



WEEKLY PROPANE MARKET UPDATE

February 22, 2024

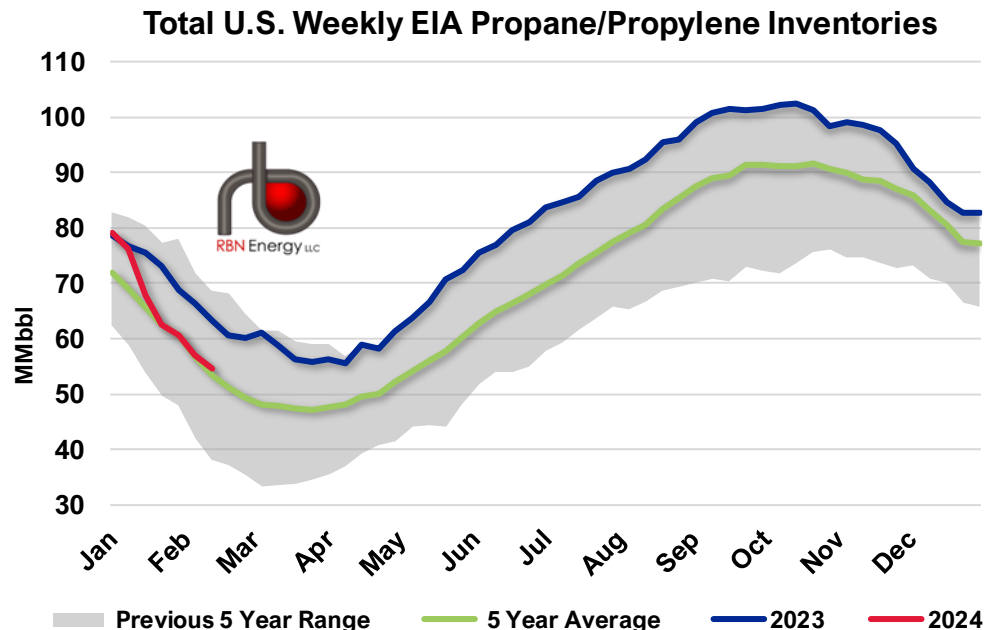
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories recorded a draw of 2.3 MMbbl for the week ended February 16, which was slightly below the average of industry expectations for a draw of 2.5 MMbbl and the 3.1 MMbbl average decline for the week. Total U.S. propane stocks now stand at 54.6 MMbbl, which 1.2 MMbbl, or 2.3%, above the 5-year average.
- » Total U.S. propane/propylene stocks have dropped by 46.6 MMbbl over the last 16 weeks, compared to a decline of only 24.7 MMbbl for the same period last year, according to EIA data.
- » Crude oil prices were little changed over the last week as the ongoing geopolitical tensions in the Middle East offset global demand concerns. WTI settled at \$77.91/bbl on February 21, up \$0.04/bbl, from February 13. U.S. propane prices were weaker, with Mont Belvieu OPIS non-TET falling by 3.9 c/gal, or 4.2%, from last week to 88.5 c/gal on February 21. As a result, the non-TET propane-to-WTI ratio declined by 2 percentage points to 48%.
- » Weekly exports of propane reported by the EIA were stronger at 1.9 MMbbl/d, up 114 Mbbl/d from last week and above the 4-week average rate of 1.7 MMbbl/d.
- » Total U.S. production of propane/propylene was down by 15 Mbbl/d from last week to 2,468 Mbbl/d as output declined, primarily in PADD 2.

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 3.9 c/gal, or 4.2%, settling at 88.5 c/gal on February 21. WTI prices were essentially flat, rising by \$0.04/bbl

