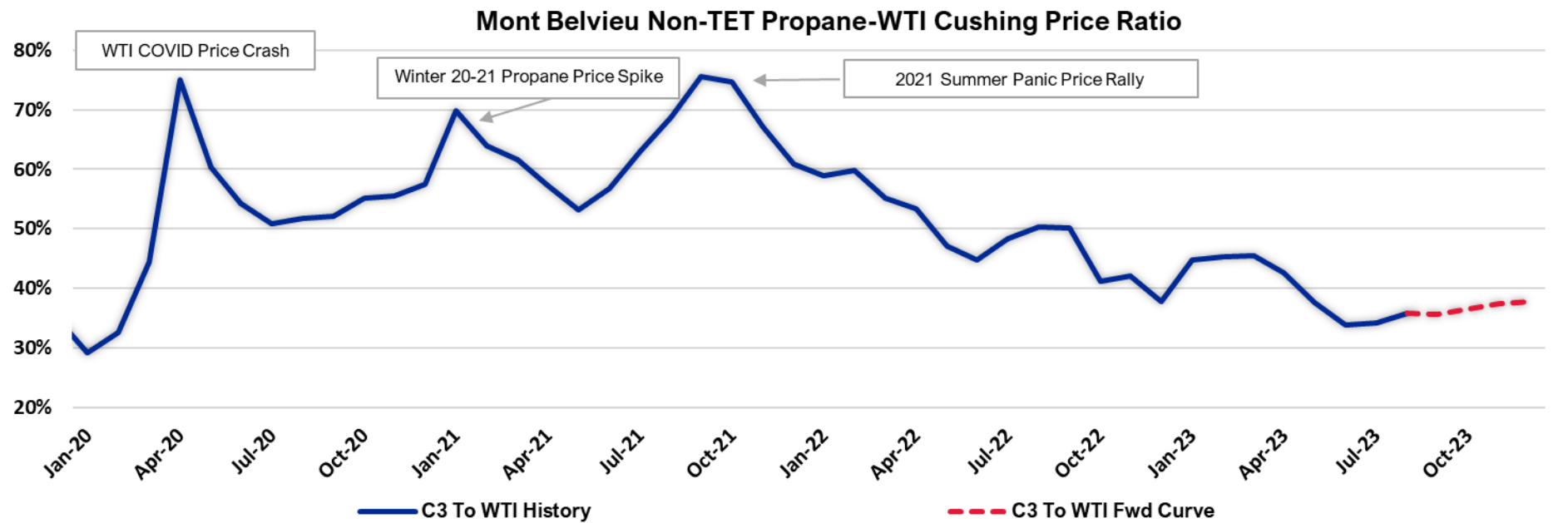


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

