



WEEKLY PROPANE MARKET UPDATE

August 23, 2023

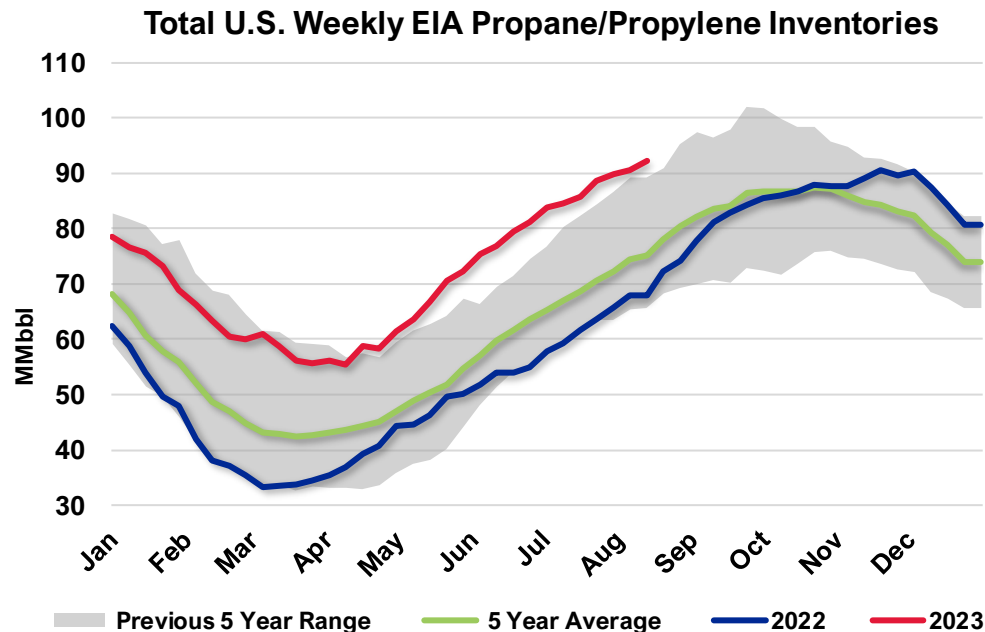
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1.7 MMbbl in the week ended August 18, which was below slightly average industry expectations for a 2.1-MMbbl gain and the 1.3 MMbbl average build for the week. Total U.S. propane stocks are now at 92.3 MMbbl, which is 17 MMbbl, or 22.6%, above the 5-year average.
- » Crude oil prices moved slightly lower during the week amid worries about Chinese demand. WTI settled at \$80.35/bbl on August 22, down \$0.64/bbl from August 15. Propane prices were modestly higher than crude, with Mont Belvieu non-TET up by 0.6 c/gal from last week to 63 c/gal on August 22. As a result, the propane-to-WTI ratio increased by 1 percentage points from last week to 33%.
- » Weekly exports of propane reported by the EIA were stronger at 1.46 MMbbl/d, up 62 Mbbbl/d from last week and on par with the 4-week average of 1.48 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 46 Mbbbl/d to 2,608 Mbbbl/d, primarily due to volumes in PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 1% higher during the past week, settling at 63 c/gal on August 22. WTI prices were weaker than propane, declining by \$0.64/bbl, or 0.8%, to \$80.35/bbl over the same period, which pushed the propane-to-WTI ratio up by 1 percentage points to 33%. 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 1 percentage point from last week to 35%. The Mont Belvieu non-TET vs. TET propane OPIS price spread was relatively unchanged from last week, with non-TET trading at a discount of 0.4 c/gal on August 22.

