



WEEKLY PROPANE MARKET UPDATE

November 22, 2023

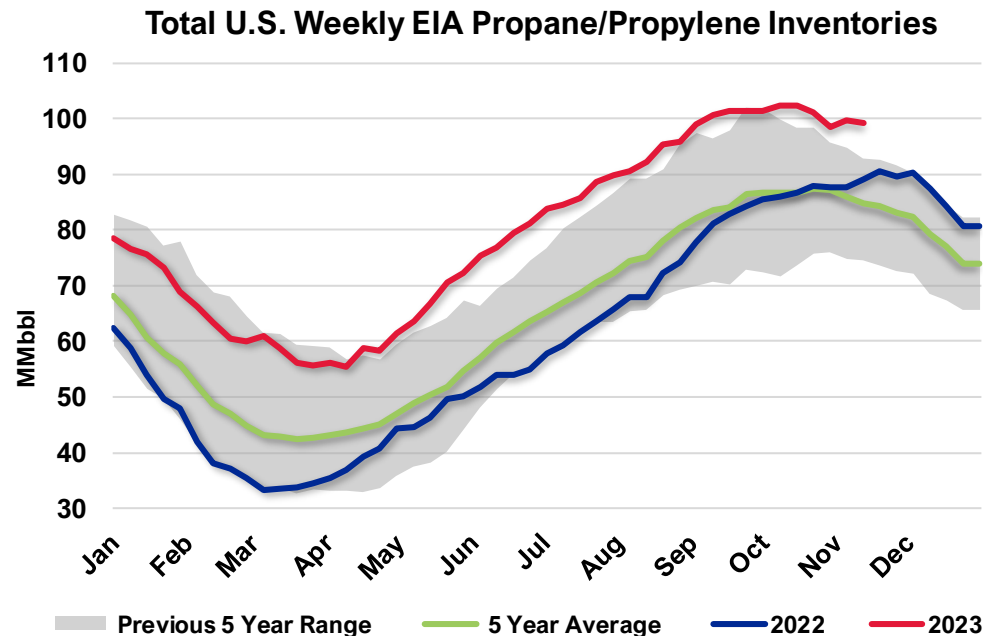
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 470 Mbbl for the week ended November 17, which was less than average industry expectations for a 920-Mbbl decline and the 778 Mbbl average draw for the week. Total U.S. propane stocks now stand at 99.3 MMbbl, which is 14.5 MMbbl, or 17.1%, above the 5-year average.
- » Crude oil prices were relatively steady over the last week as concerns over a slowing global economy and lower demand were offset by expectations for additional OPEC+ production cuts. WTI settled at \$77.77/bbl on November 21, down \$0.49/bbl from November 14. Propane prices were stronger than crude, with Mont Belvieu non-TET rising by 1.5 c/gal from last week to 64.6 c/gal on November 21. As a result, the propane-to-WTI ratio increased by 1 percentage point from last week to 35%.
- » Weekly exports of propane reported by the EIA were stronger at 1.79 MMbbl/d, up 128 Mbbl/d from last week's average rate and above the year-to-date average of 1.60 MMbbl/d.
- » Total U.S. production of propane/propylene decreased by 32 Mbbl/d to 2,597 Mbbl/d as output declined primarily in PADD 2.

MARKET OVERVIEW

Mont Belvieu propane prices rose by 1.5 c/gal during the past week, settling at 64.6 c/gal on November 21. WTI prices lagged propane, falling by \$0.49/bbl, or 0.6%, to \$77.77/bbl over the same period, which pushed the propane-to-WTI ratio up by 1 percentage point to 35% (blue line, Figure 4). The current ratio remains below the 42% average recorded in November 2022. The

