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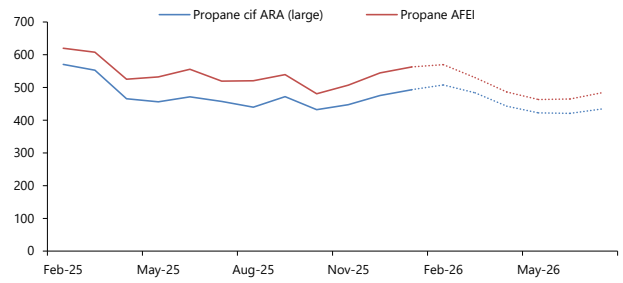
Argus LPG Outlook

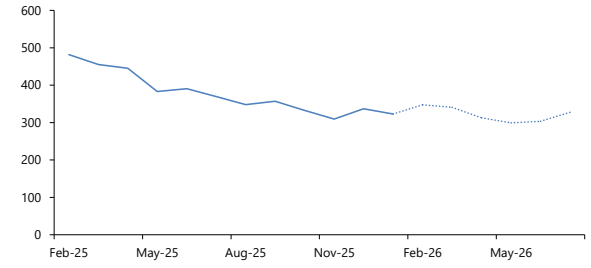
The quarter ahead

- Firm prompt demand, supply disruptions and rising crude prices have pushed propane prices to their highest levels since March 2023
- The major exception is the US, where prices have fallen to their third-lowest since 2020, as freezing weather disrupted export terminals, high freight rates pressured netbacks, and disruption to gas processing plants was relatively minor
- Consumption has been strong because of seasonally firm heating demand — we estimate LPG energy consumption reached over 20.1mn t in January, the highest ever
- North Sea Dated crude rose from $61/bl at the start of January to almost $73/bl by the end, owing in large part to rising US-Iran tensions. The market will remain strong in February, but will weaken into the second quarter
- VLGC freight rates are at their highest since early 2024. Firm demand for US LPG and continuing disruption from Chinese tariffs have kept tonne-mile demand strong, while a slow orderbook over 2025 meant vessel supply failed to keep pace
- February will remain strong as crude prices hold firm and heating demand remains high, but from March onwards much of the market will turn bearish as heating demand eases and strong US production pushes the market back into oversupply

Propane cif ARA, propane AFEI $/t



Propane Mont Belvieu (EPC) $/t



Forecast prices									$/t
	Jan 26	Feb 26	Mar 26	1Q26	2Q26	3Q26	2026	2027	2028
Propane cif ARA (large)	455	425	414	431	392	448	439	455	466
Butane cif ARA (large)	458	439	423	440	383	451	441	451	467
Propane Mt Belvieu EPC	309	288	290	296	284	357	336	379	396
Butane Mt Belvieu EPC	324	299	299	307	283	351	342	382	401
USGC propane export	357	327	327	337	316	388	369	408	424
Propane Conway	296	270	269	278	272	351	323	367	384
Propane Edmonton	253	179	164	199	154	236	231	269	299
Mixed butane Edmonton	261	155	175	197	192	281	260	301	322
Propane AFEI	517	477	472	489	450	508	497	508	514
Butane AFEI	531	481	474	495	444	504	493	502	504
Propane ANI	574	530	524	543	499	564	552	564	571
Butane ANI	581	530	520	543	492	558	547	558	565
Daf Brest Propane	597	537	509	547	481	548	542	529	527
Propane Saudi CP	525	480	465	490	422	490	481	489	497
Butane Saudi CP	520	465	450	478	415	472	466	475	478
Propane Sonatrach SP	475	435	400	437	355	435	433	440	463
Butane Sonatrach SP	485	440	415	447	363	407	424	434	453
North Sea Dated ($/bl)	60	59	58	59	62	67	63	66	69
WTI ($/bl)	57	56	55	56	59	64	60	63	65
Naphtha cif NWE	479	475	476	477	493	538	515	538	568
Naphtha Japan C and F	511	483	496	497	508	559	533	555	584
Biopropane fca ARA	1,403	1,297	1,174	1,292	1,147	1,271	1,257	1,275	

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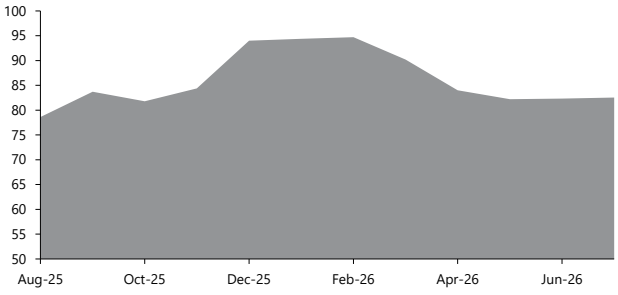
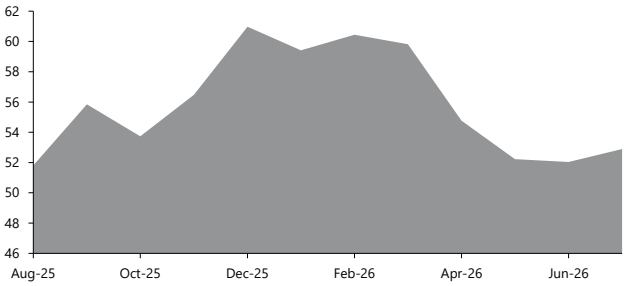
Petrochemical feedstock prices - January		$/t
	Price	±
Ethane fob Mt Belvieu (¢/USG)	23.58	-3.07
Naphtha cif NWE	505	-24
Naphtha c+f Japan	549	-24
Ice gasoil	656.86	+17

Crude prices - January		$/bl
	Price	±
North Sea Dated	66.73	+4.1
Ice Brent	64.73	+3.1
WTI Houston	61.54	+2.9
Nymex WTI	60.26	+2.4
Dubai	62.07	+0.1

Propane cif ARA large as percentage of naphtha cif



Propane cif ARA large as percentage of North Sea Dated



Outlook summary

- Rising crude prices have increased LPG prices globally
- Tighter freight markets have widened regional LPG price spreads
- Global fundamentals look increasingly bearish over the coming year

This year started with a high degree of uncertainty after the US military intervention in Venezuela, the ramping up of tensions with Iran, and the winter storm that swept across much of the continental US. But this uncertainty eased as January turned to February. The propane to naphtha ratio in Asia-Pacific has remained strongly rangebound since the start of December, with the Argus Far East Index (AFEI) propane price being within 3pc of the Japan naphtha price on 89pc of days that prices were assessed.

Rising crude prices have largely driven the LPG market over the past month. Fundamentals remain bearish but sentiment and risk have pushed North Sea Dated crude prices up from $61/bl at the start of January to over $72/bl a month later. Futures markets have rapidly gained length after spending most of 2025 tightening, largely as a hedge against a potential closure of the strait of Hormuz. But if this fails to materialise the market could turn bearish quickly. Futures markets are already weakening and are in backwardation, at a discount to prompt prices. And bearish fundamentals will persist, keeping downward pressure on LPG prices.

Freezing weather in the US disrupted production and increased demand for LPG, leading to significant stockdraws. But tightness was not as severe as last year. Propane inventories fell by 15mn bl in January, compared with over 21mn bl a year earlier. Propane stocks at the start of 2026 were at record highs, so levels remain elevated compared with previous years.

