



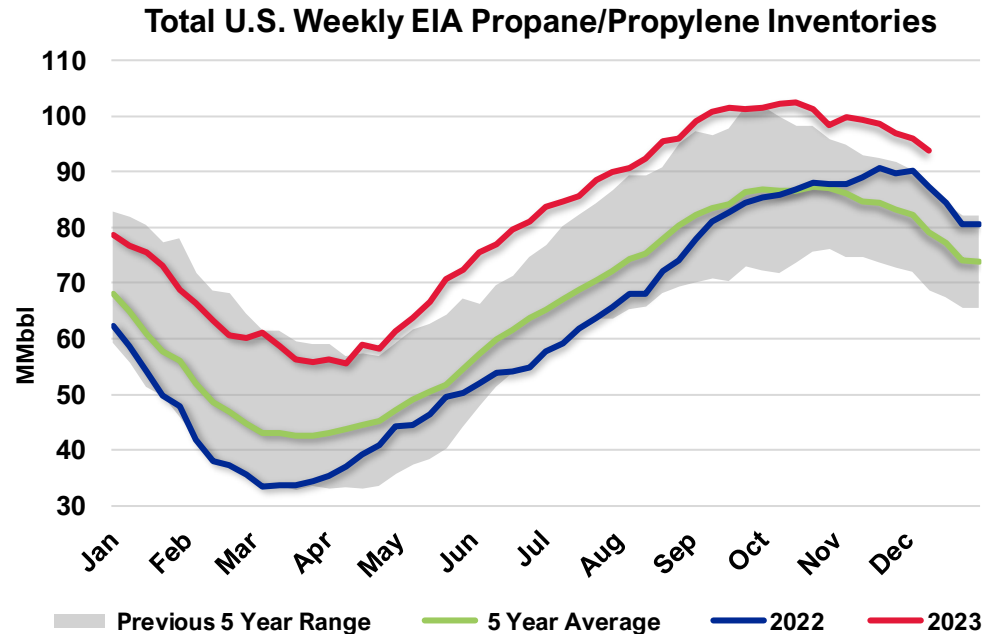
WEEKLY PROPANE MARKET UPDATE

December 20, 2023

HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 2.2 MMbbl for the week ended December 15, which was above average industry expectations for a draw of 1.5 MMbbl but below the 2.7 MMbbl average decline for the week. Total U.S. propane stocks now stand at 93.7 MMbbl, which is 14.5 MMbbl, or 18.3%, above the 5-year average.
- » The EIA issued an error notice for PADD 2 propane stocks for weeks ended November 10-December 15, 2023. They indicated that PADD 2 propane/propylene stocks are overstated in the November 15-December 20, 2023, publications of the Weekly Petroleum Status Report (WPSR). The stock error also affects calculated quantities of stock change and product supplied for propane/propylene, total petroleum, and other oils. The EIA does not currently plan to correct the weekly data but will release the accurate monthly data for November and December 2023 as part of the Petroleum Supply Monthly (PSM) at the end of January and February 2024, respectively.
- » Crude oil prices rallied over the last week amid market concerns over the prospects for shipping risks due to the turmoil in the Red Sea. WTI settled at 73.44/bbl on December 19, up \$4.83/bbl from December 12. Propane prices were weaker than crude, with the Mont Belvieu OPIS non-TET price declining by 0.8 c/gal from last week to 66.9 c/gal on December 19. As a result, the propane-to-WTI ratio was down 2 percentage points from last week to 38%.
- » Weekly exports of propane reported by the EIA were stronger at 1.81 MMbbl/d, up 101 Mbbl/d from last week's rate and well above the year-to-date average of 1.61 MMbbl/d.
- » Total U.S. production of propane/propylene was down 24 Mbbl/d from last week at 2.61 MMbbl/d due to lower output in PADD 1 and PADD 2.