Figure 1

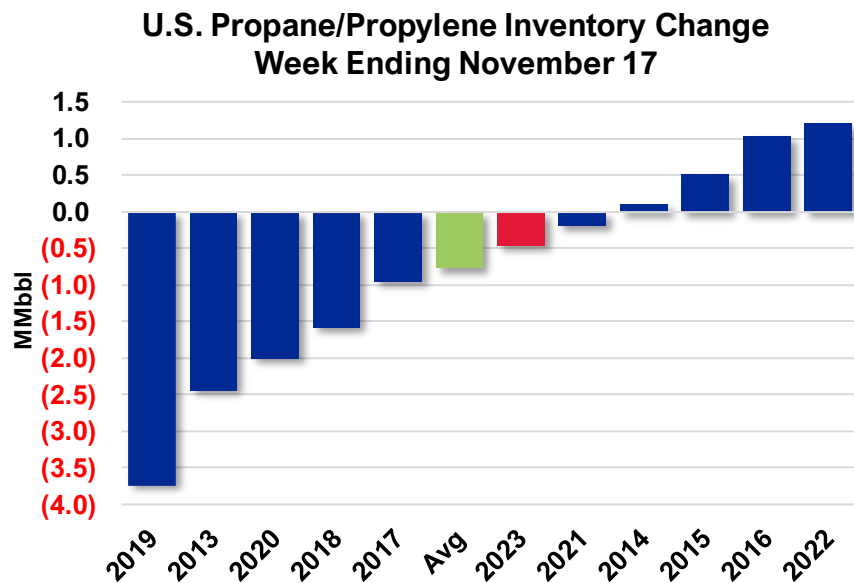


forward propane-to-WTI ratio for December 2023-March 2024 was up 1 percentage point from last week to 35% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report for the week ended November 17, propane inventories drew by 470 Mbbl, decreasing total stocks to 99.3 MMbbl. According to OPIS, the average of industry expectations for U.S. propane inventories for the week ended November 17 called for a draw of 920 Mbbl. The average change for the week is a draw of 778 Mbbl. Total U.S. propane stocks are now 10.2 MMbbl, or 11.5%, above the same week in 2022 and 6.4 MMbbl, or 6.9%, above the 5-year maximum. Inventories are 14.5 MMbbl, or 17.1%, above the 5-year average. Regional changes were mixed, with PADD 3 having the largest decrease in inventory while PADD 1 had the only increase in propane stocks.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories fell by 621 Mbbbl and total stocks for the region are now at 55.5 MMbbl, putting them at 6.5 MMbbl, or 13.3%, over 2022 and 2.3 MMbbl, or 4.4%, above the 5-year maximum. Inventories are 9.3 MMbbl, or 20.2%, above the 5-year average.

PADD 2 (Midwest) stocks had a draw of 373 Mbbbl. Midwest inventories stand at 26.6 MMbbl, which is 922 Mbbbl, or 3.6%, over 2022 and on par with the 5-year maximum. Stocks are 1.2 MMbbl, or 4.8%, above the 5-year average.

PADD 1 (East Coast) had a build of 570 Mbbbl. East Coast inventories are now at 10.3 MMbbl, which is 1.1 MMbbl, or 11.7%, above 2022 and the 5-year maximum. Inventories are 1.9 MMbbl, or 23.1%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories fell slightly by 46 Mbbbl. Total stocks for the region remain at 6.9 MMbbl, which is 1.7 Mbbbl, or 33.2%, over 2022 and 627 Mbbbl, or 10%, over the 5-year maximum. Stocks are 2 MMbbl, or 42%, above the 5-year average.

Total U.S. production decreased by 32 Mbbbl/d to 2,597 Mbbbl/d. PADD 2 had the largest decrease in production of 32 Mbbbl/d. PADD 1 and PADD 4/5 had a combined production decrease of 6 Mbbbl/d while PADD 3 rose by 6 Mbbbl/d. Exports remain healthy, increasing by 128 Mbbbl/d from last week to 1,787 Mbbbl/d, which is in line the 4-week average of 1,773 Mbbbl/d but above the 1,507 Mbbbl/d reported in the year-ago week. Imports increased by 36 Mbbbl/d to 105 Mbbbl/d as volumes into all PADDs grew, with PADD 2 having the largest increase of 18 Mbbbl/d. Product supplied rose by 128 Mbbbl/d to 982 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended November 17 (red bar, Figure 2) of 470 MMbbl was about 310 Mbbbl less than the average decrease of 780 Mbbbl (green bar, Figure 2).

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 2.1 c/gal discount on November 21. The forward-price differential between Mont Belvieu (TET or LST) and Conway also increased from the prior week, with Mont Belvieu trading at a 2.2 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 98 days, 10 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 36 days of inventory, which is two days below 2022 and the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