Figure 1

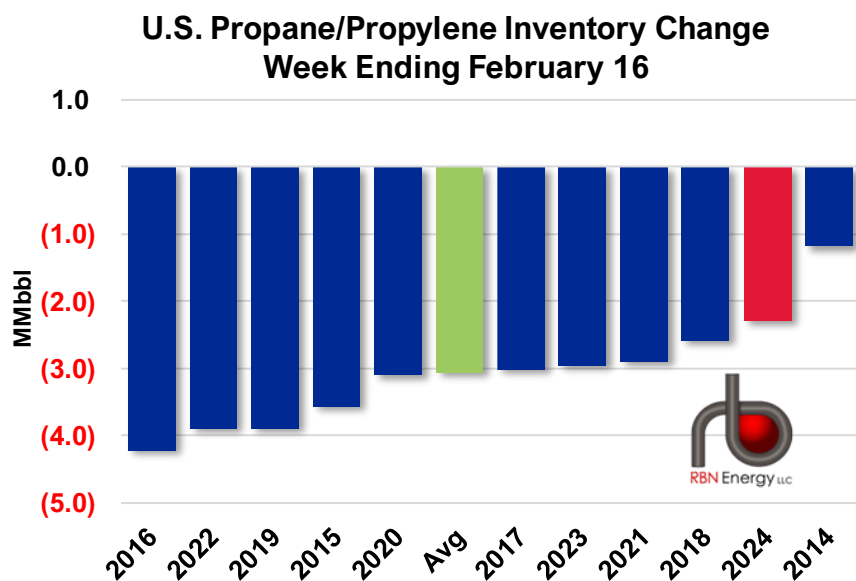


to \$77.91/bbl on February 21, which pulled the propane-to-WTI ratio down to 48% (blue line, Figure 4). The current ratio remains above the 45% average recorded in February 2023. The forward propane-to-WTI ratio for March-May was down 3 percentage points compared to last week to 44% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a draw of 2.5 MMbbl. In today's EIA report for the week ended February 16, propane inventories drew slightly below expectations at 2.3 MMbbl, which is also below the average draw for the week of 3.1 MMbbl. Total U.S. propane stocks are now 54.6 MMbbl, which is 8.7 MMbbl, or 13.8%, below the same week in 2023 and 14.1 MMbbl, or 21%, below the 5-year maximum. Inventories are 1.2 MMbbl or 2.3% above the 5-year average. Regional changes were mixed, with PADD 3 having the largest decrease and PADD 1 having the only increase in stocks.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories fell by 1.5 MMbbl and total stocks for the region are now at 31.8 MMbbl, which is 5.9 MMbbl, or 15.8%, below 2023 and 15.1 MMbbl, or 32.2%, below the 5-year maximum. Inventories for the region are 385 Mbbbl, or 1.2%, below the 5-year average.

PADD 2 (Midwest) propane stocks dropped by 839 Mbbbl, bringing total inventories to 13.5 MMbbl, which is 3.6 MMbbl, or 21.1%, below 2023 and the 5-year maximum. Stocks are now 244 Mbbbl, or 1.8%, below the 5-year average.

PADD 1 (East Coast) propane inventories rose by 61 Mbbbl. East Coast inventories are now at 5 MMbbl, which is 830 Mbbbl, or 14.3%, below 2023 and the 5-year maximum. Inventories are 90 Mbbbl, or 1.9%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories decreased by 55 Mbbbl for the week. Total stocks for the region are 4.4 MMbbl, which is 1.7 MMbbl, or 55.1%, over 2023. Inventories are 778 Mbbbl,

or 21.3%, above the 5-year maximum and 1.8 MMbbl, or 67%, above the 5-year average.

Total U.S. production declined by 15 Mbbbl/d to 2,468 Mbbbl/d. PADD 2 and PADD 4/5 had a combined decrease of 25 Mbbbl/d which was partially offset by a total increase of 10 Mbbbl/d from PADD 1 and 3. Exports increased by 114 Mbbbl/d to 1,911 Mbbbl/d, which is above the four-week average of 1,700 Mbbbl/d and the 1,675 MMbbl/d reported in the year-ago week. Imports grew by 25 Mbbbl/d to 147 Mbbbl/d as volumes increased in PADD 1 and PADD 2. Product supplied fell by 303 Mbbbl/d to 1,030 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended February 16 (red bar, Figure 2) of 2.3 MMbbl was about 770 Mbbbl less than the average decrease of 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) widened over the week, with Conway trading at a 7.5 c/gal discount on February 21, compared to a 3.9 c/gal discount on February 13. The forward-price differential between Mont Belvieu (TET or LST) and Conway also widened from last week, with Mont Belvieu trading at a 4.6 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 39 days, which is five 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 19 days of inventory, which is three days less than 2023 and six days below the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