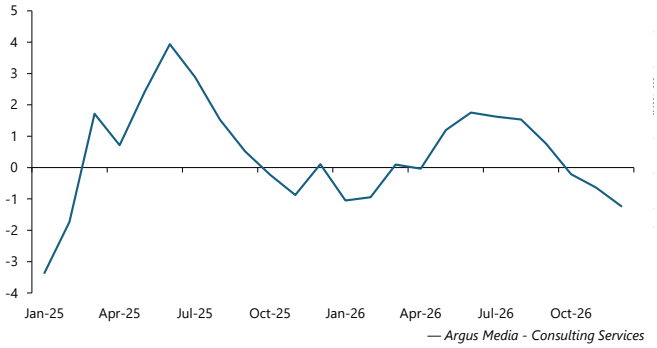
The larger impact of the freeze has been the disruption to export loadings from the US. LPG exports fell from 1.5mn t in the week of 5-11 January to under 1.2mn t the following week. But firm demand for US LPG meant exports soon rebounded, and January was the second-highest month for exports on record. This pushed up terminal fees and freight rates. Very large gas carrier (VLGC) freight rates for the Houston-Chiba route ended the month at almost $160/t, the highest since early 2024. This pressured US prices, which climbed by less than $35/t over January, compared with a more than $60/t increase in the AFEI price.

Chinese propane dehydrogenation (PDH) plant utilisation slowed in January to an average of just 67pc, the lowest since May, when tariffs caused propane prices to surge higher. Multiple plants shut down owing to the post-Christmas demand slump and tight propane availability — in addition to the US restrictions, Iranian loadings were also disrupted. We expect Chinese demand in January to fall to 6.5mn t, down from a peak of 7.7mn t in October and the lowest since 2024. Chinese LPG demand will recover in the coming months, but continued outages and low utilisation in the PDH sector will keep this recovery slow.

European fundamentals look stronger in comparison. Import demand is expected to exceed 7mn t in the first quarter of 2026, compared with 6.8mn t in the fourth quarter of 2025. But US product is likely to become increasingly available over this period, as Asia-Pacific import demand will fall slightly while US exports will rise, even considering the loading delays in January. This should increase supply in Europe and put pressure on LPG prices in the coming months.

The later months of winter heating demand and strong crude prices will help keep LPG prices firm in the short term, but we see the market quickly turning downwards. Bearish LPG fundamentals and lower crude will weaken prices and we do not expect much strength in the market until next winter. Much like last year, we expect the AFEI price to struggle to reach 90pc of naphtha over the summer, but with crude prices even weaker, we could see the lowest LPG prices since the pandemic.

Month-on-month change in LPG inventories ***mn t***



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Global fundamentals										'000t
	2025	Feb 26	Mar 26	Apr 26	1Q26	2Q26	3Q26	2026	2027	2028
LPG supply										
Refining	125,371	9,703	10,595	10,843	29,888	33,327	33,182	125,829	128,560	129,438
Gas processing	252,637	20,182	22,079	21,192	64,510	63,653	64,117	257,744	264,259	274,256
Total LPG supply	377,625	29,811	32,664	32,077	94,289	97,076	97,433	383,467	392,819	403,694
LPG demand										
Energy demand	215,103	18,326	18,122	16,730	56,567	50,232	52,276	214,970	214,999	215,147
Non-energy demand	152,127	11,894	13,159	13,636	37,059	40,914	38,924	155,234	159,523	161,294
Total LPG demand	367,687	30,221	31,281	30,365	93,630	91,143	91,196	370,199	374,522	376,441
Trade position										
LPG import requirement	161,516	12,917	13,640	12,923	39,920	41,018	41,847	164,178	165,681	166,321
LPG export availability	163,828	13,453	14,929	14,669	42,482	44,035	44,158	174,589	183,954	193,739

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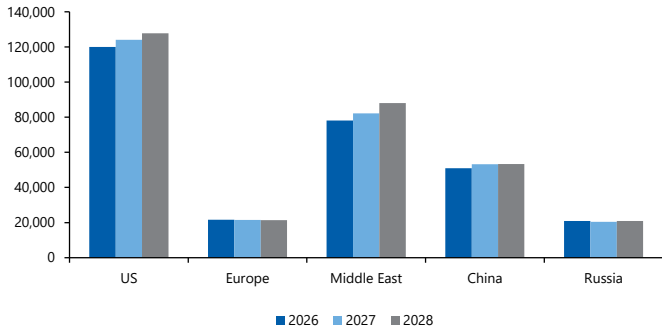
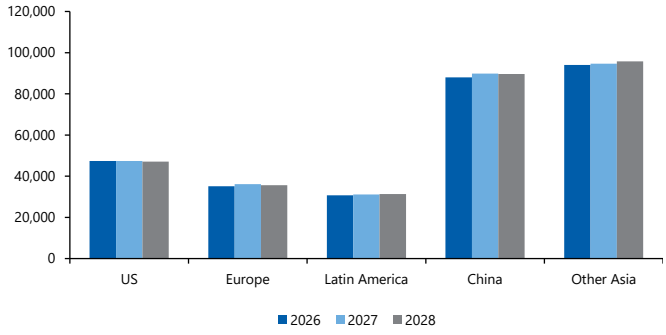
LPG major producing regions 2026-28 *'000t*



LPG major consuming regions 2026-28 *'000t*



LPG fundamentals overview

- This issue features the launch of the new monthly fundamentals. These are based on a completely new model, drawing from over 30 different sources of data. This includes historical and forecast supply, demand and trade data out to 2028, broken down by sector.
- You can find the full supply and demand dataset for 70 countries here.
- Energy LPG demand reached its highest ever in January, based on firm heating demand, particularly in North America and Asia-Pacific.
- Non-energy LPG demand fell to the lowest since April, but this was in large part due to an exceptionally weak PDH sector in China. Excluding Chinese demand, non-energy consumption in January was the third highest since mid-2024
- US LPG production dipped in January after setting records in December and November. Supply is expected to remain seasonally weak for the next few months
- We forecast global stockdraws to continue until April, but these draws are likely to be quite light compared with previous years. This will result in oversupply of LPG continuing this year, keeping prices under pressure in the near term

