

WEEKLY PROPANE MARKET UPDATE

September 27, 2023

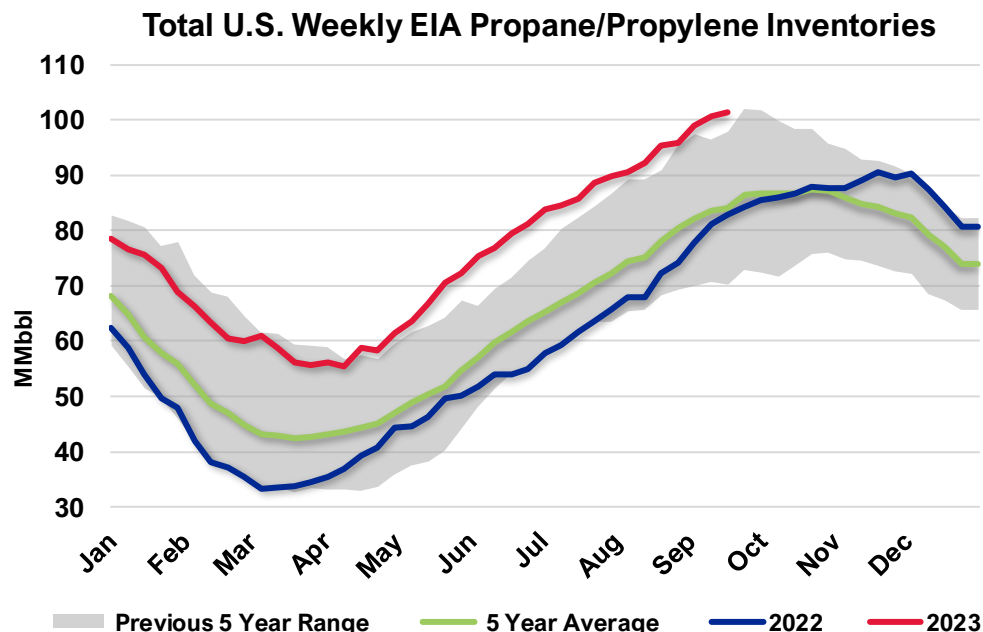
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 0.7 MMbbl for the week ended September 22, which was below average industry expectations for a 2.1-MMbbl gain but above the 0.4 MMbbl average build for the week. Total U.S. propane stocks are now at 101.4 MMbbl, which is 17.2 MMbbl, or 20%, above the 5-year average.
- » Crude oil prices moved modestly lower during the week as the market weighed demand concerns against supply tightness. WTI settled at \$90.39/bbl on September 26, down \$0.81/bbl from September 19. Propane prices were weaker than crude oil, with Mont Belvieu non-TET falling by 4.9 c/gal from last week to 70.2 c/gal on September 26. As a result, the propane-to-WTI ratio declined 2 percentage points to 33%.
- » Weekly exports of propane reported by the EIA soared to a record-high 2.04 MMbbl/d, up 812 Mbbbl/d from last week and well above the year-to-date average of 1.56 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 23 Mbbbl/d to 2,603 Mbbbl/d as output increased primarily in PADD 1 and PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 6.5% lower during the past week, settling at 70.2 c/gal on September 26. WTI prices were also weaker, dropping by \$0.81/bbl, or 0.9%, to \$90.39/bbl over the same period, which pushed the propane-to-WTI ratio down 2 percentage points to 33%. The current ratio is well below the 50% average recorded in September 2022. The forward propane-to-WTI ratio for October-November 2023 fell by 3 percentage points from last week to 33%.

