



WEEKLY PROPANE MARKET UPDATE

February 14, 2024

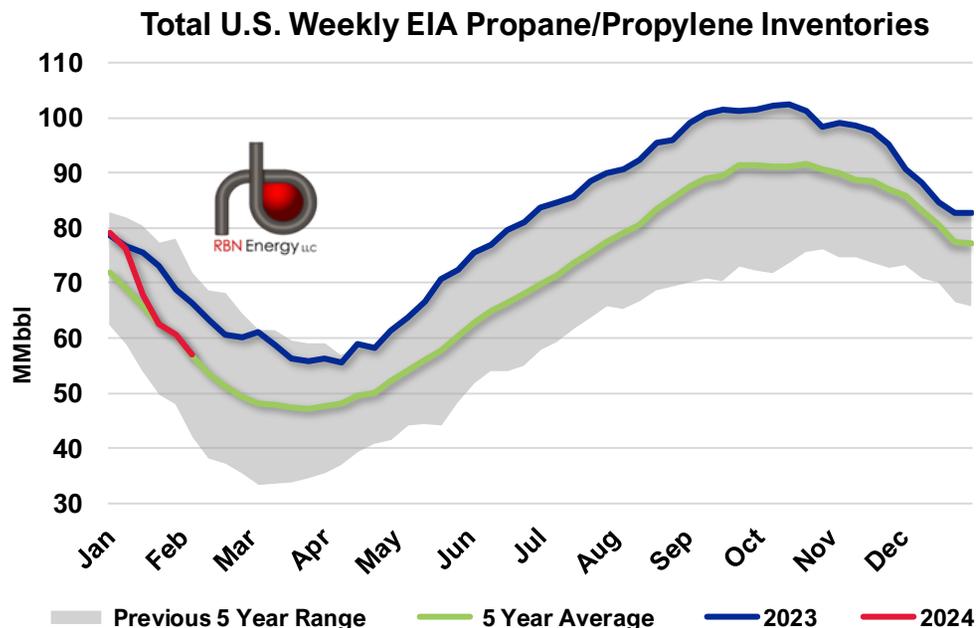
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories recorded a draw of 3.7 MMbbl for the week ended February 9, which was above the average of industry expectations for a draw of 2.4 MMbbl and the 3.3 MMbbl average decline for the week. Total U.S. propane stocks now stand at 56.9 MMbbl, which is on par with the 5-year average.
- » Total U.S. propane/propylene stocks have dropped by 44.3 MMbbl over the last 15 weeks, compared to a decline of only 21.8 MMbbl for the same period last year, according to EIA data.
- » Crude oil prices strengthened over the last week as geopolitical tensions in the Middle East kept prices elevated. WTI settled at \$77.87/bbl on February 13, up \$4.56/bbl, or 6.2%, from February 6. U.S. propane prices were slightly weaker, with Mont Belvieu OPIS non-TET falling by 0.5 c/gal, or 0.5%, from last week to 92.4 c/gal on February 13. As a result, the non-TET propane-to-WTI ratio declined 3 percentage points to 50%.
- » Weekly exports of propane reported by the EIA were stronger at 1.8 MMbbl/d, up 107 Mbbl/d from last week and above the 4-week average rate of 1.73 MMbbl/d.
- » Total U.S. production of propane/propylene was down by 12 Mbbl/d from last week to 2,483 Mbbl/d. Output increased by 8 Mb/d in PADD 3, which was more than offset by a combined 20 Mb/d decline in all other regions.

MARKET OVERVIEW

The U.S. propane market moved modestly lower over the past week with prices lagging crude oil. Mont Belvieu (non-TET) propane declined by 0.5 c/gal, or 0.5%, settling at 92.4 c/gal on

