

Weekly Propane Newsletter

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Principal Averages

Mont Belvieu	115.730
Kearney.....	86.462
Conway.....	83.550
Los Angeles	104.750
Selkirk.....	123.162
Apex.....	114.104
Hattiesburg	108.740

All postings reflect rack price only and do not include other fees, assessments, or taxes.

Weekly Propane Newsletter
 John Needham, Editor
 Published by
 Butane-Propane News, Inc.
 338 E. Foothill Blvd.
 P.O. Box 660698
 Arcadia, CA 91006
 Phone 626/357-2168
 Fax 626/303-2854
 john@bpnews.com
 subscriptions@bpnews.com

Mont Belvieu Spots Dip, Conway Little Changed

Propane trading at the Mont Belvieu markets moved lower Thursday, slipping 1.25 cents compared to the Monday email Update. Meanwhile, Conway, Kan. deal-making was little changed between the two reporting periods. Early-week activity saw spots advance 1.75 and 1.875 cents at Belvieu and a penny at Conway. Monday saw trading at the Texas hub build on earlier gains and the Midwest rebound from losses late the previous week.

Mont Belvieu non-LST propane mid-morning Thursday was trading at 104.75-106.00 cents/gal., down 1.25 cents for buyers and 0.375 cents for sellers. Low and high deals were posted at 105.00 and 107.00 cents. Earlier in the session deal-making was stronger at 105.50-106.25 cents/gal. LST spots, at 104.50-105.50 cents/gal., were off 1.25 cents for buyers and 0.875 cents for sellers from Monday, with low and high trades reported at 105.625 and 107.00 cents. Again, early-session deals on offer were higher, at 105.00-106.25 cents/gal.

The Conway bid and offer stood at 76.75-78.00 cents/gal. Thursday, unchanged for buyers from the Monday email Update but up a half cent for sellers. A single deal was on the board as of mid-morning at 77.00 cents. Nearer the session opening trading was a quarter cent wider at 76.75-78.25 cents/gal.

Elsewhere, oil prices fell sharply Thursday from their highest finish since July as Hurricane Florence weakened ahead of its expected landfall. Florence was downgraded to a Category 2 storm. However, it was expected to remain a dangerous hurricane as it neared the Carolinas and Virginia, with the potential to disrupt energy operations. Concerns about such disruptions had helped underpin oil price strength.

Further, the International Energy Agency said OPEC crude oil production climbed by 420,000 bbl/d in August to average 32.63 MMbbl/d. Market watchers noted that the increased output more than offset an expected decline in Iranian exports owing to existing and pending U.S. sanctions on the Islamic Republic. West Texas Intermediate (WTI) for October delivery fell 1.72 to \$68.65/bbl on NYMEX, while November Brent crude lost \$1.57 and dropped to \$78.17/bbl on the ICE Futures Europe exchange.

DOT Advised to Revisit LPG Distribution System Regs

Current federal safety regulations for small distribution systems used for propane and other liquefied petroleum gases should be improved for clarity, efficiency, enforceability, and applicability to risk, says a new report from the National Academies of Sciences, Engineering, and Medicine. Because compliance with federal regulations is not enforced consistently by states, there is little understanding of how the requirements affect the safety of LPG pipeline systems, particularly the smallest ones with fewer than 100 customers, the report asserts.

While most LPG systems consist of a storage tank and supply lines that serve a single home or business, some systems are configured to deliver LPG to multiple homes or businesses. When these multiuser systems serve 10 or more customers, or if they have two or more customers and part of the system is located in a public place, they become subject to federal safety regulations administered by the Pipeline and Hazardous Materials Safety Administration (PHMSA), an agency of the U.S. Department of Transportation. The federal regulations, which are LPG-specific and apply to all systems regardless of the number of customers, supplement the safety standards of the National Fire Protection Association (NFPA). In most cases, states enforce the federal regulations as well as their own regulations and the NFPA codes.

Congress asked for a study of whether the federal regulatory requirements, which also apply to large natural gas distribution systems, are appropriate for small LPG systems that must already comply with NFPA codes. The National Academies of Sciences, Engineering, and Medicine committee that conducted the study and wrote the report reviewed records of pipeline incidents and found that serious incidents involving LPG distribution systems are infrequent. The committee also found evidence that many small multiuser LPG systems are not being inspected regularly for compliance with federal regulations, possibly due to inconsistent regulatory interpretations about when a system falls under the requirements and state regulators having limited resources to identify and inspect smaller systems. An apparent significant source of state-to-state variability in enforcement regards different interpretations by states and operators about what constitutes a “public place.”