Figure 1

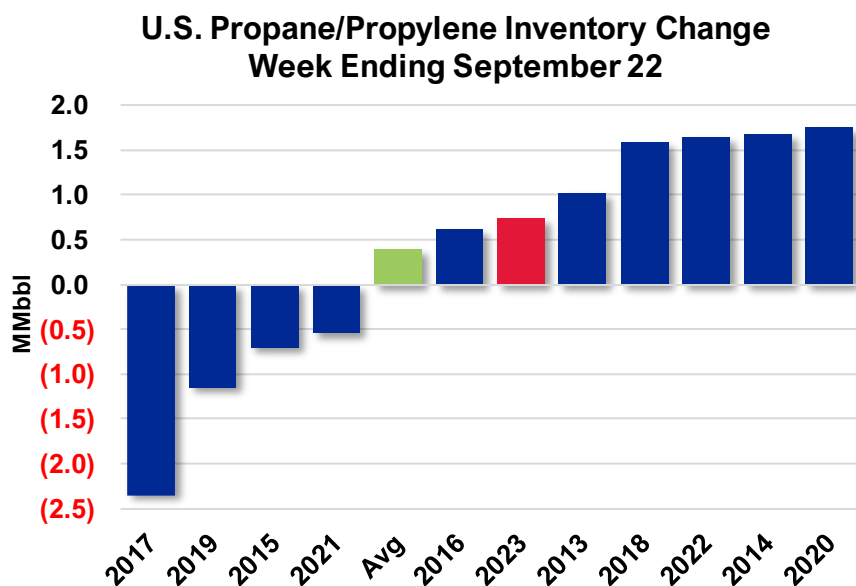


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories grew by 731 Mbbbl in the week ended September 22, about 1.4 MMbbl less than expectations. According to OPIS, the average of industry expectations called for a build of 2.1 MMbbl. Total U.S. propane stocks are now at 101.4 MMbbl. Inventories are 18.6 MMbbl, or 22.5%, above the same week in 2022 and 3.5 MMbbl, or 3.6%, above the 5-year maximum. Regional changes were mixed, with PADD 1 having the largest increase in inventory for the second week in a row.

PADD 3 (Gulf Coast) propane inventories grew by 413 MMbbl. Total inventories for the region are now 59.4 MMbbl, putting them at 13.6 MMbbl, or 29.7%, above 2022 and 2.9 MMbbl, or 5.2%, above the 5-year maximum. Inventories are 14.1 MMbbl, or 31%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories declined by 331 Mbbbl. Total inventories for the region are now 26.6 MMbbl. Inventories are 2.3 MMbbl, or 9.3%, over 2022 but 820 Mbbbl, or 3%, below the 5-year maximum. Inventories are 630 Mbbbl, or 2.4%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 514 Mbbbl. Total inventories for the region are now at 9.5 MMbbl, which is 1.9 MMbbl, or 24.5%, above 2022 and 425 Mbbbl, or 4.7%, above the 5-year maximum. Inventories are also 1.4 Mbbbl, or 17.5%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased by 135 Mbbbl. Total stocks for the region are 5.8 MMbbl, which is 848 Mbbbl, or 16.9%, over 2022 and 406 Mbbbl, or 7.4%, above the 5-year maximum. Stocks are 1.1 MMbbl, or 23.1%, above the 5-year average.

Total U.S. production increased by 23 Mbbbl/d to 2,603 Mbbbl/d. PADD 2 had the only decrease in production of 43 Mbbbl/d while all regions had a combined increase of 65 Mbbbl/d. Exports soared by 812 Mbbbl/d to 2,041 Mbbbl/d, an all-time high, which is far above the 4-week average of 1,658 Mbbbl/d. Imports fell by 34 Mbbbl/d to 86 Mbbbl/d as PADD 1 and 2 had a combined decrease of 39 Mbbbl/d and PADD4/5 increased by 5 Mbbbl/d. Product supplied decreased by 701 Mbbbl/d to 544 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended September 22 (red bar, Figure 2) of 731 Mbbbl was about 340 Mbbbl more than the average increase of 388 Mbbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET widened from last week, with Conway trading at a 3.2 c/gal discount as of September 26. The forward-price differential between Mont Belvieu (TET or LST) and Conway increased from the prior week, with Mont Belvieu trading at a 2.2 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 124 days, 25 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 39 days of inventory, which is five days more than 2022 but eight 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

