



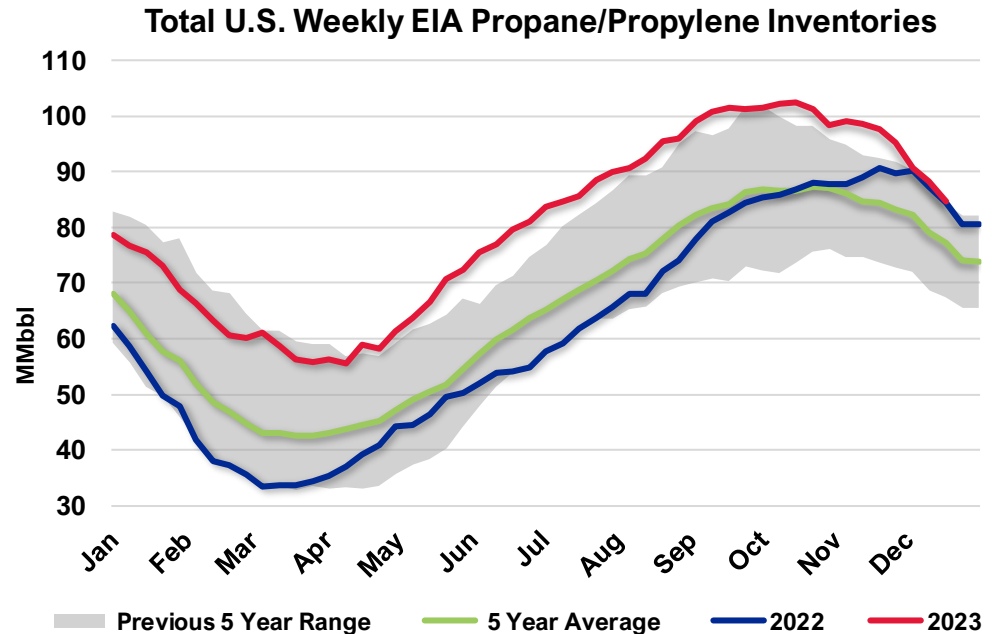
WEEKLY PROPANE MARKET UPDATE

December 28, 2023

HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 3.7 MMbbl for the week ended December 22, which was above average industry expectations for a draw of 1.9 MMbbl and the 2.2 MMbbl average decline for the week. Total U.S. propane stocks now stand at 84.7 MMbbl, which is 7.5 MMbbl, or 9.7%, above the 5-year average.
- » The EIA issued corrected data for PADD 2 propane/propylene stocks published in the Weekly Petroleum Status Report (WPSR) for the weeks ended November 10, 2023, through December 15, 2023. The corrected data shows that PADD 2 propane/propylene inventories were overstated by 5.3 MMbbl for this period.
- » Crude oil prices were little changed over the last week as easing tensions in the Red Sea balanced with growing prospects for U.S. interest rate cuts and stronger demand. WTI settled at \$74.11/bbl on December 27, up \$0.67/bbl from December 19. Propane prices were stronger than crude, with the Mont Belvieu OPIS non-TET price increasing by 3.2 c/gal from last week to 70.1 c/gal on December 27. As a result, the non-TET propane-to-WTI ratio was up 2 percentage points from last week to 40%.
- » Weekly exports of propane reported by the EIA were stronger at 1.88 MMbbl/d, up 70 Mbbl/d from last week's rate and well above the year-to-date average of 1.62 MMbbl/d.
- » Total U.S. production of propane/propylene was up 30 Mbbl/d from last week at 2.64 MMbbl/d due to higher output in PADD 2 and PADD 3.

