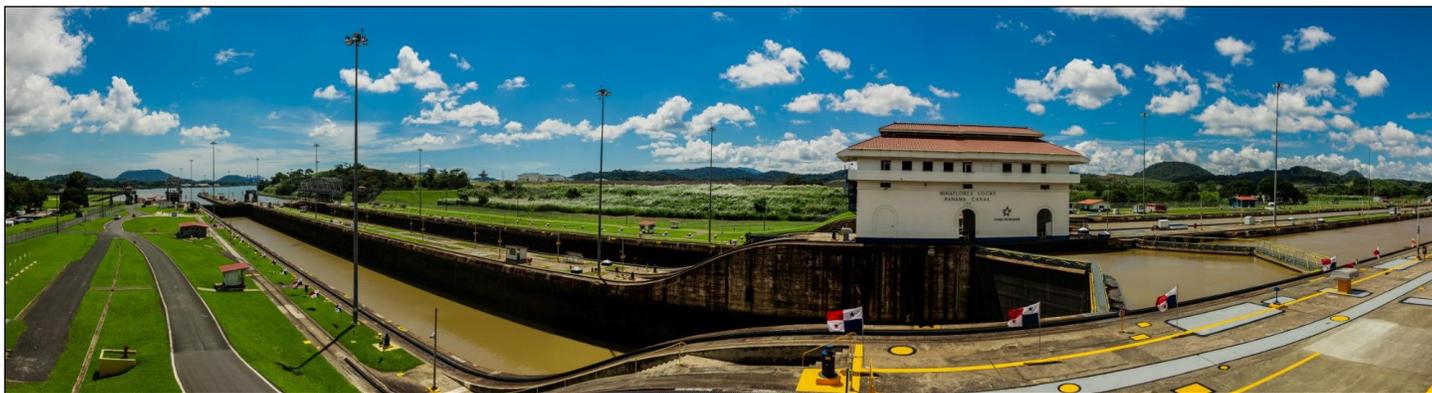


# MIDSTREAM

# Monitor

JULY 28, 2017 | VOLUME 35 | ISSUE 30

## FEATURES



The Miraflores locks in the Panama Canal.

## Bigger Panama Canal Is Boon To Surging LPG Exports

By **GREGORY DL MORRIS**, Contributor

**W**ith all the attention on U.S. exports of crude oil and LNG, there has been much less notice of the remarkable growth of liquid petroleum gas (LPG). Exports have burgeoned sevenfold, from 54 million barrels (MMbbl) in 2011 to 367 MMbbl in 2016, according to U.S. Energy Information Agency (EIA) data.

Demand has been strong for long-established consumption in cooking and heating not just in the traditional stronghold of Asia, but also Latin America and Africa. A significant contributor to the fresh demand is propane consumption in chemical processing. Most notably that is in the form of dehydrogenation (PDH) to propylene for polypropylene as well as glycols and acrylonitrile.

Another important factor has been access to markets. The expansion of the Panama Canal has been a significant factor, allowing larger ships from the Gulf Coast to reach delivery ports on the Pacific. LPG carriers accounted for just 2.5% of the Panamax vessels that passed through the canal in the year since the expansion, but 34% of the neo-Pamax vessels that transited according to data compiled by Sandy Fielden, director of oil and products research at analyst firm Morningstar.

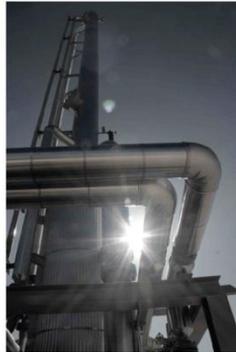
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**CANAL from Page 1**

There are seven existing LPG export terminals in the U.S. soon to be joined by one under development on the coast of British Columbia. Earlier this year, AltaGas made a final investment decision on its proposed Ridley Island Propane Export Terminal at Prince Rupert, B.C., just south from the Alaska panhandle.

Ridley Island Propane will be designed to ship up to 1.2 million tons of propane per year. It will be built on a brownfield site leased from the port authority with existing rail access, marine jetty and deep-water access. In May, global terminals major Vopak joined the project as a partner.

Propane from British Columbia and Alberta will be transported to the new terminal by the Canadian National Railway. AltaGas estimates that the terminal will offload about 50 to 60 rail cars per day resulting in 20 to 30 cargoes. The terminal will cost between C\$450 million and C\$500 million. Construction begins this year and the terminal is expected to be in service by first-quarter 2019.

Morningstar noted that U.S. output of propane from gas-processing plants more than doubled between 2010 and 2015 to more than 1 MMbbl/d. But with domestic demand effectively static, exports have jumped. ■

## Driving Local Narratives Of Oil And Gas Projects—How?

BISMARCK, N.D.—The goal of some oil and gas opposition groups is zero growth, zero consumption and getting the country off fossil fuels as soon as possible. That was the message a group of oil and gas industry panelists had for the audience at The Bakken Conference and Expo in mid-July.

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The panelists were not just concerned about local groups, but about national movements that engineered the prolonged struggle over the Dakota Access Pipeline (DAPL) in the heart of the Bakken.

The panel, which explored the aftermath of DAPL and the lessons learned, cited not just the on-camera melodrama and messaging from protestors but what oil and gas industry stakeholders need to do to ensure completion of nearly every project.

And that means looking well beyond the immediate surroundings, they said, because social media must be taken into account and opposition messaging often aims to tie oil and gas to the hot-button issue of climate change. It's a method DAPL protestors used effectively.