Figure 1

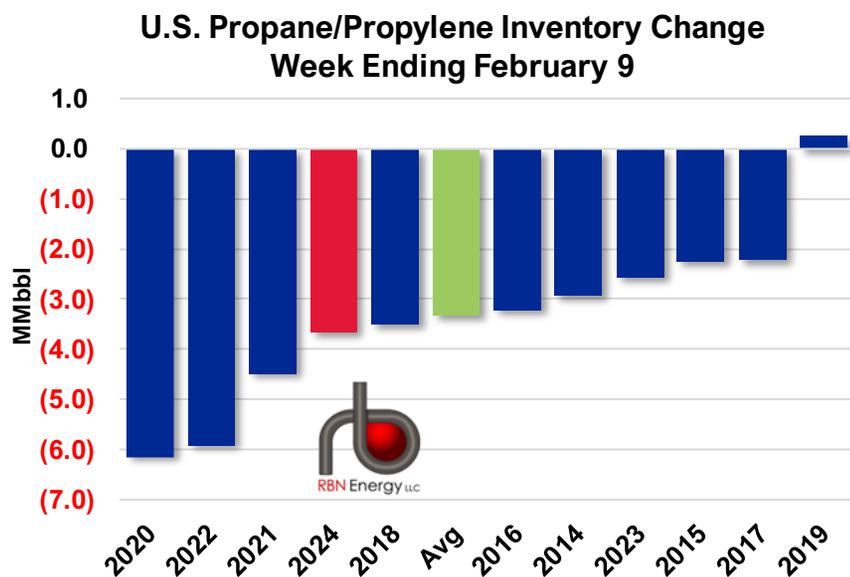


February 13. WTI prices were stronger, rising by \$4.56/bbl, or 6.2%, to \$77.87/bbl on February 13, which pulled the propane-to-WTI ratio down to 50% (blue line, Figure 4). The current ratio remains above the 45% average recorded in February 2023. The forward propane-to-WTI ratio for March-May 2024 was down 1 percentage point compared to last week at 47% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report for the week ending February 9, propane inventories drew by 3.7 MMbbl, which is slightly above the average draw for the week of 3.3 MMbbl. According to OPIS, the average of industry expectations called for a draw of 2.4 MMbbl. Total U.S. propane stocks are now 56.9 MMbbl, which is 9.4 MMbbl, or 14.2%, below the same week in 2023 and 14.9 MMbbl, or 21%, below the 5-year maximum. Inventories are essentially the same as the 5-year average. Regional changes show stocks fell in all areas, with PADD 1 having the largest drop.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories fell by 1.2 MMbbl and total stocks for the region are now at 33.2 MMbbl, which is 6.9 MMbbl, or 17.1%, below 2023 and 14.7 MMbbl, or 30.6%, below the 5-year maximum. Inventories for the region are 533 Mbbbl, or 1.6%, below the 5-year average.

PADD 2 (Midwest) propane stocks dropped by 677 Mbbbl, bringing total inventories to 14.3 MMbbl, which is 3.6 MMbbl, or 19.9%, below 2023 and the 5-year maximum. Stocks are now 527 Mbbbl, or 3.5%, below the 5-year average.

PADD 1 (East Coast) propane inventories drew by 1.6 MMbbl. East Coast inventories are now at 4.9 MMbbl, which is 586 Mbbbl, or 10.7%, below 2023 and 1.2MMbbl, or 19.5%, below the 5-year maximum. Inventories are 369 Mbbbl, or 7%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories decreased by 115 Mbbbl for the week. Total stocks for the region are 4.5 MMbbl, which is 1.6 MMbbl, or 55.1%, over 2023. Inventories are 753 Mbbbl,

or 20.2%, above the 5-year maximum and 1.6 MMbbl, or 55.8%, above the 5-year average.

Total U.S. production declined by 12 Mbbbl/d to 2,483 Mbbbl/d. PADD 3 had the only increase in production of 8 Mbbbl/d while all other regions had a combined decrease of 20 Mbbbl/d, with PADD 1 having the largest. Exports increased by 107 Mbbbl/d to 1,797 Mbbbl/d, which is slightly above the four-week average of 1,726 Mbbbl/d but slightly below the 1,845 MMbbl/d reported in the year-ago week. Imports fell by 25 Mbbbl/d to 122 Mbbbl/d as volumes decreased in PADD 2 and PADD 4/5. Product supplied rose by 93 Mbbbl/d to 1,333 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended February 9 (red bar, Figure 2) of 3.7 MMbbl was about 340 Mbbbl more than the average decrease of 3.3 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 3.9 c/gal discount on February 13, compared to a 6.8 c/gal discount on February 6. The forward-price differential between Mont Belvieu (TET or LST) and Conway widened from last week, with Mont Belvieu trading at a 4 c/gal premium to Conway for March 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 38 days, which is 11 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 18 days of inventory, which is five days less than 2023 and the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

