



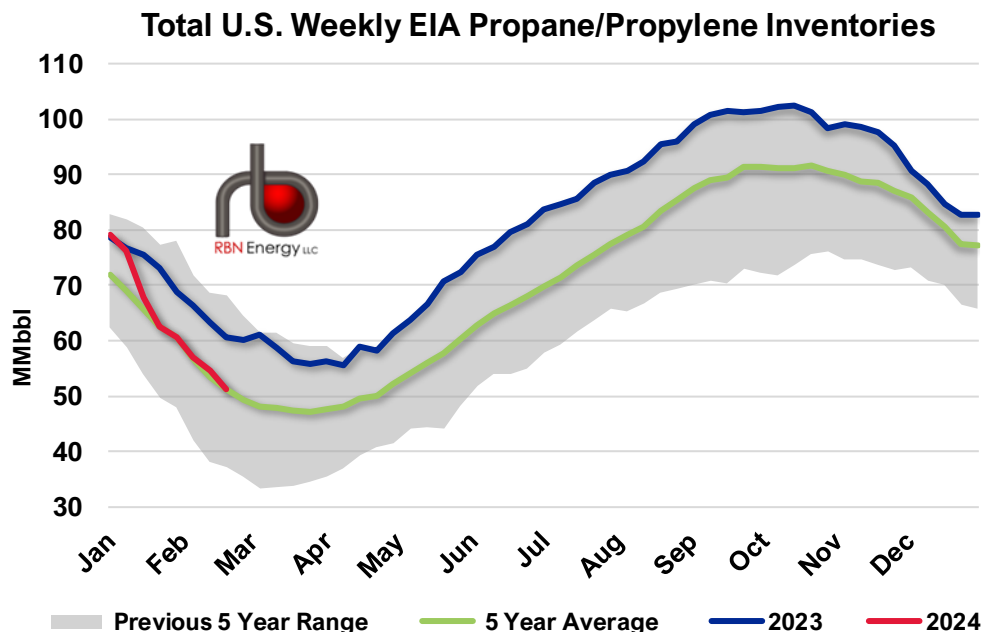
WEEKLY PROPANE MARKET UPDATE

February 28, 2024

HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories recorded a draw of 3.4 MMbbl for the week ended February 23, which was above the average of industry expectations for a draw of 2.1 MMbbl and the 1.9 MMbbl average decline for the week. Total U.S. propane stocks now stand at 51.2 MMbbl, which is on par with the 5-year average.
- » The EIA reported weekly purity propane inventory data for the first time. Purity propane stocks were reported at 24.8 MMbbl, which is 48% of total U.S. inventories.
- » Total U.S. propane/propylene stocks have dropped by 50 MMbbl over the last 17 weeks, compared to a decline of only 27.5 MMbbl for the same period last year, according to EIA data.
- » Crude oil prices were modestly lower over the last week as the market focused on global supply/demand concerns with the potential for a delay in cuts to U.S. interest rates. WTI settled at \$78.87/bbl on February 27, down \$1.04/bbl from February 21. U.S. propane prices were weaker, with Mont Belvieu OPIS non-TET falling by 3.2 c/gal, or 3.6%, from last week to 85.3 c/gal on February 27. As a result, the non-TET propane-to-WTI ratio declined by 2.5 percentage points to 45.5%.
- » Weekly exports of propane reported by the EIA fell sharply to 1.66 MMbbl/d, down 250 Mbbl/d from last week's strong rate and below the 4-week average rate of 1.76 MMbbl/d.
- » Total U.S. production of propane/propylene was up by 14 Mbbl/d from last week to 2,482 Mbbl/d as output increased, primarily in PADD 2.

