



# **PROPANE – WHAT WENT WRONG?**


## **WILL IT HAPPEN AGAIN?**

**EIA – NASEO**

**2003 – 2004 Winter Fuels Outlook Conference**

Ron Gist

Purvin & Gertz, Inc.





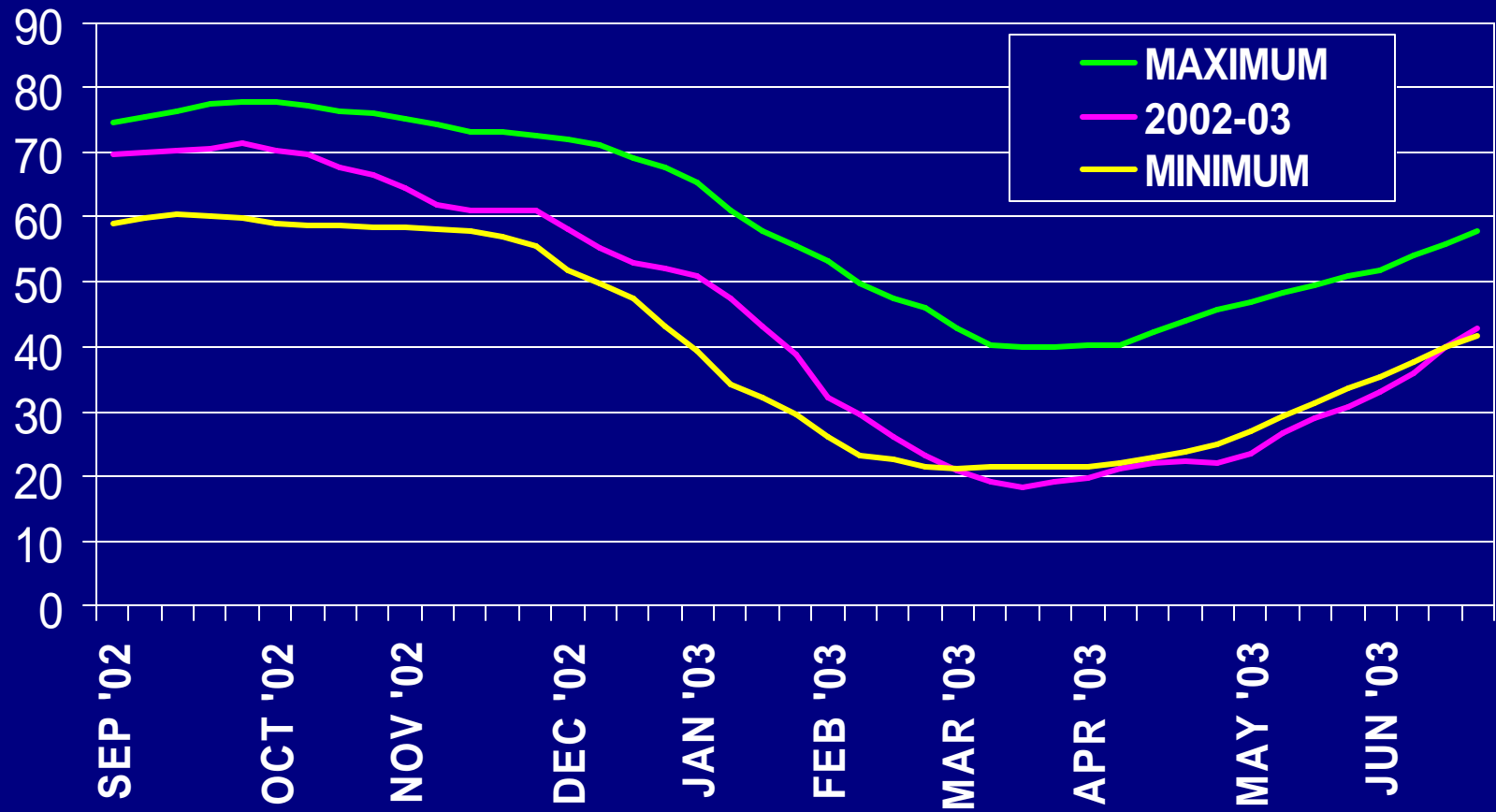
# TODAY'S TOPICS

- ❖ What Went Wrong
- ❖ What Went Right
- ❖ What Might Happen
- ❖ What Might Change




# HIGH INVENTORIES FELL TO RECORD LOWS

Total U.S. (MM Barrels)





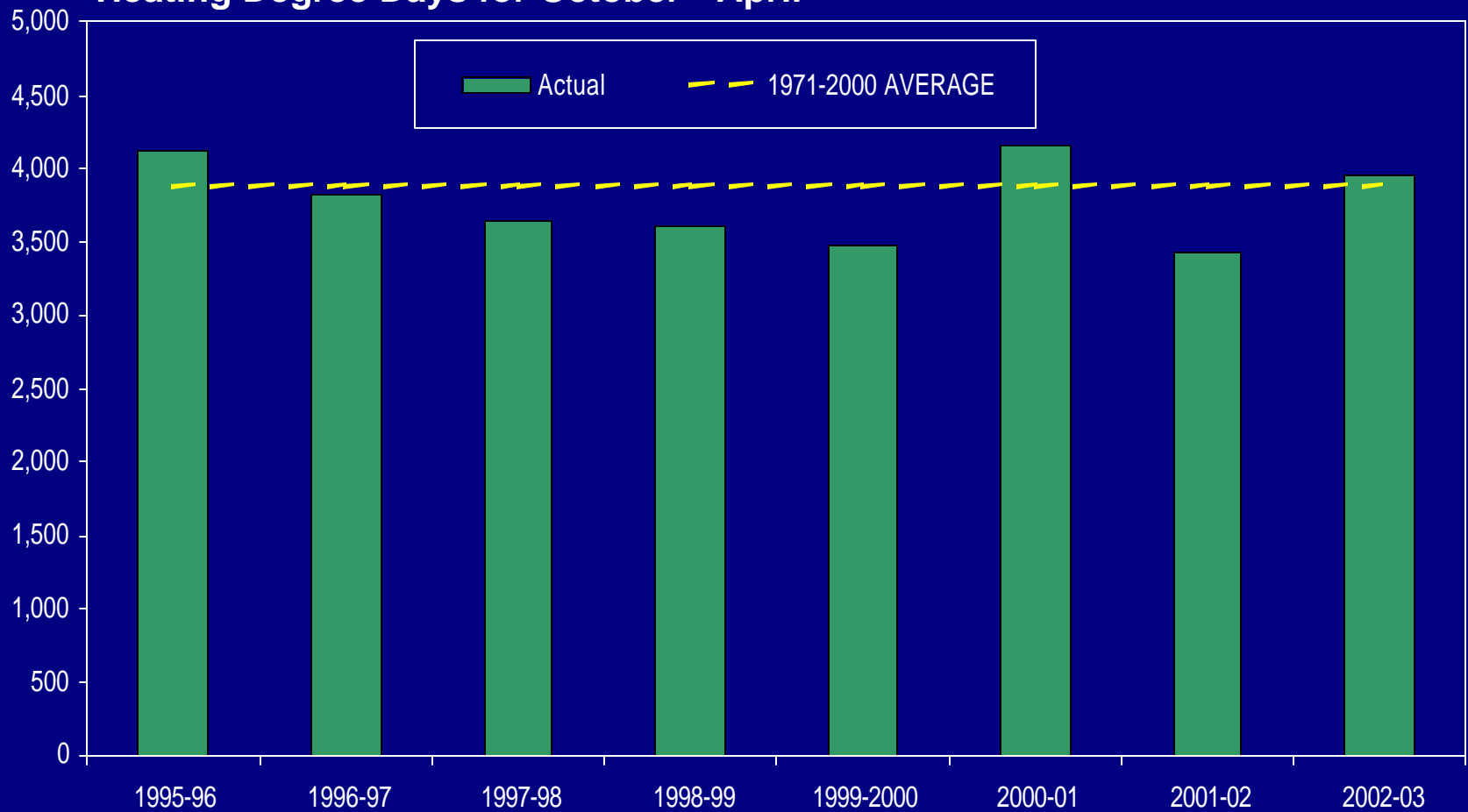
# WHAT WENT WRONG LAST WINTER

- ❖ Cold Weather – When and Where
  - ❖ Low Domestic Production
  - ❖ High Exports
  - ❖ Low Inventories
- 