Regional funda-										'000t
	2025	Feb-26	Mar-26	Apr-26	1Q26	2Q26	3Q26	2026	2027	2028
United States										
Production	117,287	8,666	10,274	10,291	28,396	31,647	31,536	119,954	124,076	127,821
Refinery	10,404	301	910	1,239	1,353	4,218	3,707	9,804	9,804	9,804
Gas Processing	106,883	8,366	9,364	9,053	27,043	27,429	27,829	110,151	114,272	118,017
Consumption	47,538	4,260	3,854	3,483	13,299	10,008	10,433	47,349	47,434	47,125
Energy	18,347	1,728	1,502	1,279	5,528	3,631	3,693	18,164	17,995	17,816
Non-Energy	29,191	2,532	2,351	2,204	7,771	6,378	6,740	29,185	29,439	29,309
Canada										
Production	17,976	1,504	1,575	1,488	4,693	4,406	4,422	18,034	17,313	17,576
Refinery	1,500	125	122	113	372	350	371	1,449	1,432	1,432
Gas Processing	16,476	1,379	1,453	1,375	4,321	4,056	4,051	16,586	15,881	16,143
Consumption	9,040	718	775	741	2,225	2,160	2,163	8,731	8,712	8,663
Energy	4,508	372	367	332	1,129	964	1,056	4,300	4,254	4,208
Non-Energy	4,531	346	408	409	1,096	1,196	1,107	4,431	4,458	4,455
Latin America										
Production	18,361	1,509	1,577	1,500	4,676	4,672	4,697	18,638	18,535	19,357
Refinery	7,222	630	627	625	1,886	1,897	1,907	7,563	7,638	8,379
Gas Processing	11,139	880	949	875	2,791	2,775	2,790	11,075	10,897	10,978
Consumption	30,352	2,595	2,553	2,440	7,675	7,502	7,835	30,713	31,119	31,367
Energy	29,541	2,530	2,472	2,367	7,464	7,273	7,621	29,884	30,277	30,432
Non-Energy	810	65	81	73	212	229	214	828	843	935
Europe										
Production	21,559	1,672	1,841	1,859	5,284	5,605	5,620	21,651	21,549	21,427
Refinery	16,149	1,255	1,389	1,423	3,965	4,339	4,393	16,543	16,652	16,593
Gas Processing	5,409	417	452	437	1,320	1,266	1,226	5,108	4,897	4,835
Consumption	33,612	2,734	2,968	2,887	8,531	8,714	9,069	35,078	36,157	35,658
Energy	19,997	1,716	1,733	1,623	5,229	4,791	4,935	20,223	20,394	20,269
Non-Energy	13,159	1,016	1,235	1,265	3,299	3,927	4,139	14,859	15,763	15,389
Middle East										
Production	75,408	6,065	6,494	6,508	19,165	19,289	19,802	78,046	82,166	88,086
Refinery	8,827	756	755	751	2,258	2,272	2,313	9,121	9,195	9,213
Gas Processing	66,965	5,383	5,749	5,715	17,016	16,921	17,355	69,031	72,971	78,873
Consumption	32,197	2,685	2,859	2,735	8,432	7,908	7,675	32,040	31,547	32,231
Energy	9,362	819	839	767	2,568	2,232	2,235	9,560	9,706	9,901
Non-Energy	22,835	1,865	2,020	1,968	5,864	5,676	5,440	22,480	21,841	22,330
Africa										
Production	20,464	1,743	1,867	1,650	5,440	4,917	4,523	20,086	20,412	20,290
Refinery	3,013	264	259	261	753	765	750	2,998	2,990	2,990
Gas Processing	17,451	1,479	1,607	1,388	4,687	4,152	3,773	17,088	17,422	17,300
Consumption	17,939	1,570	1,610	1,495	4,918	4,381	4,074	17,955	18,091	18,394
Energy	16,511	1,443	1,479	1,370	4,523	4,019	3,736	16,486	16,597	16,890
Non-Energy	1,428	127	131	125	395	362	338	1,469	1,495	1,503
Russia and Central Asia										
Production	20,179	1,711	1,818	1,755	5,348	5,194	5,090	20,923	20,439	20,876
Refinery	4,004	381	368	365	1,103	1,114	1,158	4,523	4,727	4,774
Gas Processing	16,175	1,330	1,450	1,390	4,245	4,080	3,932	16,400	15,712	16,102
Consumption	16,751	1,279	1,416	1,346	4,105	4,187	4,131	16,326	16,972	17,640
Energy	9,048	704	779	703	2,284	2,238	2,220	9,113	9,140	9,172
Non-Energy	7,703	575	637	642	1,821	1,950	1,911	7,214	7,832	8,468
China										
Production	51,330	4,099	4,183	4,172	12,342	12,666	12,944	50,949	53,182	53,372
Refinery	51,330	4,099	4,183	4,172	12,342	12,666	12,944	50,949	53,182	53,372
Gas Processing	0	0	0	0	0	0	0	0	0	0
Consumption	86,869	6,645	7,135	7,667	20,150	23,380	22,435	87,987	89,812	89,630
Energy	31,669	2,618	2,578	2,550	7,931	7,654	7,645	30,996	29,778	28,609
Non-Energy	55,200	4,027	4,557	5,118	12,219	15,727	14,790	56,991	60,033	61,021
Other Asia-Pacific										
Production	35,061	2,841	3,036	2,854	8,944	8,682	8,798	35,186	35,147	34,890
Refinery	22,922	1,892	1,980	1,895	5,856	5,706	5,637	22,881	22,941	22,882
Gas Processing	12,139	948	1,056	959	3,088	2,975	3,161	12,305	12,207	12,008
Consumption	93,389	7,736	8,112	7,572	24,295	22,903	23,380	94,020	94,677	95,734
Energy	76,120	6,396	6,372	5,739	19,912	17,432	19,136	76,244	76,858	77,851
Non-Energy	17,269	1,340	1,740	1,833	4,383	5,470	4,244	17,776	17,819	17,883

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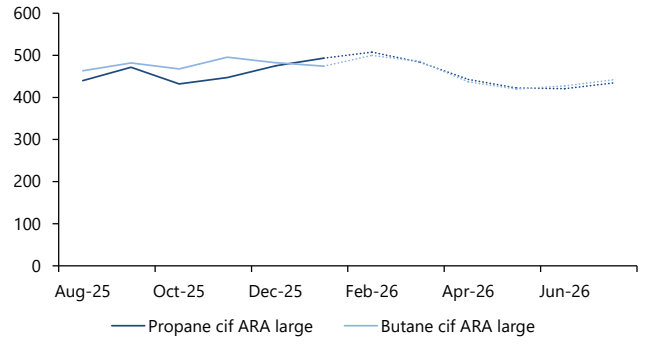
Regional analysis

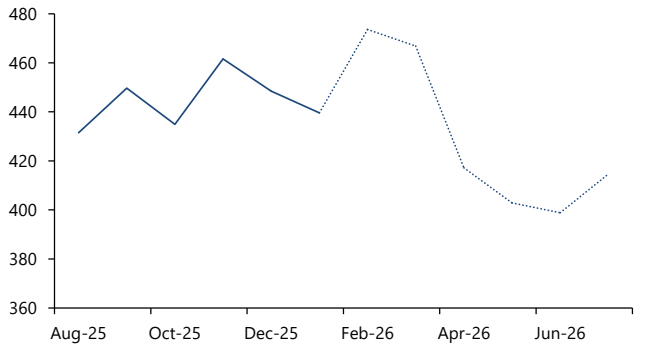
Northwest Europe

European propane prices have strengthened above and beyond the US market because of rising freight rates and limited loadings. The arbitrage from the US to Amsterdam-Rotterdam-Antwerp (ARA) in January was the widest since February 2023. Demand has been strong because of seasonal heating use while petrochemical demand has remained high. It is unusual for LPG demand from petrochemicals to remain strong as crude prices increase, owing to higher feedstock prices. It is even more unusual for petrochemical firms to favour propane over naphtha when the propane-to-naphtha ratio exceeds 95pc, which it did for most of January. But tight supply of high-octane blending components pulled naphtha away from the steam cracking pool, keeping propane demand strong. We forecast propane to remain strong for the coming months, before easing seasonally in spring.

