



WEEKLY PROPANE MARKET UPDATE

October 12, 2023

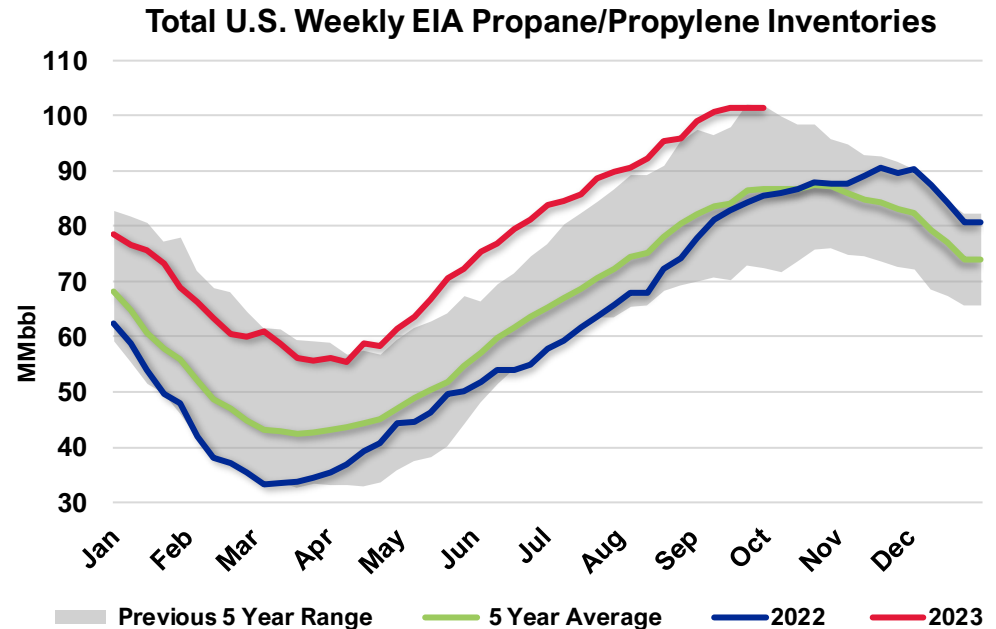
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories built by 106 Mbbbl for the week ended October 6, which was below average industry expectations for a 543-Mbbbl gain and the 591 Mbbbl average build for the week. Total U.S. propane stocks are now at 101.5 MMbbl, which is 14.7 MMbbl, or 17%, above the 5-year average.
- » Crude oil prices were bearish during the week as the market focused on demand concerns stemming from global economic headwinds. WTI settled at \$83.49/bbl on October 11, down \$5.74/bbl from October 3. Propane prices were also weaker, but slightly stronger than crude, with Mont Belvieu non-TET declining by 3.8 c/gal from last week to 68.3 c/gal on October 11. As a result, the propane-to-WTI ratio increased by 1 percentage point to 35%.
- » Weekly exports of propane reported by the EIA soared to an all-time high of 2.13 MMbbl/d, up 152 Mbbbl/d from last week and well above the year-to-date average of 1.58 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 5 Mbbbl/d to 2,631 Mbbbl/d as output increased in PADD 3 and PADD 4/5.

MARKET OVERVIEW

Mont Belvieu propane prices fell by 5.3% during the past week, settling at 68.3 c/gal on October 11. WTI prices were weaker than propane, dropping by \$5.74/bbl, or 6.4%, to \$83.49/bbl over the same period, which pushed the propane-to-WTI ratio up 1 percentage point to 35% (blue line, Figure 4). The current ratio remains below the 41% average recorded in October 2022. The forward propane-to-WTI ratio

