

WEEKLY PROPANE MARKET UPDATE

September 20, 2023

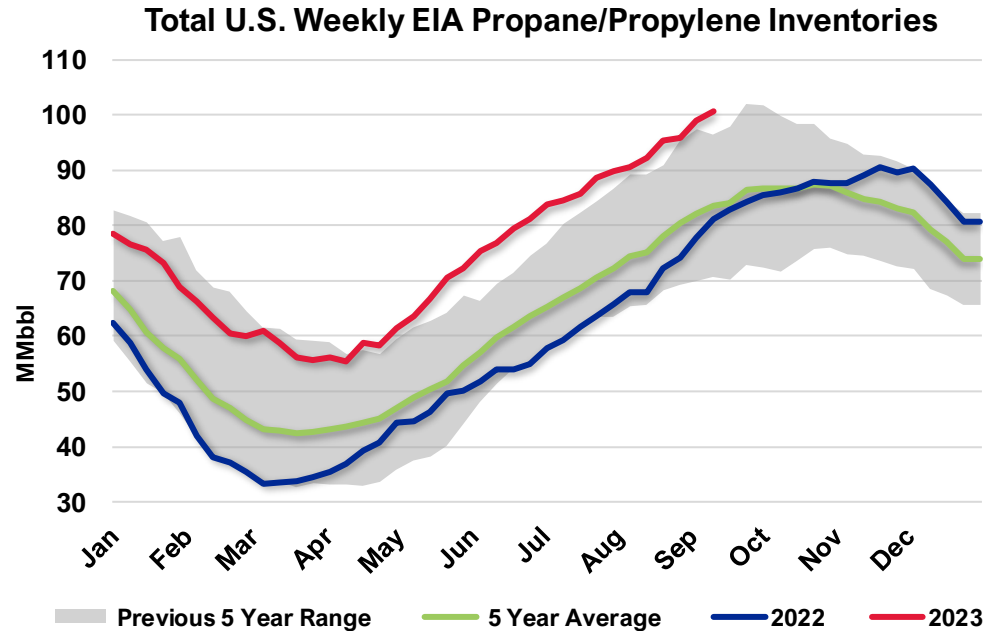
Figure 1

HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1.6 MMbbl in the week ended September 15, which was below average industry expectations for a 2.2-MMbbl gain but above the 1 MMbbl average build for the week. Total U.S. propane stocks are now at 100.7 MMbbl, which is 17.2 MMbbl, or 21%, above the 5-year average.
- » Crude oil prices moved higher during the week, supported by concerns that supply shortfalls may reduce global crude inventories. WTI settled at \$91.20/bbl on September 19, up \$2.36/bbl from September 12. Propane prices were weaker than crude oil, with Mont Belvieu non-TET down by 3.4 c/gal from last week to 75.1 c/gal on September 19. As a result, the propane-to-WTI ratio was down 2 percentage points to 35%.
- » Weekly exports of propane reported by the EIA plunged to 1.23 MMbbl/d, down 439 Mbbl/d from last week and below the 4-week average of 1.54 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 23 Mbbl/d to 2,580 Mbbl/d as output increased primarily in PADD 2 and PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 4.3% lower during the past week, settling at 75.1 c/gal on September 19. WTI prices continued to rally, climbing by \$2.36/bbl, or 2.7%, to \$91.20/bbl over the same period, which pushed the propane-to-WTI ratio down 2 percentage points to 35%. The current ratio is well below the 50% average recorded in September 2022. The forward propane-to-WTI ratio for October-November 2023 was down 1 percentage point from last week to 36%.