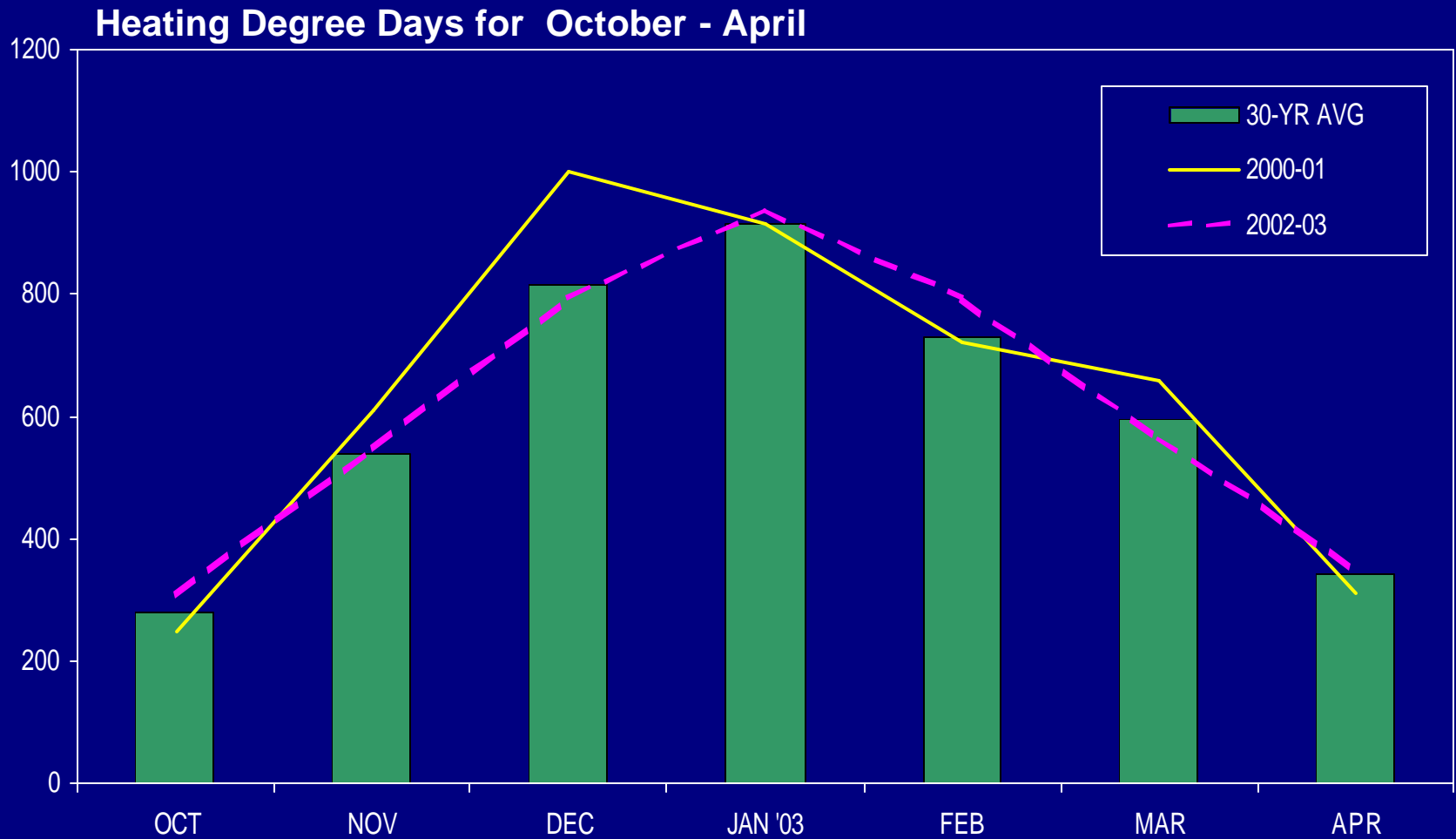
# LAST WINTER WAS COLD AND RECENT WINTERS WERE WARM

Heating Degree Days for October - April



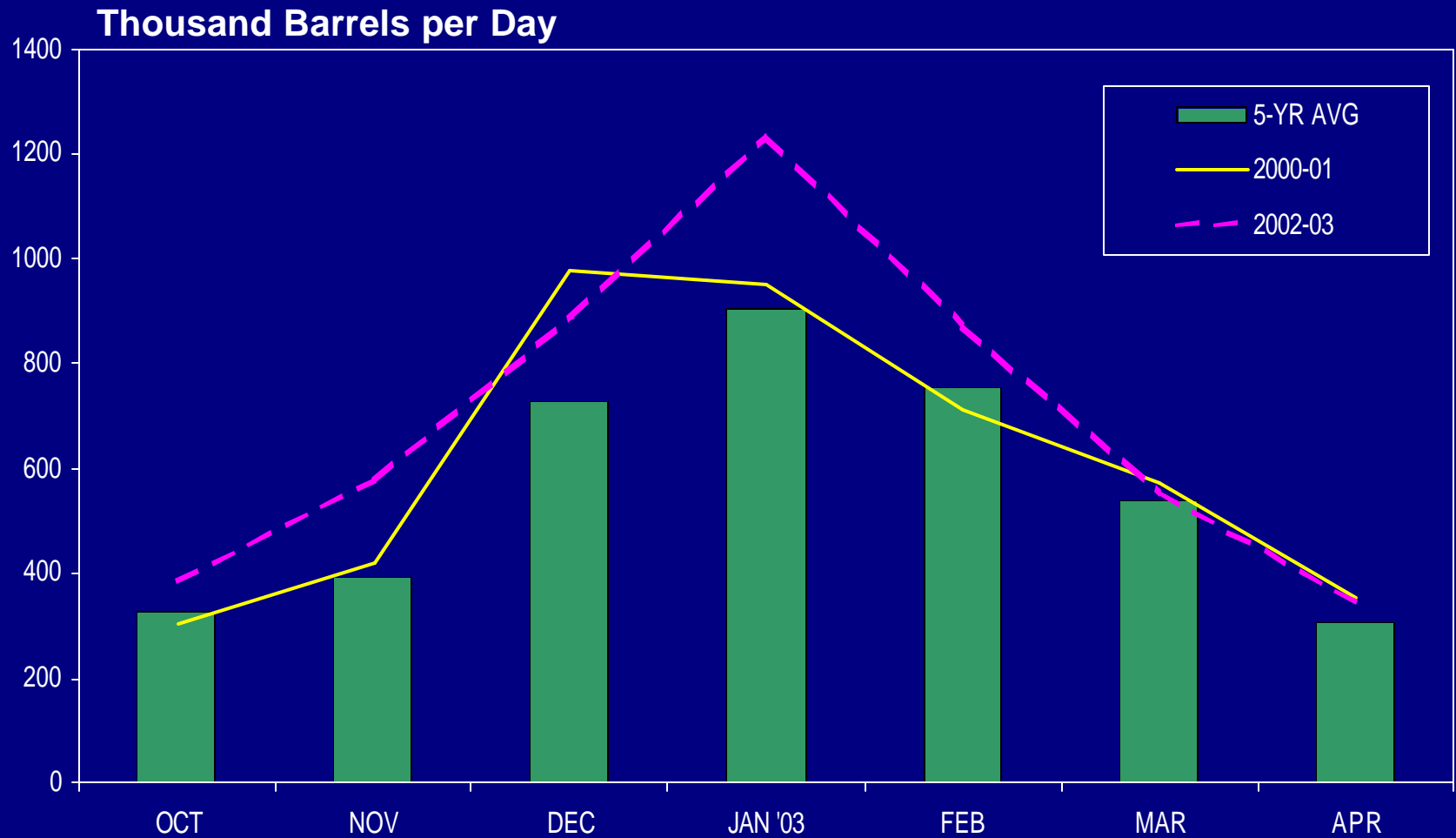


# IT WAS A LATE WINTER THIS YEAR





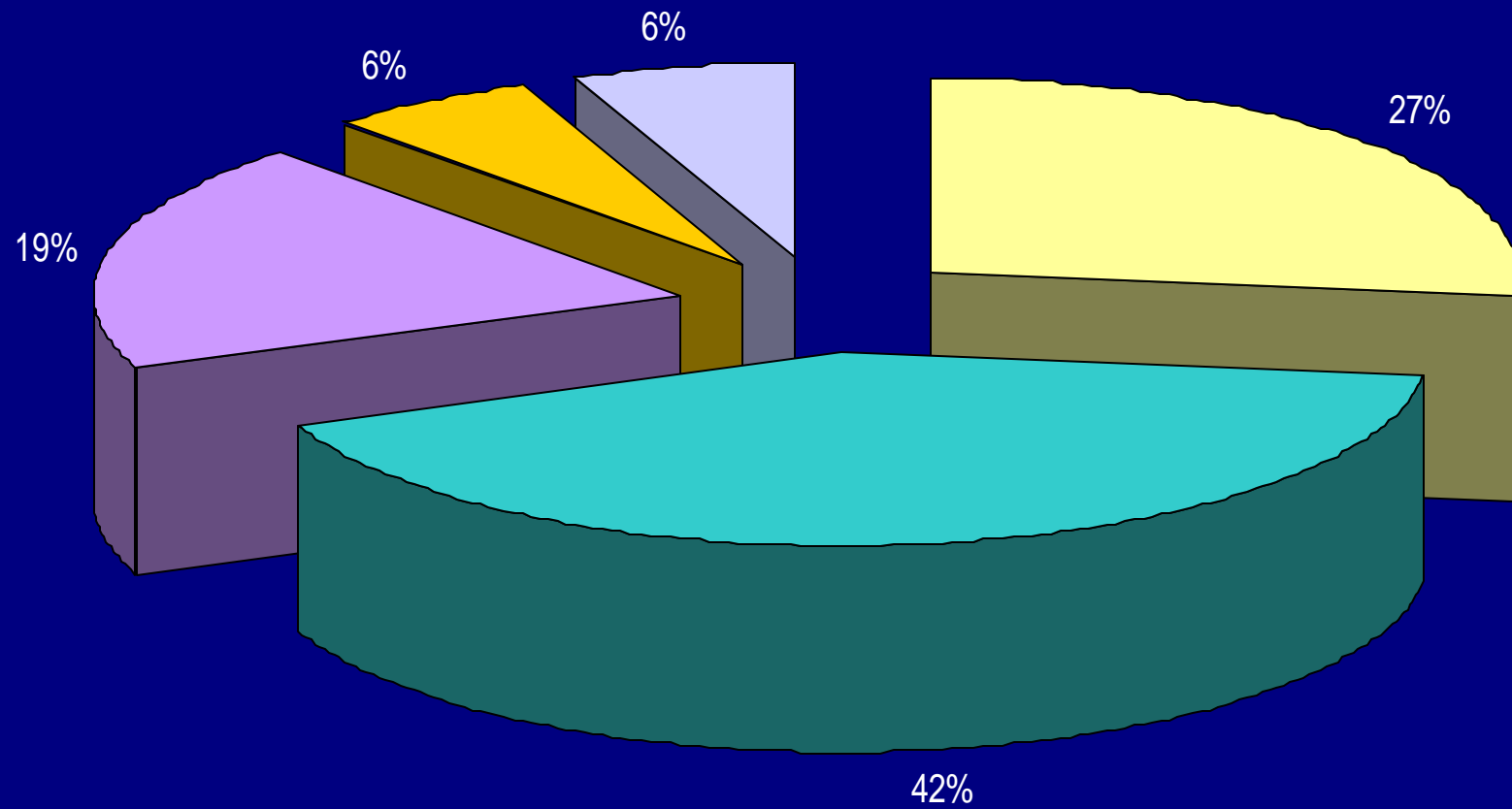
# RESIDENTIAL/COMMERCIAL DEMAND FOR PROPANE SOARED





# RESIDENTIAL/COMMERCIAL DEMAND IS HIGHEST IN THE MIDWEST

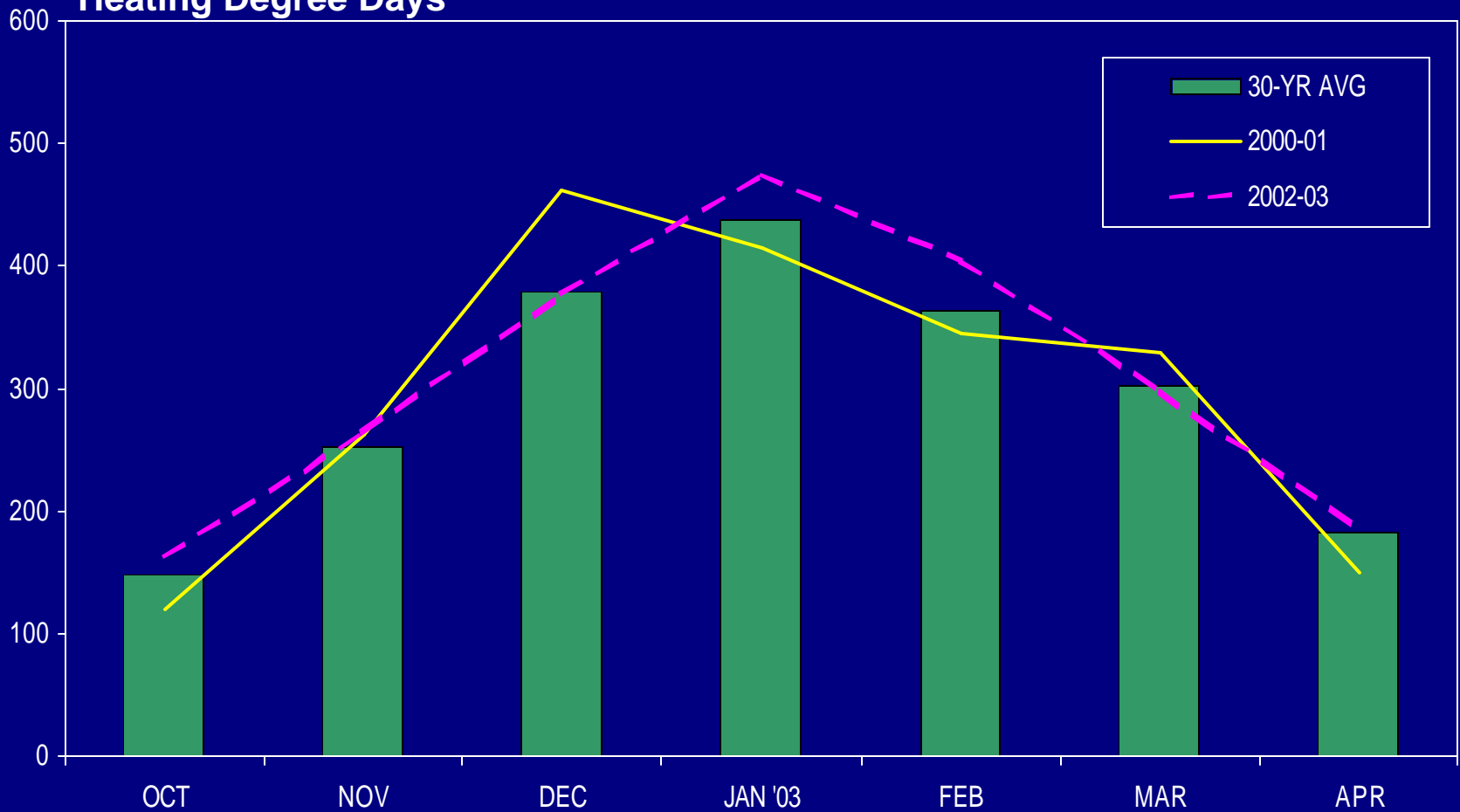