Figure 1



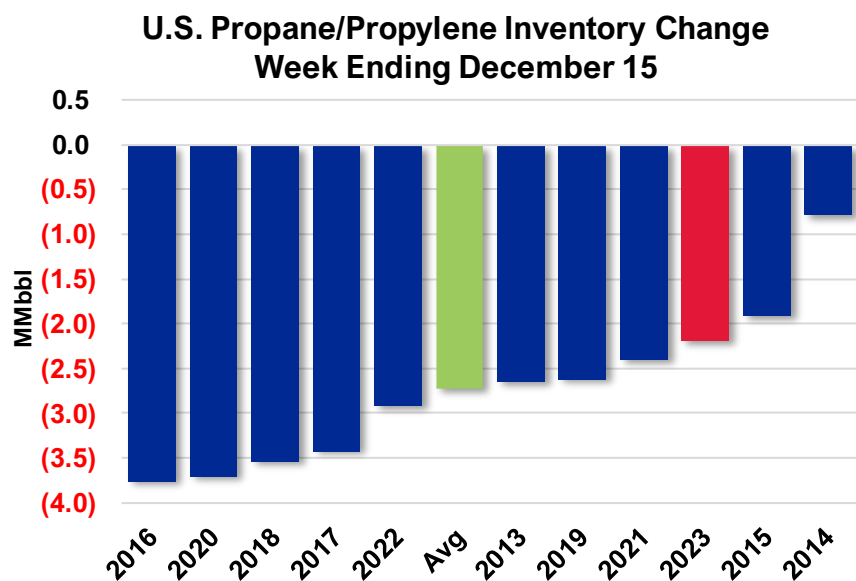
MARKET OVERVIEW

Mont Belvieu propane prices increased by 0.8 c/gal, or 1.2%, during the past week, settling at 66.9 c/gal on December 19. WTI prices were stronger than propane, rising by \$4.83/bbl, or 7%, to \$73.44/bbl over the same period, which pushed the propane-to-WTI ratio down to 38% (blue line, Figure 4). The current ratio is in line with the 38% average recorded in December 2022. The forward propane-to-WTI ratio for January-March 2024 was down 2 percentage points compared to last week at 37% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane volumes for the week ended December 15 drew by 2.2 MMbbl, which was about 700 Mbbl more than industry expectations but approximately 500 Mbbl less than the average change for the week. Total U.S. propane stocks are now 93.7 MMbbl, which is 6.3 MMbbl, or 7.2%, above the same week in 2022

Figure 2



ANALYSIS & INSIGHTS (continued)

and the 5-year maximum. Inventories are 14.4 MMbbl, or 18.3%, above the 5-year average. Regional changes show PADD 1 having the only increase in stocks while PADD 3 had the largest decrease.

PADD 3 (Gulf Coast) propane inventories drew 1.8 MMbbl and total stocks for the region are now at 50.1 MMbbl, putting them essentially the same as 2022. Inventories are now 4.6 MMbbl, or 8.5%, below the 5-year maximum but 5.7 MMbbl, or 12.9%, above the 5-year average.

PADD 2 (Midwest) propane stocks fell slightly by 165 Mbbbl, bringing total inventories to 28.5 MMbbl, which is 2.7 MMbbl, or 10.7%, over 2022 and the 5-year maximum. Stocks are 5.4 MMbbl, or 23.6%, above the 5-year average.

PADD 1 (East Coast) came in with a marginal build in propane inventories of 161 Mbbbl. East Coast inventories are now at 8.9 MMbbl, which is 1.5 MMbbl, or 20.9%, above 2022 and 173 Mbbbl, or 2%, above 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 381 Mbbbl. Total stocks for the region are 6.2 MMbbl, which is 1.8 MMbbl, or 41%, over 2022 and 541 Mbbbl, or 9.5%, over the 5-year maximum. Stocks are 1.9 MMbbl, or 42.5%, above the 5-year average.

Total U.S. production was down from the previous week by 24 Mbbbl/d to 2,608 Mbbbl/d. PADD 1, PADD 2 and PADD 4/5 production decreased for a combined total of 27 Mbbbl/d while PADD 3 had an increase of 3 Mbbbl/d. Exports increased 101 Mbbbl/d from last week’s 1,711 Mbbbl/d to 1,812 MMbbl/d, which is above the 4-week average of 1,781 Mbbbl/d and well above the 1,490 Mbbbl/d reported in the year-ago week. Imports declined by 9 Mbbbl/d to 121 Mbbbl/d as PADD 4/5 reported decreased volumes. Product supplied increased by 31 Mbbbl/d to 1,231 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended December 15 (red bar, Figure 2) of 2.2 MMbbl was 500 Mbbbl less than the average decrease of 2.7 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET widened again from the prior week, with Conway trading at a 4.7 c/gal discount on December 19. The forward-price differential between Mont Belvieu (TET or LST) and Conway increased by 1.2 c/gal compared to last week, with Mont Belvieu trading at a 3.1 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 81 days, which is 11 days 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 31 days of inventory, which is four days more than 2022 and one day above the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

