



WEEKLY PROPANE MARKET UPDATE

January 4, 2024

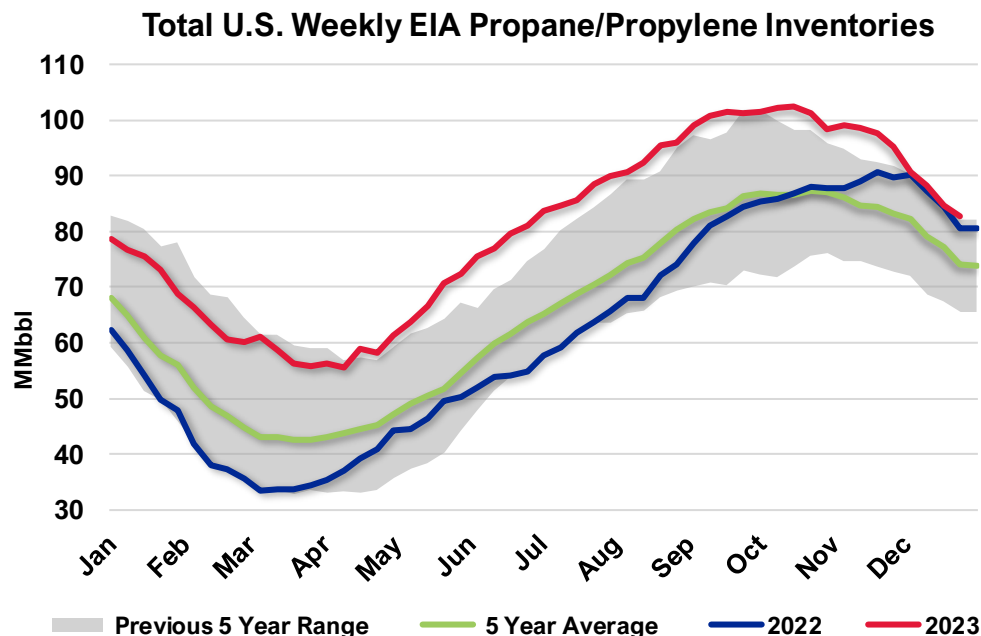
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 2 MMbbl for the week ended December 29, which was above average industry expectations for a draw of 1 MMbbl but slightly below the 2.4 MMbbl average decline for the week. Total U.S. propane stocks now stand at 82.6 MMbbl, which is 8.6 MMbbl, or 11.7%, above the 5-year average.
- » Crude oil prices were modestly lower over the last week as increasing tensions in the Middle East balanced with a stronger U.S. dollar and demand concerns. WTI settled at \$72.70/bbl on January 3, down \$1.41/bbl from December 27. Propane prices traded in line with crude, with the Mont Belvieu OPIS non-TET price declining by 1.2 c/gal from last week to 68.9 c/gal on January 3. As a result, the non-TET propane-to-WTI ratio was unchanged from last week at 40%.
- » Weekly exports of propane reported by the EIA were weaker at 1.72 MMbbl/d, down 162 Mbbl/d from last week's strong rate but above the 2023 average rate of 1.62 MMbbl/d.
- » Total U.S. production of propane/propylene was little changed from last week at 2.64 MMbbl/d as lower output in PADD 2 was offset by increases in all other regions.

MARKET OVERVIEW

Mont Belvieu (non-TET) propane prices declined by 1.2 c/gal, or 1.7%, during the past week, settling at 68.9 c/gal on January 3. WTI prices moved lower with propane, falling by \$1.41/bbl, or 1.9%, to \$72.70/bbl over the same period, which left the propane-to-WTI ratio unchanged at 40% (blue line, Figure 4). The current ratio is below the 45% average recorded in January 2023. The forward propane-to-WTI ratio for February-April 2024 was up 1 percentage point compared to last week at 40% (red dashed line, Figure 4).