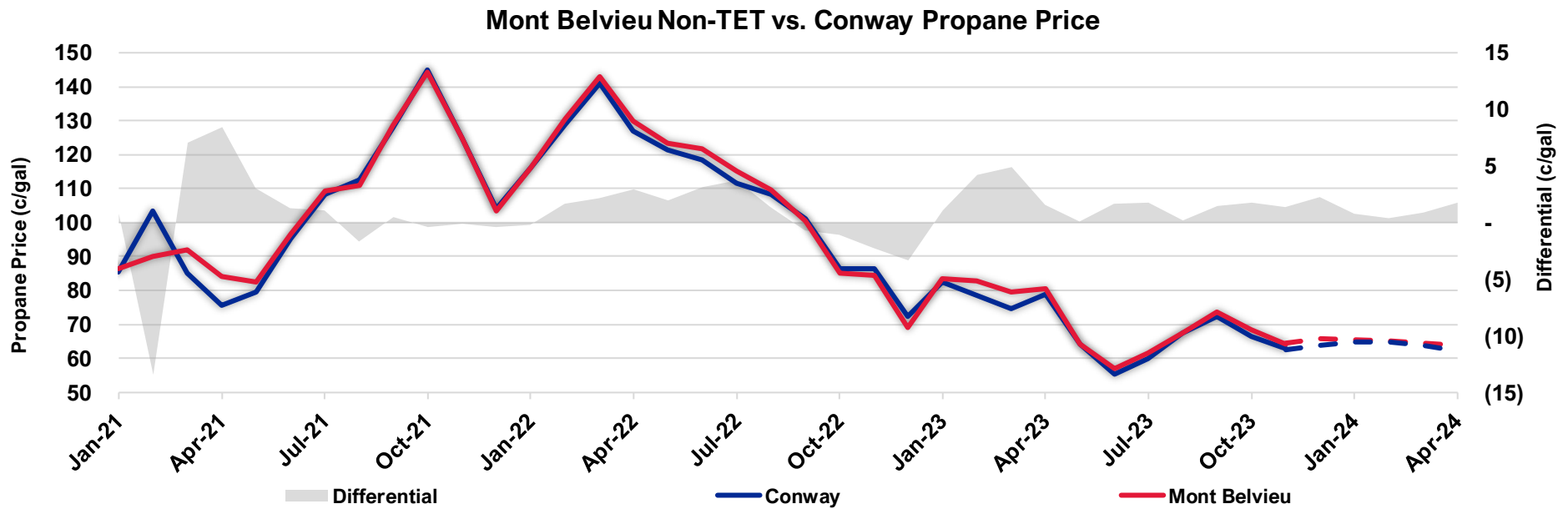
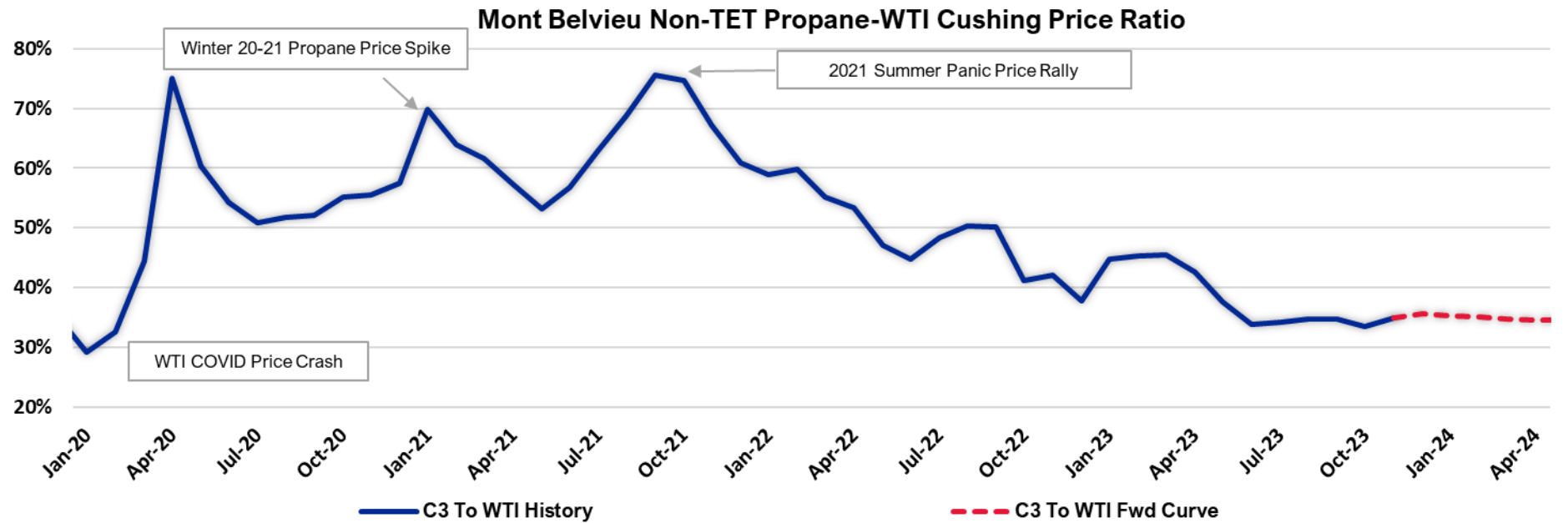


