



WEEKLY PROPANE MARKET UPDATE

January 18, 2024

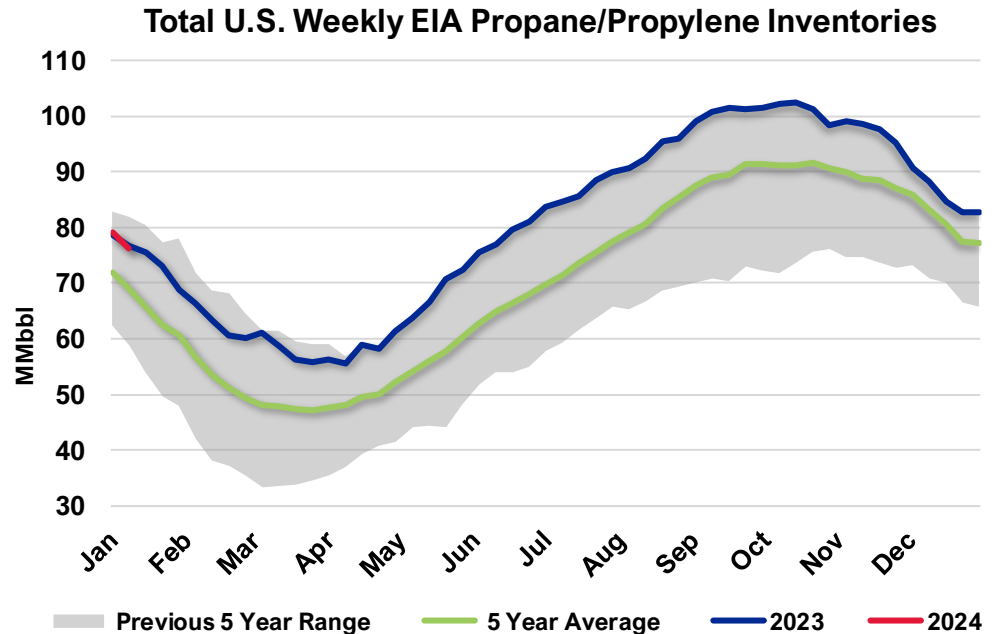
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 2.8 MMbbl for the week ended January 12, which was slightly below average industry expectations for a draw of 3.2 MMbbl and the 3.5 MMbbl average decline for the week. Total U.S. propane stocks now stand at 76.3 MMbbl, which is 10 MMbbl, or 15%, above the 5-year average.
- » Crude oil prices were relatively flat over the last week as disappointing economic data out of China was offset by lower crude oil production in North Dakota because of extremely cold temperatures. WTI settled at \$72.56/bbl on January 17, up \$0.32/bbl from January 9. U.S. propane prices were very strong due to the bitter cold across most of the U.S., with the Mont Belvieu OPIS non-TET price rocketing higher by 12.4 c/gal, or 17%, from last week to 85.1 c/gal on January 17. As a result, the non-TET propane-to-WTI ratio soared by 7 percentage points from last week to 49%.
- » Weekly exports of propane reported by the EIA were stronger at 1.75 MMbbl/d, up 77 Mbbl/d from last week and equal to the 4-week average.
- » Total U.S. production of propane/propylene was down 33 Mbbl/d from last week to 2.6 MMbbl/d as higher output in PADD 1 was more than offset by declines in all other regions.

MARKET OVERVIEW

U.S. propane prices rallied over the past week as bitter cold hit most of the country. Mont Belvieu (non-TET) propane soared by 12.4 c/gal, or 17%, settling at 85.1 c/gal on January 17. WTI prices were weaker than propane, increasing by just \$0.32/bbl, or 0.4%, to \$72.56/bbl over the same period, which increased the propane-to-WTI ratio by 7 percentage points to 49% (blue line, Figure 4).

