



WEEKLY PROPANE MARKET UPDATE

January 10, 2024

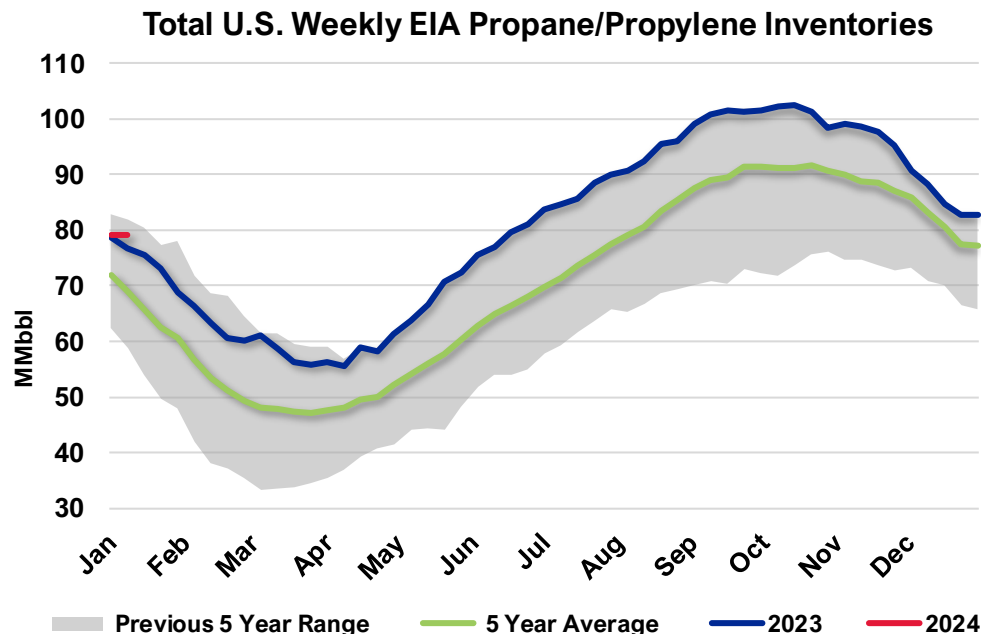
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 3.6 MMBbl for the week ended January 5, which was above average industry expectations for a draw of 2.2 MMBbl and the 2.8 MMBbl average decline for the week. Total U.S. propane stocks now stand at 79.1 MMBbl, which is 7 MMBbl, or 10%, above the 5-year average.
- » Crude oil prices were relatively flat over the last week as supply concerns due to tensions in the Middle East balanced with a weakening demand outlook. WTI settled at \$72.24/bbl on January 9, down \$0.46/bbl from January 3. U.S. propane prices were stronger than crude, with the Mont Belvieu OPIS non-TET price increasing by 3.8 c/gal from last week to 72.7 c/gal on January 9. As a result, the non-TET propane-to-WTI ratio increased by 2 percentage points from last week to 42%.
- » Weekly exports of propane reported by the EIA were weaker at 1.67 MMBbl/d, down 51 Mbbbl/d from last week's strong rate and in line with the 2023 average rate of 1.62 MMBbl/d.
- » Total U.S. production of propane/propylene was unchanged from last week at 2.64 MMBbl/d as higher output in PADD 4/5 was offset by decreases in all other regions.

MARKET OVERVIEW

Mont Belvieu (non-TET) propane prices increased by 3.8 c/gal, or 5.5%, during the past week, settling at 72.7 c/gal on January 9. WTI prices were weaker than propane, falling by \$0.46/bbl, or 0.6%, to \$72.24/bbl over the same period, which increased the propane-to-WTI ratio by 2 percentage points to 42% (blue line, Figure 4). The current ratio is slightly below the 45% average recorded in January 2023. The forward propane-to-WTI ratio for February-April 2024 was also up 2 percentage points compared to last week at 42% (red dashed line, Figure 4).

