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Argus LPG Outlook



The quarter ahead

Easing crude oil prices and rising LPG demand are likely to balance, keeping prices unchanged in the coming months.

Most Middle Eastern countries have increased LPG supplies despite ongoing attacks, but Iranian cargoes have fallen sharply because of the US blockade, leaving overall supply levels similar to previous months.

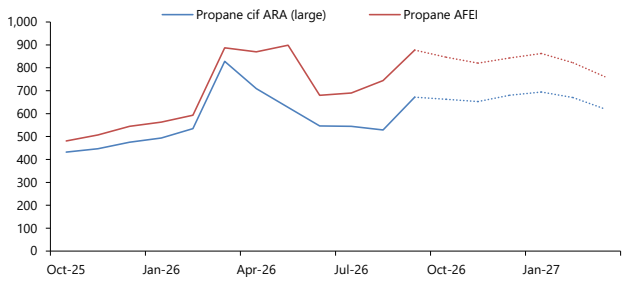
Mideast Gulf exports are expected to rise slightly in the coming months as producers improve their ability to transit product through the strait.

Winter heating will be the main source of incremental demand for propane in the coming months, while PDH demand from China will remain steady as margins stay stable.

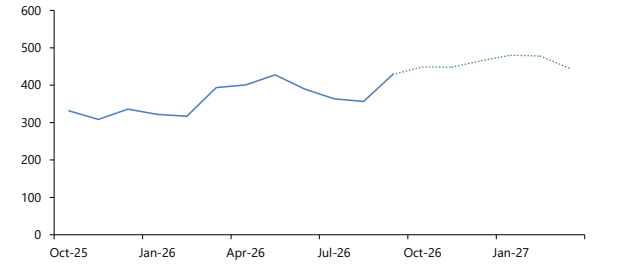
Butane is receiving support from gasoline blending and low inventories. High prices are likely to continue until spring, with risk firmly to the upside if supply of LPG or crude is further disrupted.

US domestic prices will be supported by local demand and rising export volumes after the expansion of Enterprise's Houston terminal, but high freight rates will keep prices below other international benchmarks.

Propane cif ARA, propane AFEI $/t



Propane Mont Belvieu (EPC) $/t



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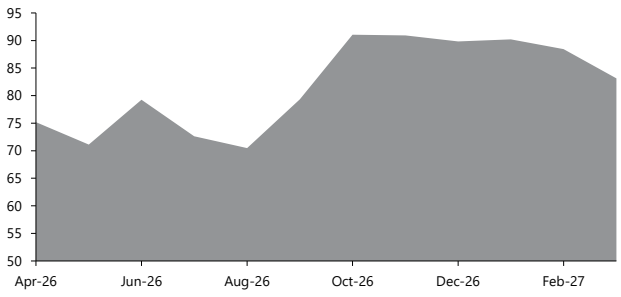
Forecast prices									$/t
	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	2026	2027	2028
Propane cif ARA (large)	663	653	680	665	662	569	623	618	529
Butane cif ARA (large)	747	737	754	746	720	574	685	642	540
Propane Mt Belvieu EPC	449	448	466	454	468	406	397	448	396
Butane Mt Belvieu EPC	615	592	592	599	577	438	497	497	413
USGC propane export	506	500	523	510	512	437	469	485	429
Propane Conway	425	438	451	438	451	376	374	428	377
Propane Edmonton	379	373	388	380	345	295	305	352	306
Mixed butane Edmonton	578	532	519	543	461	328	396	400	320
Propane AFEI	846	820	843	837	815	701	776	752	630
Butane AFEI	938	915	926	926	862	706	840	767	631
Propane ANI	939	911	936	929	905	778	857	835	700
Butane ANI	1005	992	1028	1009	957	784	889	852	701
Daf Brest Propane	797	786	816	800	788	672	767	742	630
Propane Saudi CP	680	700	745	708	750	657	652	701	591
Butane Saudi CP	730	750	795	758	802	687	683	737	609
Propane Sonatrach SP	670	670	675	672	655	517	598	611	528
Butane Sonatrach SP	750	720	735	735	700	548	644	640	531
North Sea Dated ($/bl)	100	95	93	96	90	91	94	90	80
WTI ($/bl)	93	90	88	90	87	88	87	87	77
Naphtha cif NWE	728	718	757	734	758	737	751	744	656
Naphtha Japan C and F	807	775	812	798	806	769	811	781	684
Biopropane fca ARA	1464	1501	1493	1486	1456	1402	1454	1416	

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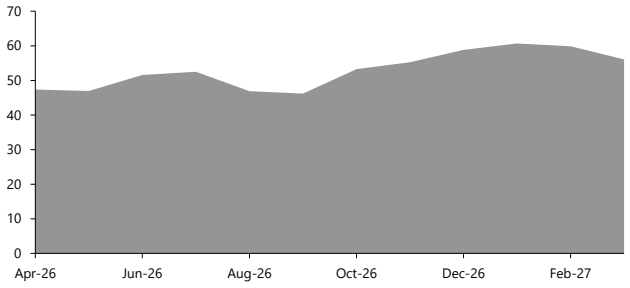
Petrochemical feedstock prices - September	$/t	
	Price	±
Ethane fob Mt Belvieu (¢/USG)	25.64	+1.72
Naphtha cif NWE	847	+97
Naphtha c+f Japan	903	+111
Ice gasoil	1464.64	+216