“Without more complete information on the

number, location, configuration, and condition of multiuser LPG systems, the committee said it would be a mistake to make changes to the safety regulatory framework based on simple criteria such as the number of customers on a system,” the National Academies of Sciences, Engineering, and Medicine said. “Therefore, the committee recommended that a series of steps be taken to better identify the location, condition, and risk characteristics of small multiuser systems and to ensure that the regulatory requirements and their enforcement are appropriate to those risks.”

The national academies added that Congress, per a committee recommendation, should direct PSMSA to ensure the term “public place” is uniformly interpreted by regulators and LPG pipeline operators alike. Operators of LPG pipeline systems should also be required to report to regulators the location, number, and safety performance of their systems that fall under federal jurisdiction. Once those systems have been identified and inspection activity confirmed by states, PHMSA should allow individual states to develop a waiver program that allows operators to opt out of federal requirements that the state has determined are not in line with the risk presented by the operator’s system. The report notes each state should be required to obtain PHMSA’s approval of its waiver program and have it periodically renewed by the agency.

The LPG distribution system study was sponsored by the U.S. Department of Transportation. Copies of *Safety Regulation for Small LPG Distribution Systems* are available at nap.edu or by calling 202/334-3313 or 800/624-6242. The National Academies of Sciences, Engineering, and Medicine are private, nonprofit institutions that provide independent, objective analysis and advice to the nation related to science, technology, and medicine. The national academies operate under an 1863 charter to the National Academy of Sciences signed by President Abraham Lincoln.

Ray Energy Opens New Rail, Truck Terminal in Hampton

Just in time for the winter heating season, Troy, N.Y.-based Ray Energy has commissioned its new propane rail and truck terminal in Hampton, N.Y. The 21-acre, Washington County facility is located near the New York-Vermont border. It features a 16-spot rail siding with an operational capacity of 28 railcars, and on-demand switch-

ing provided by the Vermont Railroad. Ray Energy's railcar mover provides the ability to offload 16 cars a day.

Two dual-sided rail towers with retractable arms can unload two railcars in three hours. Piping that has been installed will allow the company to bring two additional dual-sided rail towers into service with minimal lead time. Four 60,000-gal. bulk tanks provide storage for 240,000 gal. An expansion has been approved to raise stored tank volumes up to 360,000 gal. Added to the 480,000 gal. that can be held in railcars, the terminal will have the ability to house 840,000 gal., ensuring fuel availability to meet demand during peak winter months.

"With the increase in propane demand, the Northeast depends on approximately 75% of its propane supply from rail, an increase of over 50% from a few years ago," said Ken Ray, president of Ray Energy. "Our location on the border of New York and Vermont was strategically selected to better serve propane marketers in the Northeast. We can now reliably supply our customers the volumes they need—any time of year—with improved safety and service capabilities and better efficiencies."

The terminal's truck loading rack currently has two lanes, each with its own dedicated pump and loading station to reduce wait times during the peak winter season. State-of-the-art technology provides electronic data transmission of every load and smart hoses secure product and protect personnel. A third loading stanchion is expected to be in service by the end of this year, with expansion plans calling for a fourth independently operated truck loading bay in 2019. An emergency backup power system is in place to ensure outages on the electrical grid don't interrupt operations.

The new facility includes an office building with space for propane safety training, video conferencing, and meetings, in addition to a drivers' area with hot and cold beverages, a restroom, and a safety information area. Noted is that the Ray Energy propane rail and truck terminal will provide safer regional fuel access and easier supply management while helping to reduce truck and rail traffic to and from Albany, N.Y. terminals, greenhouse gas emissions, and infrastructure pressure on New York state highways.

Propane marketers interested in learning more about the terminal may contact Stephen Heffron at sheffron@rayenergy.com or 518/527-9194, Glenn Young at

gyoung@rayenergy.com or 518/527-8068, or Justin Ray at justinray@rayenergy.com or 518/874-4510.

Energy Distribution Partners Acquires Carolina Propane

Energy Distribution Partners (EDP; Chicago) has acquired Carolina Propane Gas Corp. of Orangeburg, S.C. Details of the transaction were not released. Carolina Propane was established by the Watford family in 1994 and has served residential, commercial, and agricultural customers for nearly 25 years.