Figure 1

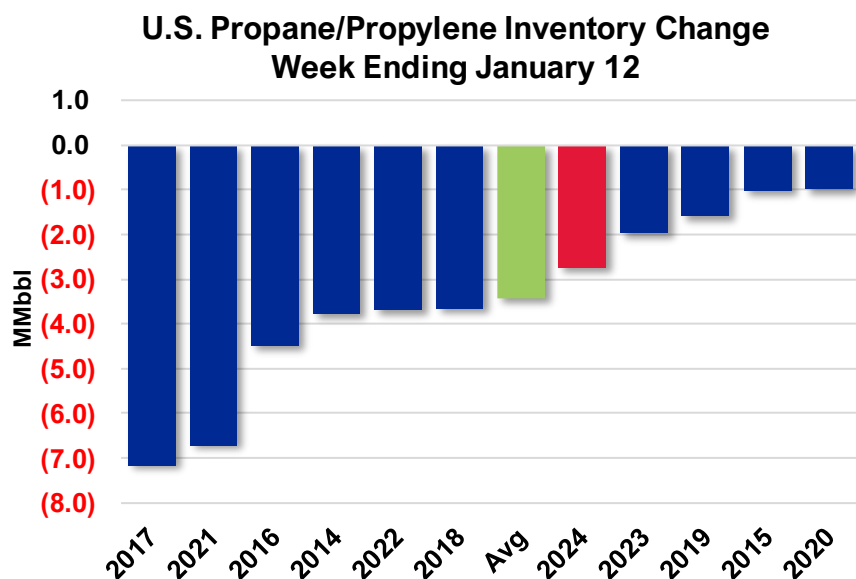


The current ratio is now above the 45% average recorded in January 2023. The forward propane-to-WTI ratio for February-April 2024 was also up 4 percentage points compared to last week at 46% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

For the week ended January 12, the average of industry expectations called for a draw in U.S. propane inventories of 3.2 MMbbl, according to OPIS. In today's EIA report, U.S. propane volumes drew by 2.8 MMbbl, about 400 Mbbl below expectations and 700 Mbbl less than the average change for the week. Total U.S. propane stocks are now 76.3 MMbbl, which is essentially the same for the week in 2023 but 5.5 MMbbl, or 6.7%, below the 5-year maximum. Inventories are 7.3 MMbbl, or 10.5%, above the 5-year average. Regional changes show PADD 1 having the only increase in stocks while all other areas decreased.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories drew by 2.5 MMbbl and total stocks for the region are now at 42.7 MMbbl, 1 MMbbl, or 2.4%, below 2023 and 10.2 MMbbl, or 19%, below the 5-year maximum. Inventories for the region are 4.9 MMbbl, or 12.2%, above the 5-year average.

PADD 2 (Midwest) propane stocks fell by 780 Mbbbl, bringing total inventories to 20.3 MMbbl, which is 2 MMbbl, or 8.9%, below 2023 and the 5-year maximum. Stocks are now 456 Mbbbl, or 2.3%, above the 5-year average.

PADD 1 (East Coast) propane inventories grew by 667 Mbbbl. East Coast inventories are now at 8.2 MMbbl, which is 1.2 MMbbl, or 17.3%, above 2023 and 225 Mbbbl, or 2.8%, above the 5-year maximum. Inventories are 1.2 MMbbl, or 16.5%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories fell by 170 Mbbbl for the week. Total stocks for the region remain at 5.1 MMbbl, which is 1.5 MMbbl, or 42.4%, over 2023. Inventories are 176 Mbbbl, or 3.6%, above the 5-year maximum and 1.4 MMbbl, or 37.9%, above the 5-year average.

Total U.S. production fell marginally by 33 Mbbbl/d to 2,604 Mbbbl/d. PADD 1 had the only increase of 15 Mbbbl/d while all other regions had a combined decrease of 48 Mbbbl/d. Exports rose by 77 Mbbbl/d to 1,746 Mbbbl/d, which is on par with the four-week average of 1,754 Mbbbl/d but above the 1,339 Mbbbl/d reported in the year-ago week. Imports grew by 35 Mbbbl/d to 146 Mbbbl/d as all regions increased in volume. Product supplied fell by 194 Mbbbl/d to 1,397 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended January 12 (red bar, Figure 2) of 2.8 MMbbl was about 700 Mbbbl less than the average decrease of 3.5 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price spread to Mont Belvieu non-TET (Enterprise) increased from the prior week, with Conway trading at a 4.6 c/gal discount on January 17 compared to a 1.2 c/gal discount on January 9. The forward-price differential between Mont Belvieu (TET or LST) and Conway also increased from last week, with Mont Belvieu trading at a 3 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 53 days, which is two days less than the same week in 2023 and the 5-year maximum.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 24 days of inventory, which is three days below 2023 and six days less than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