Propane and butane cif ARA large *$/t*



Butane cif Lavera large *$/t*

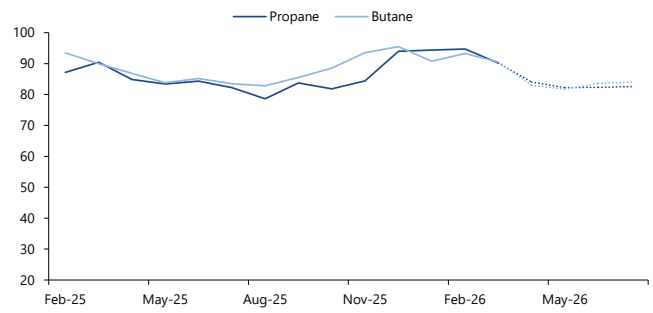


In contrast, butane has struggled to keep pace with the lighter gas, although outright prices remained steady. Unusually weak gasoline blending demand for this time of year has suppressed butane use, leaving supply unusually abundant. But globally butane remains strong and we expect gasoline blending demand to rebound once economics improve. Prices are likely to recover to parity with propane by March.

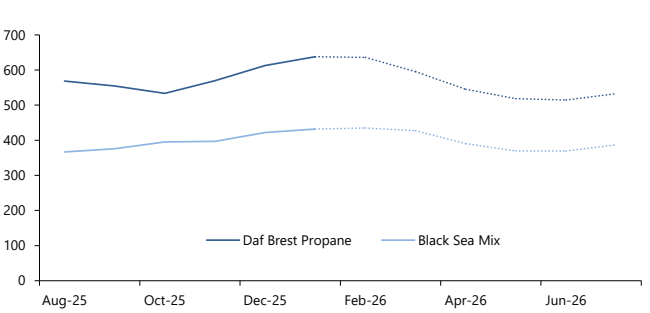
Eastern Europe

Daf Brest propane prices averaged $638/t in January — 4pc higher than a month earlier, largely driven by increases at the ARA hub. In the near term, prices are likely to find support from reduced exports from Kazakhstan owing to the suspension of Tengizchevroil crude production after a fire incident. Additional support is expected from Polish firm Orlen's planned maintenance at its Gdansk refinery starting in late February, which will curb domestically produced LPG supply until work is completed in mid-May.

LPG ratio to naphtha northwest Europe *%*



Daf Brest propane and Black Sea LPG mix *$/t*



Middle East

Saudi Arabia's state-run Aramco has increased its February propane and butane contract prices (CPs) to seven-month highs of $545/t and $540/t, respectively, up by $20/t from January, in response to tighter global supplies. The monthly rise aligned with an almost 11pc hike in front-month Ice Brent crude and a 7pc gain in the AFEI price in January.

Logistical problems and terminal maintenance in the US have tightened global supplies, constraining flows to Asia-Pacific in particular. Delivered northeast Asian propane prices on the AFEI rose in late January to their highest since the period before the renewed US-China trade tensions in April 2025, boosted by a wave of Chinese buying tenders and higher freight rates from the US and the Middle East.

This has led to a rise in Middle East LPG exports, which were 13pc higher in January than December at 4.19mn t, according to Kpler data. Most of these additional volumes moved to India and China, both of which registered notable increases on the month. Exports to India rose to a record 2.09mn t in January, the highest since Kpler began recording shipments in 2014, while flows to China climbed by 350,000t to 1.45mn t.

Renewed geopolitical tensions further supported sentiment. The US intensified sanctions on Iran in late January, targeting additional LPG vessels after earlier designations in October, further disrupting Iranian flows to China. Iran's LPG exports in December fell sharply from their 2025 peak as winter demand forced the country to divert gas toward domestic heating and curtail supply to petrochemicals, while China tightened inspections on older vessels, delaying discharges and discouraging imports on ageing vessels. Iran exported a record-high 11.6mn t in 2025, but shipments fell to 860,000t in December from a peak of 1.15mn t in November, recovering to 1.08mn t in January, Kpler data show. China took 9.12mn t of this LPG in 2025, about 26pc of its total intake.

China's maritime authorities have tightened inspections on LPG vessels that are over 30 years old since August, moving from inconsistent port level enforcement to widespread bans or lengthy checks aligned with stricter US sanctions. The measures disproportionately impact Iranian cargoes — 18 of the 48 ships supplying roughly half of China's Iranian LPG last year exceed the age threshold, Kpler data show. Inspections can take up to a month, triggering frequent supply shortages, and many terminals now avoid older vessels altogether, despite discounts of up to $10/t, market participants say.

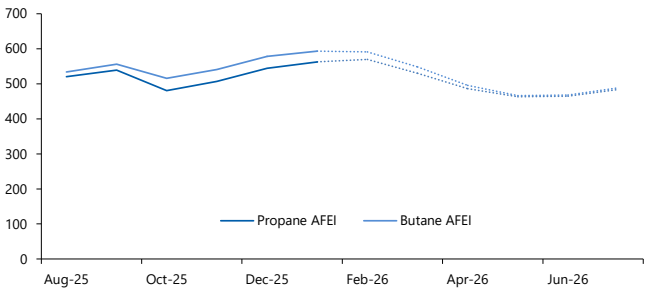
These factors have supported the higher February CPs, although prompt supply tightness is expected to ease. And expectations of weaker competition from Europe for US supply could moderate the strength in the CPs as demand in India and northeast Asia declines seasonally.

Asia-Pacific

Asia-Pacific LPG markets began this year on a firmer footing relative to naphtha, with the LPG-to-naphtha ratio remaining above parity through December and January for the first time since September 2024. Prompt supply tightness driven by winter heating demand, firmer crude prices owing to Iran-US tensions, and a series of Chinese tenders to buy cargoes lifted LPG values through January, despite structural oversupply in the market, pushing the AFEI price to a 10-month high late last month — the strongest since before the announcement of the Chinese tariffs on US LPG in April 2025. Propane prices increased by $52/t over the month to $590.25/t, while butane strengthened by nearly $49/t to $620.25/t, maintaining a premium to propane throughout January.

Prompt availability in northeast Asia tightened as importers and trading firms competed for January-February cargoes to meet peak winter heating demand, exacerbated by constrained regional supply resulting from shifting trade flows and logistical disruptions. A significant share of US exports was diverted around the Cape of Good Hope to southeast Asia and India, supported by favourable arbitrage economics. US LPG exports to Asia-Pacific and Africa via the Cape of Good Hope rose by nearly 80pc on the year in the fourth quarter, to 3.14mn t from 1.77mn t, while shipments through the Panama Canal to Japan, South Korea and China fell to 7.2mn t from 9mn t over the same period. Maintenance at Enterprise's Houston LPG terminal and fog-related Gulf coast

Propane and butane AFEI *$/t*



shipping delays in December further tightened supply, collectively reinforcing prompt market tightness in northeast Asia.

On the demand side, Chinese petrochemical producers initially reduced imports in January-February because of negative PDH margins and rising feedstock prices. But rapidly declining inventories — which fell below 2mn t by 22 January, a five-year low — eventually prompted some importers to return to the spot market seeking March supplies, reinforcing prompt tightness despite weak petrochemical economics.

China's planned extension of its consumption tax framework to include naphtha transactions could become an important structural driver for LPG demand. The proposed policy aims to close supply-chain tax loopholes by levying roughly $300/t on naphtha transactions, alongside a non-refundable "social tax" of 10-12pc on domestically produced supply. Because LPG remains exempt from the consumption tax on oil products, and is not subject to import quotas, competitive pricing could encourage feedstock substitution toward LPG. The policy has not yet been formally announced or incorporated into our forecasts, but market participants expect clarity soon.

