



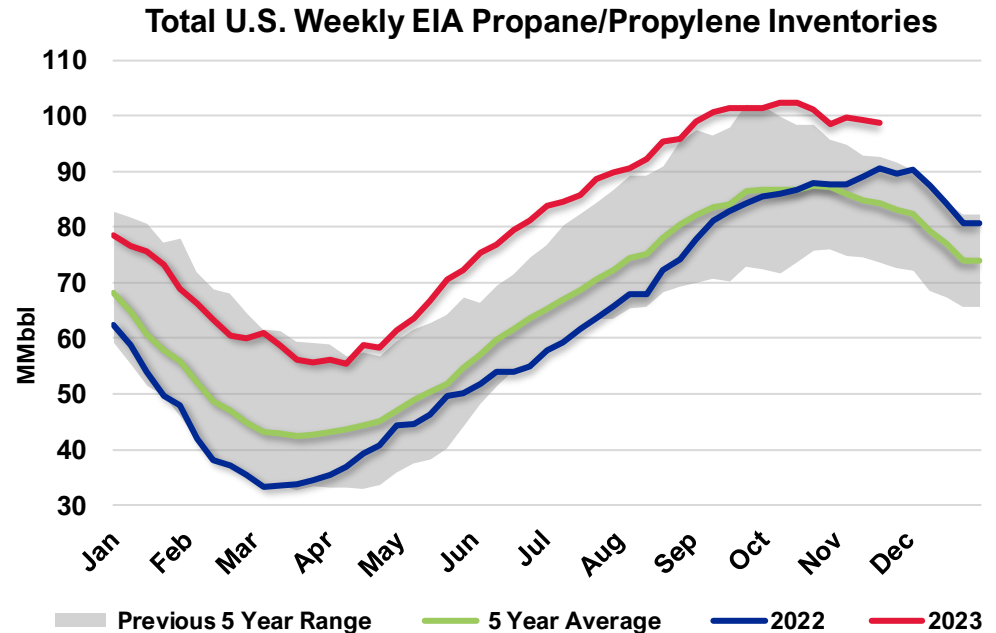
WEEKLY PROPANE MARKET UPDATE

December 6, 2023

HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 1.8 MMbbl for the week ended December 1, which was above average industry expectations for a draw of 1.4 MMbbl and above the 1.2 MMbbl average decline for the week. Total U.S. propane stocks now stand at 96.9 MMbbl, which is 13.8 MMbbl, or 16.6%, above the 5-year average.
- » Crude oil prices remained under pressure over the last week as demand concerns and strong U.S. production weighed on market sentiment. WTI settled at \$72.32/bbl on December 5, down \$4.09/bbl from November 28. Propane prices were very strong relative to crude, with the Mont Belvieu OPIS non-TET price increasing by 8 c/gal from last week to 71.9 c/gal on December 5. As a result, the propane-to-WTI ratio was up 7 percentage points from last week to 42%.
- » Weekly exports of propane reported by the EIA were stronger at 2 MMbbl/d, up 412 Mbbbl/d from last week's rate and well above the year-to-date average of 1.6 MMbbl/d.
- » Total U.S. production of propane/propylene fell by 12 Mbbbl/d to 2.63 MMbbl/d as output declined in PADD 3.