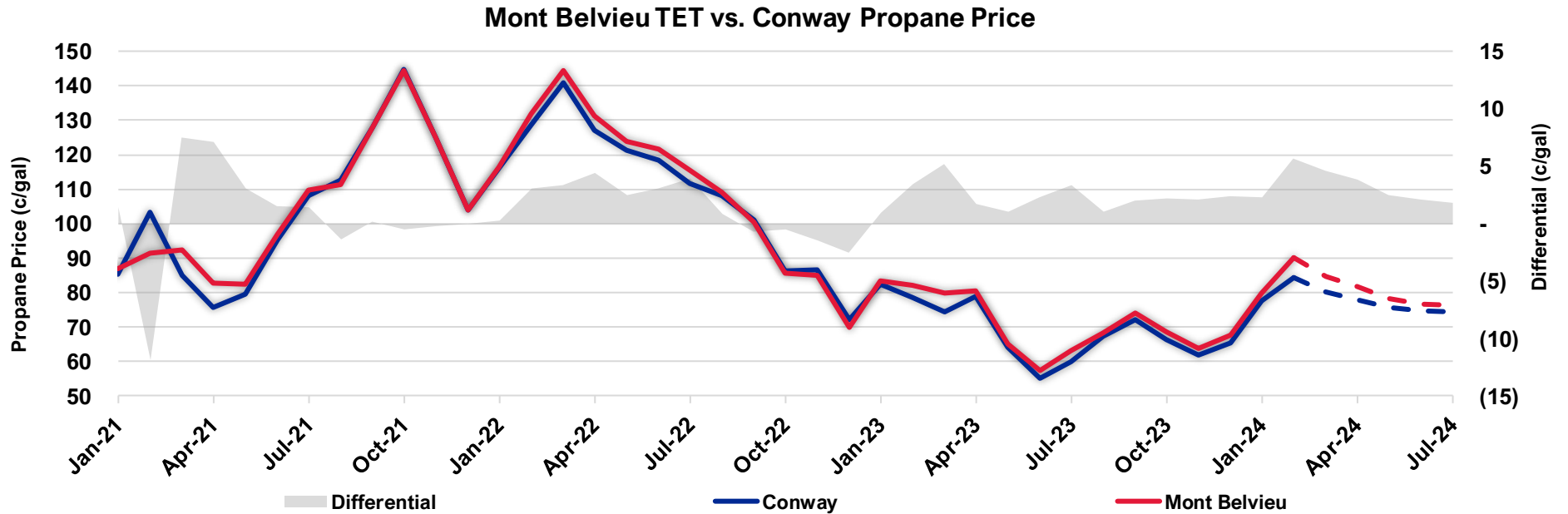
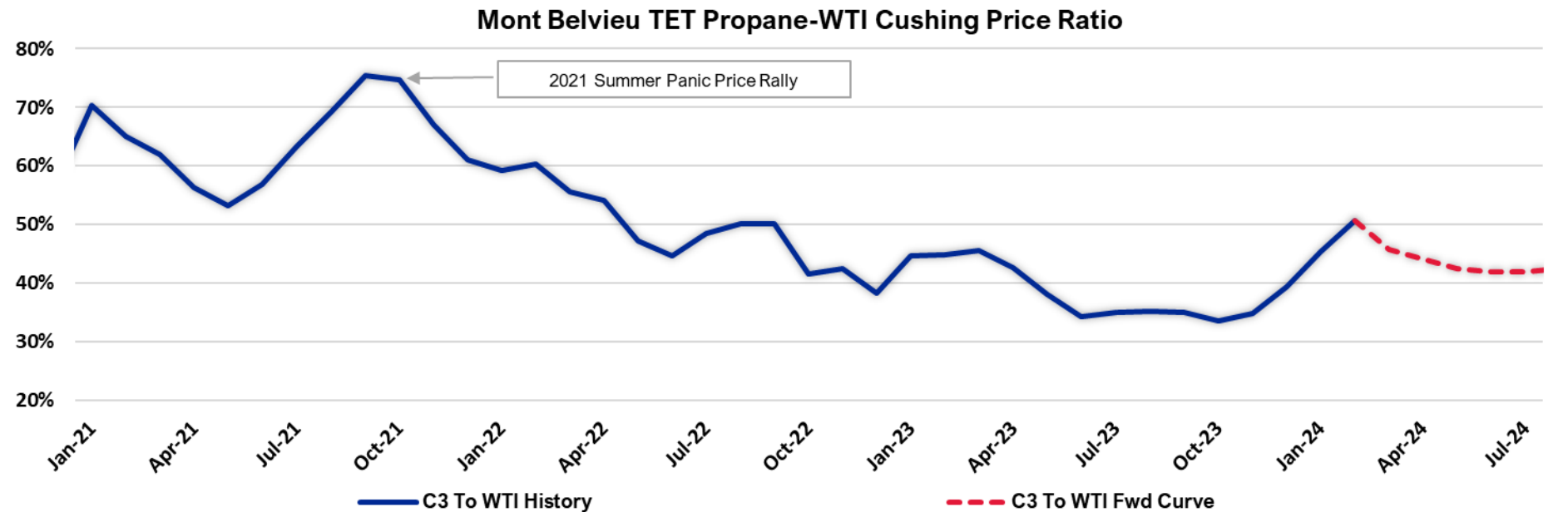