Figure 1

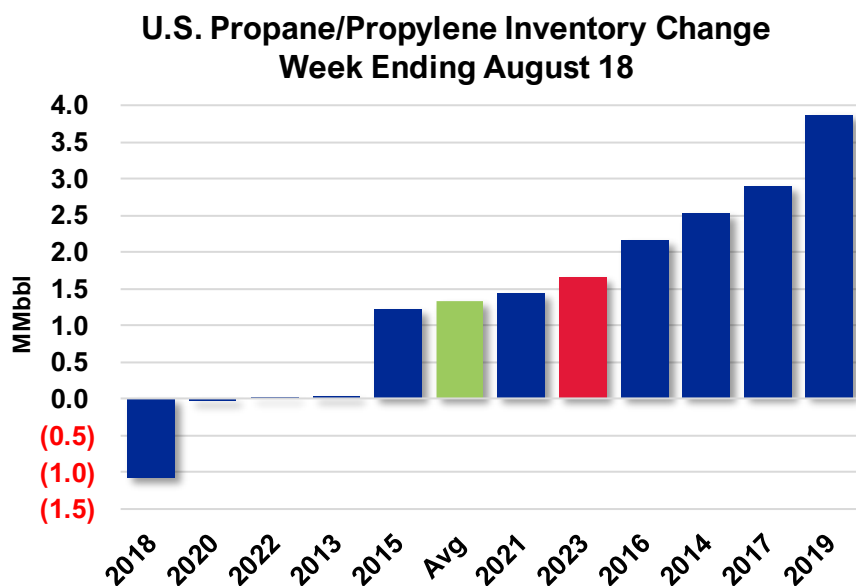


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a build of 2.1 MMbbl for the week ended August 18. In today's EIA report, U.S. propane inventories grew by 1.7 MMbbl, slightly less than expectations. Total U.S. propane stocks are now at 92.3 MMbbl. Inventories are 24.3 MMbbl, or 35.7%, above the same week in 2022 and 3 MMbbl, or 3.3%, above the 5-year maximum. Regional changes show inventories increasing in all areas, with PADD 3 having the largest increase in inventory.

PADD 3 (Gulf Coast) propane inventories increased by 897 Mbbbl. Total inventories for the region are now 55.7 MMbbl, putting them at 19.5 MMbbl, or 53.6%, above 2022 and 3.5 MMbbl, or 6.7%, above the 5-year maximum. Inventories are 15 MMbbl, or 36.6%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories had a slight build of only 85 Mbbbl. Total inventories for the region are now 24 MMbbl. Inventories are 2.9 MMbbl, or 14.1%, over 2022 but 1.5 MMbbl, or 5.9%, below the 5-year maximum. Inventories are 726 Mbbbl, or 3.1%, above the 5-year average.

PADD 1 (East Coast) stocks grew by 273 Mbbbl. Total inventories for the region are now at 7.2 MMbbl, which is 846 Mbbbl, or 13.3%, above 2022 but 617 Mbbbl, or 7.9%, below the 5-year maximum. Inventories are also 101 Mbbbl, or 1.4%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased by 410 Mbbbl. Total stocks for the region are 5.3 MMbbl, which is 1 MMbbl, or 23.4%, over 2022 and 650 Mbbbl, or 13.8%, above the 5-year maximum. Stocks are 1.3 MMbbl, or 31.1%, above the 5-year average.

Total U.S. production fell by 46 Mbbbl/d to 2,608 Mbbbl/d with PADD 2 having the only increase of 20 Mbbbl/d and all other regions having a combined decrease of 67 Mbbbl/d. Exports rose by 62 Mbbbl/d to 1,460 Mbbbl/d, which is slightly below well the 4-week average of 1,483 Mbbbl/d. Imports reduced by 19 Mbbbl/d to 64 Mbbbl/d as volumes into PADD 1 and PADD 2 decreased by a combined 19 Mbbbl/d while there were no changes in PADD 3 and PADD 4/5. Product supplied fell by 270 Mbbbl/d to 974 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended August 18 (red bar, Figure 2) of 1.7 Mbbbl was about 400 MMbbl more than the average increase of 1.3 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 0.6 c/gal discount as of August 22. 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 0.8 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 95 days, six days higher than the same week in 2022 and four days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 38 days of inventory, which is 11 days more than 2022 but 11 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