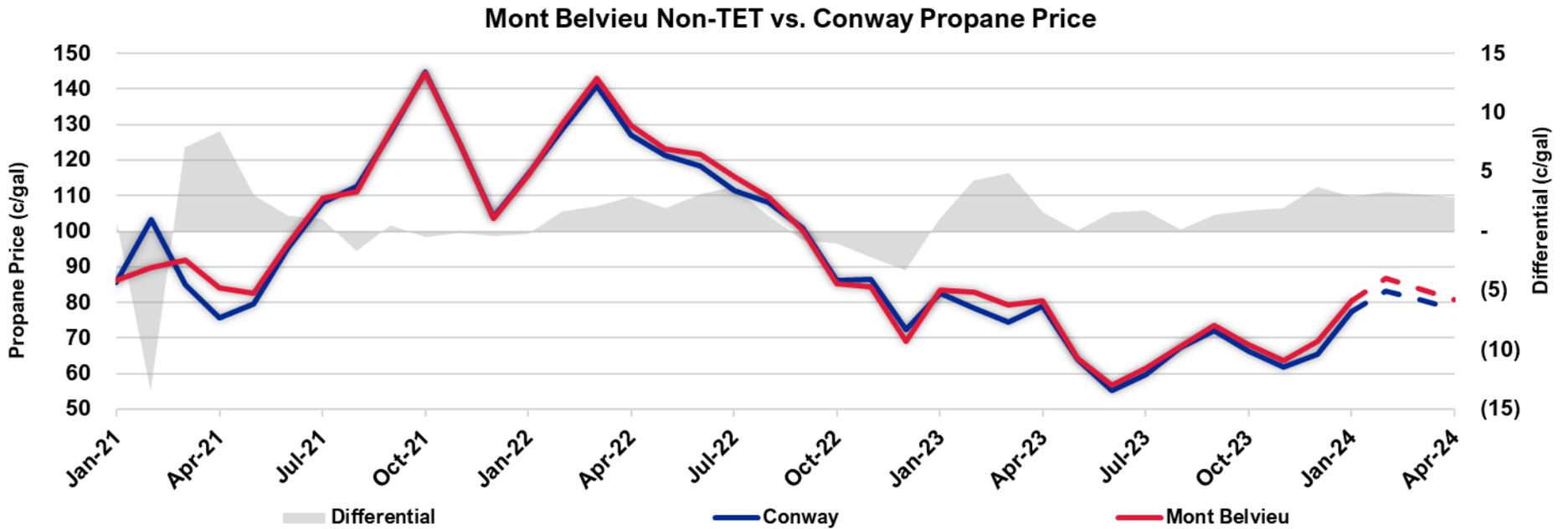
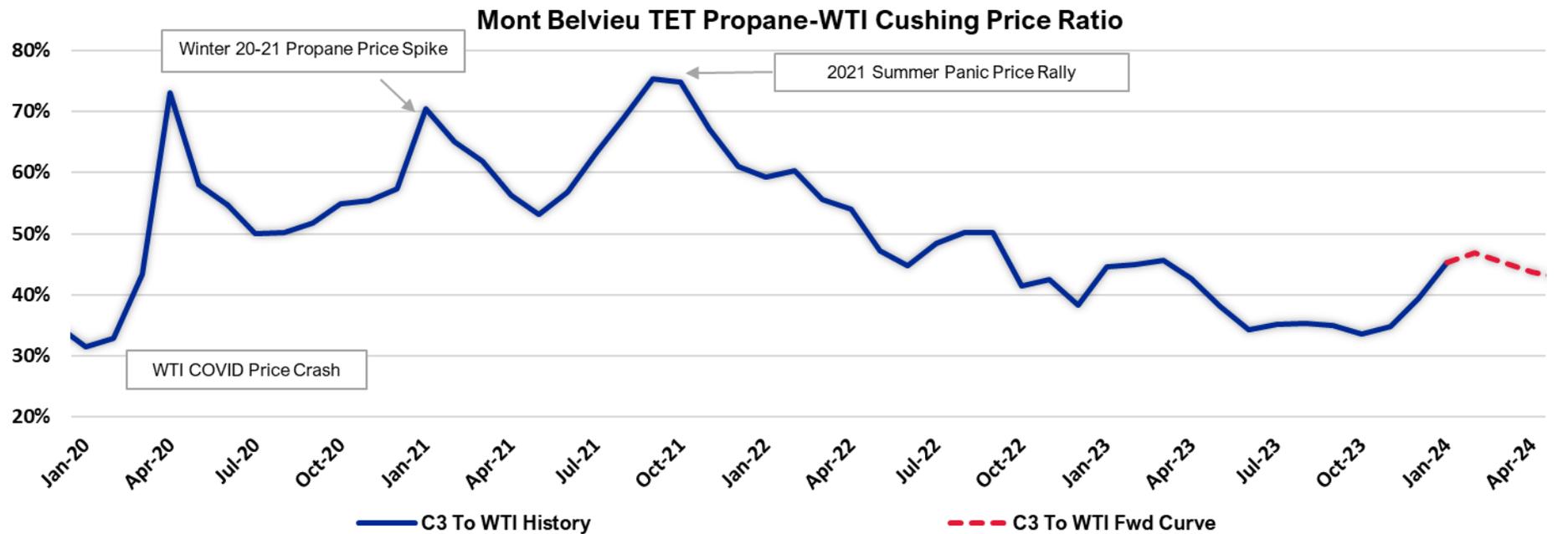