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

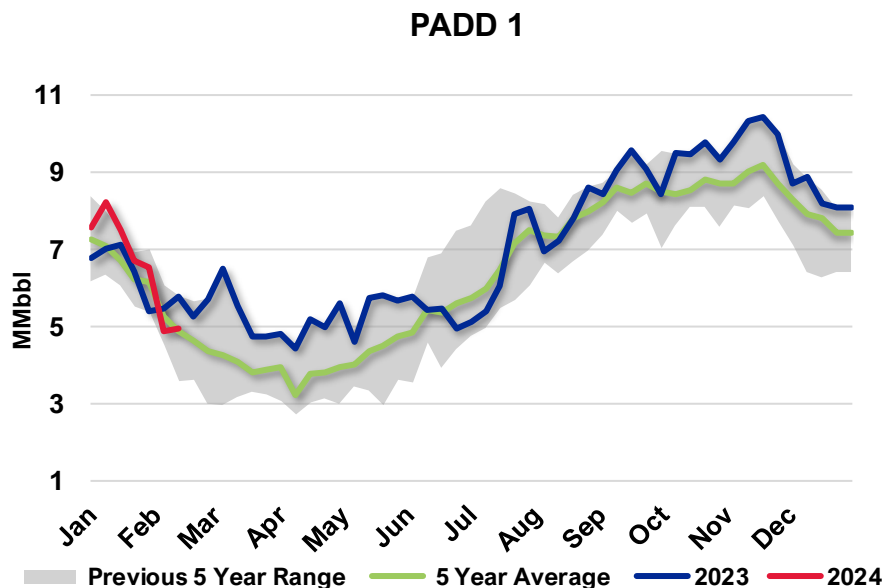


Figure 6

