



WEEKLY PROPANE MARKET UPDATE

October 4, 2023

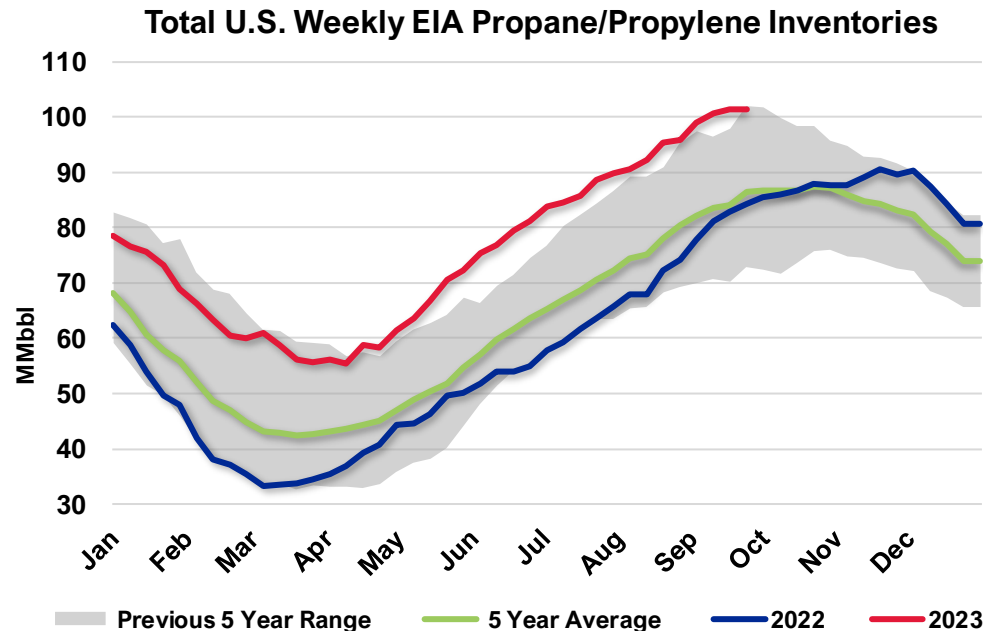
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories were essentially unchanged for the week ended September 29, which was below average industry expectations for a 1.6-MMbbl gain and the 1.4 MMbbl average build for the week. Total U.S. propane stocks remain at 101.4 MMbbl, which is 14.9 MMbbl, or 17%, above the 5-year average.
- » Crude oil prices were modestly weaker during the week as the market weighed demand concerns against supply tightness. WTI settled at \$89.23/bbl on October 3, down \$1.16/bbl from September 26. Propane prices were stronger than crude oil, with Mont Belvieu non-TET rising by 1.9 c/gal from last week to 72.1 c/gal on October 3. As a result, the propane-to-WTI ratio increased by 1 percentage point to 34%.
- » Weekly exports of propane reported by the EIA remained robust at 1.98 MMbbl/d, down just 64 Mbbl/d from last week's all-time high and well above the year-to-date average of 1.57 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 23 Mbbl/d to 2,626 Mbbl/d as output increased primarily in PADD 2 and PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices were 2.7% higher during the past week, settling at 72.1 c/gal on October 3. WTI prices were weaker, dropping by \$1.16/bbl, or 1.3%, to \$90.39/bbl over the same period, which pushed the propane-to-WTI ratio up 1 percentage points to 34%. The current ratio is below the 41% average recorded in October 2022. The forward propane-to-WTI ratio for November-December 2023 increased by 2 percentage points from last week to 35%.