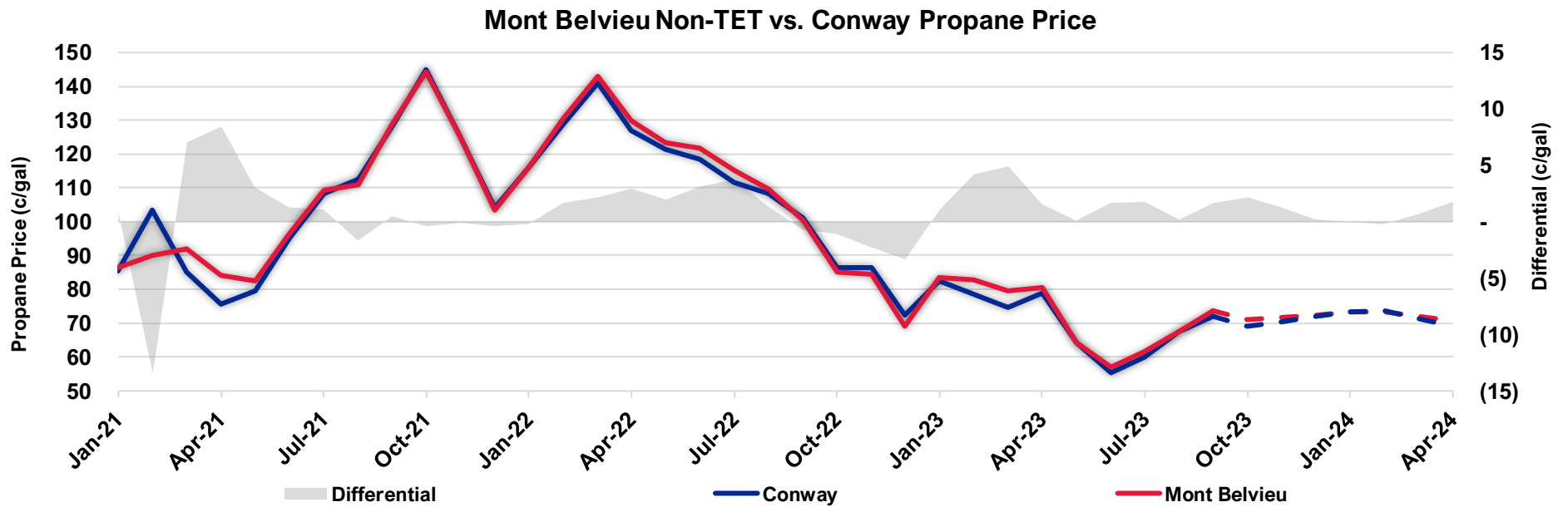
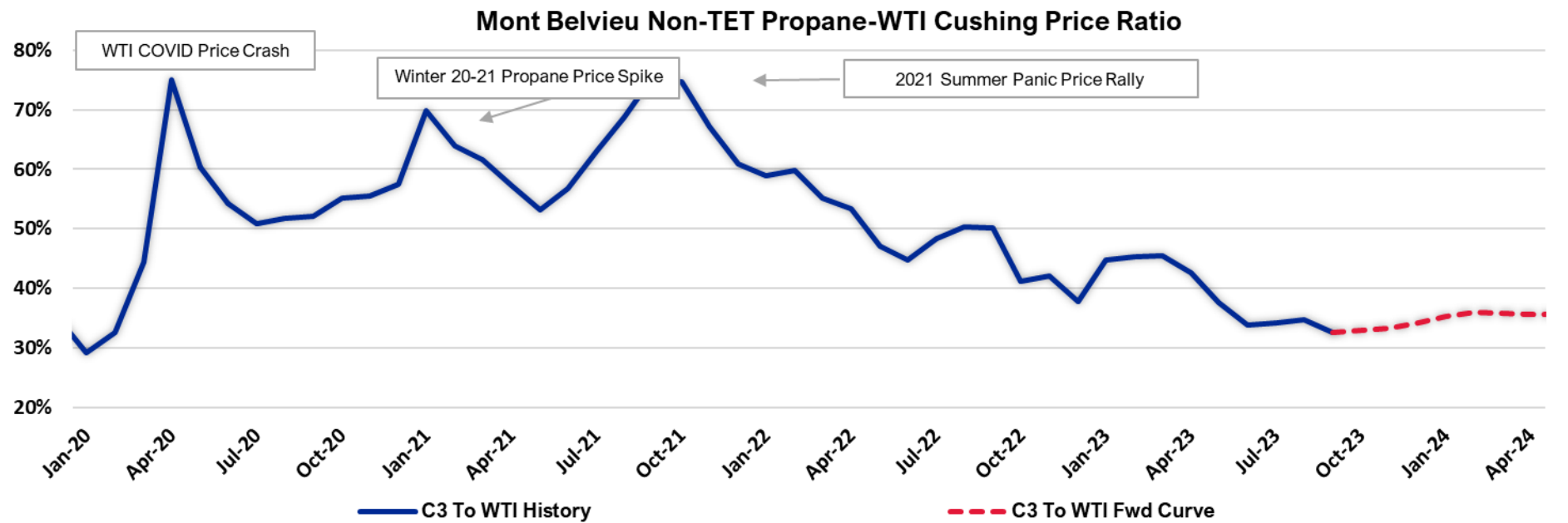