Figure 1

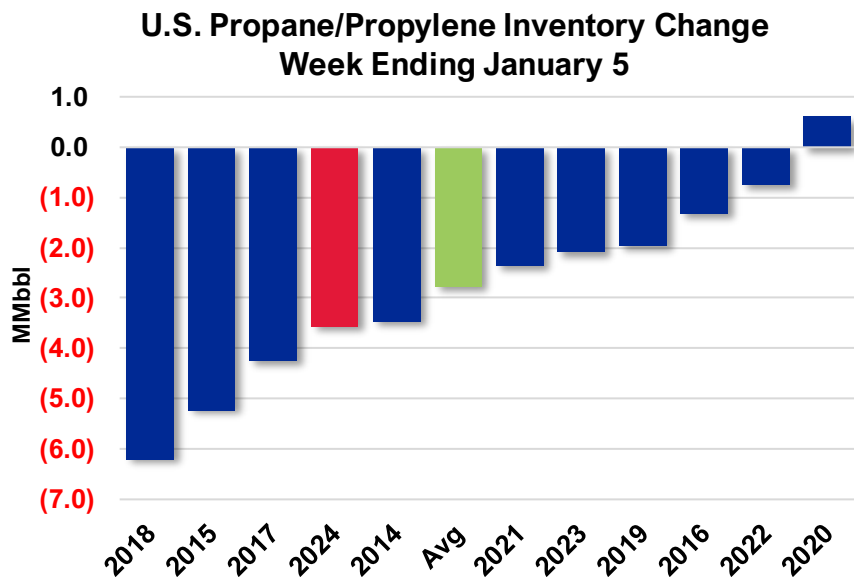


ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane volumes for the week ended January 5 drew by 3.6 MMBbl, more than 1 MMBbl above expectations. According to OPIS, the average of industry expectations was for a draw of 2.2 MMBbl. The inventory draw was about 800 Mbbbl more than the average change for the week. Total U.S. propane stocks are now 79.1 MMBbl, which is 476 Mbbbl, or 0.6%, less than the same week in 2023 and 3.7 MMBbl, or 4.5%, below the 5-year maximum. Inventories are 7 MMBbl, or 10%, above the 5-year average. Regional changes show decreases in all areas but PADD 4/5, which was essentially unchanged.

PADD 3 (Gulf Coast) propane inventories drew by 2.4 MMBbl and total stocks for the region are now at 45.1 MMBbl, putting them 122 Mbbbl, or 0.3%, below 2023; 8.2 MMBbl, or 15%, below the 5-year maximum; and 4.9 MMBbl, or 12.2%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) propane stocks fell by 749 Mbbbl, bringing total inventories to 21.1 MMbbl, which is 1.6 MMbbl, or 7%, below 2023 and the 5-year maximum. Stocks are now 358 Mbbbl, or 1.7%, above the 5-year average.

PADD 1 (East Coast) propane inventories decreased by 502 Mbbbl. East Coast inventories are now at 7.6 MMbbl, which is 788 Mbbbl, or 11.6%, above 2023 but 804 Mbbbl, or 9.6%, below the 5-year maximum. Inventories are 321 Mbbbl, or 4.4%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories were essentially unchanged for the week. Total stocks for the region remain at 5.3 MMbbl, which is 1.4 MMbbl, or 36.1%, over 2023. Inventories are 255 Mbbbl, or 5.1%, above the 5-year maximum and 1.4 MMbbl, or 37.6%, above the 5-year average.

Total U.S. production was relatively flat at 2,637 Mbbbl/d. PADD 4/5 had an increase of 14 Mbbbl/d while all other regions had a combined decrease of 18 Mbbbl/d. Exports declined by 51 Mbbbl/d to 1,669 Mbbbl/d, which is slightly below the four-week average of 1,770 Mbbbl/d and the 1,637 Mbbbl/d reported in the year-ago week. Imports fell by 35 Mbbbl/d to 111 Mbbbl/d as PADD 1 and PADD 4/5 reported decreases. Product supplied rose by 233 Mbbbl/d to 1,591 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended January 5 (red bar, Figure 2) of 3.6 MMbbl was about 800 Mbbbl more than the average decrease of 2.8 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET (Enterprise) was relatively unchanged from the prior week, with Conway trading at a 1.2 c/gal discount on January 9 compared to a 1 c/gal discount on January 3. The forward-price differential between Mont Belvieu (TET or LST) and Conway was also little changed from last week, with Mont Belvieu trading at a 1.3 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 57 days, which is two days more 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 nine 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