Figure 1



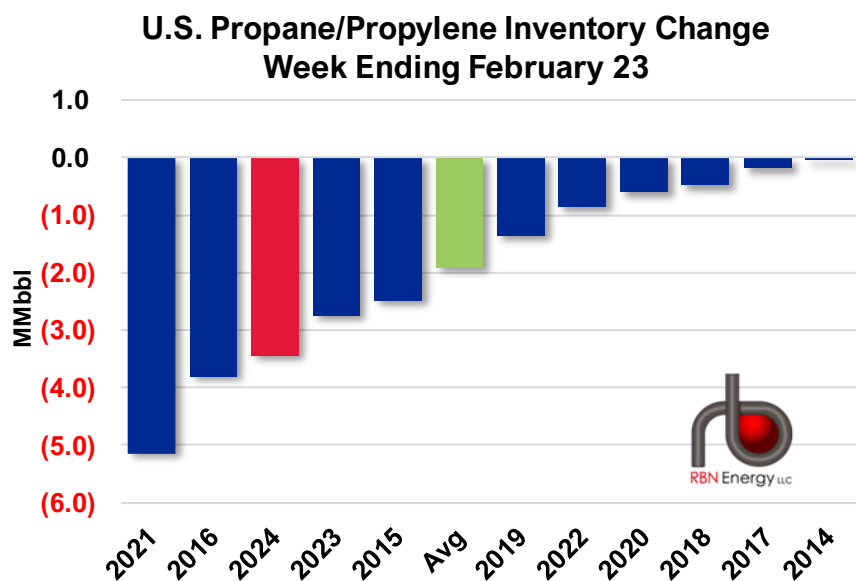
MARKET OVERVIEW

The U.S. propane market moved lower over the past week with prices weakening versus crude oil. Mont Belvieu (non-TET) propane declined by 3.2 c/gal, or 3.6%, settling at 85.3 c/gal on February 27. WTI prices were also weaker, declining by \$1.04/bbl, or 1.3%, to \$78.87/bbl on February 27, which pulled the propane-to-WTI ratio down to 45.5% (blue line, Figure 4). The current ratio is on par with the 45% average recorded in February 2023. The forward propane-to-WTI ratio for March-May was down 1 percentage point compared to last week to 43% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report for the week ended February 23, propane inventories drew by 3.4 MMbbl, which was about 1.3 MMbbl more than expectations. According to OPIS, the average of industry expectations called for a draw of 2.1 MMbbl. Total U.S. propane

Figure 2



ANALYSIS & INSIGHTS (continued)

stocks are now 51.2MMbbl, which is 9.4 MMbbl, or 15.5%, below the same week in 2023 and 17 MMbbl, or 25%, below the 5-year maximum. Inventories are now essentially the same as the 5-year average. Stocks fell in all areas, with PADD 3 having the largest drop.

PADD 3 (Gulf Coast) propane inventories fell by 1.6 MMbbl and total stocks for the region are now at 30.2 MMbbl, which is 6.6 MMbbl, or 18%, below 2023 and 16.8 MMbbl, or 35.8%, below the 5-year maximum. Inventories for the region are 1.4 MMbbl, or 4.5%, below the 5-year average.

PADD 2 (Midwest) propane stocks dropped by 1 MMbbl, bringing total inventories to 12.5 MMbbl, which is 3.4 MMbbl, or 21.3%, below 2023 and the 5-year maximum. Stocks are basically the same as the 5-year average.

PADD 1 (East Coast) propane inventories drew by 624 Mbbbl. East Coast inventories are now at 4.3 MMbbl, which is 926 Mbbbl, or 17.6%, below 2023 and 1.3 MMbbl, or 23.4%, under the 5-year maximum. Inventories are 304 Mbbbl, or 6.6%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories decreased by 239 Mbbbl for the week. Total stocks for the region are 4.2 MMbbl, which is 1.5 MMbbl, or 55.8%, over 2023. Inventories are 685 Mbbbl, or 19.5%, above the 5-year maximum and 1.6 MMbbl, or 64.1%, above the 5-year average.

Total U.S. production rose by 14 Mbbbl/d to 2,482 Mbbbl/d. PADD 1, PADD 2 and PADD 4/5 had a combined increase of 18 Mbbbl/d, which was partially offset by a decrease of 3 Mbbbl/d in PADD 3. Exports dropped by 250 Mbbbl/d to 1,661 Mbbbl/d, which is below the four-week average of 1,765 Mbbbl/d and above the 1,571 MMbbl/d reported in the year-ago week. Imports fell by 22 Mbbbl/d to 125 Mbbbl/d as volumes decreased in PADD 1 and PADD 2. Product supplied increased by 406 Mbbbl/d to 1,436 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended February 23 (red bar, Figure 2) of 3.4 MMbbl was about 1.5 MMbbl more than the average decrease for the week of 1.9 MMbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price spread to Mont Belvieu non-TET (Enterprise) narrowed over the week, with Conway trading at a 6.2 c/gal discount on February 27, compared to a 7.5 c/gal discount on February 21. The forward-price differential between Mont Belvieu (TET or LST) and Conway widened from last week, with Mont Belvieu trading at a 5.7 c/gal premium to Conway for March (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 41 days, which is three 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 17 days of inventory, which is four days less than 2023 and 12 days below the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