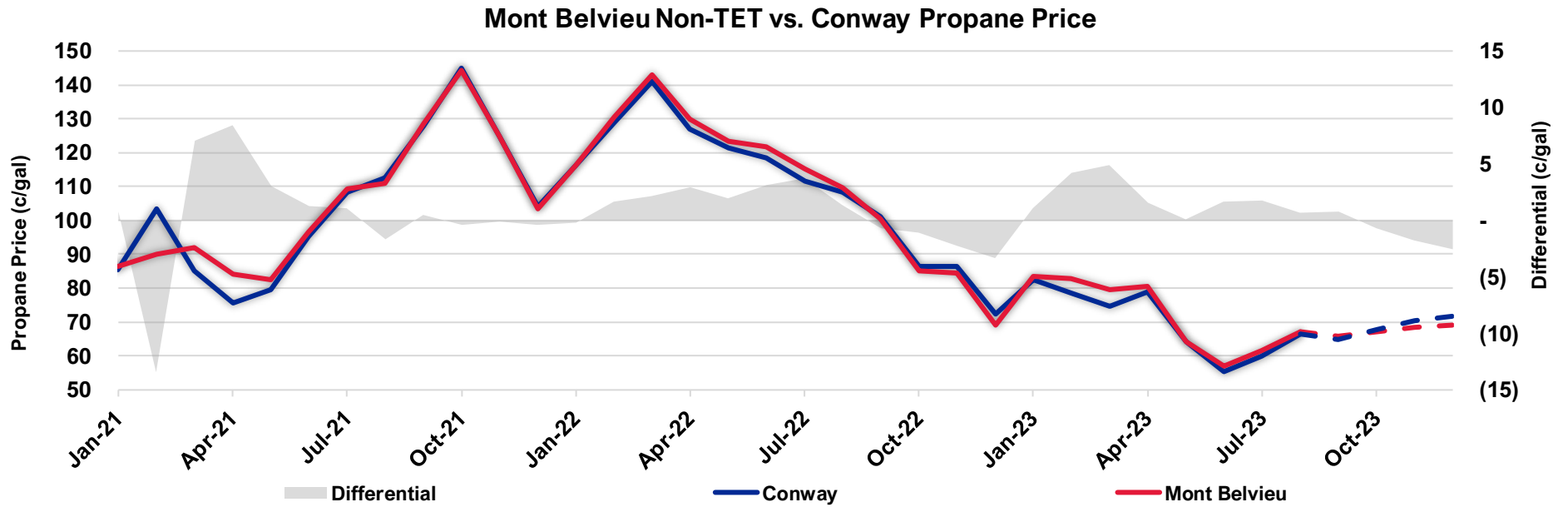
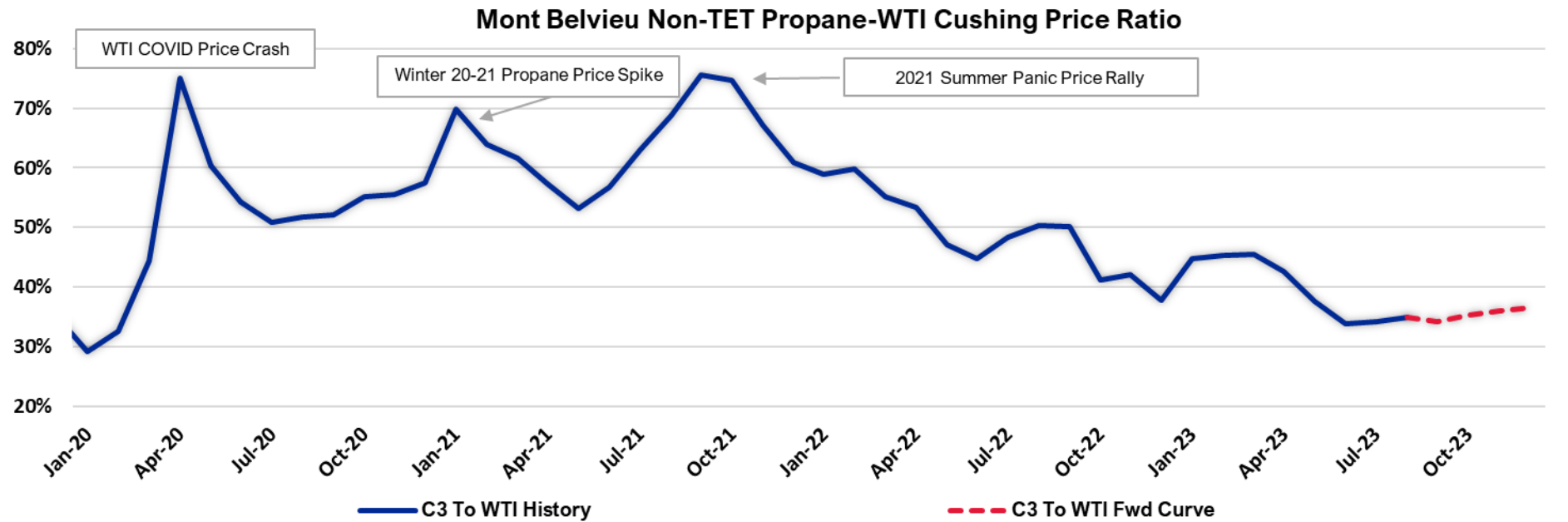