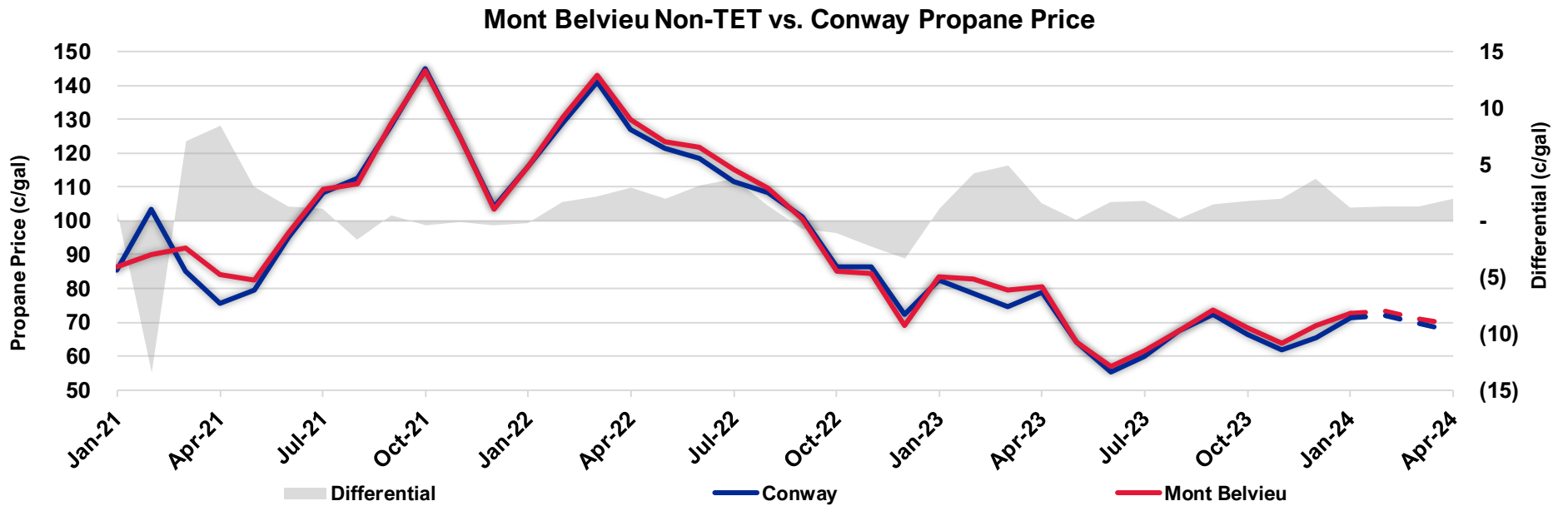
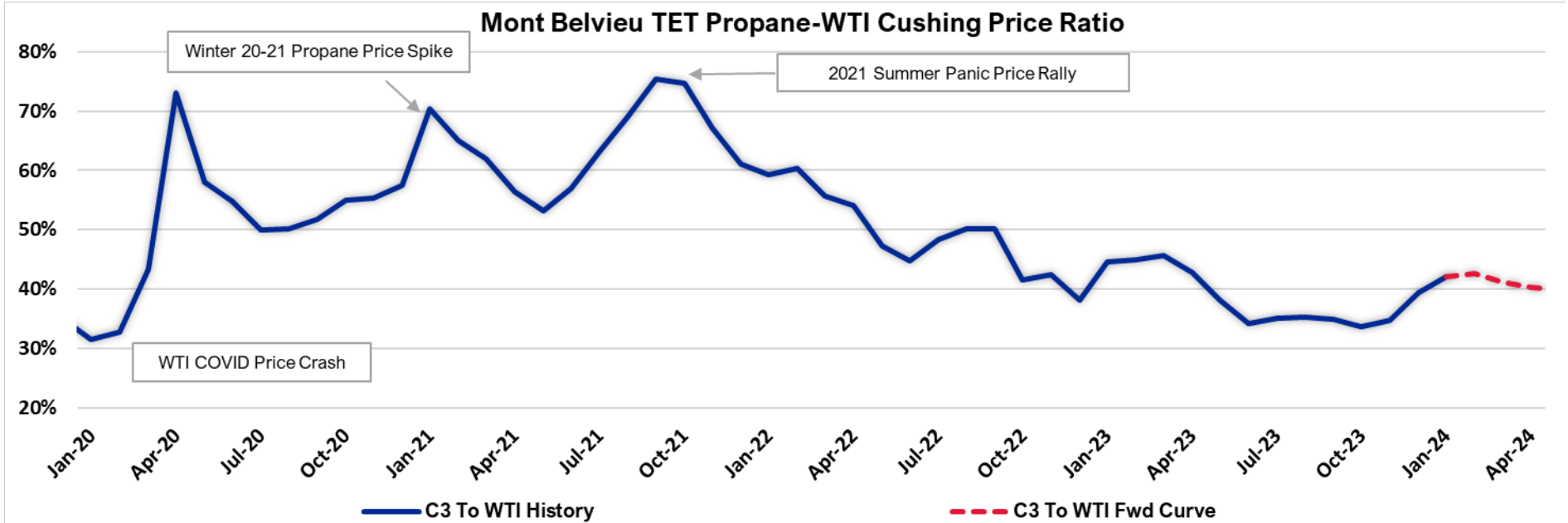