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

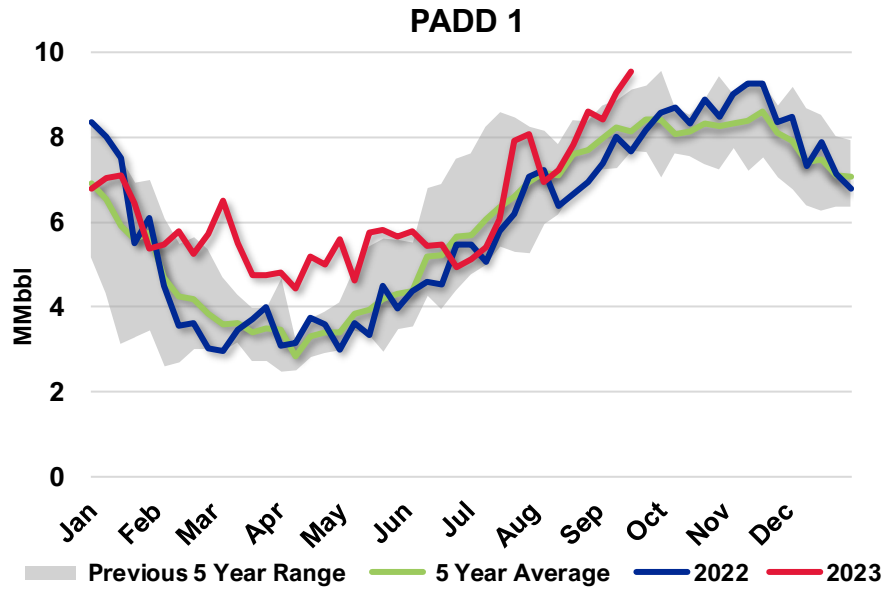


Figure 6