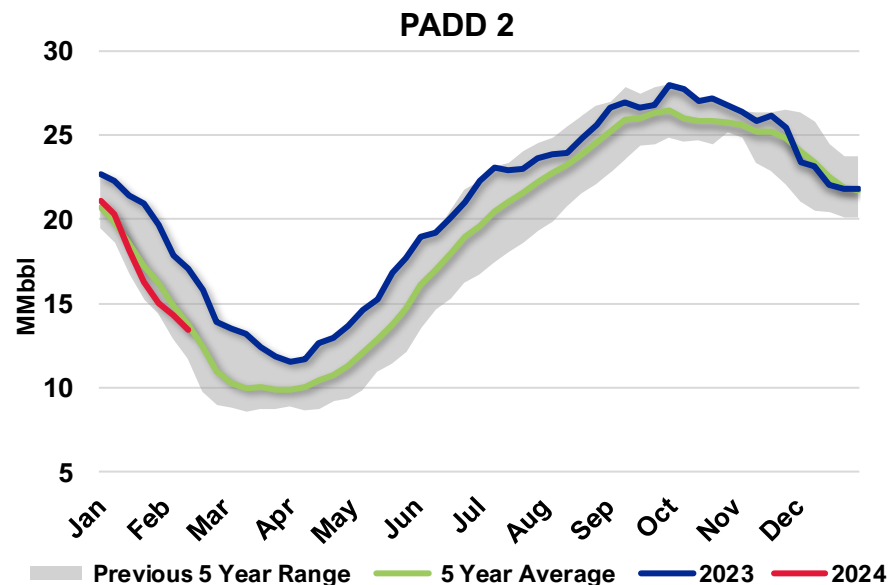


Figure 7

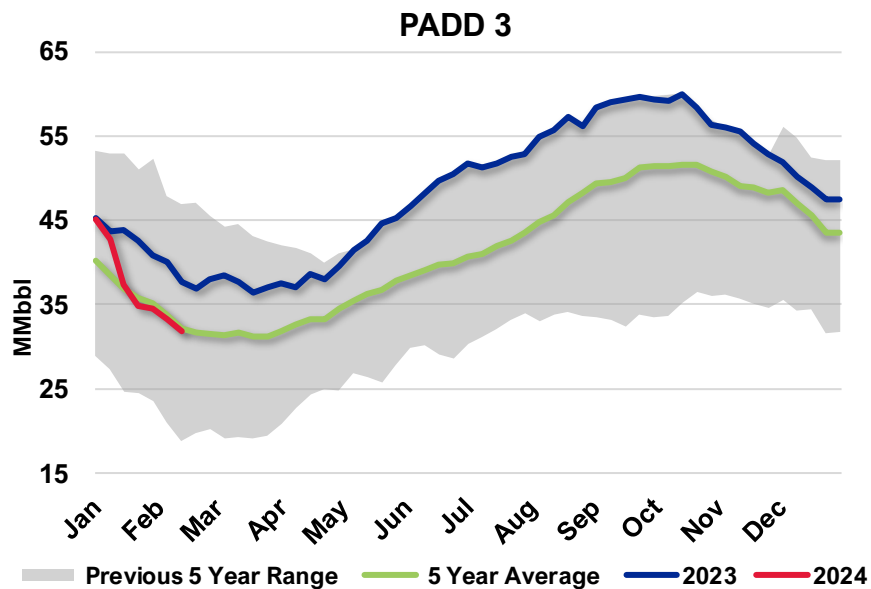


Figure 8

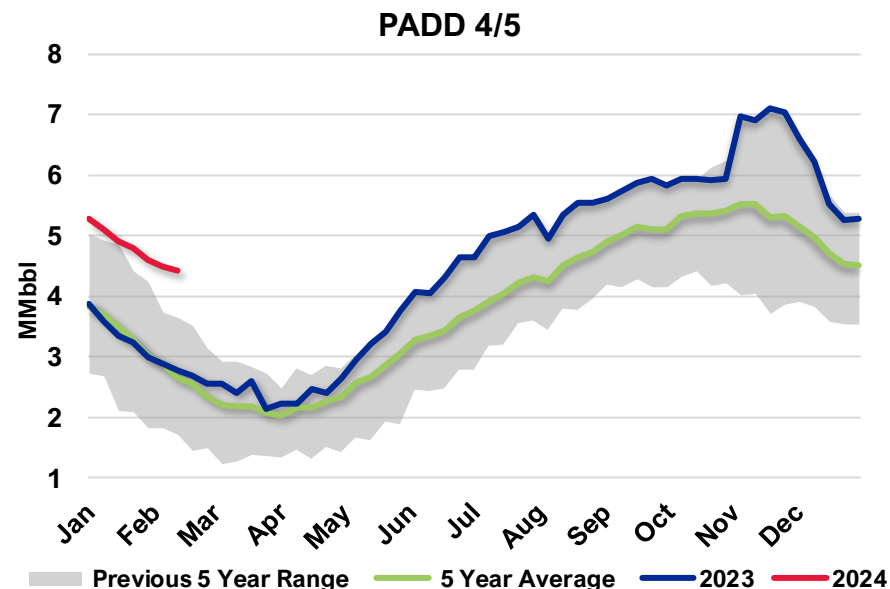


