

April 12, 2019

Global NGLs Outlook Quarterly Update - 1Q2019

Stratas Advisors

Overview and Price Outlook

Commentary for 1Q19:

We revised our 1Q19 outlook forecast for all NGL's around the world to be lower than our prior 4Q18 forecasts. Our contemporaneous downgrades of key energy benchmark forward outlook prices as a result of the rapid crude oil price drop in 4Q18 are the main driver of this lower outlook. Rather than any degraded NGL fundamental supply or demand dynamics, we see the link to gas and crude oil prices as being the most important factor going into our lowered 1Q19 outlook for a lower future NGL price deck.

This quarter, we took WTI down from a 2019 average of \$63.61/bbl to \$58.85/bbl. We also took average our 2020 WTI price outlook from \$64.57/bbl to \$62.86/bbl.

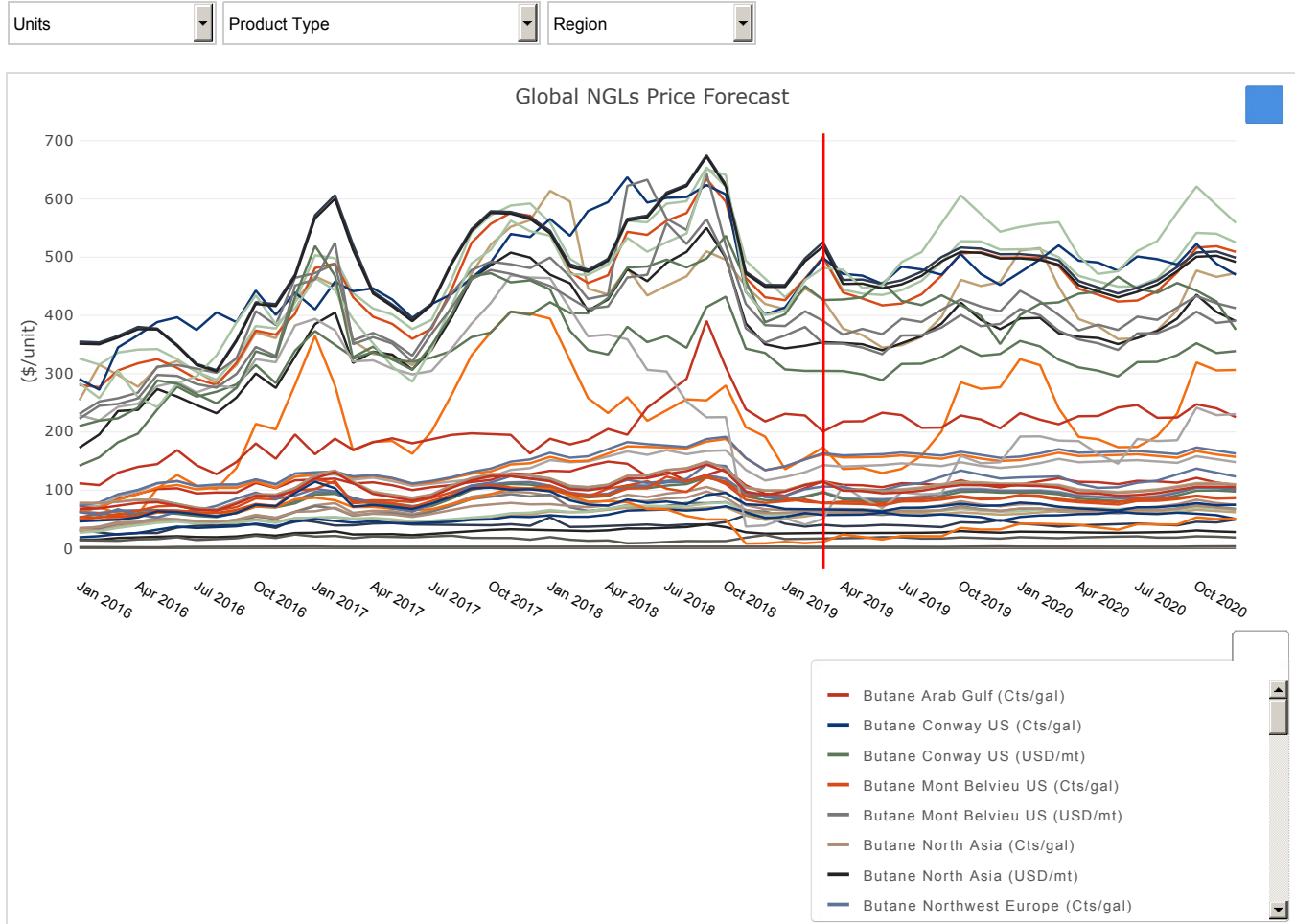
We also took Henry Hub prices down from a 2019 average of \$3.32/MMBtu to \$2.95/MMBtu. For 2020, we took our Henry Hub price outlook from \$3.51/MMBtu to \$3.05/MMBtu. The change in gas prices affects predominantly the lighter NGLs of ethane and propane, while the downgrade in crude prices affects largely the heavier NGLs of condensate, both butanes and to some extent, propane.

This quarter, we also reduced our Brent outlook from \$71.47/bbl to \$66.76/bbl for 2019 and we took our 2020 forecast down from \$75.13/bbl to an average of \$69.46/bbl. We to reflect lower energy prices around the globe, we also cut our LNG price outlooks. We took Japan LNG prices down from an expected 2019 outlook average of \$9.19/MMBtu to \$7.90/MMBtu. For 2020, we took our Japan LNG price outlook from \$8.99/MMBtu to \$7.93/MMBtu.

We maintained our view for no significant improvements for Canadian NGL prices. Our 1Q19 forecasts continues to expect NGL prices in Canada to stay below the 4Q17 peaks. Specifically, we revised lower the Ontario prices by a few cents on average but took down peak Alberta prices by 10-15%.

Outside of Canada, because we missed the surprise 4Q18 drop in crude prices, we also missed the drop in heavier NGL prices around the globe. This quarter's outlook shows Japan butane and propane outlook prices that are around 33% below those of the 4Q18. We took European propane prices down by about 20%, held ethane essentially flat, but enacted about

a 5% cut to our butane outlook price deck for Europe which took down prices by just a few cents. In the Middle East, we took propane and butane prices down between 20 to 35% to reflect lower crude values overall.



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US NGL Market

Fundamentals

Our short term price forecasts are consistent with a set of fundamental forecasts that show US NGL market growth across multiple fundamental parameters for key NGL purity commodities. The US NGL market will continue to grow at a strong pace as new sources of consumption comes online along the Gulf Coast. Production of NGL's, which have increased in 2018, will continue an upward trend through the forecast period till 2020. Higher exports of key products like ethane, propane and butane overseas also contribute to the strengthening of the NGL market. Our 1Q19 outlook for production is slightly lower given the reset in capital budgets and drilling programs, but so is our expectation for exports. Our 1Q19 forecast outlook for product supplied effectively reiterates our forecasts from 4Q18, as do imports. With little movement to speak up on supply and demand, our current outlook for stock levels remaining in U.S. NGL storage facilities over the next two years are largely reiterated as being within the range of our prior 4Q18 levels.

For members of the following service(s): Short Term Outlook, North American NGL, Global NGL