Figure 1



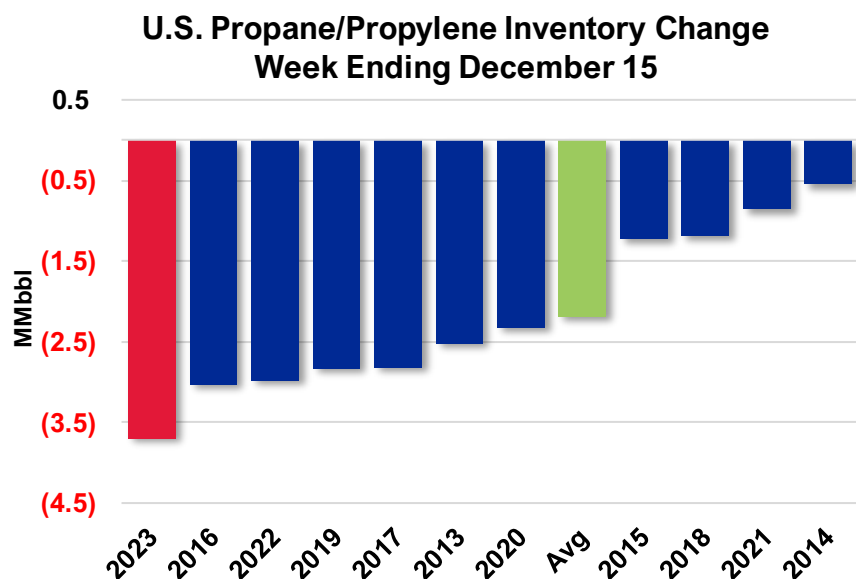
MARKET OVERVIEW

Mont Belvieu (non-TET) propane prices increased by 3.2 c/gal, or 4.8%, during the past week, settling at 70.1 c/gal on December 27. WTI prices were weaker than propane, up by just \$0.67/bbl, or 0.9%, to \$74.11/bbl over the same period, which pushed the propane-to-WTI ratio higher 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 up 2 percentage points compared to last week at 39% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

The EIA reported stocks for PADD 2 were overstated for the weeks ended November 10, 2023, to December 15, 2023. We have updated our data to reflect the correction in our reporting. U.S. propane volumes for the week ended December 22 drew by 3.7 MMbbl,

Figure 2



ANALYSIS & INSIGHTS (continued)

which was about 1.8 MMbbl more than industry expectations. According to OPIS, the average of industry expectations was for a draw of 1.9 MMbbl. The inventory draw was also 1.5 MMbbl more than the average change for the week. Total U.S. propane stocks are now 84.7 MMbbl, which is on par with the same week in 2022 and the 5-year maximum. Inventories are 7.5 MMbbl, or 9.7%, above the 5-year average. Regional changes show all areas decreased in stocks with PADD 3 having the largest decrease.

PADD 3 (Gulf Coast) propane inventories drew 1.2 MMbbl and total stocks for the region are now at 48.9 MMbbl, putting them 960 Mbbl or 2% above 2022. Inventories are now 3.5 MMbbl, or 6.7%, below the 5-year maximum but 5.7 MMbbl, or 13.4%, above the 5-year average.

PADD 2 (Midwest) propane stocks fell by 1.1 MMbbl, bringing total inventories to 22.1 MMbbl, which is 2.3 MMbbl, or 9.6%, below 2022 and the 5-year maximum. Stocks are 305 Mbbl, or 1.4%, below the 5-year average.

PADD 1 (East Coast) propane inventories decreased by 683 Mbbl. East Coast inventories are now at 8.2 MMbbl, which is 300 Mbbl, or 3.8%, above 2022 but

355 Mbbl, or 4.2%, below the 5-year maximum. Inventories are 717 Mbbl, or 9.6%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories fell by 708 Mbbl. Total stocks for the region are 5.5 MMbbl, which is 1.35 MMbbl, or 32.4%, over 2022. Inventories are 153 Mbbl, or 2.7%, below the 5-year maximum but 1.28 MMbbl, or 30.4%, above the 5-year average.

Total U.S. production was up from the previous week by 30 Mbbl/d to 2,638 Mbbl/d. PADD 1 and PADD 4/5 production decreased by a combined 5 Mbbl/d while PADD 2 and PADD 3 had a total increase of 35 Mbbl/d. Exports increased by 70 Mbbl/d to 1,882 MMbbl/d, which is slightly above the 4-week average of 1,853 Mbbl/d and well above the 1,255 Mbbl/d reported in the year-ago week. Imports declined by 8 Mbbl/d to 113 Mbbl/d as PADD 2 and PADD 4/5 reported decreased volumes. Product supplied increased by 166 Mbbl/d to 1,397 Mbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended December 22 (red bar, Figure 2) of 3.7 MMbbl was about 1.5 Mbbl more than the average decrease of 2.2 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET (Enterprise) widened again from the prior week, with Conway trading at a 5.5 c/gal discount on December 27. The forward-price differential between Mont Belvieu (TET or LST) and Conway was unchanged from 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 70 days, which is 12 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 26 days of inventory, which is three days less than 2022 and the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