Several members of the Watford family had deep propane experience prior to launching Carolina Propane and started the company with a commitment to offering superior service at fair prices to residents in Orangeburg and the surrounding area. The company's headquarters is in Orangeburg. Its second location is in St. Matthews.

Carolina Propane was founded by Tommy and Allen Watford. "Allen and I agreed that it was time to retire, but we wanted to ensure that our employees would remain with the company and could continue to provide exceptional service to our customers," said Tommy Watford. "We value both our employees and our customers and we are confident we found the right partner in EDP. They have been good to work with throughout this process and we are able to transition to retirement knowing our company is in good hands."

Tom Knauff, CEO of Energy Distribution Partners, added, "Carolina Propane is a well-run organization with an excellent reputation and we are extremely pleased to welcome this fine company into our EDP family. Carolina Propane also expands our national footprint into South Carolina, making it the ninth state we now serve. We welcome the company's employees and look forward to continuing to provide exceptional service to Carolina Propane customers across the region."

China Imposes 25% Tariffs On U.S. Oil-Product Exports

China Aug. 23 implemented tariffs on a second tranche of U.S. goods, targeting oil products such as propane and butane, and coal for the first time, in retaliation to U.S. tariffs effective the same day and paving the way for crude oil and LNG to be hit next, reports S&P Global Platts.

(Continued on p. 6)

PROPANE PRICES UPDATE

PRINCIPAL U.S. POSTINGS

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Thursday, September 13, 2018

	<u>Mont Belvieu</u>	<u>Kearney Mo.</u>	<u>Conway Kan.</u>	<u>Los Angeles</u>	<u>Selkirk N.Y.</u>	<u>Apex N.C.</u>	<u>Hatties- burg</u>
AePEX Energy	-	-	-	105.000	-	-	-
Alliance Energy Svcs	-	86.140	83.750	-	-	114.750	-
CHS/Cenex	114.920	85.610	81.750	-	123.720	113.250	107.320
Crestwood Services	-	87.950	84.250	104.000	122.410	114.000	108.370
DCP/GSR	-	-	-	-	122.810	-	-
Enterprise Prod	115.500	85.250	-	-	122.800	114.750	-
Martin Gas	116.500	-	-	-	-	114.000	109.250
NGL Supply Ltd	-	-	-	-	-	113.500	108.500
NGL Wholesale (O)	-	-	84.250	-	-	-	-
NGL Wholesale (W)	-	87.360	83.750	-	124.070	114.480	108.500
Targa	116.000	-	-	104.000	-	-	110.500
Valero	-	-	-	106.000	-	-	-
AVERAGES	<u>115.730</u>	<u>86.462</u>	<u>83.550</u>	<u>104.750</u>	<u>123.162</u>	<u>114.104</u>	<u>108.740</u>

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SPOT PRICES FOR NATURAL GAS LIQUIDS

	<u>Propane</u>	<u>Normal Butane</u>	<u>Iso Butane</u>	<u>Natural Gasoline</u>	<u>EP-Mix 80%-20%</u>	<u>Ethane</u>
Mont Belvieu	104.750 106.000	124.875 136.000	146.750 154.250	153.500 155.500	40.000 42.000	54.500 54.750
Mont Belvieu LST	104.500 105.500	116.625 118.875	128.375 137.375	144.500 153.000	-	-
Conway Kan.	76.750 78.000	89.250 90.000	125.000 127.000	119.750 122.500	13.500 14.000	-
Hattiesburg	102.000 104.000	-	-	-	-	-
Hobbs, N.M.	115.000 115.500	-	-	-	-	-
Delivered L.A. Basin	104.000* 106.000	-	-	-	-	-
On The River	-	-	-	153.000 155.000	-	-
Sarnia	99.000 100.000	-	-	-	-	-
Edmonton	45.500 46.250	-	-	-	-	-

*Bakersfield, Calif

CANADIAN PRODUCER POSTINGS

Pembina Pipeline: Marysville, 99.000; Sarnia, 100.000.

(In U.S. cents/gal)

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COMMENTARY

Postings Ramp Up

Principal postings Thursday shed the mixed results seen early in the week and jumped higher across all regions. Prices rose a minimum of 1.5 cents but by as much as 3.5 cents compared to the Monday email Update, which saw postings move lower, higher, or remain the same. Meanwhile, on the West Coast Los Angeles postings piled on 2 to 4 cents.