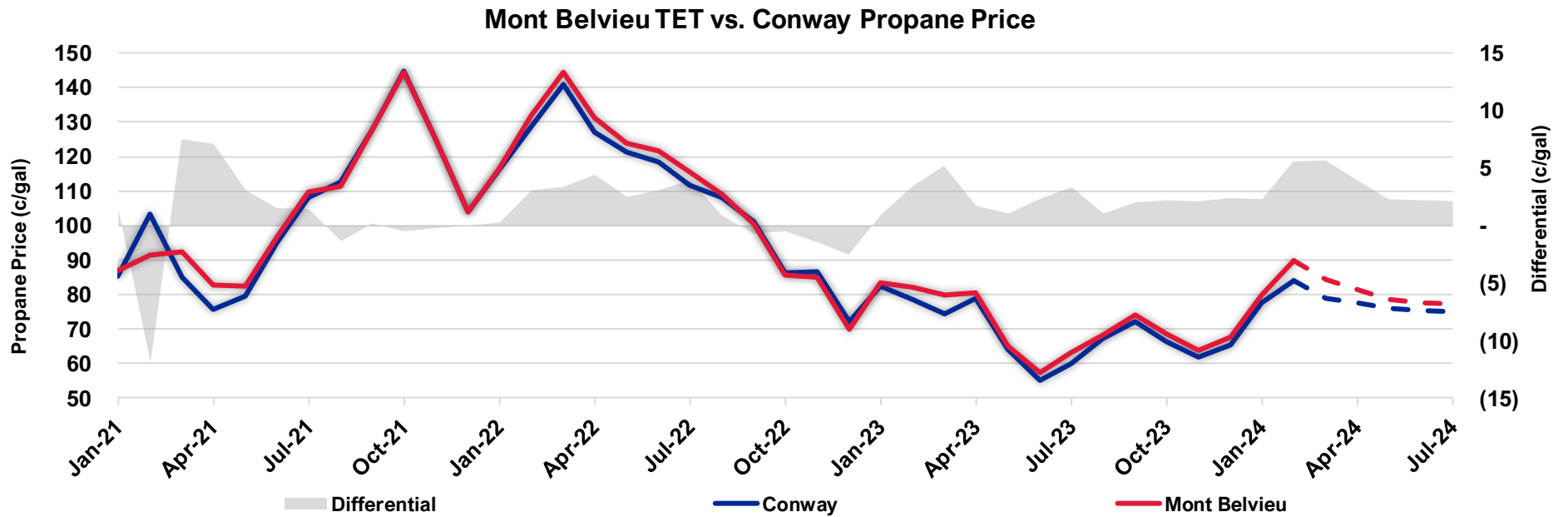
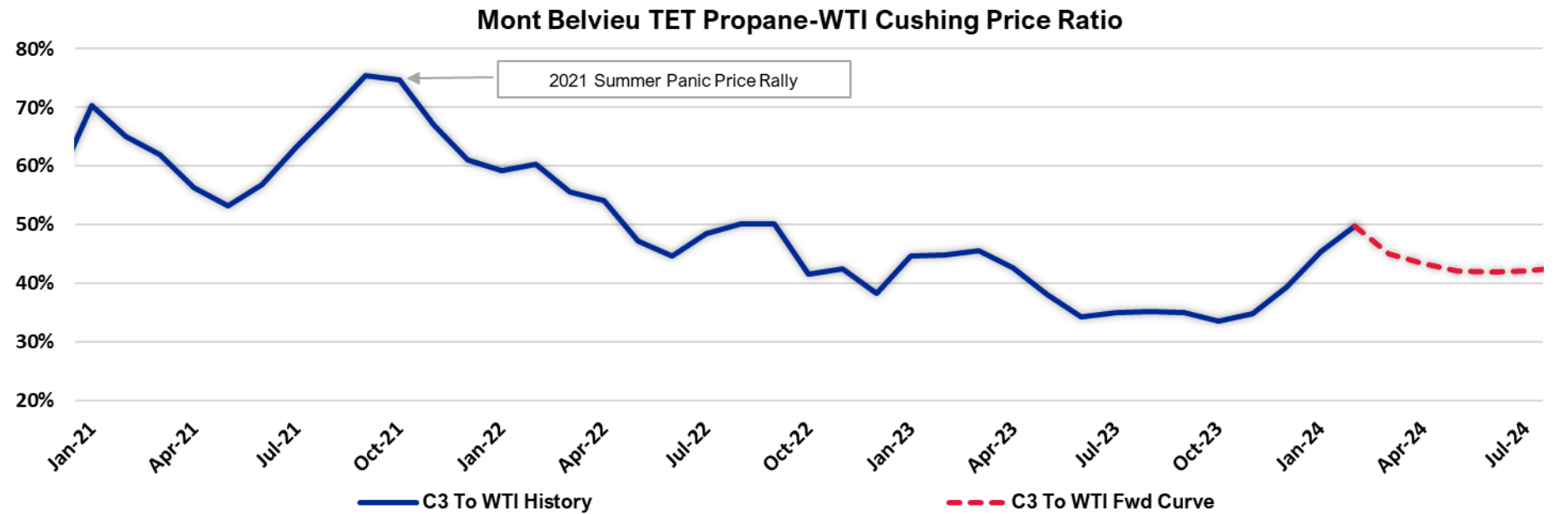


