



WEEKLY PROPANE MARKET UPDATE

November 15, 2023

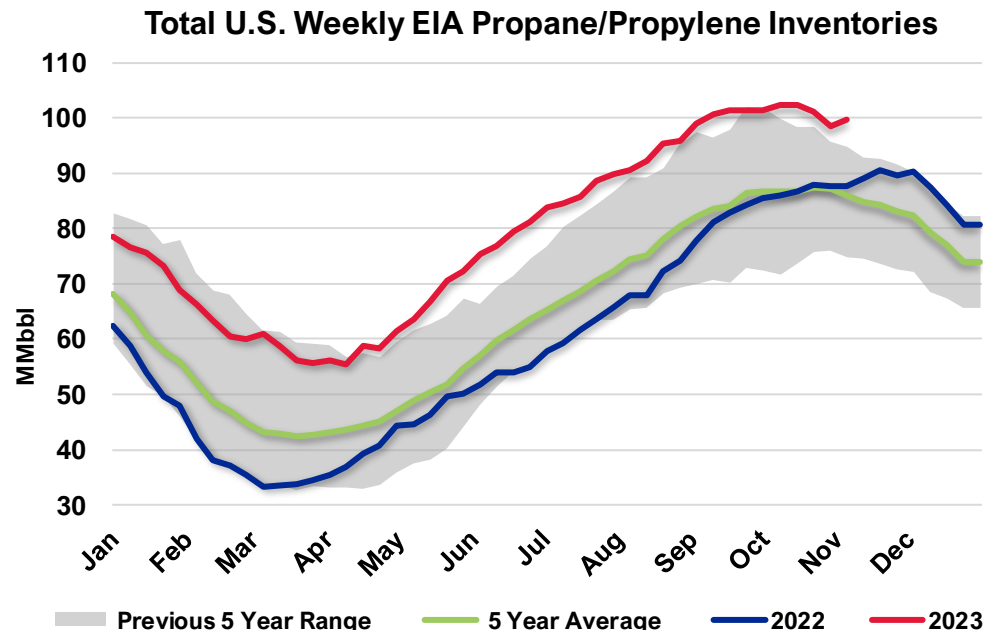
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories built by 1.3 MMbbl for the week ended November 10, a reversal from average industry expectations for a 579-Mbbl decline and the 645 Mbbl average draw for the week. Total U.S. propane stocks now stand at 99.7 MMbbl, which is 13.7 MMbbl, or 15.9%, above the 5-year average.
- » Crude oil prices were relatively steady over the last week as easing Middle East tensions were offset by a stronger demand outlook. WTI settled at \$78.26/bbl on November 14, up \$0.89/bbl from November 7. Propane prices were also little changed, with Mont Belvieu non-TET rising by 0.3 c/gal from last week to 63.1 c/gal on November 14. As a result, the propane-to-WTI ratio was unchanged from the prior week at 34%.
- » Weekly exports of propane reported by the EIA were healthy, but weaker than the recently reported volumes, at 1.66 MMbbl/d, down 94 Mbbl/d from last week's strong rate but modestly higher than the year-to-date average of 1.59 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 63 Mbbl/d to 2,629 Mbbl/d as output grew primarily in PADD 1 and PADD 3.

MARKET OVERVIEW

Mont Belvieu propane prices rose by 0.3 c/gal during the past week, settling at 63.1 c/gal on November 14. WTI prices tracked propane, increasing by \$0.89/bbl, or 1%, to \$78.26/bbl over the same period, which kept the propane-to-WTI ratio unchanged at 34% (blue line, Figure 4). The current ratio remains below the 42% average recorded in November 2022. The forward propane-

Figure 1

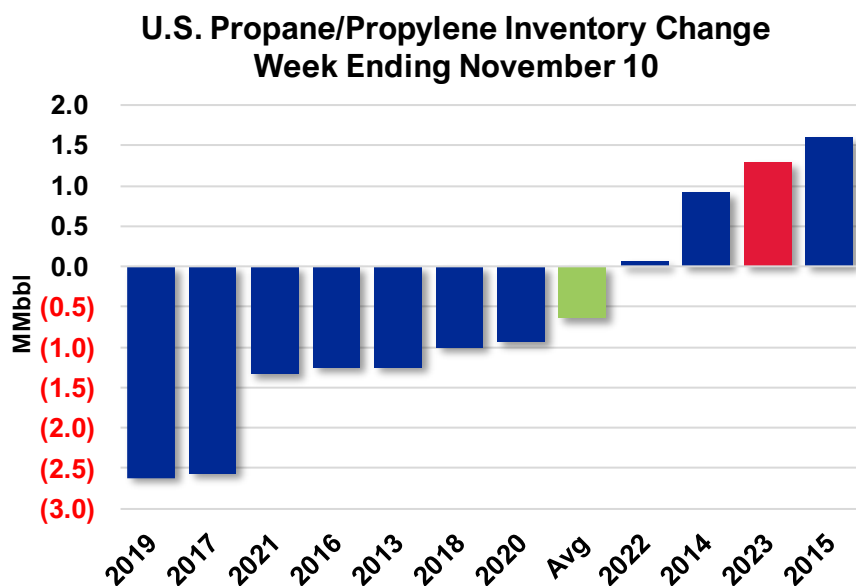


to-WTI ratio for December 2023-January 2024 was down 1 percentage point from last week to 34% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

