



WEEKLY PROPANE MARKET UPDATE

December 13, 2023

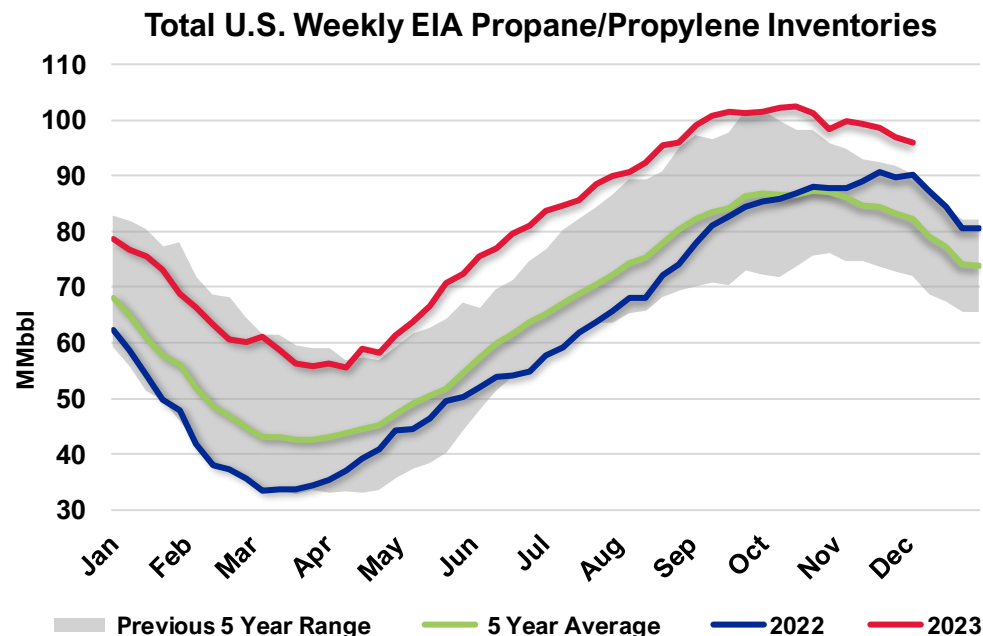
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 1 MMbbl for the week ended December 8, which was below average industry expectations for a draw of 2.2 MMbbl and on par with the 1.1 MMbbl average decline for the week. Total U.S. propane stocks now stand at 95.9 MMbbl, which is 13.6 MMbbl, or 16.6%, above the 5-year average.
- » Crude oil prices remained under pressure over the last week amid market concerns about oversupply and weak demand. WTI settled at \$68.61/bbl on December 12, down \$3.71/bbl from December 5. Propane prices were weaker than crude, with the Mont Belvieu OPIS non-TET price declining by 5.8 c/gal from last week to 66.1 c/gal on December 12. As a result, the propane-to-WTI ratio was down 2 percentage points from last week to 40%.
- » Weekly exports of propane reported by the EIA were weaker at 1.71 MMbbl/d, down 295 Mbbbl/d from last week's strong rate but above the year-to-date average of 1.61 MMbbl/d.
- » Total U.S. production of propane/propylene was unchanged from last week at 2.63 MMbbl/d as lower output in PADD 2 was offset by higher PADD 3 volumes.

MARKET OVERVIEW

Mont Belvieu propane prices declined by 5.8 c/gal, or 8.1%, during the past week, settling at 66.1 c/gal on December 12. WTI prices continued to weaken, falling by \$3.71/bbl, or 5.1%, to \$68.61/bbl over the same period, which pushed the propane-to-WTI ratio down to 40% (blue line, Figure 4). The current ratio is slightly above the 38% average recorded in December 2022. The forward propane-to-WTI ratio for January-March 2024 was unchanged compared to last week at 39% (red dashed line, Figure 4).