Outright LPG prices are expected to ease in the near term as structural oversupply reasserts itself. Weak petrochemical margins and soft downstream demand are likely to limit feedstock consumption, while additional Middle Eastern supplies, including volumes from Saudi Arabia's Jafurah project, are expected to add to market length through 2026. Logistical disruptions such as Panama Canal congestion, US loading delays and longer voyages around the Cape of Good Hope may periodically tighten prompt availability, but these factors are unlikely to offset the broader supply overhang, leaving LPG prices biased to the downside.

North America

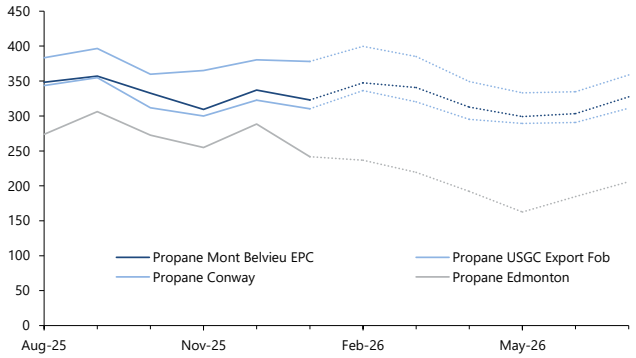
US Gulf coast propane prices fell by 4pc in January from December, despite a rise in WTI crude prices throughout January. This is the first time prices have been lower in January than December since 2020. January's average price was $322/t, a sharp 33pc drop from the five-year January average. This decline was partly driven by loading delays at Gulf coast export terminals because of freezing weather, which hindered export growth despite rising demand from Europe and Asia.

On the flip side, lower temperatures provided some support to LPG, as gas processing was disrupted at several plants across the Permian basin. US propane inventories in the first week of February of 77.3mn bl were 20.8mn bl lower than a month earlier, as winter heating demand continued to draw down stocks. But inventories remain at record highs for this time of year, sitting 34pc above the five-year average. They are likely to continue falling through February and possibly March, but are projected to remain above historical levels.

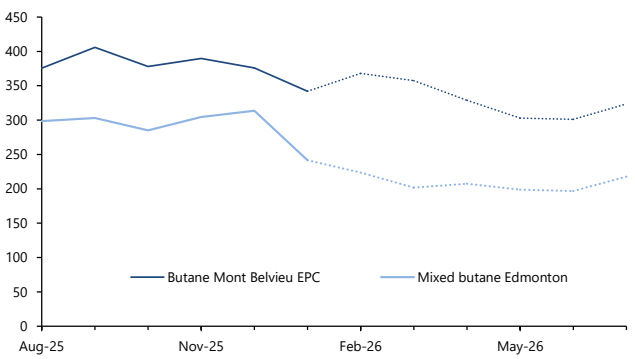
Propane prices in west Canada have followed the decline in the US, but have fared even worse, averaging just $191/t during the first seven trading days of February. Unseasonably warm weather, with record-high temperatures for this time of year, has led to lower than expected heating demand, leaving excess supply unabsorbed. In addition, Canadian producers have faced challenges exporting propane to the US because of the limited availability of railcars.

Keyera's iso-octane facility in Alberta experienced an outage in late January and is not expected to resume operations until May. The facility relies on butane for its primary feedstock, so we can anticipate a loss of around 2mn bl of butane demand over that period.

Propane North America ***$/t***



Butane Mt Belvieu EPC Edmonton ***$/t***



Freight and arbitrage

VLGC freight rates strengthened through January, extending a recovery from seven-month lows in early October. This was driven by a widening US-Asia propane arbitrage that improved export economics and encouraged shipments, while longer voyages and weather-related disruption tightened vessel availability. Houston-Chiba freight rates rose by $19/t over the month to $157/t, while Ras Tanura-Chiba rates increased by $10/t to $87/t by the end of January.

Elevated US propane inventories pressured domestic prices to multi-month lows and supported exports. At the same time, firm northeast Asian demand lifted Asian propane prices to a 10-month high, pushing the US-Asia arbitrage to a one-year high in mid-January. This sustained Gulf coast loadings despite higher freight costs, reinforcing the recovery in VLGC rates.

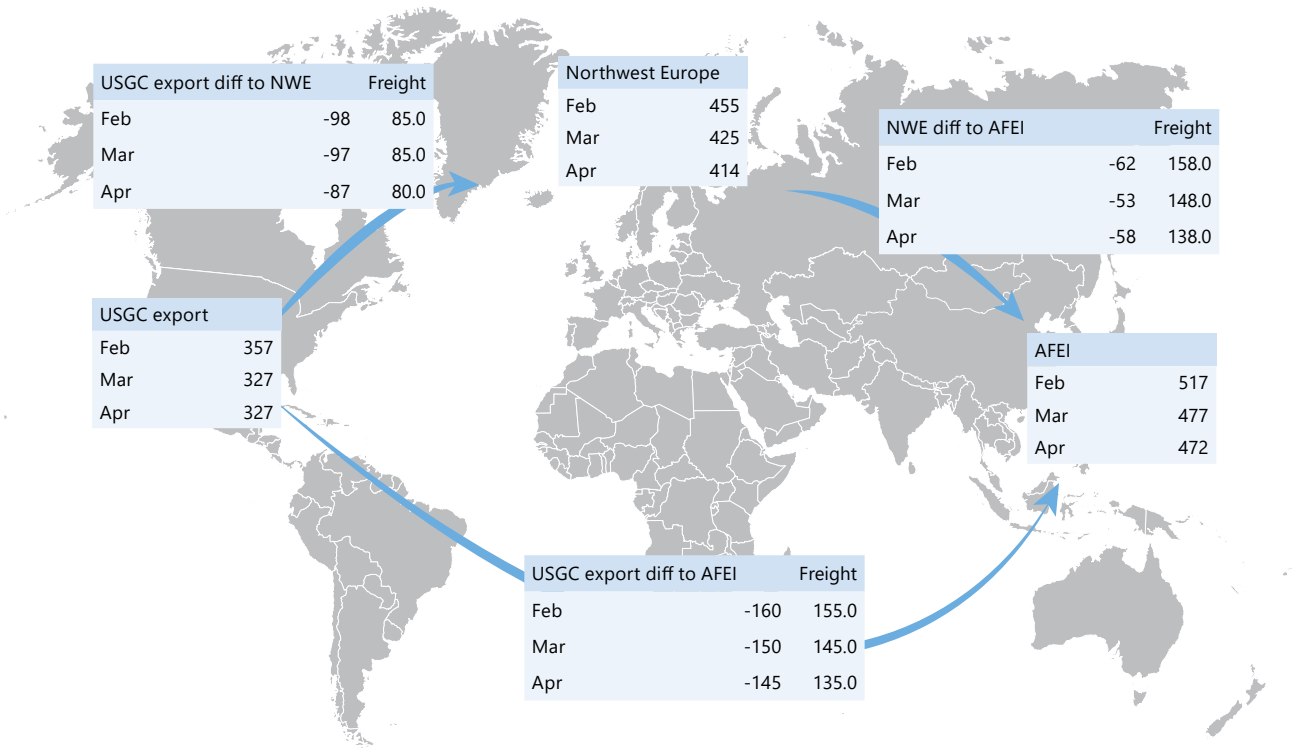
Trade-flow shifts added to tonne-mile demand. A significant share of US LPG exports was diverted via the Cape of Good Hope to southeast Asia and India in October-December, tightening vessel availability. This began to reverse in January as more cargoes moved through the Panama Canal, although vessels already committed to longer voyages kept near-term availability tight. Fog and severe weather disruption along the US Gulf coast further slowed loadings and contributed to congestion, while tensions around the strait of Hormuz provided additional support to Mideast Gulf freight markets.

