



# Potential Propane Predicament?

## Outlook for 2015-16 Winter

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## Several Key Industries Influence Both Regional and Global Propane Supply

- Propane is a BYPRODUCT
- Thus, supply of propane follows developments in three key segments of the oil and gas industry.
- Propane is produced from:
  - Processing of associated gas (from crude oil wells)
  - Processing of non-associated gas (from gas wells)
  - Refining
- Propane production will move up or down with changes in these industries.
- For example, in 2009 world propane supplies declined with cutbacks in OPEC crude oil production rates and a slowdown in global refining activity, but supplies have now rebounded.



# Sources and Storage

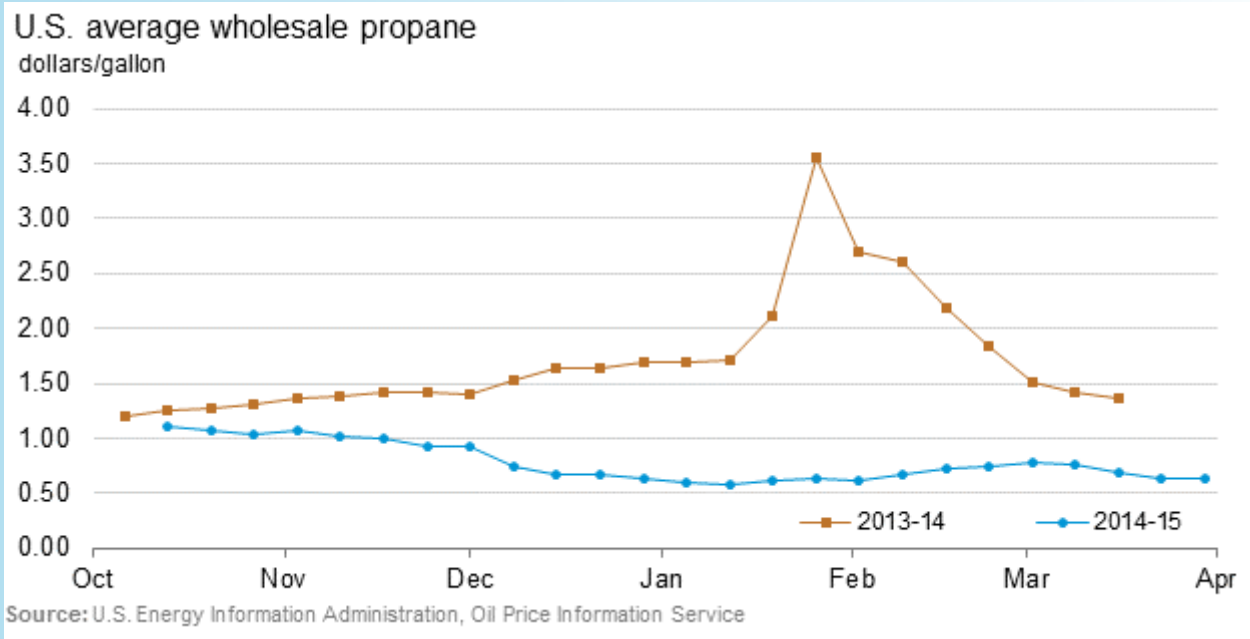
- The United States imports about 10% of the propane
  - 70% of that coming from Canada via pipeline and rail.
  - The remaining 30% of imported propane via ocean transport.

North American propane is stored in huge [salt caverns](#).

- [Fort Saskatchewan, Alberta](#);
- [Mont Belvieu, Texas](#) and
- [Conway, Kansas](#).
- When the propane is needed, much of it is shipped by pipelines to other areas of the United States.