Crude prices - September	$/bl	
	Price	±
North Sea Dated	116.89	+26.2
Ice Brent	102.02	+13.9
WTI Houston	98.42	+14.8
Nymex WTI	95.69	+13.2
Dubai	111.40	+23.2

Propane cif ARA large as percentage of naphtha cif



Propane cif ARA large as percentage of North Sea Dated



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Outlook summary

- High energy prices are supporting LPG, although we expect an easing over the coming months
- Firming demand heading into winter and low Mideast Gulf flows are keeping the market tight
- Low inventories mean the market is precarious, with further disruptions likely to cause extreme prices

The conflict's escalation, breakdown of peace talks, and damage to the Saudi East-West pipeline caused crude oil prices to surge, with North Sea Dated entering October at $127/bl, over 36pc higher than the start of September. But the market is sharply backwardated as repairs on the pipeline are progressing rapidly. Front-month Ice Brent peaked at just $102/bl. With the expected return of East-West volumes and Mideast Gulf exporters sending more product through the strait of Hormuz despite Iranian strikes, we expect the crude market to lengthen. Prices are likely to fall sharply, with October expected to average $100/bl and stabilising in the medium term at $90/bl.

Naphtha prices struggled to rise to the same extent as crude due to higher Mideast Gulf naphtha shipments and price-sensitive petrochemical buyers choosing to drop run rates as they could not pass on all the extra costs to downstream buyers. Prices are still $50-100/t higher than at the start of September, and this price increase has been passed on to LPG. But these same factors also work in reverse. As crude prices come down, we only expect a $100/t decrease in prices for naphtha, as petrochemical buyers start to ramp up purchases again.

Propane and butane prices have risen above naphtha but are driven by different factors. Propane is strengthening ahead of the winter heating season, while butane is receiving strength from alarmingly low inventory levels and strong gasoline blending demand. This is leading to differing outlooks, both are expected to strengthen, but butane will hold a $100/t premium to propane over the winter due to the stronger drivers.

Many Asian steam crackers are switching away from propane feedstock as prices strengthen, cutting into their margins. But Chinese PDH plants remain operating at firm levels. Higher utilisation of ethane crackers, which are enormously profitable due to cheaper and uninterrupted feedstock supply, is reducing supplies of propylene and keeping PDH margins manageable. Chinese refineries continue to produce lower yields of propane as current export quotas encourage maximising diesel and gasoline production for export.

The strength of transport fuels is also supporting butane blending into gasoline. The gasoline-naphtha spread hit $410/t in Singapore at the start of October, the highest since 2022, and the highest for the time of year since records began in 2000. Gasoline is extremely tight due to the loss of Middle East refining capacity. This has caused blenders to maximise naphtha intake to compensate, placing significant pressure on high-octane, premium blendstocks to balance naphtha's low octane rating. This pressure has been compounded by reformate and BTX production being pressured by high diesel prices, as refineries sacrifice these yields to maximise middle distillate output. As a result, high-octane supply depends on products such as alkylate and MTBE, both of which are derived from butane, and the direct blending of butane itself. Early US winter-specification gasoline blending has compounded this by starting stock depletion earlier than normal.

Prompt crude prices easing should relieve some of the pressure on butane, as the edge is taken off gasoline and diesel pricing. But if prices remain high, butane is likely to continue rising, potentially to $1,100-1,200/t or even higher. The other key unknown is how Chinese export quotas for products will develop. If the Chinese government prioritises supplying the domestic market over refinery profits, then we will likely see domestic supplies of LPG within China rising sharply again, adding some much-needed length to the market.

VLGC freight has remained firm and shows no sign of slowing down. There is a large orderbook expected in this year's fourth quarter and the first of 2027, but the expected increase in US exports, as Enterprise's Houston terminal expansion comes on line and winter heating season begins, will keep fleet utilisation largely unchanged. But further into 2027, freight will start to ease as more vessels continue to arrive.

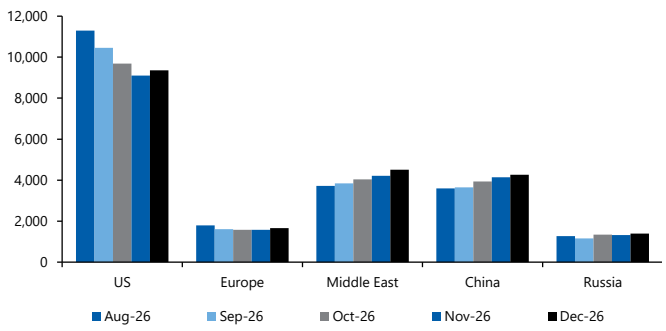
Iranian LPG exports have been throttled by the US blockade, and floating inventories have all but dried up. Even with more cargoes transiting the strait, this has limited any recovery in supply. Before the war, Iran was shipping more than 1mn t/month of LPG into Asia. Even if all other Mideast Gulf flows are restored, the market will remain tight until Iranian supply is allowed into the market, or an alternative supply is found.