Postings at Apex, N.C. on the Dixie Pipeline strengthened by 1.5 to 3.5 cents compared to Monday, shifting prices to a low of 113.25 cents and a high of 114.75 cents/gal. Conway, Kan. postings advanced 2 to 3.25 cents, and prices were from 81.75 to 84.25 cents.

At Selkirk, N.Y. on TEPPCO, postings hardened 2.5 to 3.25 cents between the two reporting periods, and prices ranged from 122.41 to 124.07 cents/gal. Mont Belvieu postings gained 3 or 3.25 cents over the week and prices were from 114.92 to 116.50 cents.

CHS/Cenex added 1.5 cents at Apex; NGL Supply Ltd. 2 cents; NGL Supply Wholesale LLC 2.25 cents; Martin Gas Sales 2.75 cents; Alliance Energy Services and Enterprise Products 3 cents; and Crestwood Services 3.5 cents/gal.

CHS/Cenex climbed 2 cents at Conway; NGL Supply Wholesale LLC 2.25 cents for both ONEOK- and Williams-sourced product; Alliance Energy Services 3 cents; and Crestwood Services 3.25 cents/gal.

DCP/GSR's Selkirk posting was up 2.5 cents; and Enterprise Products 3 cents/gal. CHS/Cenex, Crestwood Services, and NGL Supply Wholesale LLC were all 3.25 cents higher.

Mont Belvieu postings for Martin Gas Sales and Targa Resources were 3 cents stronger, while CHS/Cenex and Enterprise Products hiked prices by 3.25 cents/gal.

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BPN's PRICES FOR OTHER BASING POINTS

Thursday, September 13, 2018

AePEX Energy: Las Vegas, NV 104.000; San Joaquin Valley, CA 105.000.

Alliance Energy Svcs: Barron, WI 85.500; Benson, MN 84.000; Rush City, MN 82.000; Waupaca, WI 87.000; [Dixie] Albany, GA 111.750; Alma, GA 112.500; Cheraw, SC 113.300; Demopolis, AL 110.000; Lexington, SC 112.700; Milner, GA 111.600; Opelika, AL 111.000; [Kaneb] Geneva, NE 86.150; Norfolk, NE 87.600; North Platte, NE 88.090; Wolsey, SD 89.250; Yankton, SD 87.470; [Kinder-Morgan] Clear Lake, IA 92.020; Coralville, IA 91.810; Des Moines, IA 87.500; Lemont(k), IL 99.500; Morris, IL 98.500; Plattsmouth, NE 88.860; Rockford, IL 93.280; Tampico, IL 92.130; [MAPCO] Bushton, KS 84.500; Cantril, IA 88.420; Clay Center, KS 84.670; Dubuque, IA 90.110; Farmington, IL 90.030; Greenwood, NE 85.960; Iowa City(m), IA 89.360; Janesville, WI 91.200; Mankato, MN 89.110; Moberly, MO 87.440; Ogden, IA 88.280; Pine Bend, MN 90.090; Sanborn, IA 87.970; Whiting, IA 87.000.

CHS/Cenex: Greenbay (Tank Car), WI 85.250; Lemont, IL 100.000; Lima, OH 89.000; Rapid River, MI 81.250; Slaughter, TX 106.000; [Dixie] Albany, GA 110.410; Alma, GA 111.080; Cheraw, SC 111.820; Demopolis, AL 108.560; Lexington, SC 111.230; Milner, GA 110.230; Opelika, AL 109.610; [Kinder-Morgan] Clear Lake, IA 89.870; Coralville, IA 89.680; Des Moines, IA 89.040; Morris, IL 99.000; Plattsmouth, NE 86.910; Rockford, IL 90.940; Tampico, IL 89.830; [MAPCO] Bushton, KS 82.500; Cantril, IA 87.560; Clay Center, KS 83.810; Dubuque, IA 89.560; Farmington, IL 89.250; Greenwood, NE 85.420; Iowa City(m), IA 88.530; Janesville, WI 90.690; Lecompton, KS 84.720; Moberly, MO 86.960; Ogden, IA 87.420; Pine Bend, MN 89.200; Sanborn, IA 87.340; Whiting, IA 86.570; [TEPPCO] Coshocton, OH 129.720; Du Bois, PA 120.300; Greensburg, PA 120.280; Oneonta, NY 123.180; Princeton, IN 123.080; Todhunter, OH 127.990; Watkins Glen, NY 121.170; [Williams] Carthage(w), MO 100.750.