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

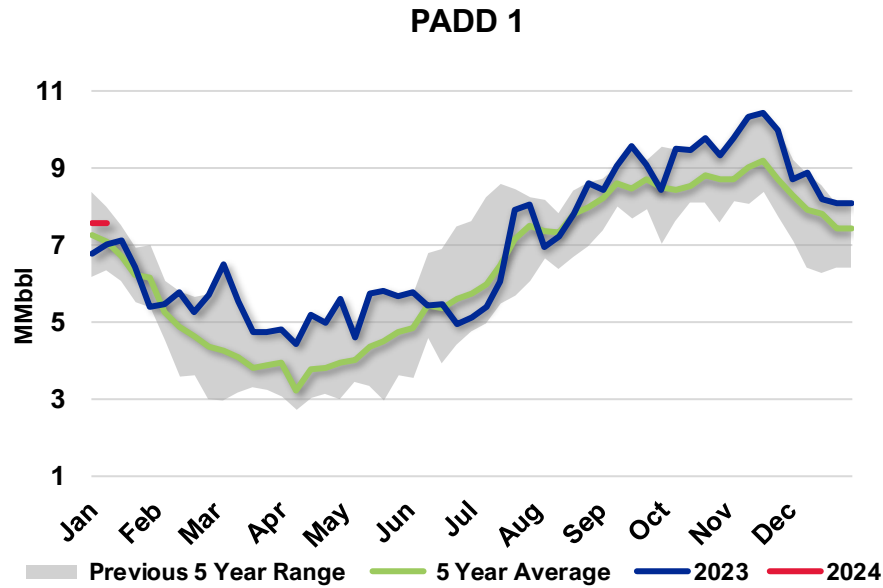


Figure 6