Figure 1



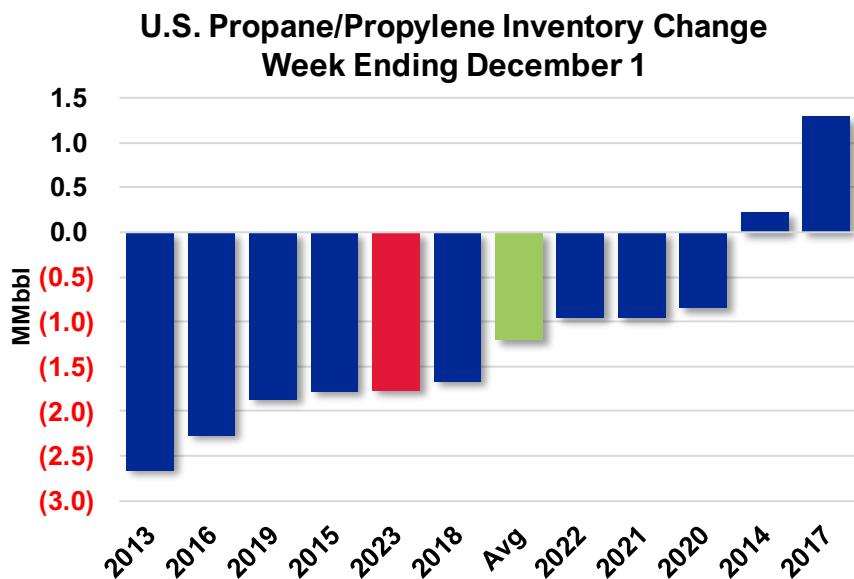
MARKET OVERVIEW

Mont Belvieu propane prices rallied by 8 c/gal, or 12.5%, during the past week, settling at 71.9 c/gal on December 5. WTI prices continued to weaken, falling by \$4.09/bbl, or 5.4%, to \$72.32/bbl over the same period, which sharply increased the propane-to-WTI ratio up to 42% (blue line, Figure 4). The current ratio is now above the 38% average recorded in December 2022. The forward propane-to-WTI ratio for January-March 2024 was also sharply higher compared to last week at 39% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report, propane inventories drew by 1.8 MMbbl in the week ended December 1, decreasing stocks to 96.9 MMbbl. According to OPIS, the average of industry expectations called for a draw of 1.4 MMbbl. The average change for the week is a draw of 1.2 MMbbl. Total U.S. propane stocks are now 7.3 MMbbl, or 8.1%, above the same week in 2022 and 5.2 MMbbl, or 5.7%, above the 5-year maximum. Inventories are 13.8 MMbbl, or 16.6%, above the 5-year average. Regional changes show PADD 3 having the largest decrease in inventory, followed by PADD 1.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories drew by 1.3 Mbbbl and total stocks for the region are now at 52.8 MMbbl, putting them at 2.7 MMbbl, or 5.4%, over 2022 and on par with 5-year maximum. Inventories are 7.2 MMbbl, or 15.7%, above the 5-year average.

PADD 2 (Midwest) stocks were essentially unchanged. Midwest inventories remain at 27.1 MMbbl, which is 691 Mbbbl, or 2.6%, over 2022 and the 5-year maximum. Stocks are 2.4 MMbbl, or 9.7%, above the 5-year average.

PADD 1 (East Coast) had a decrease in propane inventories of 442 Mbbbl. East Coast inventories are now at 10 MMbbl, which is 1.6 MMbbl, or 19.5%, above 2022 and the 5-year maximum. Inventories are 1.9 MMbbl, or 23.2%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories had a slight decrease of 65 Mbbbl. Total stocks for the region are 7 MMbbl, which is 2.3 MMbbl, or 47.3%, over 2022 and 954 Mbbbl, or 15.7%, over the 5-year maximum. Stocks are 2.4 MMbbl, or 50.6%, above the 5-year average.

Total U.S. production decreased slightly by 12 Mbbbl/d to 2,633 Mbbbl/d. PADD 2 and PADD 3 had a production decrease of 30 Mbbbl/d while PADD 1, PADD 2 and PADD 4/5 had a combined increase of 20 Mbbbl/d. Exports grew by 412 Mbbbl/d from last week to 2,006 Mbbbl/d, which is well above the 4-week average of 1,762 Mbbbl/d and the 1,544 Mbbbl/d reported in the year-ago week. Imports rose by 30 Mbbbl/d to 118 Mbbbl/d as PADD 1, PADD 2 and PADD 4/5 all reported increased volumes. Product supplied fell by 217 Mbbbl/d to 998 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended December 1 (red bar, Figure 2) of 1.8 MMbbl was about 560 Mbbbl larger than the average decrease of 1.2 MMbbl (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 3.6 c/gal discount on December 5. The forward-price differential between Mont Belvieu (TET or LST) and Conway also widened compared to the prior week, with Mont Belvieu trading at a 2.2 c/gal premium to Conway for January 2024 (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 96 days, seven days less 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 32 days of inventory, which is one day above 2022 and four days less the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