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

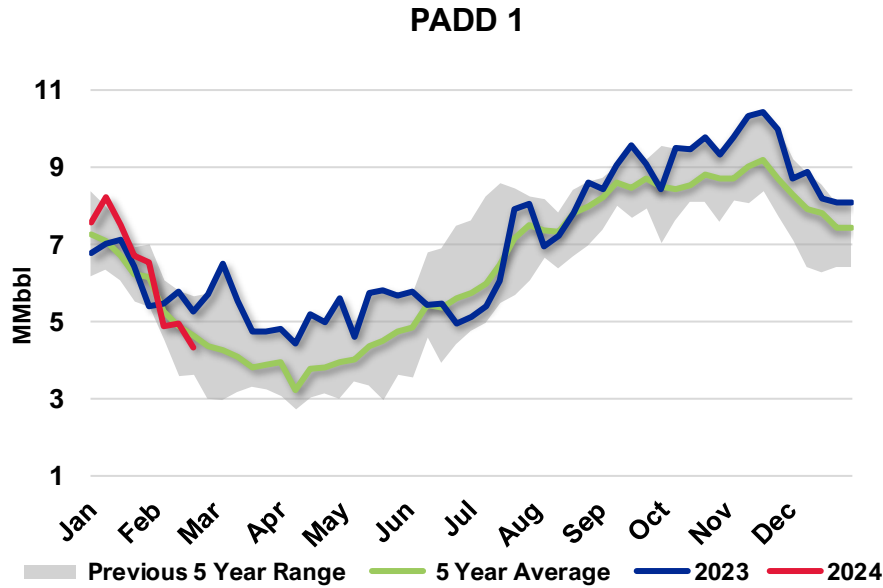


Figure 6