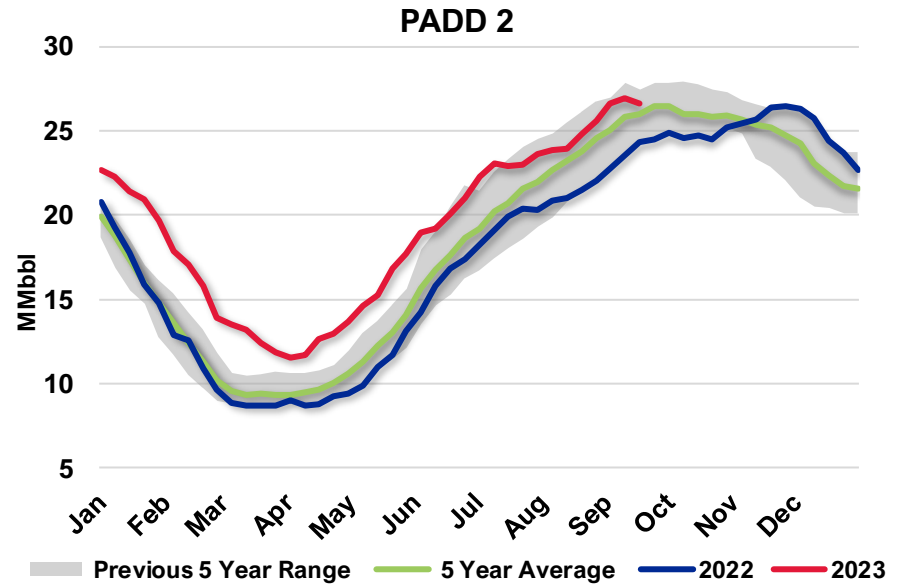


Figure 7

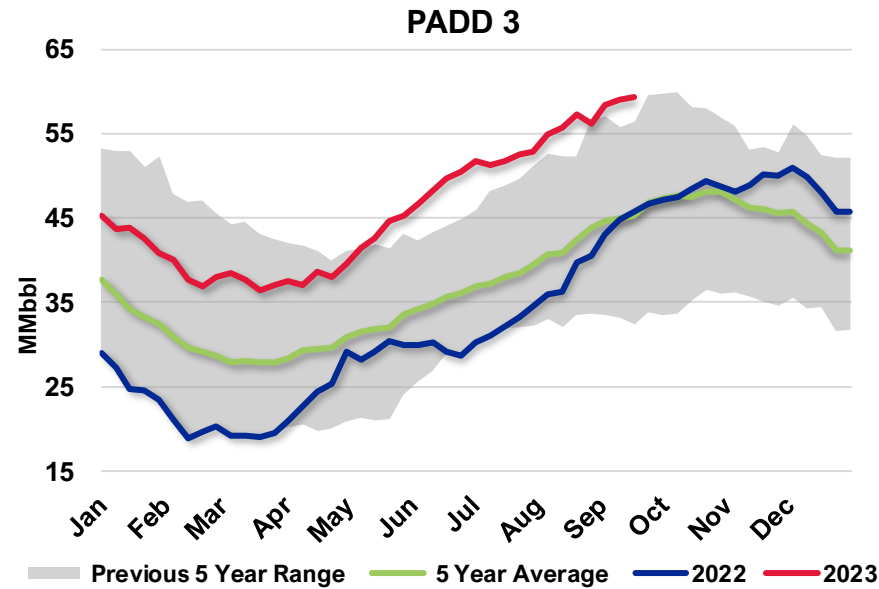


Figure 8

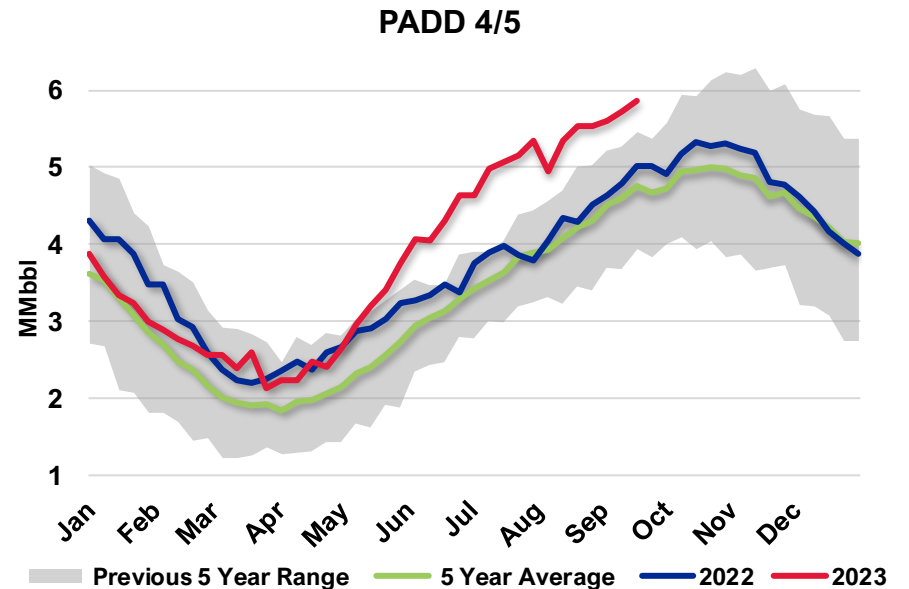