■ PADD I   ■ PADD II   ■ PADD III   ■ PADD IV   ■ PADD V






# IT WAS COLDEST IN THE MIDWEST AND EAST COAST

Census Regions 1-3  
Heating Degree Days



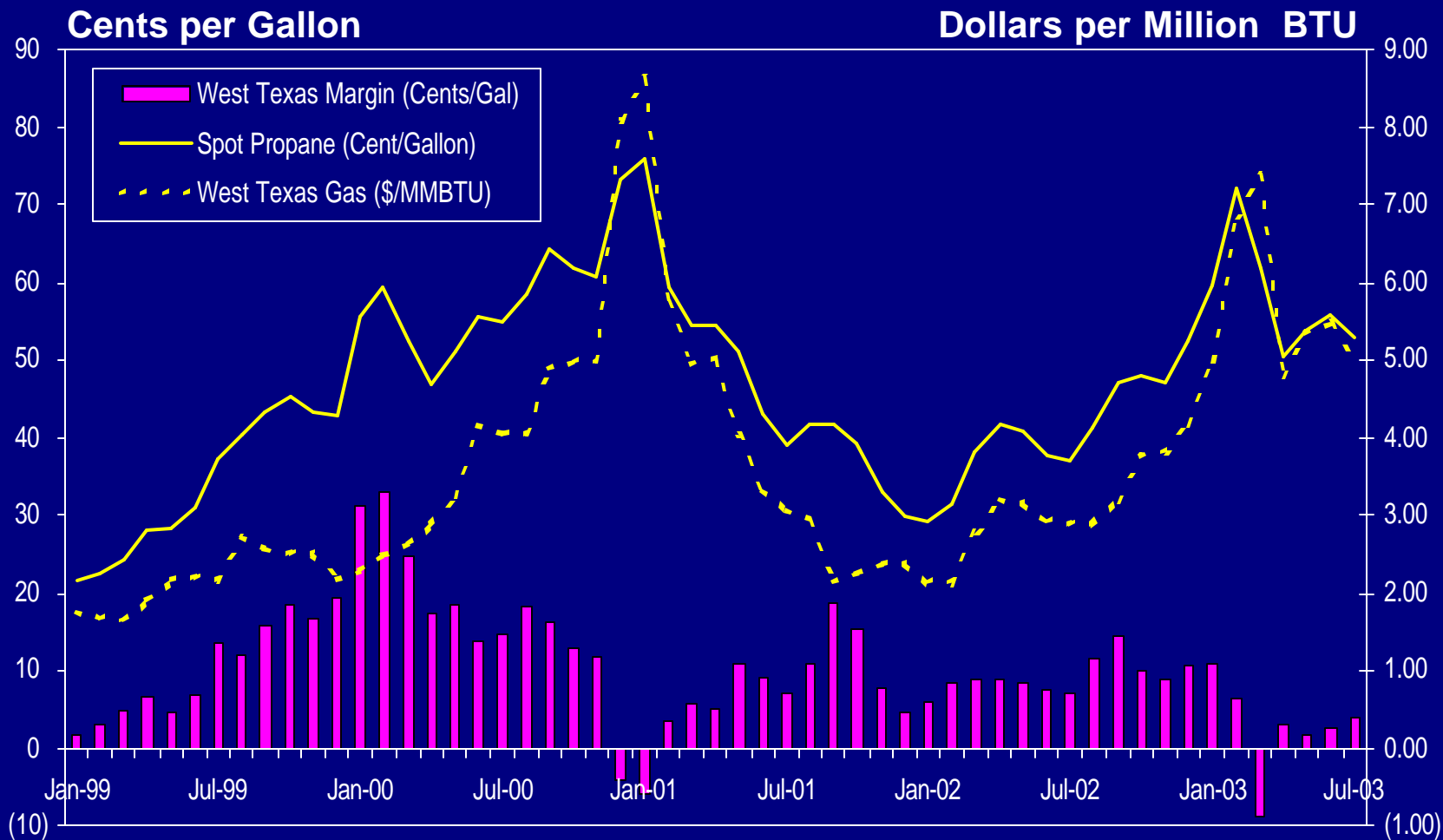


# WHAT WENT WRONG LAST WINTER

- 
- ❖ Cold Weather – When and Where
  - ❖ **Low Domestic Production**
  - ❖ High Exports
  - ❖ Low Inventories