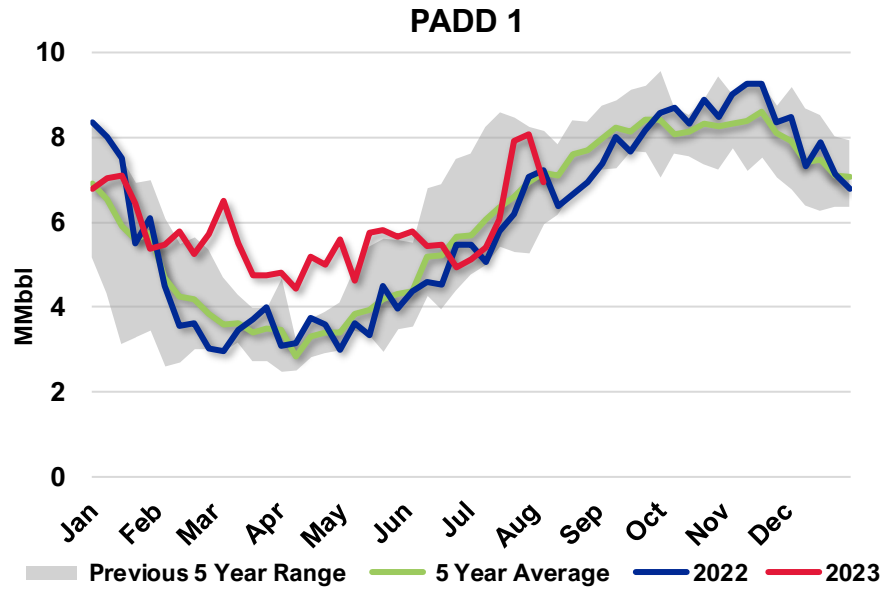


Figure 6

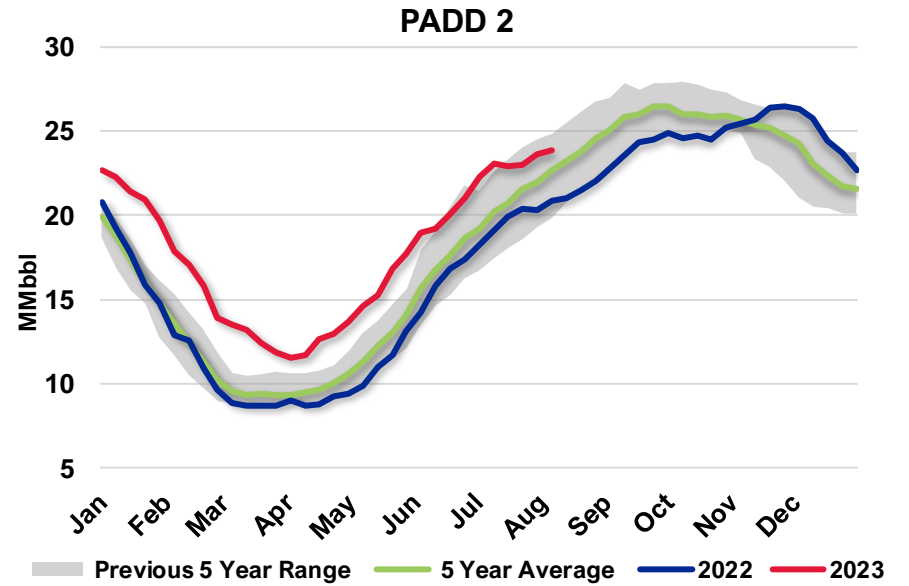


Figure 7

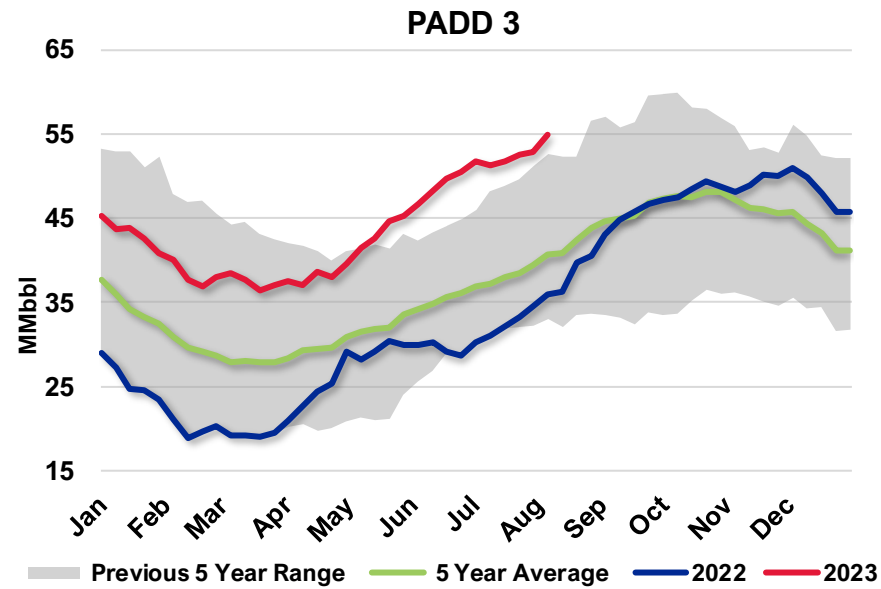