Crestwood Services: Huntington, IN 103.500; Mc Kittrick, CA 106.000; Tuscola, IL 107.500; [Dixie] Albany, GA 111.160; Alma, GA 111.830; Cheraw, SC 112.570; Demopolis, AL 109.310; Lexington, SC 111.980; Milner, GA 110.980; Opelika, AL 110.360; [Kaneb] Geneva, NE 88.350; Norfolk, NE 89.950; North Platte, NE 90.450; Wolsey, SD 91.450; Yankton, SD 89.700; [Kinder-Morgan] Clear Lake, IA 92.950; Des Moines, IA 91.750; Iowa City(k), IA 92.750; Plattsmouth, NE 89.600; Rockford, IL 94.050; Tampico, IL 93.100; [MAPCO] Bushton, KS 85.500; Cantril, IA 90.100; Clay Center, KS 86.250; Dubuque, IA 91.700; Farmington, IL 91.500; Greenwood, NE 87.600; Iowa City(m), IA 90.850; Janesville, WI 92.700; Mankato, MN 90.700; Moberly, MO 89.050; Ogden, IA 89.950; Pine Bend, MN 91.700; Sanborn, IA 89.700; Whiting, IA 88.700; [TEPPCO] Du Bois, PA 118.430; Greensburg, PA 117.440; Oneonta, NY 121.130; Watkins Glen, NY 118.640.

DCP/GSR: Greeley, CO 81.000; Gulf Plains, TX 114.750; Jameson, TX 114.750; Ozona Gas Plant, TX 114.750; Sonora, TX 114.750; Spindle, CO 81.000; Wilcox, TX 114.750; [TEPPCO] Du Bois, PA 119.130.

Enable Midstream: Calumet, OK 90.000; Rush Springs, OK 90.000; Waskom, TX 116.000; Wetumka, OK 90.000.

Enterprise Prod: Armstrong, TX 118.500; Harford Mills, NY 127.040; Hobbs, NM 115.500; Inver Grove Heights, MN 89.500; Jackson, MN 88.000; Origin Station, TX 118.500; Shoup, TX 118.500; Stephens City, VA 119.250; [Dixie] Albany, GA 111.750; Alma, GA 112.500; Cheraw, SC 113.300; Demopolis, AL 110.000; Lexington, SC 112.700; Milner, GA 111.600; Opelika, AL 111.000; [Kaneb] Geneva, NE 86.000; Norfolk, NE 87.500; North Platte, NE 88.000; Wolsey, SD 89.000; Yankton, SD 87.250; [Kinder-Morgan] Clear Lake, IA 90.000; Des Moines, IA 90.000; Plattsmouth, NE 87.500; Rockford, IL 92.000; [MAPCO] Cantril, IA 87.500; Clay Center, KS 83.750; Dubuque, IA 89.250; Farmington, IL 89.250; Greenwood, NE 85.000; Iowa City(m), IA 88.500; Janesville, WI 90.250; Mankato, MN 88.250; Moberly, MO 86.500; Ogden, IA 87.250; Pine Bend, MN 89.250; Sanborn, IA 87.000; Whiting, IA 86.000; [TEPPCO] Coshocton, OH 129.300; Du Bois, PA 117.170; Greensburg, PA 117.950; Oneonta, NY 121.790; Princeton, IN 123.000; Todhunter, OH 127.700; Watkins Glen, NY 119.250.

Kinder Morgan: Altamont, UT 91.000.

Martin Gas: Arcadia, LA 117.500; Corpus Christi, TX 119.500; East Texas, TX 117.500; [Dixie] Albany, GA 111.500; Alma, GA 112.150; Cheraw, SC 112.850; Demopolis, AL 110.250; Lexington, SC 112.350; Milner, GA 111.250; Opelika, AL 110.750.

NGL Supply Ltd: [Dixie] Albany, GA 111.500; Alma, GA 112.000; Cheraw, SC 112.250; Demopolis, AL 109.500; Lexington, SC 112.000; Milner, GA 110.750; Opelika, AL 110.250.