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

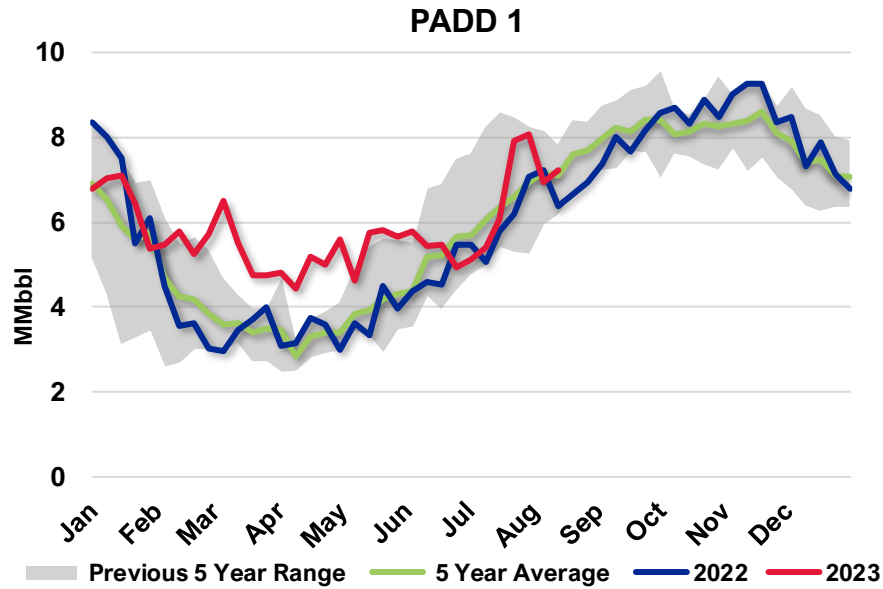


Figure 6