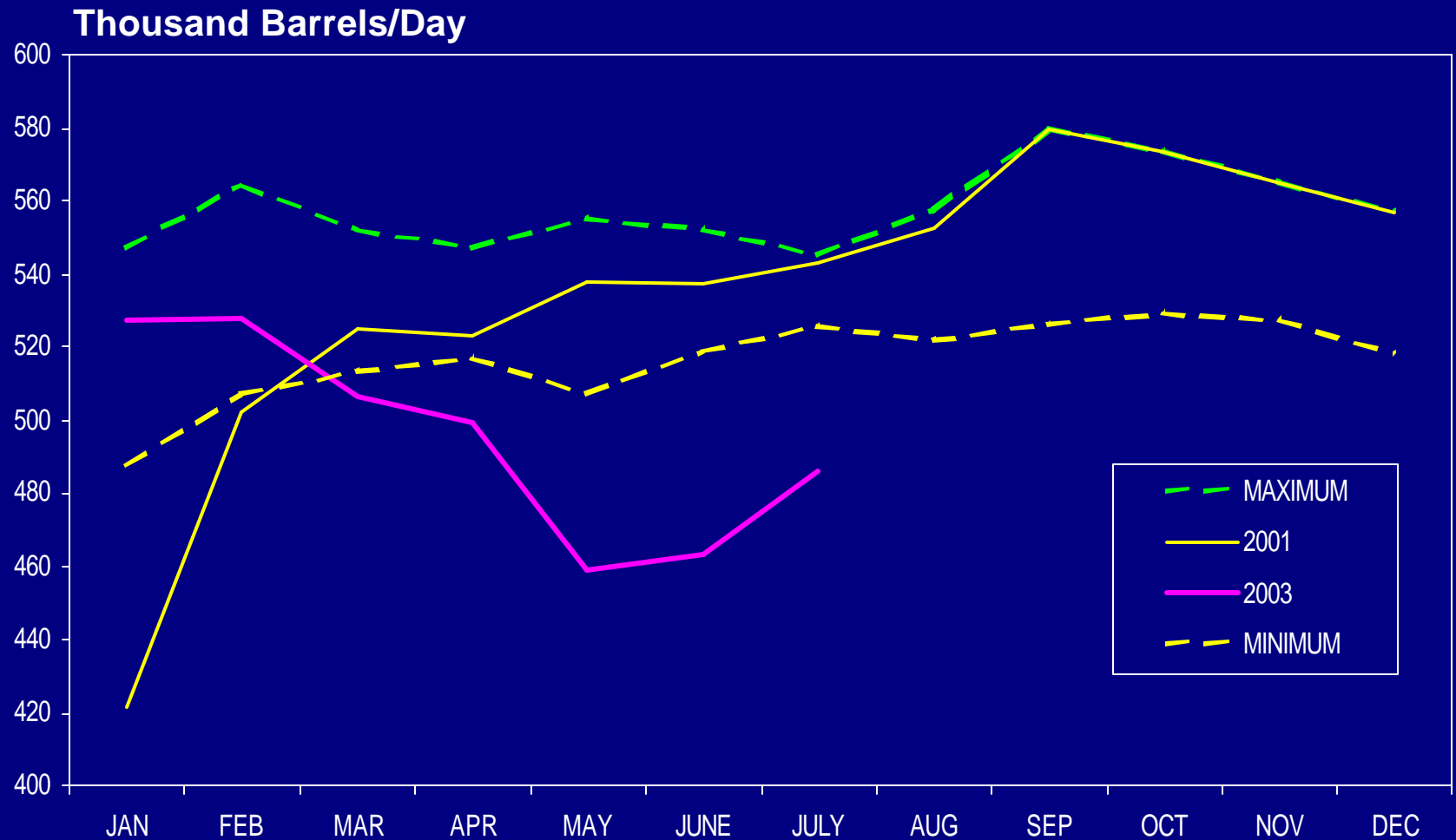


# PROPANE PRODUCTION WAS NOT ECONOMICAL





# GAS PLANT PRODUCTION OF PROPANE DROPPED



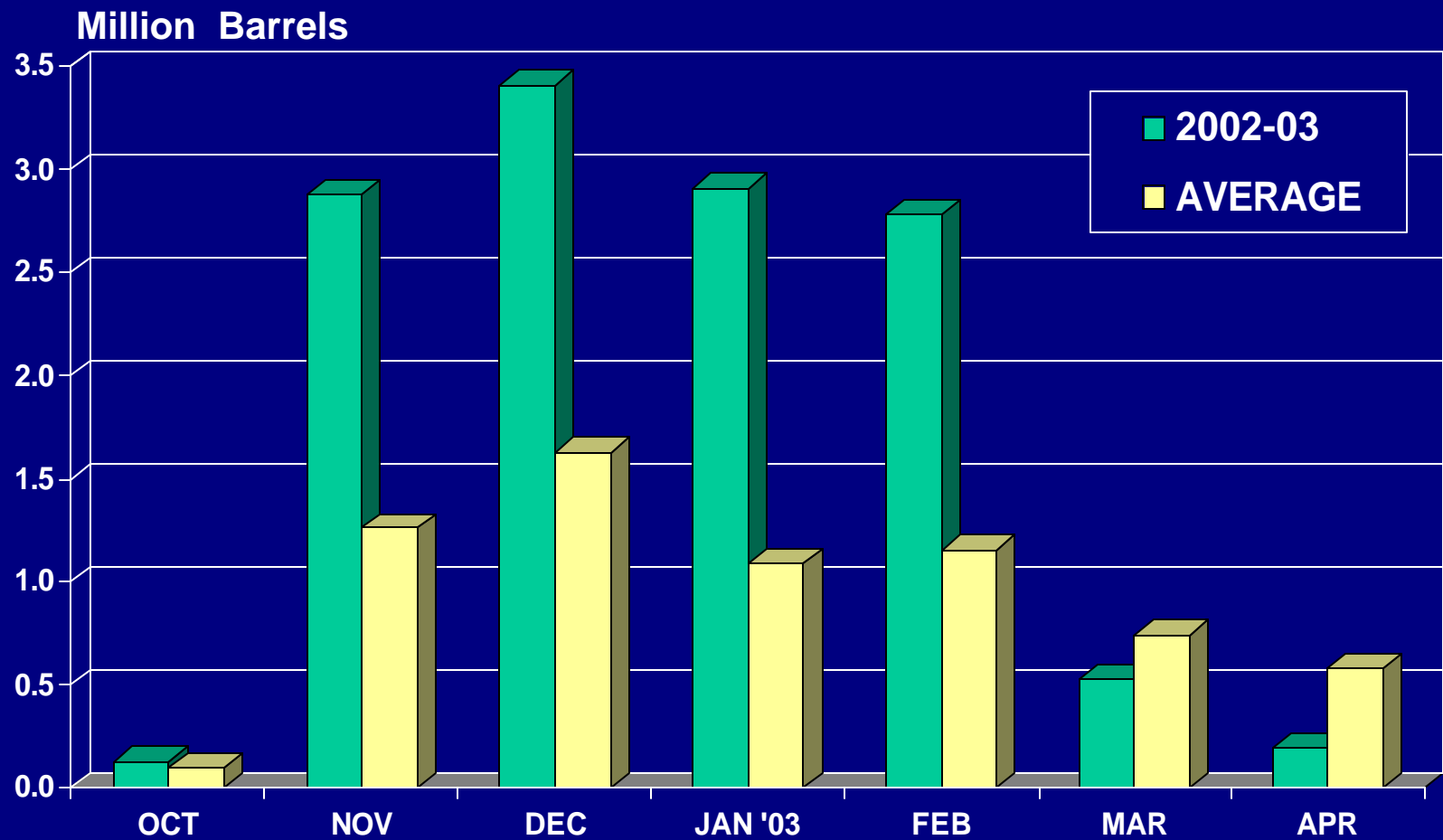


# WHAT WENT WRONG LAST WINTER

- ❖ Cold Weather – When and Where
- ❖ Low Domestic Production
- ❖ **High Exports**
- ❖ Low Inventories



# WATERBORNE EXPORTS OF PROPANE SHOT UP



Source: Commercial Services



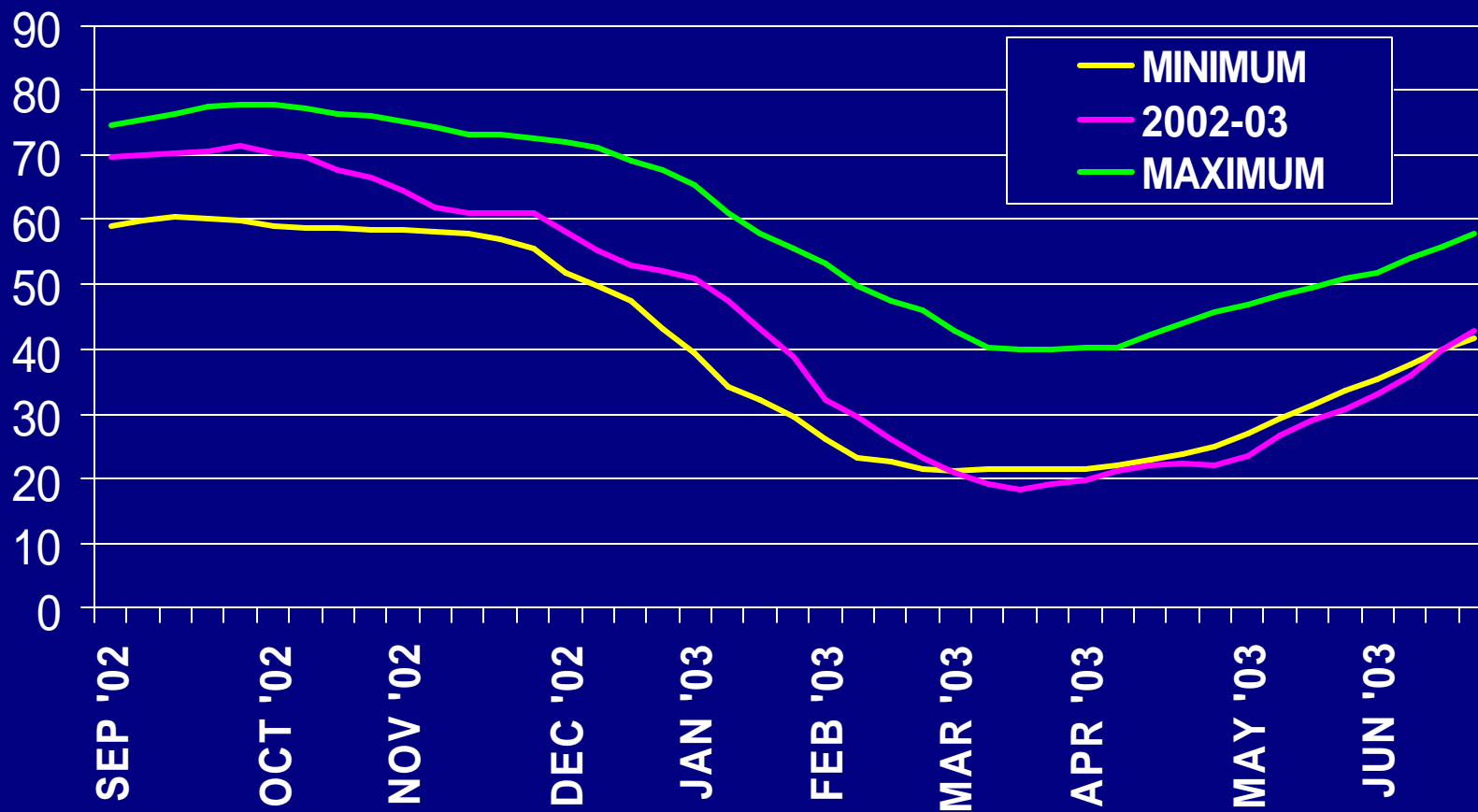
# WHAT WENT WRONG LAST WINTER

- ❖ Cold Weather – When and Where
- ❖ Low Domestic Production
- ❖ High Exports
- ❖ **Low Inventories**



# HIGH INVENTORIES FELL TO RECORD LOWS

Total U.S. (MM Barrels)





# TODAY'S TOPICS

- ❖ What Went Wrong
- ❖ **What Went Right**
- ❖ What Might Happen
- ❖ What Might Change

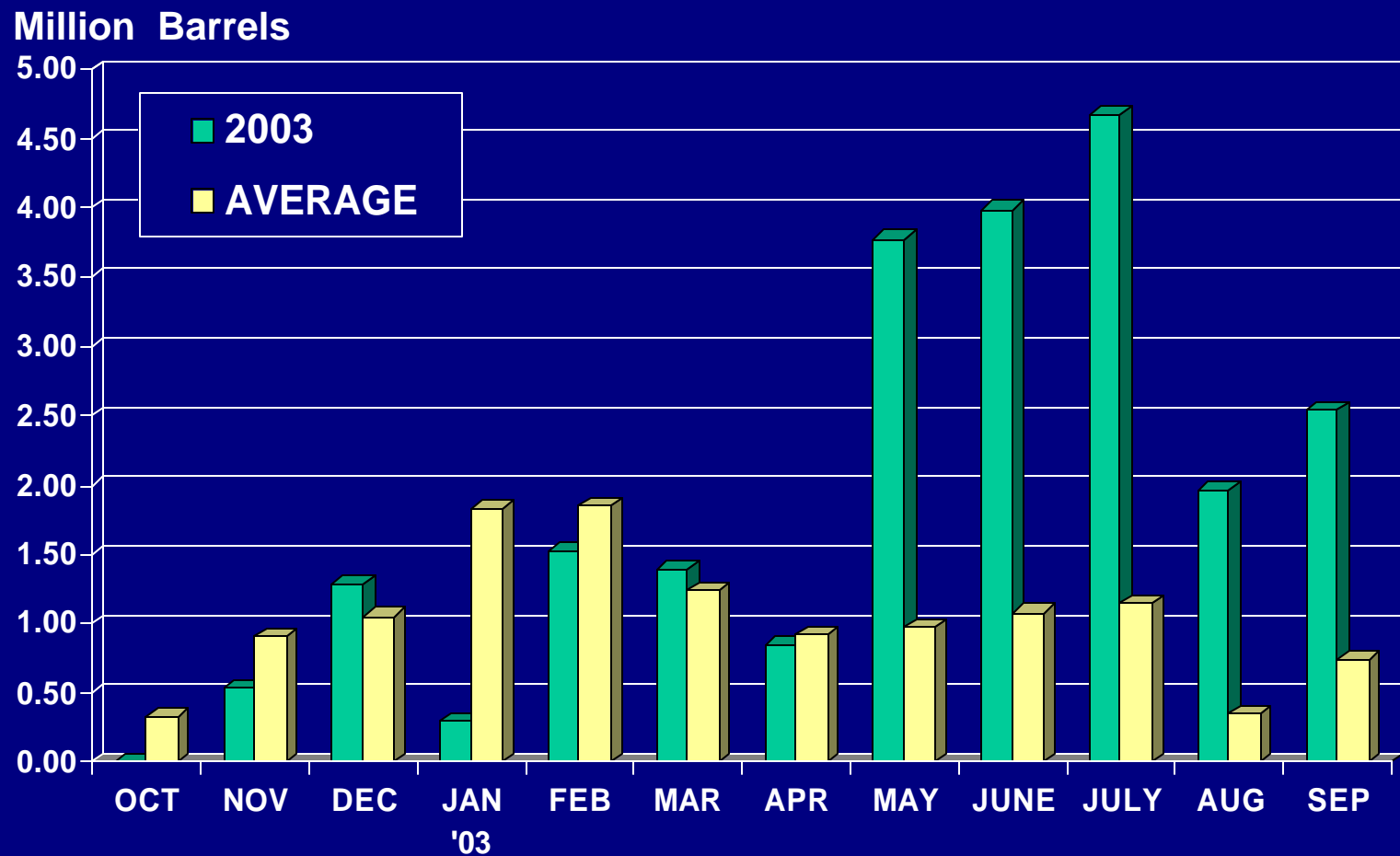


# WHAT WENT RIGHT THIS SPRING

- ❖ High Waterborne Imports
- ❖ Low Petrochemical Consumption
- ❖ Rapidly Rising Inventories
  - ❖ United States
  - ❖ Canada