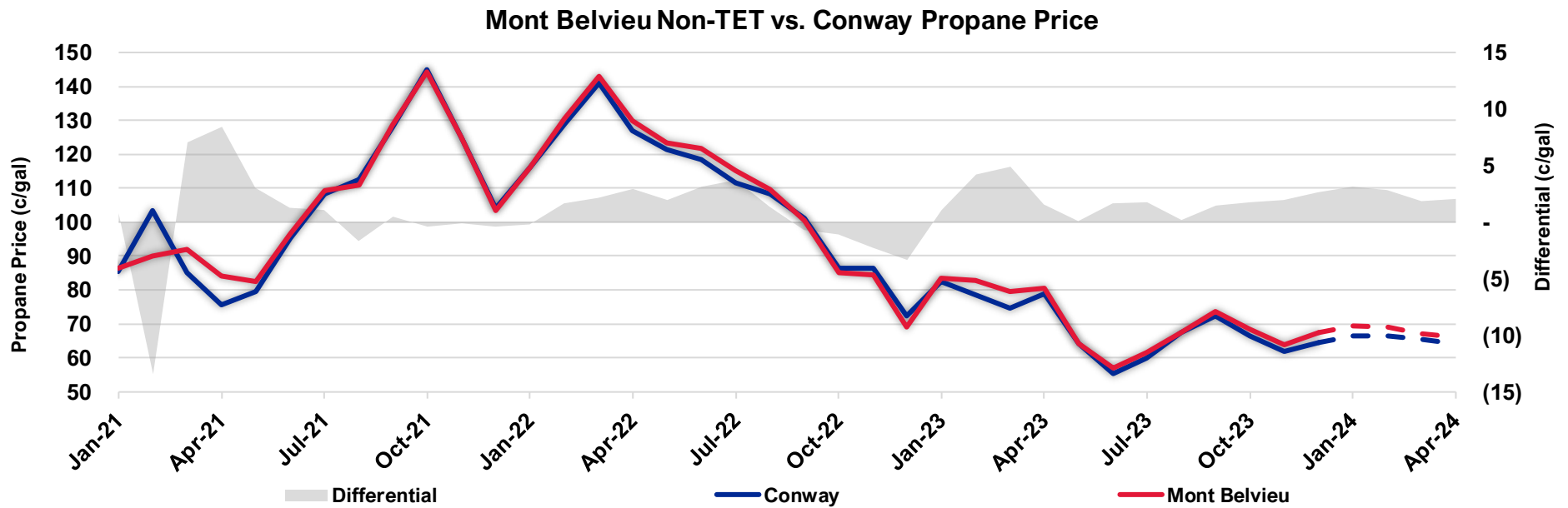
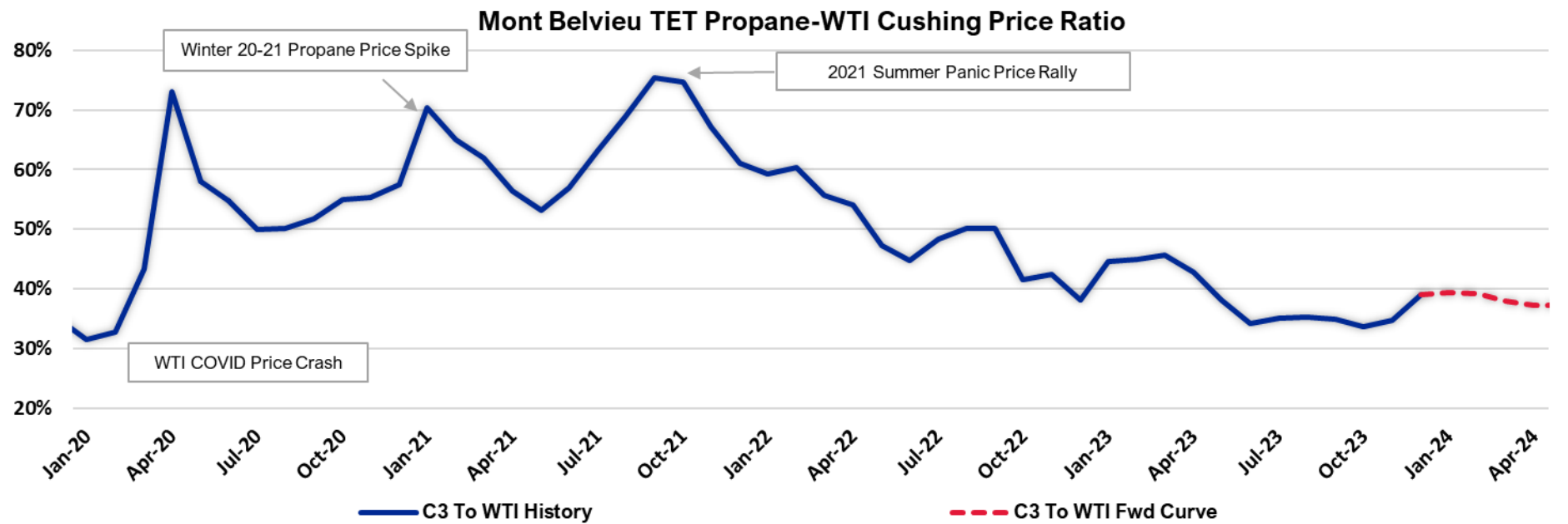