Figure 1

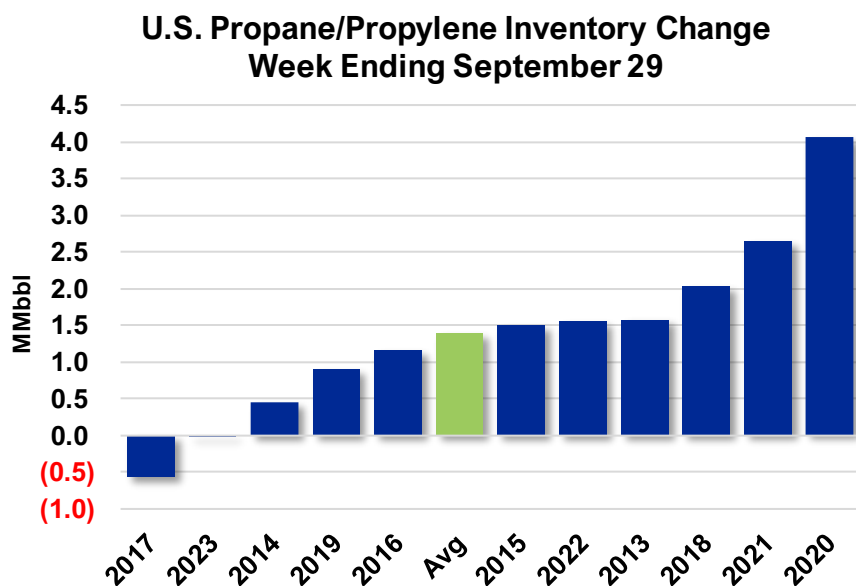


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories were essentially unchanged for the week ended September 29. According to OPIS, the average of industry expectations called for a build of 1.6 MMbbl. Total U.S. propane stocks remain at 101.4 MMbbl. Inventories are 17 MMbbl, or 20.2%, above the same week in 2022 but are now 551 Mbbl, or 0.5%, below the 5-year maximum. Regional changes were mixed, with PADD 3 having the largest increase in inventory.

PADD 3 (Gulf Coast) propane inventories grew by 244 MMbbl. Total inventories for the region are now 59.6 MMbbl, putting them at 12.9 MMbbl, or 27.6 %, above 2022 and 88 MMbbl, or 0.1%, above the 5-year maximum. Inventories are 12.8 MMbbl, or 27.3 %, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories has a build of 134 Mbbl. Total inventories for the region are now 26.7 MMbbl. Inventories are 2.3 MMbbl, or 9.4%, over 2022 but 1 Mbbl, or 3.9%, below the 5-year maximum. Inventories are 261 Mbbl, or 1%, above the 5-year average.

PADD 1 (East Coast) stocks fell by 472 Mbbl. Total inventories for the region are now at 9 MMbbl, which is 914 Mbbl, or 11.2%, above 2022 but 134 Mbbl, or 1.5%, below the 5-year maximum. Inventories are also 672 Mbbl, or 8%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories increased by 69 Mbbl. Total stocks for the region are 5.9 MMbbl, which is 909 Mbbl, or 18.1%, over 2022 and 570 Mbbl, or 10.6%, above the 5-year maximum. Stocks are 1.3 MMbbl, or 26.8%, above the 5-year average.

Total U.S. production increased by 23 Mbbl/d to 2,626 Mbbl/d. PADD 1 had the only decrease in production of 4 Mbbl/d while all regions had a combined increase of 28 Mbbl/d. Exports remain robust but fell by 64 Mbbl/d from last week’s record high to 1,977 Mbbl/d, which is above the 4-week average of 1,729 Mbbl/d. Imports fell by 15 Mbbl/d to 71 Mbbl/d as all PADDs had a decline. Product supplied increased by 180 Mbbl/d to 724 Mbbl/d.

Propane Inventory Change

The average build in propane stocks for the week ended September 29 (red bar, Figure 2) was about 1.4 MMbbl.

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 2.4 c/gal discount on October 3. The forward-price differential between Mont Belvieu (TET or LST) and Conway increased from the prior week, with Mont Belvieu trading at a 1.5 c/gal premium to Conway for November 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 135 days, 30 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 38 days of inventory, which is one day more than 2022 but 15 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