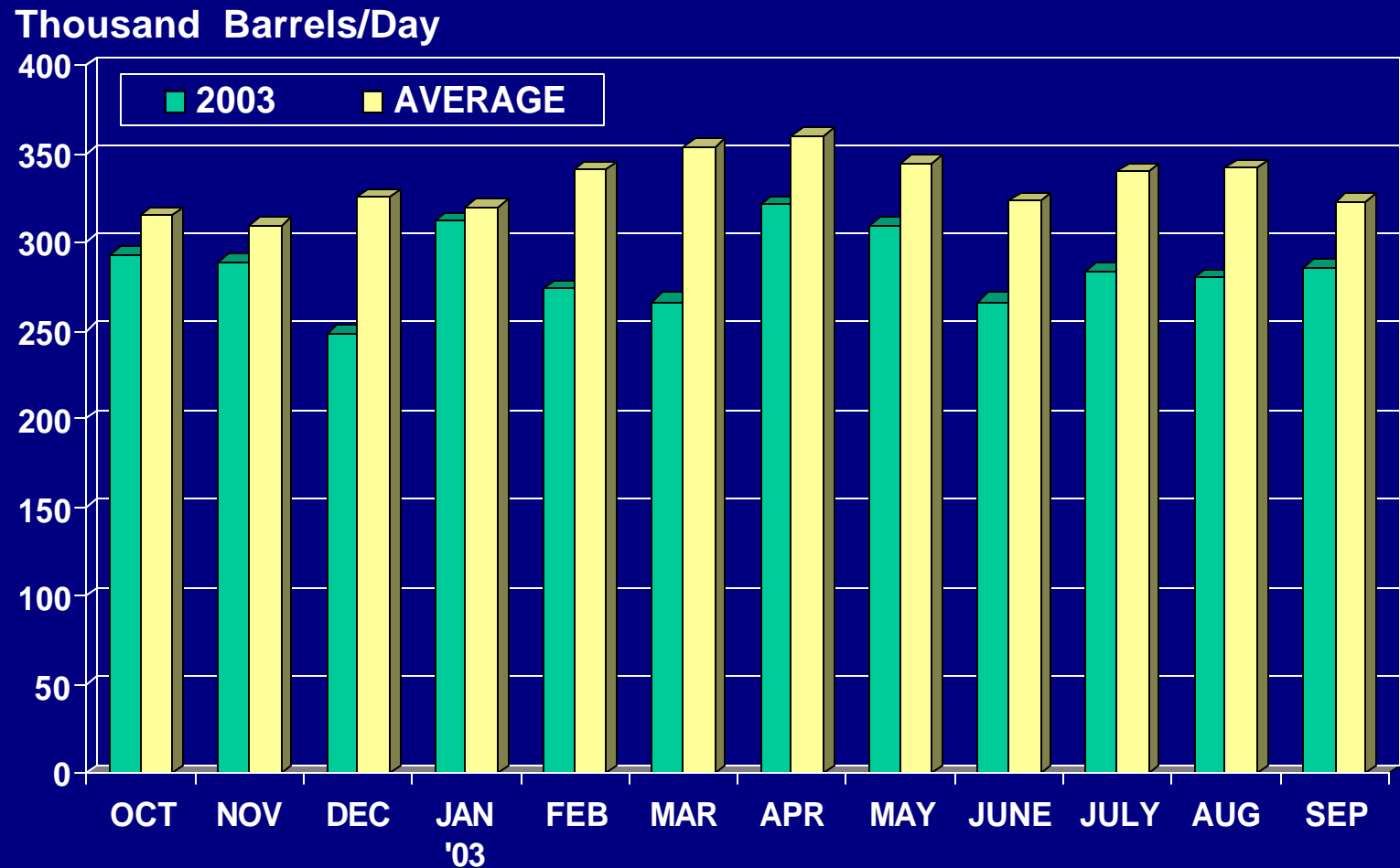
# PROPANE IMPORTS SURGED INTO THE U.S.