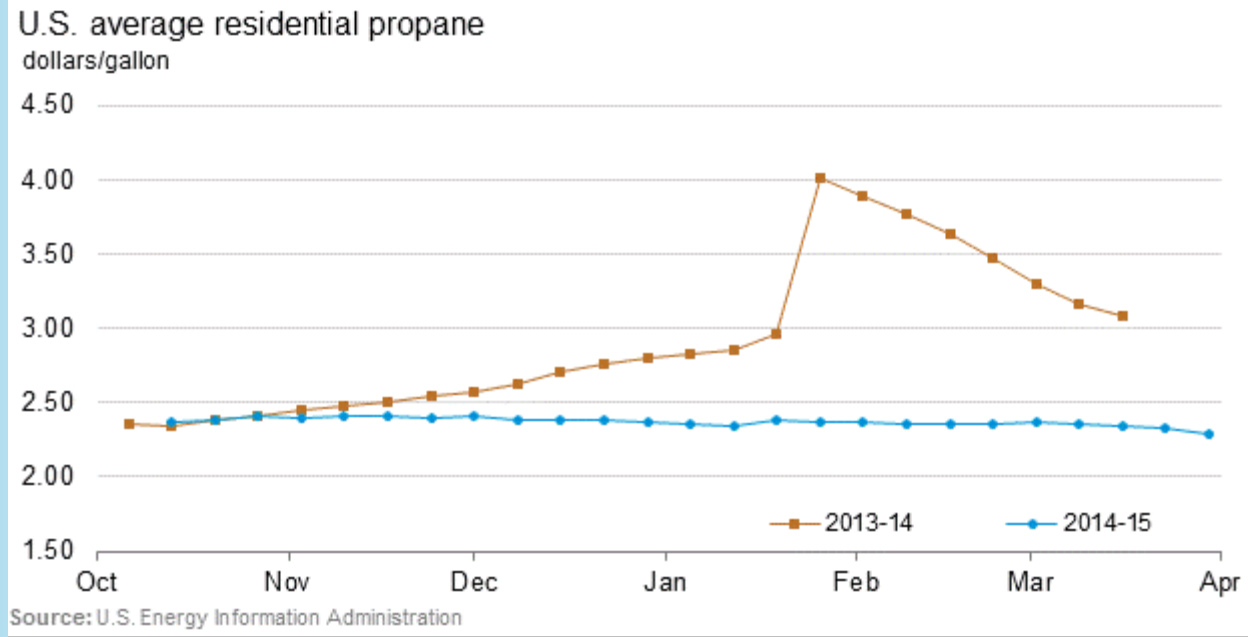
# Wholesale Propane Prices

Source- EIA



# Residential Propane Prices- US avg.

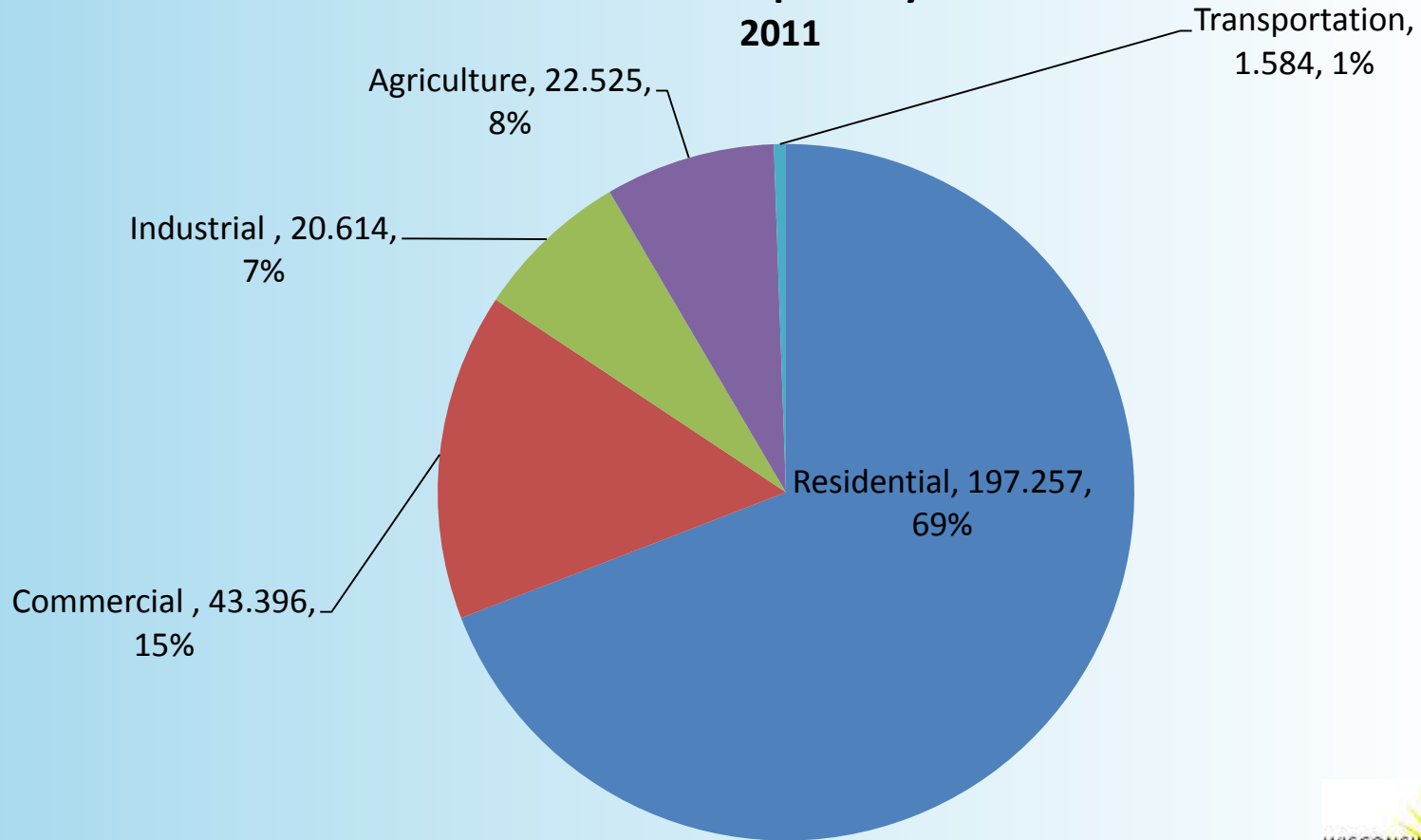
Source EIA