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

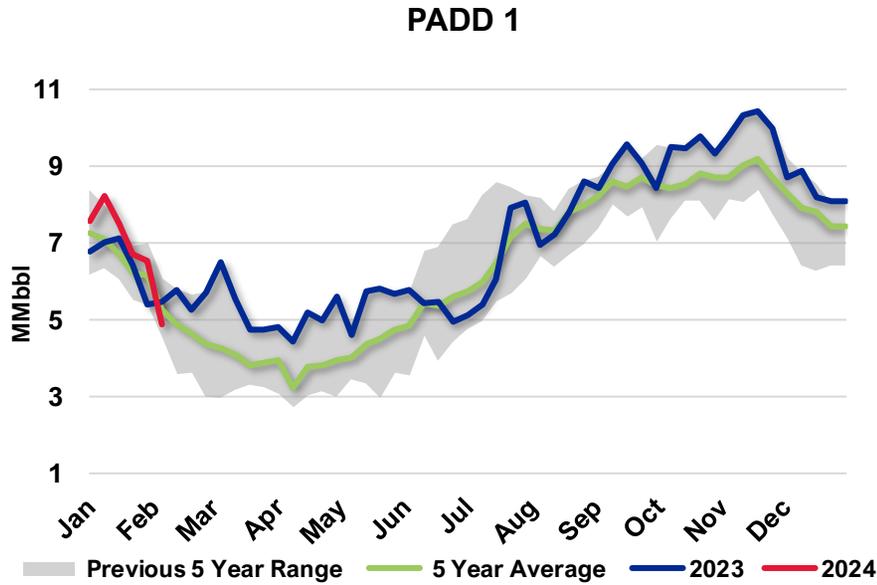


Figure 6