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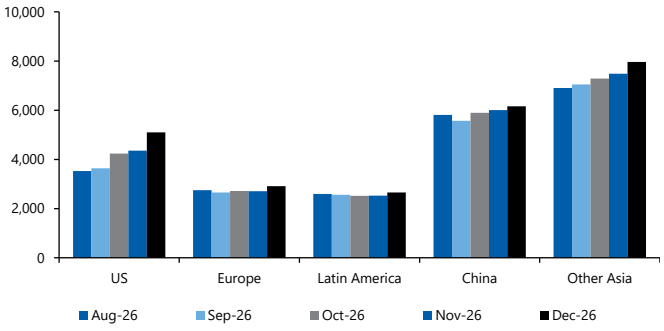
Global										'000t
	2025	Oct-26	Nov-26	Dec-26	4Q26	1Q27	2Q27	2026	2027	2028
LPG supply										
Refining	127,261	9,417	9,165	9,447	28,029	30,344	34,269	124,927	128,291	129,467
Gas processing	252,078	19,755	19,686	20,504	59,945	60,522	61,036	235,490	251,429	268,325
Total LPG supply	379,339	28,902	28,580	29,714	87,197	90,386	95,111	356,810	378,603	397,793
LPG demand										
Energy demand	215,739	17,141	17,647	19,145	53,932	56,215	49,734	203,522	214,028	216,085
Non-energy demand	154,191	11,795	11,837	12,333	35,965	38,445	40,715	142,639	159,037	165,572
Total LPG demand	370,436	28,960	29,513	31,514	89,986	94,659	90,449	346,565	373,062	381,657
Trade position										
LPG import requirement	160,715	11,935	12,590	13,029	37,555	39,103	39,152	143,190	158,997	164,195
LPG export availability	166,216	12,499	12,767	13,321	38,587	40,039	40,350	152,458	165,669	180,439

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LPG major producing regions *'000t*



LPG major consuming regions *'000t*



LPG Fundamentals Overview

- US production is expected to rebound in the coming months, providing an additional 500,000 t/month of supply over the winter peak.

- Chinese petrochemical demand is forecast to drop slightly in the coming months as crackers switch over to naphtha. But Chinese PDH plants will provide a firm bedrock, preventing declines from being too severe.

- Middle East exports have been revised up due to continued shipments despite Iranian attacks, although disruption is still likely to remain long into 2027.