Figure 8

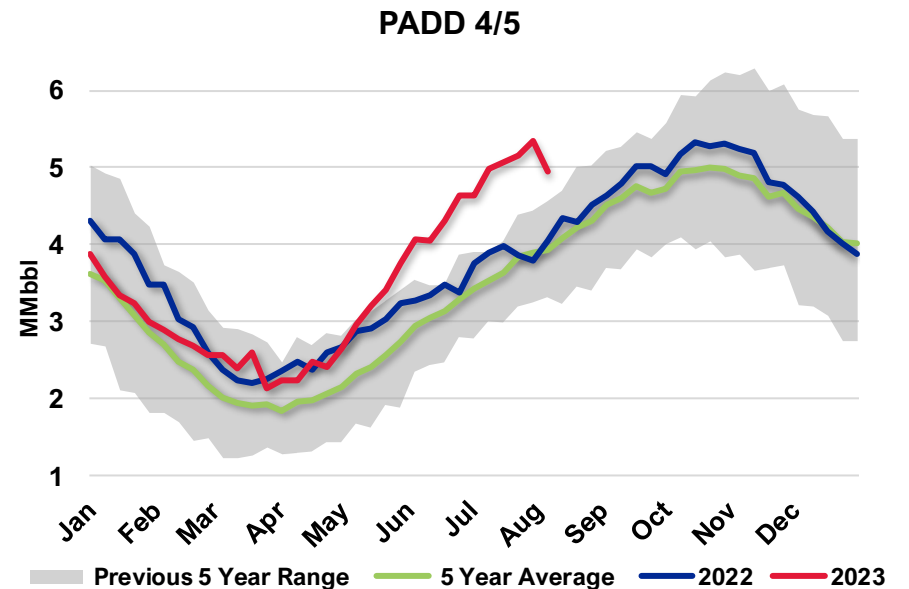


Figure 9

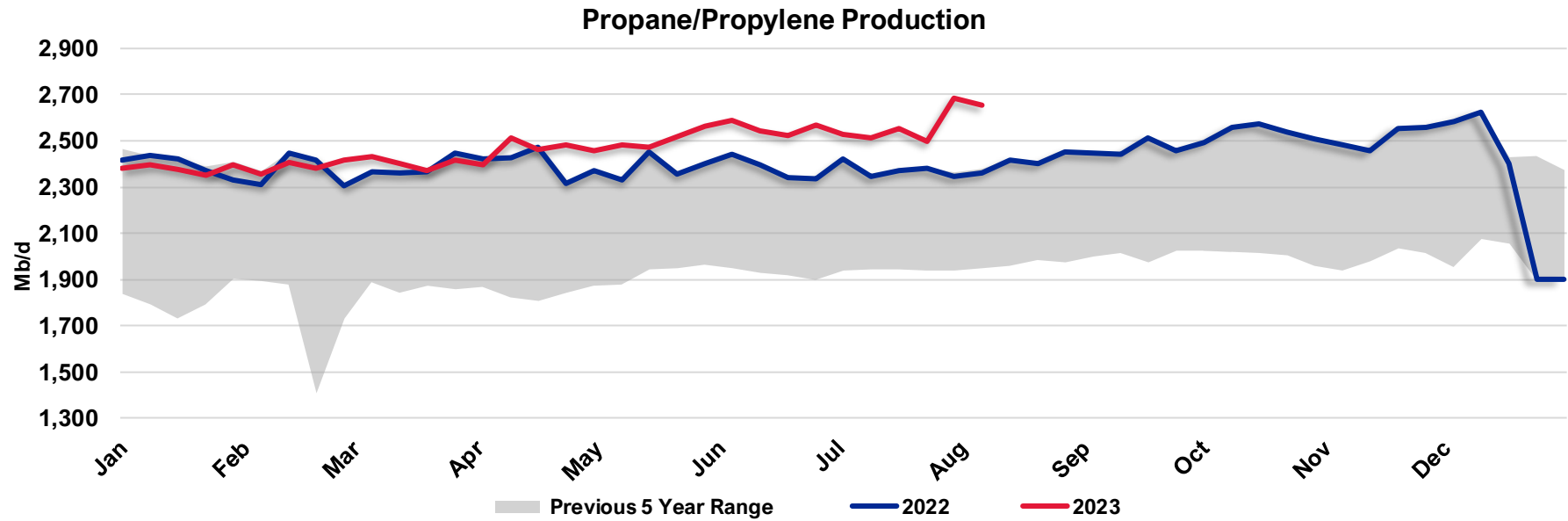