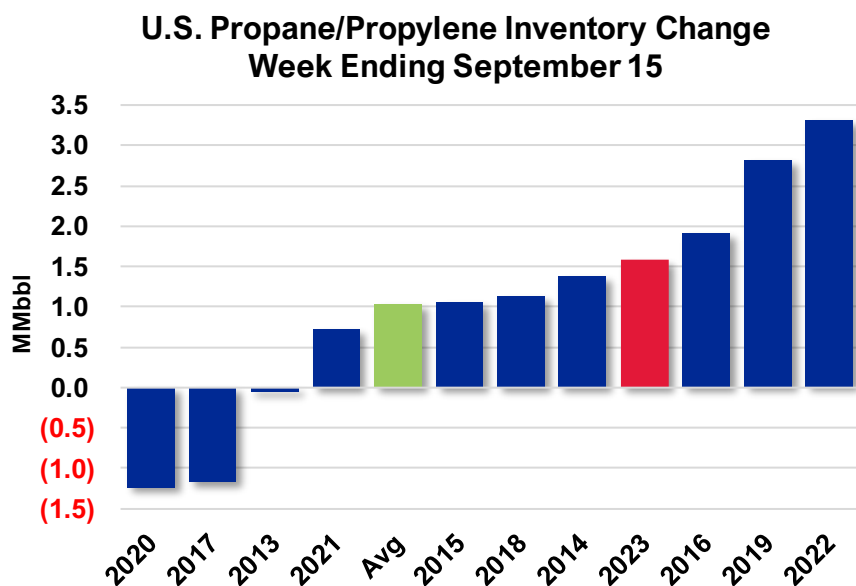


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories grew by 1.6 MMbbl in the week ended September 15, about 600 Mbbl less than expectations. According to OPIS, the average of industry expectations called for a build of 2.2 MMbbl. Total U.S. propane stocks are now at 100.7 MMbbl. Inventories are 19.5 MMbbl, or 24%, above the same week in 2022 and 4.2 MMbbl, or 4.3%, above the 5-year maximum. Regional changes show increases in all areas, with PADD 1 having the largest increase in inventory.

PADD 3 (Gulf Coast) propane inventories grew by 550 MMbbl. Total inventories for the region are now 58.9 MMbbl, putting them at 14.1 MMbbl, or 31.5%, above 2022 and 3.3 MMbbl, or 5.9%, above the 5-year maximum. Inventories are 14.1 MMbbl, or 31.4%, above the 5-year average.

Figure 2



**ANALYSIS & INSIGHTS (continued)**

PADD 2 (Midwest) inventories had a build of 290 Mbbbl. Total inventories for the region are now 26.9 MMbbl. Inventories are 3.4 MMbbl, or 14.4%, over 2022 but 873 Mbbbl, or 3.1%, below the 5-year maximum. Inventories are 1.1 MMbbl, or 4.4%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 621 Mbbbl. Total inventories for the region are now at 9 MMbbl, which is 1 MMbbl, or 13.1%, above 2022 and 183 Mbbbl, or 2.1%, above the 5-year maximum. Inventories are also 800 Mbbbl, or 9.7%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased by 127 Mbbbl. Total stocks for the region are 5.7 MMbbl, which is 943 Mbbbl, or 19.7%, over 2022 and 461 Mbbbl, or 8.8%, above the 5-year maximum. Stocks are 1.1 MMbbl, or 24.6%, above the 5-year average.

Total U.S. production increased by 23 Mbbbl/d to 2,580 Mbbbl/d. PADD 1 had the only decrease in production of 19 Mbbbl/d while all regions had a combined increase of 44 Mbbbl/d. Exports dropped by 439 Mbbbl/d to 1,229 Mbbbl/d, which is below the 4-week average of 1,535 Mbbbl/d. Imports jumped by 59 Mbbbl/d to 120 Mbbbl/d as all regions increased with one cargo imported into the East Coast. Product supplied soared by 743 Mbbbl/d to 1,245 Mbbbl/d.

**Propane Inventory Change**

The build in propane stocks for the week ended September 15 (red bar, Figure 2) of 1.6 MMbbl was about 600 Mbbbl more than the average increase of 1 MMbbl (green bar).

**MB Non-TET vs Conway Price**

The Conway propane OPIS spot price relative to Mont Belvieu non-TET narrowed from last week, with Conway trading at a 0.6 c/gal discount as of September 18. The forward-price differential between Mont Belvieu (TET or LST) and Conway widened from the prior week, with Mont Belvieu trading at a 0.3 c/gal premium to Conway for October 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 119 days, 14 days higher than the same week in 2022 and 14 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 one day 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