Figure 1

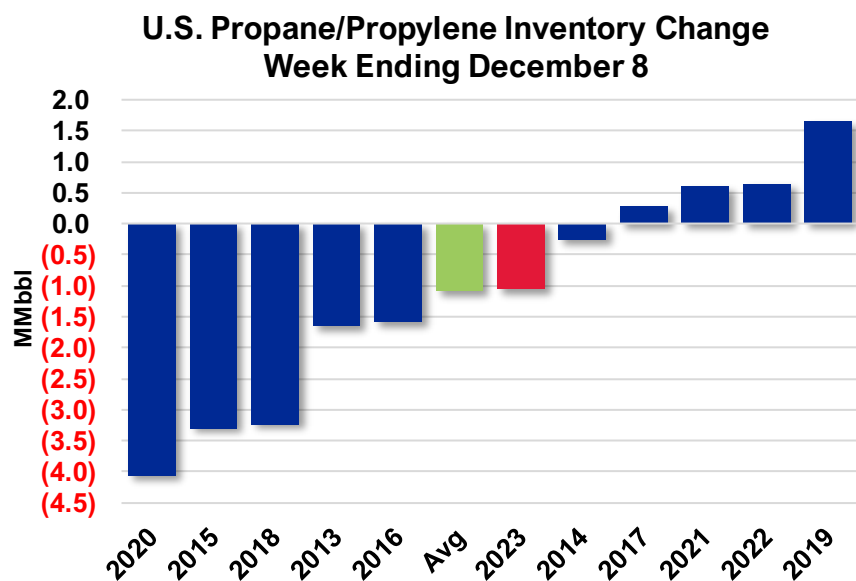


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a draw of 2.24 MMbbl. In today's EIA report, propane inventories drew by 1 MMbbl for the week ended December 8, 1.2 MMbbl less than expectations but on par with the average change for the week of 1.1 MMbbl. Total U.S. propane stocks are now 95.9 MMbbl, which is 5.6 MMbbl, or 6.2%, above the same week in 2022 and the 5-year maximum. Inventories are 13.6 MMbbl, or 16.6%, above the 5-year average. Regional changes show PADD 2 having the only increase in stocks while PADD 1 had the largest decrease.

PADD 3 (Gulf Coast) propane inventories drew by 850 Mbbbl and total stocks for the region are now at 51.9 MMbbl, putting them above 2022 by 1 MMbbl, or 2.1%. Inventories are 4.1 MMbbl, or 7.4%, below the 5-year maximum but 6.2 MMbbl, or 13.6%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) propane stocks came in with a build of 1.5 MMbbl, bringing total inventories to 28.7 MMbbl, which is 2.3 MMbbl, or 8.9%, over 2022 and the 5-year maximum. Stocks are 4.5 MMbbl, or 18.4%, above the 5-year average.

PADD 1 (East Coast) had a decrease in propane inventories of 1.3 MMbbl. East Coast inventories are now at 8.7 MMbbl, which is 213 Mbbbl, or 2.5%, above 2022 but 491 Mbbbl, or 5.3%, below the 5-year maximum. Inventories are 800 Mbbbl, or 10.1%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories decreased by 423 Mbbbl. Total stocks for the region are 6.6 MMbbl, which is 2 MMbbl, or 43%, over 2022 and 858 Mbbbl, or 14.9%, over the 5-year maximum. Stocks are 2.1 MMbbl, or 47.9%, above the 5-year average.

Total U.S. production was essentially unchanged from the previous week at 2,632 Mbbbl/d. PADD 2 and PADD 4/5 production decreased for a combined total of 28 Mbbbl/d while PADD 1 and PADD 3 had a total increase of 26 Mbbbl/d. Exports fell by 295 Mbbbl/d from last week’s 2,006 Mbbbl/d to 1,711 MMbbl/d, which is in line with the 4-week average of 1,775 Mbbbl/d and well above the 1,494 Mbbbl/d reported in the year-ago week. Imports rose by 12 Mbbbl/d to 130 Mbbbl/d as PADD 1 and PADD 4/5 reported increased volumes. Product supplied grew by 295 Mbbbl/d to 1,200 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended December 8 (red bar, Figure 2) of 1 MMbbl was approximately the same as the average decrease of 1.1 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 3.9 c/gal discount on December 12. The forward-price differential between Mont Belvieu (TET or LST) and Conway was slightly lower compared to the prior week, with Mont Belvieu trading at a 1.9 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 87 days, which is one day more 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 33 days of inventory, which is two days less than 2022 and five days less the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