Source: Commercial Services



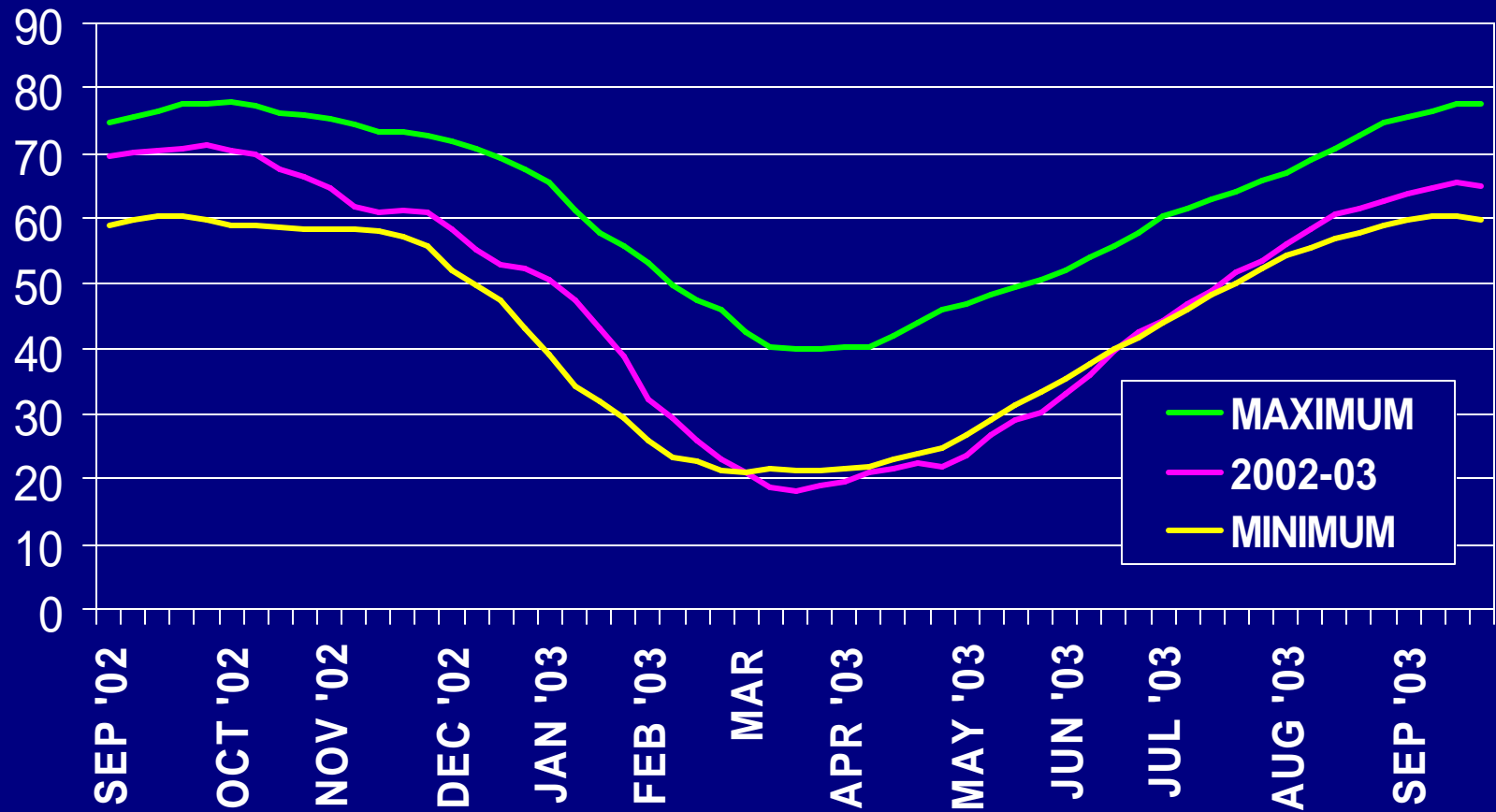
# PETROCHEMICAL CONSUMPTION OF PROPANE DROPPED





# PROPANE INVENTORIES ROSE RAPIDLY IN THE U.S.

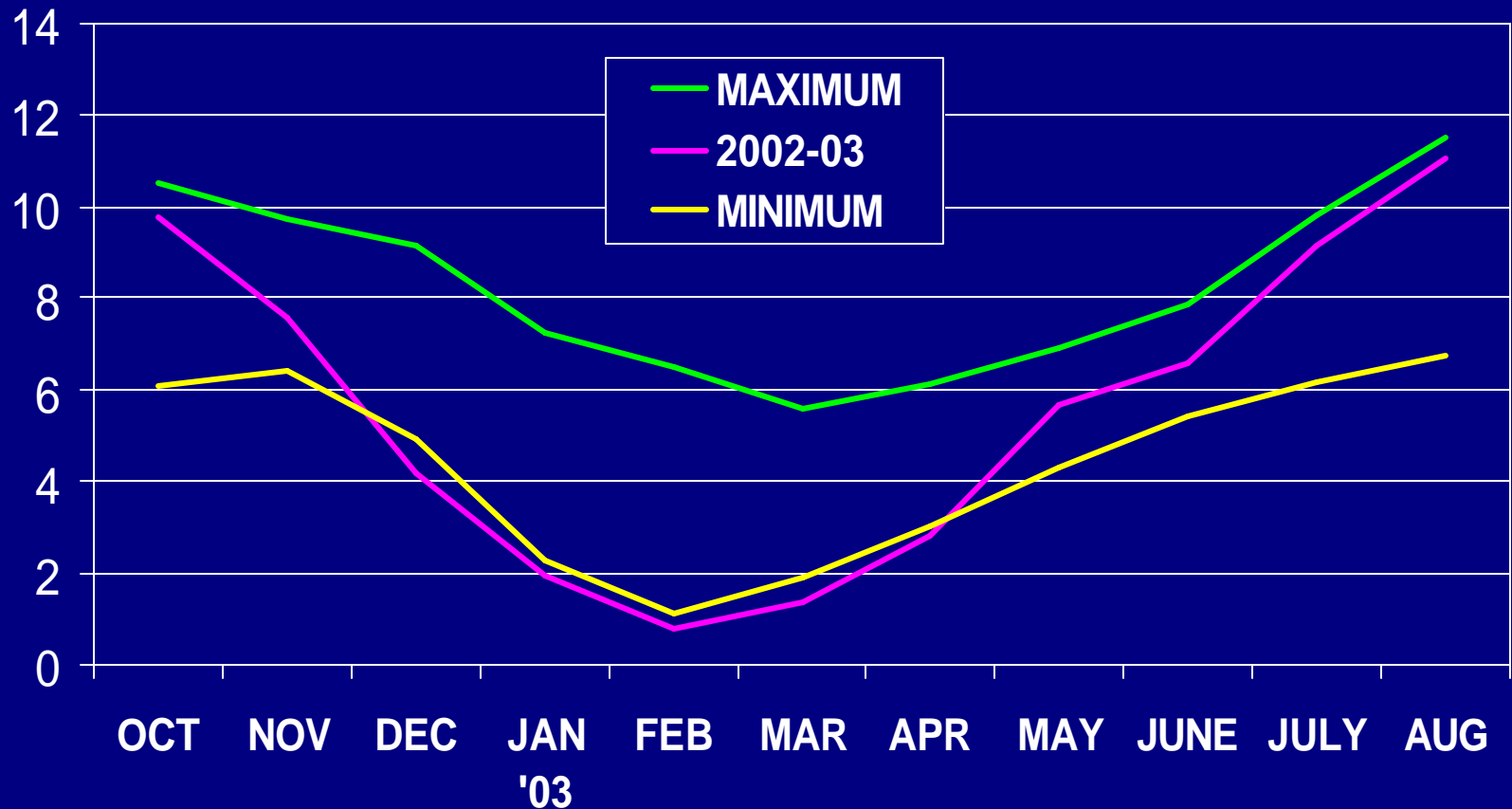
Total U.S. (MM Barrels)





# PROPANE INVENTORIES ALSO ROSE RAPIDLY IN CANADA

Total (MM Barrels)





# TODAY'S TOPICS

- ❖ What Went Wrong
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- ❖ What Might Change



# WHAT MIGHT HAPPEN

## NEGATIVE

- ❖ Domestic Production Higher, But Not High
- ❖ Exports Higher, But Not Like Last Winter

## POSITIVE

- ❖ Waterborne Imports High, But Not Like This Spring
- ❖ Canadian Imports Higher Than This Spring
- ❖ Petrochemical Demand Should Stay Low



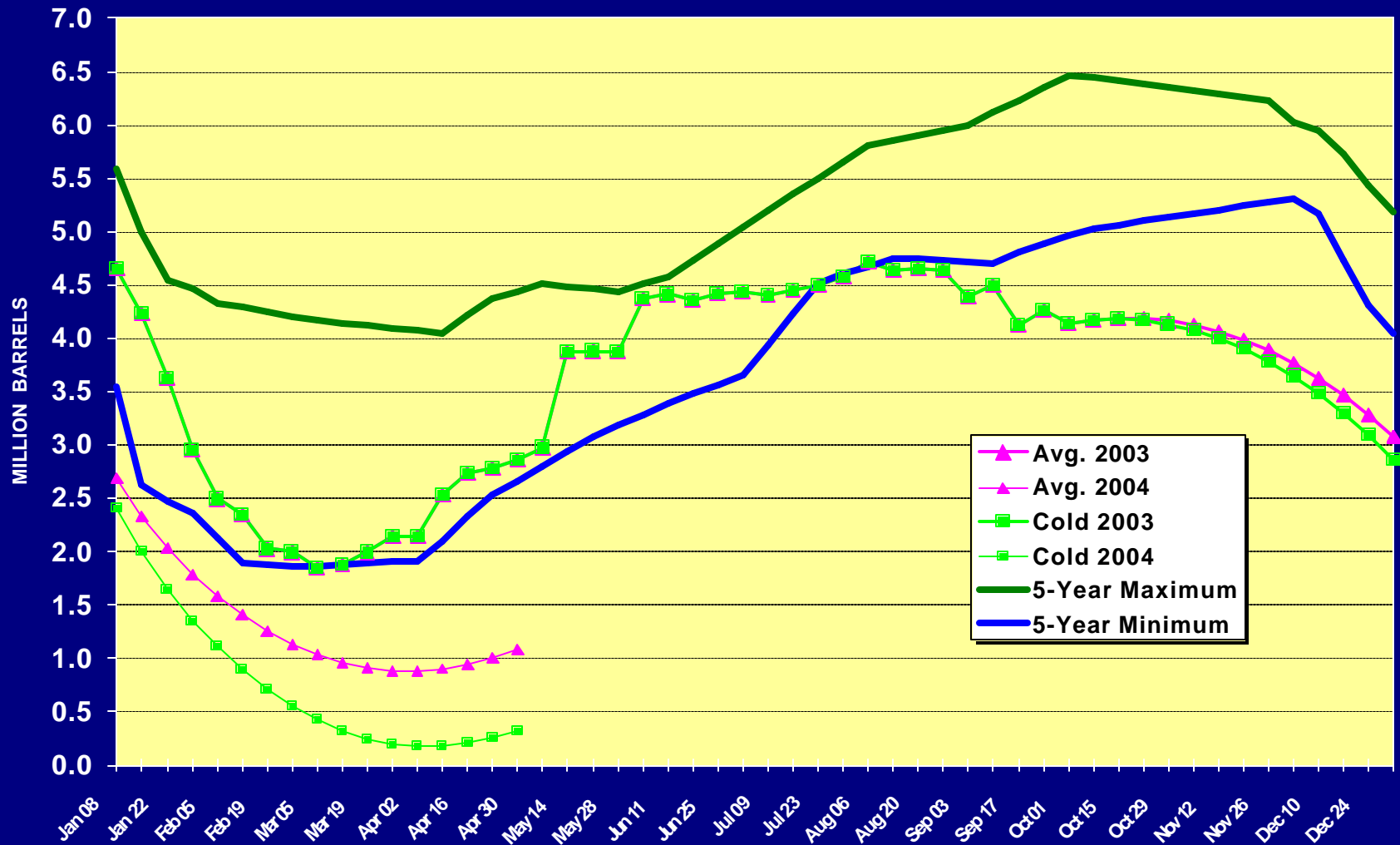
# WHAT MIGHT HAPPEN

## WILD CARDS

- ❖ Weather
  - ❖ Where
  - ❖ When
  - ❖ How Fast
- ❖ Residential/Commercial Demand
  - ❖ Weather
  - ❖ Tank Filling
- ❖ Crop Drying