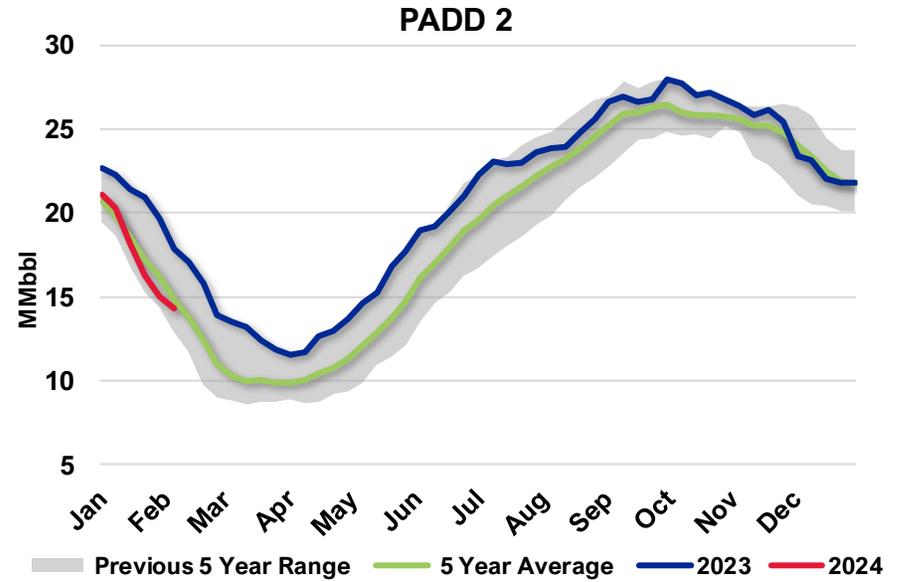


Figure 7

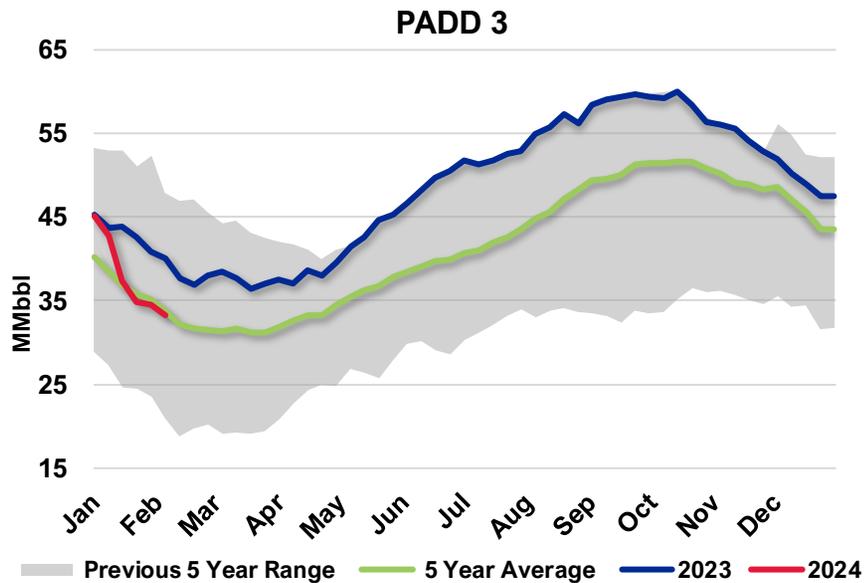


Figure 8

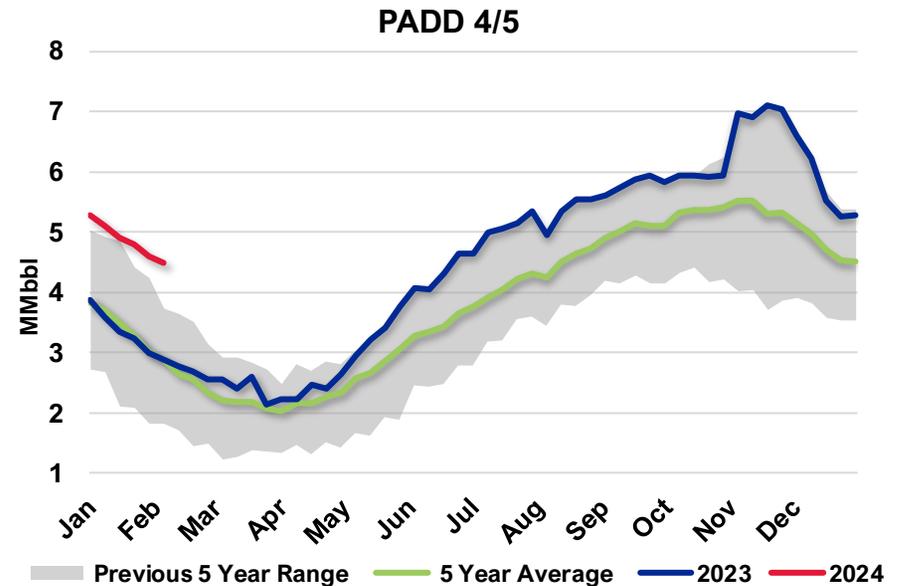