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Regional										'000t
	2025	Oct-26	Nov-26	Dec-26	4Q26	1Q27	2Q27	2026	2027	2028
United States										
Production	118,181	9,682	9,097	9,360	28,138	28,644	32,950	120,643	124,596	128,390
Refinery	10,845	227	-194	-163	-131	1,472	4,576	10,545	10,645	10,645
Gas Processing	107,336	9,455	9,291	9,523	28,269	27,172	28,374	110,098	113,951	117,745
Consumption	48,948	4,236	4,354	5,096	13,687	14,154	10,163	49,241	49,014	48,961
Energy	18,445	1,577	1,587	2,138	5,302	5,862	3,460	18,365	18,034	17,893
Non-Energy	30,503	2,659	2,767	2,959	8,385	8,293	6,702	30,876	30,979	31,068
Canada										
Production	17,837	1,628	1,635	1,710	4,973	5,040	4,771	18,851	19,787	20,132
Refinery	1,523	119	128	131	377	396	382	1,497	1,576	1,559
Gas Processing	16,314	1,509	1,508	1,579	4,596	4,644	4,389	17,355	18,211	18,573
Consumption	10,886	870	883	906	2,659	2,717	2,639	11,316	10,645	10,641
Energy	5,682	464	492	507	1,463	1,426	1,220	5,823	5,423	5,374
Non-Energy	5,204	406	391	399	1,196	1,290	1,419	5,493	5,223	5,267
Latin America										
Production	17,423	1,529	1,453	1,552	4,534	4,647	4,666	17,773	18,649	18,851
Refinery	9,252	642	621	648	1,911	2,027	1,984	9,025	7,882	7,922
Gas Processing	8,171	886	833	904	2,623	2,620	2,682	8,749	10,767	10,929
Consumption	29,397	2,521	2,526	2,651	7,698	7,788	7,625	29,732	31,199	31,599
Energy	28,884	2,464	2,475	2,596	7,535	7,579	7,410	29,189	30,384	30,659
Non-Energy	513	57	51	55	163	209	216	543	815	941
Europe										
Production	21,520	1,582	1,577	1,657	4,816	4,956	5,230	20,716	20,254	20,114
Refinery	15,630	1,192	1,201	1,261	3,653	3,822	4,162	15,481	15,953	16,105
Gas Processing	5,890	390	376	397	1,163	1,134	1,068	5,235	4,301	4,009
Consumption	34,344	2,711	2,708	2,907	8,326	8,502	8,320	32,451	34,001	34,764
Energy	21,282	1,769	1,774	1,964	5,508	5,578	5,055	20,869	21,470	21,718
Non-Energy	12,555	918	904	906	2,729	2,925	3,265	11,179	12,534	13,046
Middle East										
Production	76,948	4,038	4,210	4,505	12,752	14,603	15,242	51,359	66,050	80,422
Refinery	8,747	652	653	659	1,964	2,044	2,087	7,650	8,379	8,470
Gas Processing	68,201	3,656	3,827	4,082	11,565	13,040	13,350	47,316	58,788	71,952
Consumption	30,839	2,417	2,517	2,584	7,518	8,010	7,508	29,066	31,167	33,081
Energy	9,130	718	772	793	2,283	2,466	2,190	8,437	9,364	9,736
Non-Energy	21,709	1,699	1,745	1,791	5,235	5,543	5,318	20,629	21,803	23,344
Africa										
Production	19,705	1,601	1,633	1,748	4,981	5,250	4,776	19,515	19,391	19,287
Refinery	2,887	248	250	247	745	774	756	3,057	3,006	2,967
Gas Processing	16,819	1,353	1,383	1,501	4,236	4,475	4,019	16,458	16,385	16,320
Consumption	17,896	1,459	1,550	1,711	4,720	5,058	4,553	18,451	18,542	18,707
Energy	16,431	1,339	1,426	1,574	4,339	4,646	4,176	16,957	17,017	17,167
Non-Energy	1,465	120	125	136	381	412	376	1,494	1,526	1,540
Russia and Central Asia										
Production	20,917	1,753	1,713	1,823	5,289	5,364	5,139	20,556	20,884	21,210
Refinery	3,811	263	277	281	822	865	843	3,274	3,428	3,450
Gas Processing	17,106	1,490	1,435	1,542	4,467	4,500	4,297	17,282	17,456	17,759
Consumption	17,261	1,561	1,489	1,537	4,587	4,789	4,900	17,467	19,265	19,122
Energy	9,079	836	766	779	2,380	2,336	2,271	9,166	9,279	9,311
Non-Energy	8,182	725	723	758	2,207	2,452	2,629	8,301	9,986	9,811
China										
Production	51,530	3,932	4,143	4,260	12,334	12,539	13,304	47,728	52,581	53,550
Refinery	51,530	3,932	4,143	4,260	12,334	12,539	13,304	47,728	52,581	53,550
Gas Processing	0	0	0	0	0	0	0	0	0	0
Consumption	87,534	5,894	6,001	6,162	18,056	19,189	21,309	73,593	82,922	86,031
Energy	31,610	1,963	2,058	2,139	6,161	6,286	6,200	24,411	25,574	25,047
Non-Energy	55,923	3,930	3,943	4,022	11,895	12,903	15,109	49,183	57,348	60,983
Other Asia-Pacific										
Production	35,278	3,159	3,119	3,101	9,379	9,343	9,032	39,669	36,412	35,836
Refinery	23,037	2,143	2,087	2,124	6,354	6,405	6,175	26,670	24,841	24,798
Gas Processing	12,241	1,016	1,032	977	3,025	2,938	2,857	12,998	11,571	11,038
Consumption	93,331	7,290	7,485	7,961	22,735	24,454	23,433	85,248	96,306	98,752
Energy	75,194	6,010	6,297	6,655	18,962	20,035	17,751	70,306	77,482	79,179
Non-Energy	18,136	1,280	1,188	1,306	3,774	4,418	5,682	14,942	18,824	19,572

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Regional analysis

Northwest Europe

Northwest European LPG prices outpaced the US market in September. Large cargo propane cif Amsterdam-Rotterdam-Antwerp (ARA) averaged $672/t, up by 27pc from August, while Mont Belvieu propane rose by 20pc to $429/t. Their spread widened to $243/t from $172/t despite lower trans-atlantic freight. Reduced Norwegian supply and stronger northwest European buying also supported prices. Butane cif ARA rose by 25pc to $760/t, widening its spread to Mont Belvieu to $181/t from $131/t. This caused seaborne LPG arrivals to rise by 12pc to 1.06mn t, according to Vortexa, led by a 30pc increase in US cargoes to 562,000t.

Higher Asia-bound freight narrowed Asia's advantage over northwest Europe for US propane exporters. Panama Canal restrictions cut Neopanamax slots to 9/d from 3 September, while high auction fees prompted some VLGCs to sail around the Cape of Good Hope. The canal authority plans to restore a tenth daily slot from 15 October, which will do little to alleviate traffic, given the number of ships seeking passage. Houston-to-Chiba freight averaged $304/t, up from $269/t in August, while Houston to Flushing eased to $159/t from $166/t. Alongside a narrower AFEI premium to cif ARA propane, this reduced Asia's netback advantage from about $112/t to $60/t.