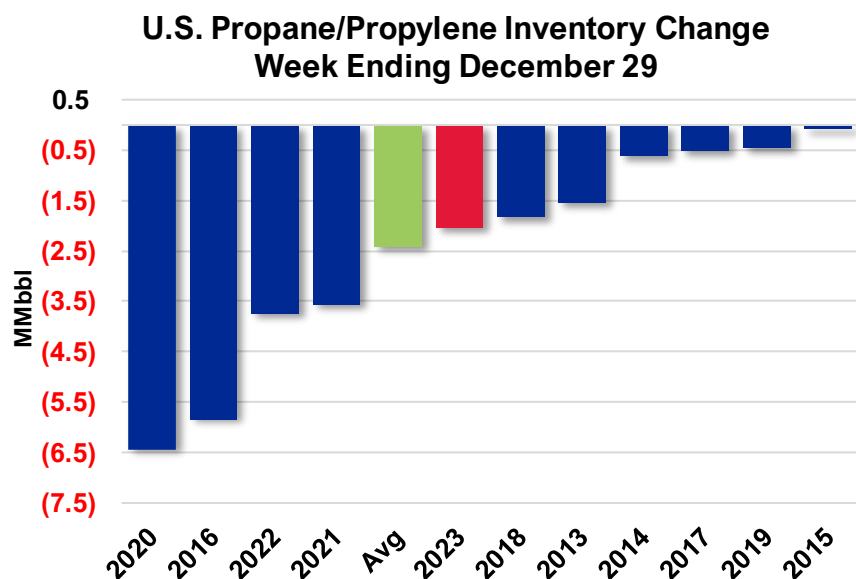
Figure 1



ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane volumes for the week ended December 29 drew by 2 MMbbl; according to OPIS, the average of industry expectations was for a draw of 1 MMbbl. The inventory draw was about 400 Mbbl less than the average change for the week. Total U.S. propane stocks are now 82.6 MMbbl, which is 2 MMbbl, or 2.4%, more than the same week in 2022 and 460 Mbbl, or 1%, above the 5-year maximum. Inventories are 8.6 MMbbl, or 11.7%, above the 5-year average. Regional changes show all areas decreased in stocks, with PADD 3 having the largest decrease.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories drew by 1.4 MMbbl and total stocks for the region are now at 47.5 MMbbl, putting them 1.7 MMbbl, or 3.7%, above 2022. Inventories are now 4.7 MMbbl, or 9%, below the 5-year maximum but 6.3 MMbbl, or 15.4%, above the 5-year average.

PADD 2 (Midwest) propane stocks fell by 242 Mbbbl, bringing total inventories to 21.8 MMbbl, which is 1.9 MMbbl, or 8%, below 2022 and the 5-year maximum. Stocks are now 101 Mbbbl, or 0.5%, above the 5-year average.

PADD 1 (East Coast) propane inventories decreased by 113 Mbbbl. East Coast inventories are now at 8.1 MMbbl, which is 937 Mbbbl, or 13.1%, above 2022 and essentially the same as the 5-year maximum. Inventories are 974 Mbbbl, or 13.7%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories drew by 262 Mbbbl. Total stocks for the region are 5.3 MMbbl, which is 1.2 MMbbl, or 30.7%, over 2022. Inventories are 121 Mbbbl, or 2.3%, below the 5-year maximum but 1.2 MMbbl, or 30.3%, above the 5-year average.

Total U.S. production increased by 3 Mbbbl/d to 2,641 Mbbbl/d. PADD 1, PADD 3 and PADD 4/5 production increased by a combined 17 Mbbbl/d while PADD 2 had a decrease of 14 Mbbbl/d. Exports fell by 162 Mbbbl/d to 1,720 MMbbl/d, which is on par with the four-week average of 1,781 Mbbbl/d and well above the 1,409 Mbbbl/d reported in the year-ago week. Imports rose by 33 Mbbbl/d to 146 Mbbbl/d as PADD 1 and PADD 4/5 reported increased volumes. Product supplied declined by 39 Mbbbl/d to 1,358 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended December 29 (red bar, Figure 2) of 2 MMbbl was about 400 Mbbbl less than the average decrease of 2.4 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET (Enterprise) narrowed markedly from the prior week, with Conway trading at a 1 c/gal discount on January 3 compared to a 5.5 c/gal discount on December 27. The forward-price differential between Mont Belvieu (TET or LST) and Conway was also down sharply from last week, with Mont Belvieu trading at a 0.9 c/gal premium to Conway for February 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 58 days, which is one day more than the same week in 2022 and one day less than the 5-year maximum.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 27 days of inventory, which is five 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