Short-term forecast freight rates		$/t
	Feb	Mar
VLGC Mideast Gulf-Japan	95.0	90.0
VLGC Houston-Chiba	155.0	145.0
VLGC Houston-Flushing	85.0	85.0

With trade routes beginning to normalise, tonne-mile demand is expected to moderate. Shipments via the Cape of Good Hope fell to 0.28mn t in January from 0.92mn t in December as more cargoes returned to the Panama Canal, where transits rose by 0.44mn t to 2.43mn t. Fewer Neopanamax auction slots under the Panama Canal's LoTSA 2.0 system may continue to constrain transit access, but nearly 30 newbuild VLGCs expected this year should lift vessel supply. Freight rates may therefore ease but remain elevated owing to late-winter demand and lingering weather-related disruptions.

PROPANE ARBITRAGE MAP

$/t



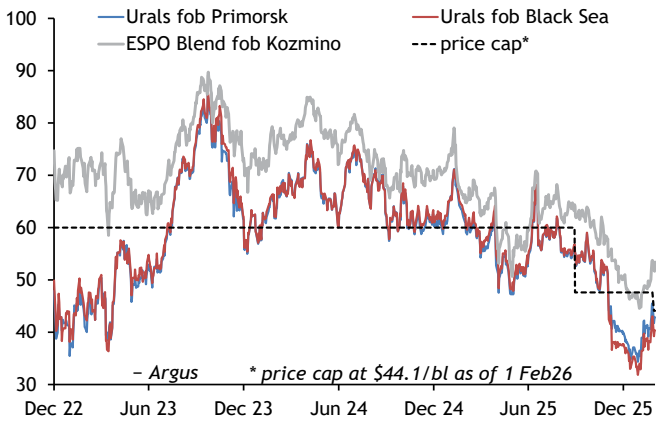
Crude overview

The oil market is no stranger to supply and trade disruptions, but these seem to come with increasing frequency now. Trade settled into a new pattern after the EU stopped importing Russian crude in 2022, with flows heading to Asia instead. But the picture has been shaken up again by new sanctions on Russian operators and an EU ban on imports of products that might be refined from Russian crude. Meanwhile, the US takeover of Venezuela's oil industry is fundamentally changing the trade in Venezuelan crude. In the Mediterranean, a prolonged disruption to exports of Caspian CPC Blend also changed trading behaviour. In one way or another, all of these developments are having pricing consequences.

European imports of diesel from India and Turkey produced using Russian crude averaged around 300,000 b/d in 2025, representing around a third of total imports. In India, the largest diesel supplier to Europe, Reliance, has not received any Russian crude at its 1.4mn b/d Jamnagar refinery since 20 December and maintains that deliveries to the export-oriented section of the plant halted in November. MRPL has also halted imports of Russian crude, despite only sending small volumes to the EU. Although permitted to source crude as they see fit, even state-owned refiners are reducing imports of Russian crude and turning instead to more spot volumes from the Middle East, west Africa and Latin America.

US president Donald Trump announced on social media last week that India would stop buying Russian crude as part of a US-India trade deal, in which case Indian refiners will have to buy even more unsanctioned medium sour crude, tightening global availability. But Indian officials and refiners have not confirmed their commitment to stop Russian imports. And in Turkey, Tupras' Izmir refinery halted imports of Russian crude in December.

Russian crude prices vs price cap ***$/bl***



Chinese state-owned refiners stopped purchasing seaborne Russian crude cargoes in November after the US imposed sanctions on Russia's two largest oil producers, Lukoil and Rosneft, the previous month. Together with the fall in Indian imports, this has led to sharply lower prices for the key Russian export grades (*see graph*). While India remains out of the market, these lower prices have seen Chinese refiners once again enthusiastic buyers. China's imports of Russian crude reached a one-year high in December as competitive prices increased demand from private-sector refiners.

In Venezuela, the US has taken over the marketing of Venezuela's crude exports. Trafigura and Vitol — the trading firms engaged by the US to market 30mn-50mn bl of Venezuelan crude — have recently offered cargoes to the US at a $9/bl discount to Ice Brent on a delivered basis, and to China at a $5/bl discount to Ice Brent. Cargoes to Europe were offered at a discount of about $6/bl to Ice Brent on the same basis. Crucially, Washington on 29 January lifted sanctions on Venezuela's oil exports, albeit with caveats prohibiting sales to Cuba, deals involving many Chinese companies and oil-for-debt arrangements. This allows Venezuela's state-owned PdV to directly sell cargoes to any eligible buyer abroad.

It is a situation that would have looked barely credible up until very recently, but it seems the need for revenue in Venezuela — despite there having been no material regime change — leaves Caracas no option other than to play along, particularly if there is no longer any need to discount prices. Longer-term ambitions centre on encouraging large-scale investment by US operators to rebuild and grow Venezuela's oil industry, although there are many contradictions inherent in this plan. Companies are understandably reluctant to commit investment without significant changes to the current legal, security and commercial environment. The US administration seems irritated by the corporate position here, and not inclined to do much, if anything, to address these concerns. And Trump appeared to double down on his stance with an executive order signed on 9 January extending a prohibition on seizing US-based Venezuelan property to cover the proceeds from sales of Venezuelan crude and other energy commodities. This effectively makes it impossible

Summary of global oil balance												mn b/d
	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26	3Q26	4Q26	2026	2027	2028
Demand	101.63	102.76	104.16	103.76	**103.08**	102.98	103.51	104.73	104.92	**104.03**	**104.93**	**105.74**
Supply	102.20	103.79	106.59	107.15	**104.93**	107.10	108.10	108.50	108.01	**107.93**	**110.61**	**112.05**
Opec crude	26.88	27.35	28.19	28.73	**27.79**	28.99	29.09	29.24	29.28	**29.15**	**30.08**	**30.12**
Opec NGL and condensate	5.56	5.56	5.56	5.56	**5.56**	5.76	5.76	5.76	5.76	**5.76**	**6.39**	**6.70**
Non-Opec crude and NGL	63.84	64.41	66.00	66.38	**65.16**	66.53	66.50	66.32	66.31	**66.41**	**67.40**	**68.33**
Other supply	5.92	6.47	6.84	6.48	**6.43**	5.82	6.75	7.18	6.67	**6.61**	**6.73**	**6.89**
Global balance*	0.45	0.97	2.43	3.39	**1.81**	4.13	4.58	3.77	3.10	**3.90**	**5.68**	**6.31**

**equivalent to global stock change, assuming Opec+ output cuts unwind as per official Opec+ announcements at the time of publication, but excluding compensation plans*

for US firms to try to use these revenues to settle any claim against Caracas in respect of the seizure of assets in the past — Trump has told ConocoPhillips that it should just write off its $12bn expropriation claim. It is difficult to imagine that this will kindle much enthusiasm among US operators.