U.S. propane inventories had a draw of 2.7 MMbbl for the week ended November 3, bringing total inventories to 98.4 MMbbl. In today's EIA report for the week ended November 10, propane inventories built by 1.3 MMbbl, increasing total stocks to 99.7 MMbbl. According to OPIS, the average of industry expectations for U.S. propane inventories for the week ended November 10 called for a decline of 579 Mbbl. The average change for the week is a draw of 645 Mbbl. Total U.S. propane stocks are now 12 MMbbl, or 13.6%, above the same week in 2022 and 4.8 MMbbl, or 5.1%, above the 5-year maximum. Inventories are 13.7 MMbbl, or 15.9%, above the 5-year average. Regional changes were mixed, with PADD 4/5 having the largest increase in inventory.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories fell by 309 Mbbbl, their third consecutive weekly drop. Total stocks for the region are now 56.1 MMbbl, putting them at 8 MMbbl, or 16.5%, above 2022 and on par with the 5-year maximum. Inventories are 8.9 MMbbl, or 18.9%, above the 5-year average.

PADD 2 (Midwest) stocks had a modest build of 168 Mbbbl. Midwest inventories stand at 26.9 MMbbl, which is 1.5 MMbbl, or 5.8%, over 2022 and 126 Mbbbl above the 5-year maximum. Stocks are 1.3 MMbbl, or 4.9%, above the 5-year average.

PADD 1 (East Coast) had a build of 424 Mbbbl. East Coast inventories are now at 9.8 MMbbl, which is 765 Mbbbl, or 8.5%, above 2022 and the 5-year maximum. Inventories are 1.5 MMbbl, or 17.4%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories rose by a whopping 1 MMbbl, which is very unusual for the region. We expect that this is either a correction or an error in the weekly data. Total stocks for the region are now 6.9 MMbbl, which is 1.7 Mbbbl, or 32.9%, over 2022 and 751

Mbbbl, or 12.1%, over the 5-year maximum. Stocks are 2 MMbbl, or 41.9%, above the 5-year average.

Total U.S. production increased by 63 Mbbbl/d to 2,629 Mbbbl/d. PADD 3 had the largest increase in production of 51 Mbbbl/d. PADD 1, PADD 2 and PADD 3 had a combined production increase of 80 Mbbbl/d while PADD 4/5 fell by 17 Mbbbl/d. Exports were healthy despite coming in below the strong rate recorded in prior three weeks. U.S. propane exports decreased by 94 Mbbbl/d from last week to 1,659 Mbbbl/d, which is below the 4-week average of 1,787 Mbbbl/d but above the 1,631 Mbbbl/d for the same week in 2022. Imports fell by 16 Mbbbl/d to 69 Mbbbl/d as volumes into PADD 2 declined by 19 Mbbbl/d, which was partially offset by a 3 Mbbbl/d increase in PADD 4/5. Product supplied fell by 437 Mbbbl/d to 854 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended November 10 (red bar, Figure 2) of 1.3 MMbbl was about 1.9 MMbbl higher than the average decrease of 645 Mbbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET was relatively unchanged from last week, with Conway trading at a 1.3 c/gal discount on November 14. The forward-price differential between Mont Belvieu (TET or LST) and Conway was slightly narrower from the prior week, with Mont Belvieu trading at a 1.1 c/gal premium to Conway for December 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 102 days, 12 days higher than the same week in 2022 and the 5-year maximum.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 40 days of inventory, which is six days above 2022 and two days more than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