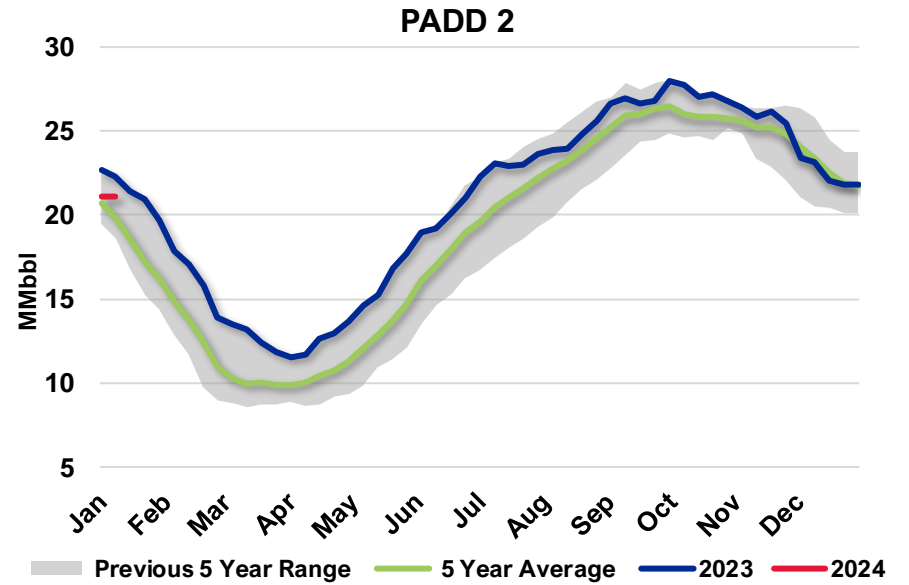


Figure 7

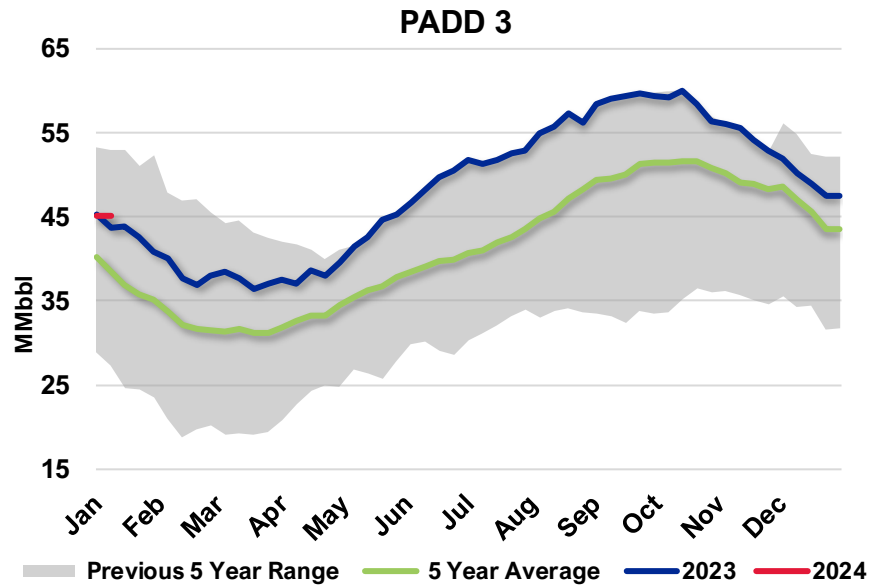


Figure 8

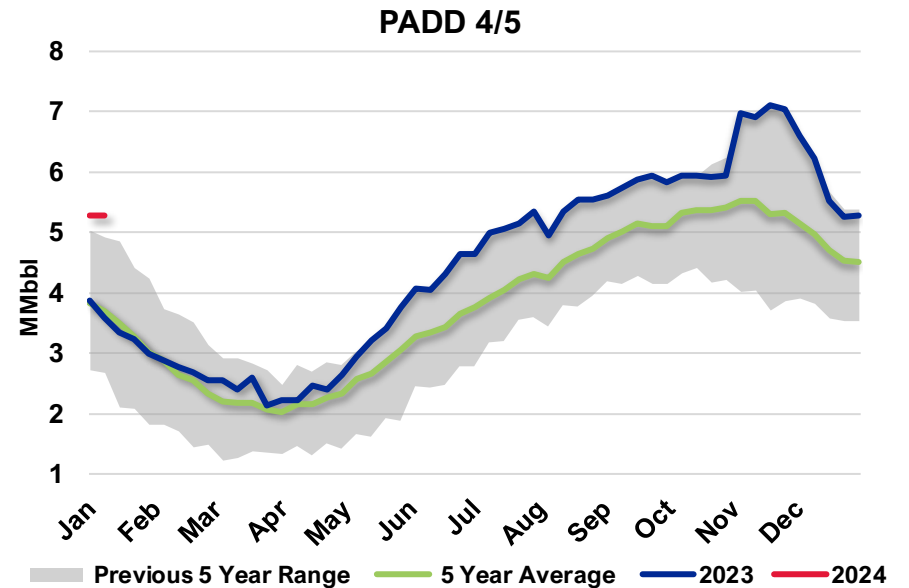