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

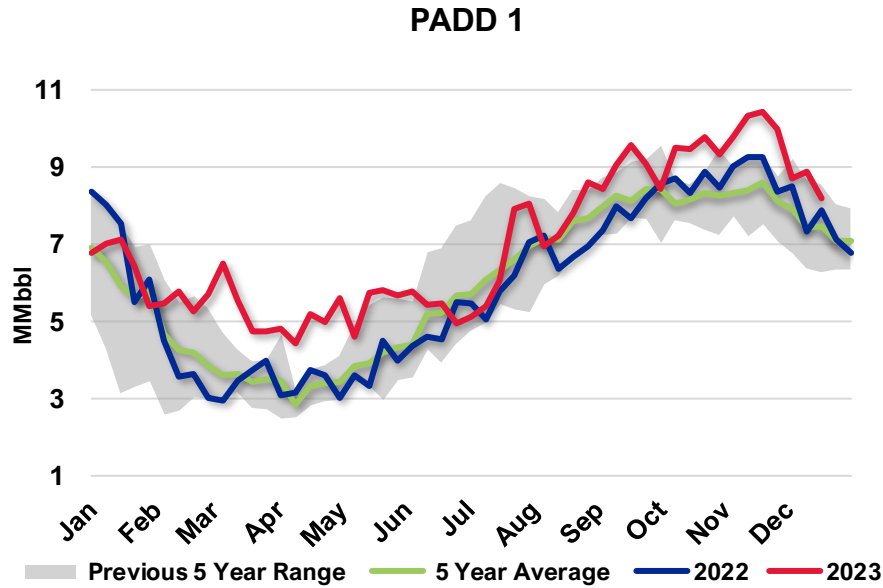


Figure 6