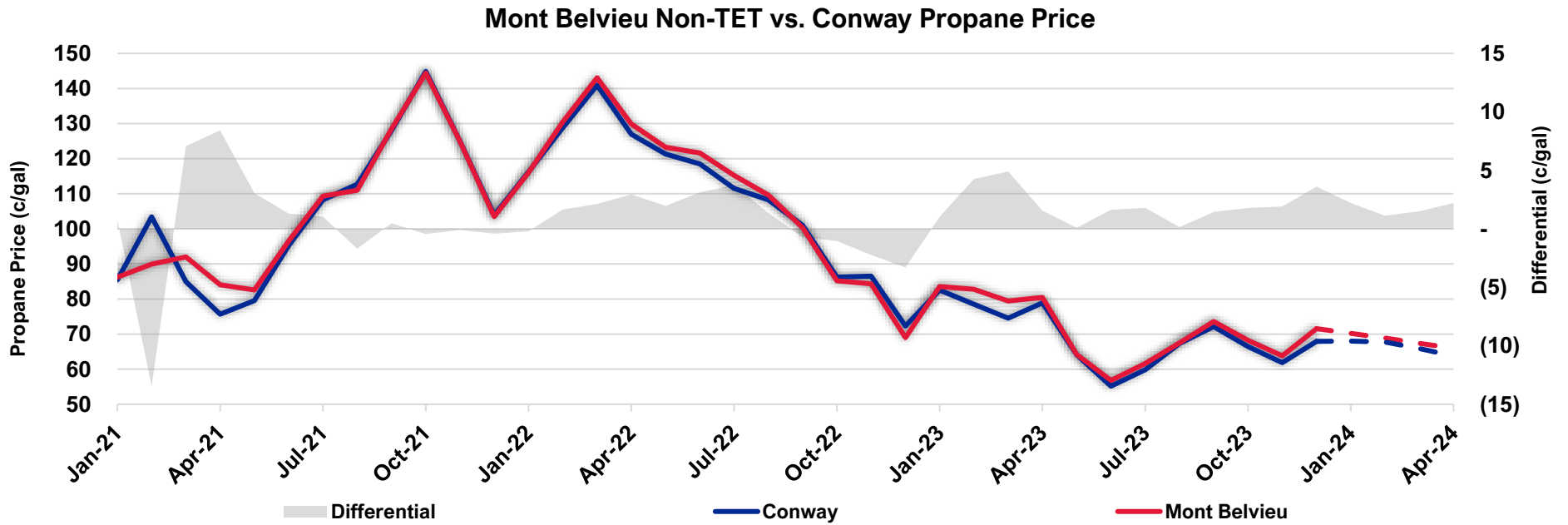
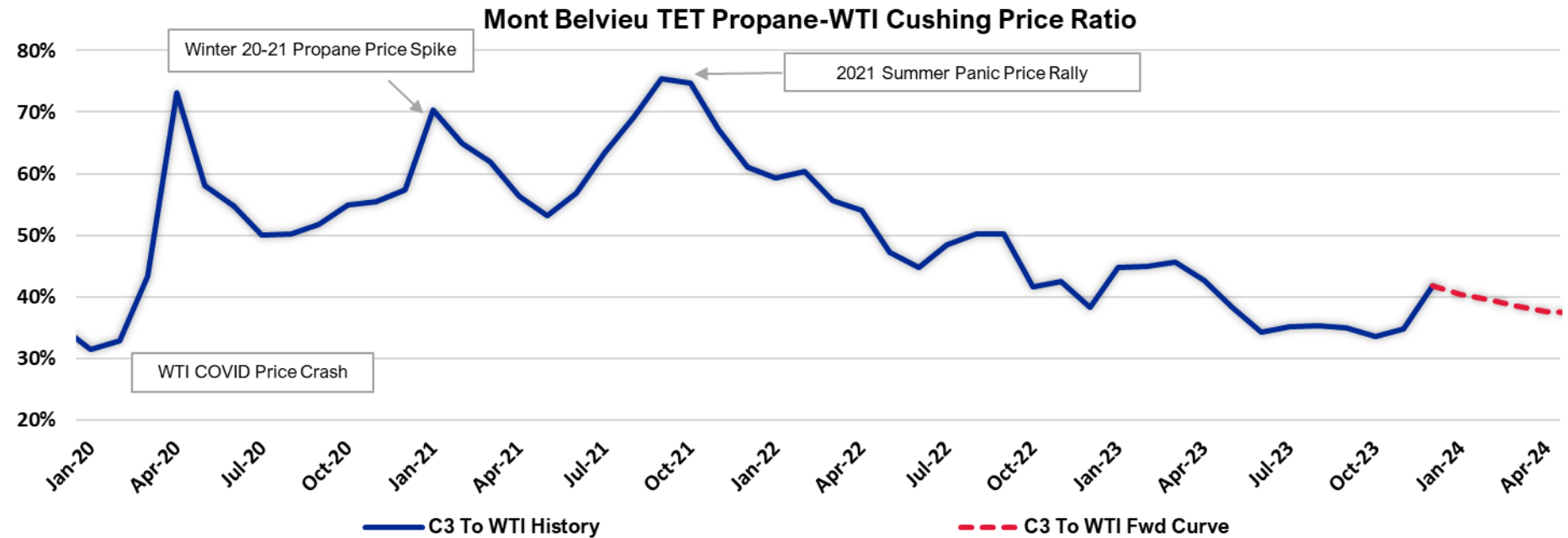