Figure 9

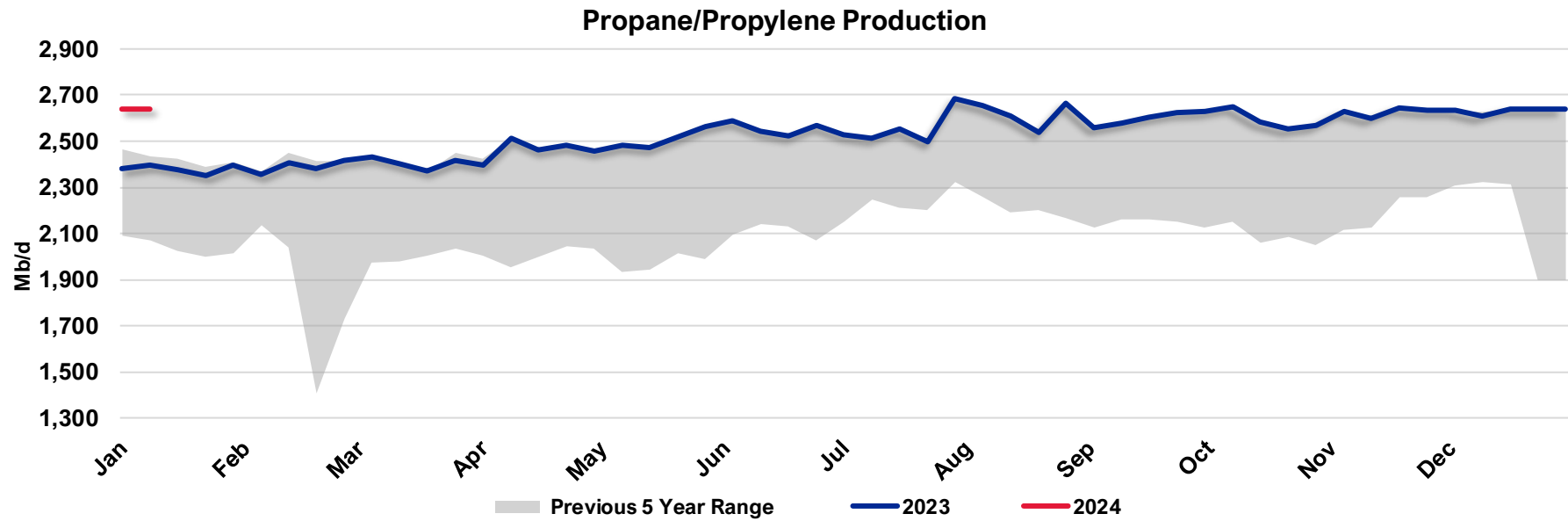


Figure 10

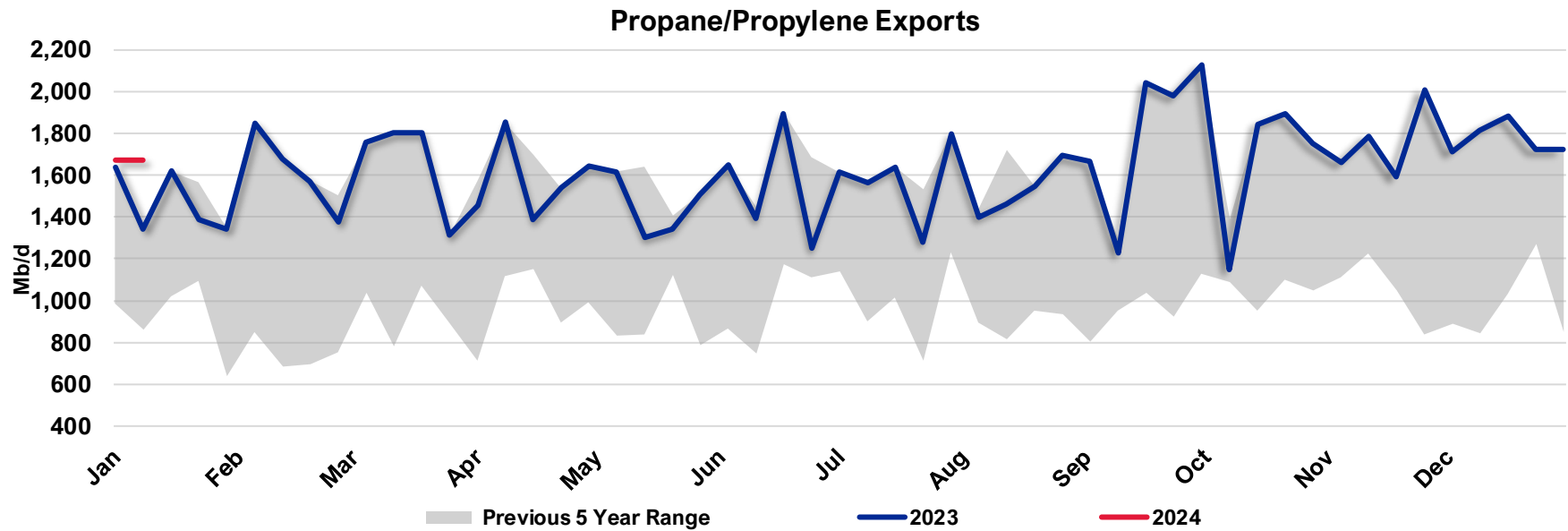


Figure 11