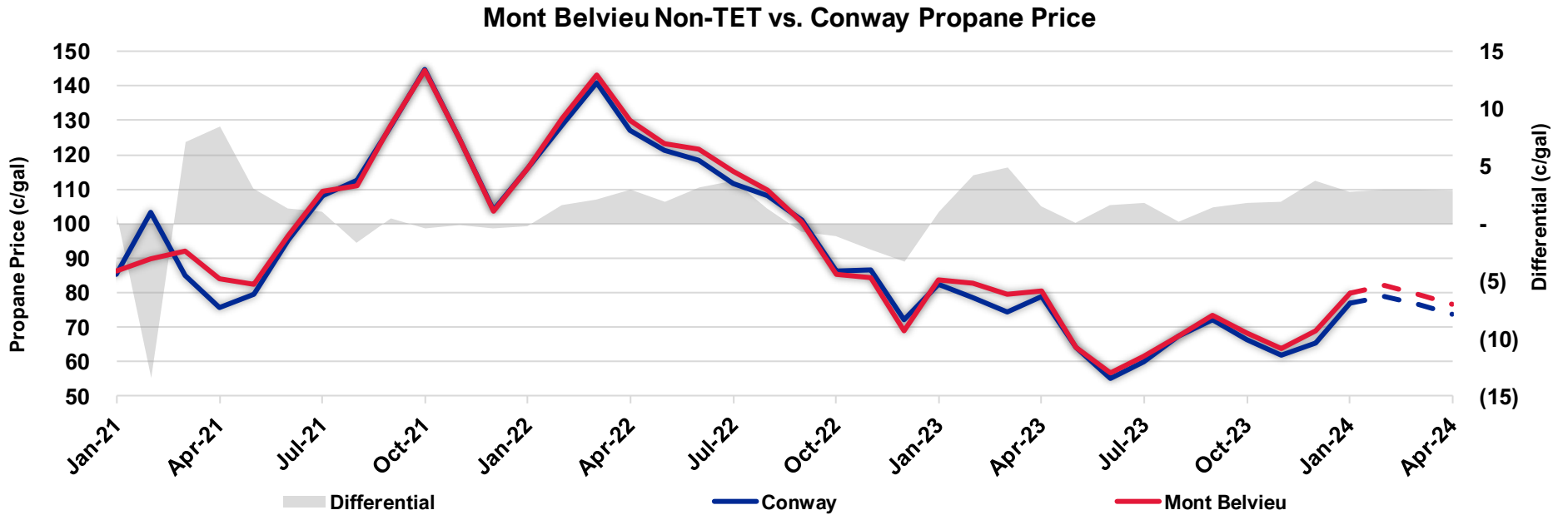
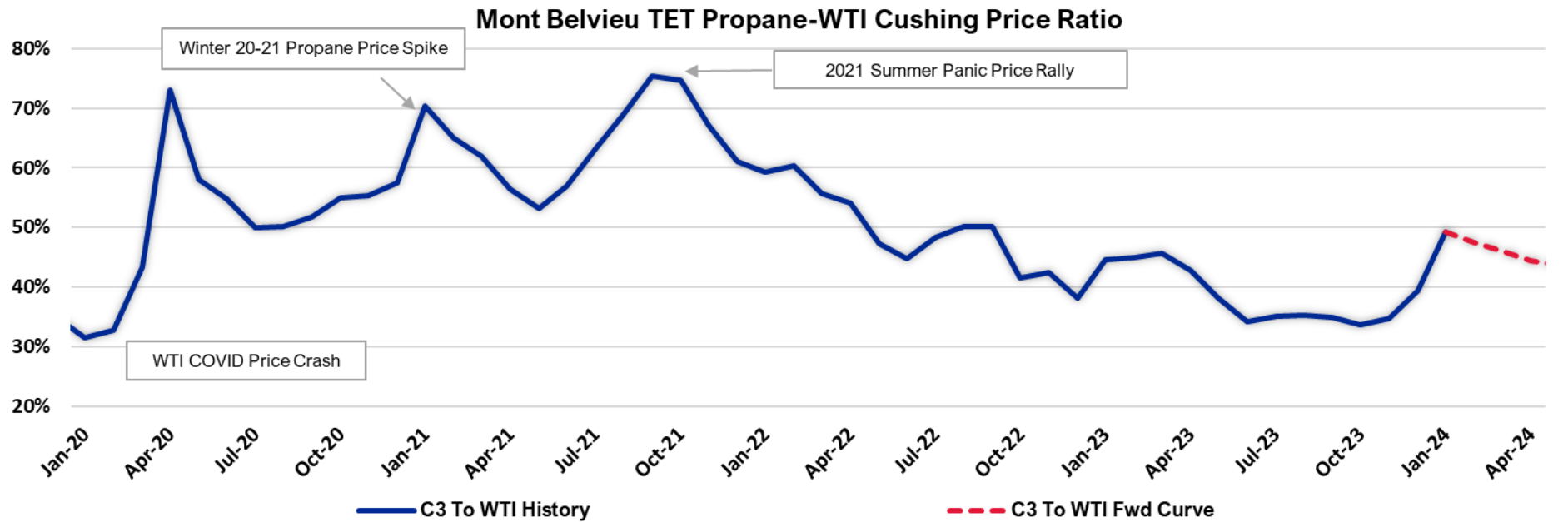