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

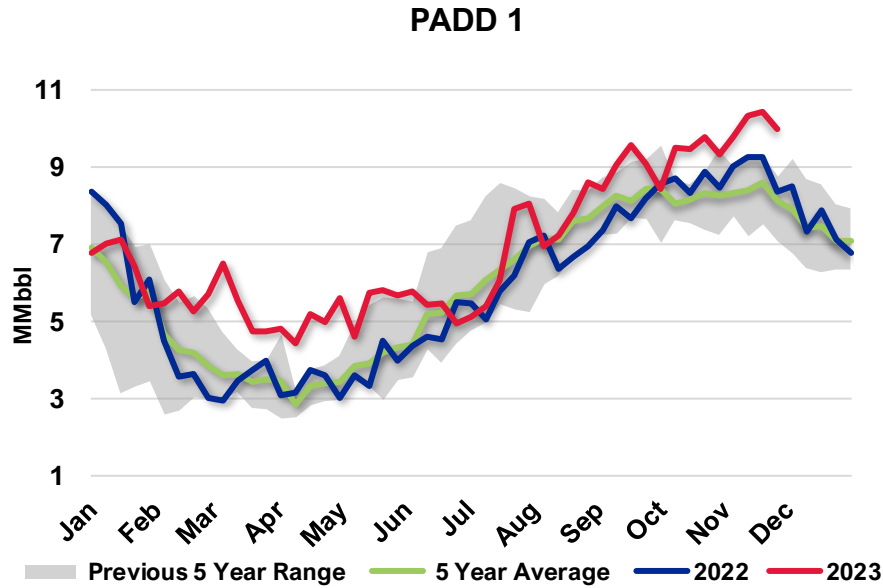


Figure 6