Figure 10

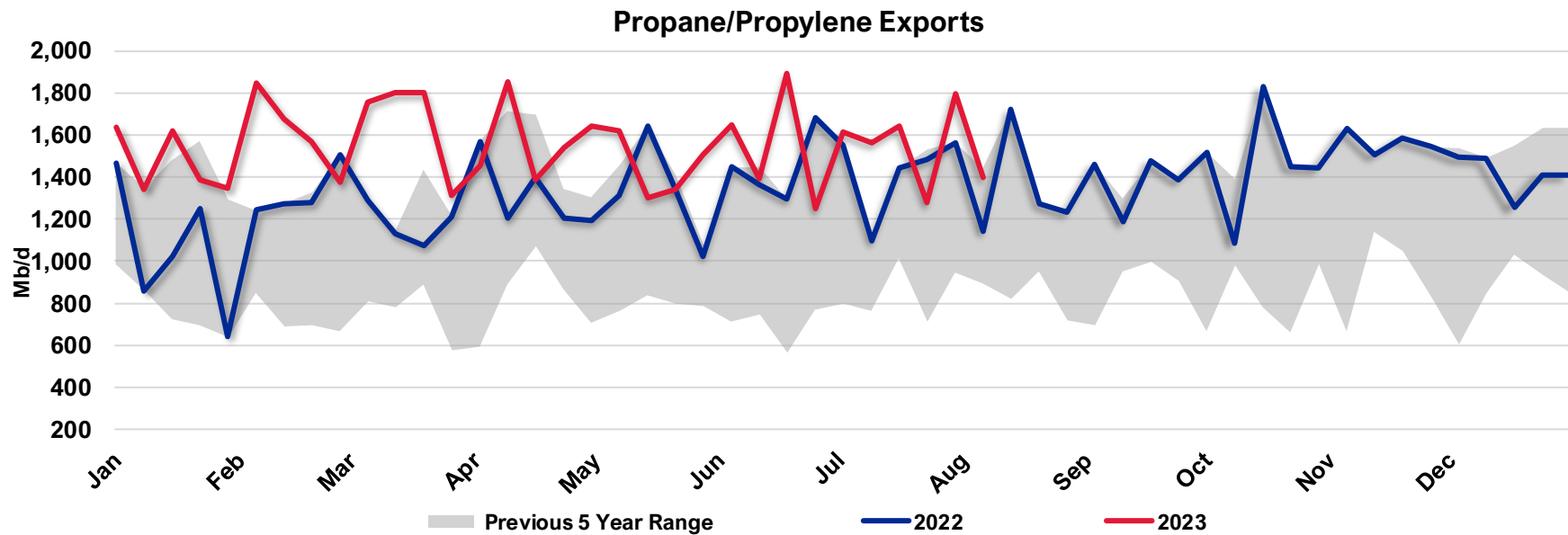


Figure 11

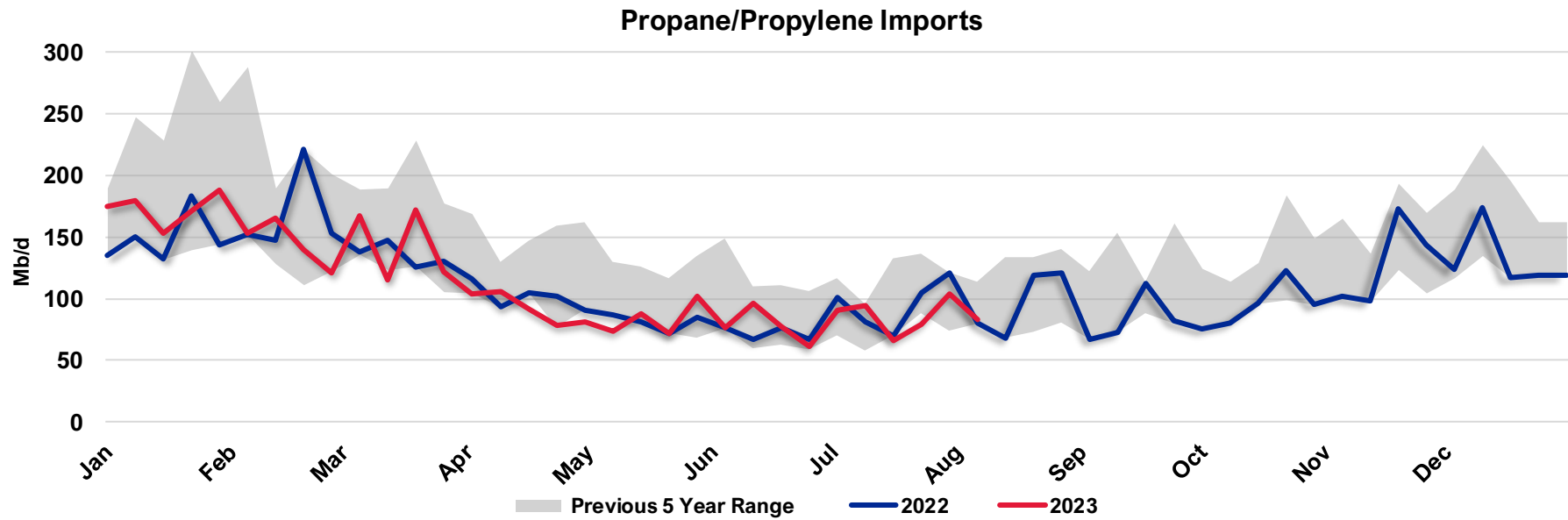