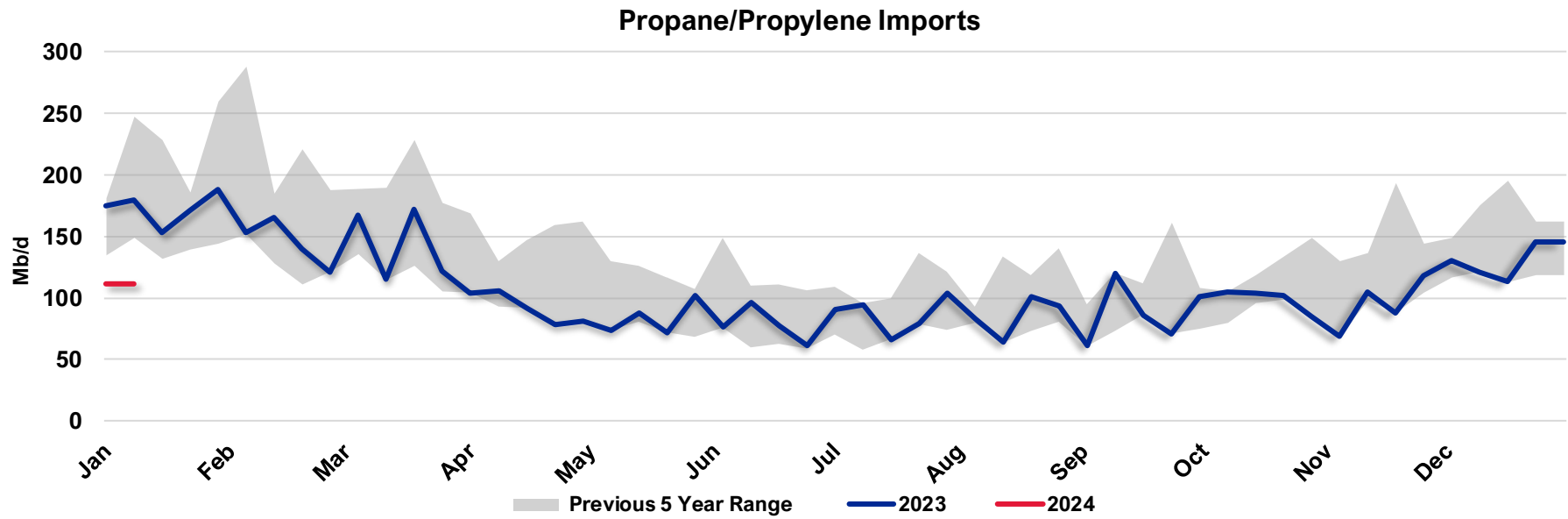


Figure 12

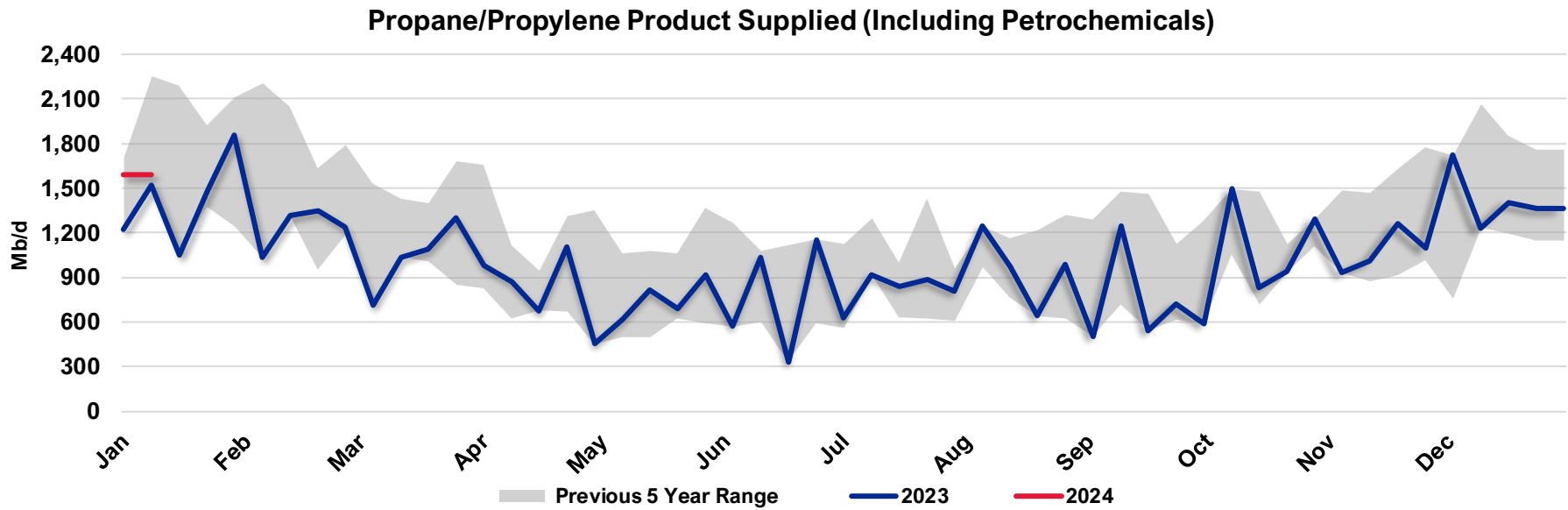


Figure 13

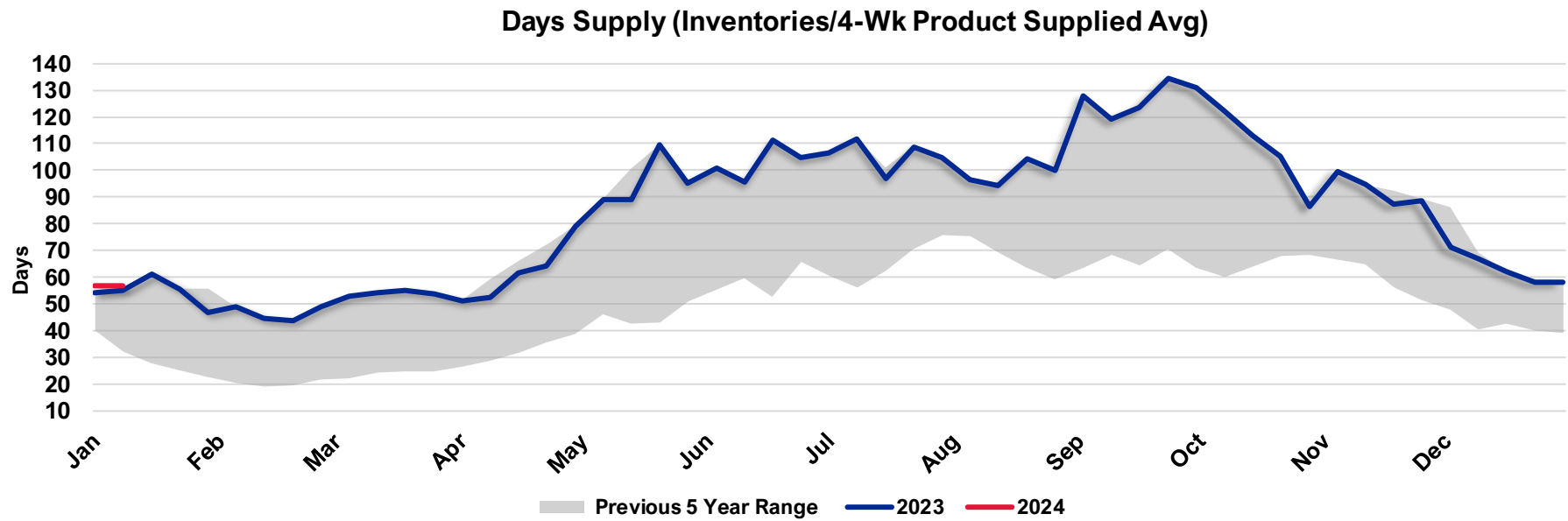