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

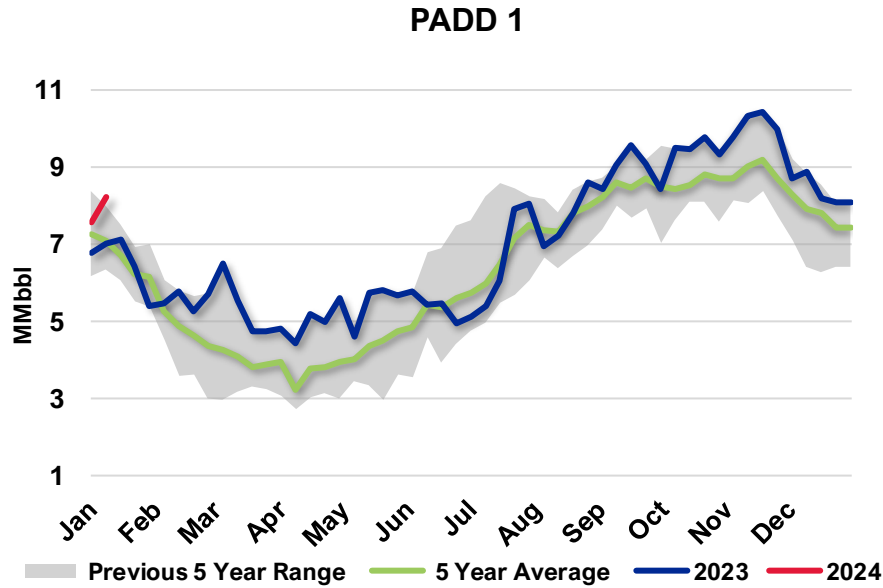


Figure 6