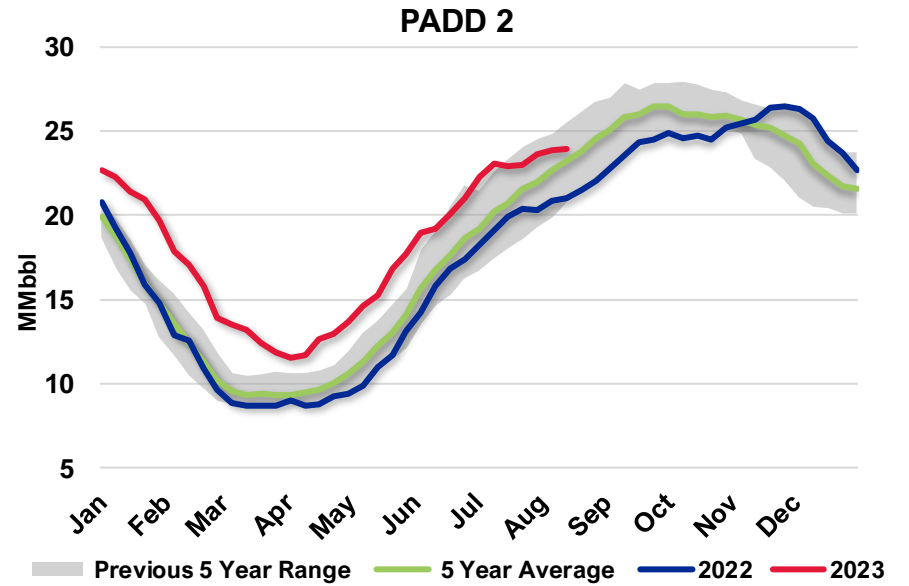


Figure 7

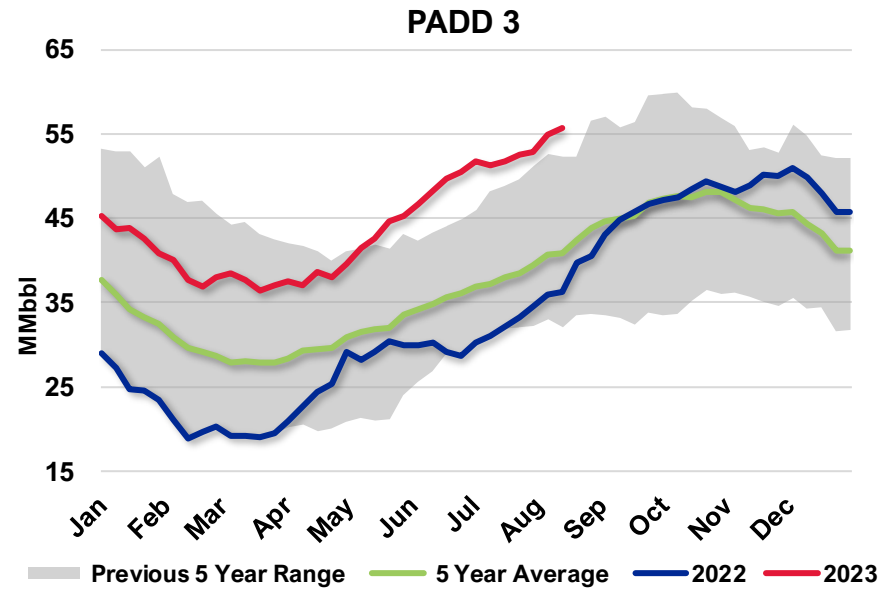


Figure 8

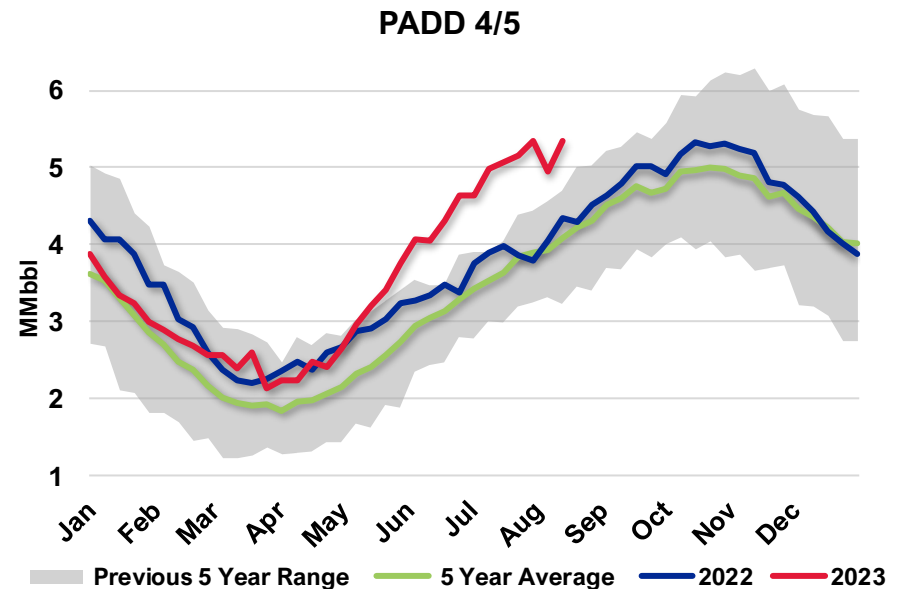