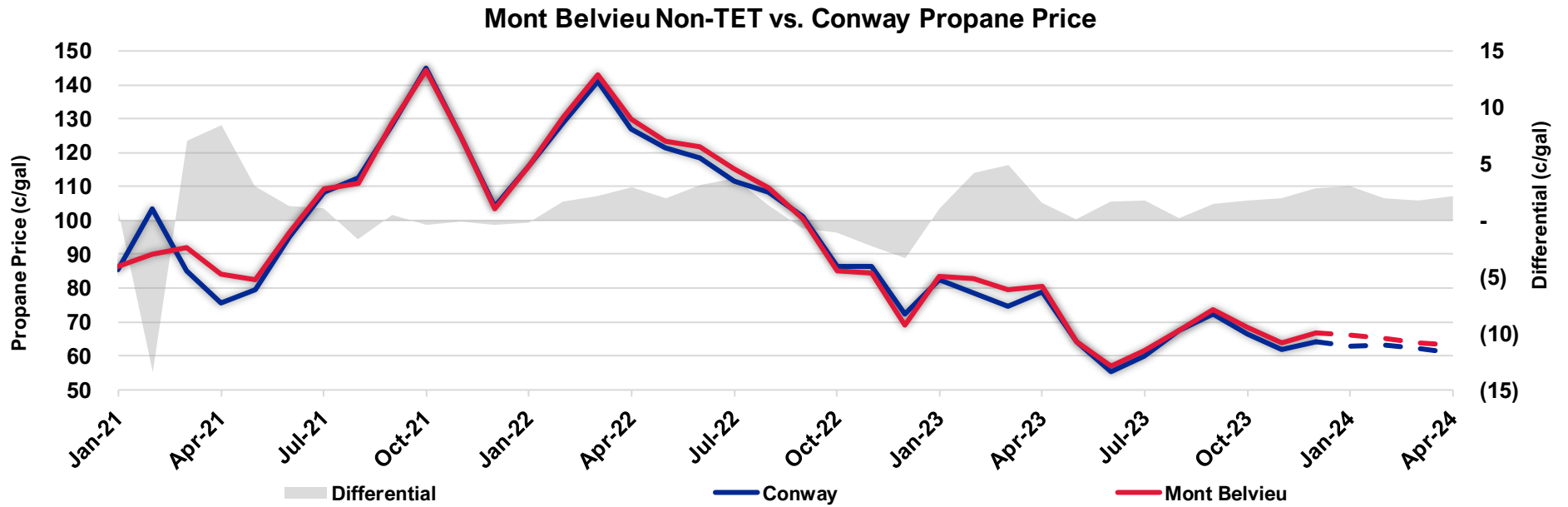
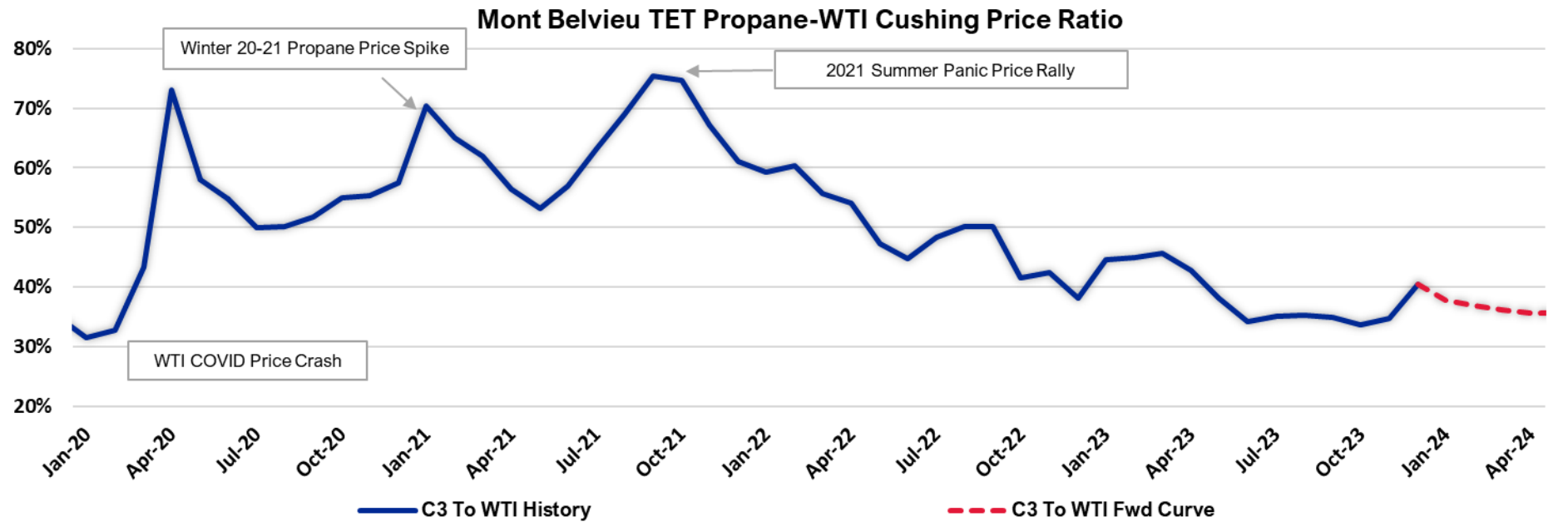