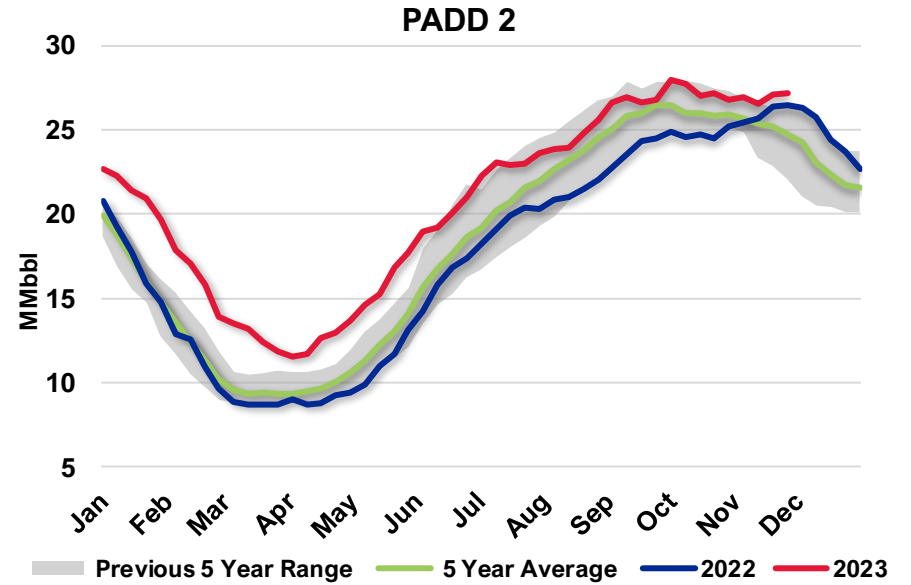


Figure 7

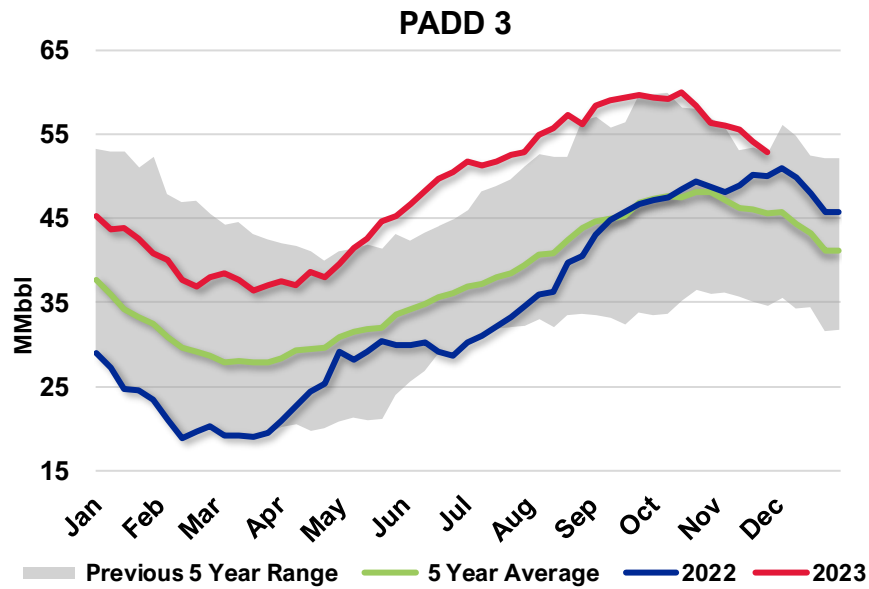


Figure 8

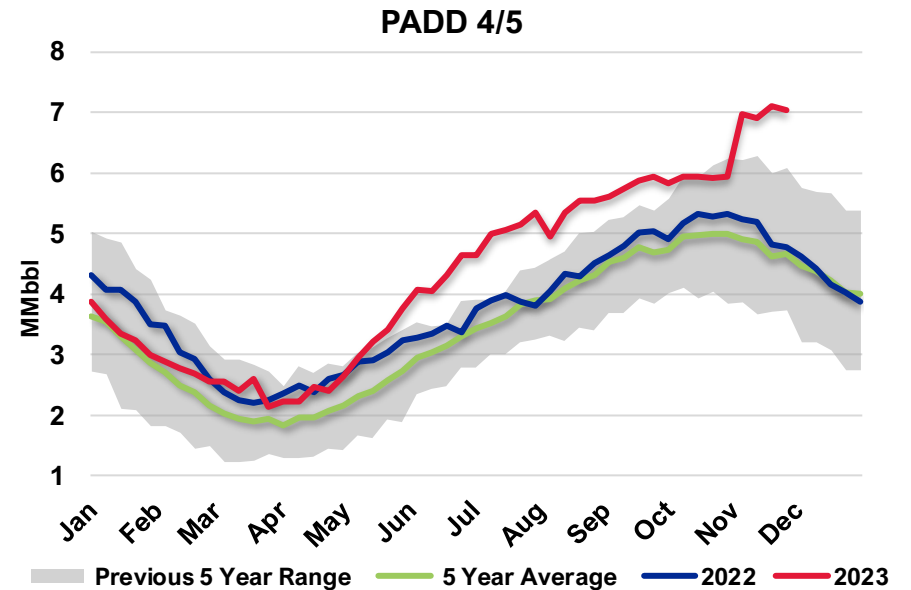