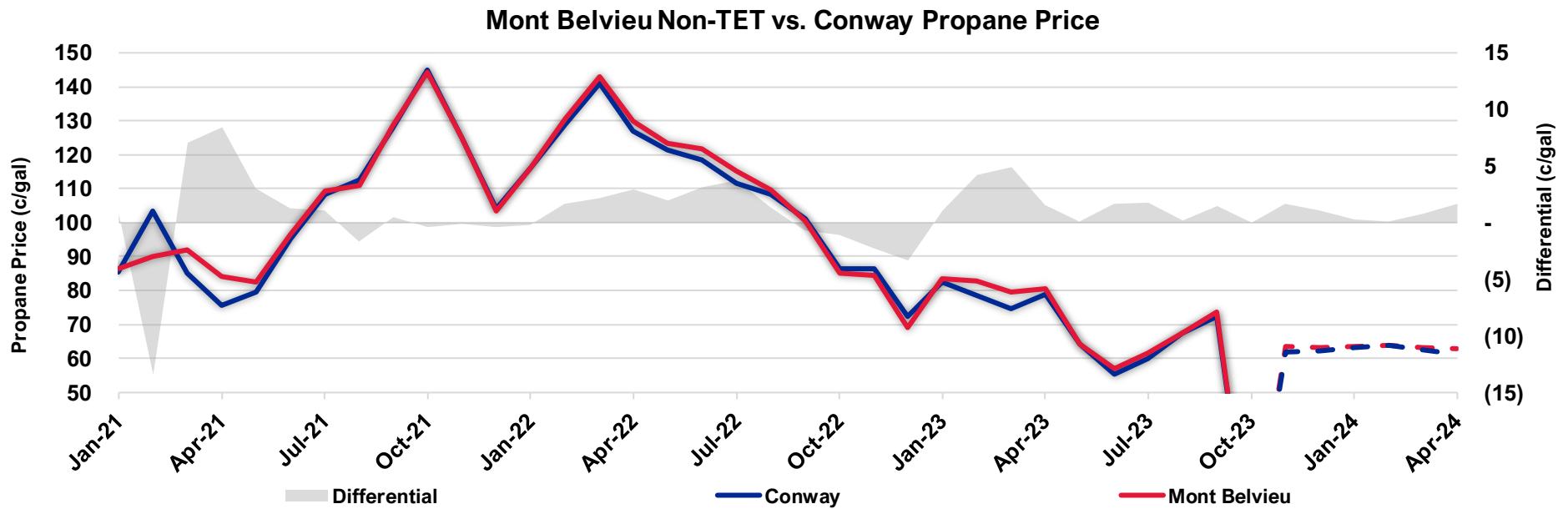
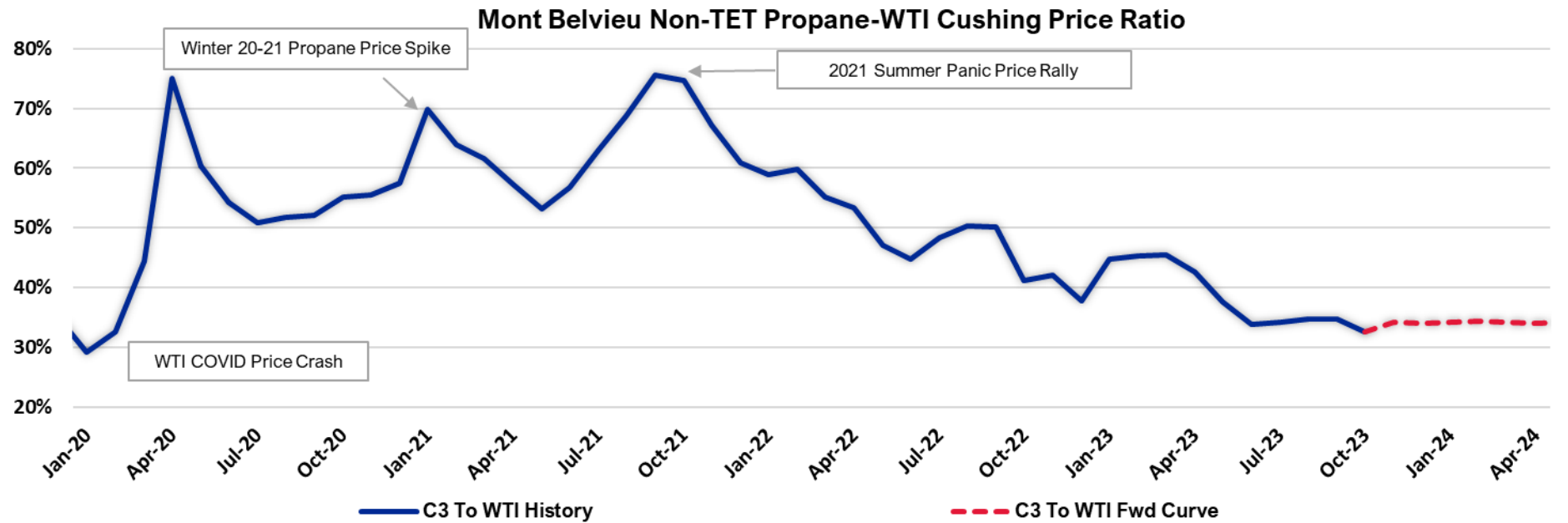