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

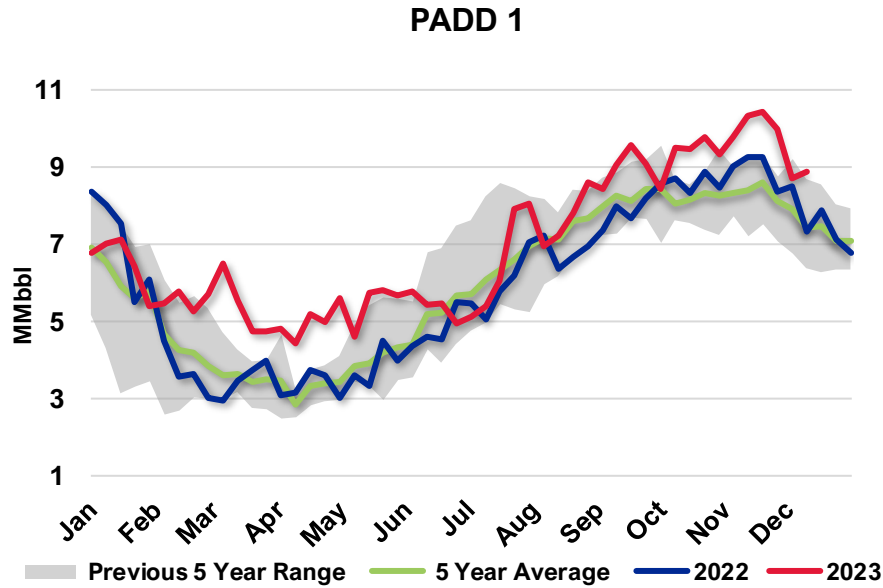


Figure 6