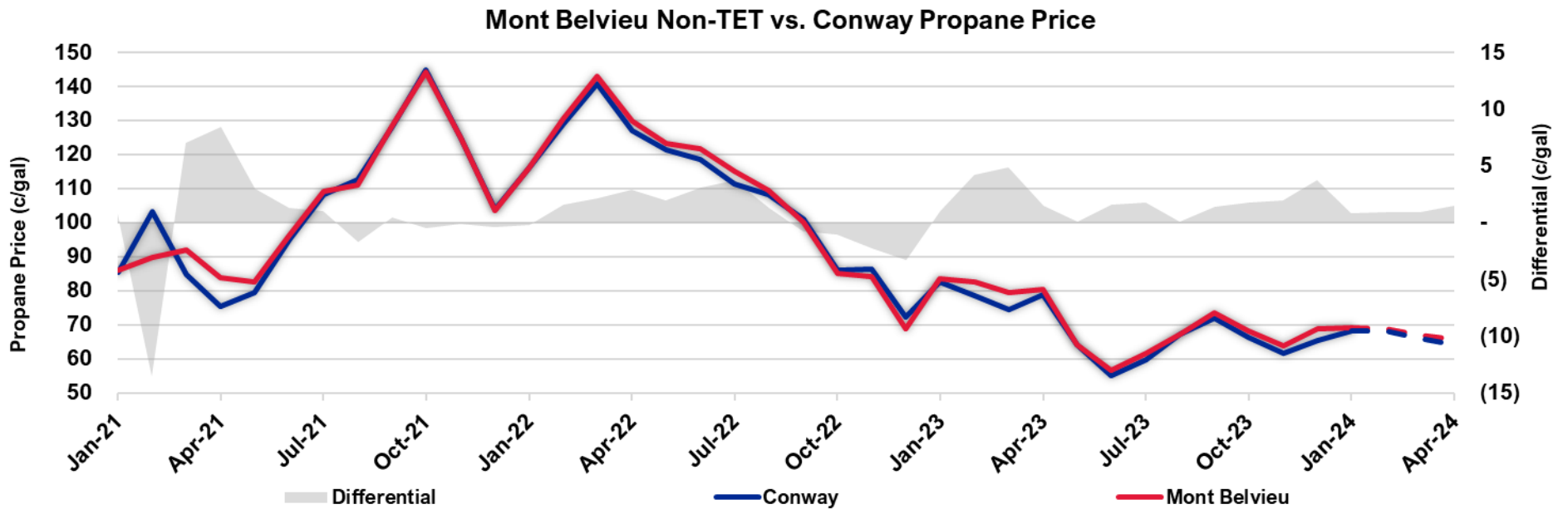
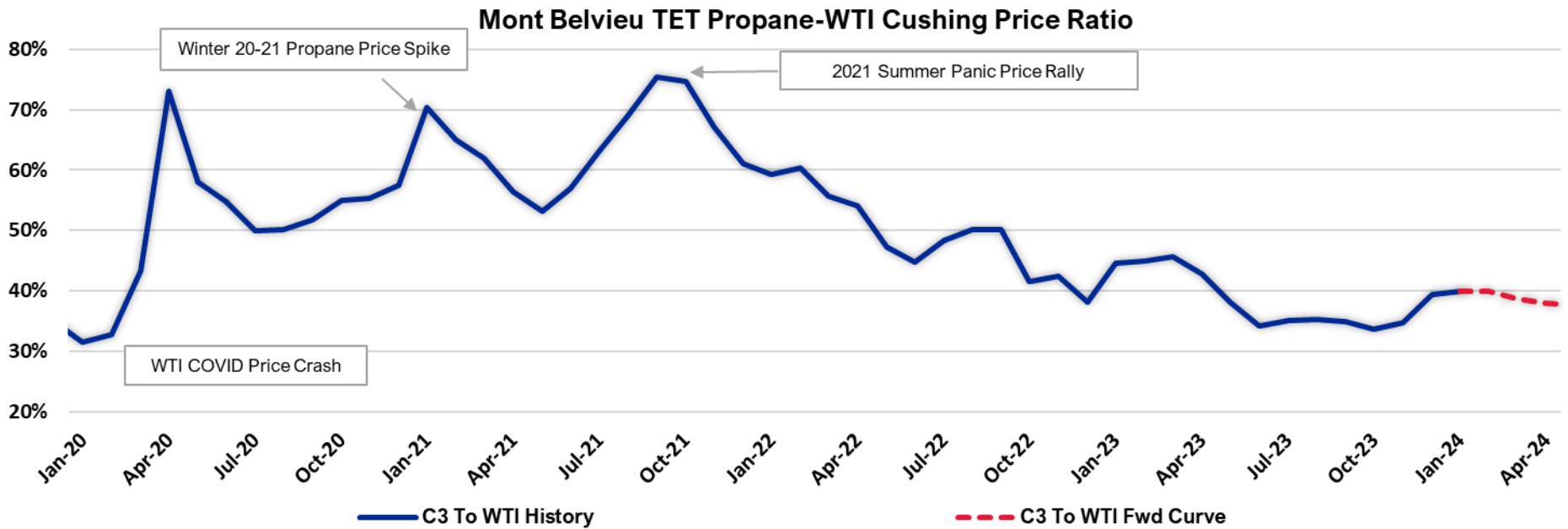