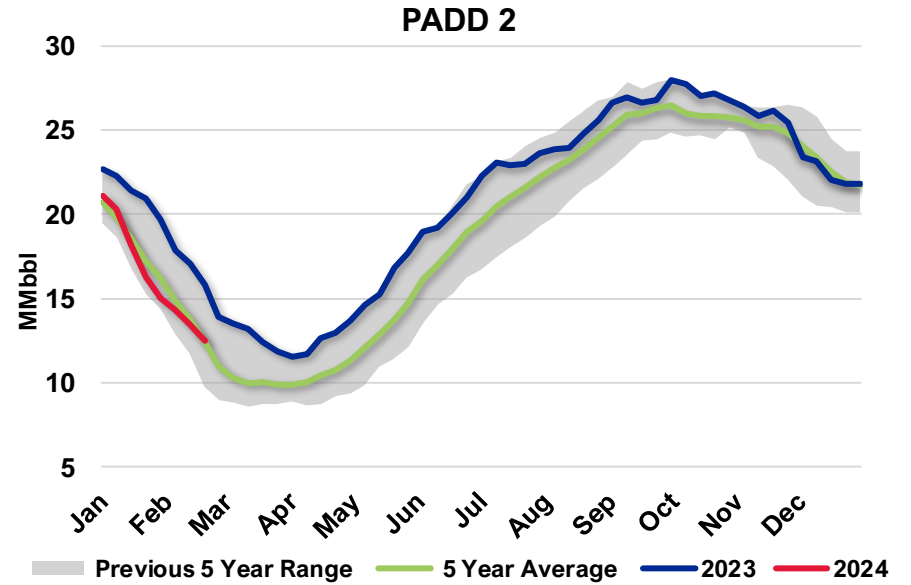


Figure 7

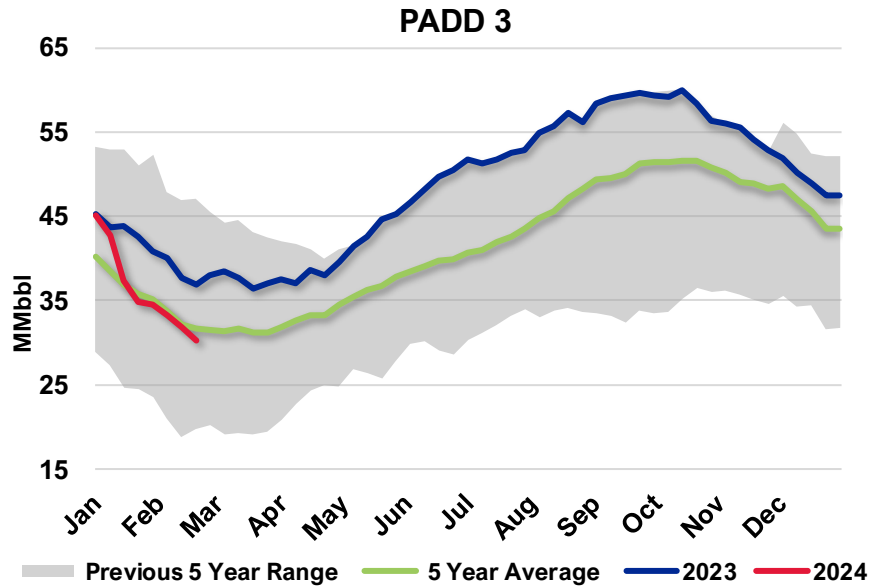


Figure 8

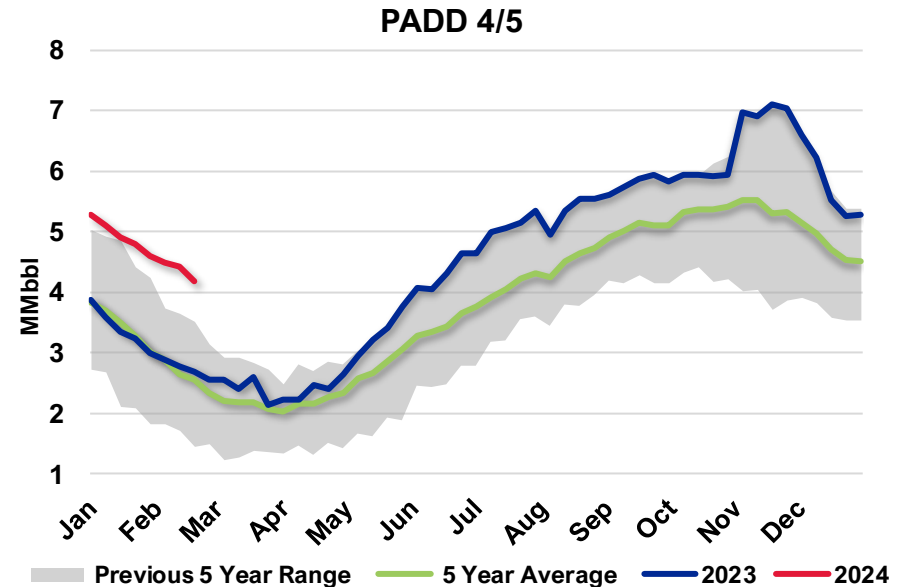