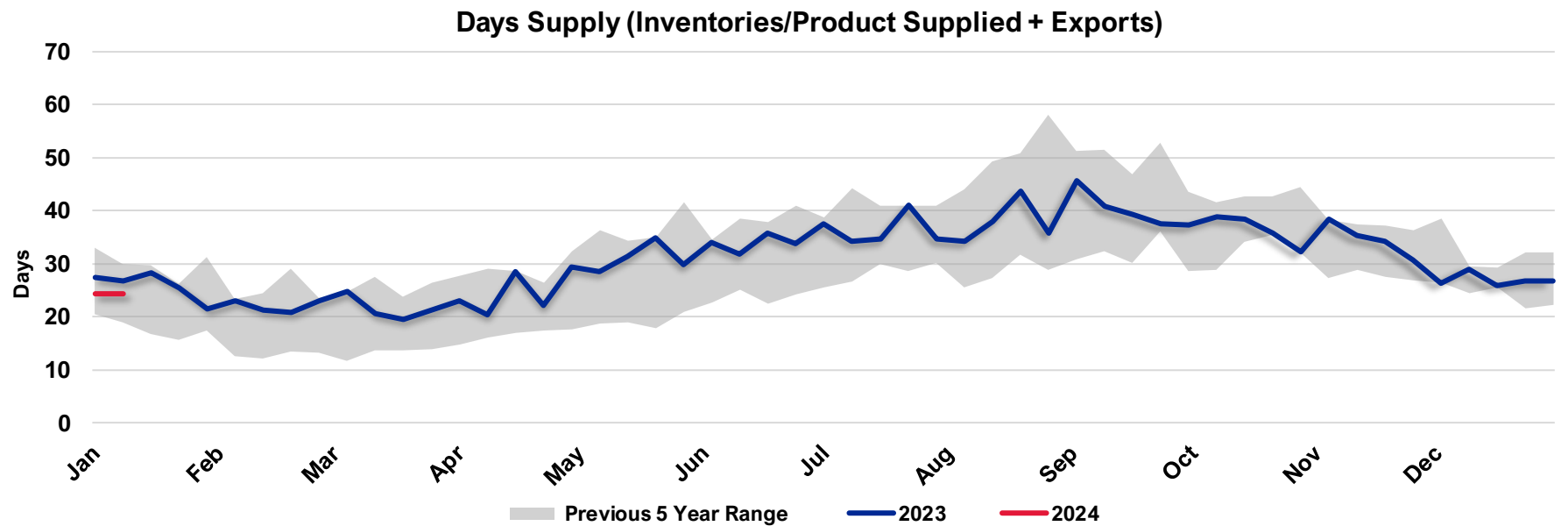


Figure 14



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