

~ OPIS Propane Daily ~

Rack and Spot Propane Prices and News - Everyday

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Account: 000

04/05/2017

Special Propane Report For: OPIS

U.S. Spot Averages for 04/05/2017

Market	Prev. Day Avg Price	Change from Prior Day	Month-to-Date Average	Latest Price
OPIS Gulf Coast	61.7500	-0.2813	61.8906	63.1250
OPIS Mid-Continent	56.2500	0.2500	56.1250	57.0000

*Spot prices shown are for FOB terminal in cents/gallon excluding taxes and discounts

Notice to Subscribers: Gulf Coast propane prices represent the average of TET and non-TET prices. TET assets are currently owned by Energy Transfer Partners.

NEWS UPDATE

Mt. Belvieu Natural Gas Liquids prices rose slightly ahead of the EIA weekly report on U.S. propane inventories. An OPIS survey is forecasting a drop of 500,000 barrels for the week ended March 31.

Mont Belvieu TET (LST) propane anys ranged from 62.5cts-62.75cts/gal, climbing from an average 61.25cts/gal Tuesday. Non-TET (ENT) propane anys traded from 63.5cts-64cts/gal, rising from 62.25cts/gal yesterday.

At Conway, with the exception of E/P mix, NGL prices opened higher in tandem with stronger oil futures. Propane was up 1%, trading at 57cts/gal, with the follow-on bid/ask at 57.75-58.25cts/gal, as of press time.

Analysts at Citi focused intently on U.S. and global propane markets this week, and came away with the suggestion that U.S. stocks of propane could be drastically short of needs when next winter looms.

March 2017 ended with about 42 million bbl of propane in U.S. storage, and that represents the lowest level since the Polar Vortex year of 2014. The drawdown was accompanied by a dramatic rally relative to crude with Mont Belvieu propane trading at 68% of the Brent benchmark before backing off to about 50% of that number. Citi suggests that what happened in propane this winter may serve as a template for future years, citing an ongoing structural change in U.S. markets thanks to the intrusion of seasonal demand patterns in Asia on U.S. numbers.

Preliminary Energy Information Administration (EIA) data suggests that U.S. propane stocks drew down by 58 million bbl this past winter, some 20 million bbl more than the previous winter and 25 million bbl more than the five-year average. The draws occurred despite warm weather in key propane consumption states, emphasizing that exports, and not local weather, hold the key to U.S. LPG.

On a relative basis, a propane value of 58% of the Brent number reflects the highest such ratio since 2011. The low of 40% came last year.

So, Citi expects sharp winter rises in U.S. propane to be an ongoing phenomenon rather than a one-time event. Excess export capacity stateside should keep the U.S. more in tune with global pricing and that global seasonality will be transmitted to U.S. markets, leading to stronger winter numbers going forward.

Ironically, as this winter ends, the bank sees real problems getting to necessary storage levels ahead of the next propane heating season. "Exaggerated price" and greater seasonality is forecast as well as stronger inventory

drawdowns in winter. The bank estimates that a comfortable level for U.S. propane storage at the end of October is in the 90-million-to-100-million-bbl range. That level is necessary for March 2018 to end somewhere near the 35-year average inventory level of 35 million bbl.

Citi calculates that there will be about 1.6 million b/d of propane export capability stateside once the Mariner East 2 project gets commissioned to take Appalachian gas liquids to Marcus Hook. That will put export capability beyond the exportable surplus of propane, but rising shale output could fatten stocks later in the decade.

In short, the bank suggests that the sell-off in propane last month is most likely overdone and anticipates that exports may need to decline in order for U.S. coffers to reach sufficient storage by October's end. Unlike last year, when end-March propane inventories were quite high, there is "no head start" this year. Inventories built by 40 million bbl last summer.

Citi suspects that end-October propane storage may only get to 60 million bbl. Stronger production or weaker demand might narrow the need, but there is a clear suggestion that higher prices brew ahead of next winter.

RACK UPDATE

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CONWAY, KS

2017-04-05 10:13:42 EST

** OPIS PROPANE PRICES **					
	Storage	Terms	Price	Move	Date of Move
Alliance	Multiple	N-10	60.250	-0.75	04/04
CHS Inc	Multiple	N-Rpt	59.720	-0.50	04/01
Crestwood	Multiple	N-10	60.650	+0.25	04/05
Dawson	Multiple	N-Rpt	66.750o	+10.00	03/30
Enterpris	Multiple	N-10	62.880	+0.25	04/05
Growmark	Multiple	N-10	60.350	+0.50	04/05
NGLWHLSL	Multiple	N-10	59.500	+0.50	04/05
Plains	Multiple	N-10	59.250	-0.75	03/31
	LOW		59.250		
	HIGH		62.880		
	AVERAGE		60.371		
	CONT LOW		59.250		
	CONT HIGH		62.880		
	CONT AVG		60.370		