Figure 1



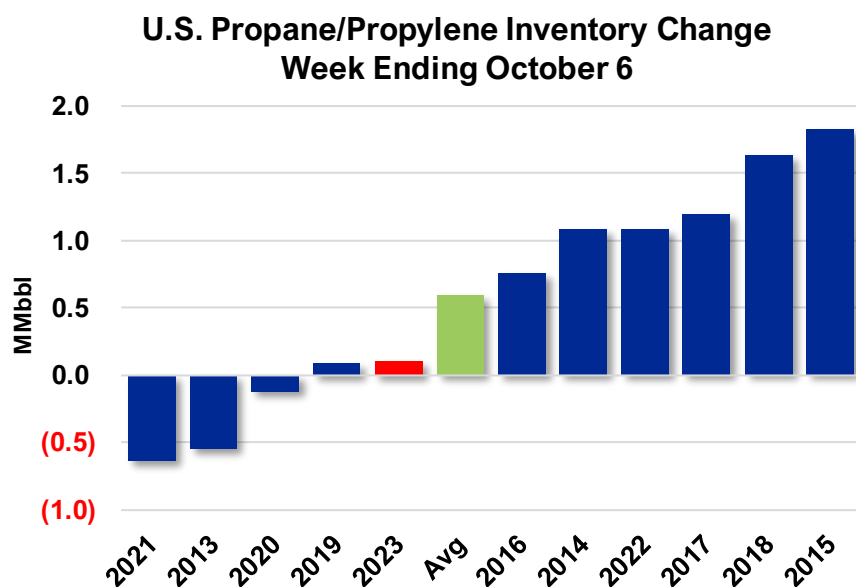
for November-December 2023 was unchanged from last week at 35% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories recorded a small build of 106 Mbbbl for the week ended October 6. According to OPIS, the average of industry expectations called for a build of 543 Mbbbl. Total U.S. propane stocks stand at 101.5 MMbbl. Inventories are 16 MMbbl, or 18.8%, above the same week in 2022 but are 328 Mbbbl, or 0.3%, below the 5-year maximum. Regional changes were mixed, with PADD 2 having the only increase in inventory.

PADD 3 (Gulf Coast) propane inventories drew by 355 MMbbl. Total inventories for the region are now 59.3 MMbbl, putting them at 12.1 MMbbl, or 25.8 %,

Figure 2



ANALYSIS & INSIGHTS (continued)

above 2022 but 436 MMbbl, or 0.7%, below the 5-year maximum. Inventories are 12 MMbbl, or 25.5%, above the 5-year average.

PADD 2 (Midwest) had a robust build in stocks of 1.2 MMbbl. Total inventories for the region are now 28 MMbbl, which is 3.1 MMbbl, or 12.5%, over 2022 and 95 Mbbl, or 0.3%, above the 5-year maximum. Inventories are 1.5 MMbbl, or 5.8%, above the 5-year average.

PADD 1 (East Coast) stocks fell by 644 Mbbl. Total inventories for the region are now at 8.4 MMbbl, which is 141 Mbbl, or 1.6%, below 2022 and 1.1 MMbbl, or 11.6%, below the 5-year maximum. East Coast inventories are now only 27 Mbbl, or 0.3%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories declined by 115 Mbbl. Total stocks for the region are 5.8 MMbbl, which is 912 Mbbl, or 18.6%, over 2022 and 238 Mbbl, or 4.3%, higher than the 5-year maximum. Stocks are 1.1 MMbbl, or 23%, above the 5-year average.

Total U.S. production increased by 5 Mbbl/d to 2,631 Mbbl/d. PADD 1 and PADD 2 production declined by a combined 38 Mbbl/d while PADD 3 and PADD 4/5 had a total increase of 43 Mbbl/d. Exports soared to a record high, increasing by 152 Mbbl/d to 2,129 Mbbl/d, well above the 4-week average of 1,844 Mbbl/d, also an all-time high. Imports increased by 30 Mbbl/d to 101 Mbbl/d, primarily driven by higher volumes into PADD 2. Product supplied declined by 137 Mbbl/d to 587 Mbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended October 6 (red bar, Figure 2) of 106 Mbbl was 485 Mbbl less than the average increase of 591 Mbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET was unchanged from last week, with Conway trading at a 2.4 c/gal discount on October 11. The forward-price differential between Mont Belvieu (TET or LST) and Conway was relatively flat from the prior week, with Mont Belvieu trading at a 1.6 c/gal premium to Conway for November 2023 (shaded area, Figure 3).

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 131 days, 36 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 37 days of inventory, which is two days more than 2022 but six 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