# Who Uses Propane?

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**Wisconsin Propane by Sector  
2011**



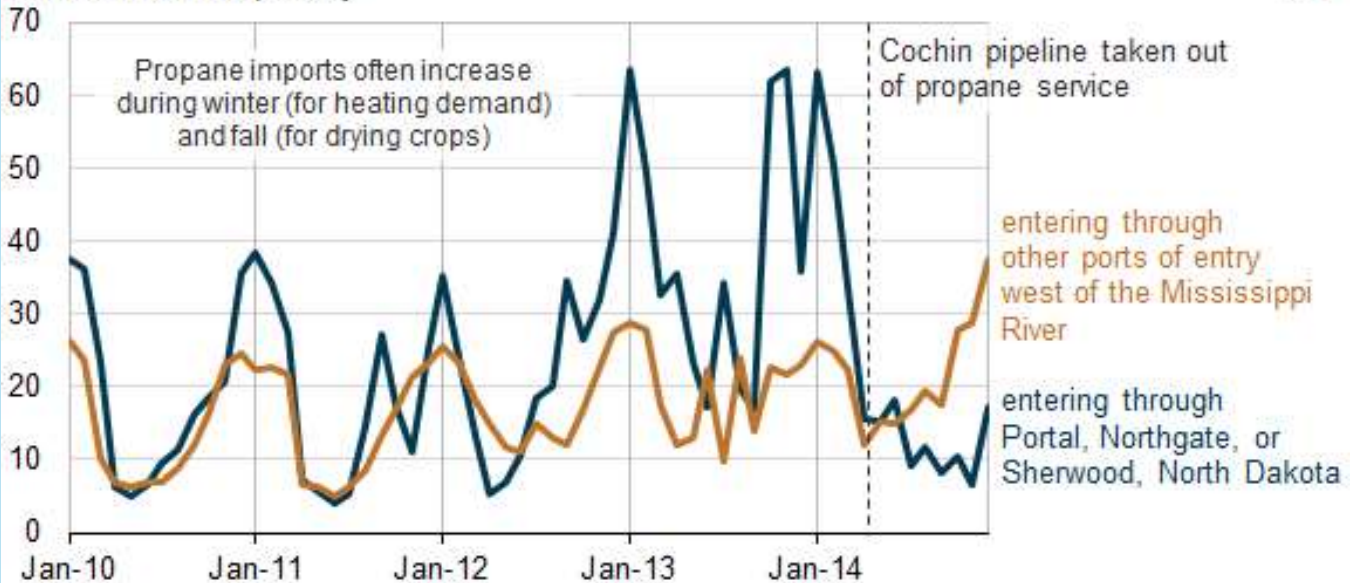
# What Happened in 2014 Crisis?