Figure 9

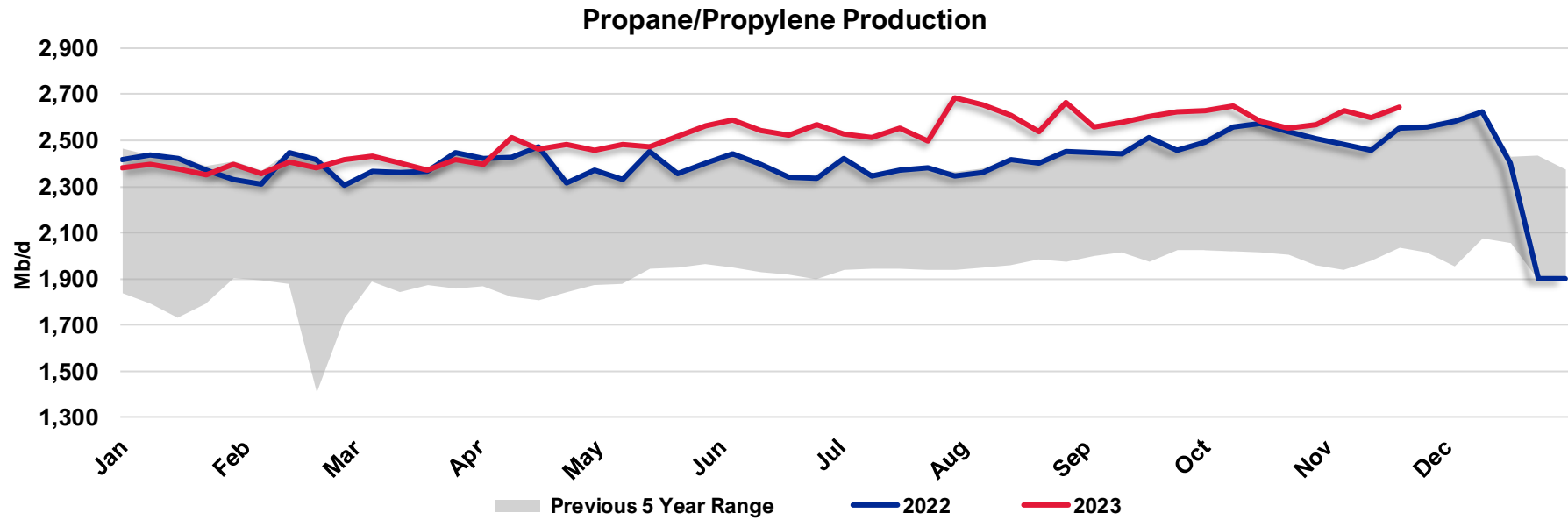


Figure 10

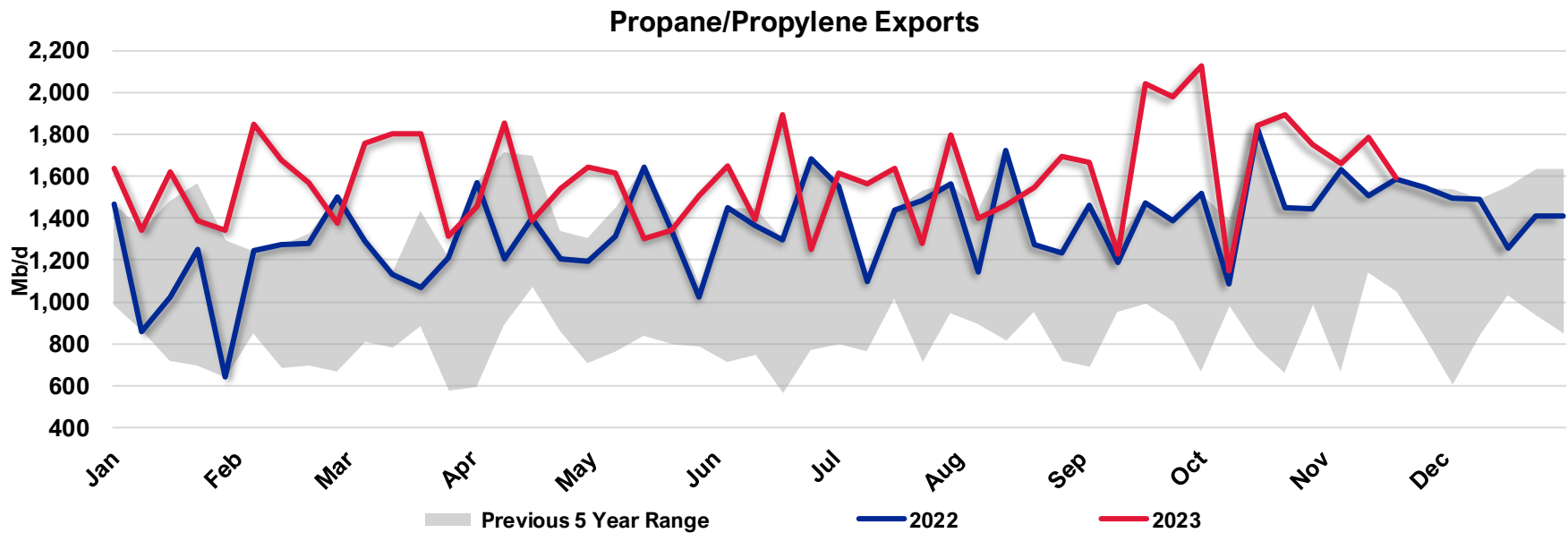


Figure 11