“We became intimately aware of the strategy and tactics that have been developed by extreme anti-energy groups and how they are evolving over time,” Michael Zehr, president of federal affairs and adviser for Consumer Energy Alliance, said during the panel. —LARRY PRADO, Hart Energy

## Petronas Pulls Plug On Pacific Northwest LNG Project

The \$27 billion Pacific Northwest LNG project in British Columbia is dead, the victim of “changes in market conditions,” according to parent company Petronas.

The provincial LNG association is putting a brave face on the unexpected decision, vowing to work with the new B.C. NDP government to advance the industry, but one energy economist says that if this project failed, the chances are slim that others will succeed.

“With this news, we are reviewing our options related to our proposed Prince Rupert Gas Transmission project as we continue to focus on our significant investments in new and existing natural gas infrastructure to meet our customers' needs,” Said TransCanada's president Karl Johannson in a statement issued in the wake of the Petronas news.

When Petronas started the 19 mtpa Pacific Northwest LNG project in 2013, LNG prices were peaking around US\$20/MMbtu, but since then have slid to around \$5. The sector has become flooded with new supply, led by the U.S., which has moved quickly to convert gasification facilities to liquefaction plants for export, as well as build—much more rapidly than expected—operations like Cheniere Energy's Sabine Pass.

—MARKHAM HISLOP, Hart Energy

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## FRAC SPREAD

## Ethane, Propane Rev Up NGL Prices

By JOSEPH MARKMAN, Hart Energy

Ethane broke through 25 cents per gallon (gal) in the past week at Mont Belvieu, Texas, for the first time in two months and only the seventh time all year as rising exports countered high inventories.

All NGL rose in price and enjoyed wider margins at both the Mont Belvieu and Conway, Kan., hubs as average natural gas prices over the five-day period also rose.

**En\*Vantage** is taking a bullish position on crude oil prices, expecting a price of \$50 per barrel (bbl) by the end of July (West Texas Intermediate was trading at just above \$47/bbl at midweek). U.S. crude oil inventories have been declining, the rig count is up but not by much, and the analysts are wondering if the U.S. Energy Information Administration's (EIA) oil production figures are overstated.

"For the record, as of the week ended July 19, crude oil inventories have dropped 44.9 MMbbl since they peaked at

535.5 MMbbl for the ended March 31," En\*Vantage said. "That is an 8.4% decline and at no time over the last 20 years have we seen a percentage drop in oil inventories this large. Last year, over the same period, the drop in U.S. oil stocks was only 9.8 MMbbl or 2% and the five-year average is a 6.1 MMbbl decline for a 1.5% drop."

En\*Vantage expects another 15 MMbbl drop in U.S. crude oil stocks by the end of August.

Ethane, rising for the fourth straight week and the sixth time in the last seven weeks at Mont Belvieu, is 39.5% higher than it was at this time last year. At Conway, the price of ethane is up for the third time in the last four weeks and is a rousing 59.6% higher than at this point in 2016.

En\*Vantage notes that all ethylene plants are operating at the moment, with estimated ethane cracking at more than 1.3 MMbbl/d.

Propane balances continue to improve, En\*Vantage said, with expectations of a price hike sometime before the end of 2017. Conway's propane price of 63.18 cents/gal was its highest in 14 weeks and 52.4% higher than the price at this time last year. Mont Belvieu's price was also the highest since mid-April and 41.2% above last year's price. ■

CURRENT FRAC SPREAD (CENTS/GAL)				
JULY 28, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	20.83		25.09	
Shrink	19.28		19.68	
Margin	1.55	41.72%	5.41	9.22%
Propane	63.18		66.36	
Shrink	26.63		27.19	
Margin	36.55	5.31%	39.17	5.63%
Normal Butane	76.82		78.18	
Shrink	30.15		30.78	
Margin	46.67	7.12%	47.40	9.00%
Isobutane	85.45		80.95	
Shrink	29.56		29.56	
Margin	58.49	5.38%	51.39	9.05%
Pentane+	109.50		103.65	
Shrink	32.25		32.92	
Margin	76.25	8.74%	70.73	1.70%
NGL \$/Bbl	24.61	4.57%	25.08	3.00%
Shrink	10.62		10.84	
Margin	13.99	7.31%	14.22	5.32%
Gas (\$/mmBtu)	2.91	1.17%	2.97	0.12%
Gross Bbl Margin (in cents/gal)	31.82	7.26%	33.04	5.43%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.15	3.37%	1.39	1.95%
Propane	2.19	3.52%	2.30	3.30%
Normal Butane	0.83	4.70%	0.84	5.32%
Isobutane	0.53	3.92%	0.50	5.61%
Pentane+	1.40	6.37%	1.34	1.19%
Total Barrel Value in \$/mmBtu	6.10	4.33%	6.37	2.99%
Margin	3.19	7.38%	3.40	5.64%

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%. Fuel, frac, transport costs not included. Conway gas based on Midwest region, Mont Belvieu based on Houston region. Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

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## Frac Spread: Ethane, Propane Rev Up NGL Prices

Joseph Markman

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- 9:19 am  
**Thailand's PTTEP Takes \$500 Million Stake In Malaysia LNG Project**
- 8:54 am  
**Canada Top Court Dismisses Attempt To Quash Changes To Enbridge Pipeline**
- July 26, 2017  
**US Crude Oil, Gasoline Stocks Fall Sharply Last Week, EIA Says**

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- **Charts** offer a quick look at how West Texas Intermediate crude oil, Henry Hub natural gas and our Midstream 50 index have performed over the last three months.
- **Sections** and **Most Popular** let you find recent content that your colleagues in the industry most valuable.
- In **Videos**, you can see our most recent *Midstream Connect* episode as well as crude oil price projections from our colleagues at Stratas Advisors.

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