Figure 9

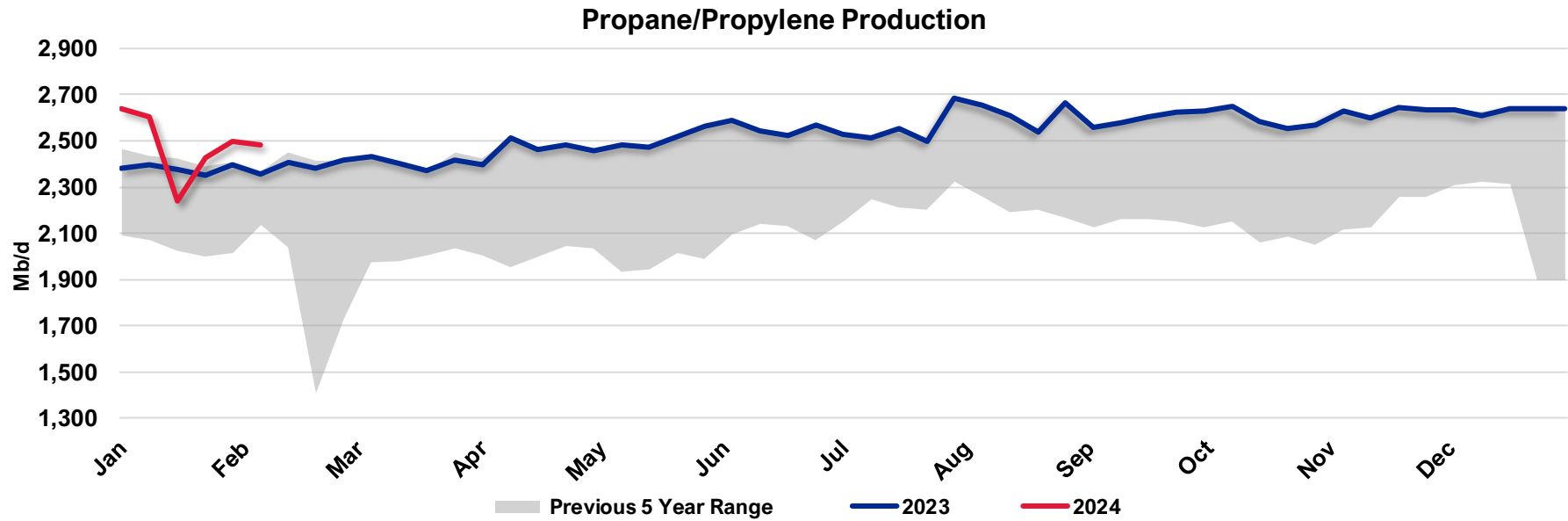


Figure 10

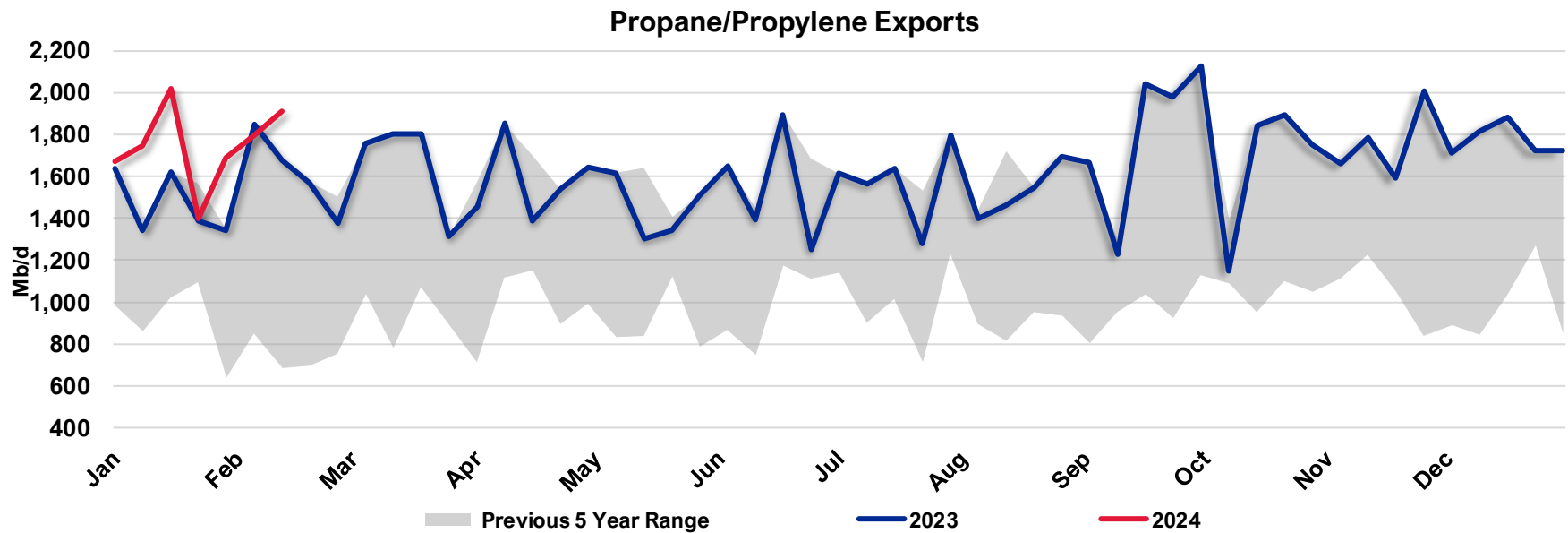


Figure 11