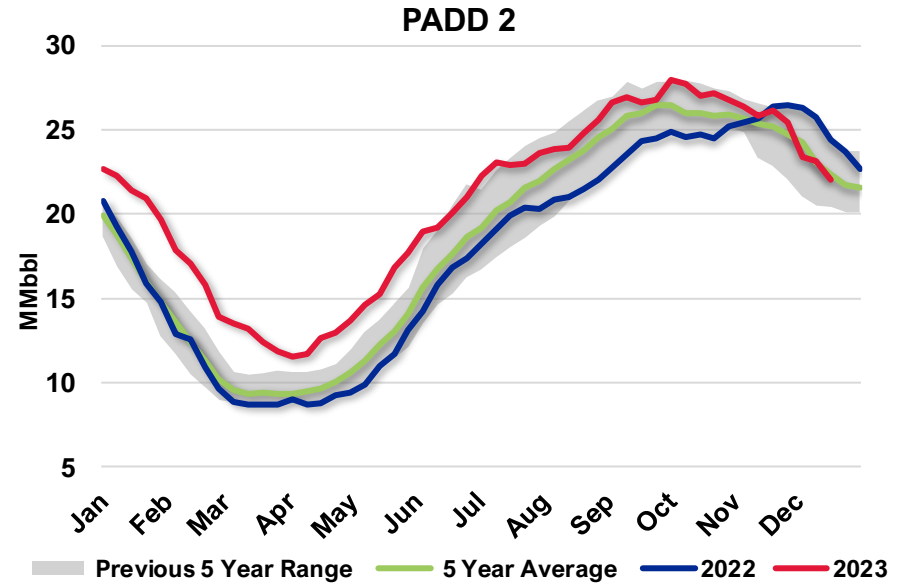


Figure 7

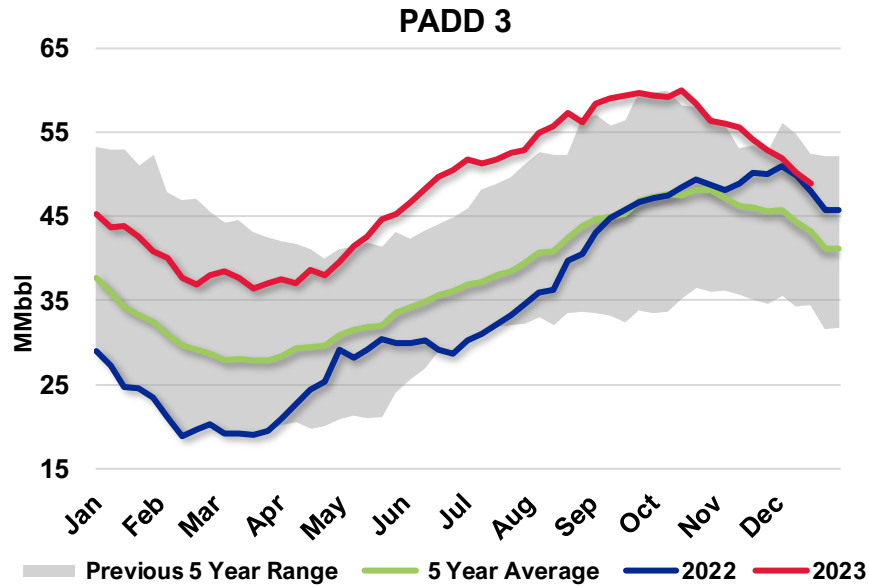


Figure 8

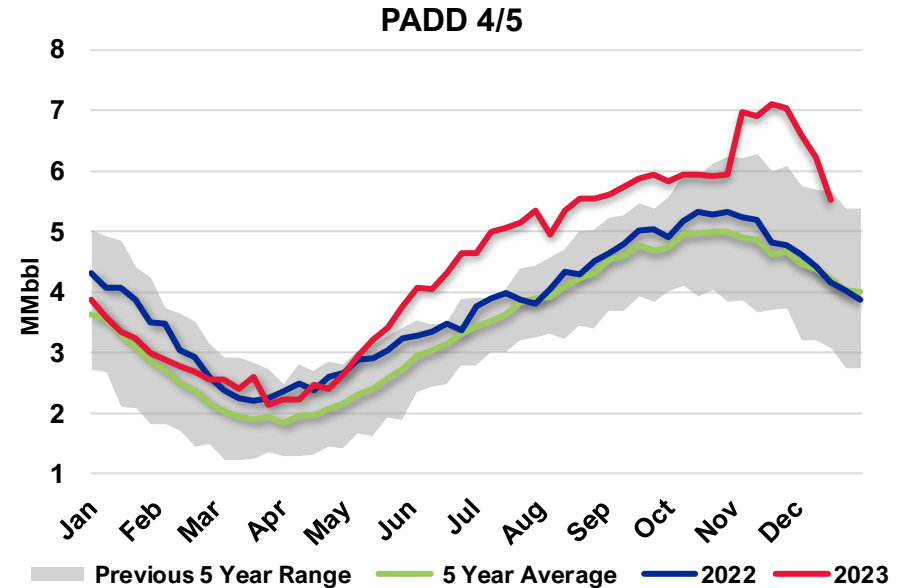