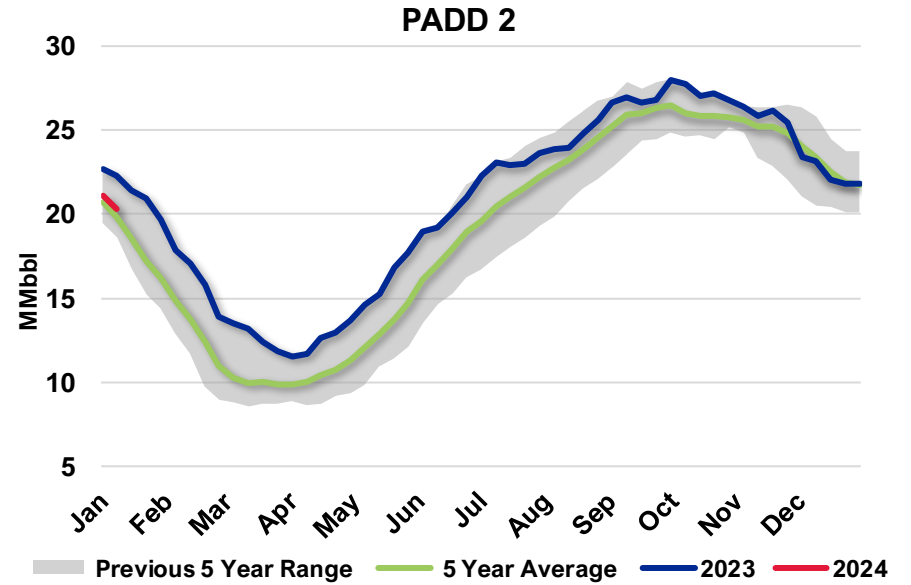


Figure 7

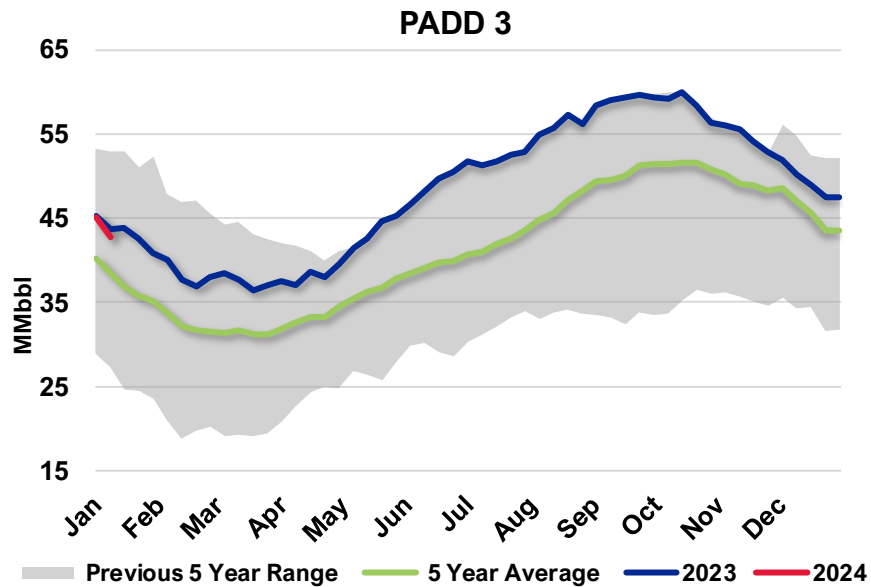


Figure 8

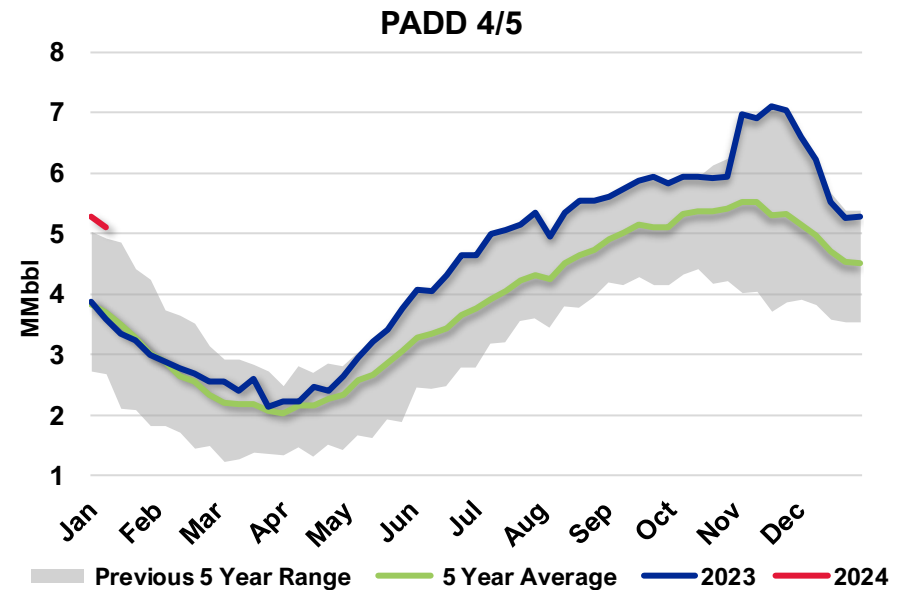