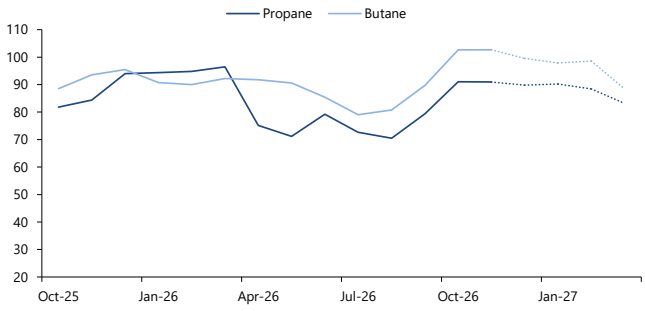
Norwegian LPG arrivals fell by 36pc to 201,000t as maintenance at Norwegian fields and processing plants, including an outage at Kollsnes, constrained supply. High natural gas prices also gave processors an incentive to leave propane in the gas stream rather than extract it for sale as LPG. EU gas storage remained well below its five-year average in late September, raising the risk that gas prices will stay firm through winter and making it likely that Norwegian LPG supply remains limited.

Northwest European LPG demand is likely to remain modest despite some buying ahead of winter. Early seasonal forecasts favour a mild European winter, limiting heating demand. Propane and butane compete with naphtha as feedstocks for flexible steam crackers, making their relative prices important for LPG demand. Propane's discount to naphtha narrowed to $175/t in September from $221/t in August, but it remained at 79pc of the naphtha price. Butane, at almost 90pc of the naphtha price, offered a smaller discount.

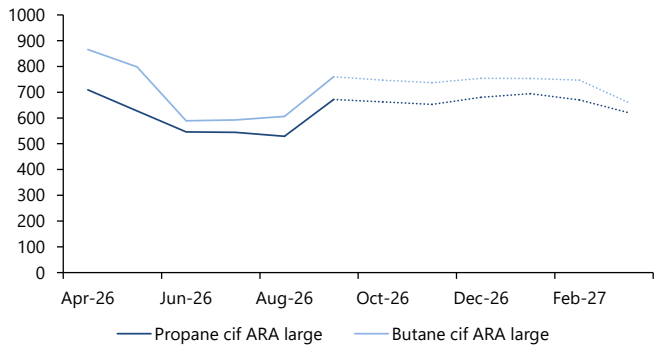
Weak petrochemical margins and downstream demand are likely to limit feedstock buying despite LPG's price advantage. The switch to winter-grade gasoline from October will add further demand to an already tight butane market.

Rhine logistics deteriorated further. Water levels at Kaub fell to fresh record lows, with a provisional reading of −3cm on 26 September. ARA propane barges averaged $63/t above large cargoes in September, up from $21/t in August. Limited barge capacity also increased competition for rail

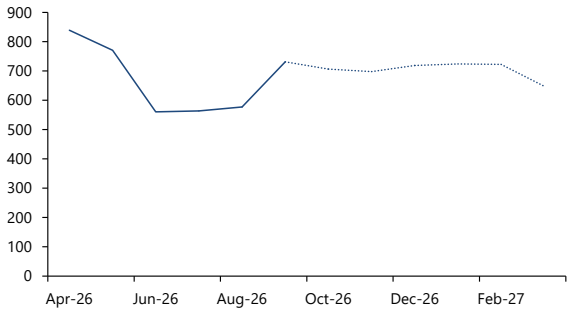
LPG ratio to naphtha northwest Europe *%*



Propane and butane cif ARA large *$/t*



Butane cif Lavera large *$/t*



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transport, pushing inland prices higher. Any recovery before winter depends on autumn rainfall.

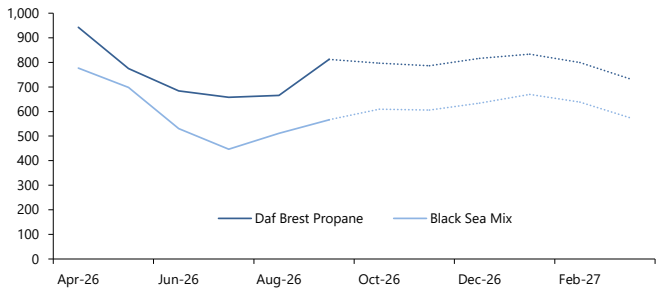
Northwest European propane and butane prices are likely to fall in the coming months. Easing disruption in the strait of Hormuz should bring more crude and naphtha to market, weighing on crude and pulling naphtha lower. Cheaper naphtha will cut steam cracker demand for LPG, while recovering Norwegian output adds supply. But winter heating demand should keep propane firm against naphtha, limiting losses. Butane is expected to track propane lower, with its premium narrowing over the winter as heating demand supports propane.

Eastern Europe

Propane daf Brest prices averaged $812.4/t in September, up 20pc over the course of the month in line with strength in the Amsterdam-Rotterdam-Antwerp region. The premium to ARA reached an average of $140.3/t, its highest since May, supported by supply constraints into Poland as Rhine water level issues disrupted barge traffic and placed additional pressure on rail logistics.

Poland has further diversified its LPG import network with the launch of Polski Gaz's new 1,500 t/d terminal in Szczecin. The facility, developed in response to the loss of Russian supply following EU sanctions, provides direct access to northwest European cargoes. Its 11m-deep berth, among the deepest at Poland's Baltic LPG terminals, can accommodate midsize vessels carrying up to 22,000t. The additional import capacity is expected to reduce Poland's dependence on cross-border deliveries from neighbouring countries, while increasing access to more competitively priced seaborne LPG and helping narrow the premium of daf Brest prices over ARA.

