

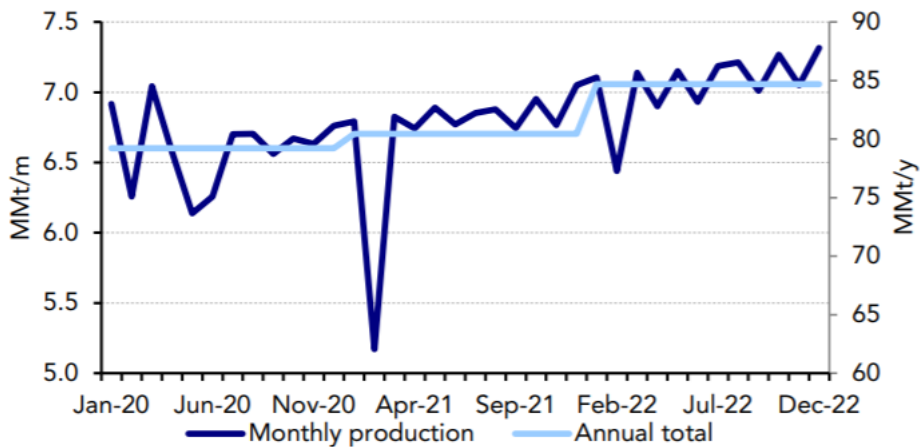


LPG Market Outlook

February 2021 production affected by Texas freeze

The most recent EIA data on US LPG production shows the impact that the freeze in Texas had on the market. Production in February 2021 was down 24% month-on-month compared to January 2021. The impact of the freeze was relatively short lived and production in March is back to normal. The top graph shows the impact of the freeze on production and the outlook for the year. Even with the lower production for February, US production is forecast to grow by 1%. If February's production was closer to normal, 2021 growth would be 2.7% year-on-year.

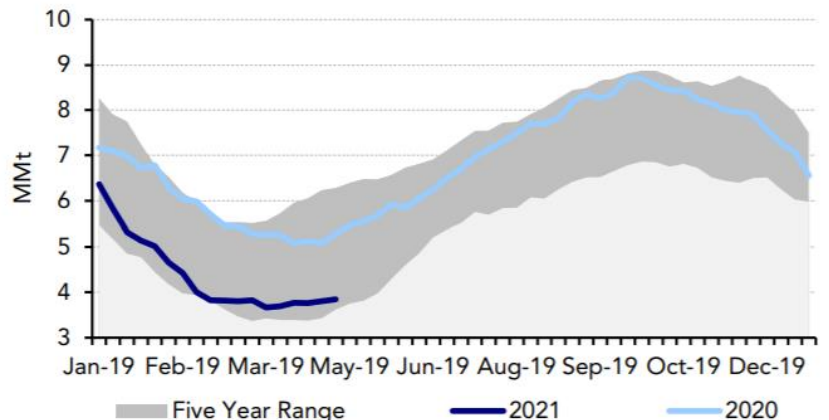
US LPG production forecast



Overall US propane storage is on the very low end of the five-year range (middle graph). This comes on the heels of some very strong months of US LPG exports (bottom graph). US LPG exports peaked in December 2020 and January 2021 at 4.48 and 4.44 MMt, respectively. February exports fell 24% (similar to production) and hit only 3.36 MMt. A recovery in the export volumes is expected; however, the question facing the market is if exports can stay so high given the slower recovery in production.

US weekly propane storage

Shiptracking shows that exports for March and April were very strong though not as strong as December and January. Production on the other hand, appears to have recovered, but not at a level that will help rebuild storage. The middle graph illustrates the problem with the market right now.



Exports and export demand are high but they cannot remain that way at competitive prices unless production increases at a faster rate. The number of drilling rigs continues to grow; however, the kind of rapid growth needed to keep up with more than 4 MMT/m of exports is not being seen in the US industry. This looks to be a key item in the future of the market for 2021. The global market badly needs the volumes coming from the US to balance; however, if those volumes are not being produced then storage will get even lower and prices will get high which may perhaps lead to plants in Asia shutting in, depending on the strength of downstream markets.

US LPG exports