Figure 9

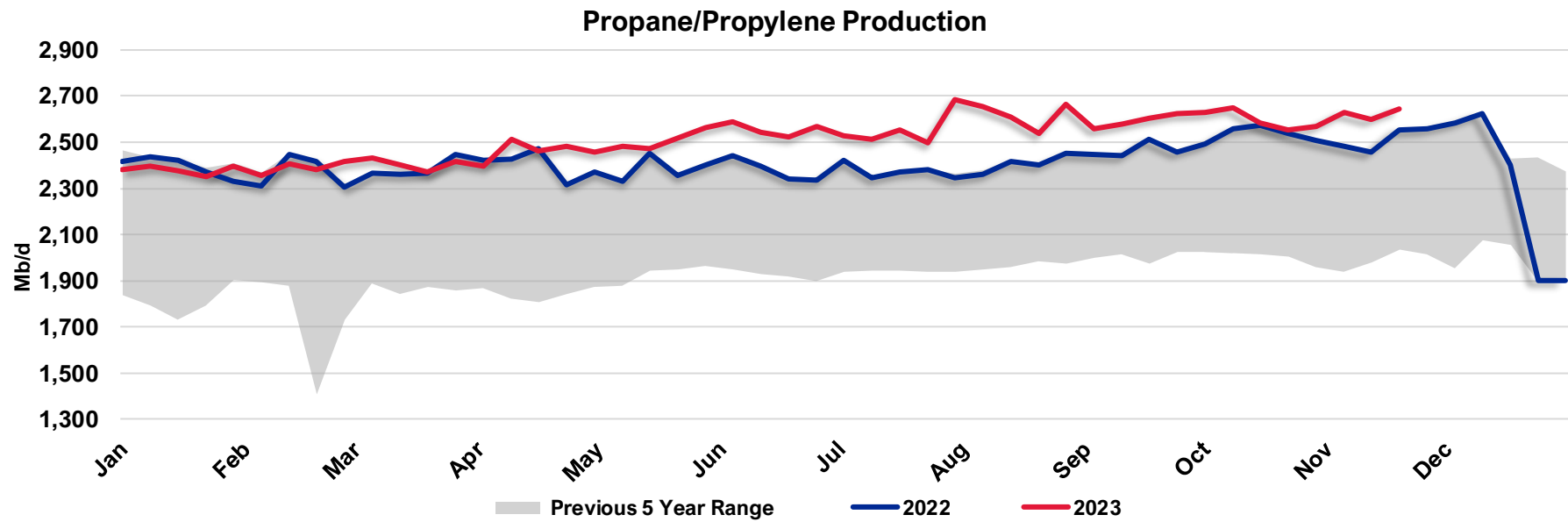


Figure 10

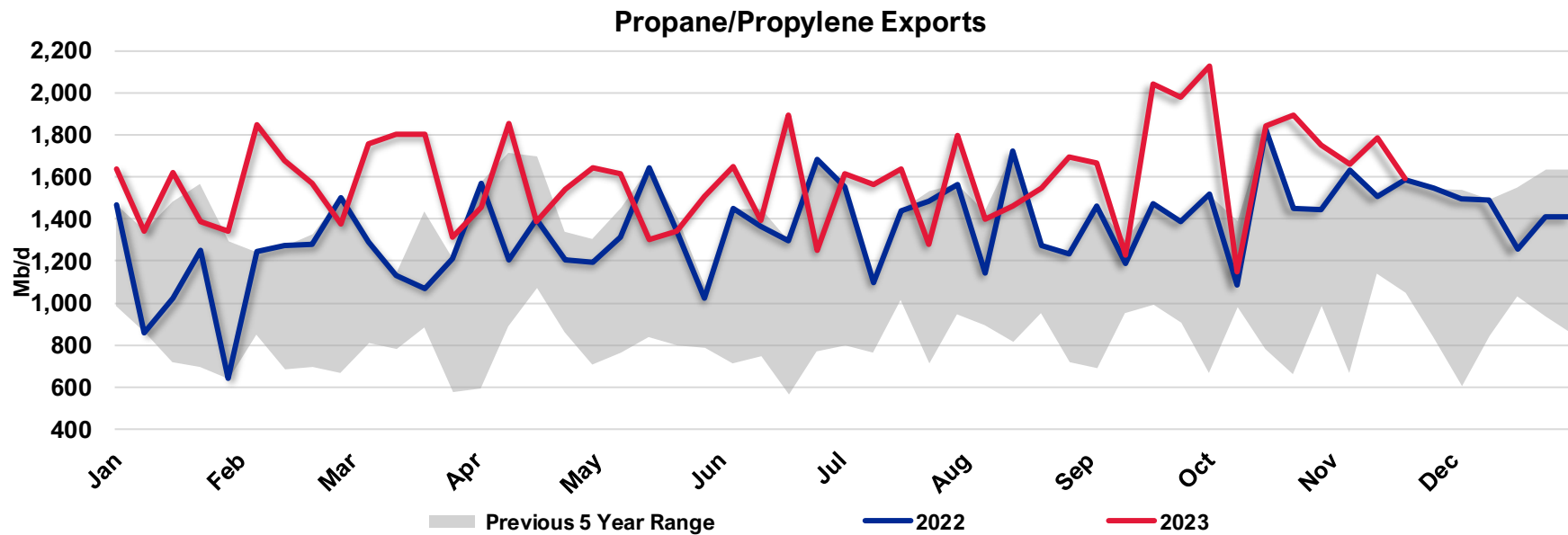


Figure 11