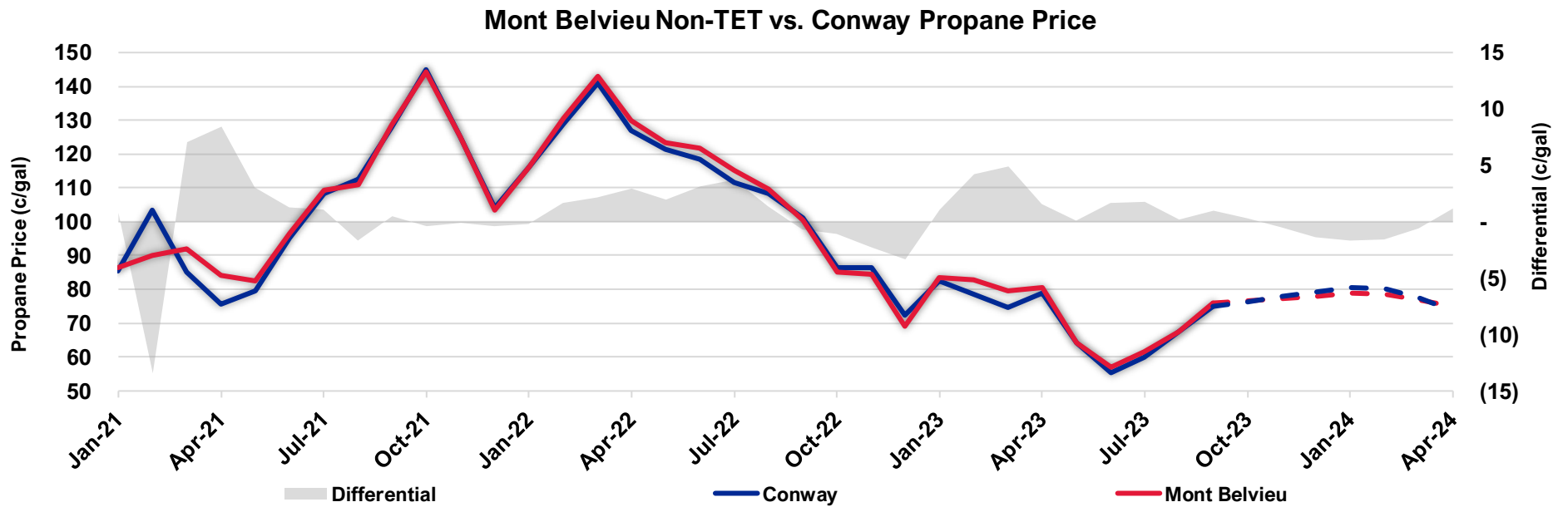
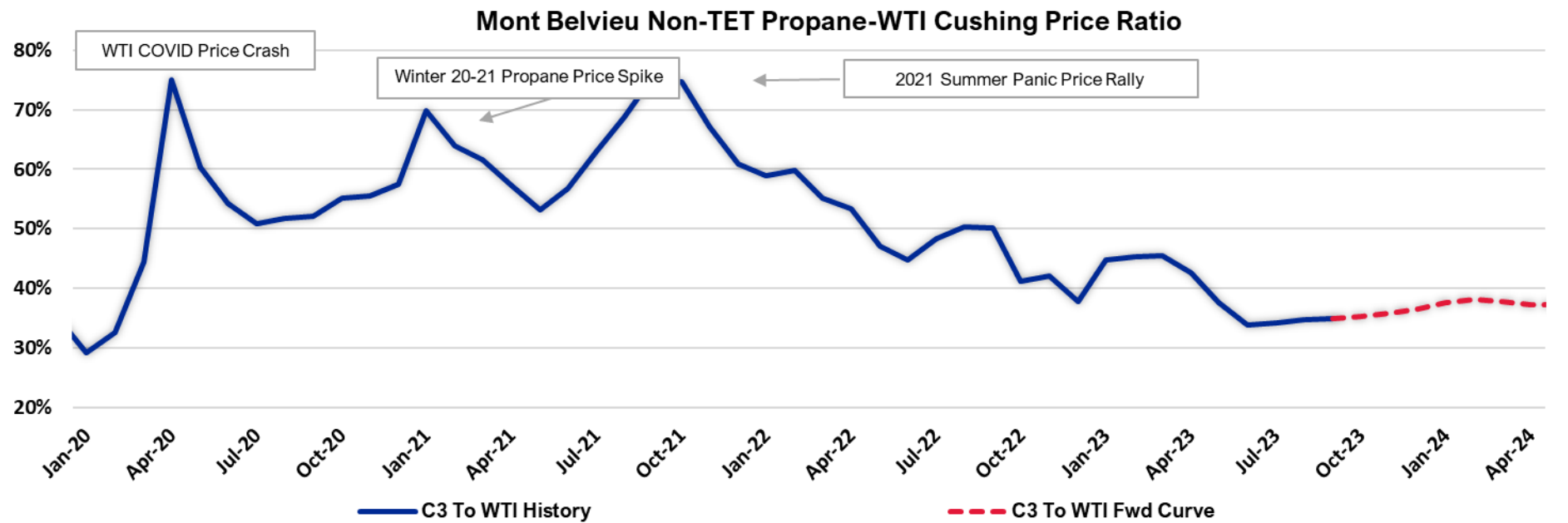