Figure 9

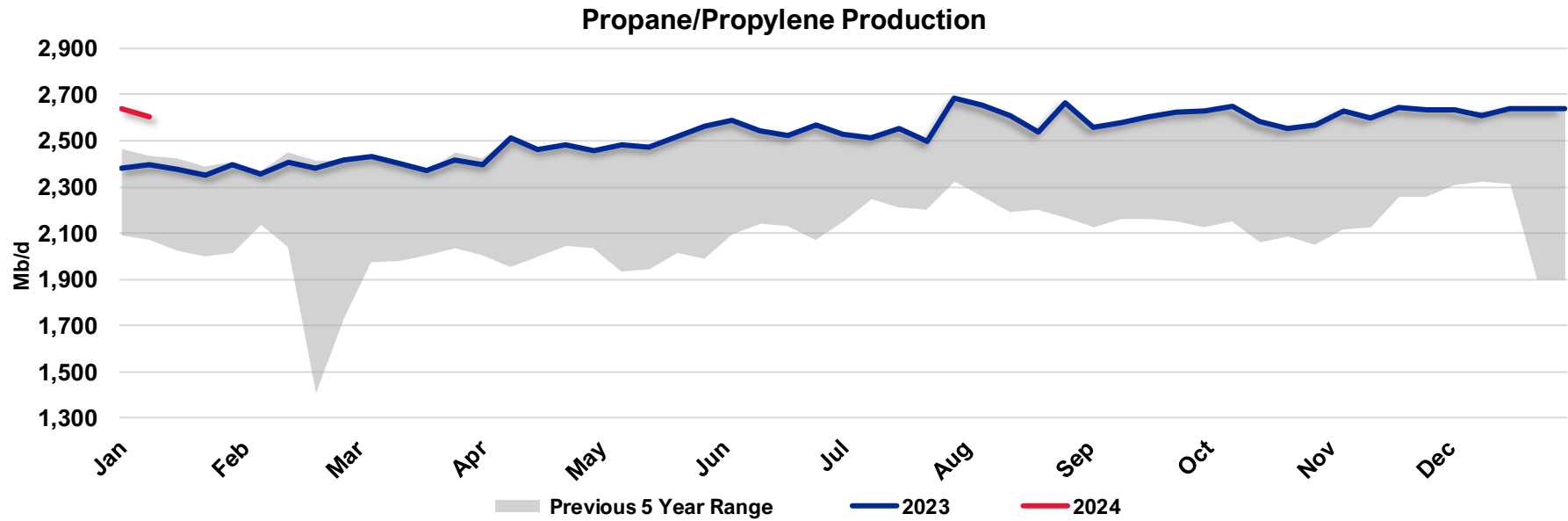


Figure 10

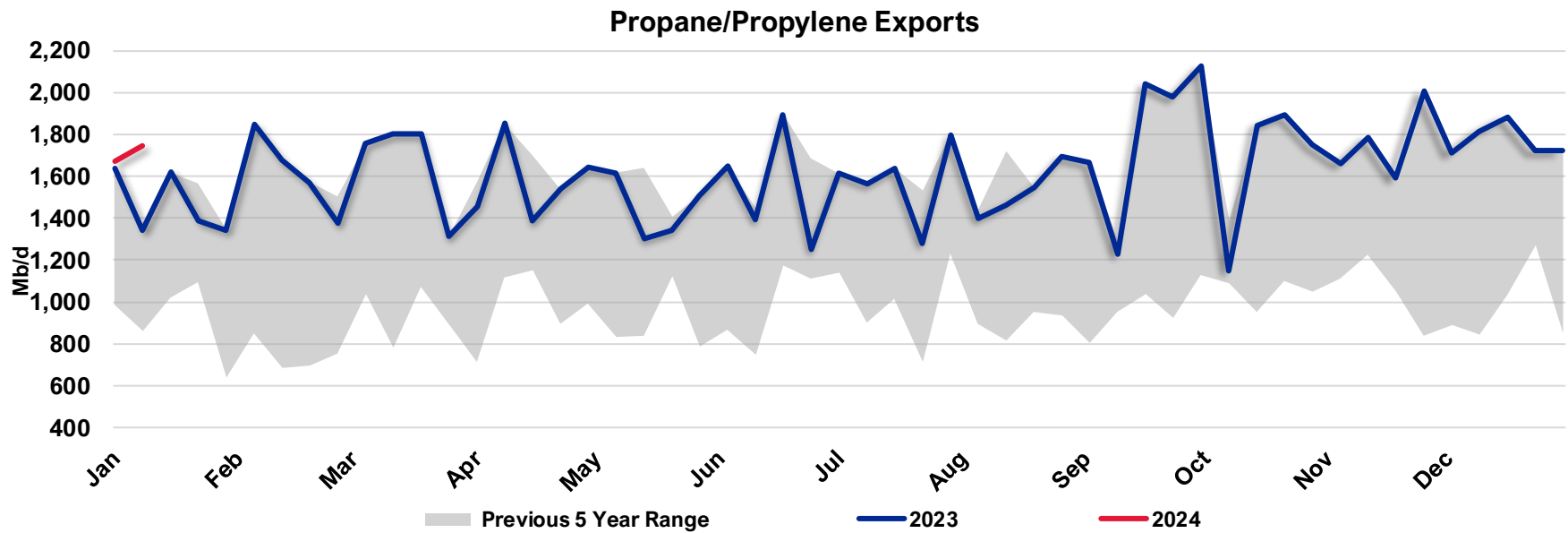


Figure 11