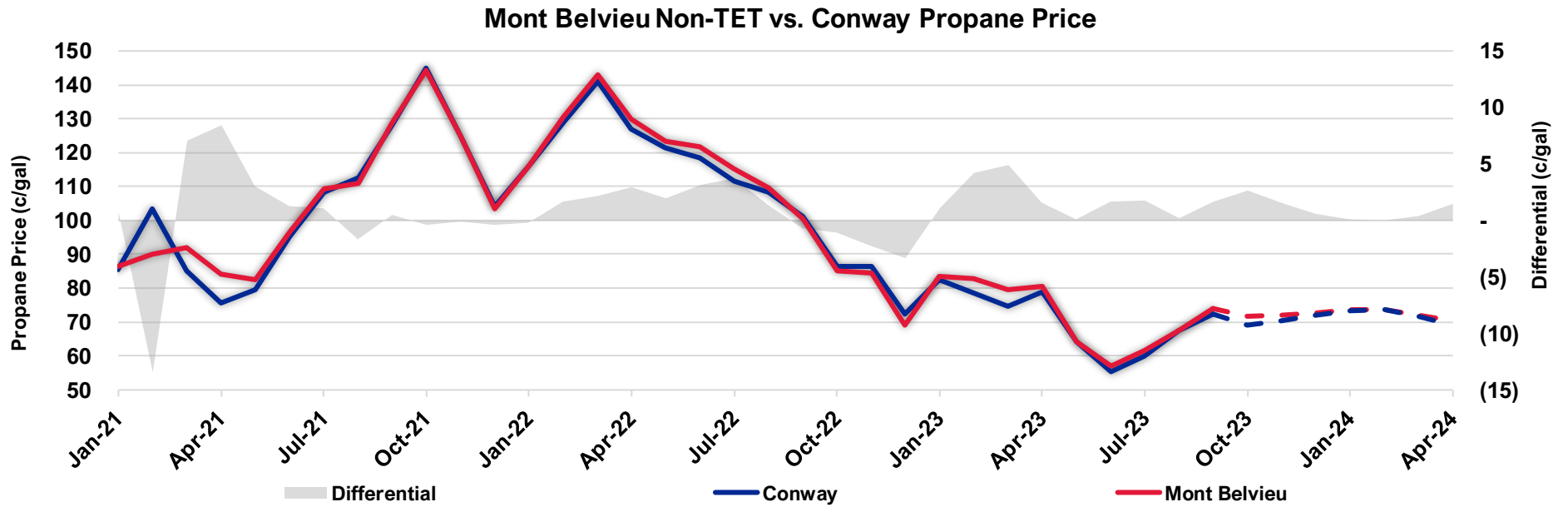
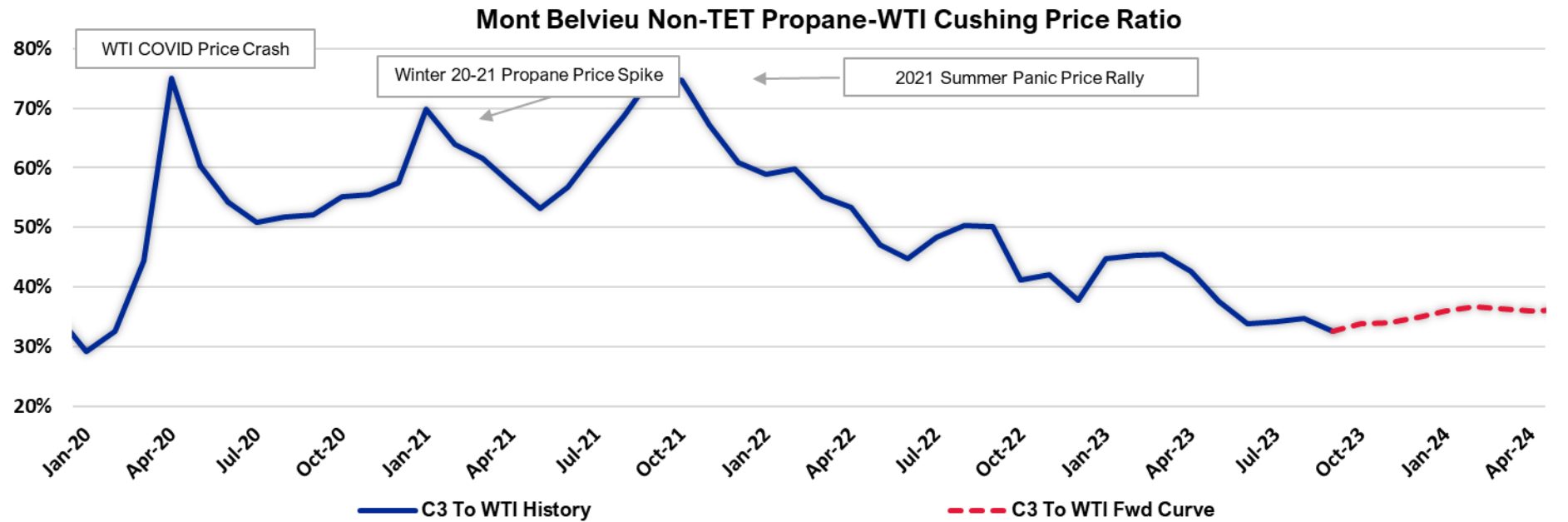