- Bumper corn crop, harvested late and wet
  - Impact: record use of propane in November drawing down inventories
- Cochin pipeline shuts down for 6 weeks in the fall
  - Impact: supply in Minnesota and Iowa eliminated
  - Cochin provides 40% of propane to Minnesota
- Record cold and snowstorms in Upper Midwest
  - Higher use of propane
  - Truck and rail delivery is more difficult
- Conway prices lower than Mt. Belvieu
  - Impact: Pipelines to Texas are running full reducing Conway inventory

# Post- Cochin World



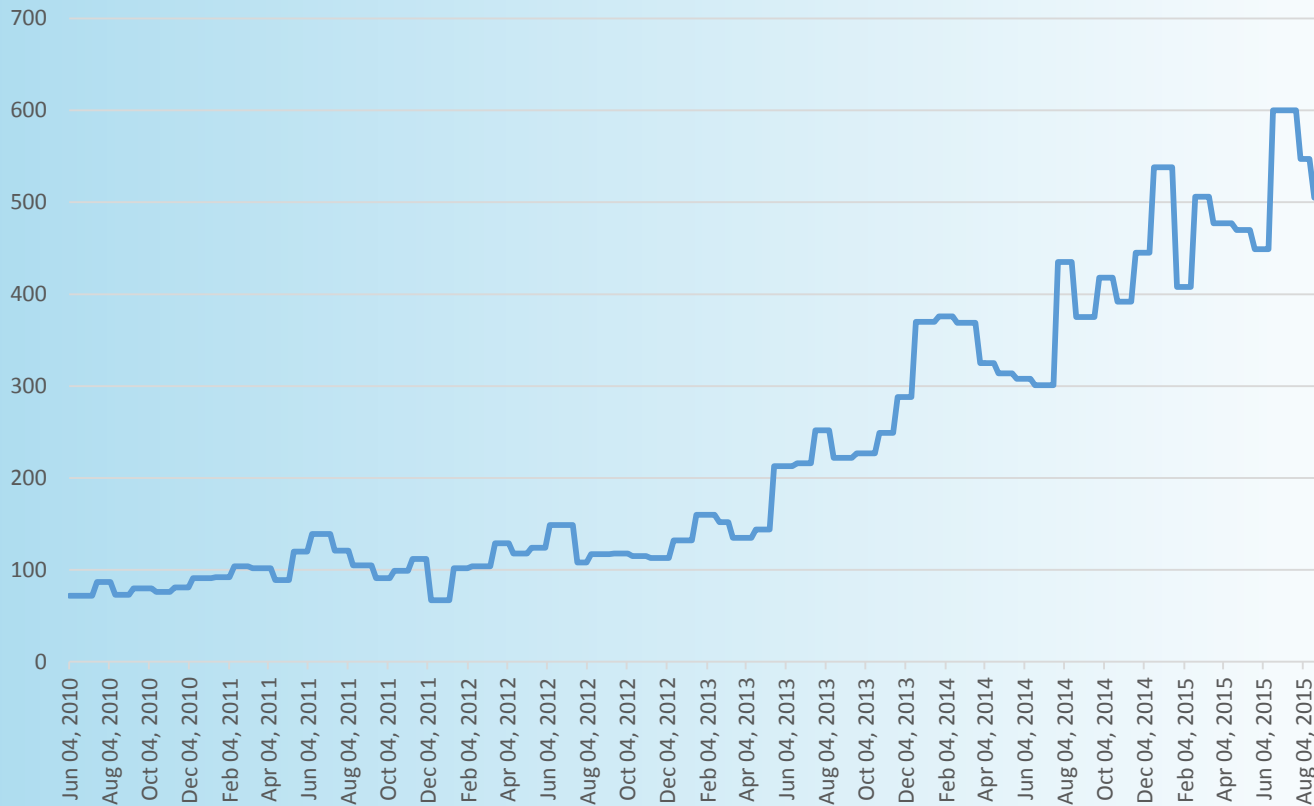
Monthly propane imports from Western Canada (2010-14)  
thousand barrels per day