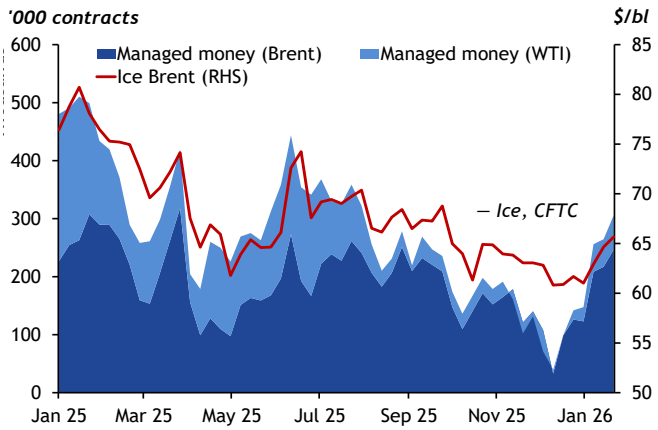
The circumstances for Chevron are different. Chevron already operates in Venezuela and has said it will be able to increase its Venezuelan production by 50pc relatively quickly. US service companies also seem prepared to return — Halliburton has suggested some of the revenue generated by the US sale of Venezuelan crude could be used to guarantee its fees should it take up the challenge to return and help rebuild infrastructure in Venezuela. For now, we assume that production will start to pick up as 2026 progresses, with 250,000-300,000 b/d of extra output by the end of the year.

At the same time, Iran-US tensions are rising again, after talks on 6 February ended with no progress. Heightened tension in the Mideast Gulf has, as usual, pushed investors to take on increased length in crude futures markets, which has helped to push up prices (*see graph*).

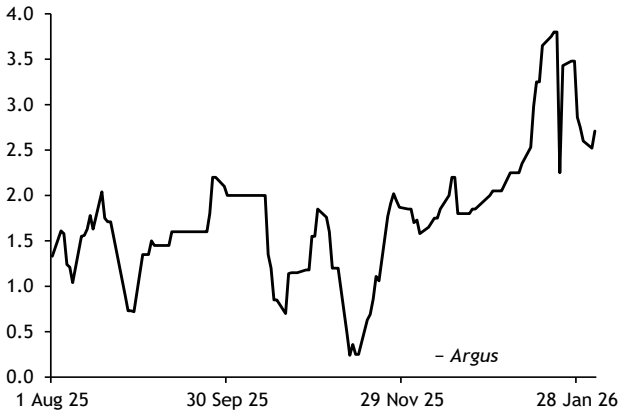
Meanwhile, physical benchmark North Sea Dated averaged a $2/bl premium to Ice Brent M1 futures in January, the largest spread since February 2024, because of the CPC Blend disruption. CPC loadings have been running below capacity since late November after a Ukrainian drone attack left just one single-point mooring (SPM) operational — two are usually used for exports. More recently, Tengiz field production has been halted by power supply problems, while drone attacks on tankers near the CPC terminal have reduced buying interest sharply — January exports fell below 800,000 b/d, around half the normal rate. While CPC prices slumped, those for competing grades rose. WTI cif Rotterdam leapt to a premium of some $4/bl to North Sea Dated on 21 January (*see graph*). Today, the WTI contract sets the Brent benchmark around a third of the time. But since all other regional crude grades effectively have to compete with it, WTI cif Rotterdam effectively is North Sea Dated.

North Sea Dated is likely to remain elevated while the CPC Blend disruption and tensions around Iran persist. But as long as the market remains in the shadow of looming oversupply, downward price pressure will never be far away.

Net speculative length



WTI cif Rotterdam vs North Sea Dated *$/bl*



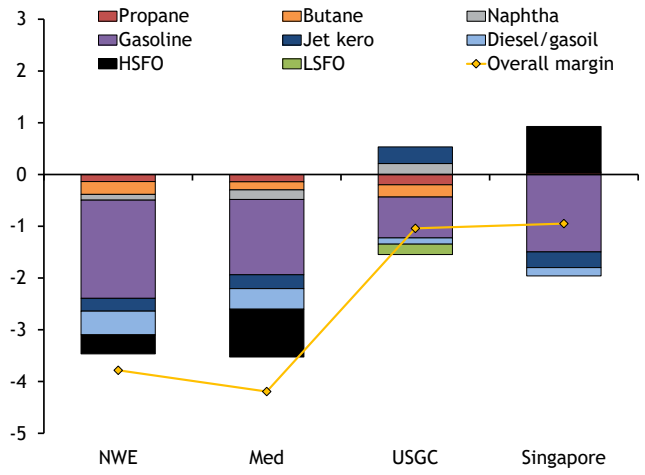
Refining economics

Refining margins fell across the board for the second consecutive month in January (*see graph*). This was despite a surge in geopolitical risk factors, including events in Venezuela, rising tension between the US and Iran, and new sanctions on the Russian oil sector.

Crude markets reacted sharply to each of these events, with prices spiking to $70/bl towards the end of the month. Product markets were more settled, resulting in the drop in refining margins. Northwest Europe and the Mediterranean had the weakest-performing margins in January — down by $3.78/bl and $4.19bl, respectively, on the month. Gasoline drove January's weakness, as October-December's unseasonably strong cracks gave way to more typical values in early 2026. European markets are adapting to the implementation of new EU sanctions on Russia — since 21 January, European buyers have been prohibited from importing any products refined using Russian crude.

There was some supply chain uncertainty in the immediate aftermath of these new sanctions taking effect. But looking ahead, we expect the disruption to be absorbed. By late January-early February, product cracks and refining margins had already settled after diesel cracks rose to a 45-day high on 21 January. India has agreed a new tariff deal with the US that involves cutting back its Russian crude purchases. The Indian port of Sikka, which serves Reliance's 1.24mn b/d Jamnagar refinery, has reportedly not received any Russian crude since 3 January. Similarly in Turkey, Tupras' 238,000 b/d Izmir refinery has not imported any Russian crude since 26 November. With the market seeming to take the new EU sanctions in its stride, our forecast for refining margins remains settled for the remainder of 2026, with our view that margins will be lower than in 2025 unchanged.

Change in FCC margins, Jan vs Dec ***$/bl***



In the US, Gulf coast refining margins fell to a 12-month low in January, averaging $8.46/bl. Gulf coast margins fell less sharply than European margins last month, partially supported by the freeze that gripped large parts of the US in late January. This not only boosted demand for heating fuels, but also curtailed some refinery operations. Exxon-Mobil stated that it would shut some units at its 564,500 b/d Baytown refinery, while Delek's 73,000 b/d Big Spring refinery was reported to be flaring, also owing to cold temperatures. Both events were probably short-lived, as freezing weather in Texas lasted less than 48 hours. Elevated heating fuel demand could linger into February, supporting refining margins, with the northeast and Midwest forecast to endure sub-zero temperatures until the middle of February. Beyond that, we forecast refining margins to fall over the remainder of the year as the Atlantic basin looks amply supplied.