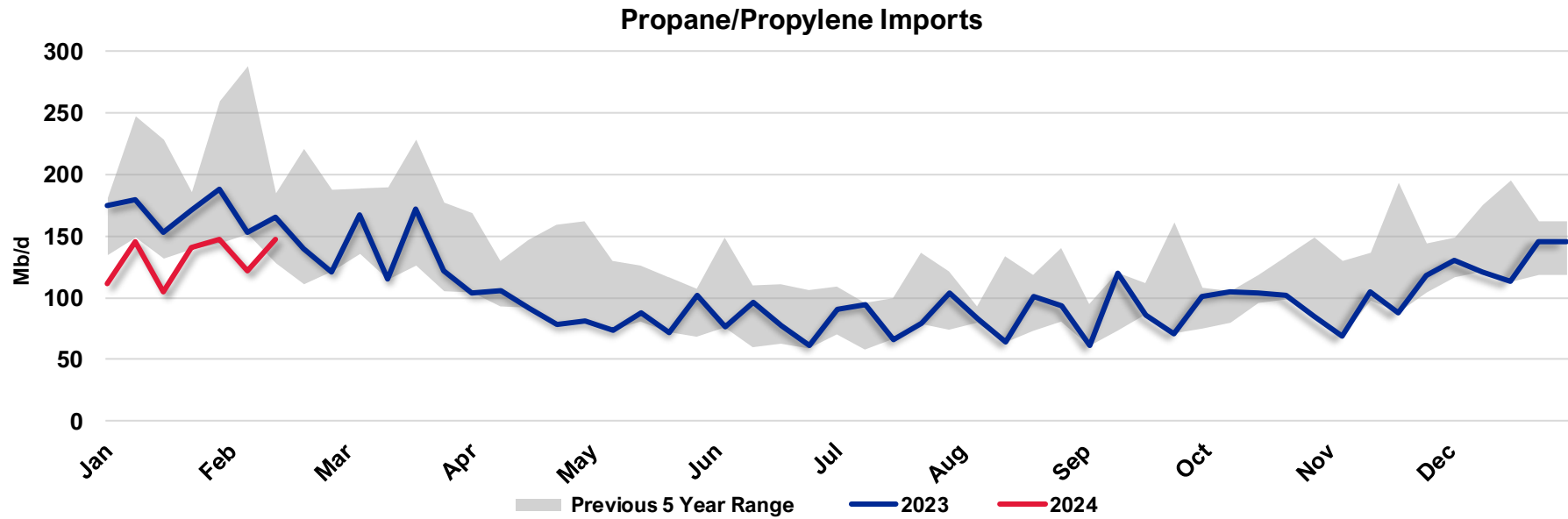


Figure 12

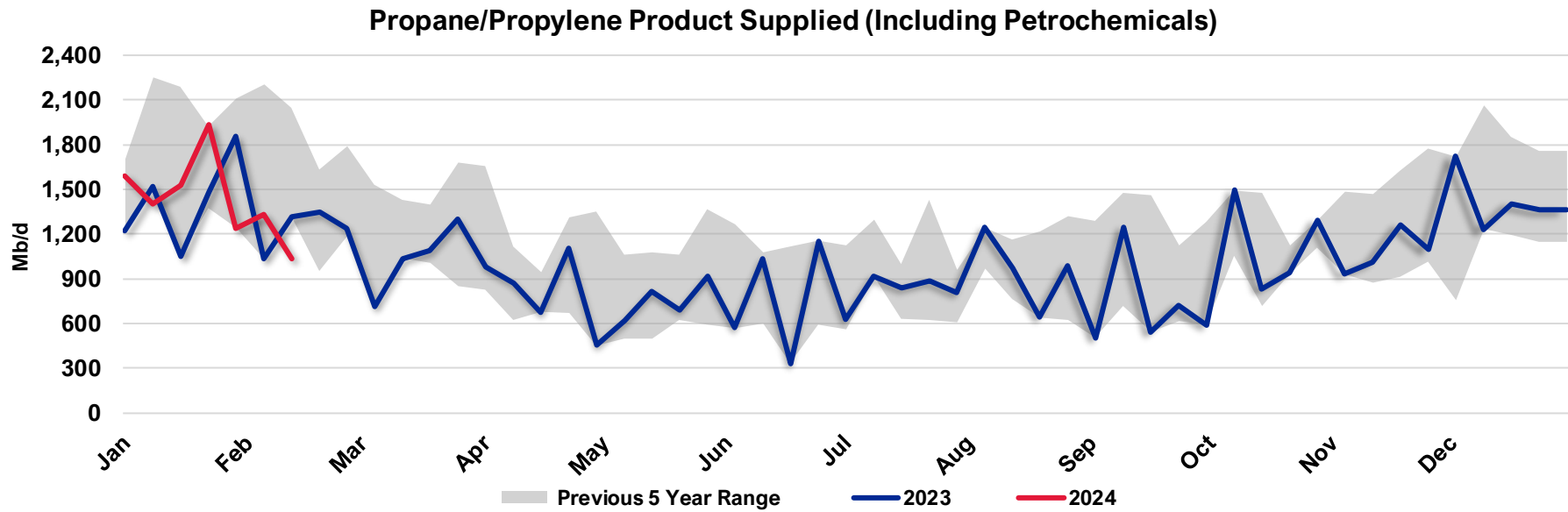


Figure 13

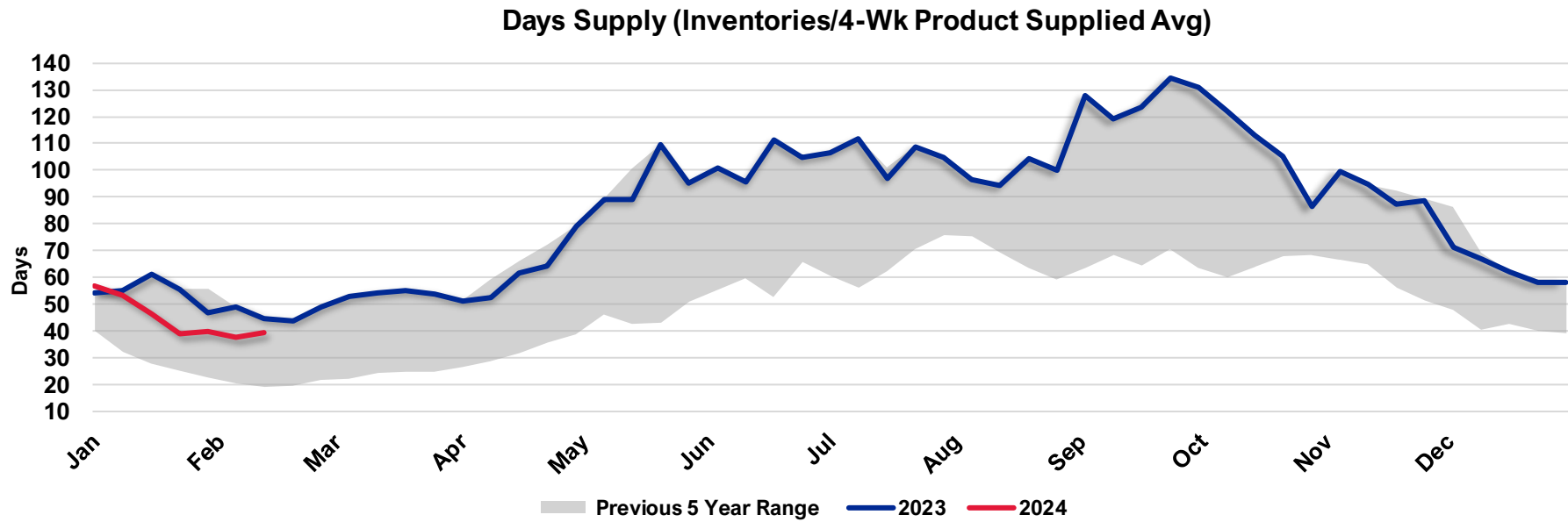