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

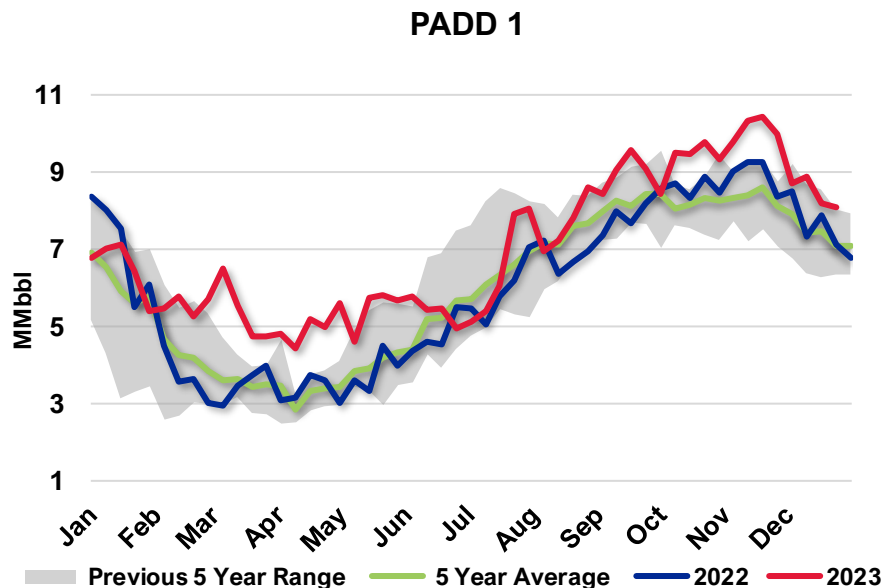


Figure 6