Figure 9

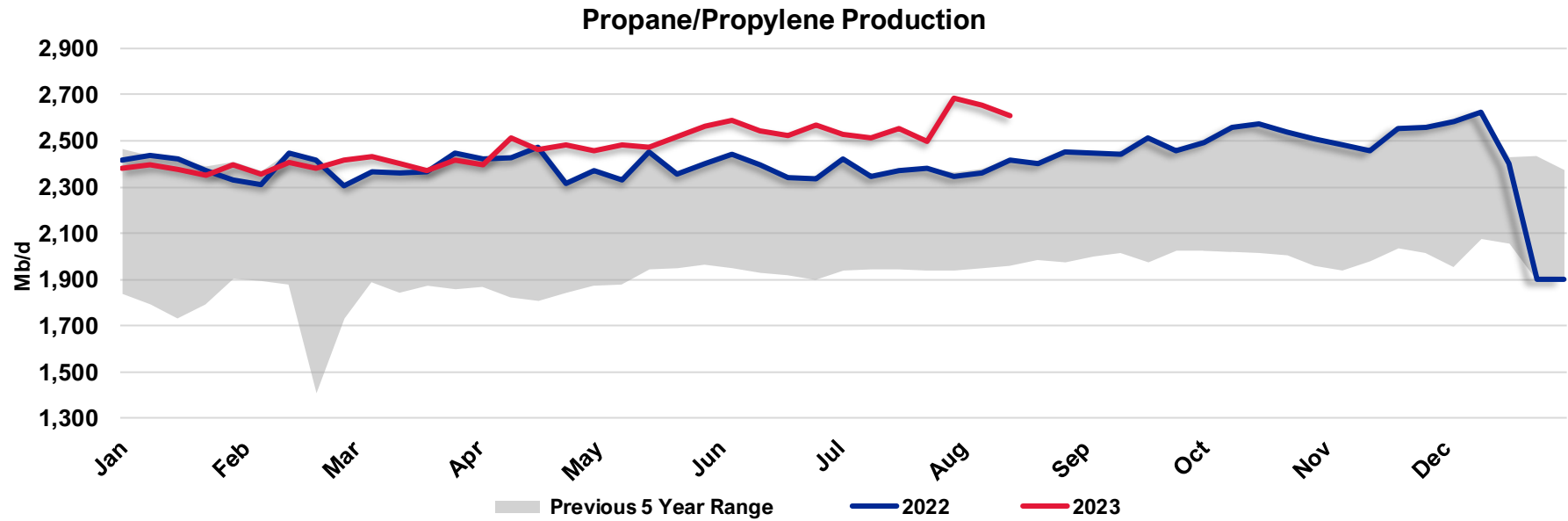


Figure 10

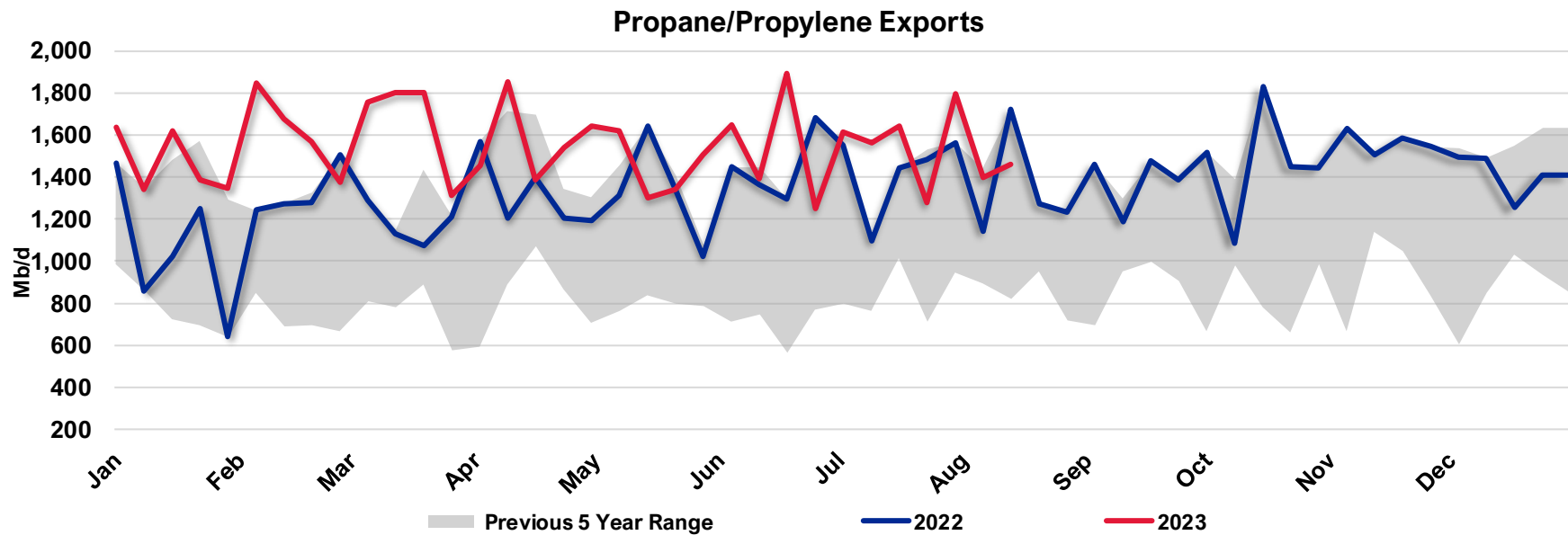


Figure 11