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

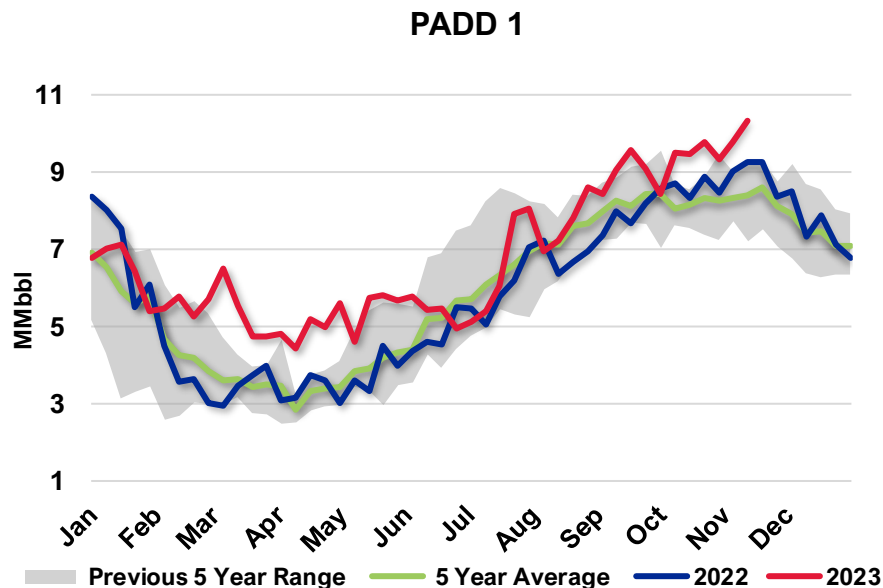


Figure 6