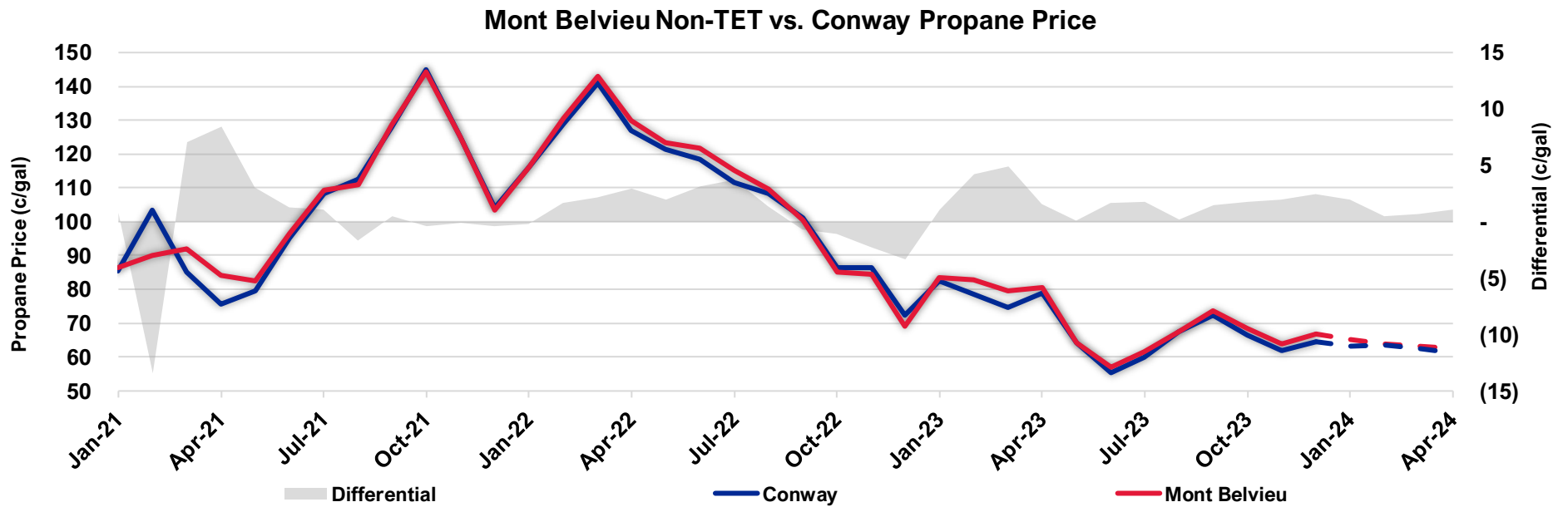
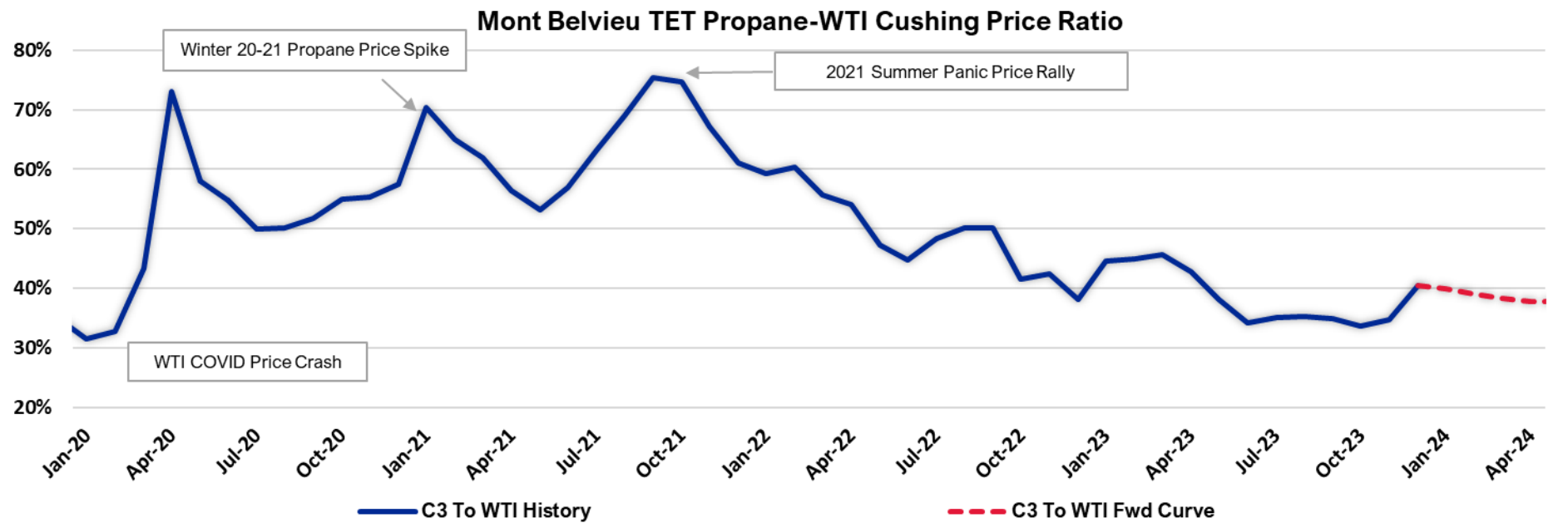