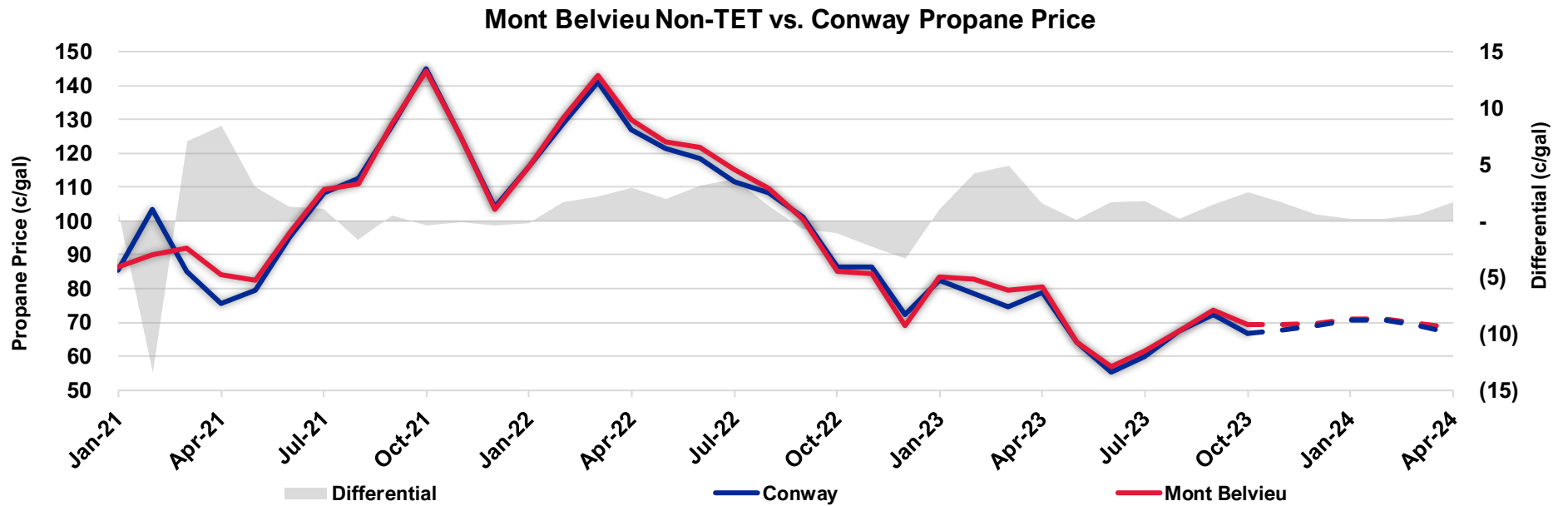
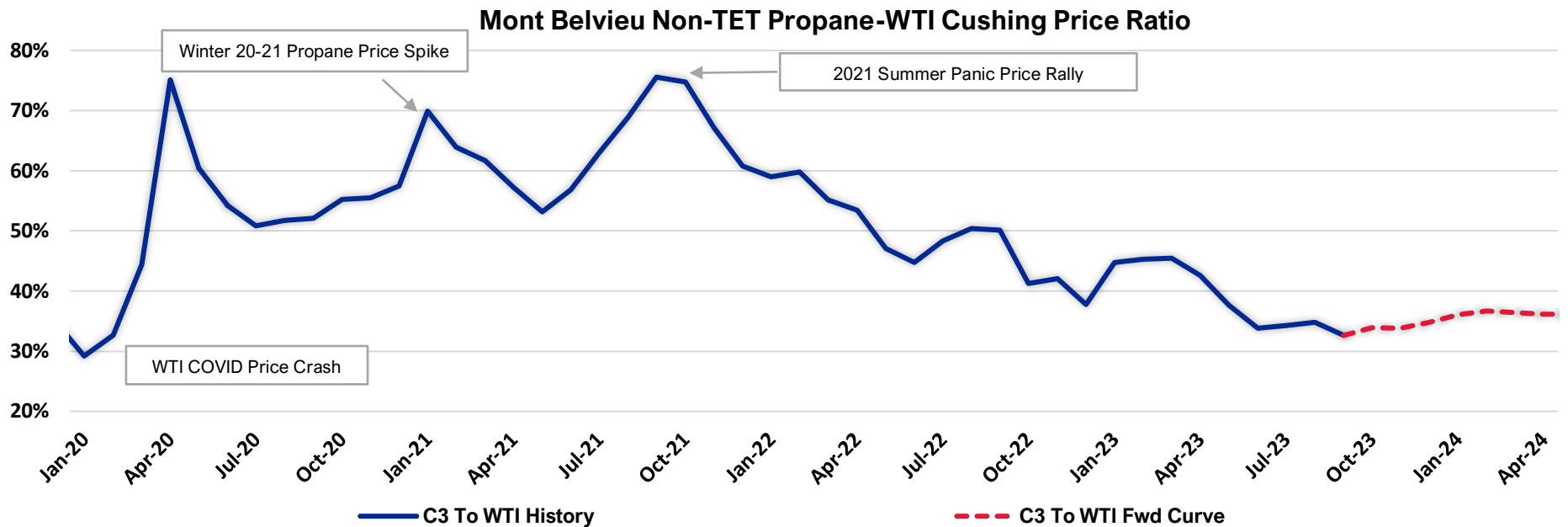