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

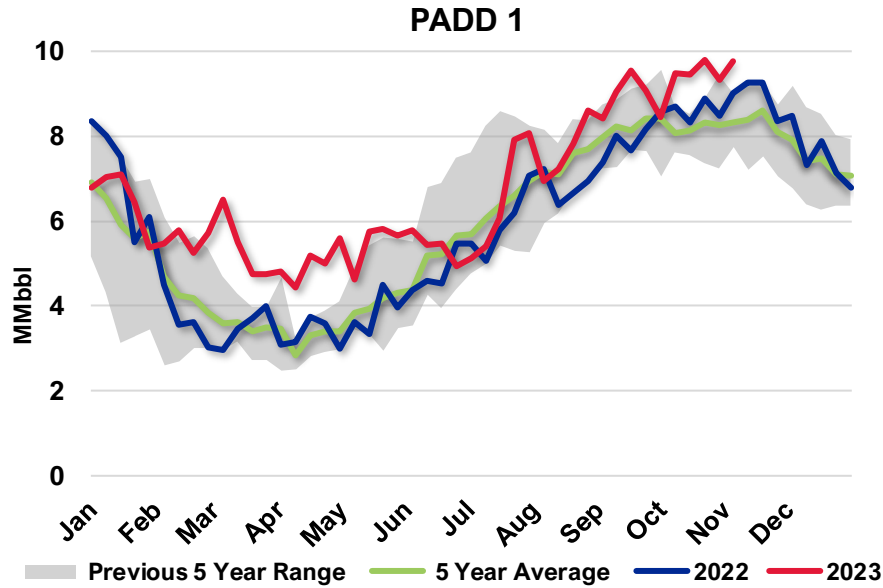


Figure 6