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

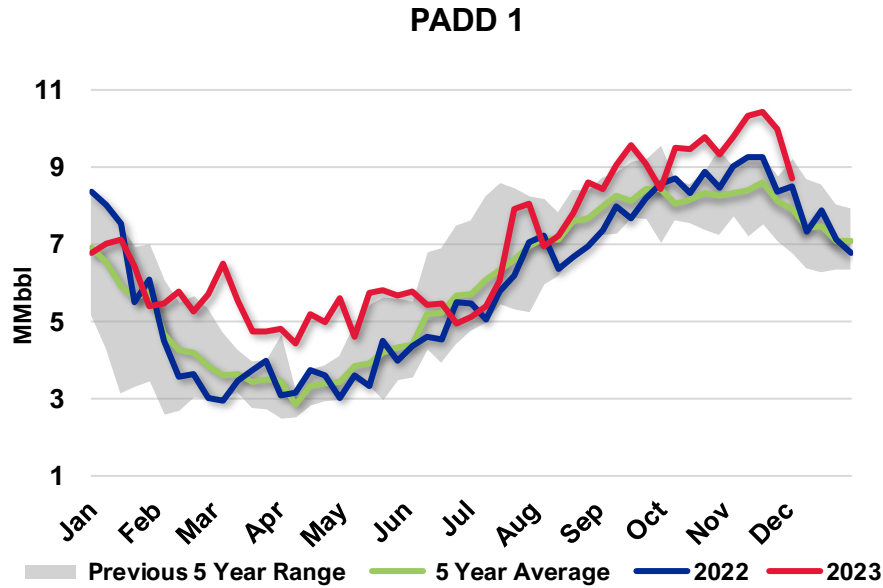


Figure 6