Figure 12

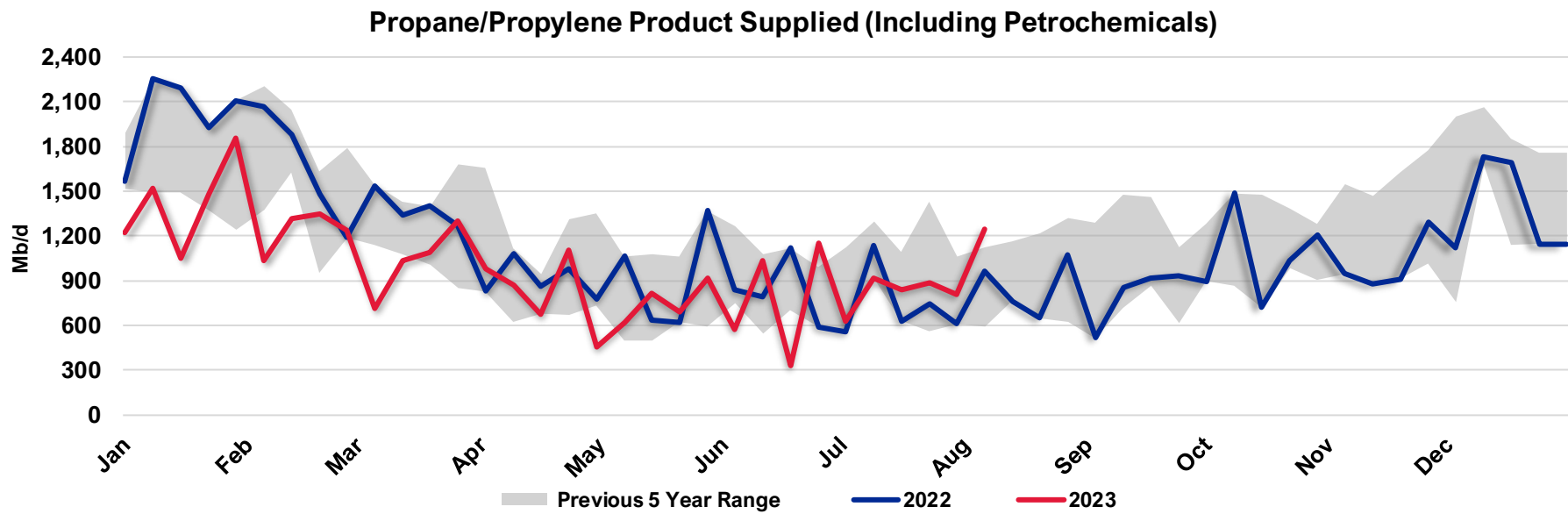


Figure 13

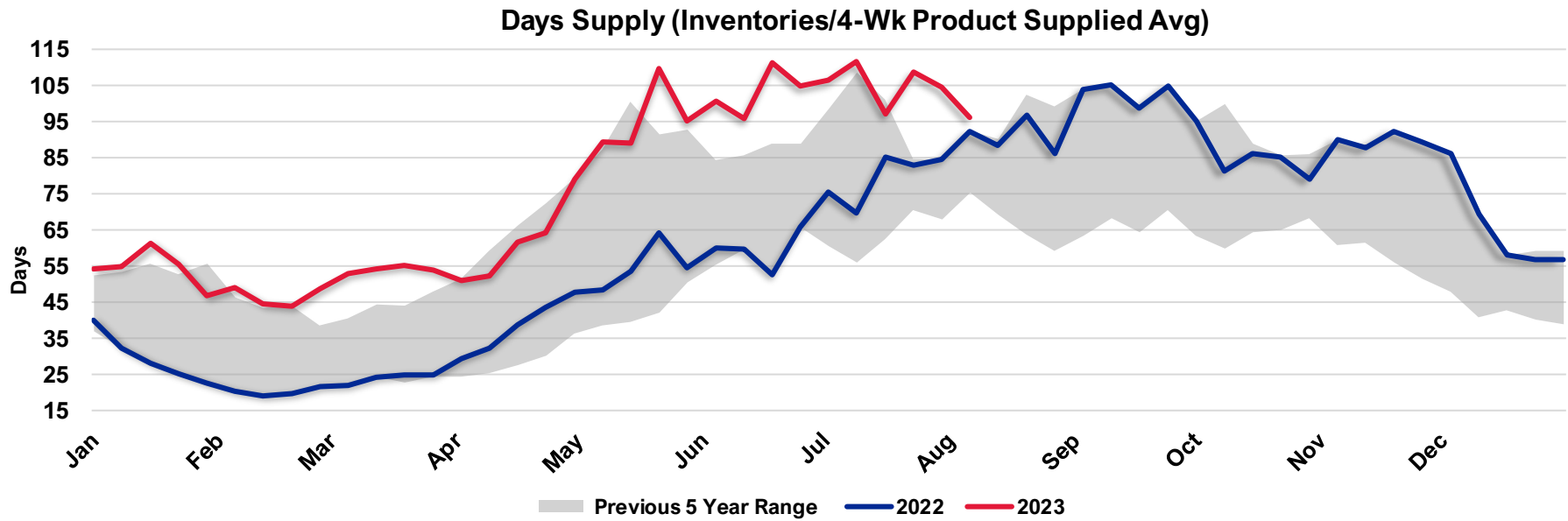