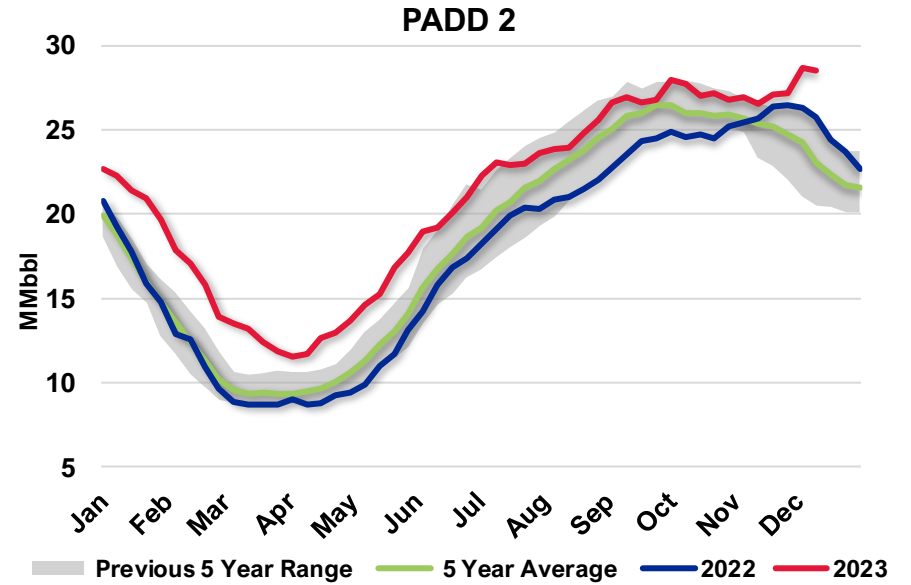


Figure 7

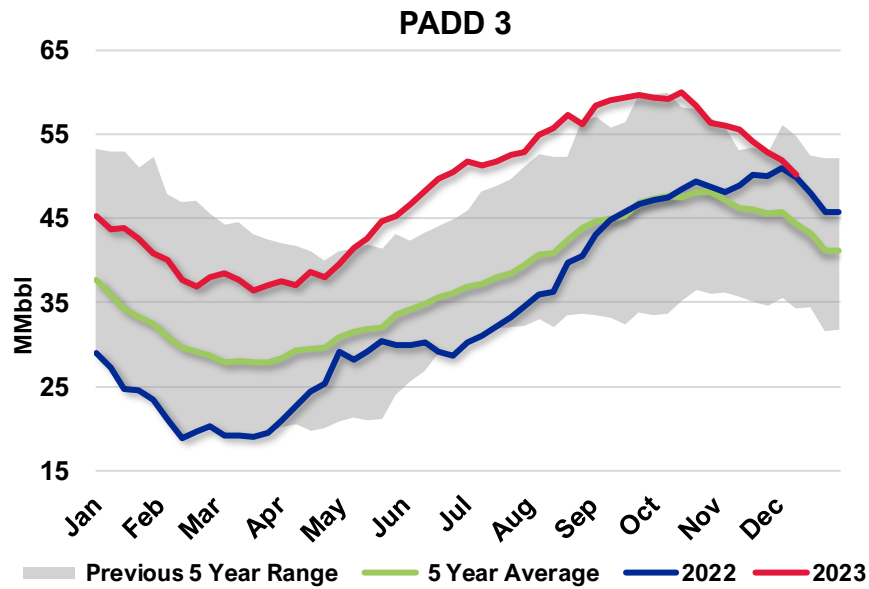


Figure 8

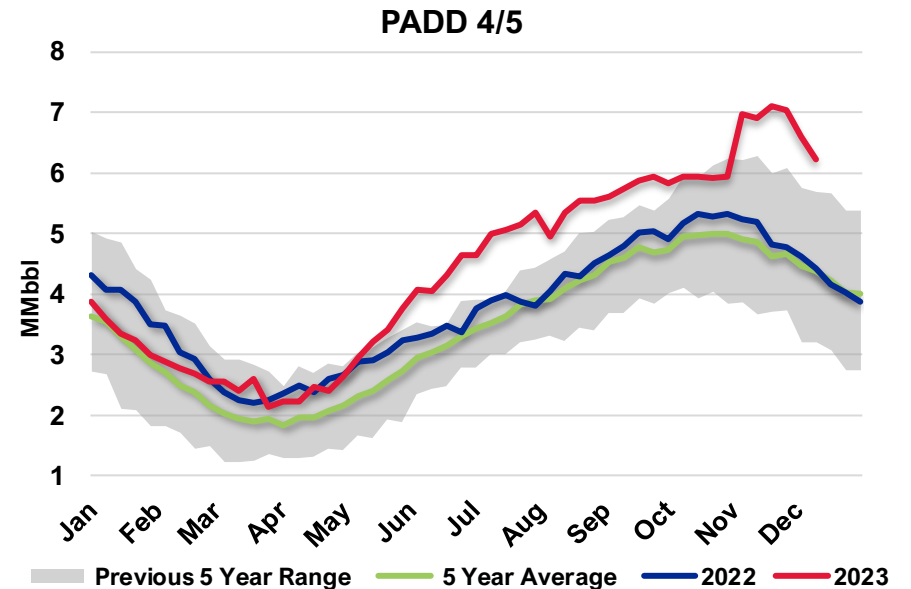