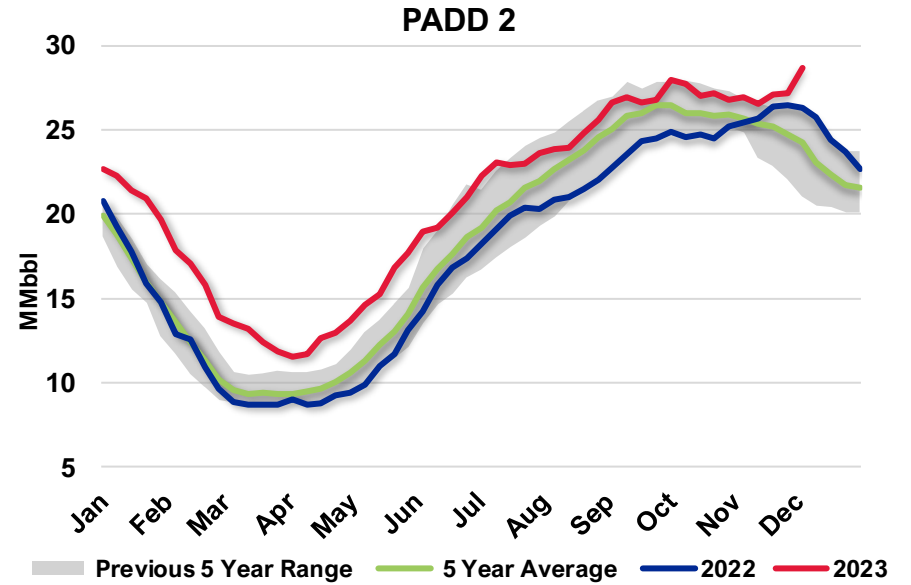


Figure 7

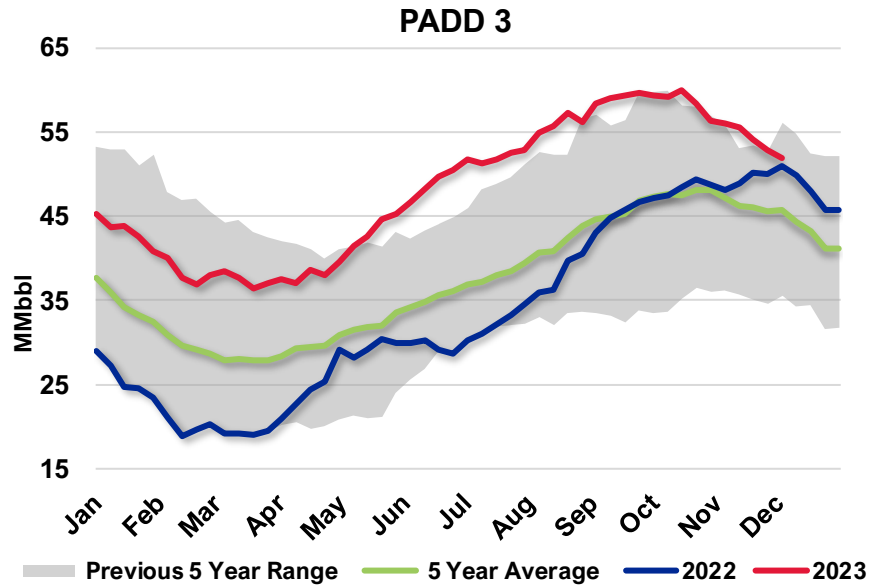


Figure 8

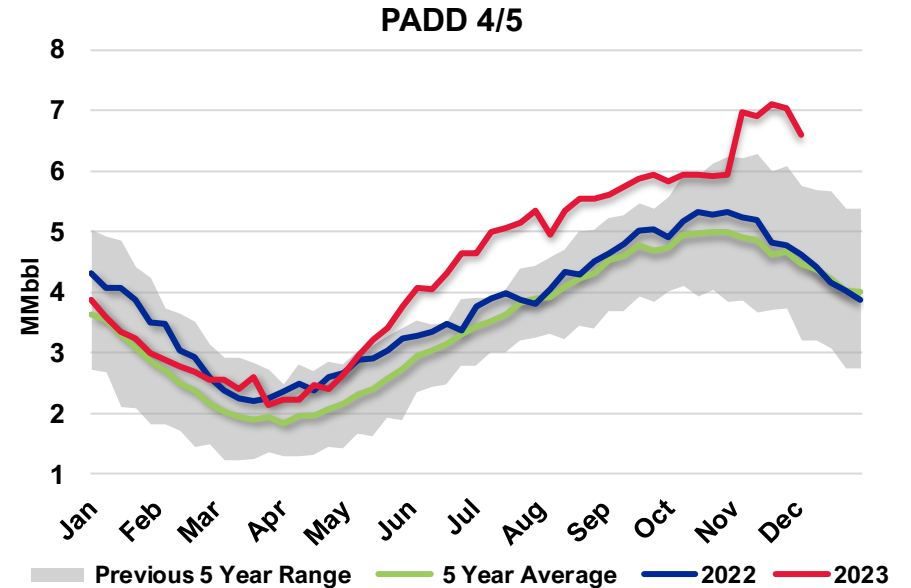