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

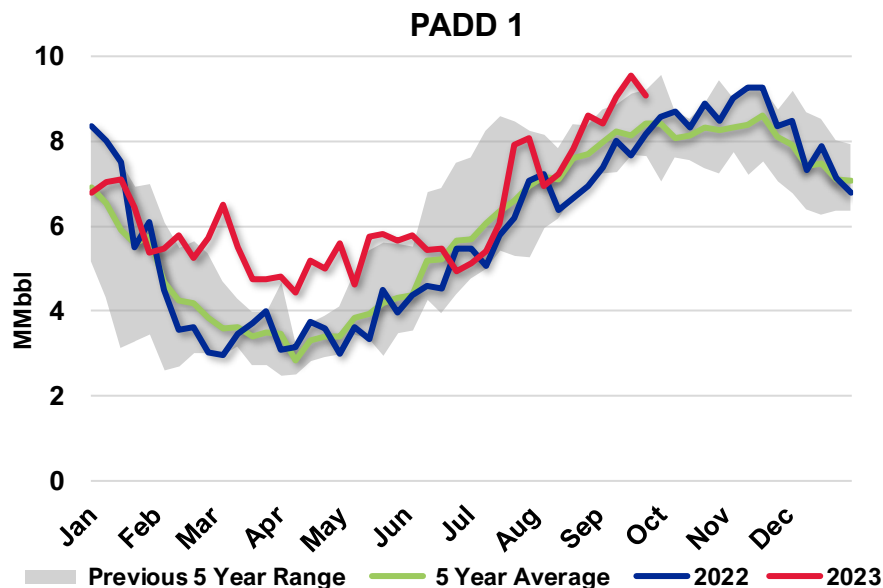


Figure 6