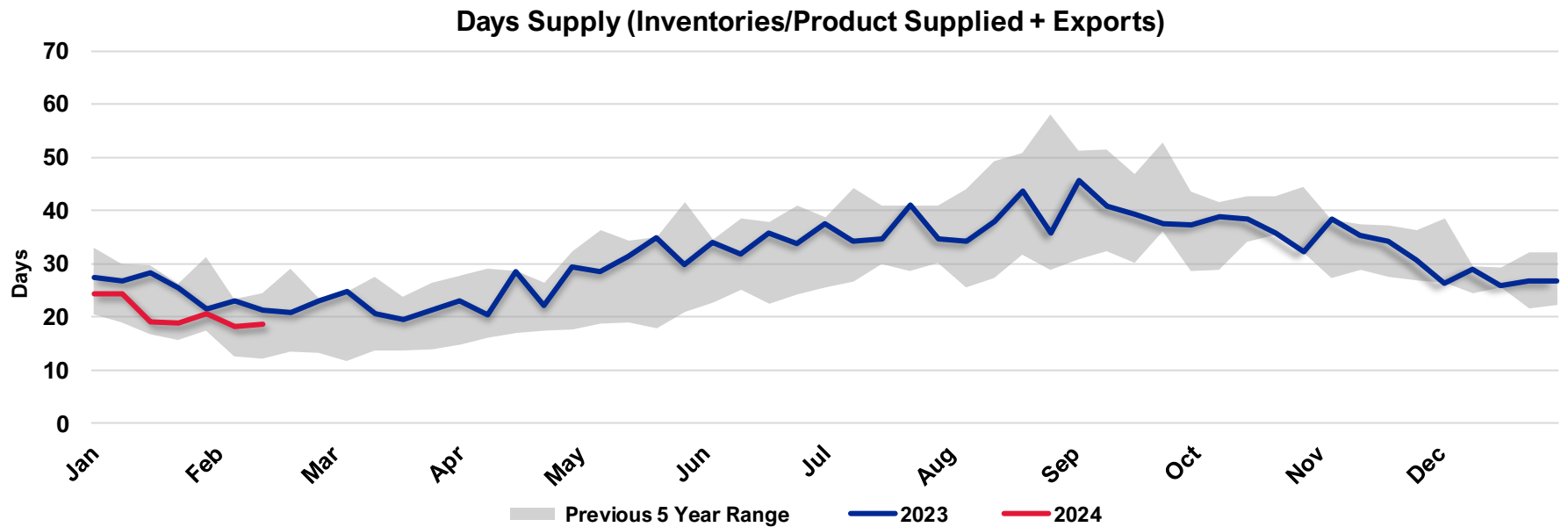


Figure 14



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