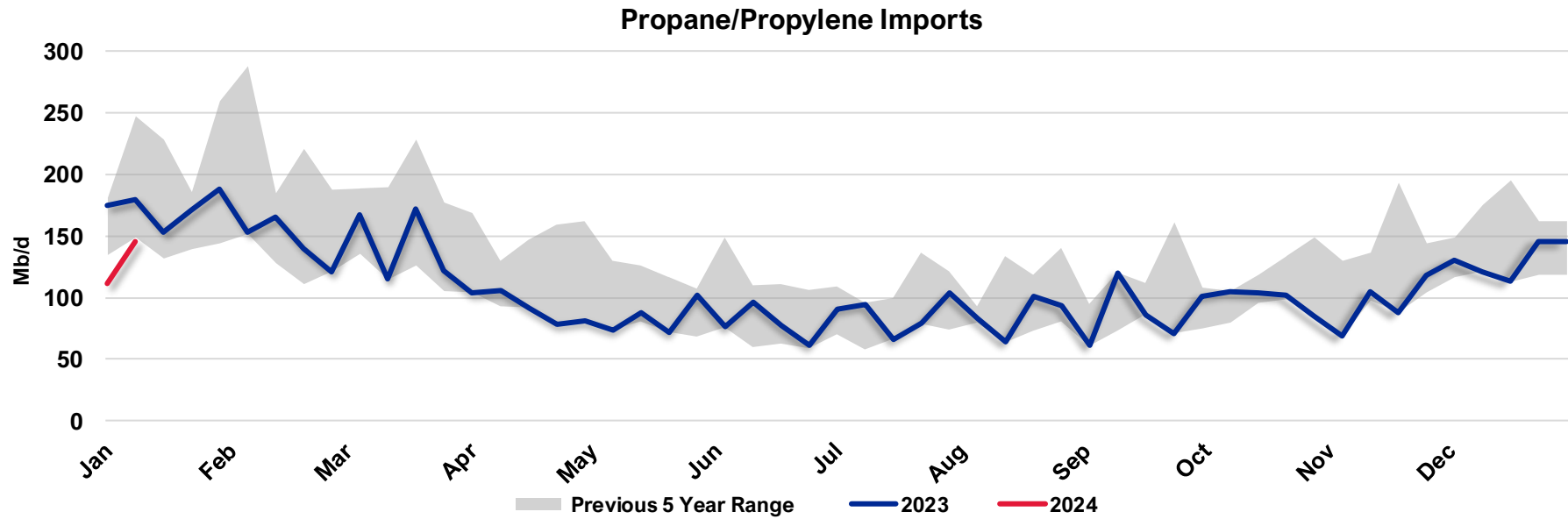


Figure 12

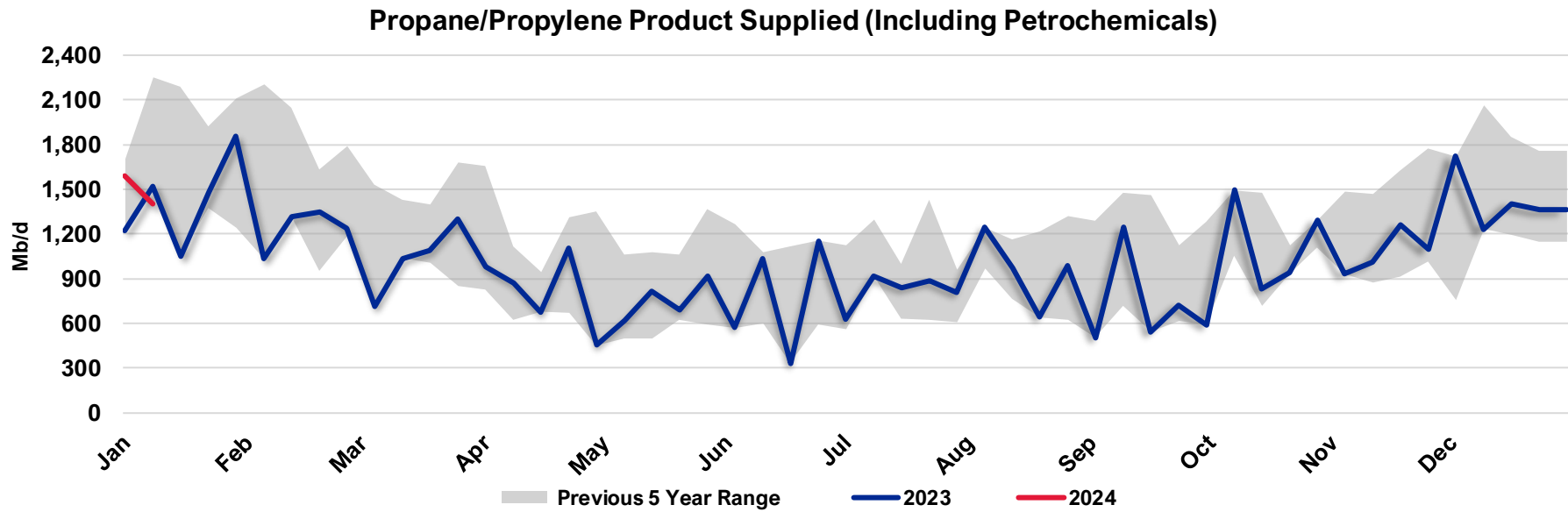


Figure 13

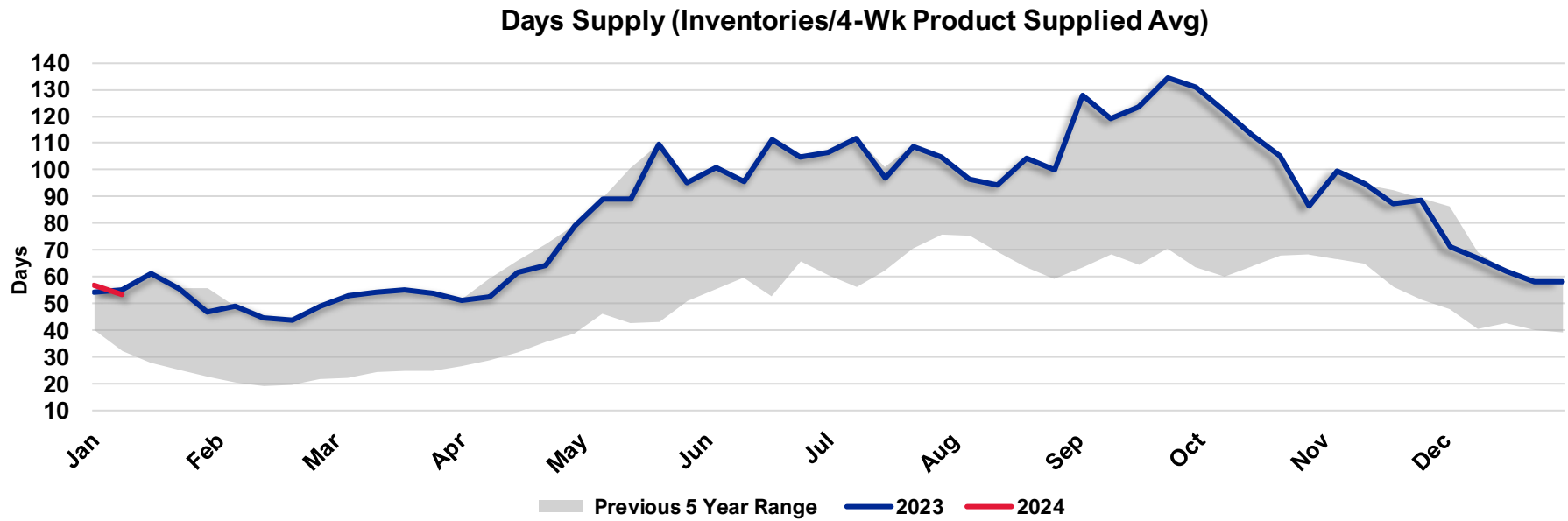