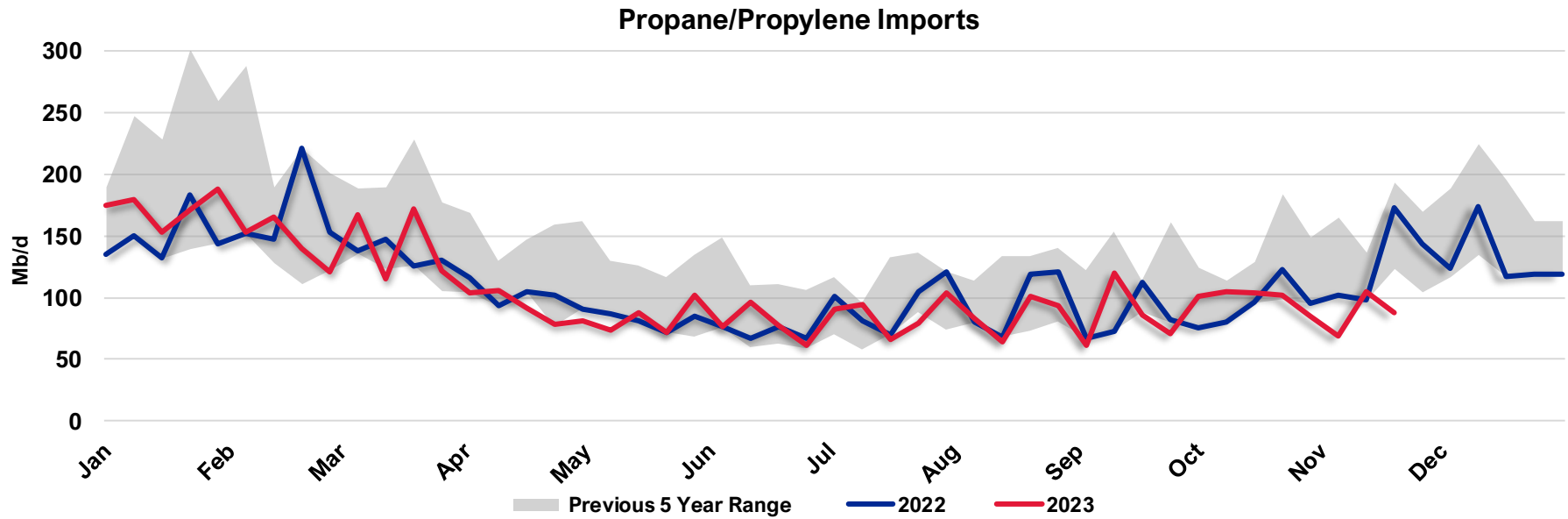


Figure 12

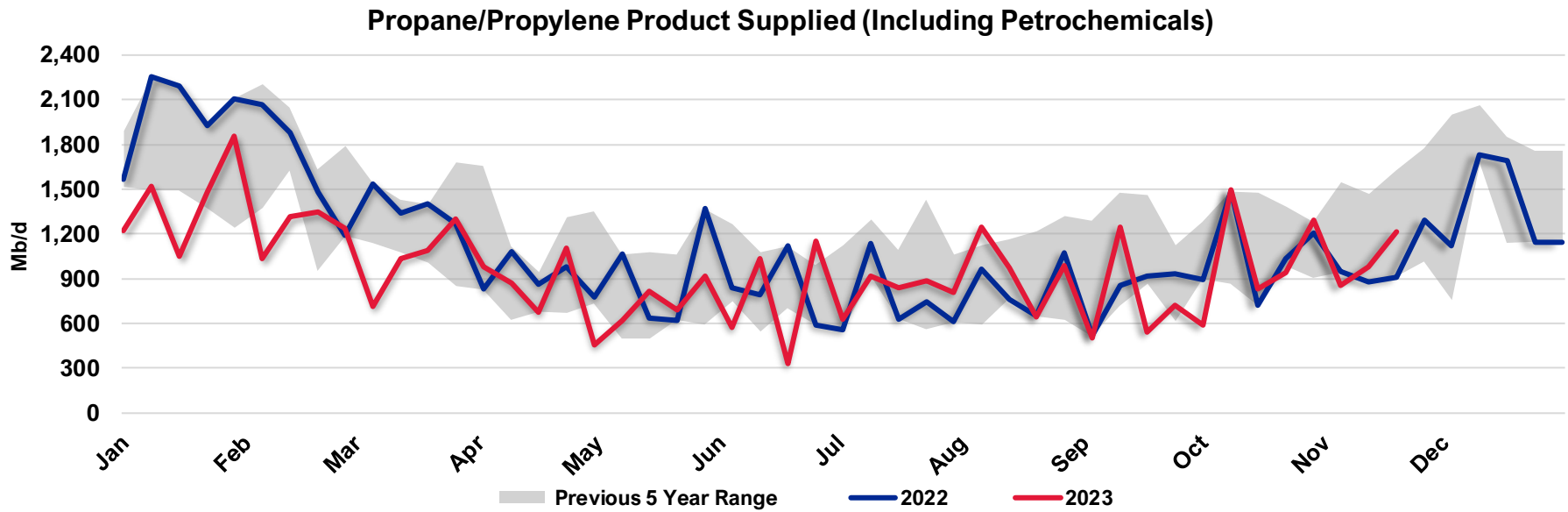


Figure 13

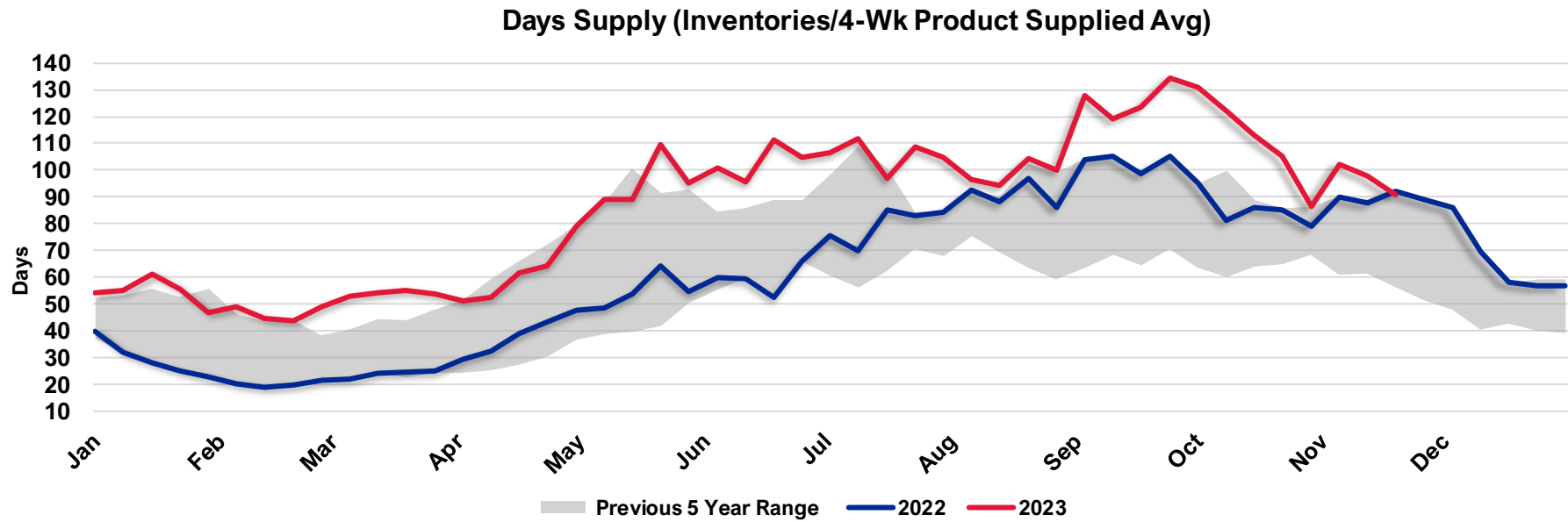