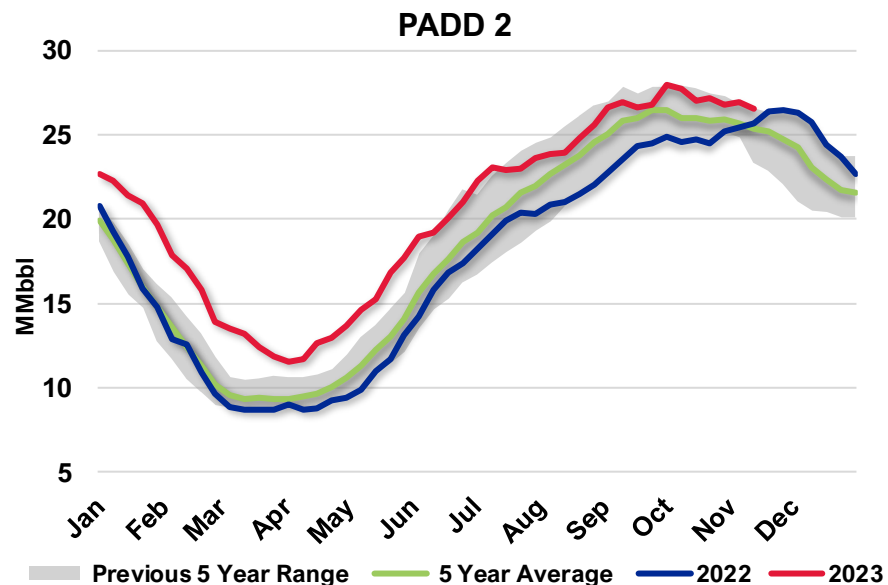


Figure 7

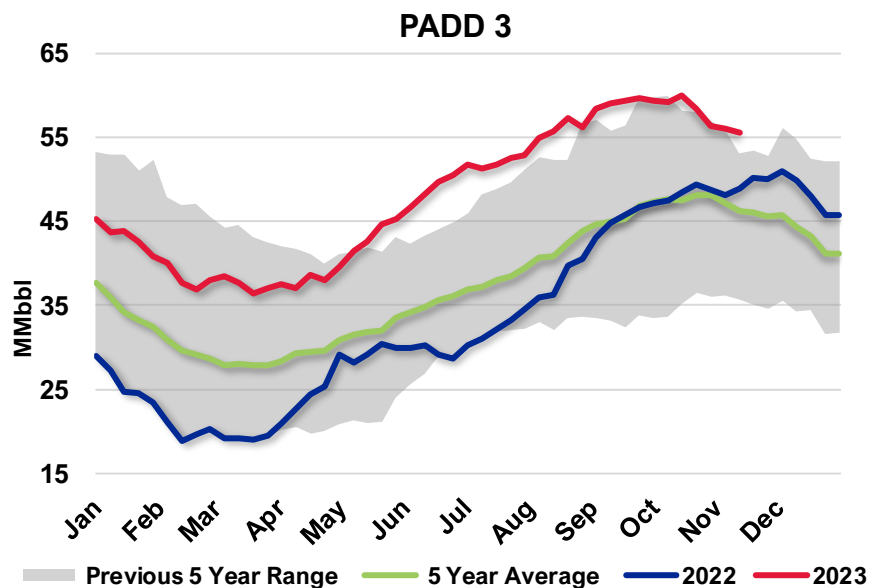


Figure 8

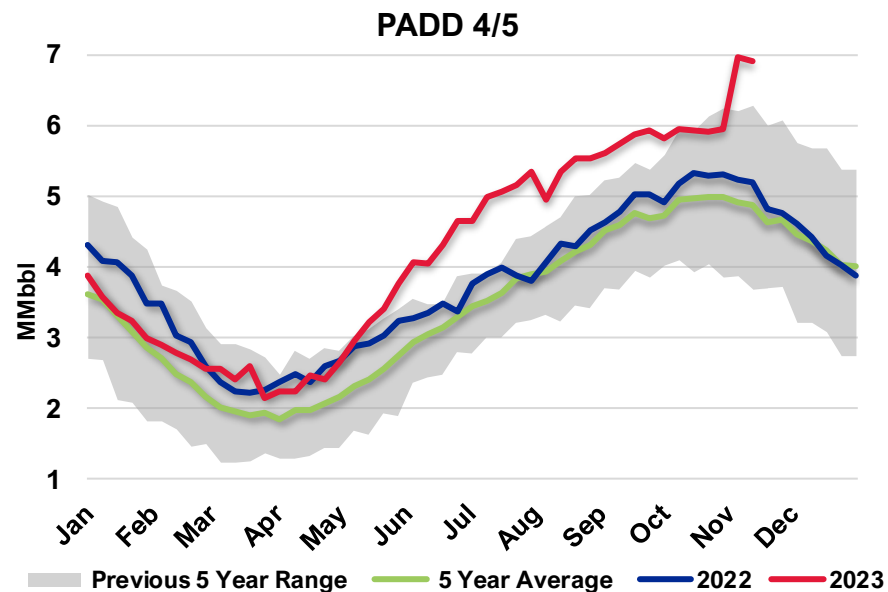