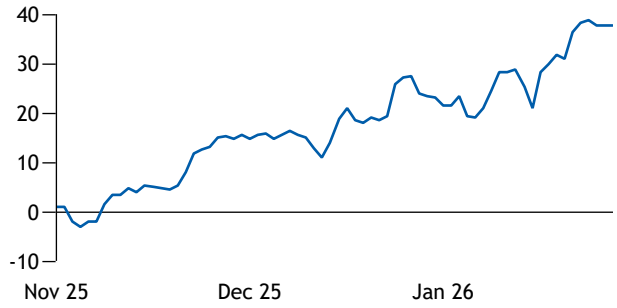
In Asia, refining margins in Singapore fell by $0.95/bl in January to a four-month low. Chinese refinery runs edged up by 80,000 b/d on the month in January to 14.79mn b/d. China's first 2026 batch of product export quotas was largely in line with last year's levels. And with new refining capacity due to start up in India and Indonesia this year, the region is forecast to be amply supplied, which should weigh on margins.

Refining margins					*$/bl*
	Dec	Jan	Feb	Mar	Apr
Northwest Europe					
vs North Sea Dated	8.60	4.82	5.50	5.50	6.60
vs Johan Sverdrup	4.75	0.89	3.36	2.99	4.13
Mediterranean					
vs Kebco cif Augusta	5.02	0.83	1.44	1.66	2.66
vs CPC Blend	9.02	6.95	9.10	7.60	8.40
US Gulf coast					
vs WTI Houston	9.50	8.46	9.20	9.00	9.80
vs Mars	3.69	3.22	4.80	4.10	4.70
Singapore					
vs Dubai	7.68	6.74	7.40	6.40	5.70
vs ESPO Blend	23.98	22.90	21.70	21.80	21.50

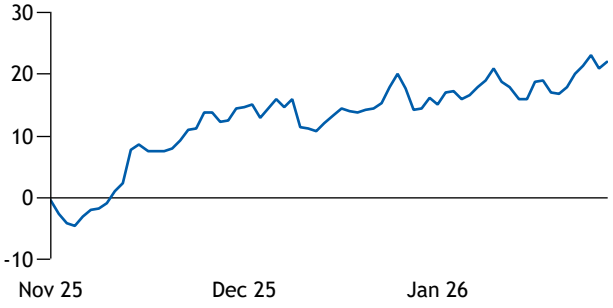
Gross refining margins calculated based on FCC unit yields

LPG swaps

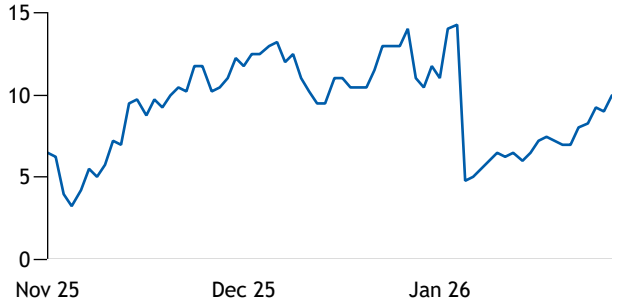
Propane NW Europe month 1 vs month 2 *$/t*



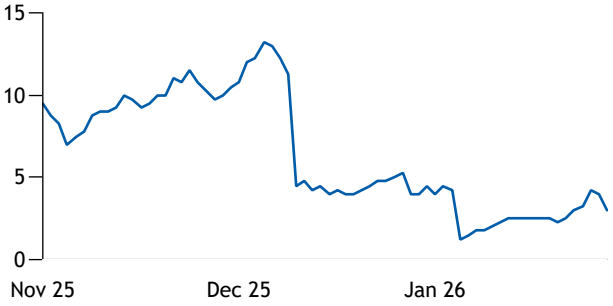
Propane NW Europe month 2 vs month 3 *$/t*



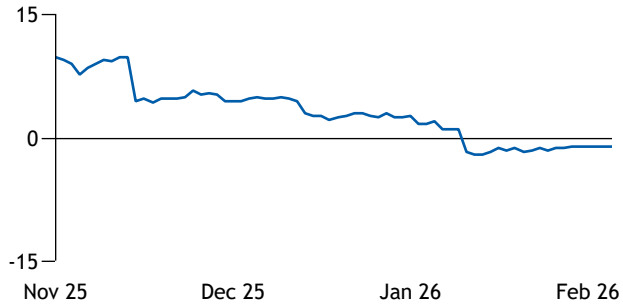
Propane NW Europe month 3 vs month 4 *$/t*



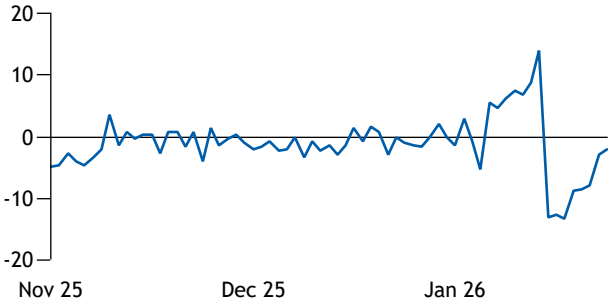
Propane NW Europe month 4 vs month 5 *$/t*



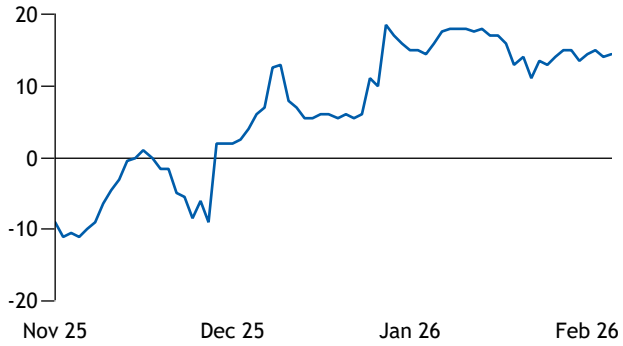
Propane NW Europe month 5 vs month 6 *$/t*



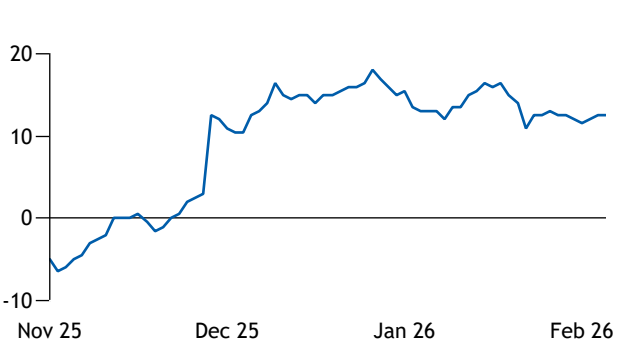
Mont Belvieu month 1 vs month 2 *$/t*



Saudi CP month 1 vs month 2 *$/t*



Saudi CP month 2 vs month 3 *$/t*



LPG developments to watch

Date	Development
China PDH Start-ups	
Feb-25	Wanhua No.2
Feb-25	Guoheng Chemicals
May-25	Fujian Soft Packaging
2026	Sinopec Zhenhai
North America LPG Export Terminals 2025-2026	
Jul-25	Nederland Expansion (250,000 b/d, shared with ethane)
H1 2026	Galena Park Expansion (22,000 b/d)
H1 2026	Neches River Stage 2 (360,000 b/d, shared with ethane)
H2 2026	Ridley Island Energy Export Facility (55,000 b/d)
H2 2026	Enterprise Houston Expansion (300,000 b/d)

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	Publication date
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Issue 3	12 March
Issue 4	9 April
Issue 5	7 May
Issue 6	11 June
Issue 7	9 July
Issue 8	13 August
Issue 9	10 September
Issue 10	8 October
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Issue 12	10 December

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