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

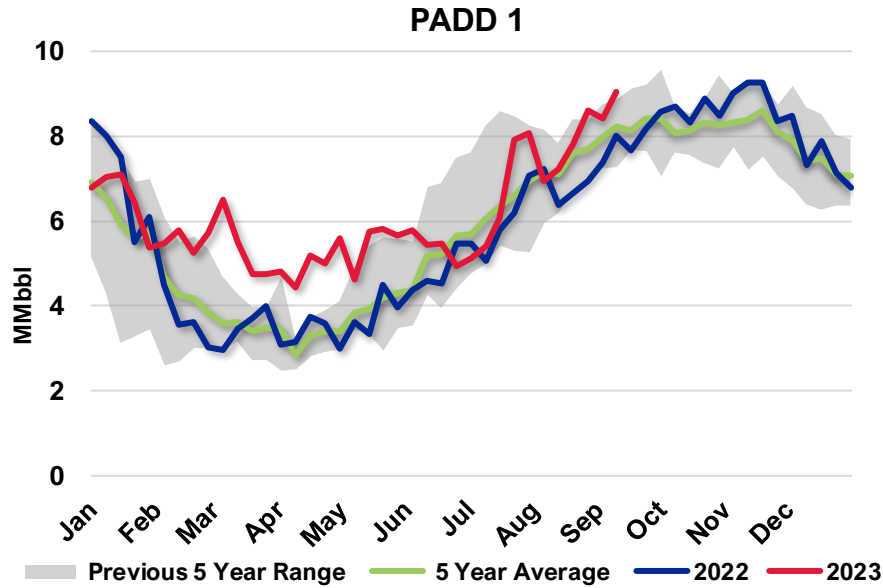


Figure 6