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

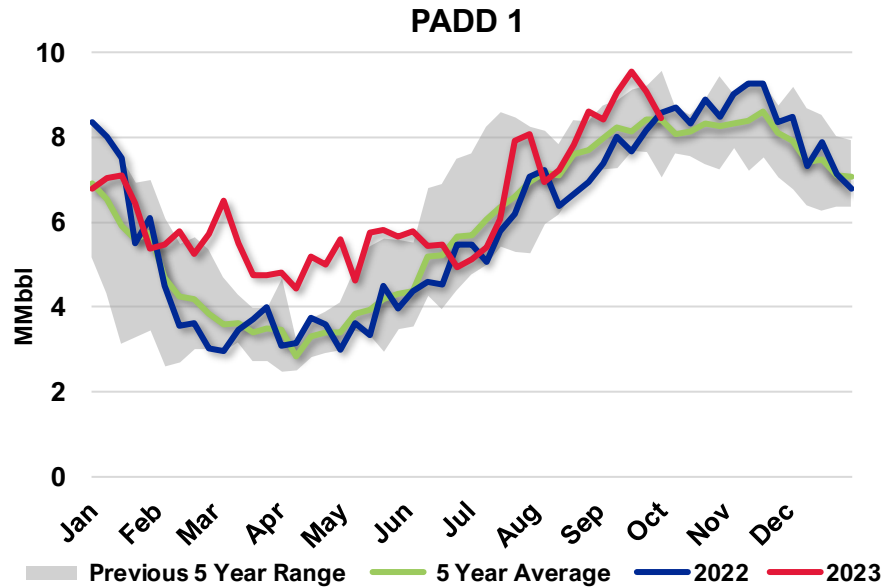


Figure 6