Figure 9

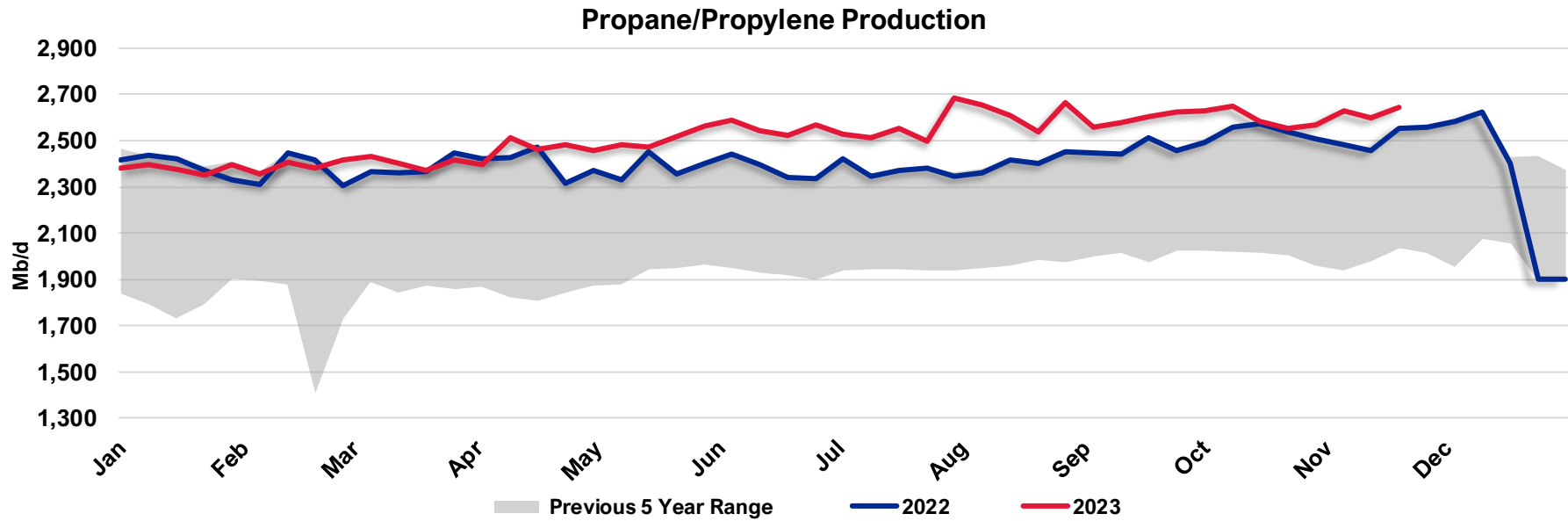


Figure 10

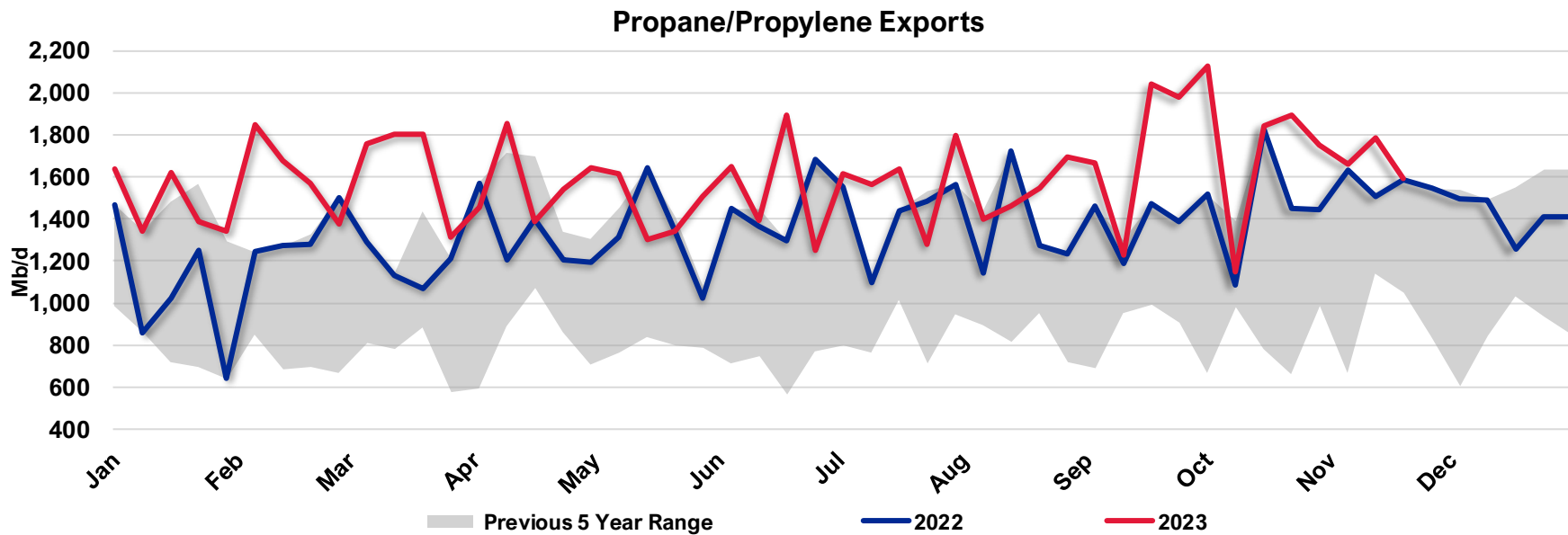


Figure 11