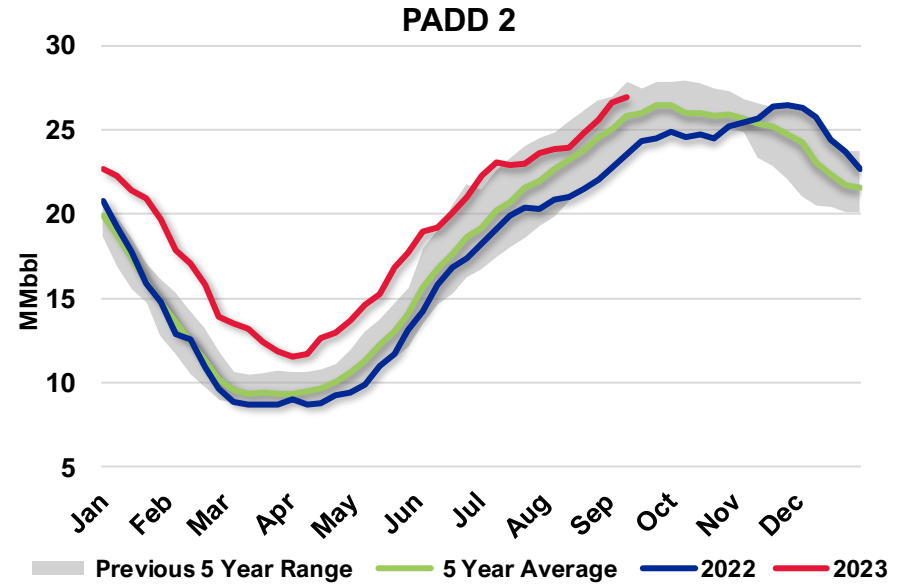


Figure 7

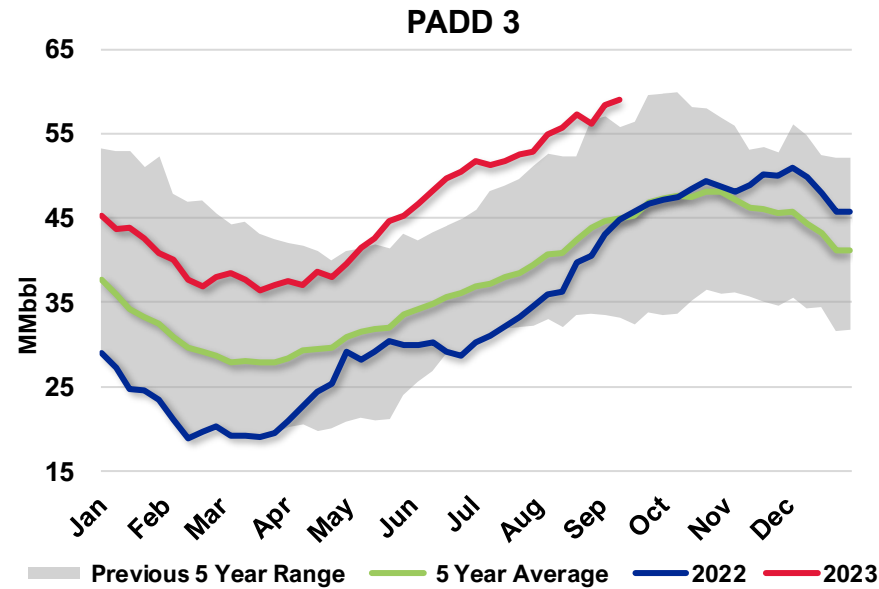


Figure 8

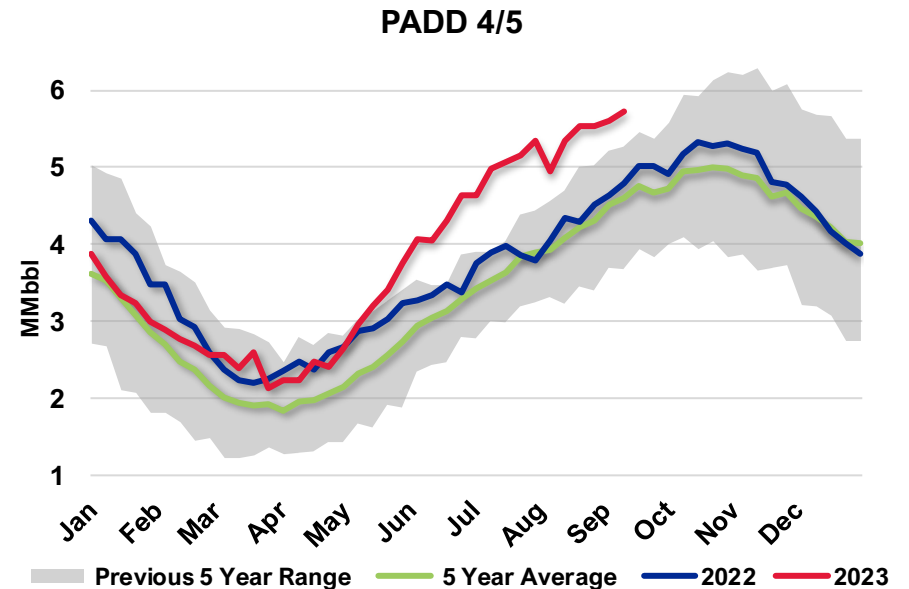