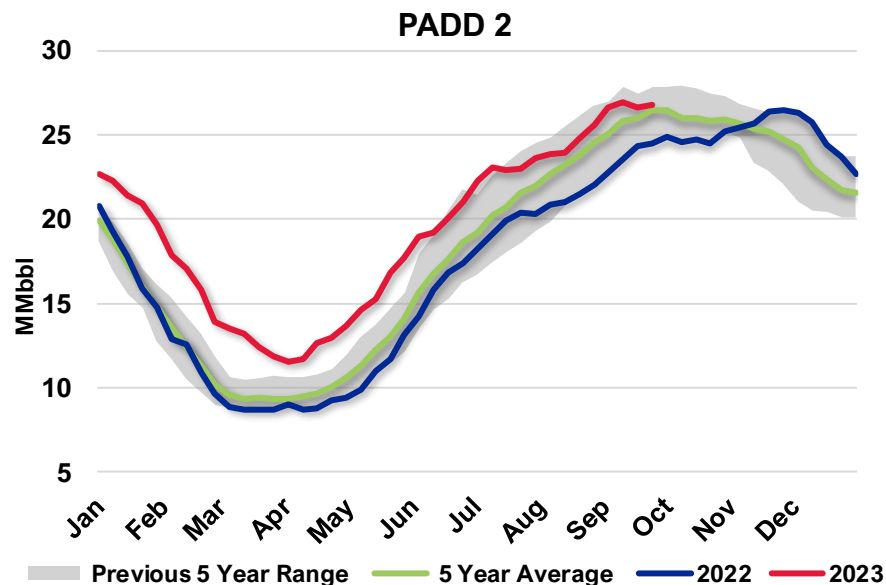


Figure 7

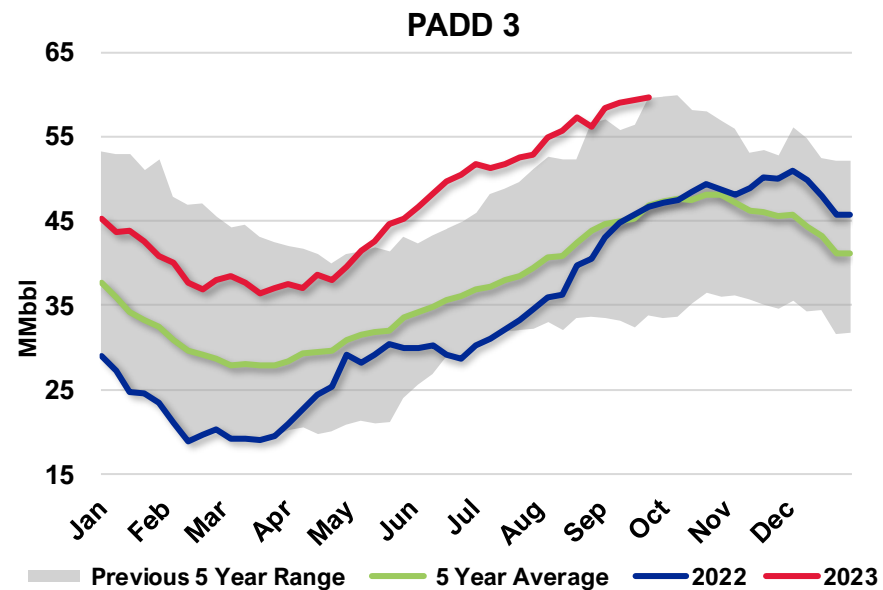


Figure 8

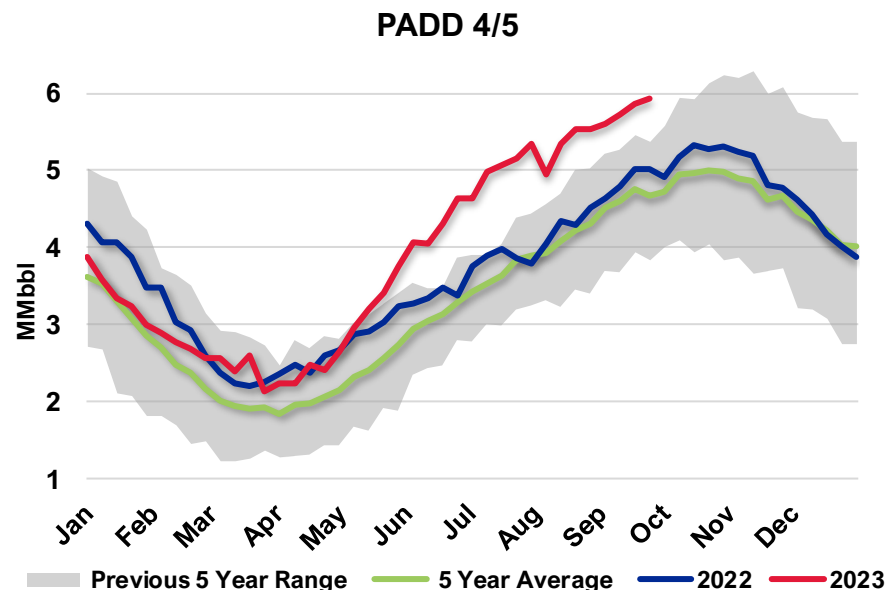