Figure 9

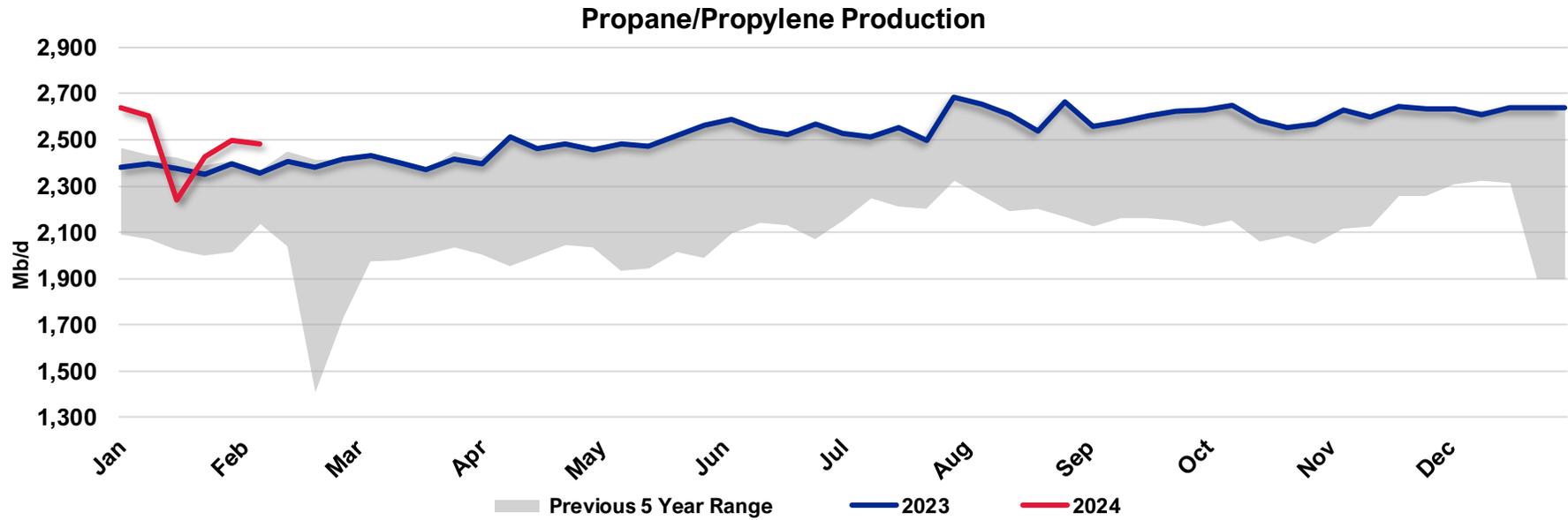


Figure 10

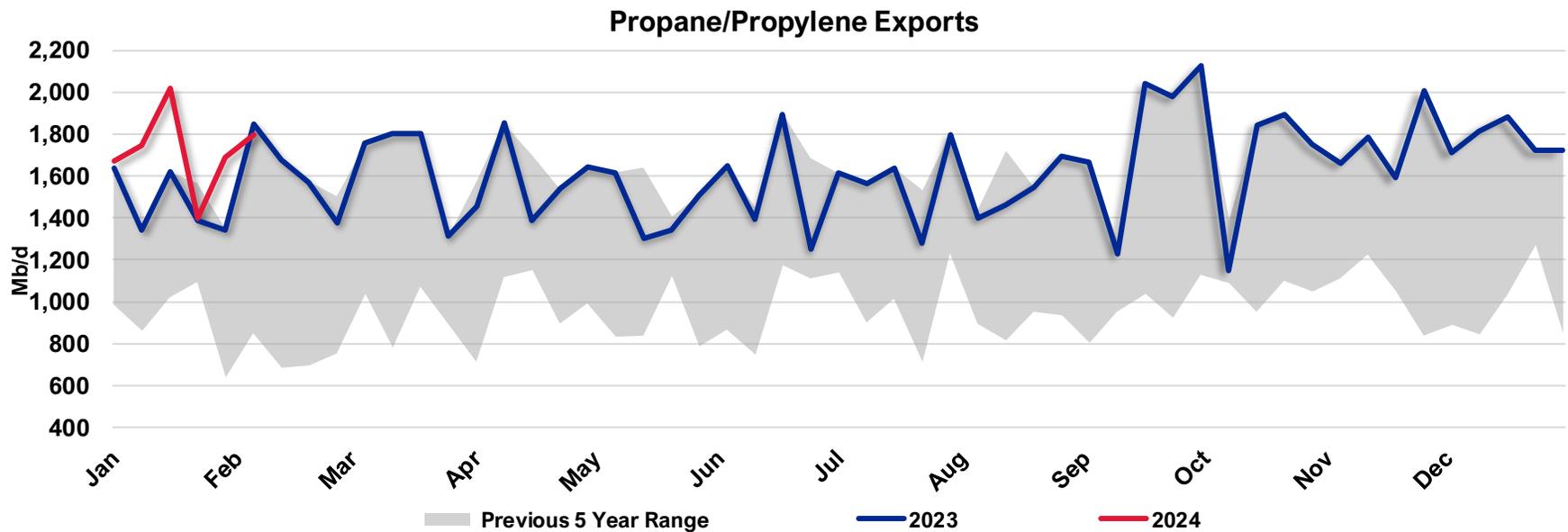


Figure 11