Figure 9

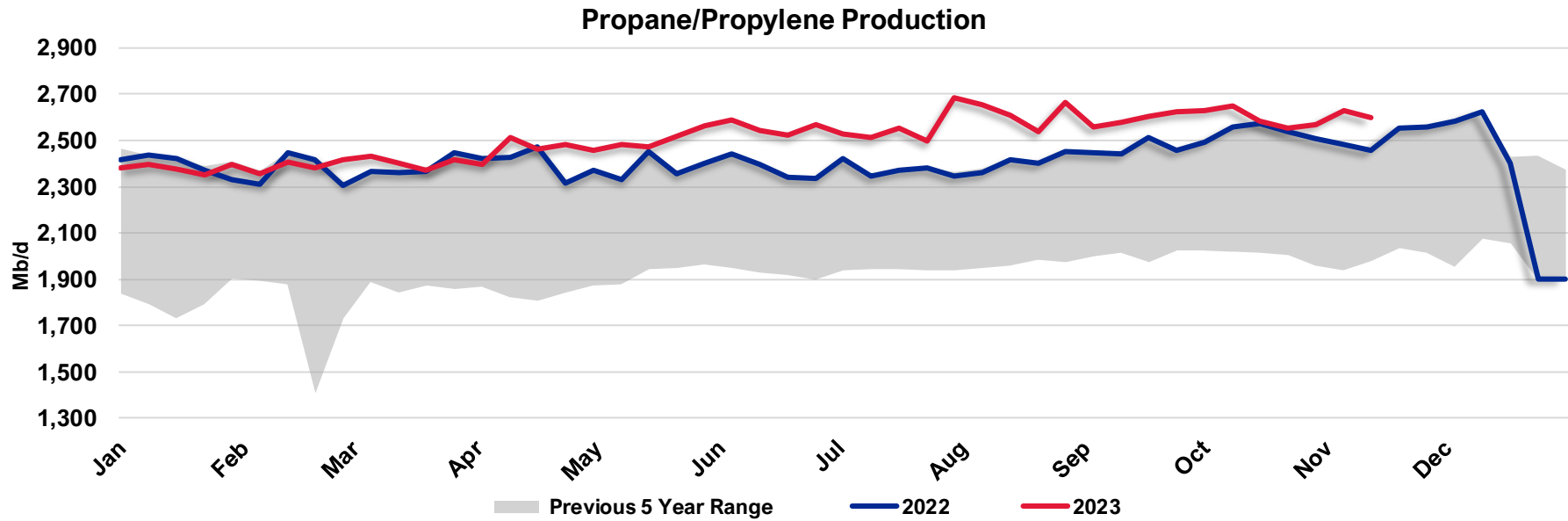


Figure 10

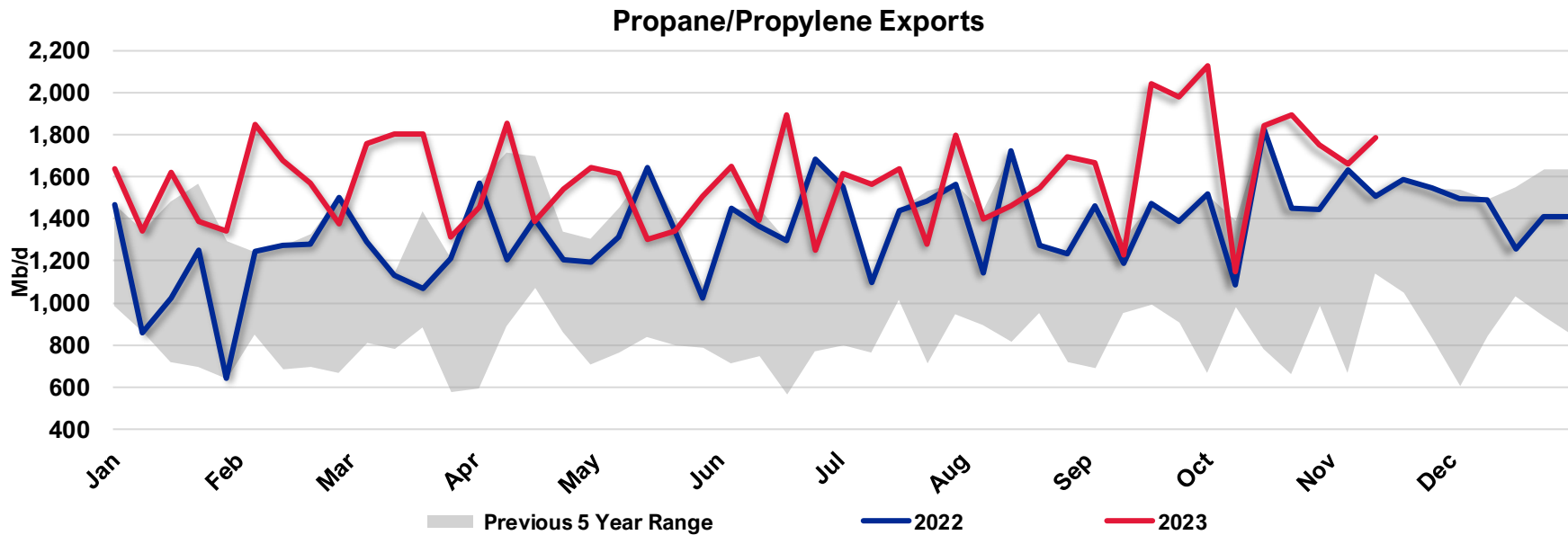


Figure 11