Figure 9

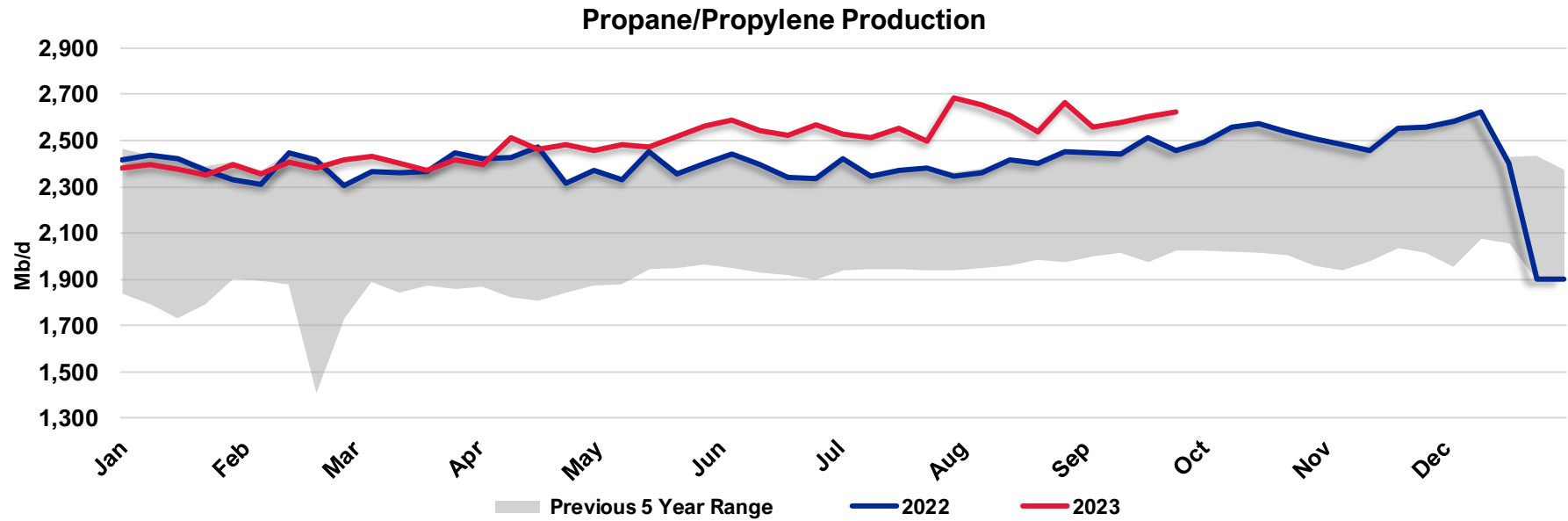


Figure 10

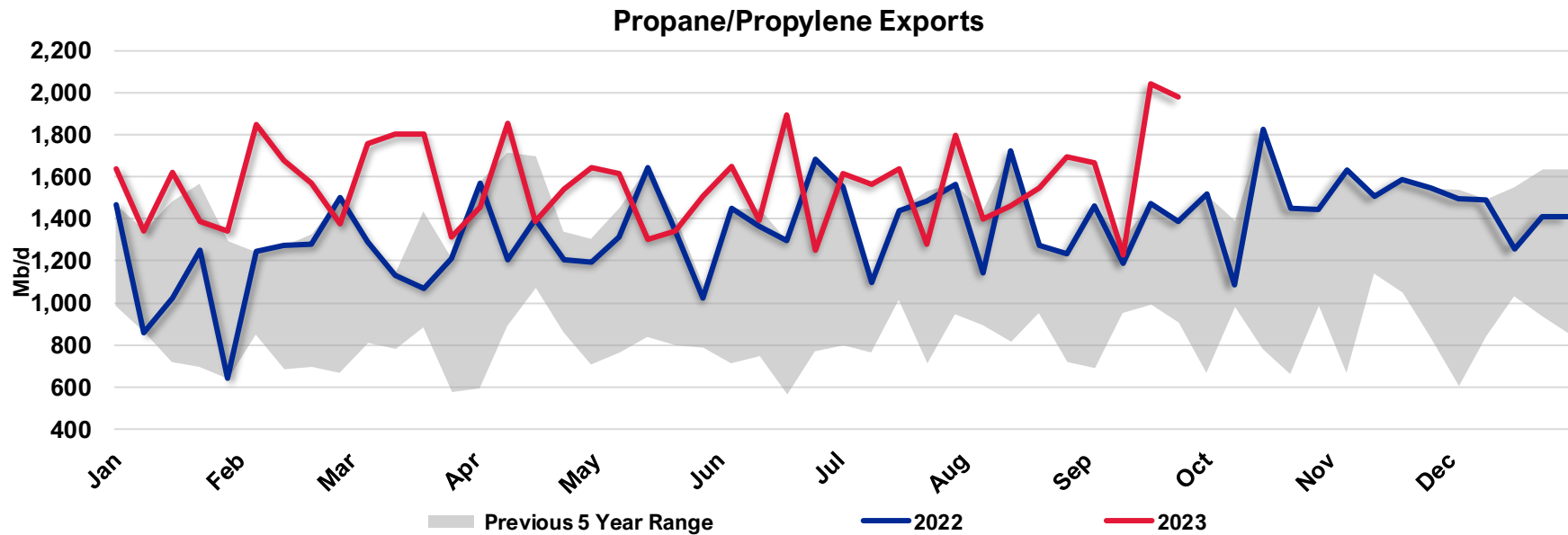


Figure 11