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



Middle East

State-controlled Saudi Aramco raised its October propane and butane contract prices (CPs) to four-month highs of $680/t and $730/t, respectively, up by $55/t and $70/t from September. The resulting $50/t propane-butane spread, the widest since June, highlights firm demand for evenly split cargoes across India, China and southeast Asia.

The increase was driven by firmer crude prices, strengthening seasonal demand and constrained Middle East LPG availability, particularly from Iran. Iranian exports initially proved relatively resilient following the outbreak of the US-Iran conflict, supported by the country's shadow fleet. But tighter sanctions and a shrinking fleet have increasingly constrained exports, which fell to 279,000t in September from 510,000t in August and close to 1mn t/month in 2025, according to Kpler data.

At the same time, supply availability from the Middle East has gradually improved as exporters adapt to the new operating environment, particularly in the Mideast Gulf. Producers that traditionally sold LPG on a fob basis have increasingly used ship-to-ship (STS) transfers outside the strait of Hormuz and delivered sales to Asian buyers, improving access to prompt cargoes and providing greater flexibility to importers.

This shift was reflected in weaker spot premiums during September. Kuwait's state-owned KPC awarded a tender to sell an evenly split VLGC cargo at around a $350/t premium to Aramco's October CP on a cfr Chiba basis, down from roughly $500/t in early September and $450/t in mid-September, according to market participants. The lower premiums suggest more cargoes are reaching the market despite ongoing geopolitical risks.

Mideast Gulf LPG exports via Hormuz rose to 1.5mn t in September, up from 1.4mn t in August and the highest since the conflict began, although still well below the 3.5mn-4mn t/month exported before the war. Additional volumes could emerge in coming weeks as Saudi Aramco's trading arm ATC and QatarEnergy expand STS operations outside the strait. ATC chartered two vessels for up to three months to conduct STS transfers outside Hormuz. One of these — the VLGC *Gas Venus* — loaded from Saudi Arabia's Juaymah terminal near Ras Tanura on 28 September, before turning off its location signal, data from vessel-tracking firm Kpler show.

The improvement in exports has softened market sentiment, while a slowdown in Indian spot buying toward the

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end of September also eased immediate demand pressure. But increased exports from Kuwait, Saudi Arabia and Qatar have only partially offset the sharp decline in Iranian supply, leaving prompt availability relatively tight. This disconnect remains evident in south China's re-export market, where limited butane availability continues to support prices.

Looking ahead, propane should remain underpinned by winter heating demand in northeast Asia, while butane continues to benefit from gasoline blending demand. But improving regional supply availability and softer spot premiums suggest November CPs are more likely to post modest gains rather than a repeat of October's sharp increase.

Asia-Pacific

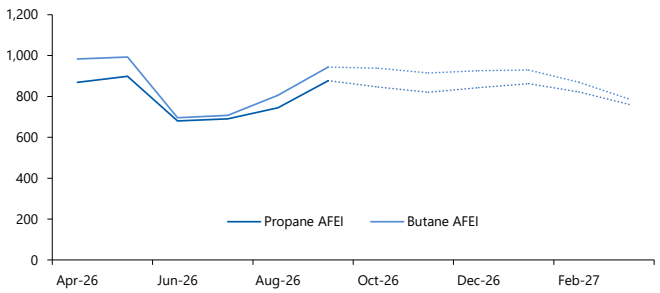
Asia-Pacific LPG markets carried their August momentum into September, reaching a three-month high by mid-month. At their peak, AFEI propane had gained nearly $124/t and butane $131.75/t, as renewed Indian buying coincided with an escalation in the Middle East and a tighter US naval blockade that cut off Iranian supply to China. The rally faded as the market adjusted to a new normal, with Mideast Gulf volumes returning through ship-to-ship (STS) transfers, leaving propane and butane to settle at $873.75/t and $943.75/t, respectively.

Much of the early strength came from India, where buyers had stocked up heavily at the onset of the US-Iran war before stepping back from the spot market in June and July. That lull, together with expanding US export capacity, eased pressure across the supply chain and helped close the US-Asia arbitrage in June. But as inventories drew down and forward cover thinned, Indian buyers returned in August seeking September shipments, and with the Dussehra and Diwali festivals set to lift domestic consumption, their appetite should remain firm through October and November.

China, meanwhile, was dealing with a loss of supply rather than a revival in demand. Iranian exports slumped after the US prevented Iran-linked vessels from returning to load, a major blow for a country that took about 83pc of Iran's LPG in 2025, mostly for its southern wholesale market. The resulting shortfall pushed prices higher, but rather than chase replacement cargoes, many Chinese buyers stepped back, and imports fell for a third consecutive month to around 2.1mn t, down by 24pc on the month and 32pc on the year.