Figure 9

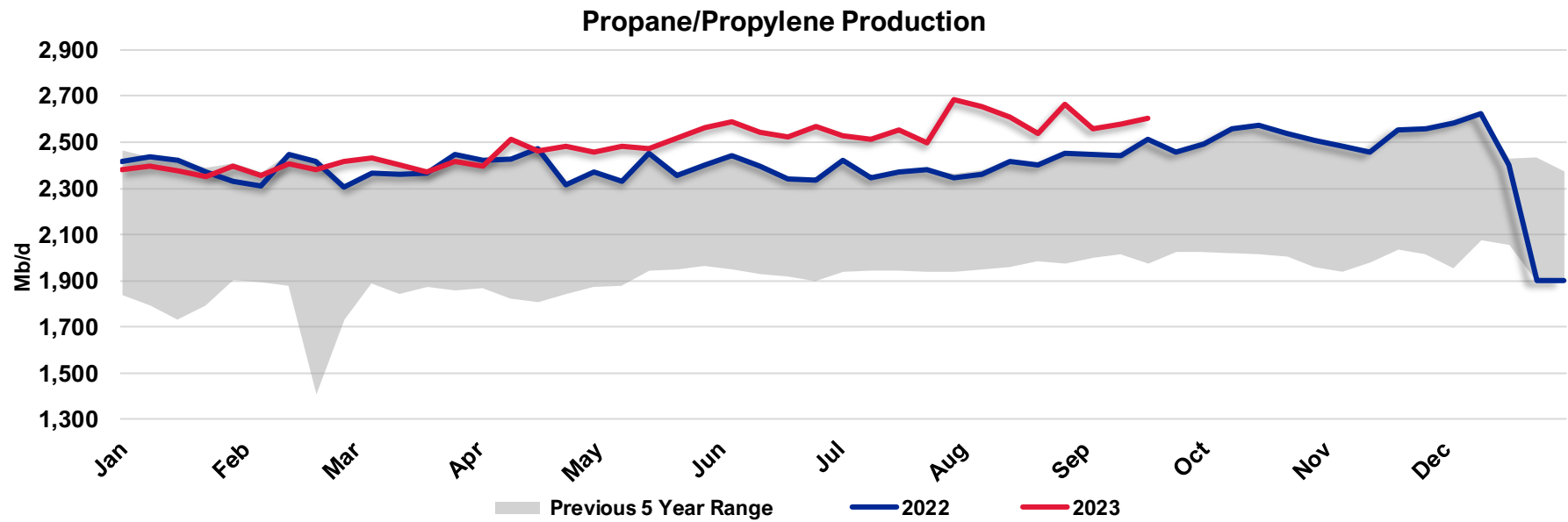


Figure 10

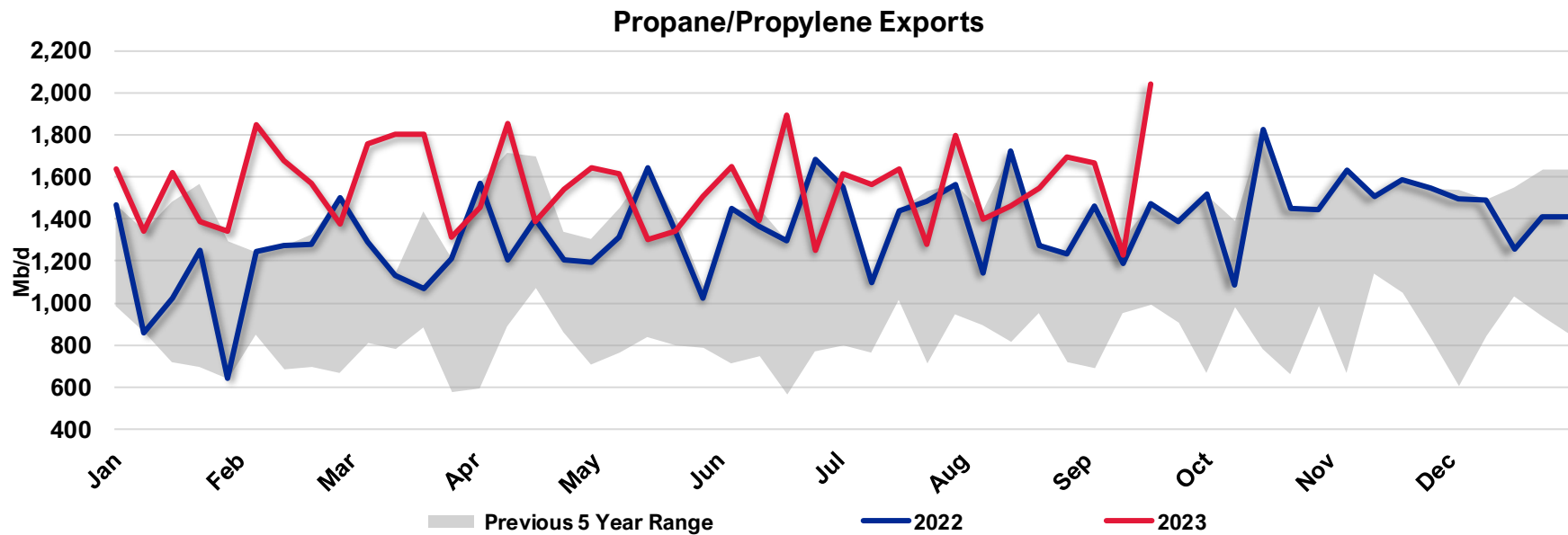


Figure 11