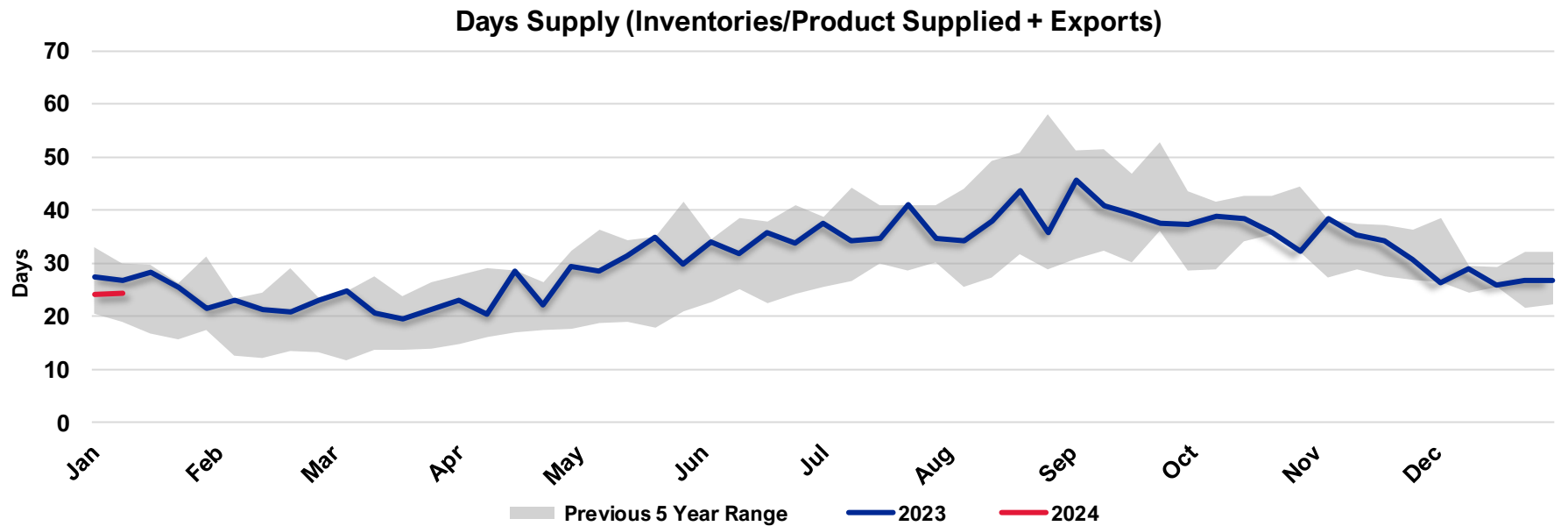


Figure 14



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