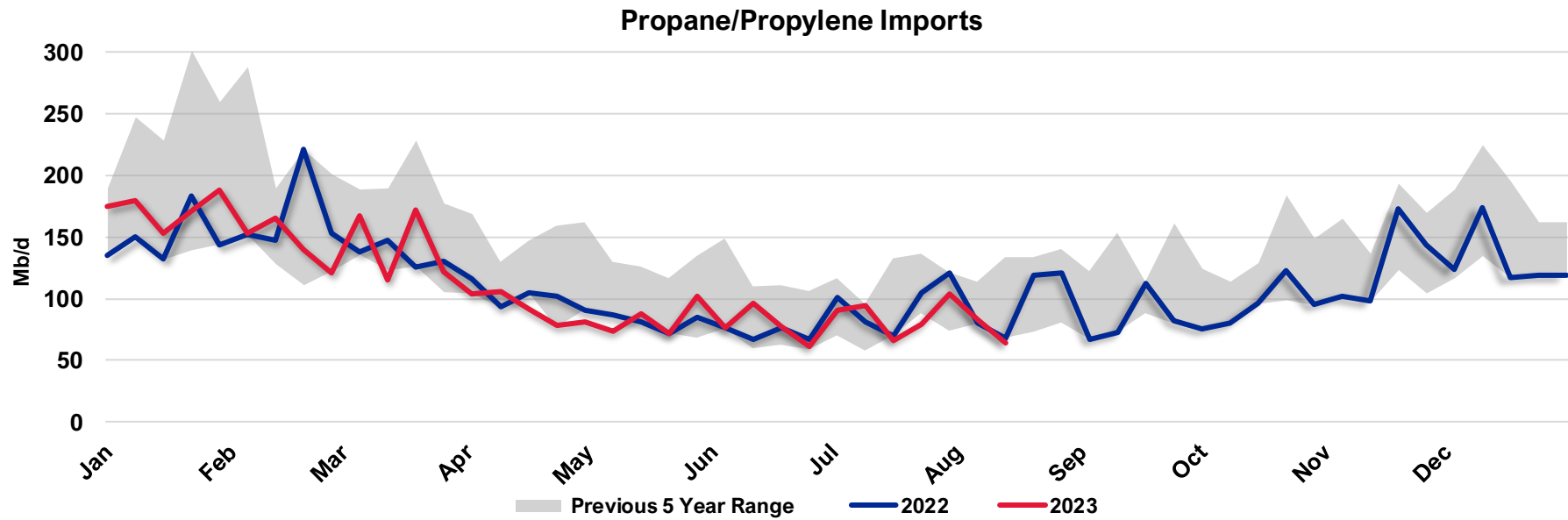


Figure 12

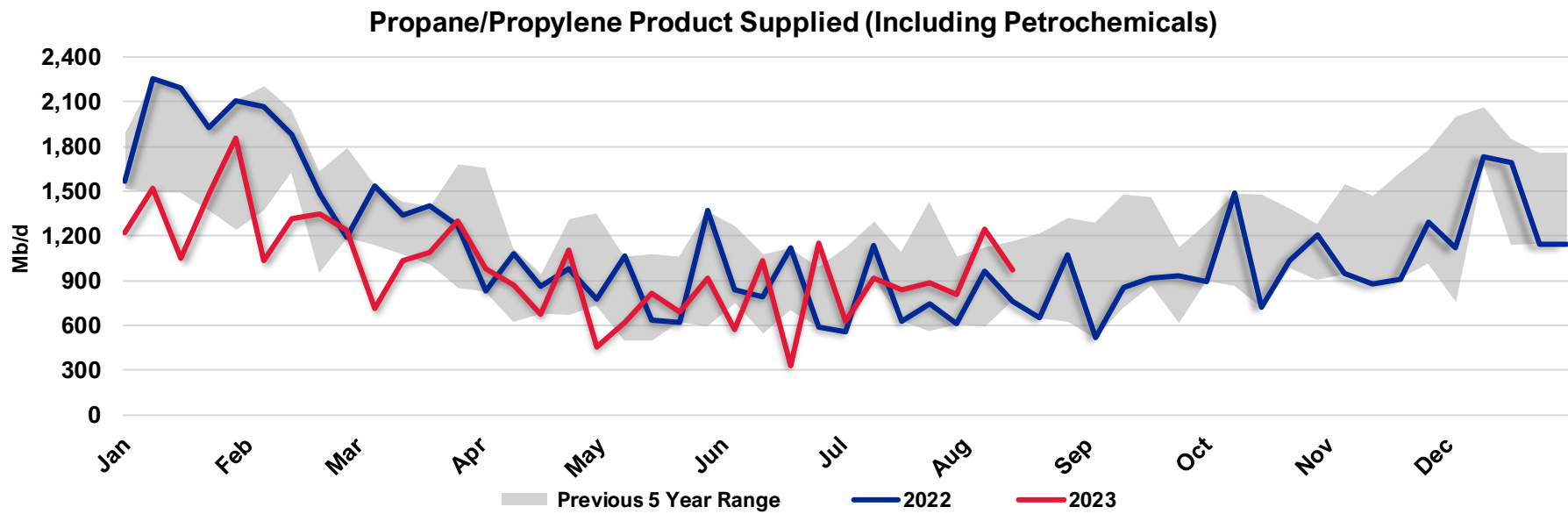


Figure 13

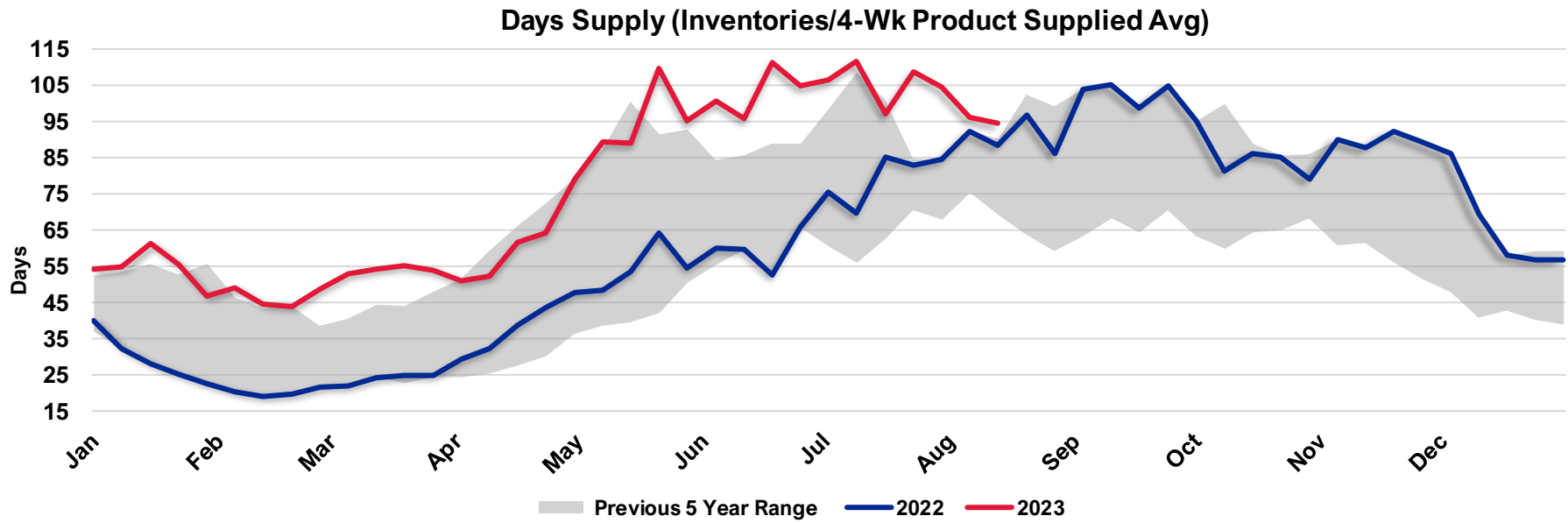