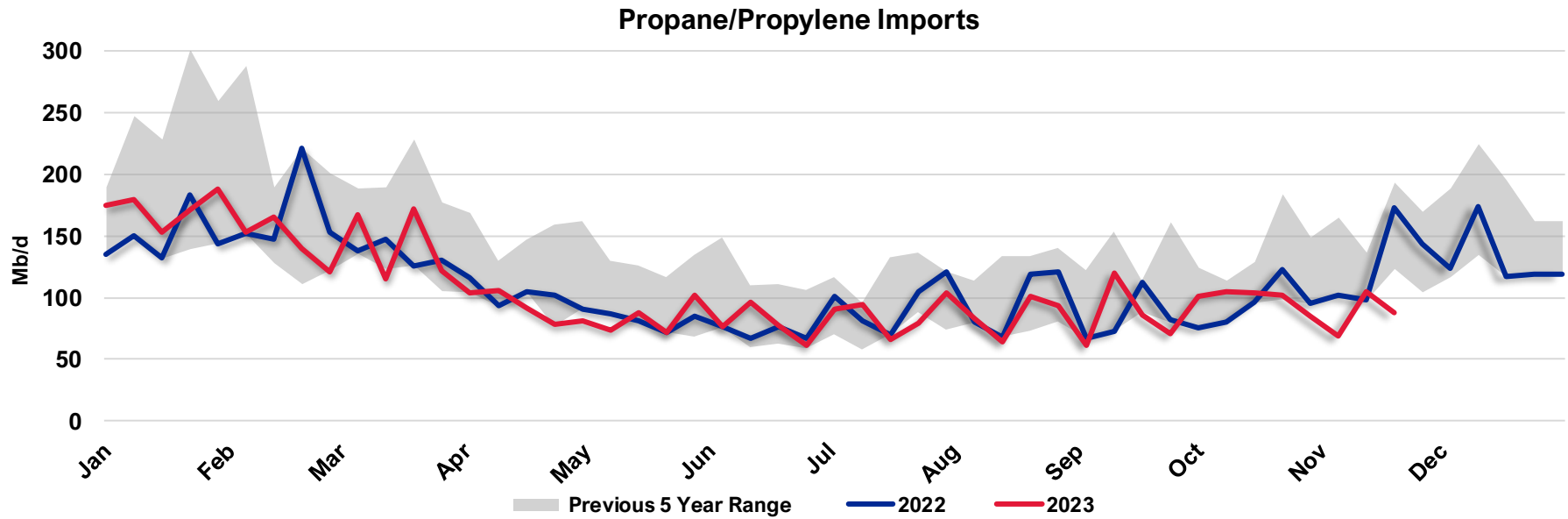


Figure 12

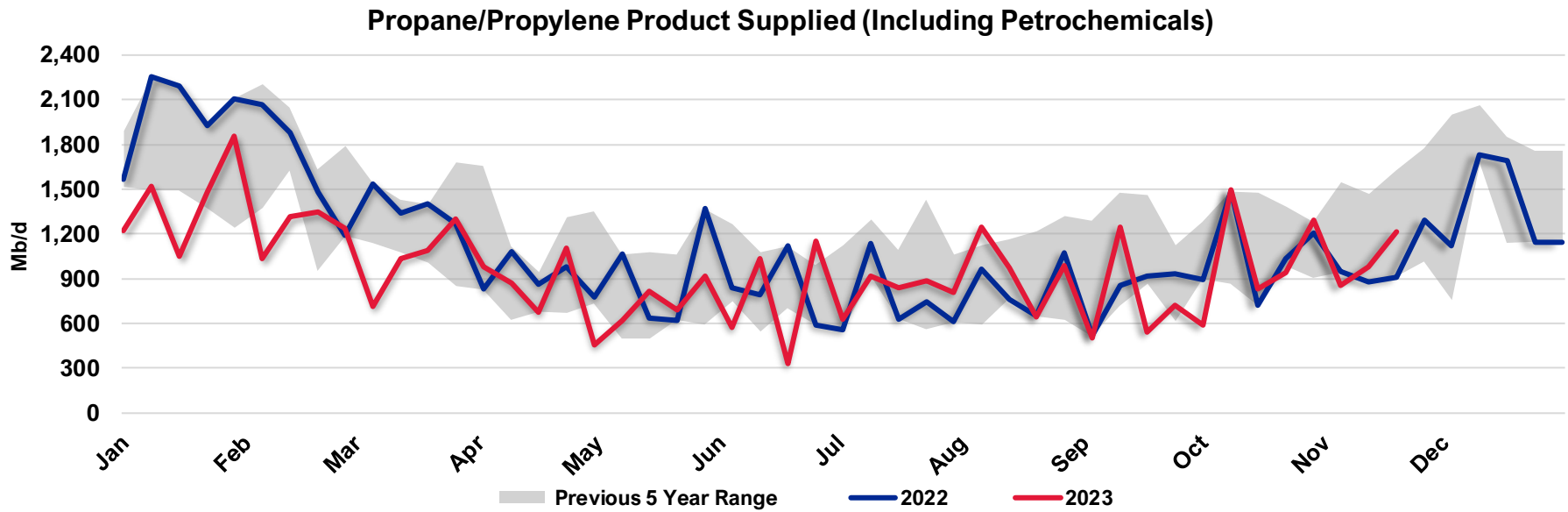


Figure 13

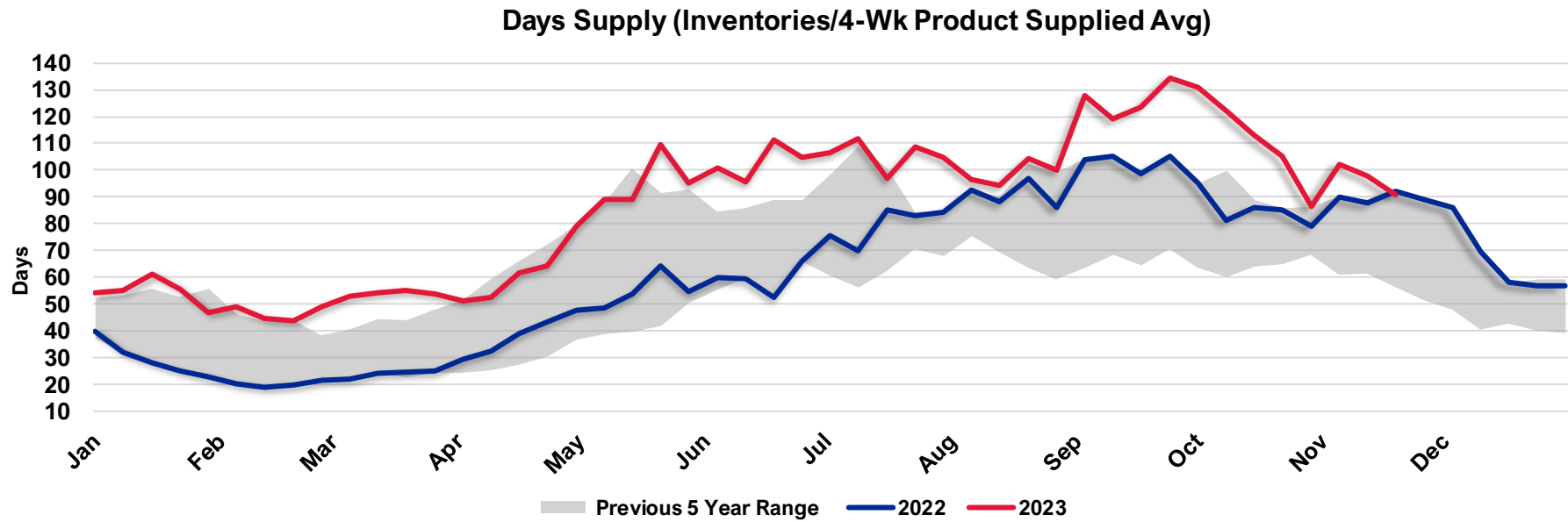