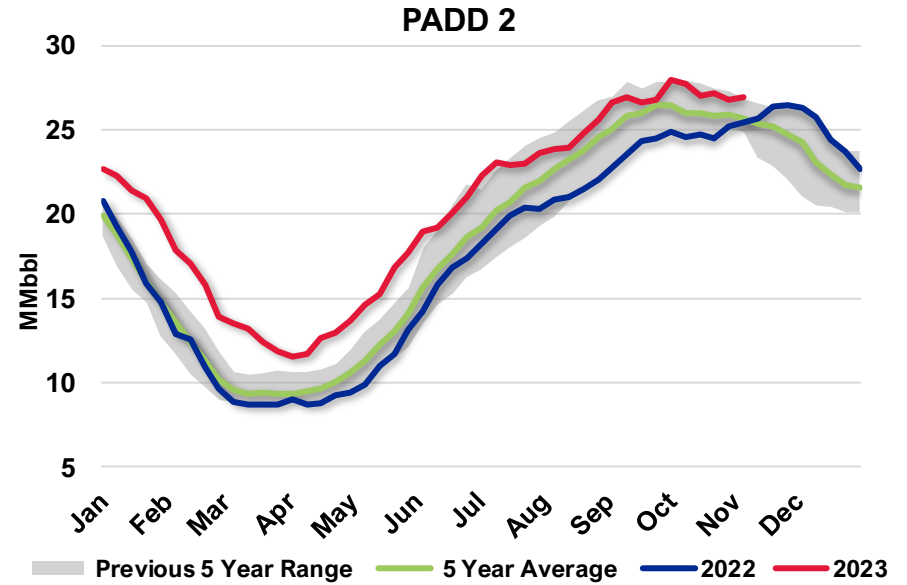


Figure 7

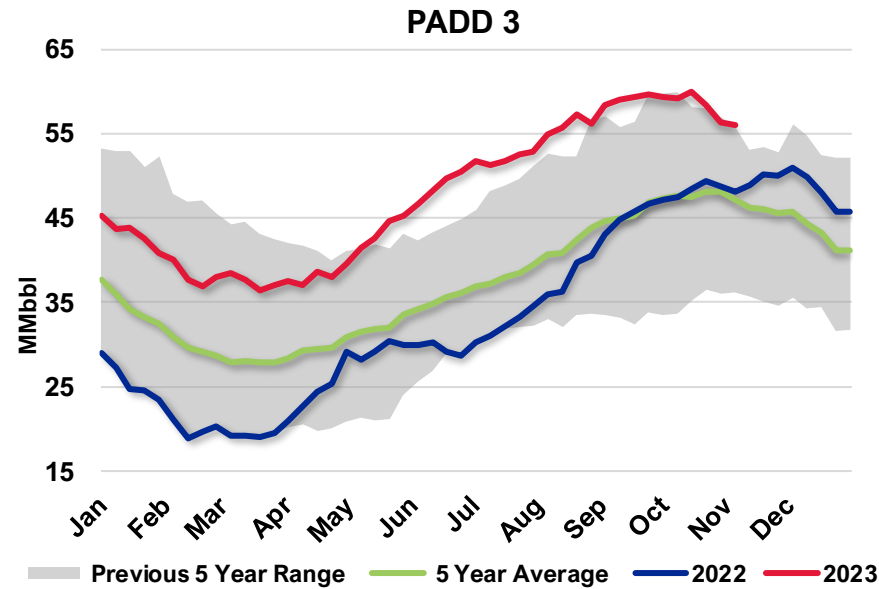


Figure 8

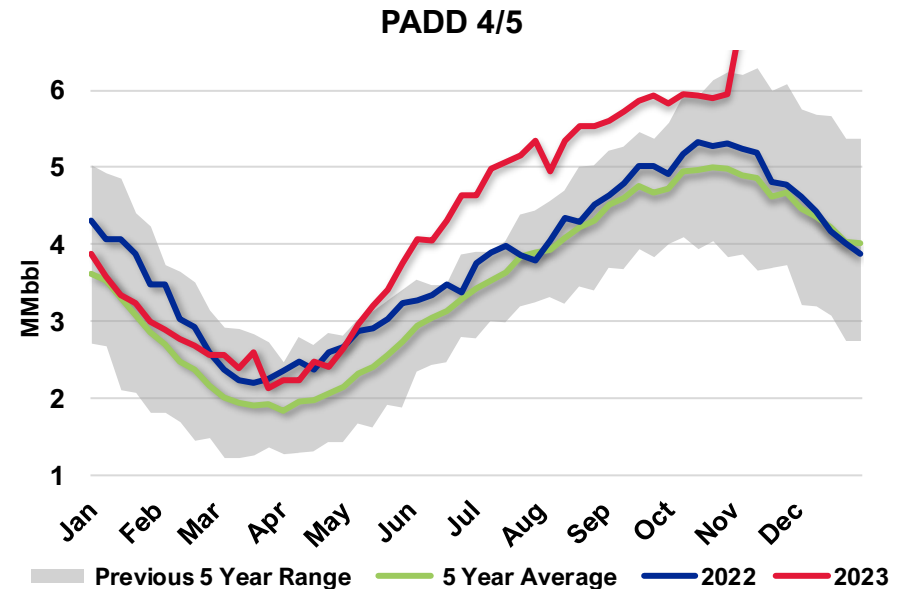