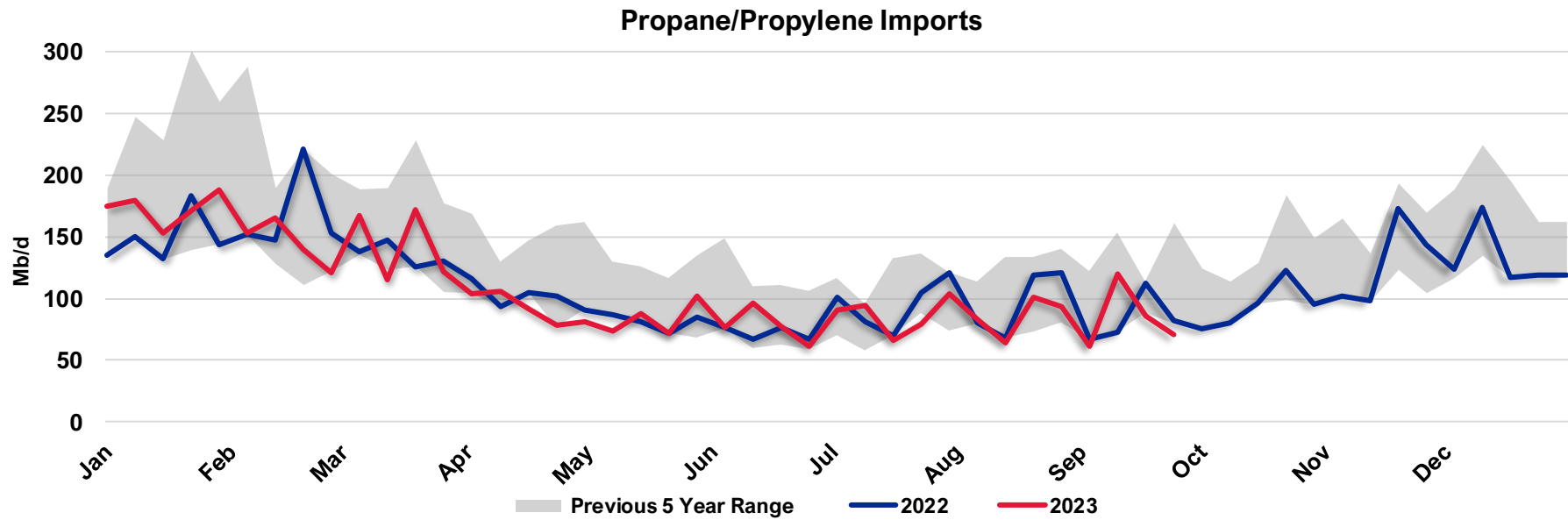


Figure 12

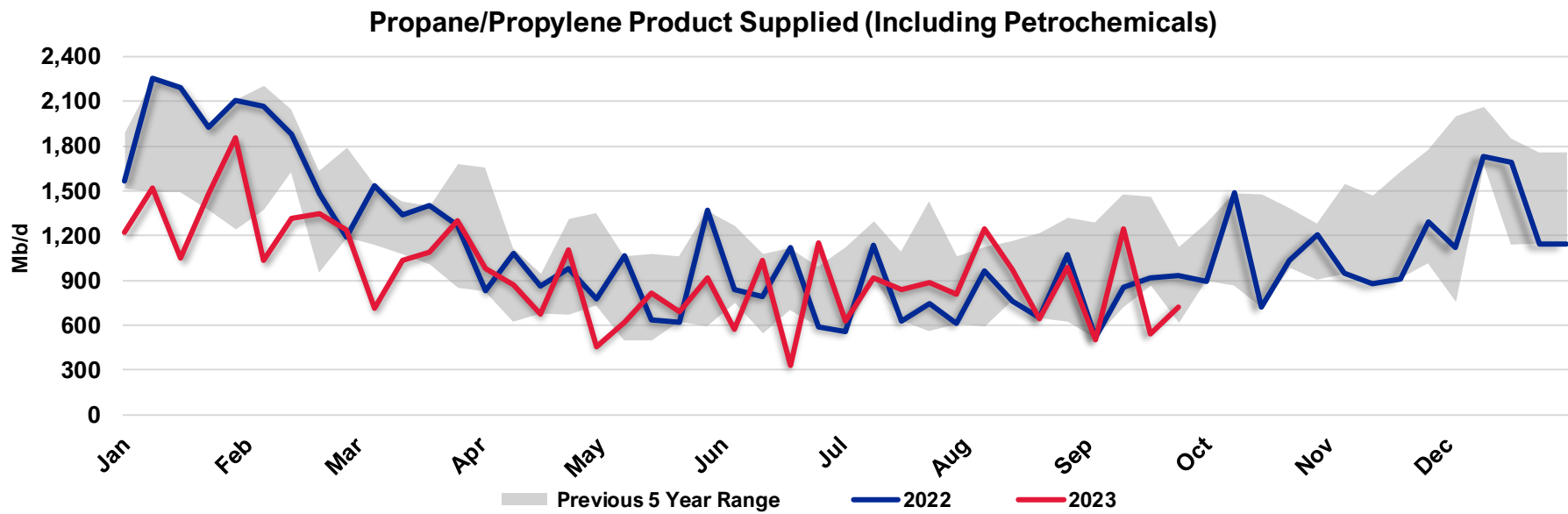


Figure 13

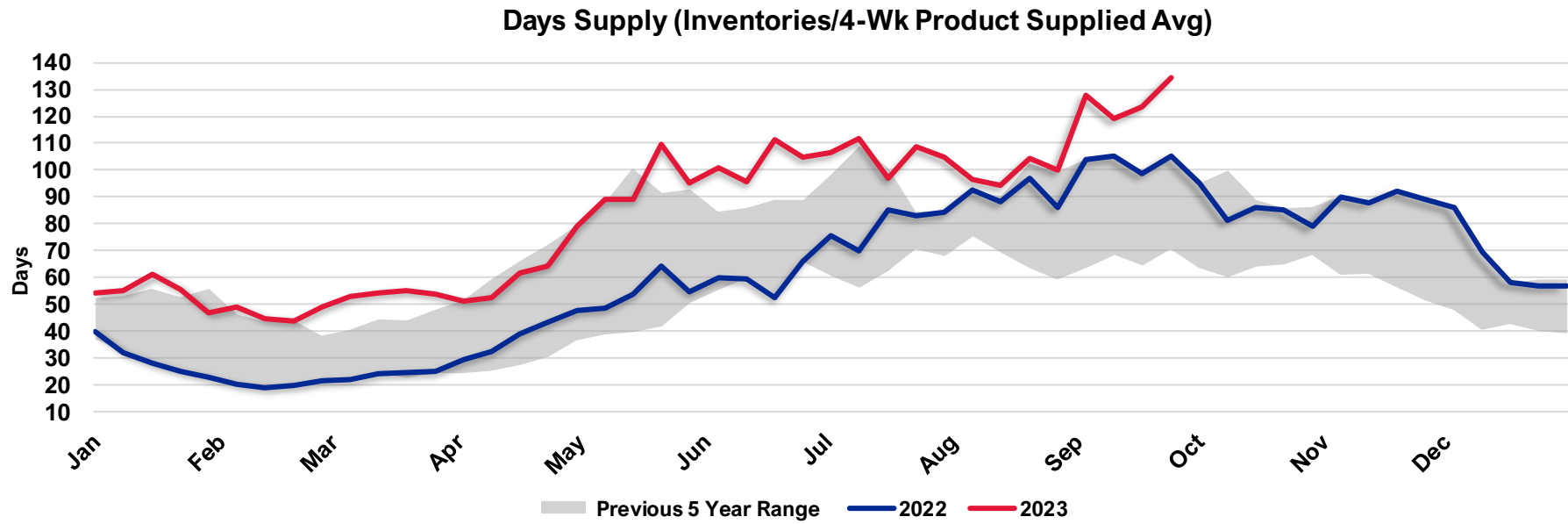