The propane dehydrogenation (PDH) sector was the only real source of resilience, with propane imports for PDH plants

Propane and butane AFEI *$/t*



holding steady at about 1.5mn t as average operating rates rose to 73pc from 69pc, suggesting plants drew on inventories to sustain higher runs. Elsewhere, demand weakened, with cracker arrivals plunging to about 100,000t from 400,000t in August, as tighter naphtha supply prompted run cuts and a firmer propane-to-naphtha ratio, up from about 97pc to 98.6pc, made propane a costlier feedstock. MTBE producers faced similar pressure, with butane arrivals for the sector falling to about 40,000t from 100,000t despite stronger export margins, as Indian demand and lost Mideast Gulf supply tightened availability. Anqing Taiheng shut its 1mn t/yr MTBE unit in Anhui in mid-September, while producers in Guangdong and Zhejiang weighed similar moves.

A swift recovery in Chinese buying looks unlikely, as lower crude forecasts threaten to restore naphtha's edge over propane in crackers, while elevated butane prices should keep MTBE producers under pressure into the winter. Policy uncertainty adds to this caution, after China's commerce ministry said on 26 September that the 10pc tariff on US goods, including LPG, would be extended beyond its 12 November expiry for an unspecified period, keeping many buyers at minimum volumes. Domestic supply may also rise, as the government twice limited gasoline price increases in September, squeezing refiners' gasoline margins just as domestic LPG prices hovered near record highs. This could encourage refiners to tilt yields towards LPG from October, further reducing import needs, although any such shift remains uncertain.

Into the final quarter, the outlook remains clouded by geopolitics, with lasting relief dependent on Hormuz flows normalising. Freight pressure is starting to ease, with the Panama Canal set to raise daily transits to 10 from nine from 15 October and slot auction costs well below their late-

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August highs as more shipowners opt for the Cape route. Even so, we expect prices to remain elevated and volatile through the winter heating season, with butane holding its premium to propane on winter-grade gasoline blending and resilient Indian demand. But with STS transfers and other workarounds keeping a steady trickle of Mideast Gulf supply moving, the market should stop short of a disorderly rally, keeping prices capped below $1,000/t.

North America

Mt Belvieu propane prices strengthened sharply in September, rising by 20pc over the month to average $429/t and outperform Argus Far East Index (AFEI) and Ningbo gains. Stronger crude prices and robust domestic and export demand supported the rally, more than offsetting the impact of record freight rates and elevated terminal fees. With Middle Eastern producers continuing to struggle to meaningfully increase LPG exports, Asian markets remained tight, sustaining strong demand for US cargoes.

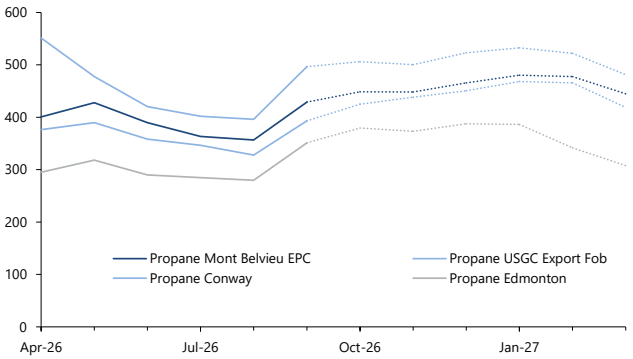
September propane exports reached a record 5.05mn t, according to Kpler. The increase was driven in part by the recently expanded Neches River terminal, where shipments rose by 237,000t month on month. The terminal has shifted capacity away from ethane exports towards propane, taking advantage of its newly added flexible capacity. The surge in exports pushed terminal fees to an average of $55/t, nearly double the level seen a month earlier. Strong export demand is expected to keep fees elevated, although the upcoming expansion of Enterprise's Houston terminal should help limit further increases. We expect terminal fees to remain firm until February, when the winter heating season begins to ease and export demand starts to soften.

Domestic demand also strengthened, with weekly product supplied, a key measure of propane consumption, averaging 886,000 b/d in September, up 11.2pc from the previous month and the highest level since April. Combined with record exports, stronger domestic demand has continued to weigh on inventories. US propane stocks stood at 109mn bl at the end of September, having increased by just 2.1pc over the month, marking the smallest September stock build on record.

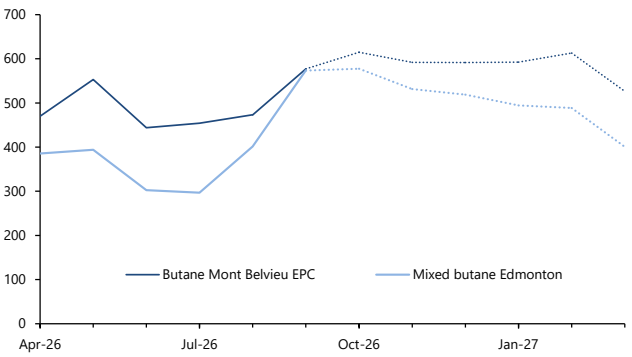
Mt Belvieu butane prices outpaced propane gains, rising by 22pc over the month to average $579/t. Butane traded at a premium of around $150/t to propane, the widest spread since 2013, reflecting exceptionally tight market conditions as strong export demand and higher domestic consumption continued to draw down inventories. US 87 conventional gasoline prices averaged $152/bl in September, the highest level since 2022, when the Russia-Ukraine war tightened global octane supplies and pushed gasoline prices sharply higher. Elevated gasoline values continue to support butane demand, as it remains a cost-effective source of octane compared with alternative blending components.