Figure 9

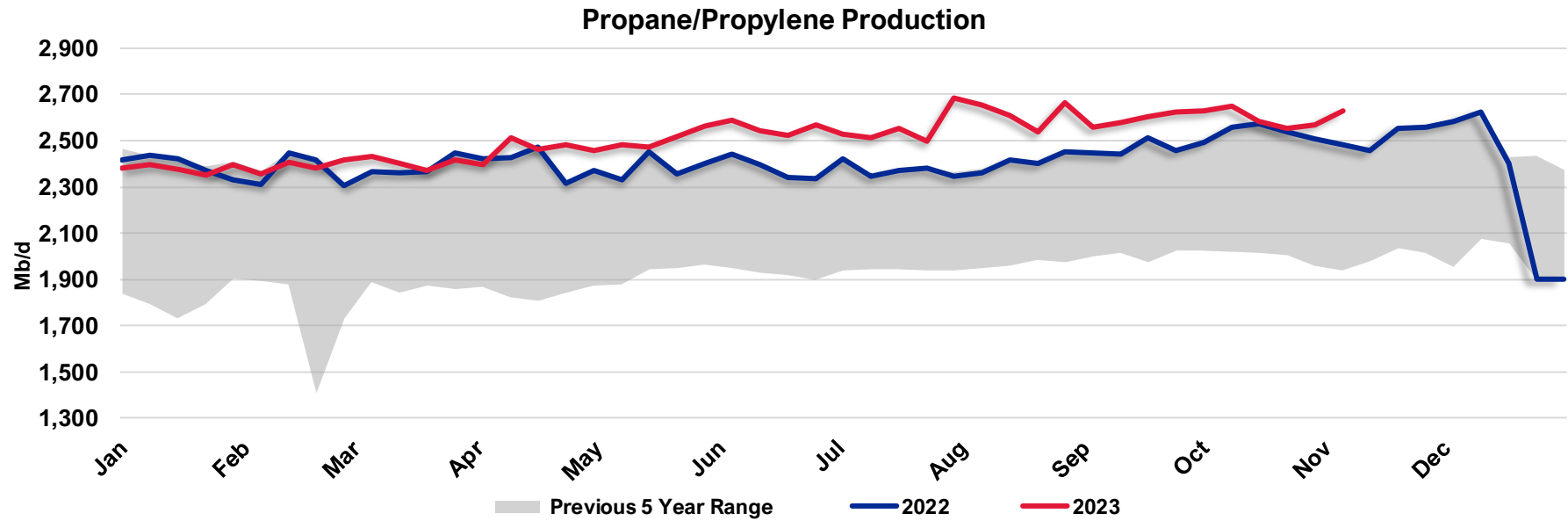


Figure 10

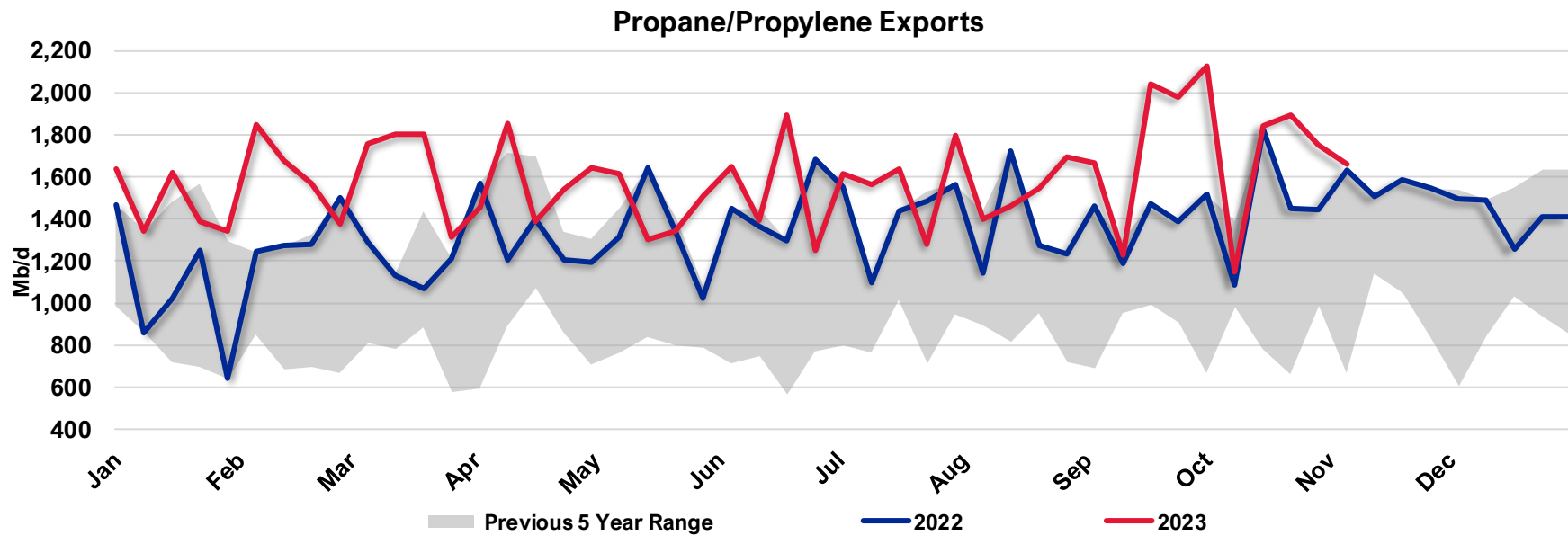


Figure 11