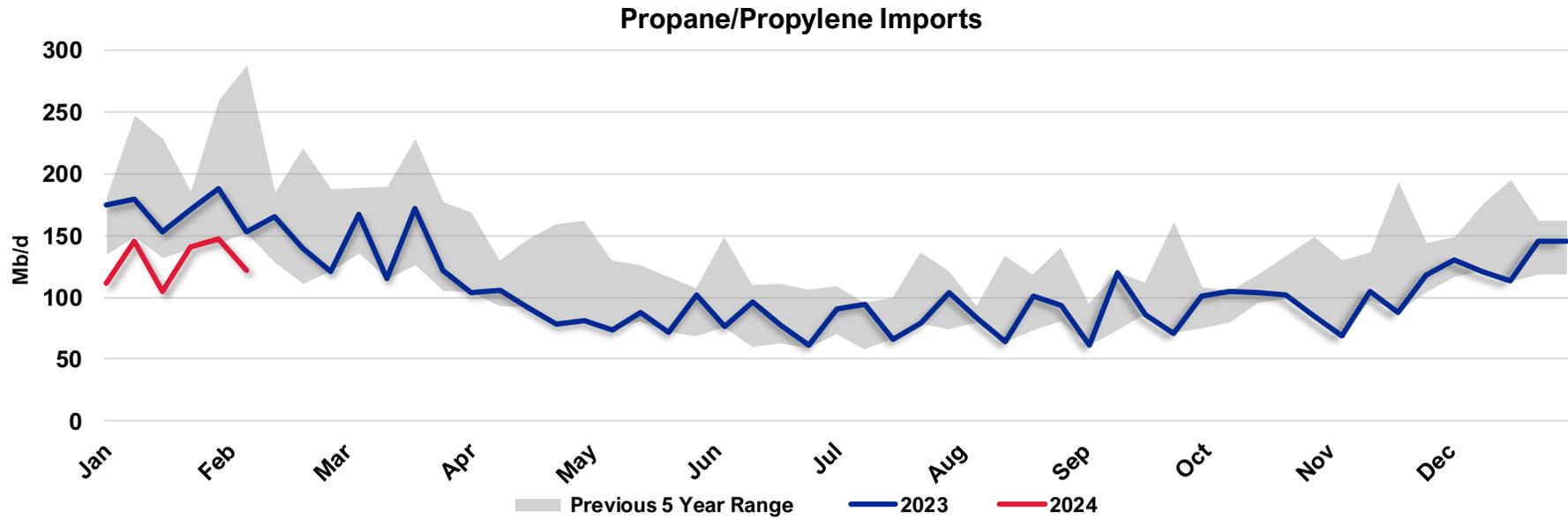


Figure 12

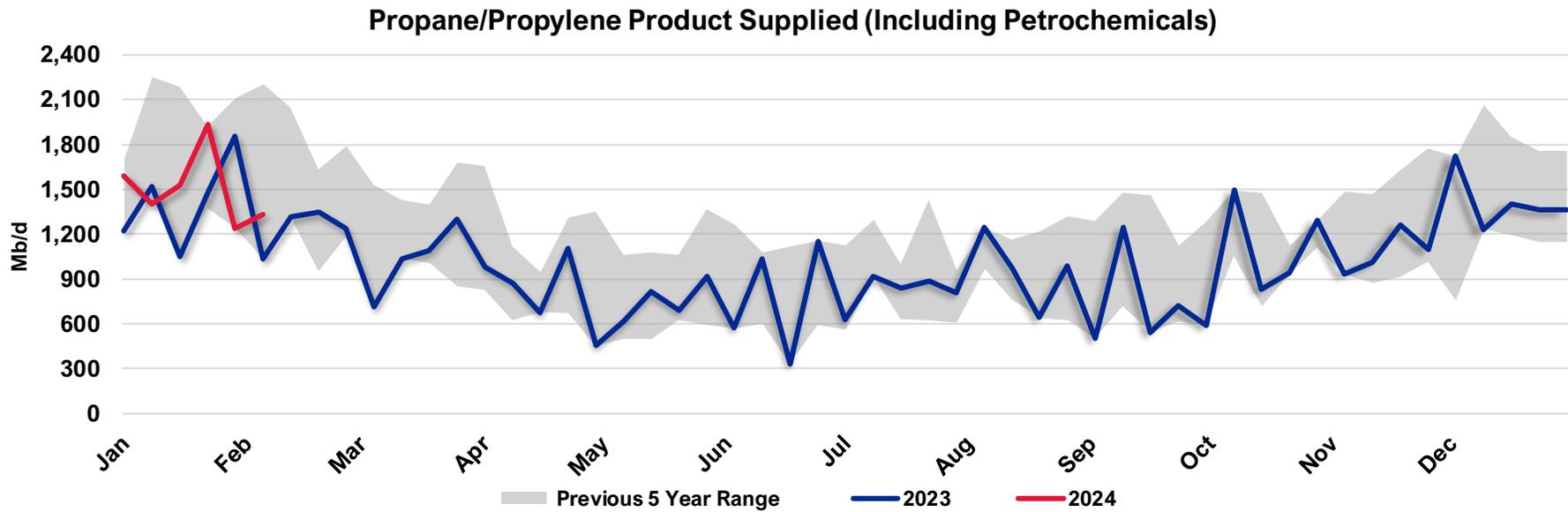


Figure 13

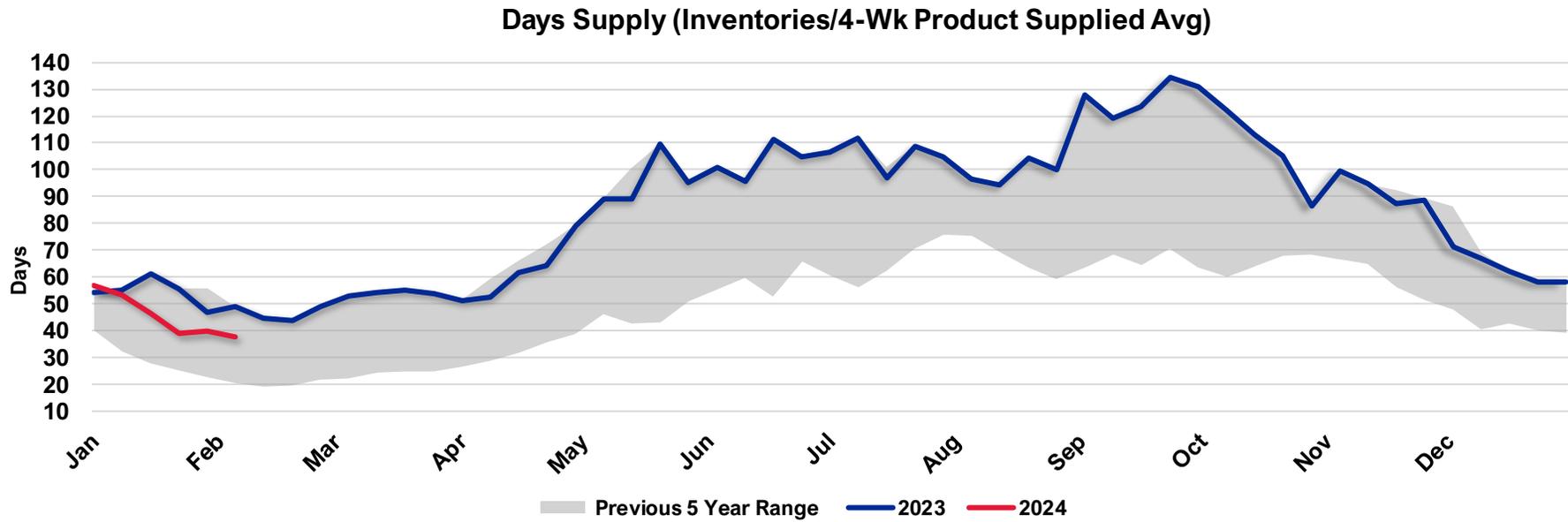