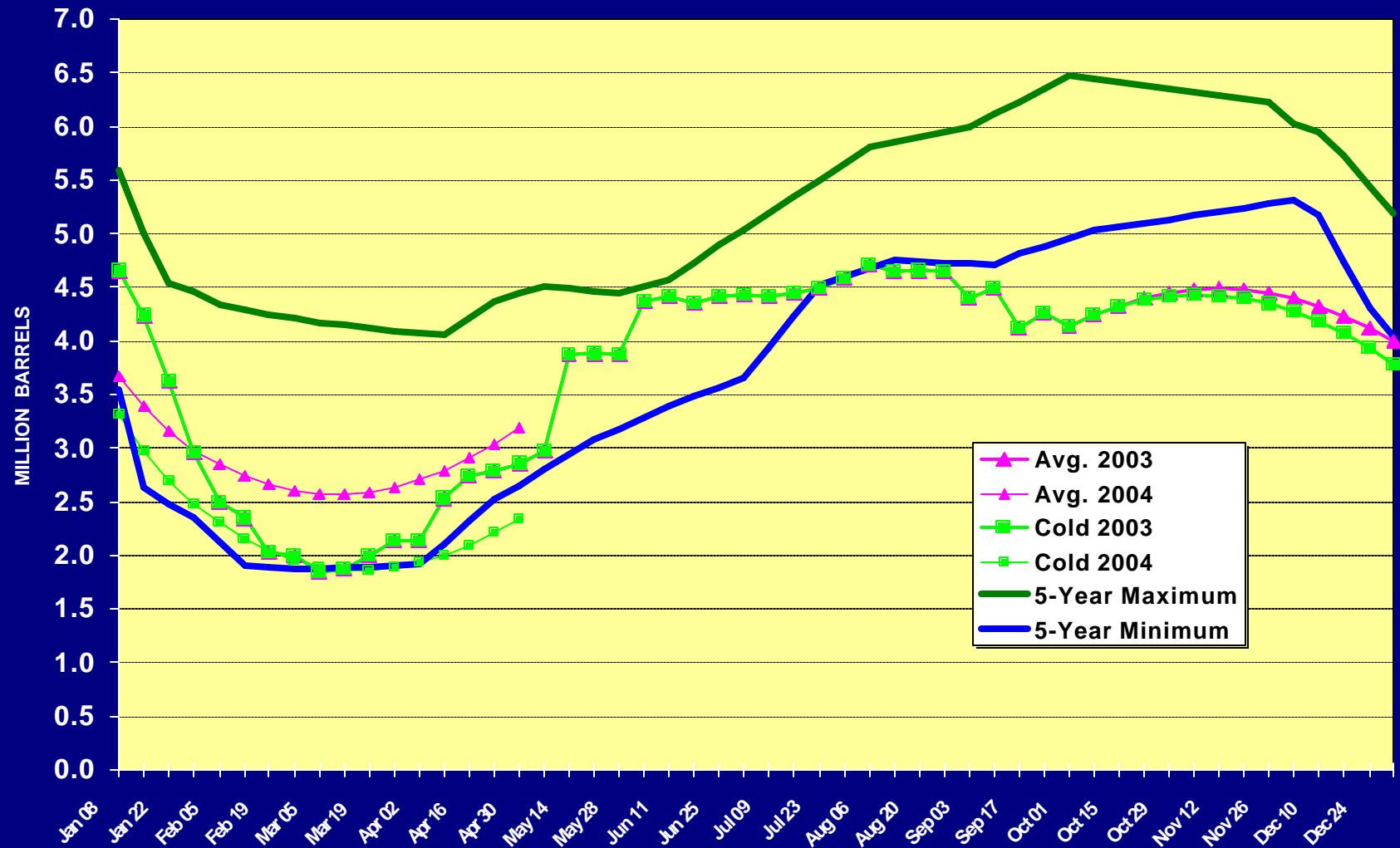


# EAST COAST PROPANE STOCKS COULD BE LOW FOR WINTER



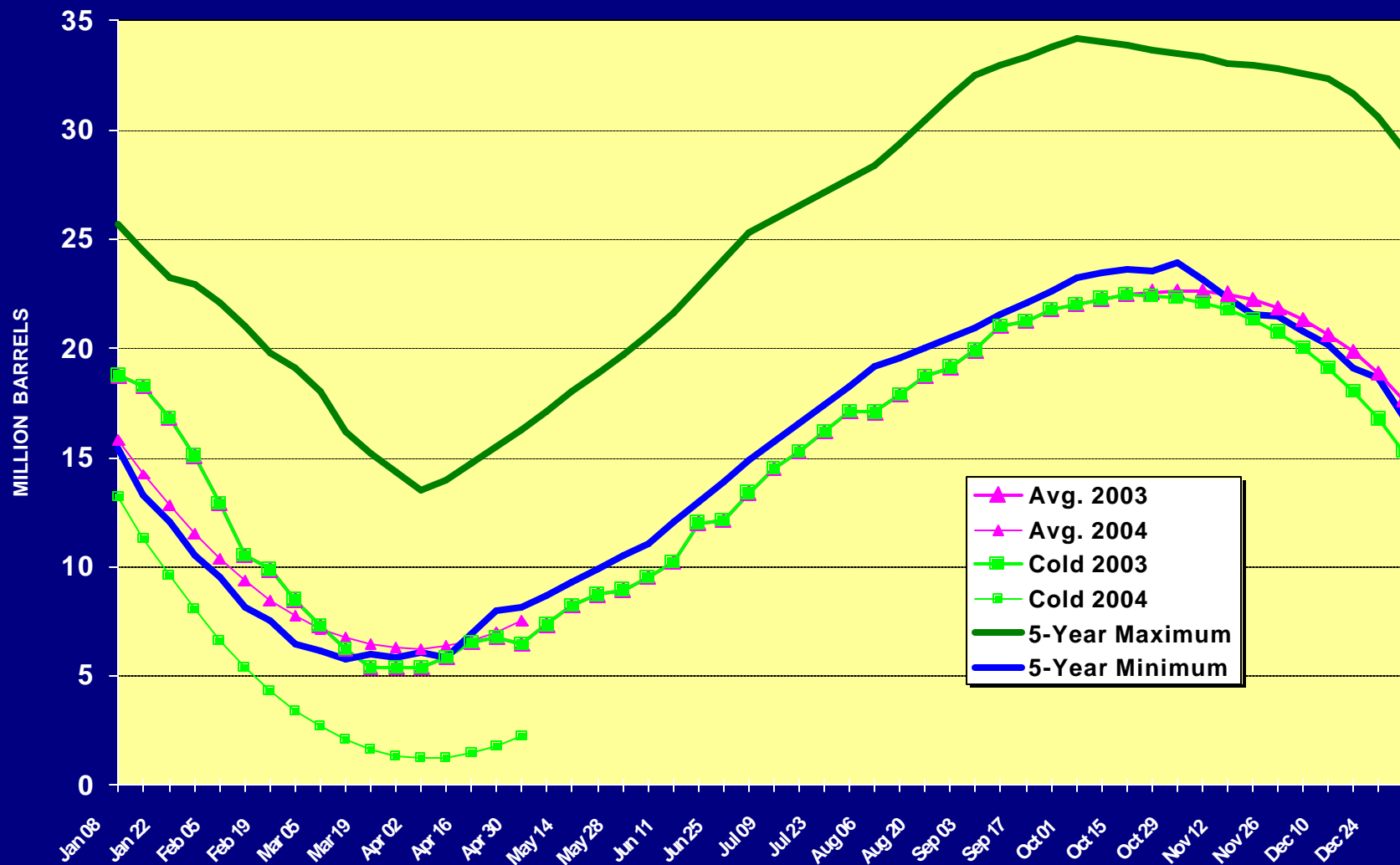


# THE EAST COAST MIGHT NEED AN ADDITIONAL 10,000 BPD



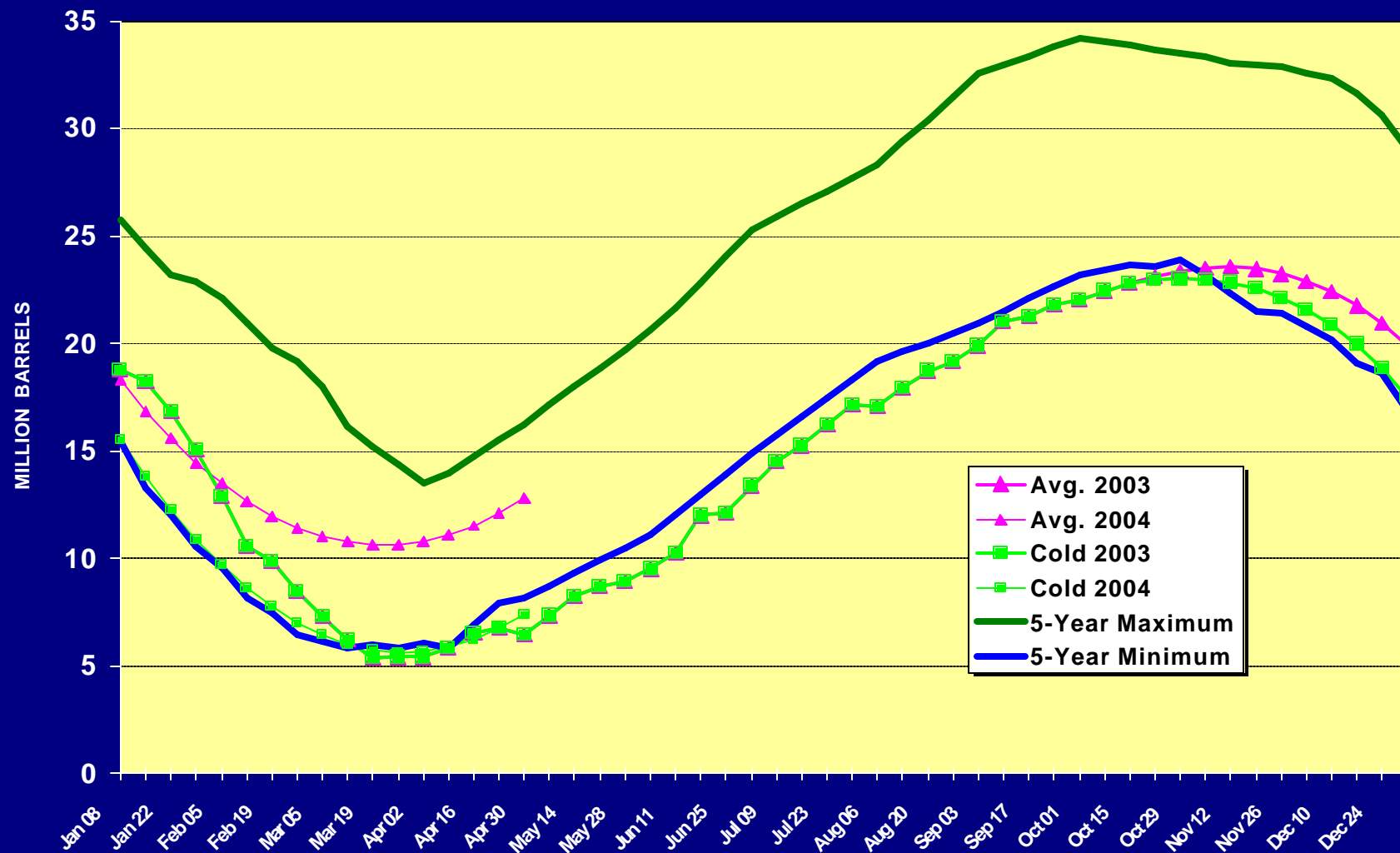


# MID-CONTINENT PROPANE STOCKS COULD REMAIN LOW



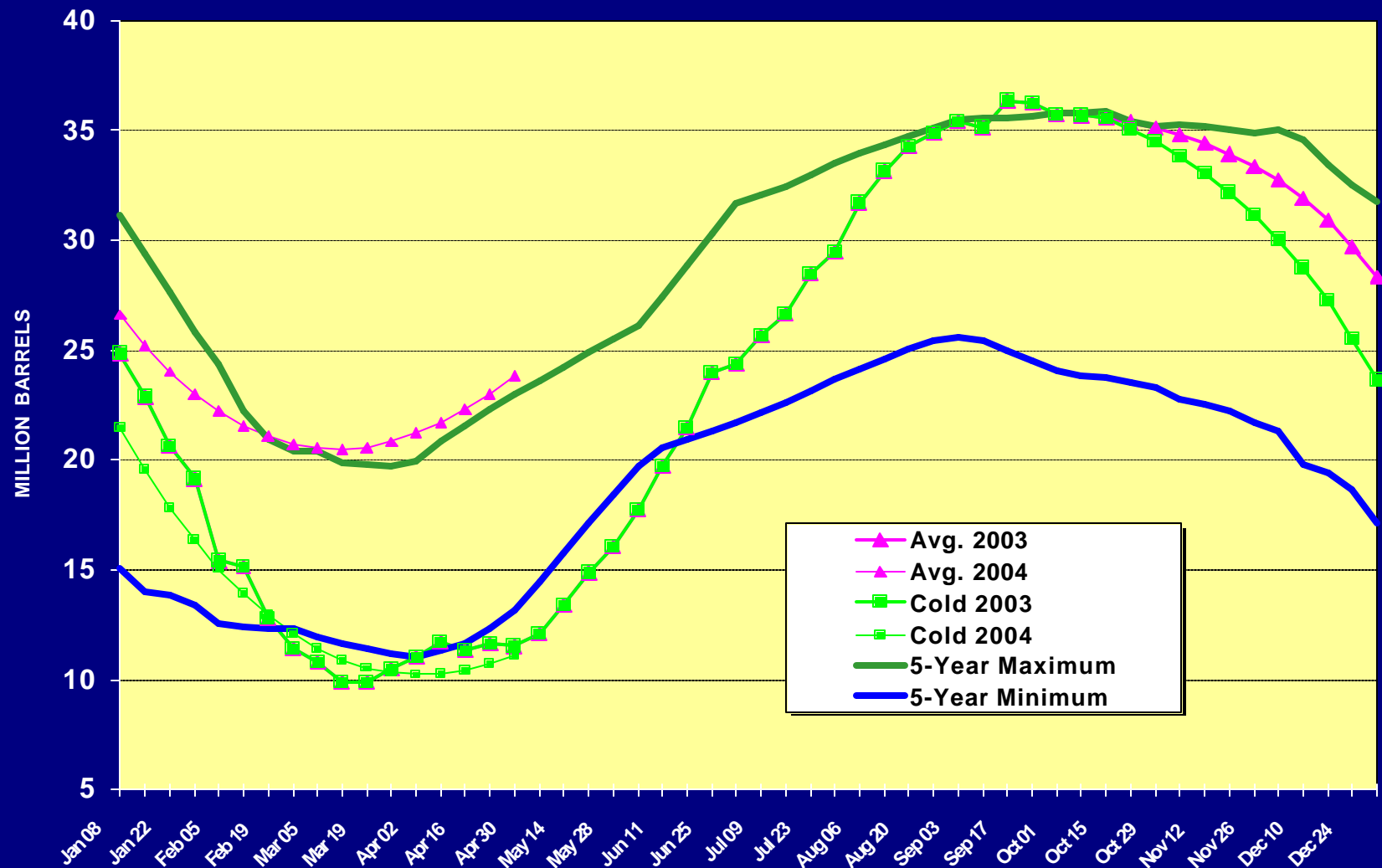


# MID-CONTINENT MIGHT NEED AN ADDITIONAL 25,000 BPD



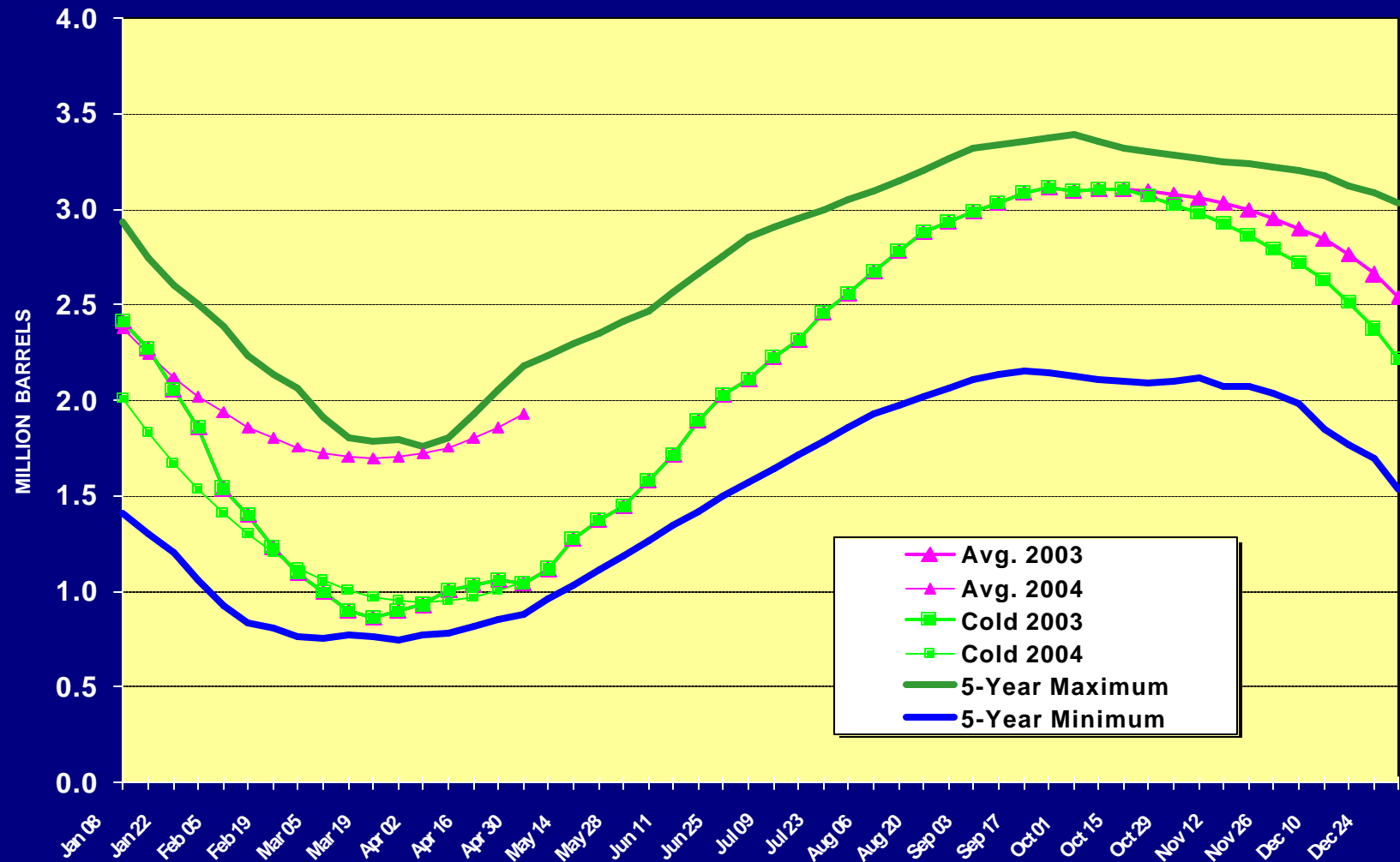


# U.S. GULF COAST STOCKS SHOULD REMAIN WITHIN THE TYPICAL RANGE



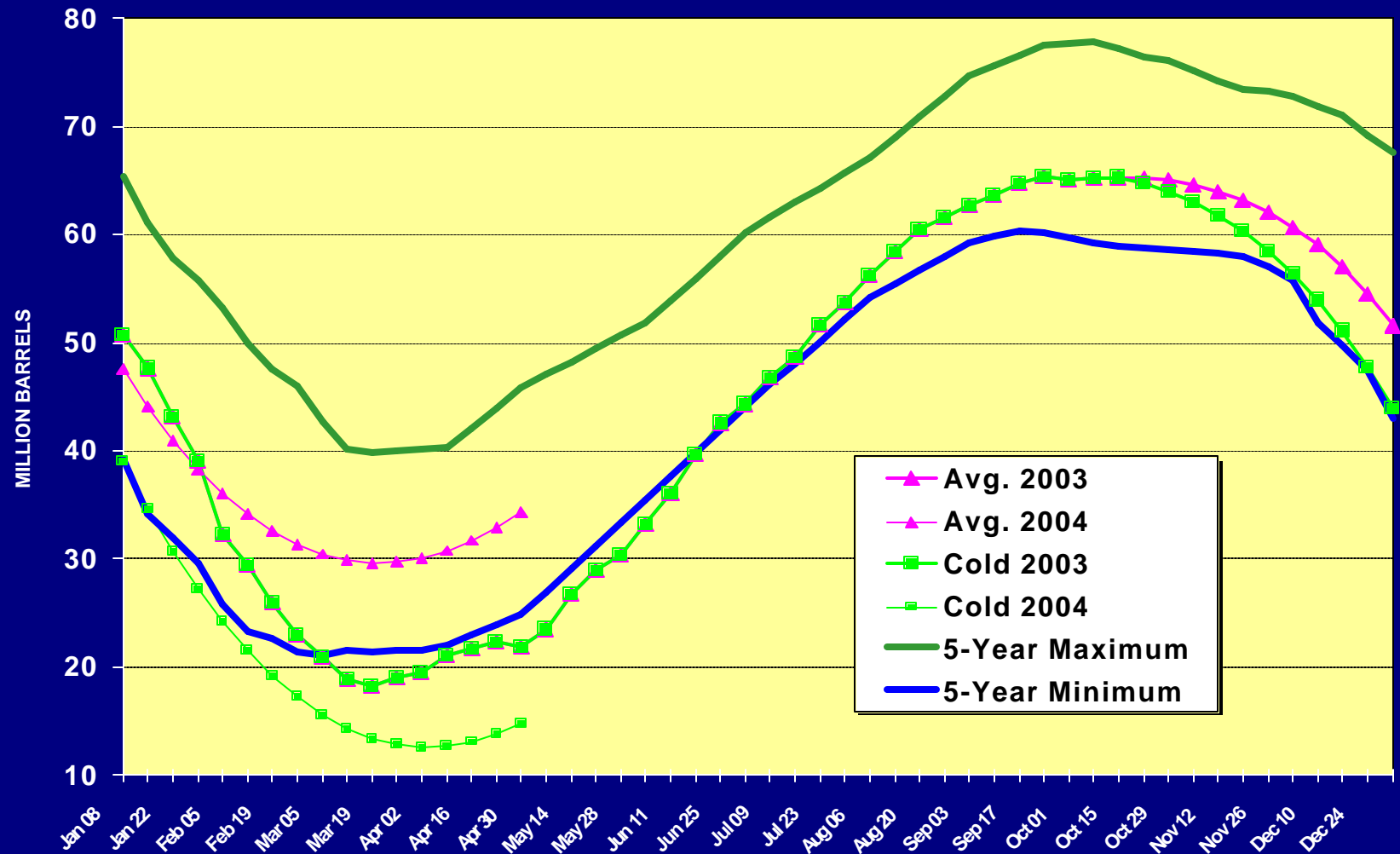