Figure 9

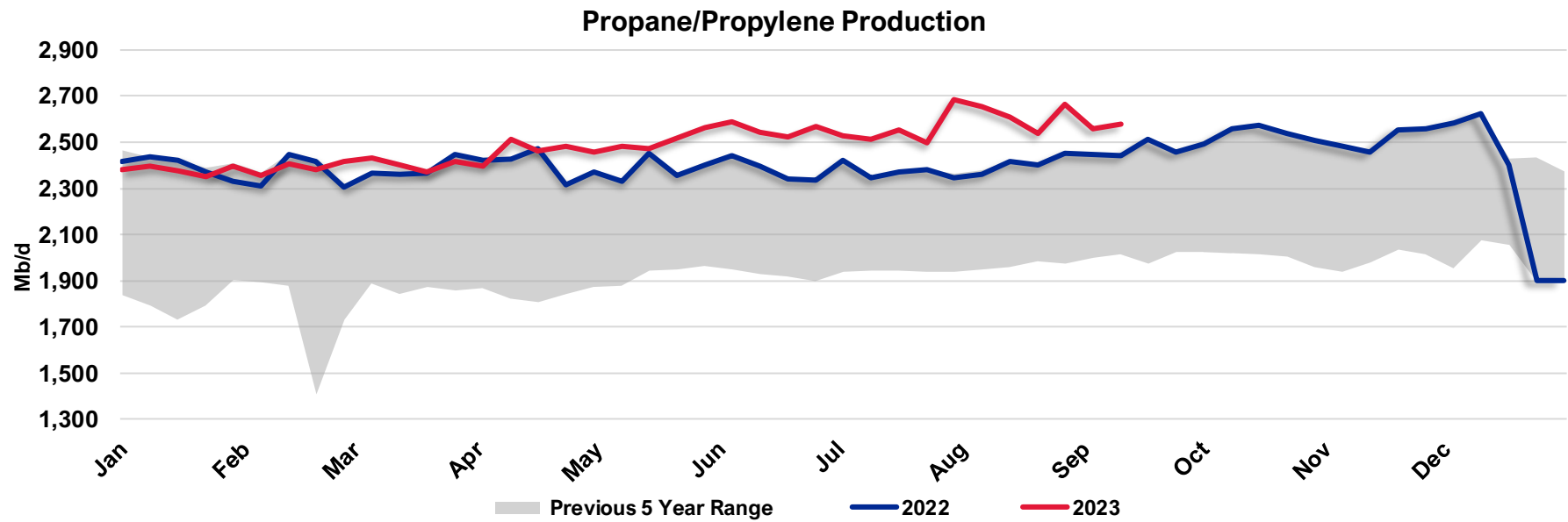


Figure 10

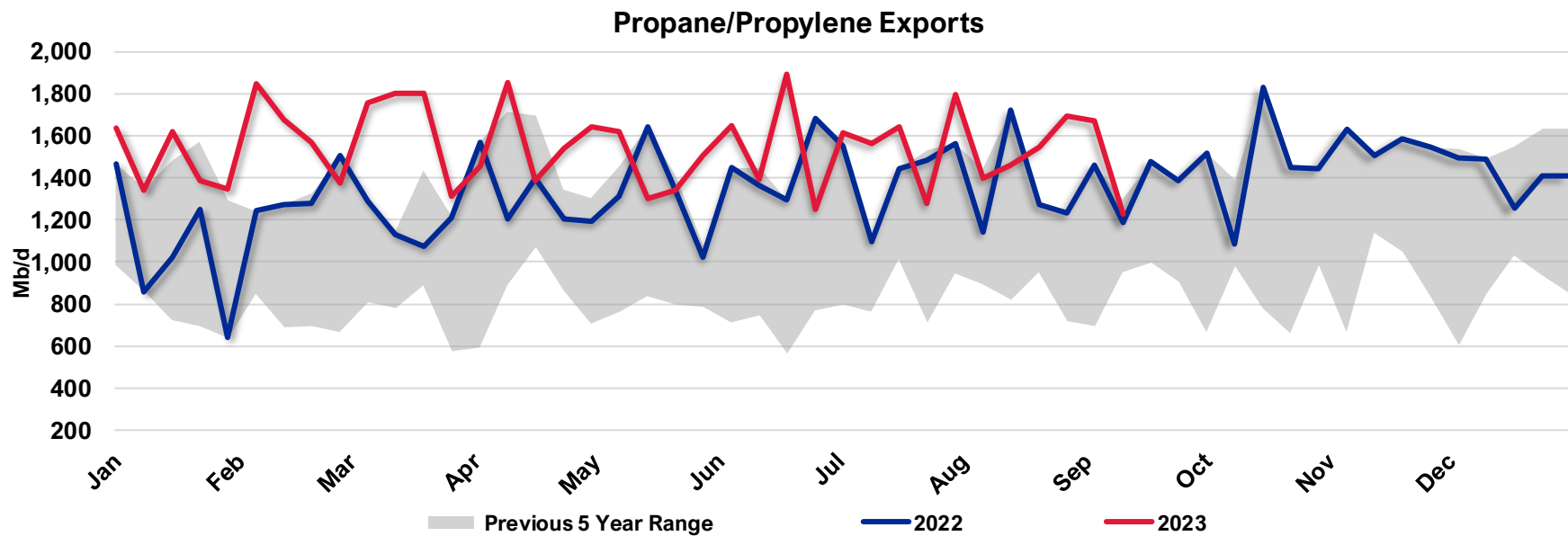


Figure 11