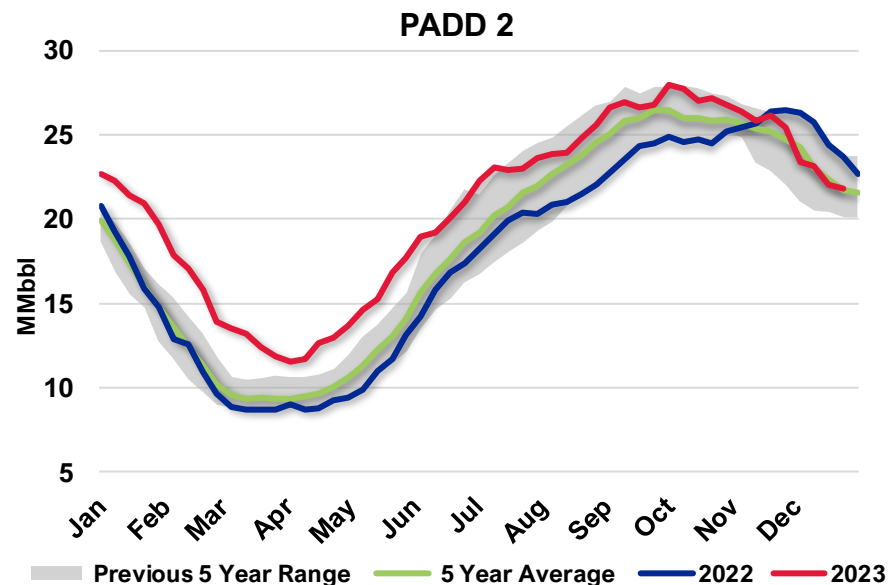


Figure 7

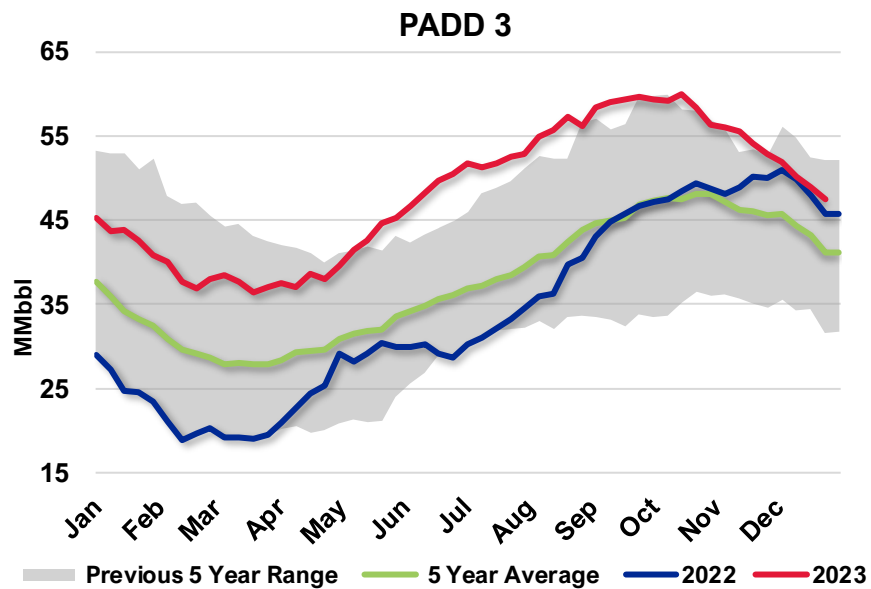


Figure 8

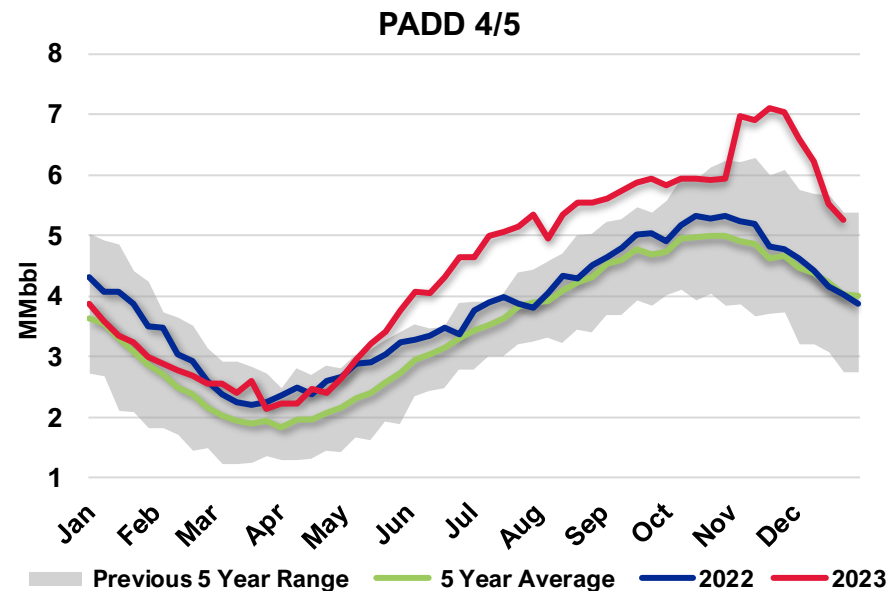