NGL Supply Wholesale LLC: Lebanon, IN 97.500; [Dixie] Albany, GA 111.640; Alma, GA 112.310; Cheraw, SC 113.050; Demopolis, AL 109.790; Lexington, SC 112.470; Milner, GA 111.460; Opelika, AL 110.840; [Kaneb] Geneva, NE 88.350; Norfolk, NE 89.870; North Platte, NE 90.380; Wolsey, SD 91.590; Yankton, SD 89.740; [Kinder-Morgan] Clear Lake, IA 91.960; Coralville, IA 91.760; Des Moines, IA 91.120; Lemont(k), IL 94.540; Morris, IL 92.640; Plattsmouth, NE 88.660; Rockford, IL 93.270; Tampico, IL 92.080; [MAPCO] Bushton, KS 84.500; Cantril, IA 89.740; Clay Center, KS 85.810; Dubuque, IA 91.510; Farmington, IL 91.430; Greenwood, NE 87.170; Iowa City(m), IA 90.710; Janesville, WI 92.630; Lecompton, KS 86.720; Mankato, MN 90.470; Moberly, MO 88.710; Ogden, IA 89.590; Pine Bend, MN 92.900; Sanborn, IA 89.270; Whiting, IA 88.250; [TEPPCO] Coshocton, OH 118.070; Du Bois, PA 119.900; Greensburg, PA 118.860; Light, AR 122.070; Oneonta, NY 122.720; Princeton, IN 123.820; Todhunter, OH 128.590; Watkins Glen, NY 120.120.

Phillips 66: [Cherokee] Wood River Refinery, IL 97.000.

Targa: Big Spring, TX N/A; Chico, TX 118.000; Gillis, LA 107.000; Greenville, MS 119.500; Mc Kittrick, CA 101.000; Monument, NM 112.000; San Francisco, CA 101.000; Tebone, LA 116.000; Tyler, TX 123.000; Waskom, TX 118.000; [Dixie] Albany, GA 111.720; Alma, GA 112.390.

Valero: Mc Kee, TX 94.000.

Energy commodities including propane, butane, naphtha, jet fuel, and coal are on the second list of \$16 billion worth of U.S. products that attract 25% additional tariffs from Aug. 23, according to China's Ministry of Commerce. The latest tariffs came in the midst of trade talks between the U.S. and China in Washington, but market participants did not expect talks to yield any firm outcomes to ease tensions.

"Marketers have been under pressure in recent weeks as tensions surrounding the trade conflict have intensified," said Australia's ANZ Research in a note to clients Aug. 23. "Therefore, some have seen this week's talks between the U.S. and China as a potential circuit breaker in the ongoing tit-for-tat tariffs. However, with the Chinese delegation containing no senior officials, we think investors should be disappointed."

This leaves the door wide open for tariffs on two major U.S. energy commodities exported to China in the next round—crude oil and LNG. Crude oil was pulled from the current round when the final list was announced, but there is no indication it is completely off the table. LNG also remains on the drawing board for the next round.

The first tranche of tariffs implemented on July 6 saw China retaliate by imposing a 25% tariff on \$34 billion worth of U.S. imports of food products and agricultural commodities such as soybeans and motor cars. The upcoming third round of U.S. tariffs is on \$200 billion worth of goods, at a lower rate of 10% compared to 25% for previous levies. The Office of the U.S. Trade Representative had set a date of Aug. 30 for any final comments in the consultation process, and implementation typically occurs within a few weeks.

Meanwhile, Chinese buyers of U.S. energy commodities have already been working to reconfigure purchases to avoid the tariffs, even for crude oil and LNG that have not been targeted yet. With shifting political rhetoric, uncertainty has prevailed in the market since Beijing first threatened 25% retaliatory tariffs on U.S. oil products in early April. This raised the supply of U.S. energy commodities in the market and left non-U.S. supplies, which Chinese buyers are looking for, relatively tighter.

Numbers show the steady decline in U.S.-China petroleum flows. The U.S. exported 141,000 bbl of

petroleum products to China in May, a 10-month low, according to U.S. Energy Information Administration data. These exports had averaged 229,000 bbl in 2017 and 181,000 bbl in 2016. U.S. LPG exports to China fell to an 11-month low of 52,000 bbl in May. U.S. LPG exports averaged 147,000 bbl in 2017 and 115,000 bbl in 2016.

Meanwhile, China's crude oil imports from the U.S. fell sharply in July and August from June as state-owned Sinopec, the world's biggest refiner by capacity, was forced to reverse plans to lift significantly higher volumes of U.S. crude this year. China received 14.1 MMbbl of U.S. crude in June, which was a historical high, but volumes subsequently fell to 9.6 MMbbl in July, and August arrivals in China are expected at 8.5 MMbbl.