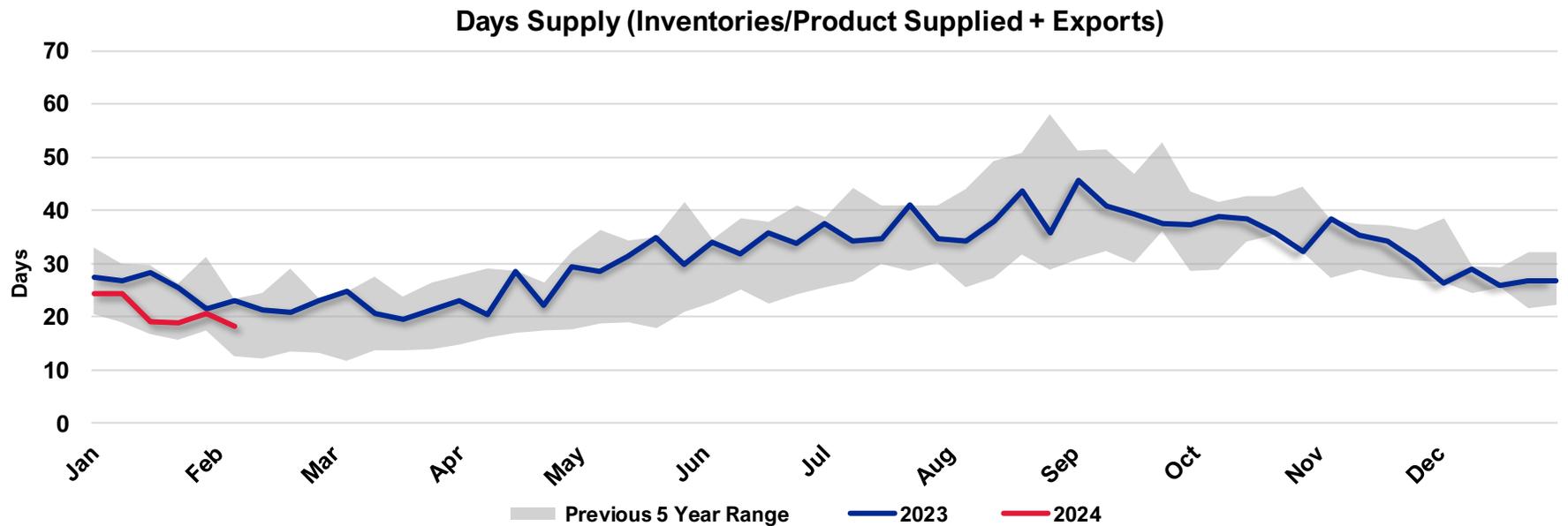


Figure 14



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