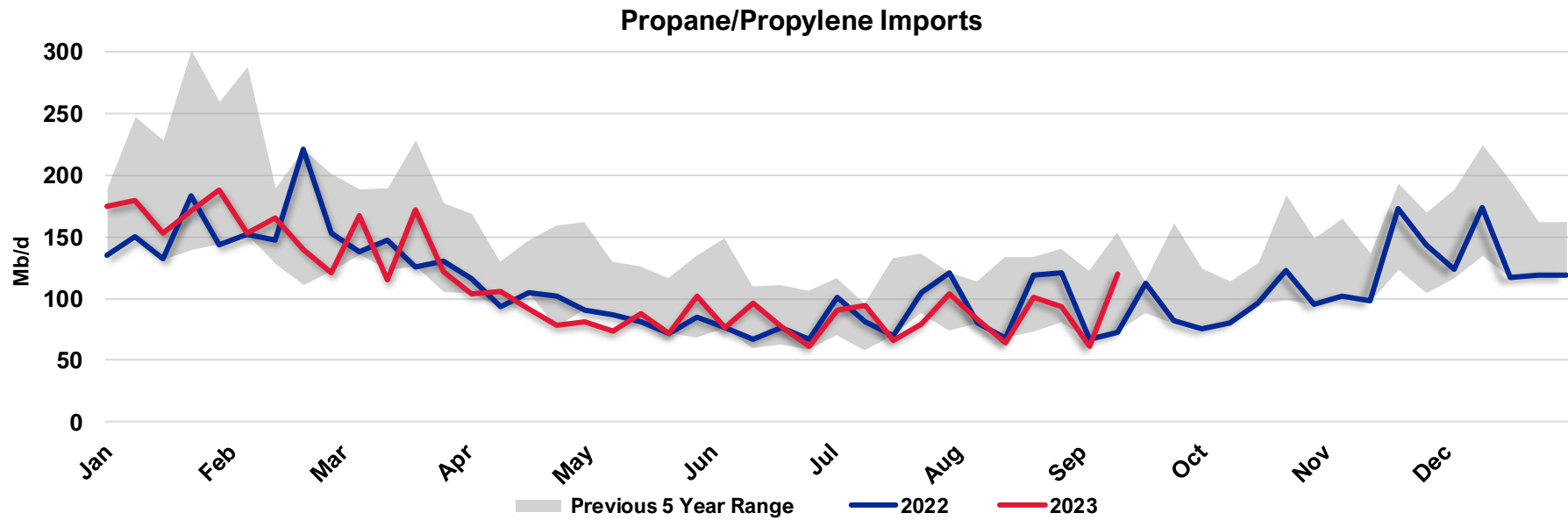


Figure 12

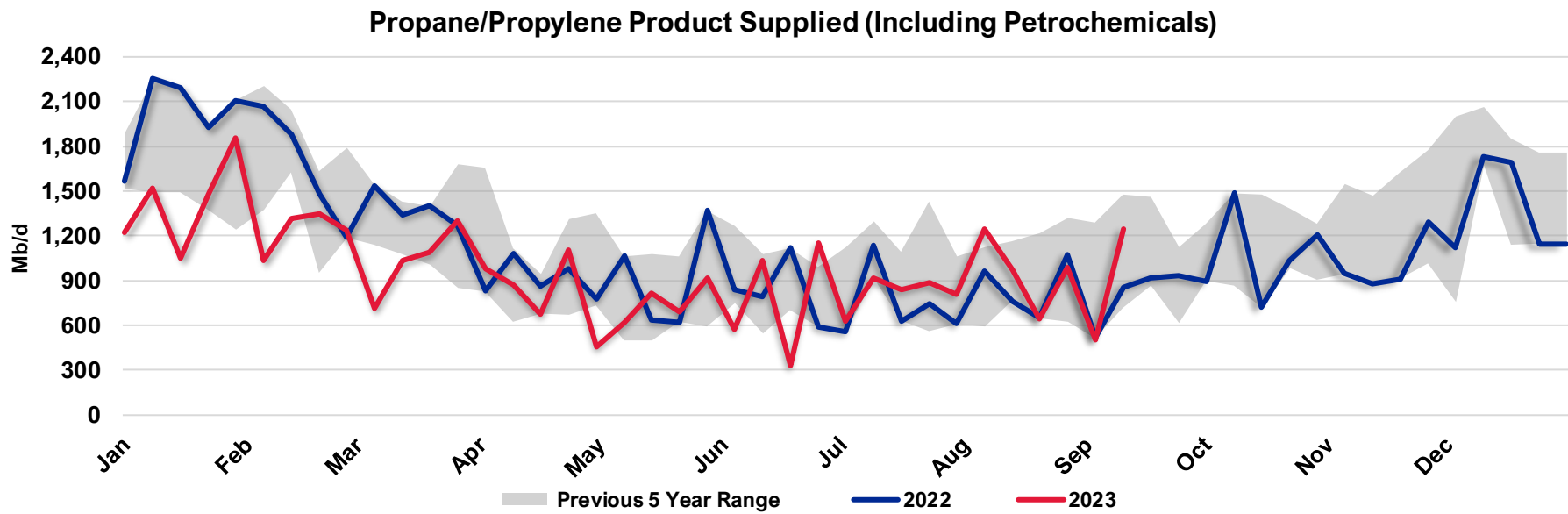


Figure 13

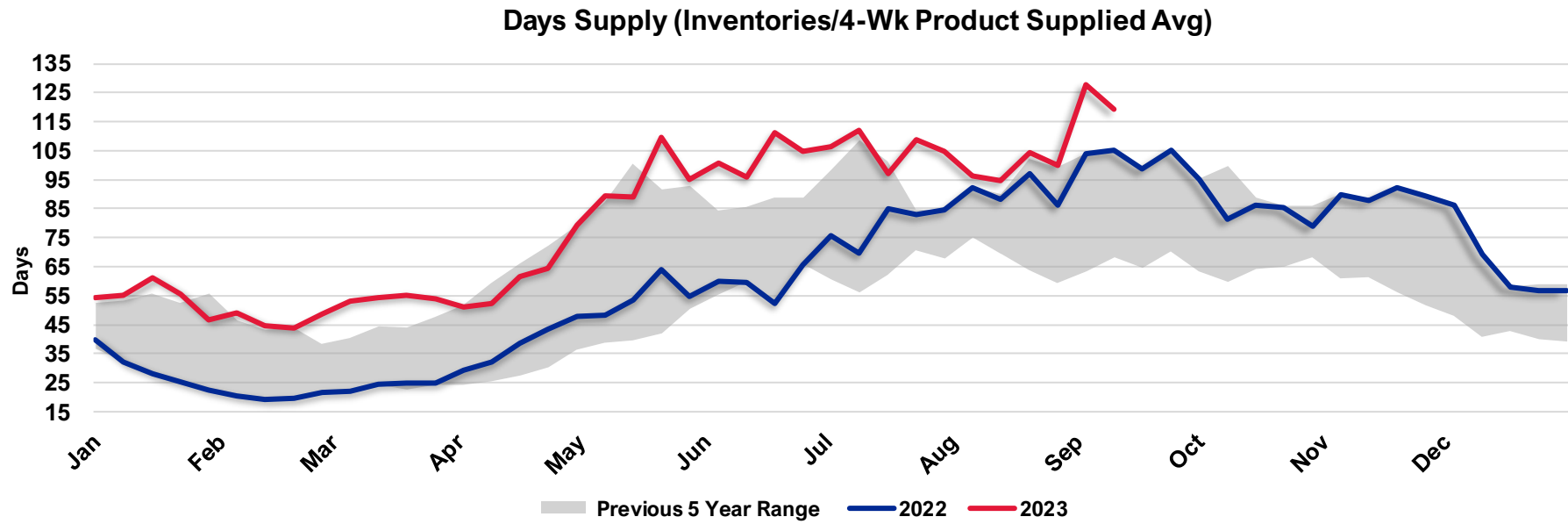