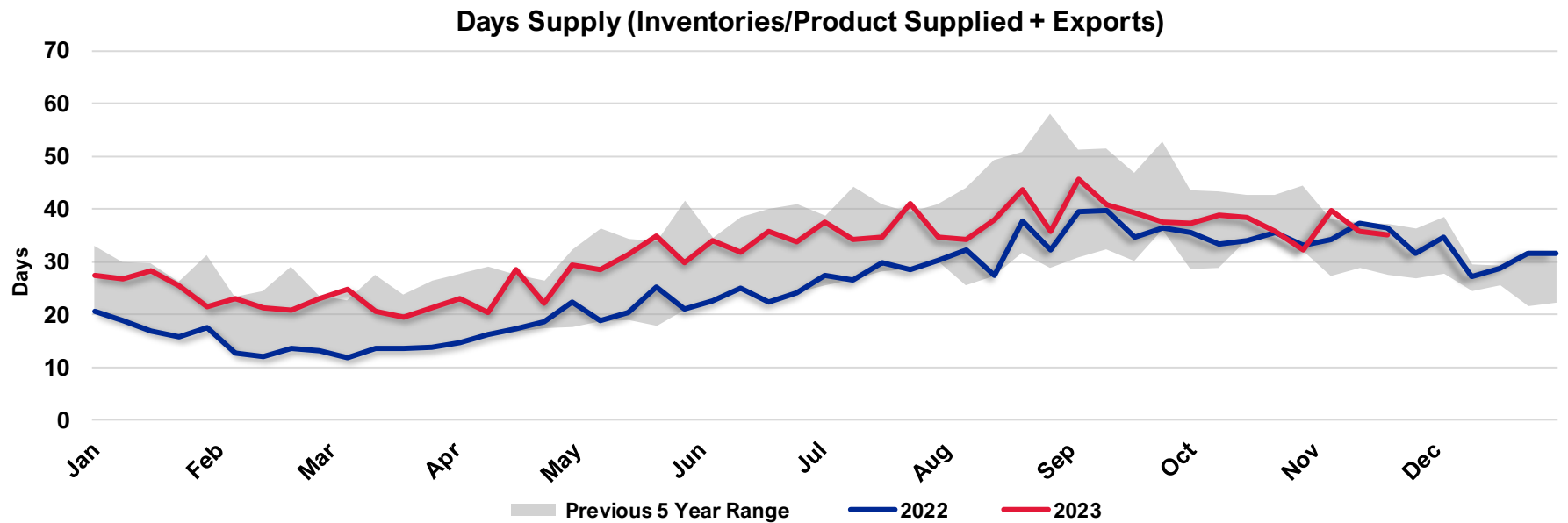


Figure 14



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