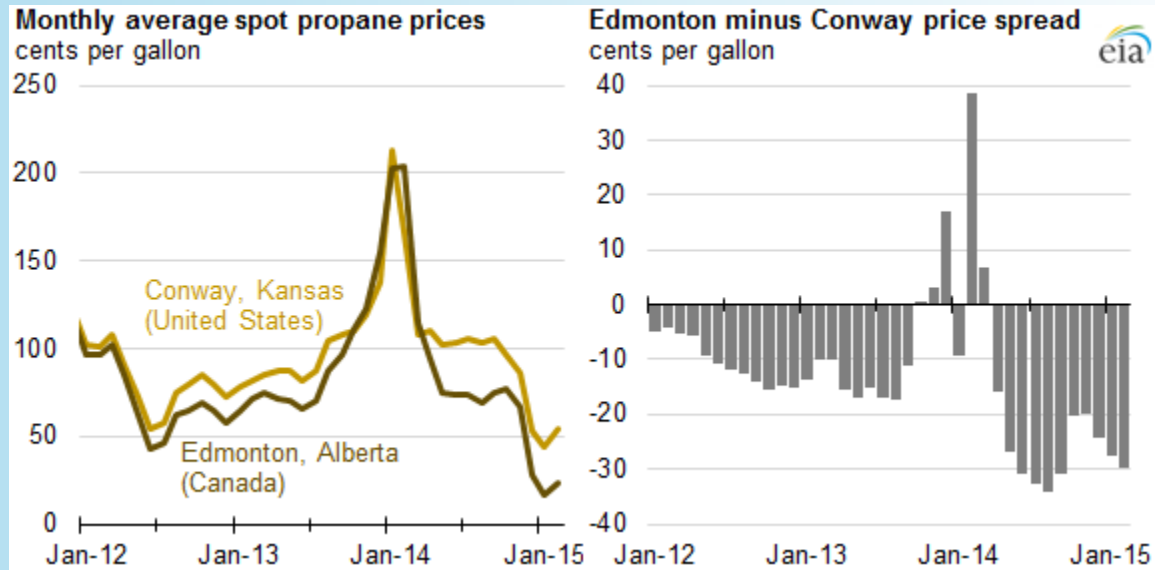


# Supply and Demand--Exports

Data 1: Weekly U.S. Exports of Propane and Propylene June 2010 through August 2015 (Thousand Barrels per Day) Source EIA



# Supply and Demand -- Imports



# In Conclusion ...

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1. Propane prices are at a 12-13 year low. Wholesale in southern WI is 45 cents a gallon as of mid-august. Retail prices are falling. WI summer survey indicates a low price of .83 cents/gal
2. Propane marketers invested in new storage in 2014 and regional companies like CHS built 5 new terminals- including one in WI to help replace the capacity lost by the reversal of the Cochin pipeline.
3. The seasonal nature of propane sales is one of the industry's biggest problems. Using propane as a transportation fuel could help with year round demand
4. We need to be alert to OTHER pipelines either reversing or carrying more profitable products than propane, or ones that have a year-round steady demand.
5. The industry has worked to promote summer-fills; this is an extremely effective way to avoid or minimize problems in the winter. Industry needs to hammer away on the summer fills; these are very good deals for the consumer.

# Information Resources

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## State Energy Office

- <http://www.energyindependence.wi.gov/>

## Energy Information Administration

- <http://www.eia.gov/>

## Wisconsin Propane Gas Association

- <http://www.wipga.org/>