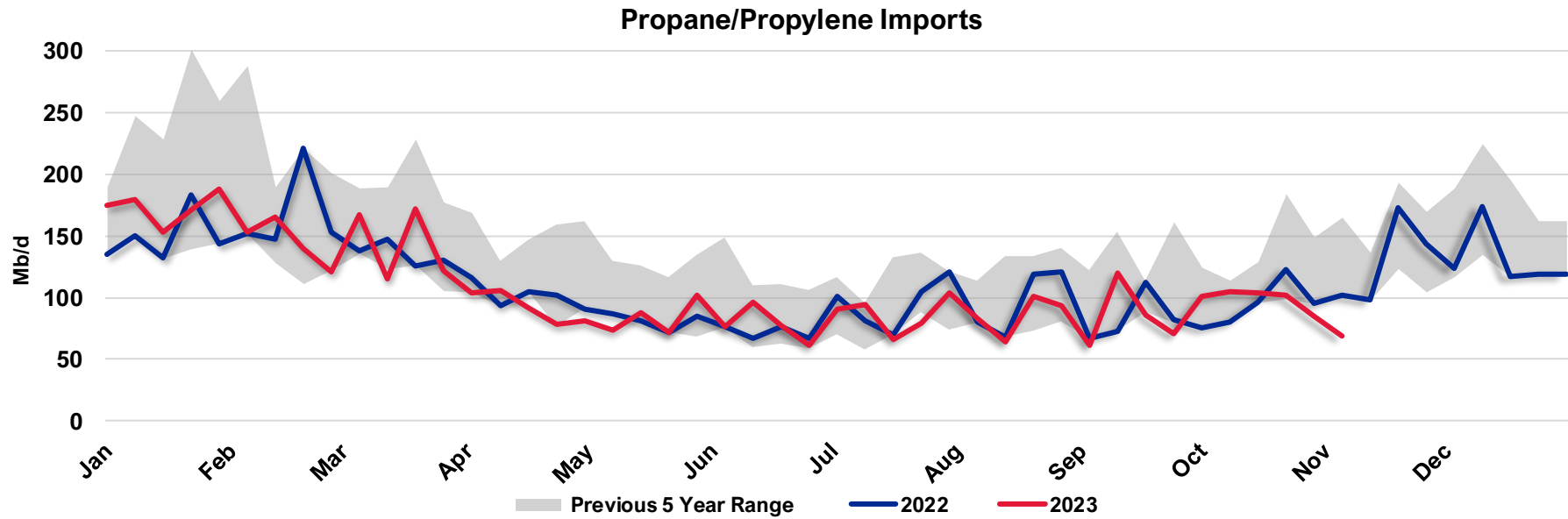


Figure 12

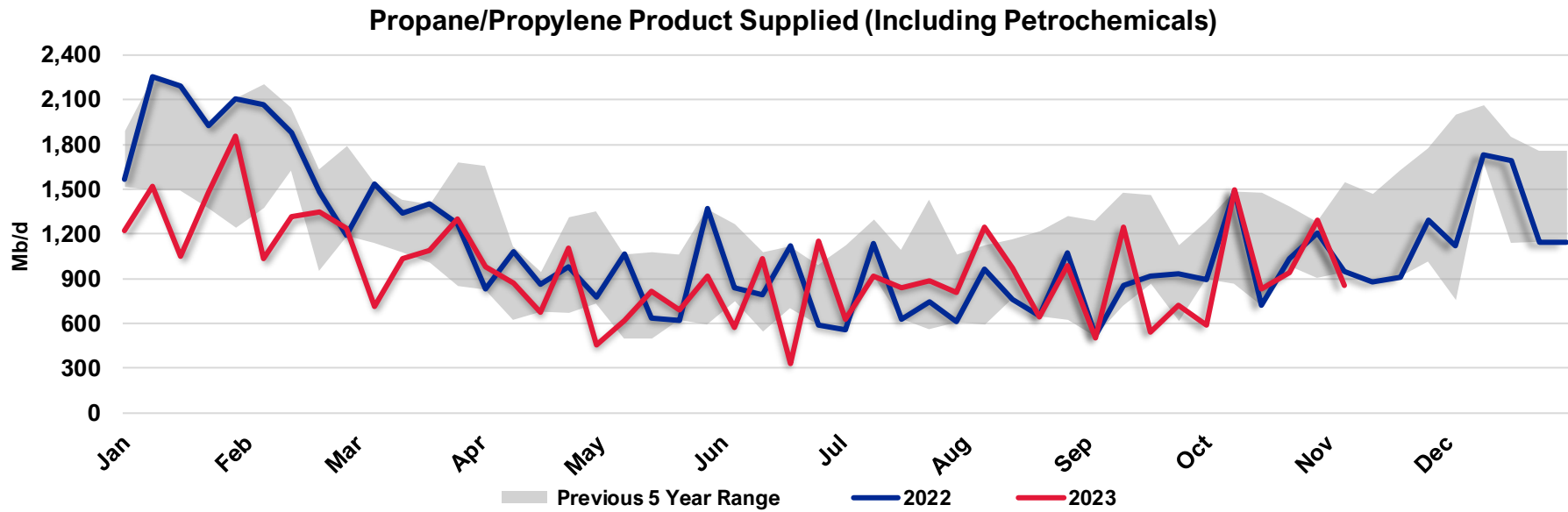


Figure 13

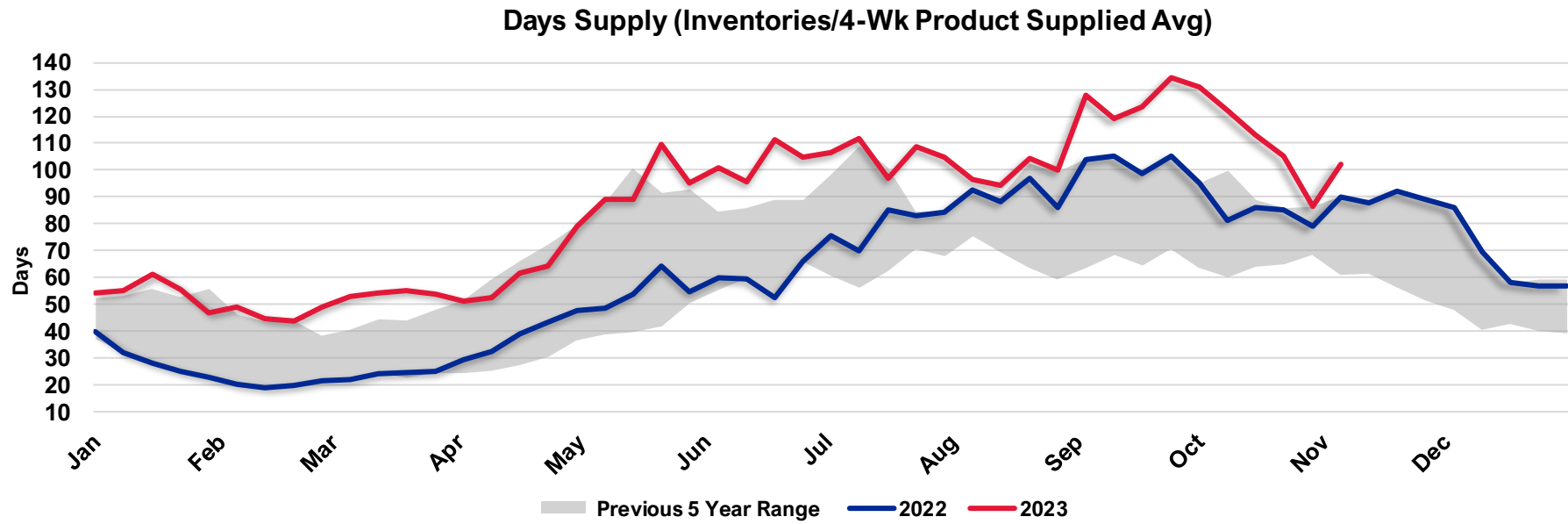