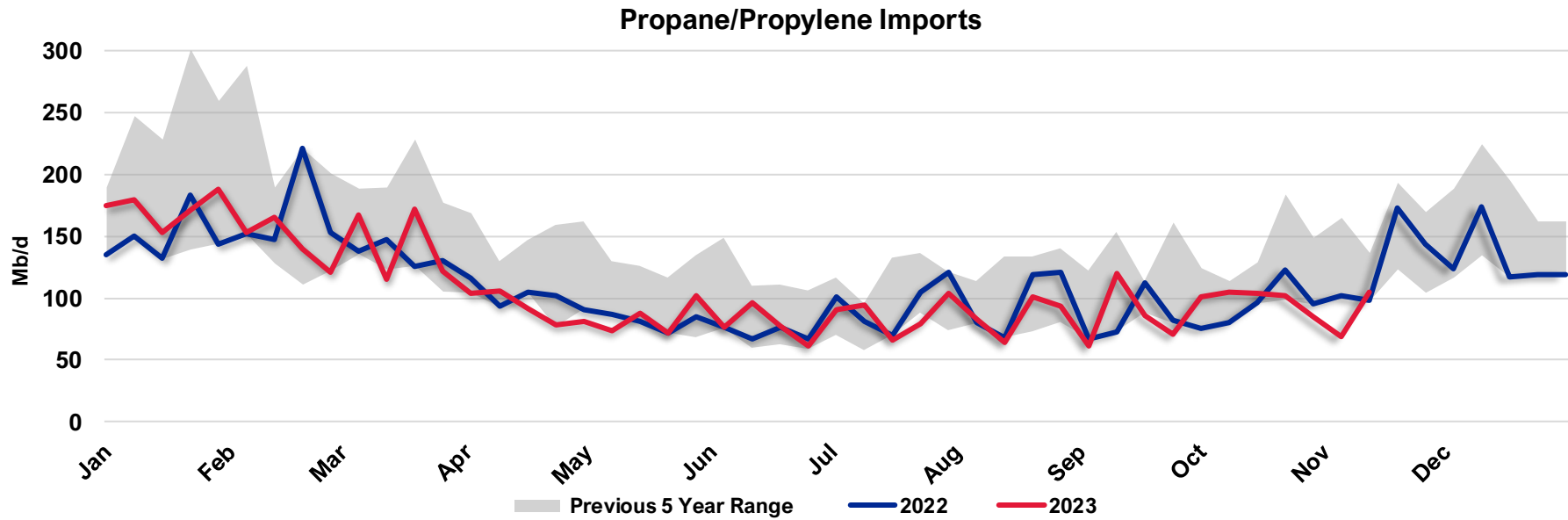


Figure 12

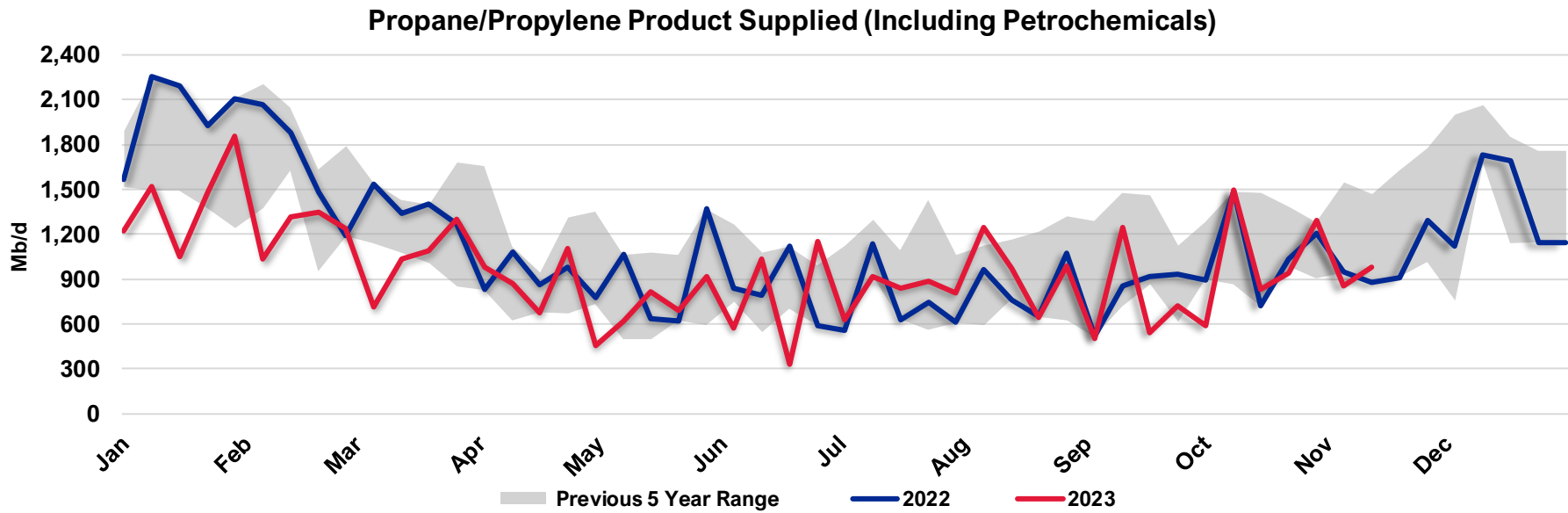


Figure 13

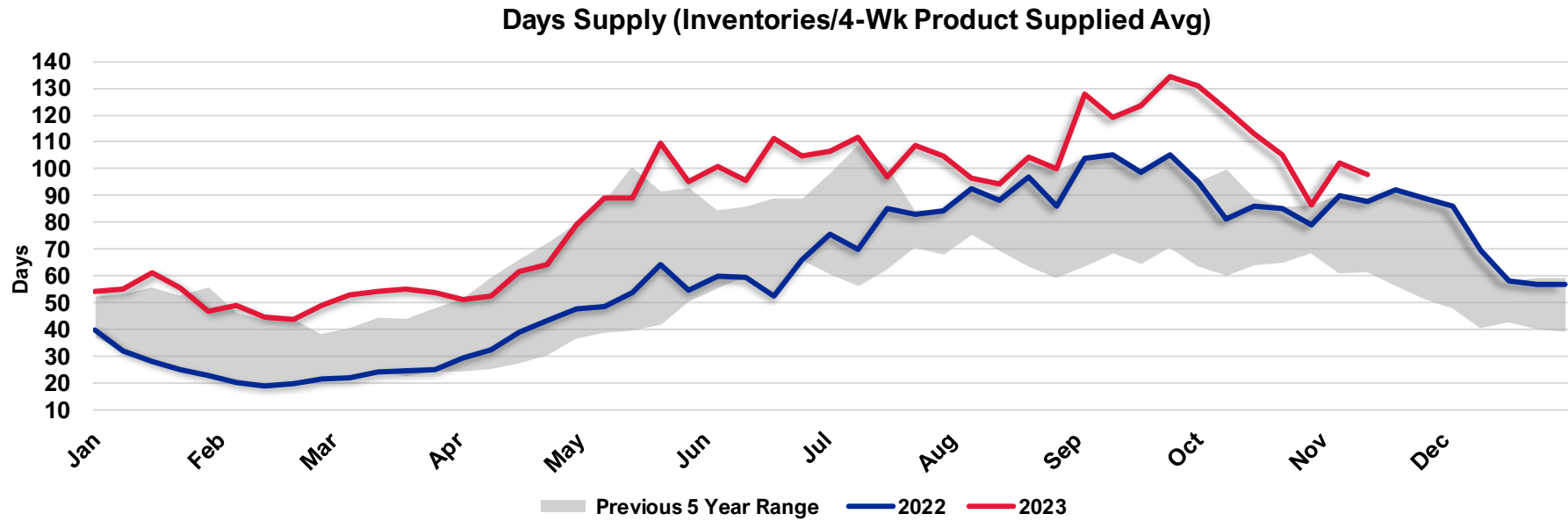