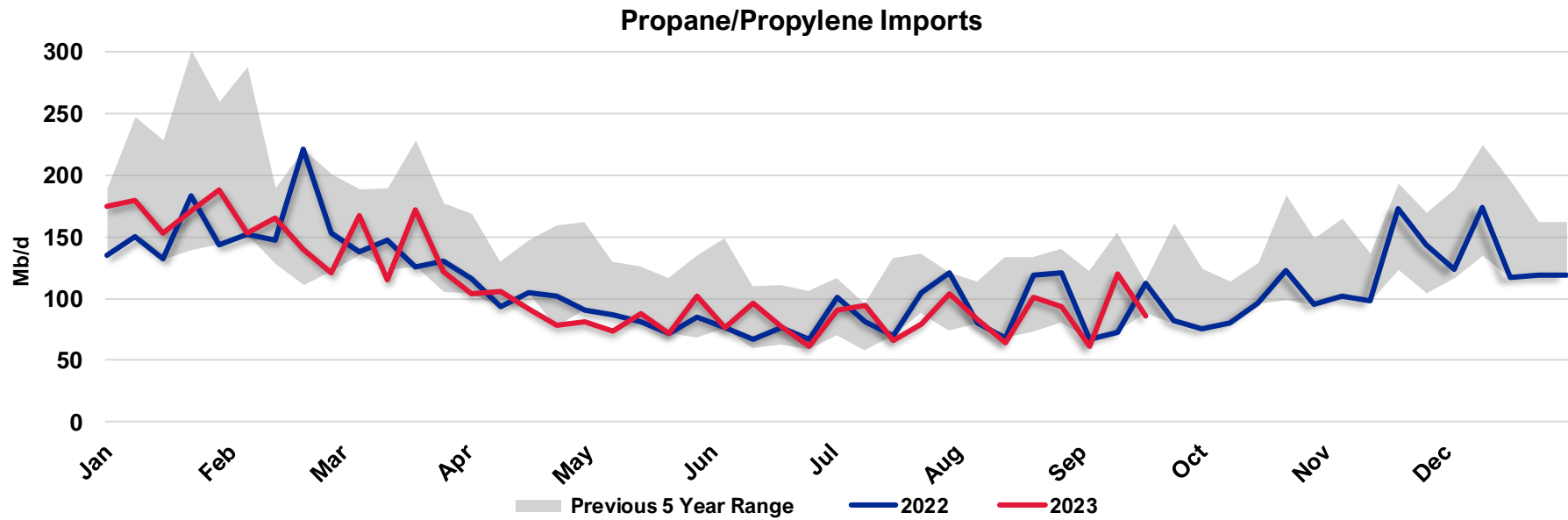


Figure 12

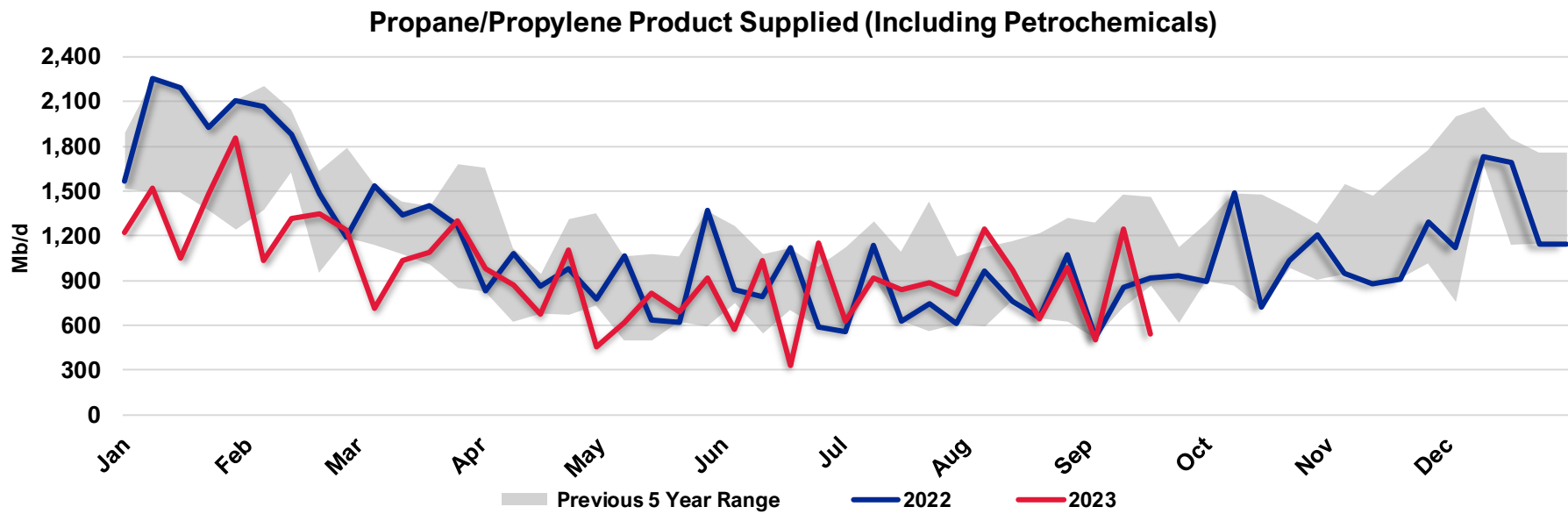


Figure 13

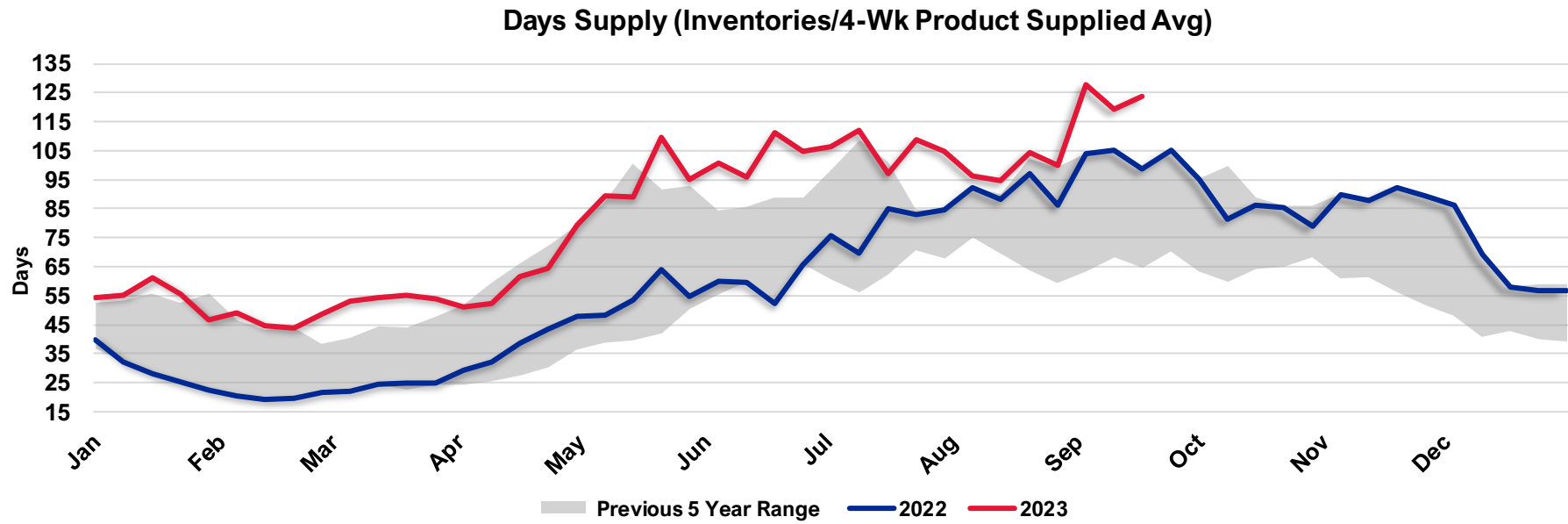