Figure 9

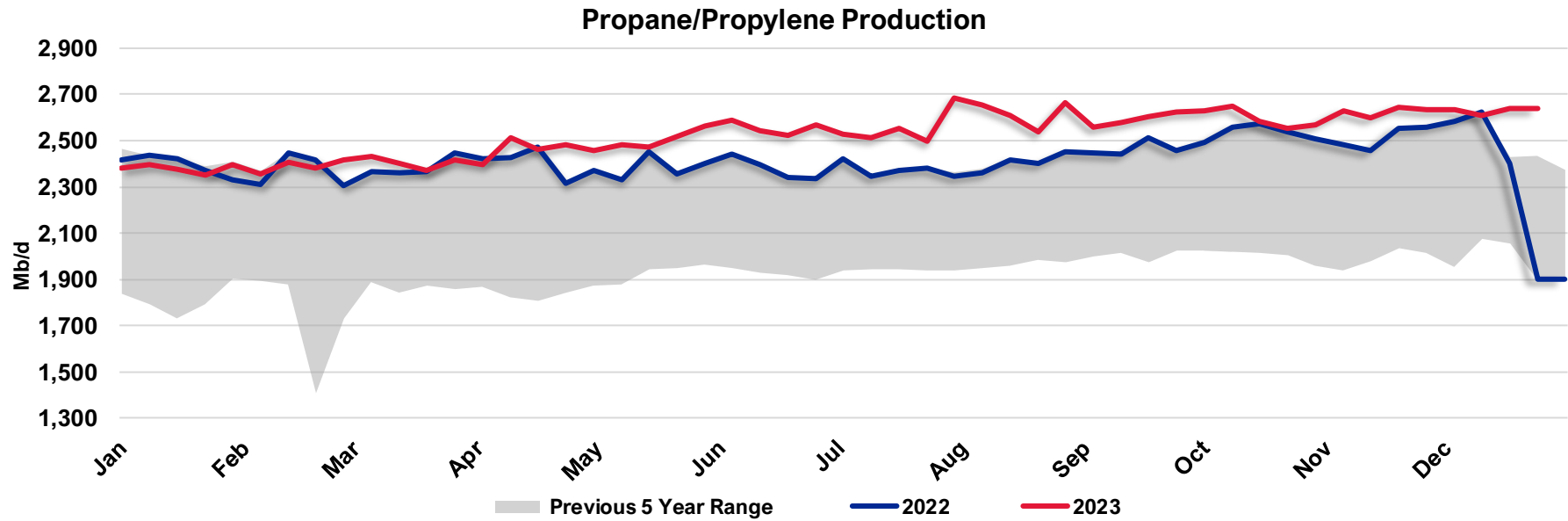


Figure 10

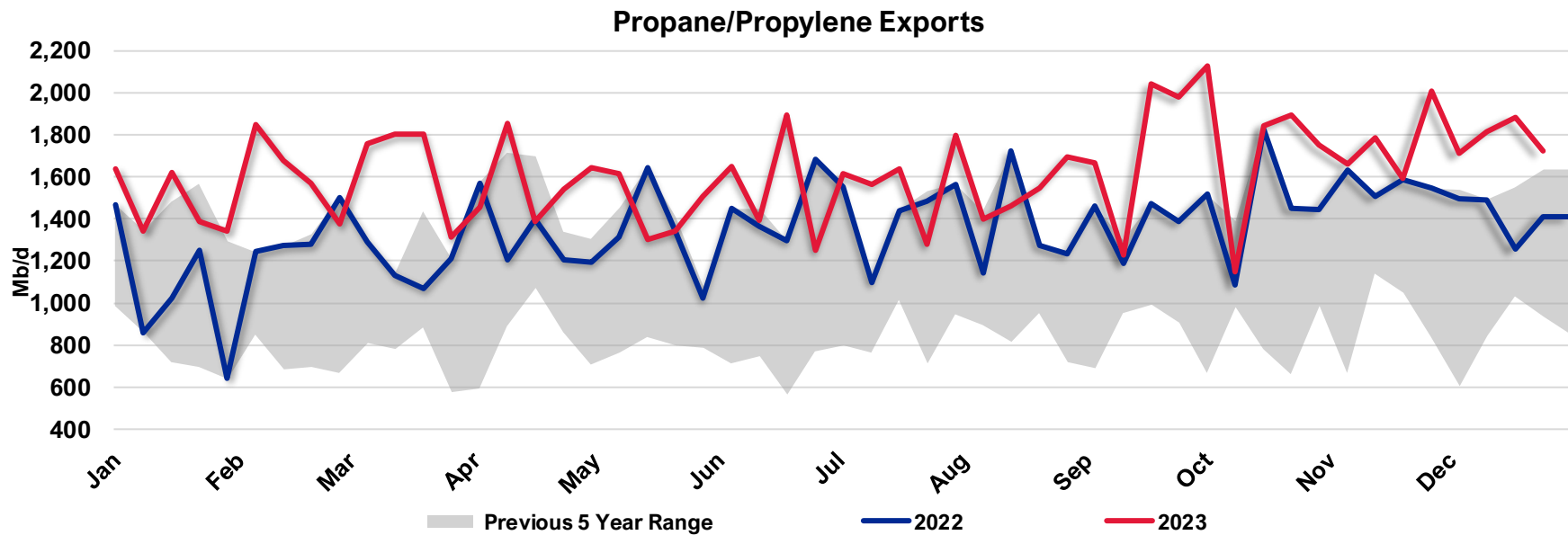


Figure 11