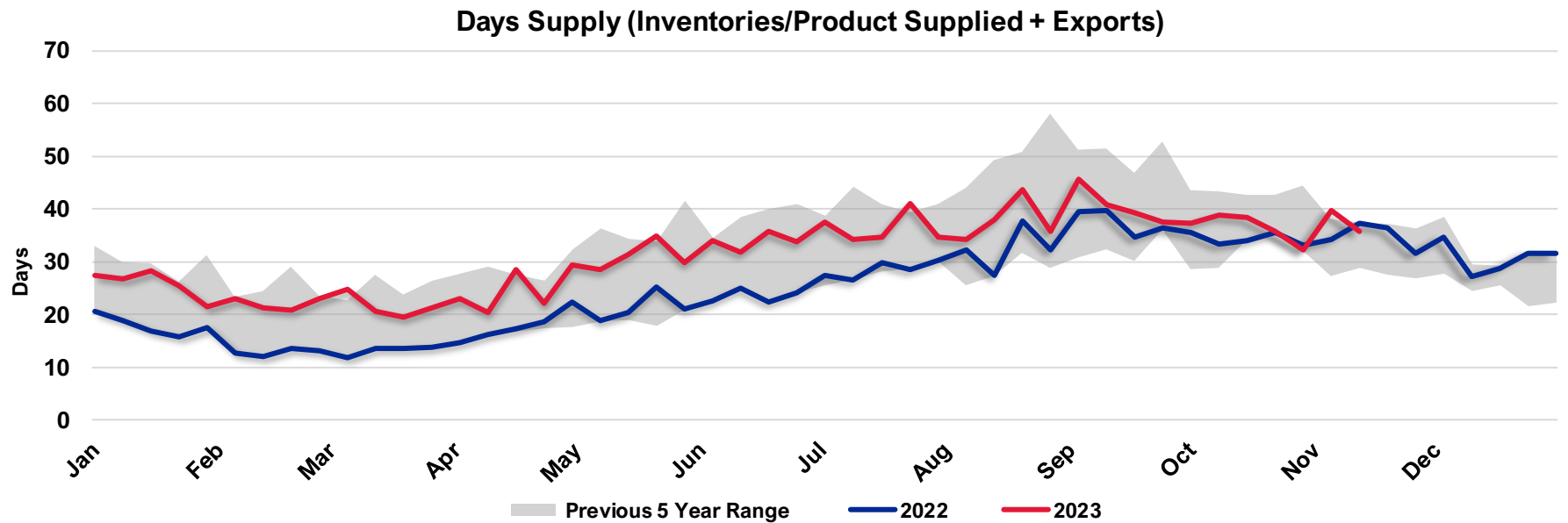


Figure 14



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