Figure 9

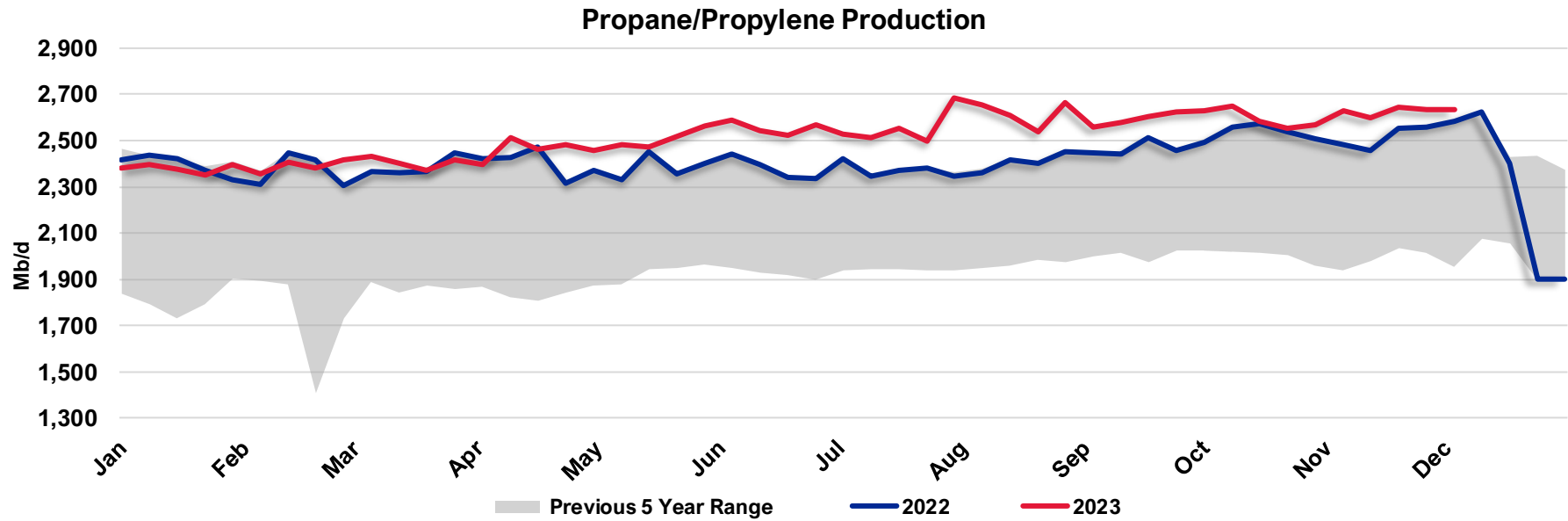


Figure 10

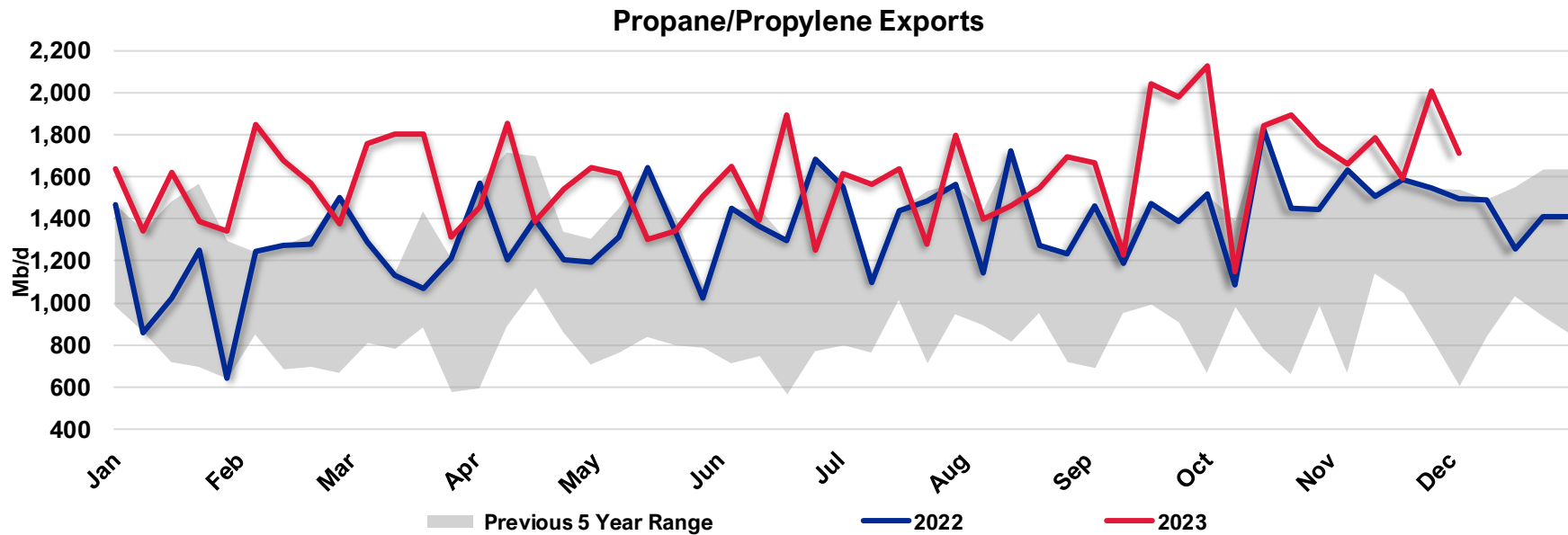


Figure 11