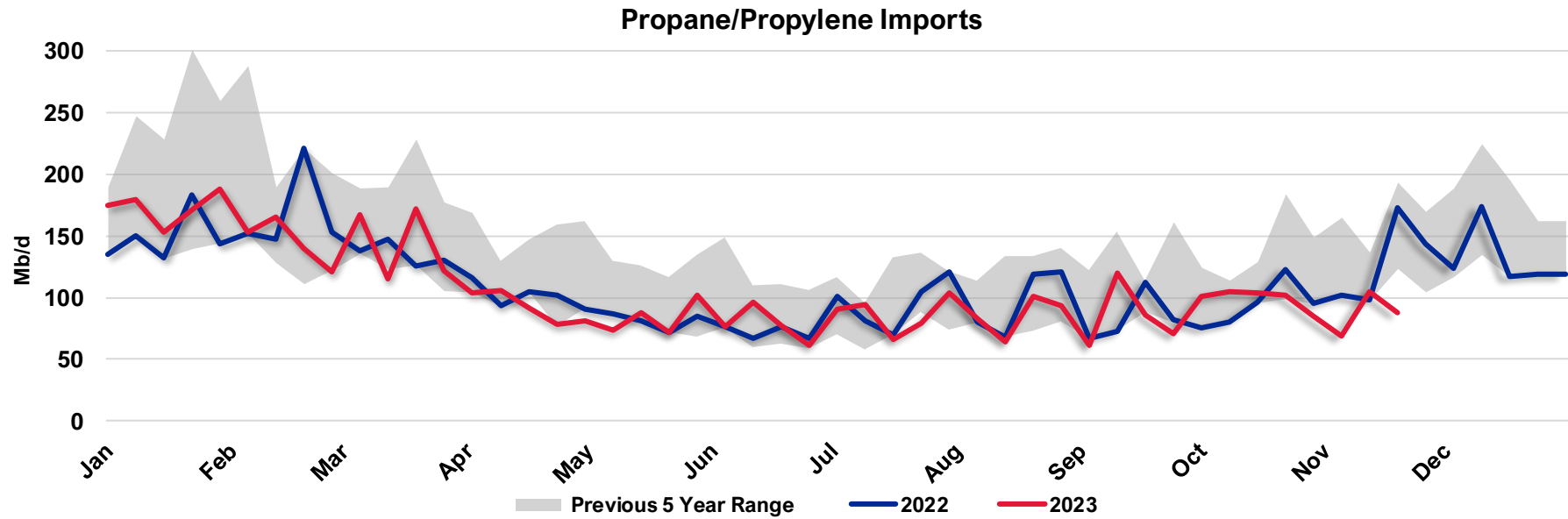


Figure 12

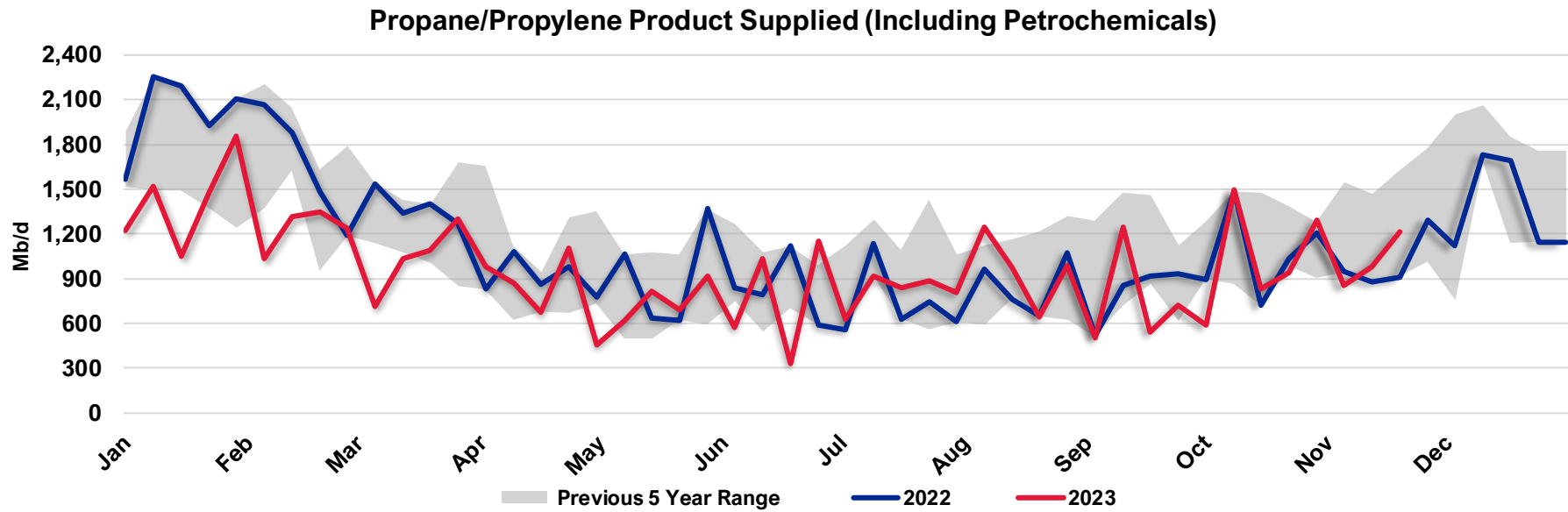


Figure 13

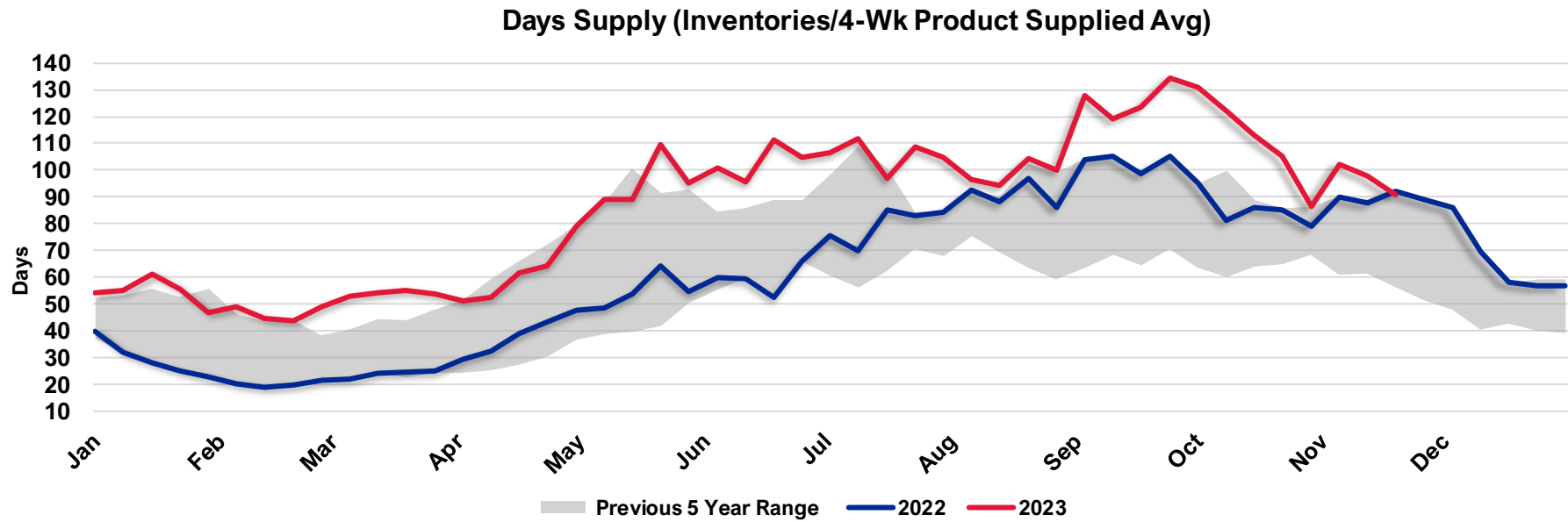