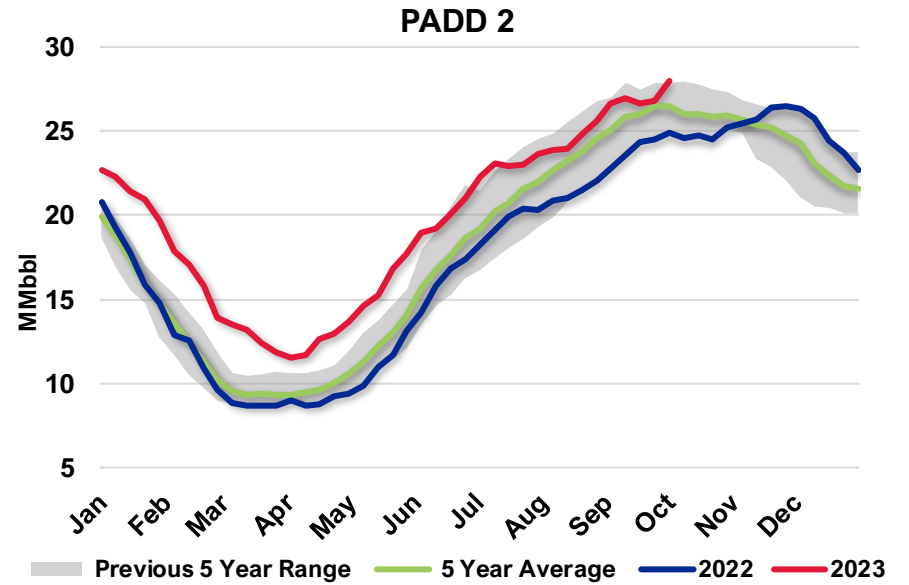


Figure 7

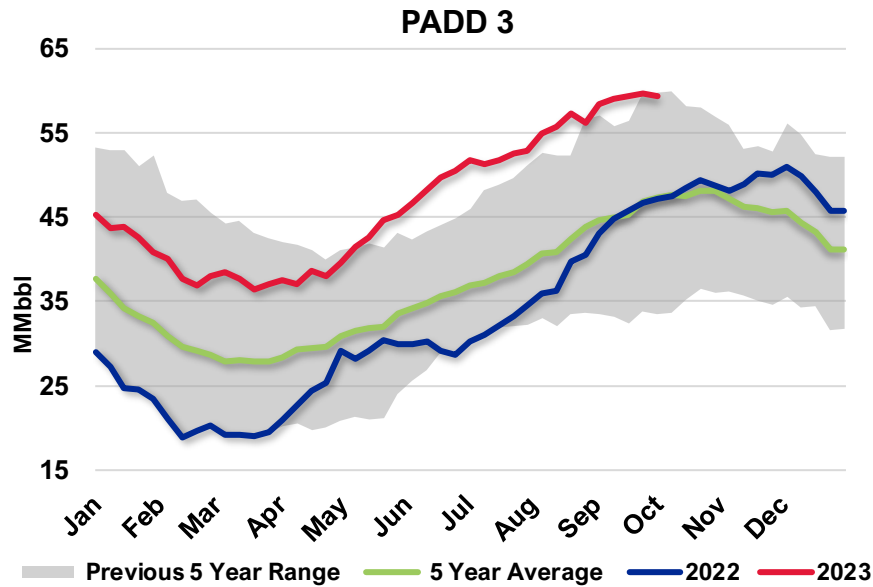


Figure 8

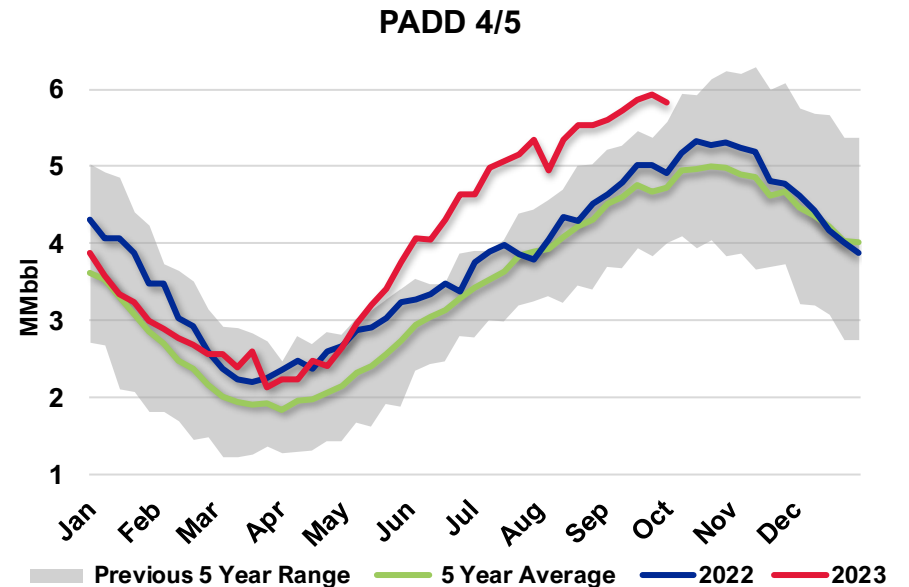