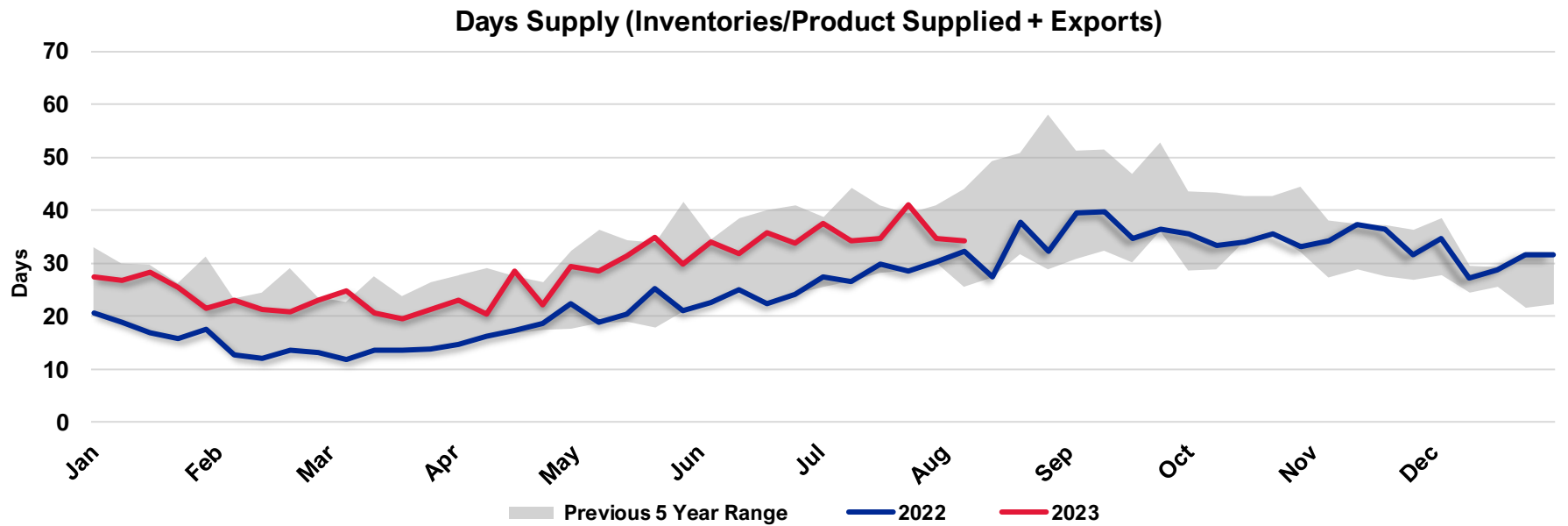


Figure 14



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