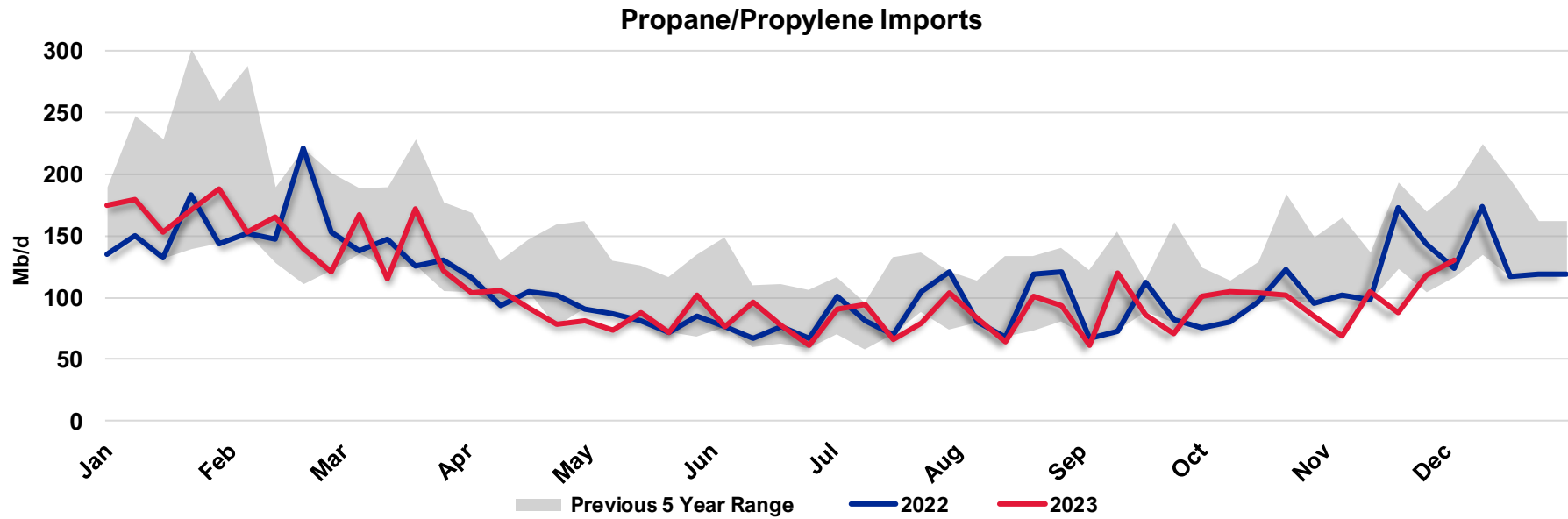


Figure 12

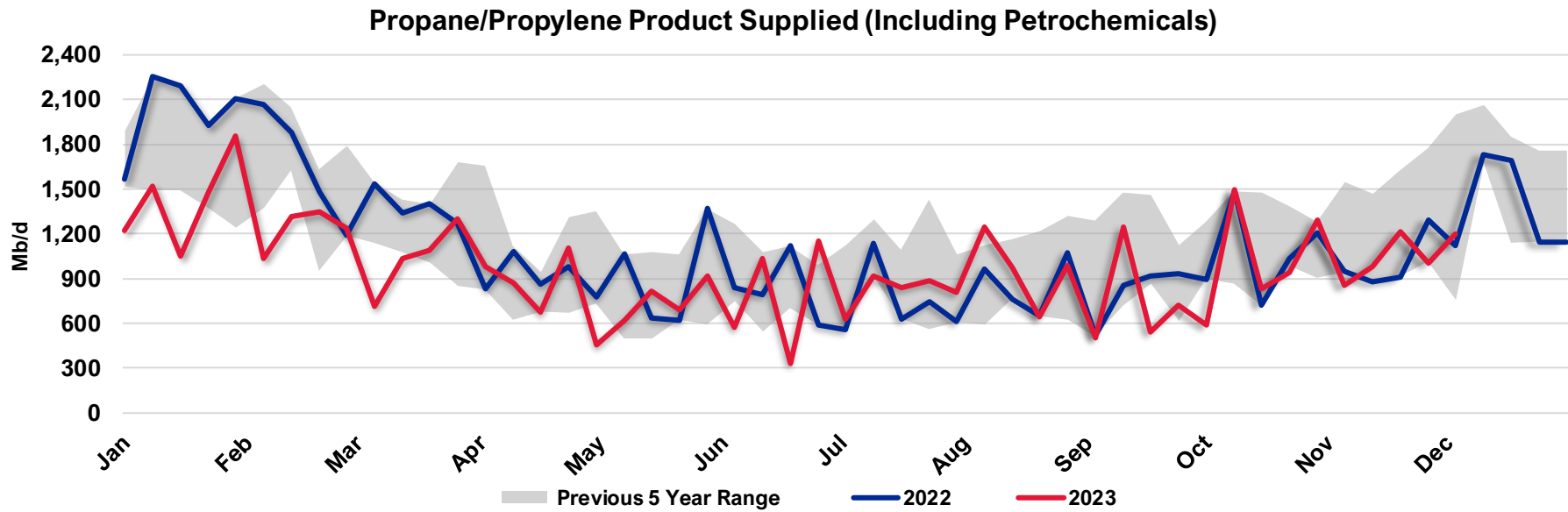


Figure 13

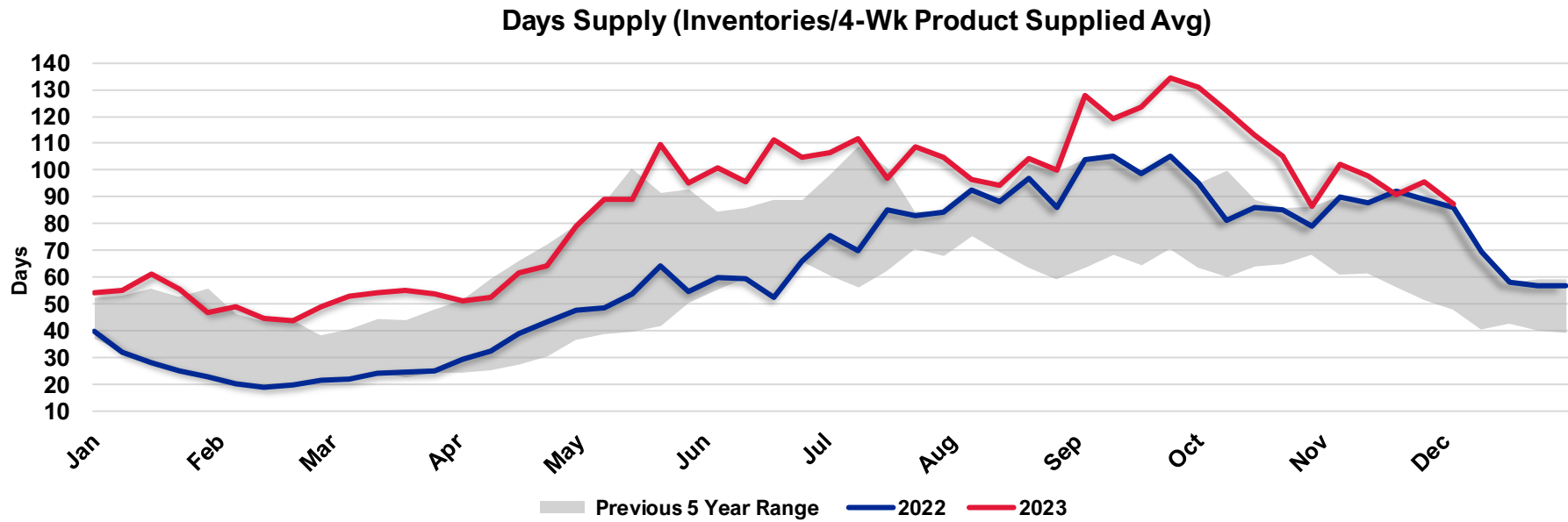