Figure 9

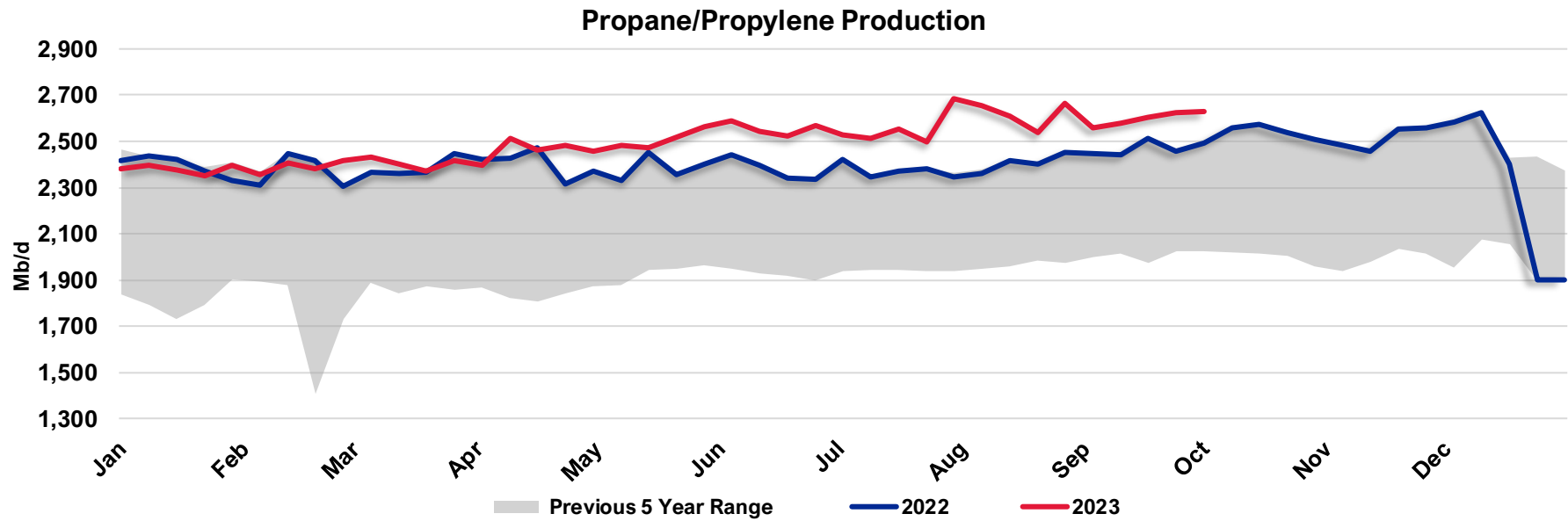


Figure 10

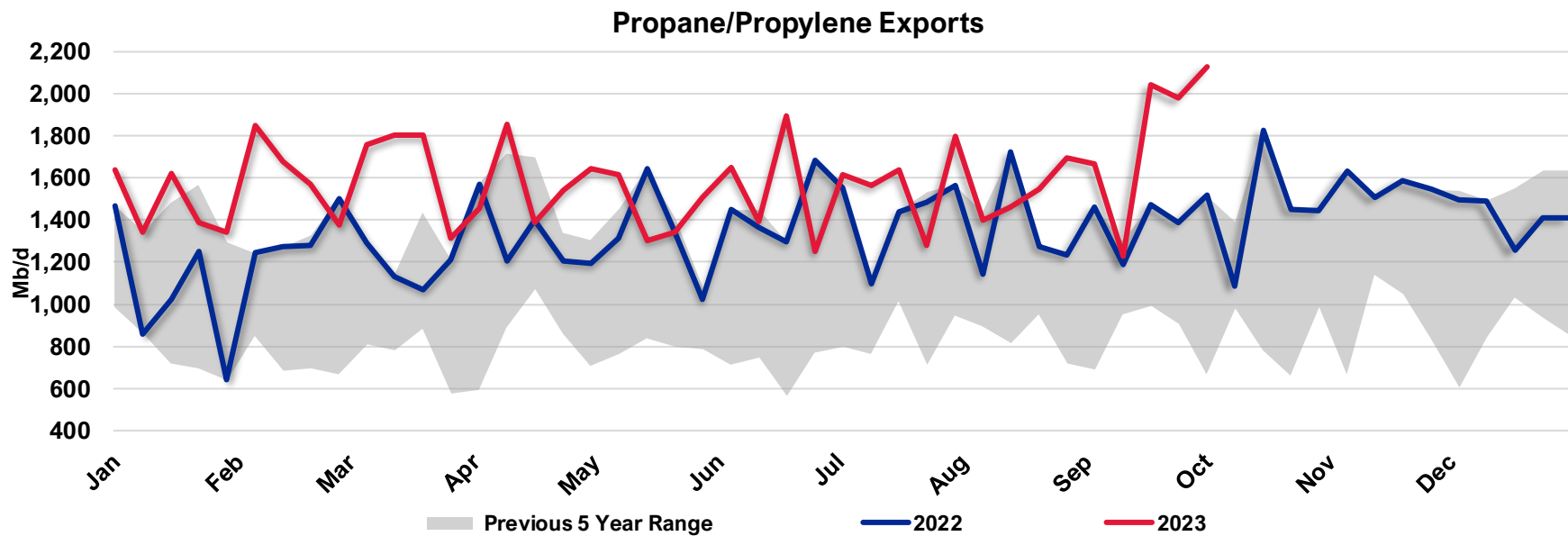


Figure 11