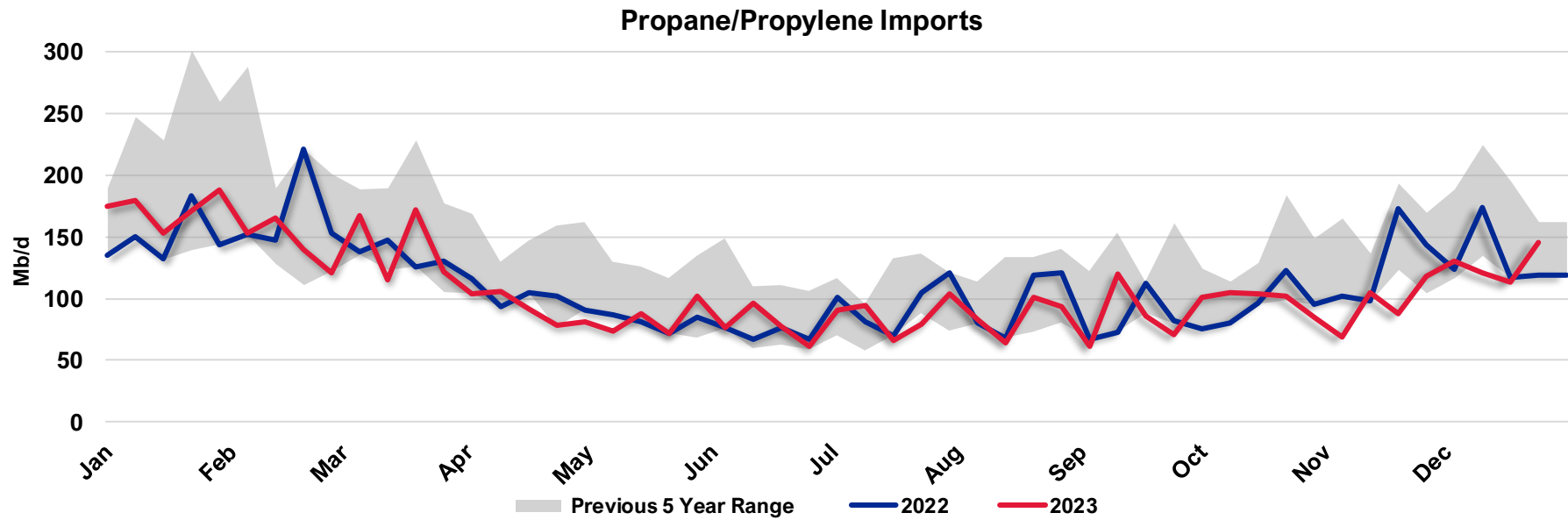


Figure 12

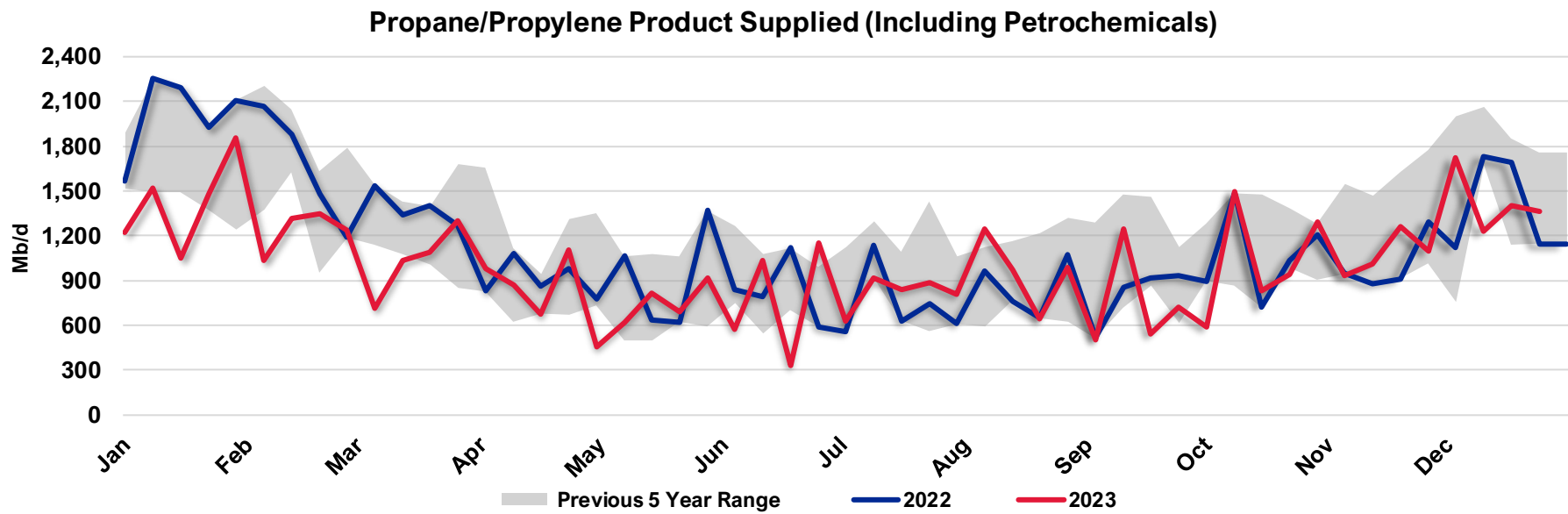


Figure 13

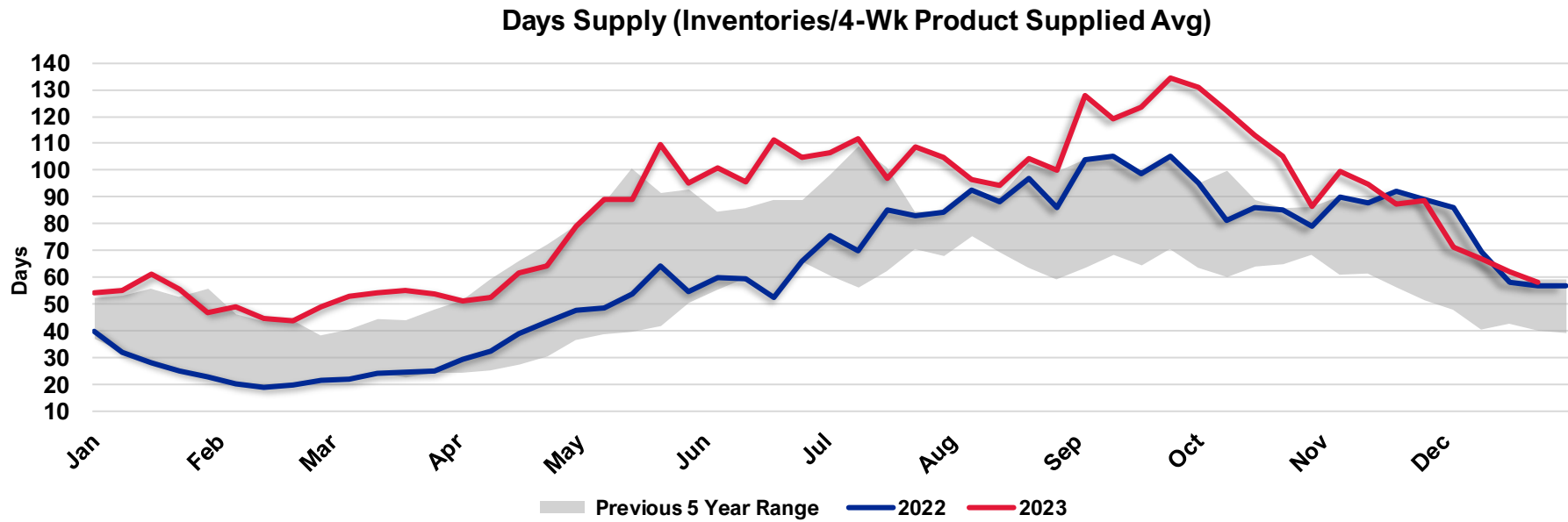