Pipelines Critical to Safely Delivering Michigan Energy

The American Petroleum Institute (API) highlighted the energy industry's commitment to safety and the important role pipelines play in the life of every Michigan resident at an August U.S. Senate Commerce Committee field hearing on pipeline safety in the Great Lakes region.

"Pipelines are critical to safely delivering the energy that Michigan consumers need and demand every day," said API pipeline manager David Murk. "Enbridge's Line 5 provides a vital link to propane and other petroleum products in northern Wisconsin and the Upper Peninsula, providing the energy that's needed to heat homes, fuel vehicles, and power Michigan industry. Further, promoting safety and protecting the public and the environment is a top priority for pipeline operators and a central component to pipeline design, construction, and maintenance."

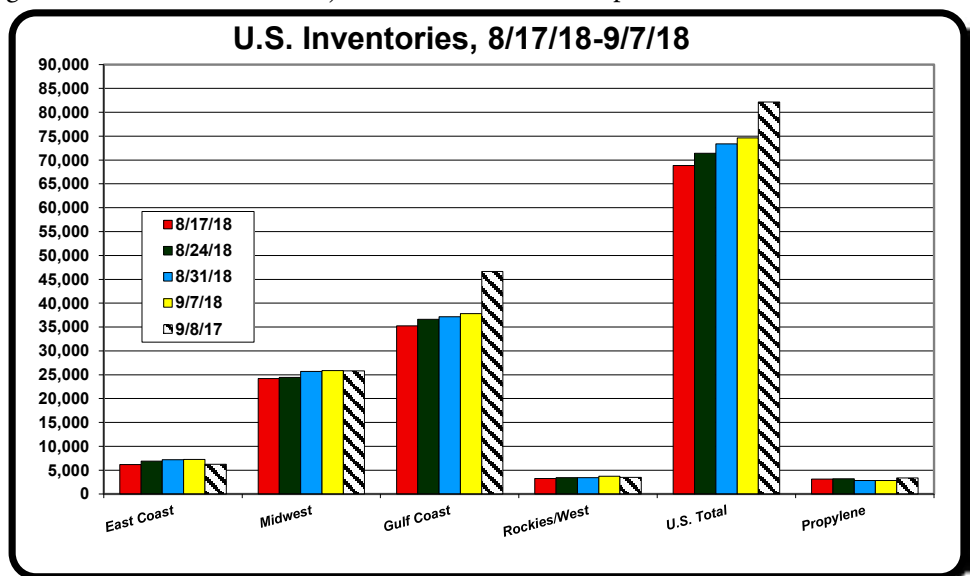
Murk explained that during pipeline development, operators design routes to avoid environmentally sensitive areas. Pipelines are constructed from certified steel pipe that meets or exceeds federal quality regulations. Every project undergoes rigorous environmental review and must comply with existing environmental laws before it can be built and placed into operation. The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration also routinely inspects pipelines during their construction and throughout their opera-

Weekly U.S. Propane Stocks Rise 1.2 MMbbl, Reach 74.6 MMbbl

U.S. propane inventories grew 1.2 MMbbl the week ended Sept. 7 and climbed to 74.6 MMbbl, according to the Energy Information Administration's (EIA) *This Week in Petroleum* report. That primary stock level was 9.0 MMbbl, or 10.8%, lower than the five-year average for the same time of year and 7.5 MMbbl, or 9.2%, under a year ago. Since mid-July, volumes have increased by nearly 10.2 MMbbl. For the latest reporting period, EIA reported the Gulf Coast gained 700,000 bbl, the Rocky Mountain/West Coast 300,000 bbl, the Midwest 200,000 bbl, and the East Coast 100,000 bbl. Propylene non-fuel-use inventories represented 3.8% of total stocks, edging down from 3.9% the previous week. The agency calculated the nation ended with 73.2 days of propane supplies, off from 85.8 days a week earlier and from 84.6 days a year ago.

U.S. propane production topped out at 1.997 MMbbl, according to EIA, 24,000 bbl higher for the week and up a sharp 403,000 bbl for the year. The four-week production average, 1.978 MMbbl, rose 13,000 bbl week to week and 264,000 bbl year to year. Weekly propane production for the East Coast was posted at 179,000 bbl, the Midwest 519,000 bbl, and the Gulf Coast 1.087 MMbbl. U.S. propane exports ran at 693,000 bbl, 28,000 bbl under the prior week but 513,000 bbl stronger year over year and 269,000 bbl above two years ago. The four-week export average, 897,000 bbl, was 584,000 bbl higher year on year.