Figure 9

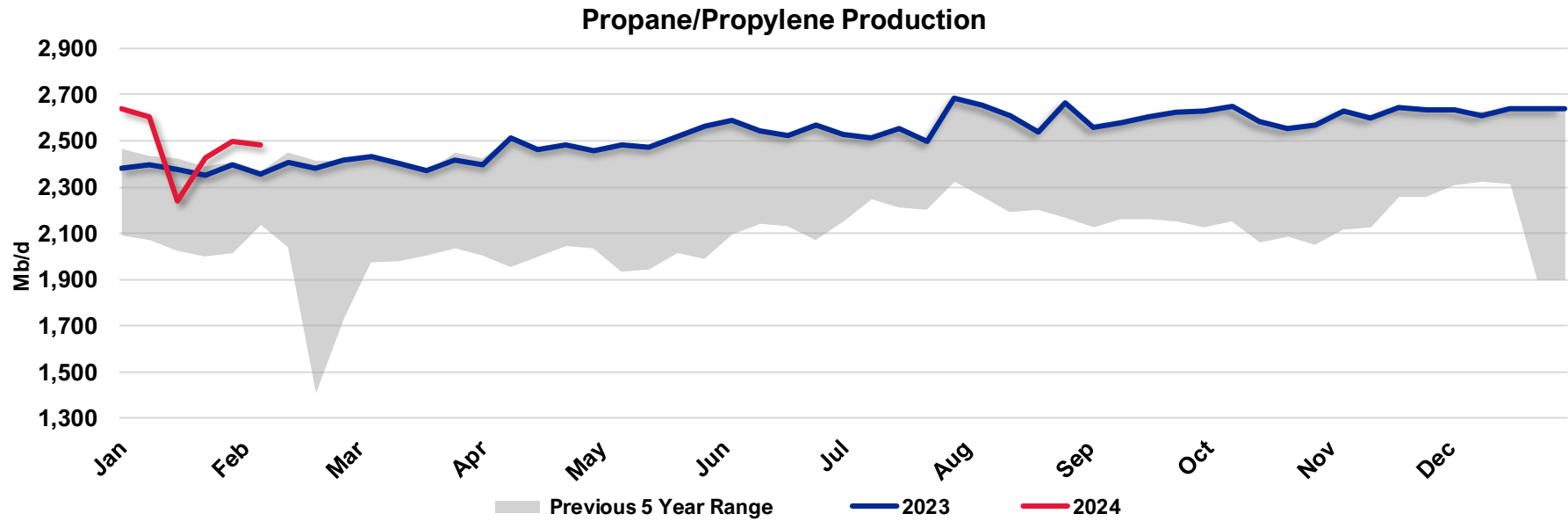


Figure 10

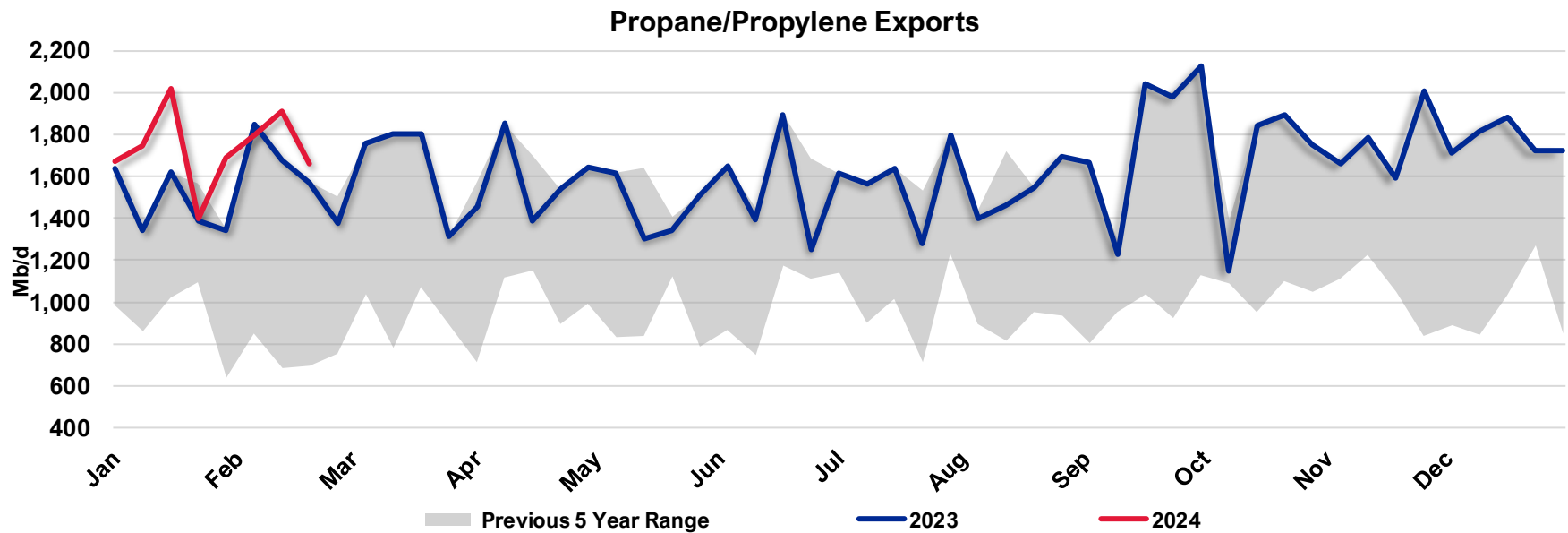


Figure 11