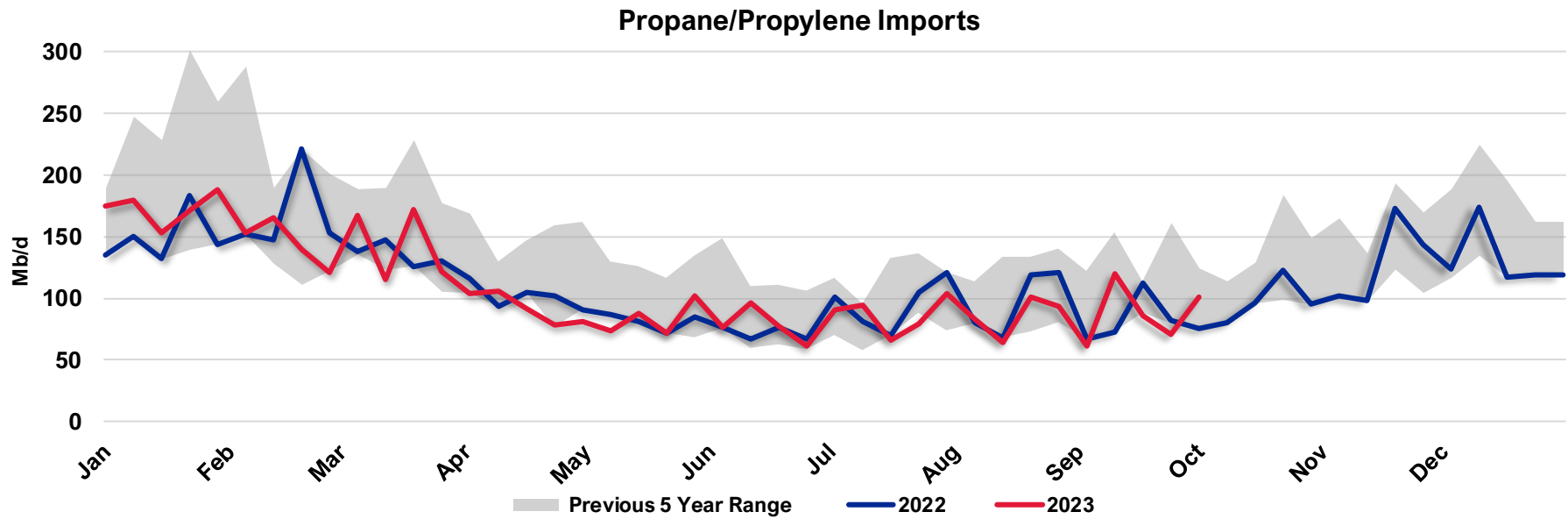


Figure 12

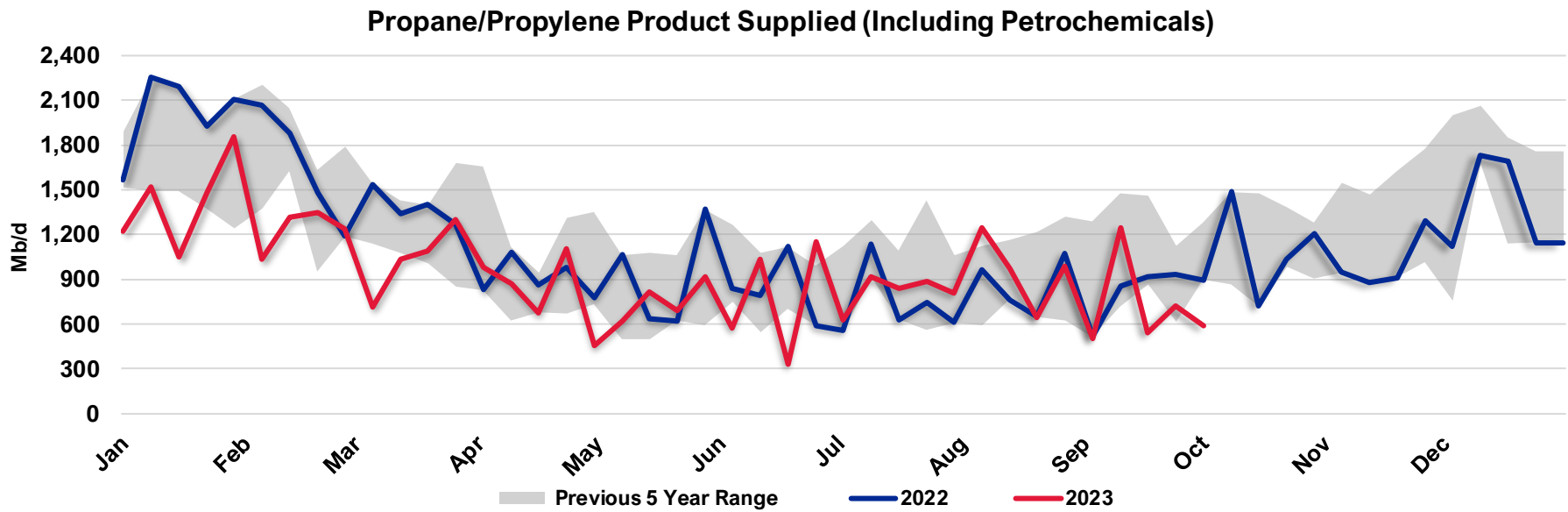


Figure 13

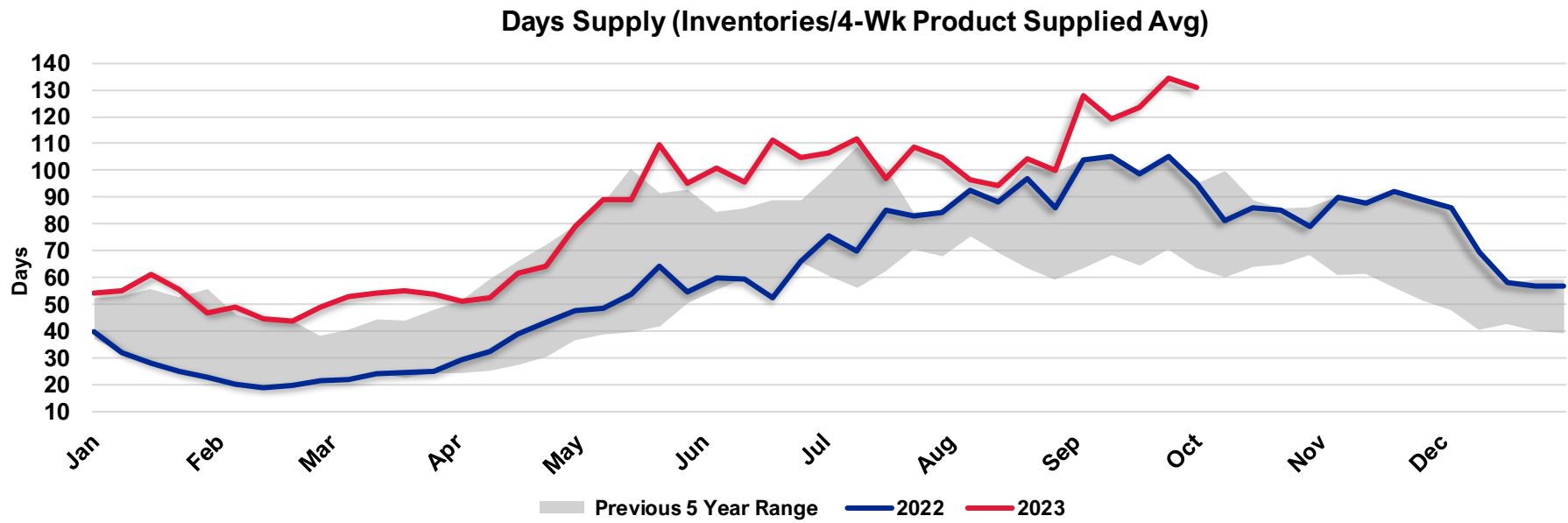