# WESTERN U.S. PROPANE STOCKS SHOULD BE IN GOOD SHAPE THIS WINTER





# TOTAL U.S. PROPANE STOCKS WILL LIKELY STAY IN THE TYPICAL RANGE





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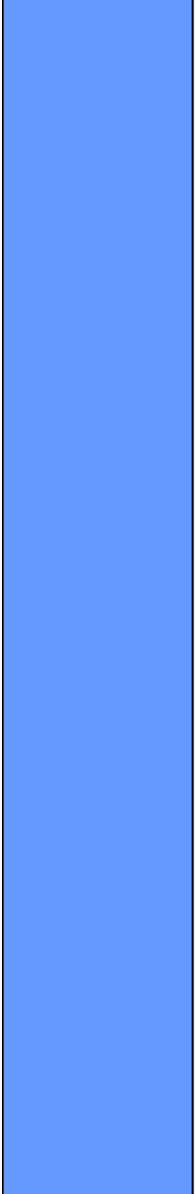
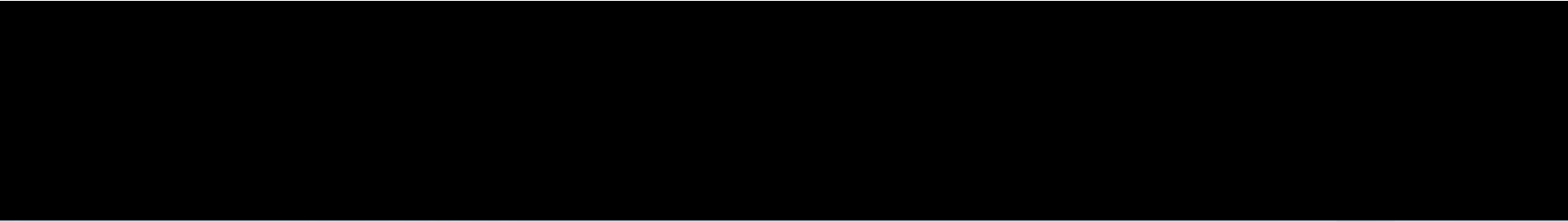
# WHAT SHOULD YOU WATCH

- ❖ Weather – Where, When, How Fast
- ❖ Prices
  - ❖ Propane versus Natural Gas
  - ❖ Propane versus Crude Oil
  - ❖ U.S. versus International



# WHAT SHOULD YOU WATCH

- ❖ EIA Weekly Inventories
  - ❖ Now Year-Round
  - ❖ Now Separate Propylene
  - ❖ Next Year Show Supply/Demand (Weekly Petroleum Status Report)





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