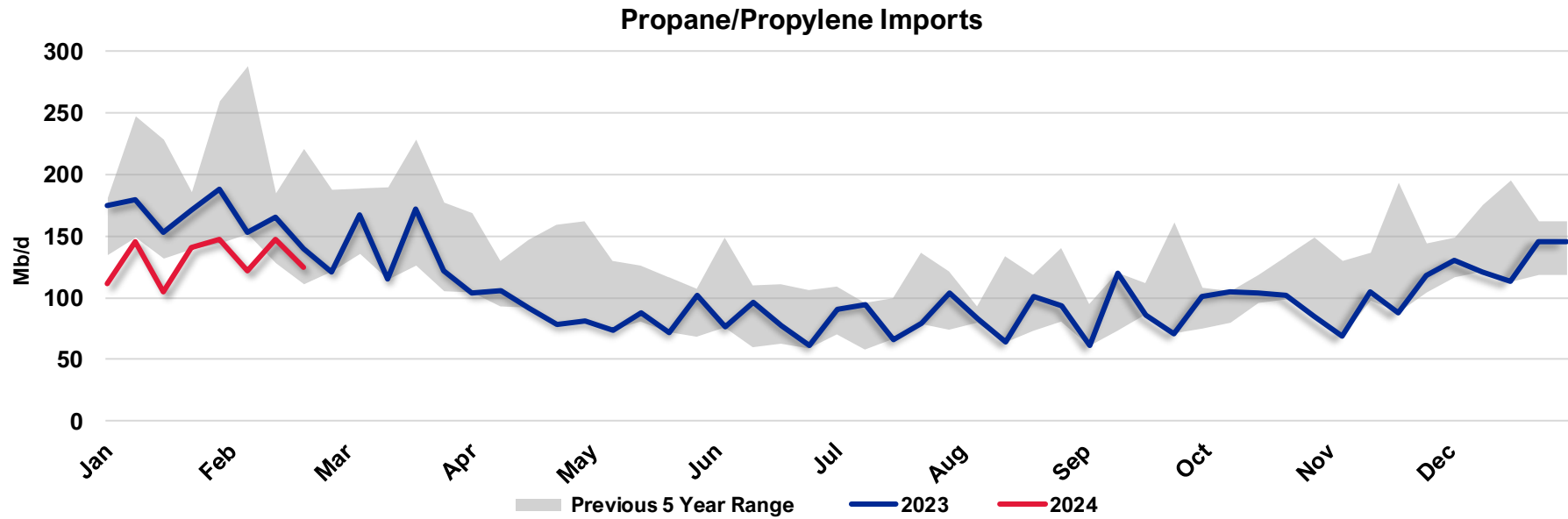


Figure 12

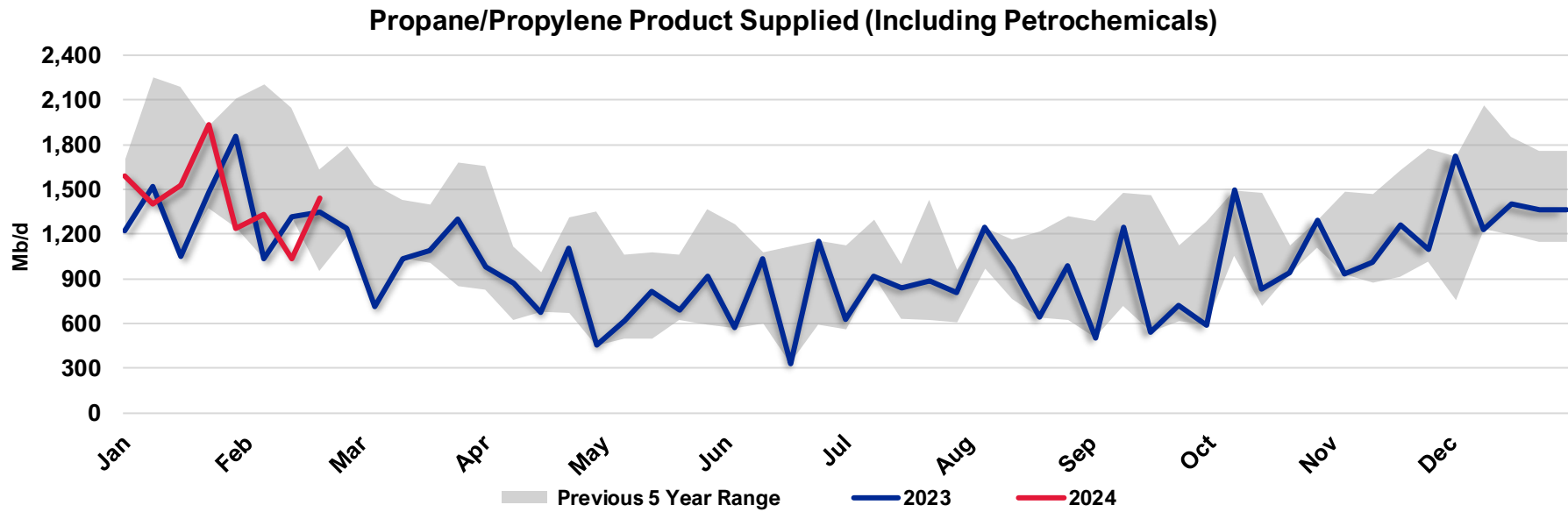


Figure 13

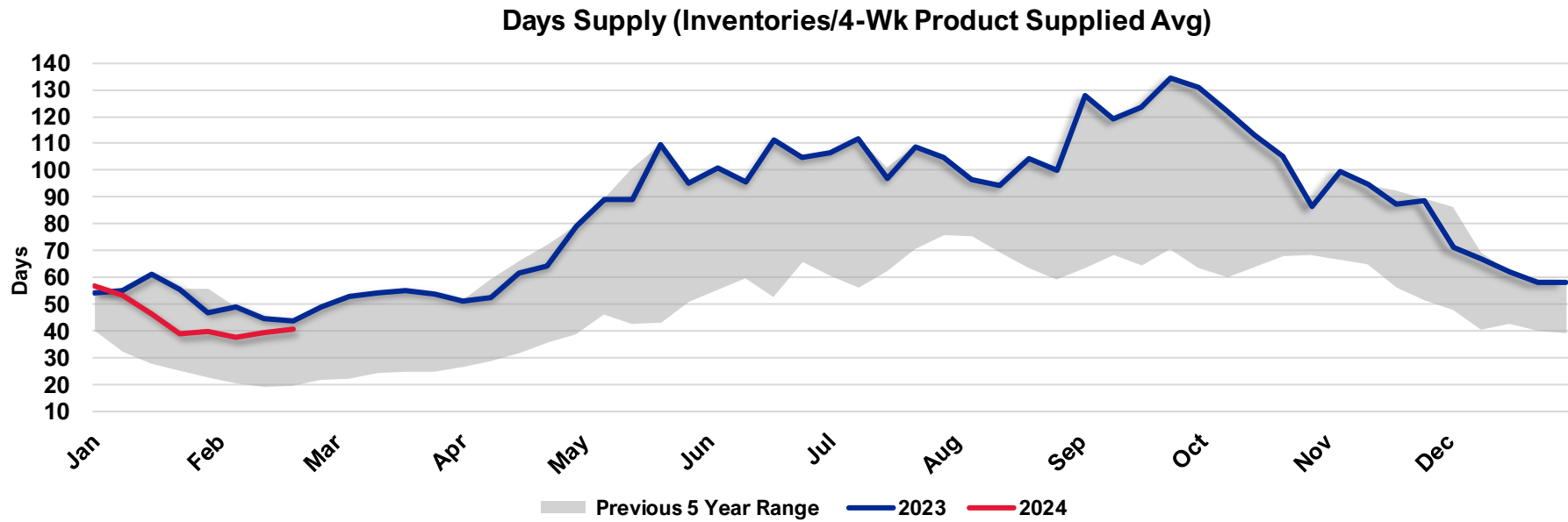