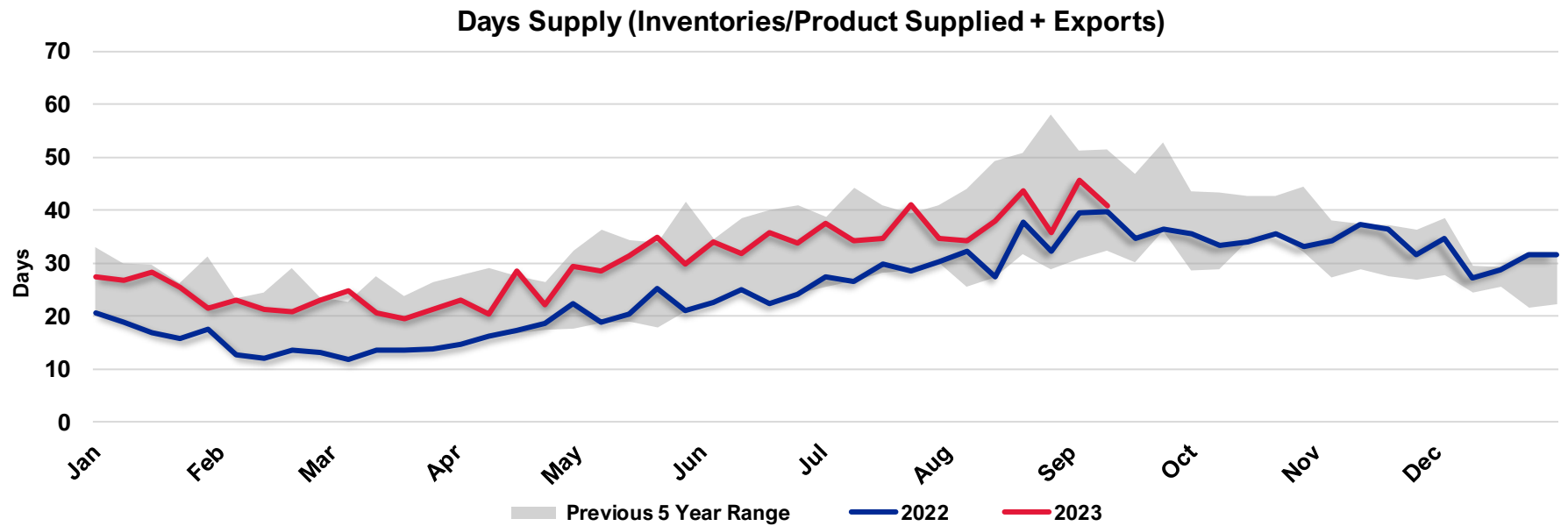


Figure 14



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