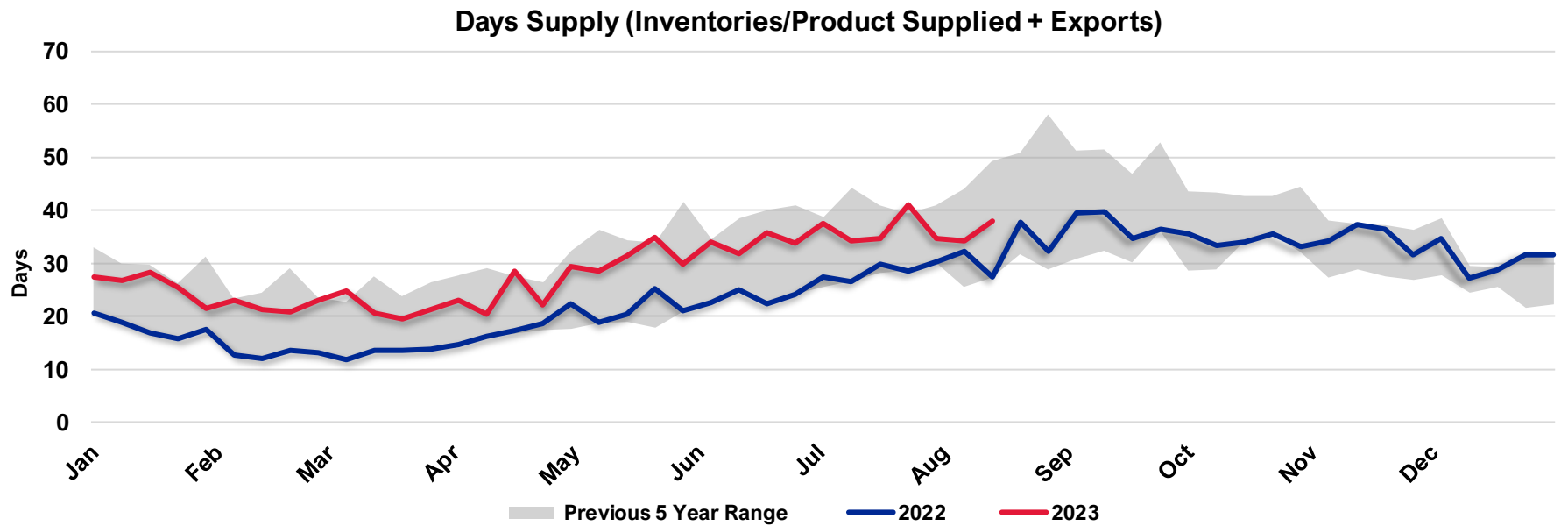


Figure 14



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