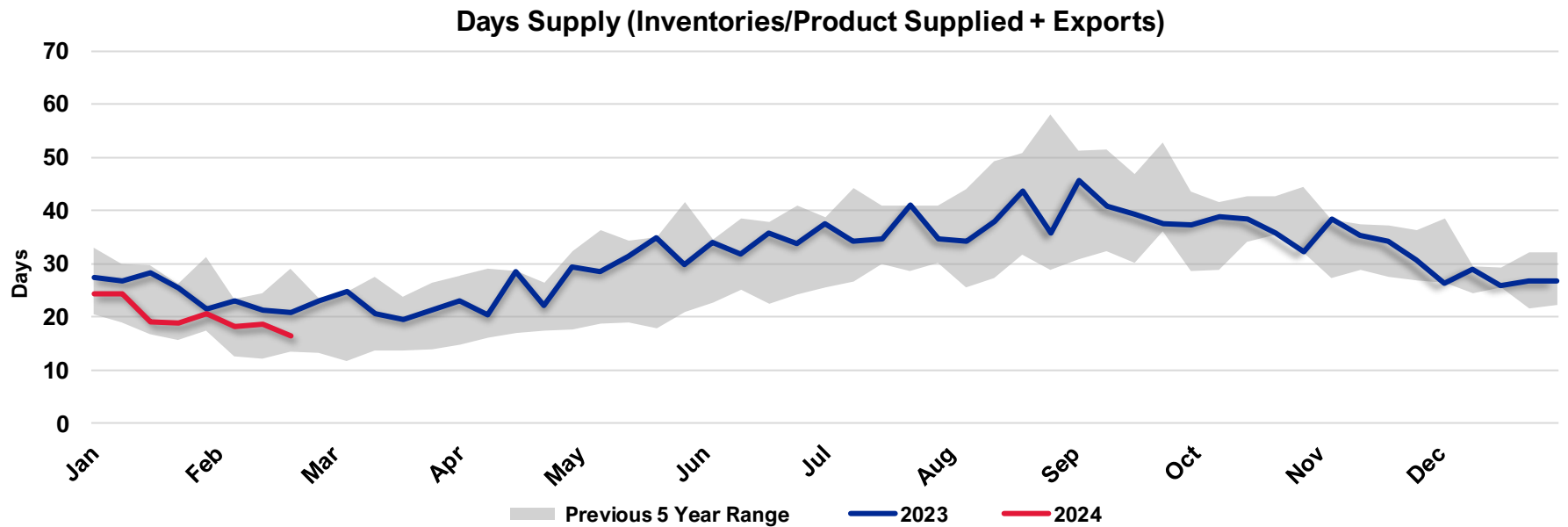


Figure 14



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