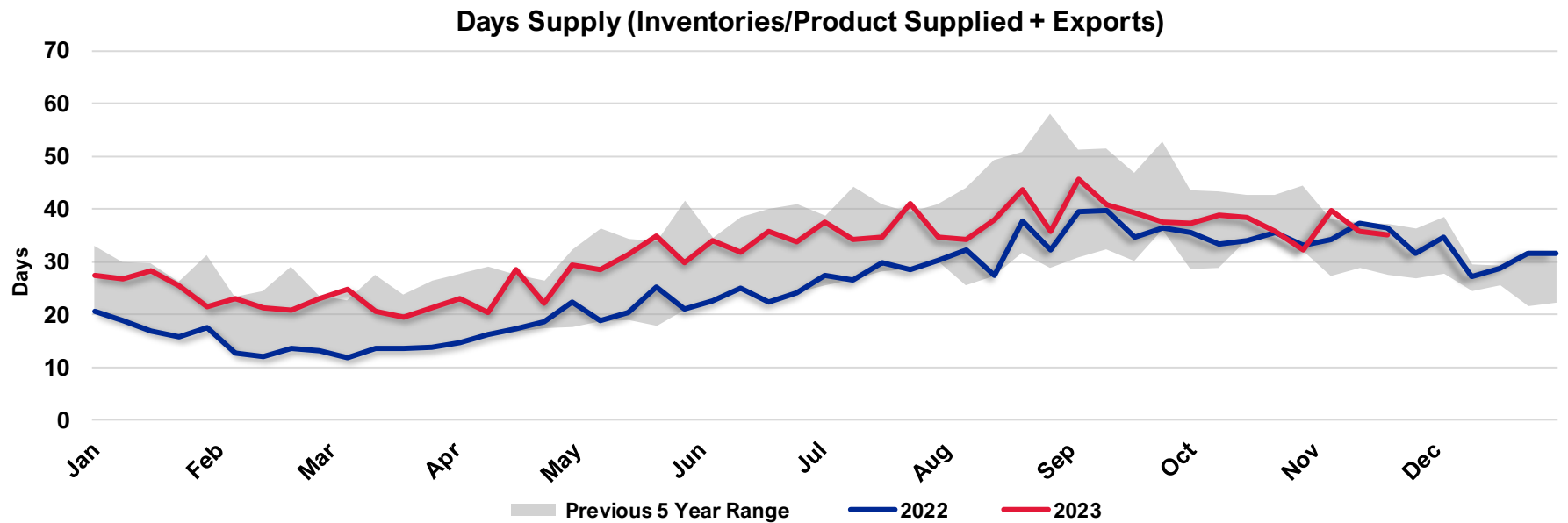


Figure 14



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