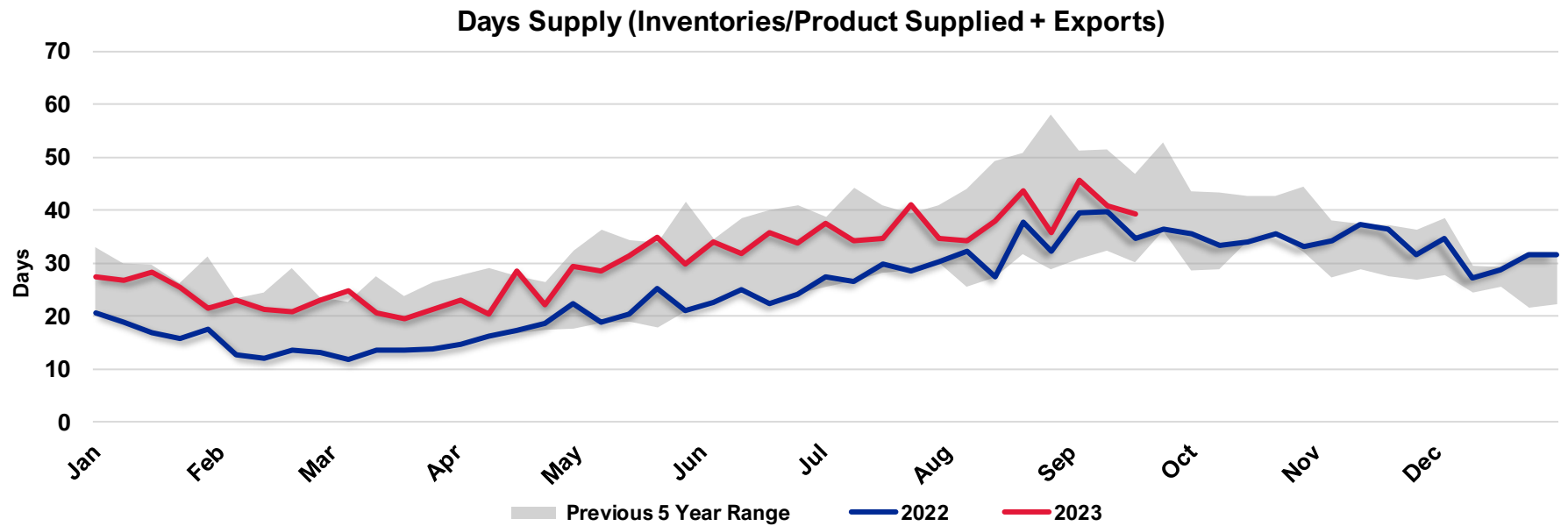


Figure 14



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