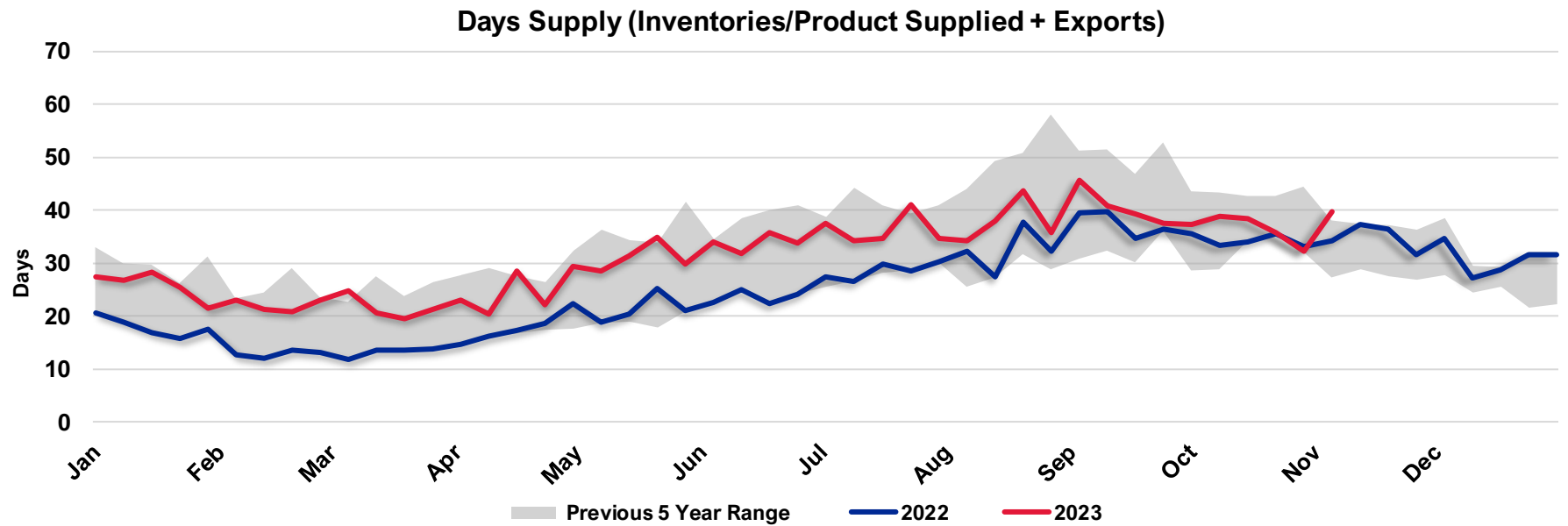


Figure 14



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