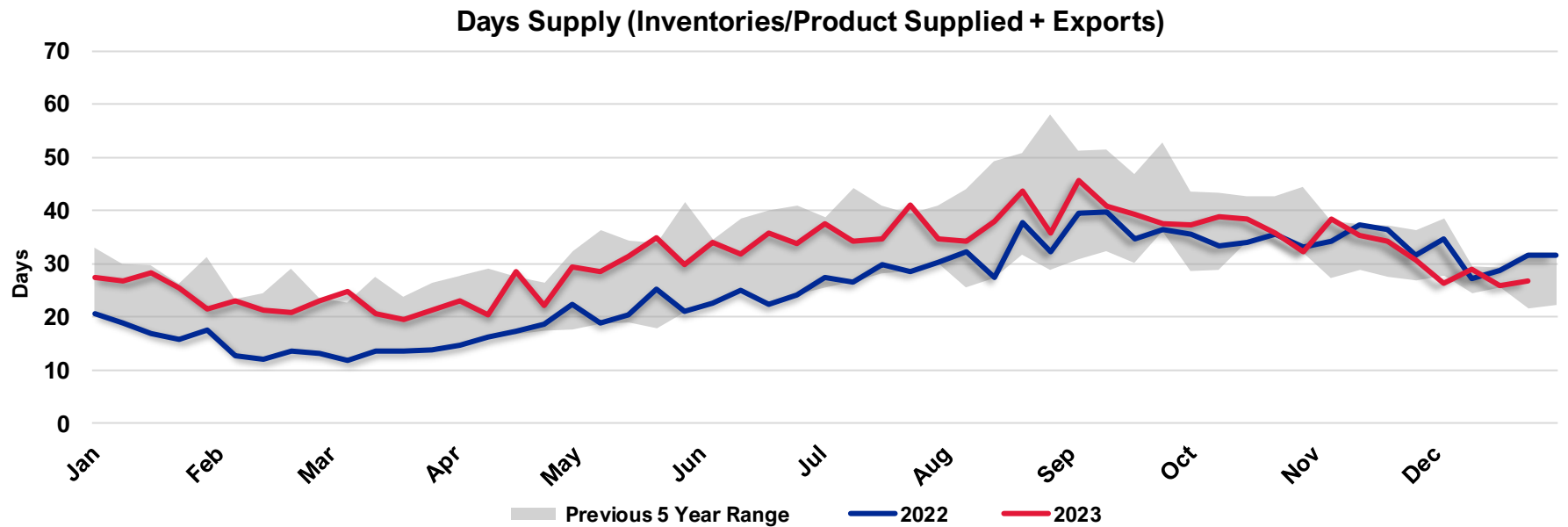


Figure 14



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