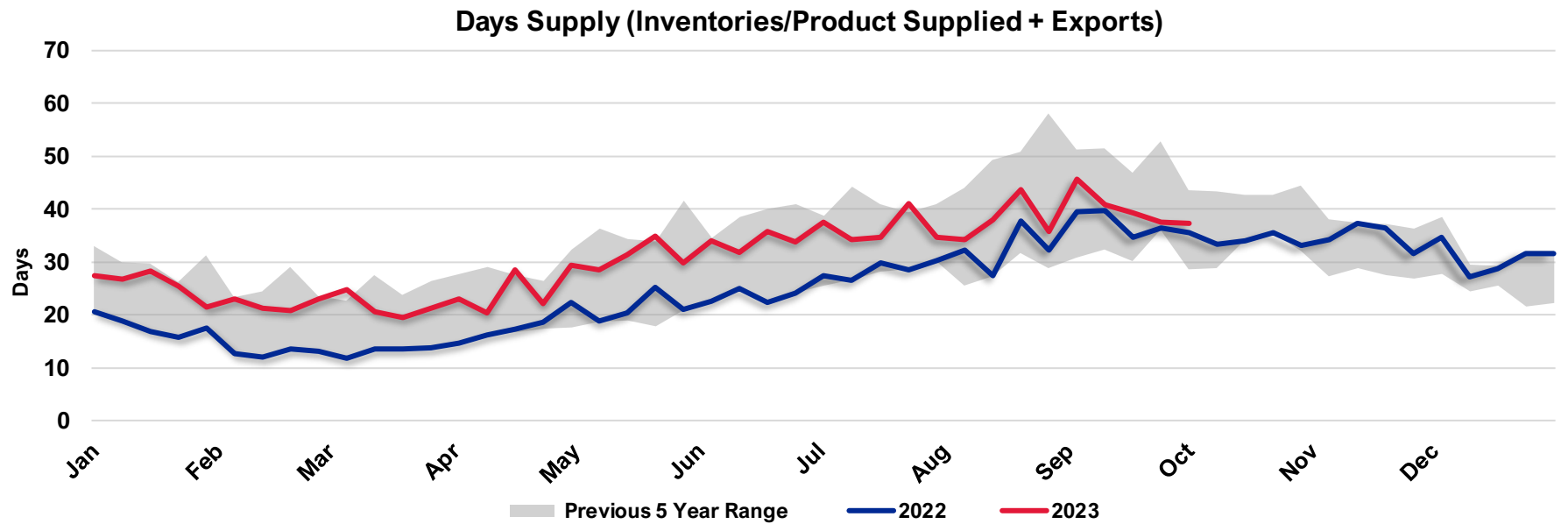


Figure 14



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