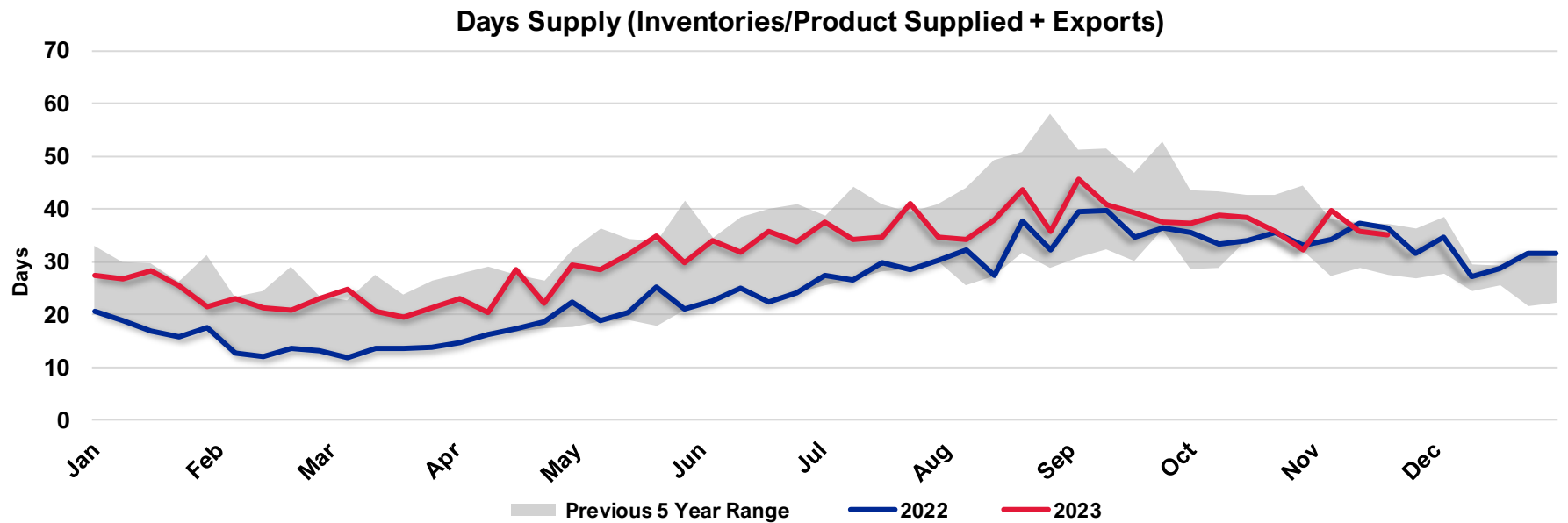


Figure 14



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