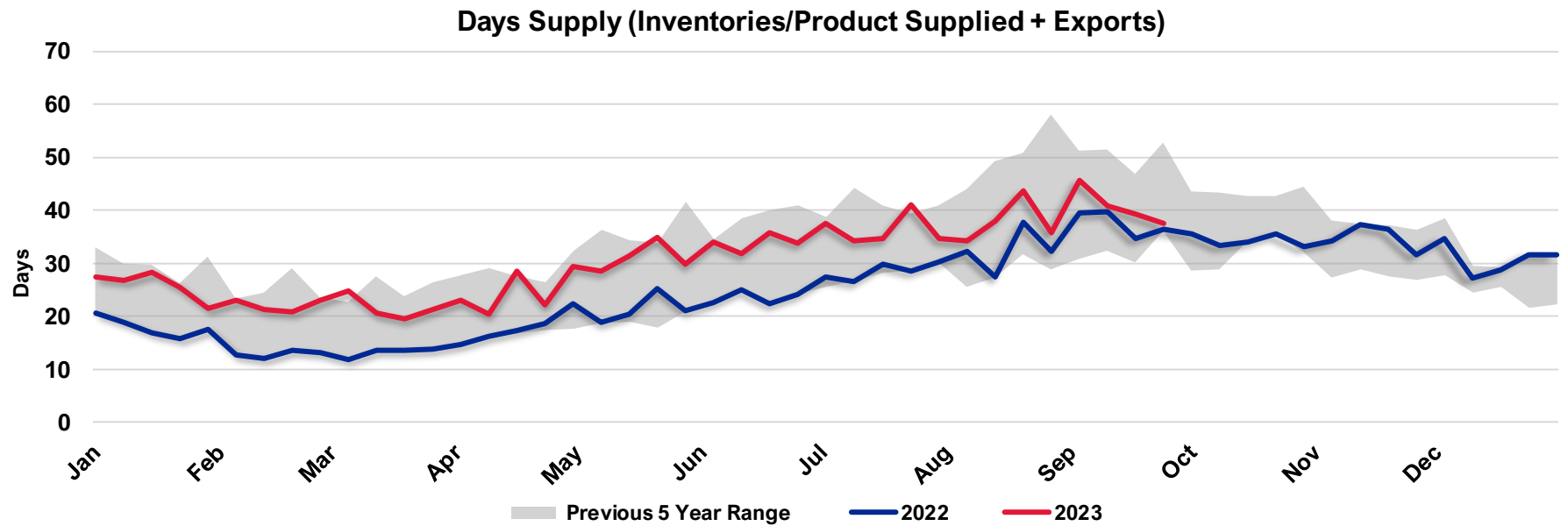


Figure 14



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