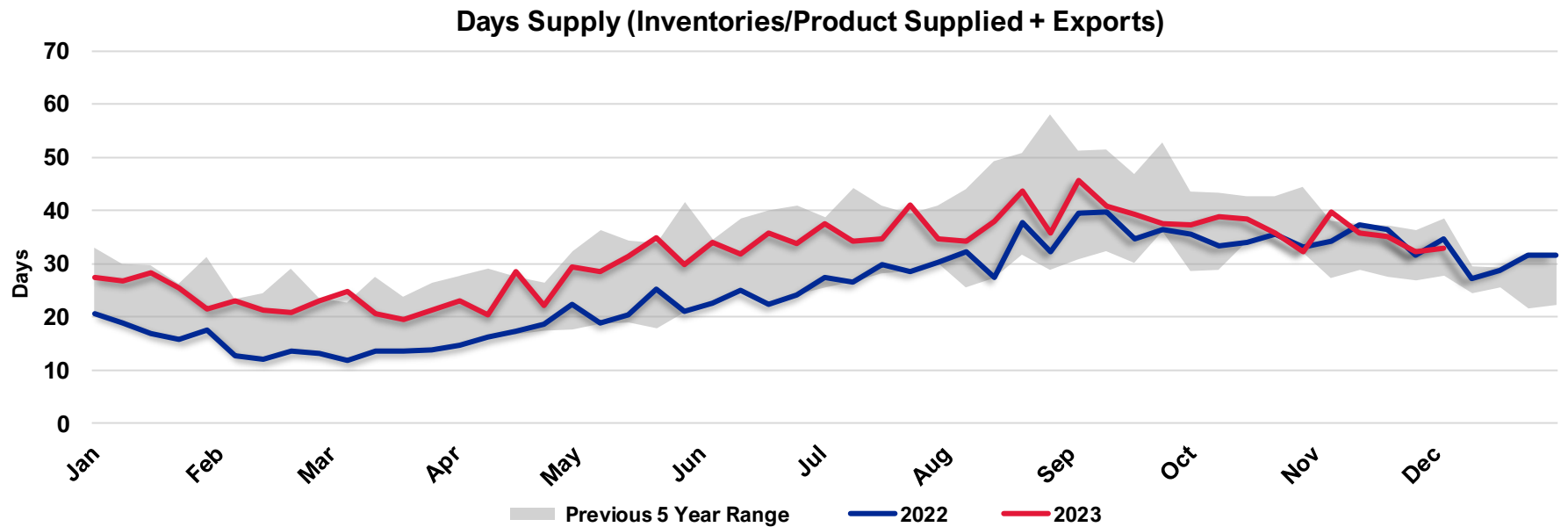


Figure 14



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