U.S. propane imports ended at 122,000 bbl, 20,000 bbl greater than a week earlier but unchanged from a year ago. The four-week import average, 113,000 bbl, increased just 2000 bbl from the previous week but fell 10,000 bbl below last year. The East Coast received 30,000 bbl, the Midwest 57,000 bbl, and the Rocky Mountain/West Coast 34,000 bbl. EIA reported U.S. propane demand at 1.249 MMbbl, up 181,000 bbl for the week and 39,000 bbl for the year. The four-week demand average, 1.020 MMbbl, stood 164,000 bbl above the previous week and 48,000 bbl higher than last year. The agency said U.S. motor gasoline stocks built by 1.3 MMbbl while distillate inventories jumped 6.2 MMbbl.



tion to ensure they are being maintained safely and responsibly.

“Oil spill planning, preparedness, and response are critical components of both onshore and offshore pipeline operations,” he said. “Operators follow federal and state regulations when developing response plans for a potential spill to ensure a well-organized and an efficient response should an incident occur. Pipeline operators are also working with first responders and government agencies on a number of initiatives going beyond regulation to properly and effectively improve emergency response efforts. Nationwide, nearly 8100 first responders have

completed API's online pipeline emergency response training.”

Murk added that the pipeline industry “strives to safely deliver the energy that Michiganders need to heat and power their homes, businesses, schools, and hospitals and we are committed to continuing our work with leaders and regulators at all levels of government to ensure that pipelines continue to safely and reliably transport energy to Michigan.” Murk's full testimony is available on the API website, api.org, under the Blog, News, Media and Testimony and Speeches tabs.

Mid-Month to Mid-Month: Mont Belvieu Spot, Posted Prices Rally

Mont Belvieu posted and spot propane prices hardened markedly over the August-September mid-month to mid-month interval, with both categories rising about 10.625 cents compared to the July-August close as of the first week of September. However, Conway, Kan. prices waived over the period, alternately advancing above and retreating from around the 80 cent/gal. mark for postings. Spots hovered in the mid- to high-70 cents/gal. level for much of the term. Meanwhile, primary U.S. propane inventories remained stubbornly under a year ago and five-year averages for the same time of year as propane exports continued to run apace. Record summer exports remained in play even as year-on-year U.S. propane production ramped up to approach 2 MMBbld. Average production as of the beginning of September stood 264,000 bbl higher than last year, according to the Energy Information Administration.

The Mont Belvieu posted average launched the latest mid-month to mid-month interval at 102.043 cents/gal., 6.25 cents stronger than a month earlier and up a sharp 17.625 cents from last year. A week later prices climbed nearly 4 cents to 105.980 cents, then gained another 4 cents as August closed to stand at 110.043 cents. September's arrival had the average almost 2.75 cents higher at 112.730 cents, and this week prices are up another 3 cents to 115.730 cents.

The Conway posted average opened at 81.900 cents/gal., about 9 cents heftier than the previous month and nearly 6 cents above a year ago. As August advanced prices dipped a quarter cent to 81.650 cents, but gained 2 cents and rose to 83.650 cents as the new month approached. But September saw the average yield nearly 3.5 cents and drop to 80.200 cents. This week prices have rebounded nearly 3.375 cents to 83.550 cents.

Mont Belvieu spot propane jumped off at 93.625-94.25 cents/gal., besting the prior month by 3.625 cents and last year by a steep 19.375 cents. Trading then clambered to 98.50-99.00 cents week to week to score a 4.875-cent ascent. Next, trading next broke through the 100.00 cents/gal. benchmark, with deal-making gaining 4.75 cents and jumping to 103.25-103.75 cents. A week into September spots were a penny stronger still at 104.25-104.875 cents, and this week they are up a half cent more to 104.75-106.00 cents.

Conway spot propane commenced the August-September term at 78.50-78.75 cents/gal., 9.5 cents atop a month earlier and 6.25 cents solidier than last year. As August progressed, spots lost 1.5 cents and faded to 77.00-77.50 cents, but grew 2.75 cents at month's end to enter September at 79.75-81.00 cents. However, a week into the new month trading gave up 4 cents and slumped to 75.75-76.75 cents, but this week prices have advanced a penny to 76.75-78.00 cents.