Butane exports also remained strong, reaching 1.56mn t in September, up 15.6pc from the same period last year. We expect butane prices to remain firm through the winter season, supported by robust gasoline blending demand. But as spring approaches, domestic demand is likely to soften as lower Reid vapour pressure (RVP) limits reduce the volume of butane that can be blended into gasoline. At the same time, rising LPG exports from the Middle East should improve global supply availability, easing pressure on export markets and weighing on demand for US barrels.

Propane North America *$/t*



Butane North America *$/t*



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Freight and arbitrage

Global VLGC freight rates resumed their ascent in September after moving sideways through August. Houston-Chiba rates gained $58/t over the month to around $325/t, just 6pc below their all-time high in May. With Mideast Gulf supply curtailed and Asian demand firm, buyers increasingly turned to US LPG to cover the shortfall. Renewed regional fighting lifted crude futures and, in turn, LPG prices, improving the competitiveness of US cargoes and widening the US-Asia propane arbitrage. This drew more cargoes from the US Gulf coast, absorbing available vessels and carrying freight rates higher.

This pressure was reinforced by developments at the Panama Canal, even as auction costs fell. The average winning bid for a Neopanamax lock auction fell from a record $3.1mn on 24 August to $645,000 on 28 September, as vessels across several segments diverted around the Cape. This eased canal congestion but lengthened voyages by around 20 days, keeping vessels occupied for longer and supporting tonne-mile demand.

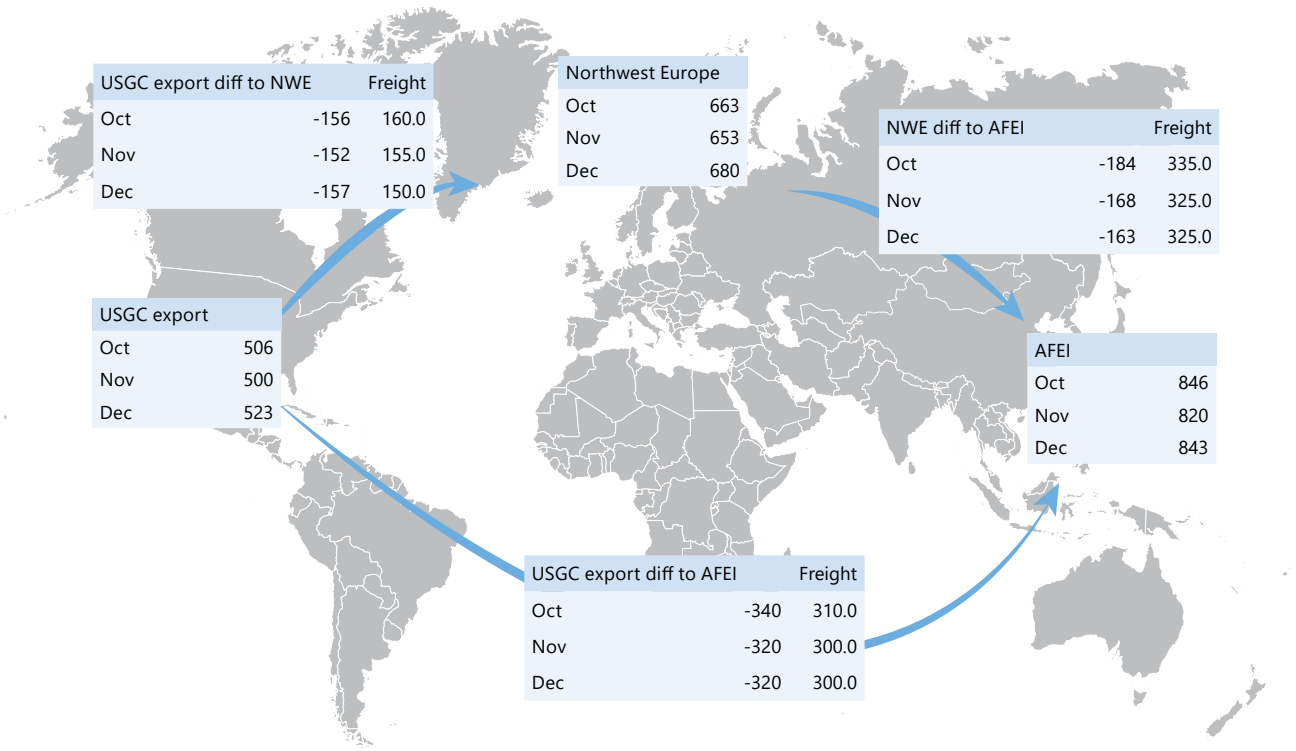
Some relief could emerge from 15 October, when the Panama Canal Authority will increase daily Neopanamax transits from nine to 10 and raise the maximum authorised draft following improved rainfall. But VLGCs will still compete for limited slots, leaving further Cape diversions likely. Winter heating demand in Asia and Europe should also keep seaborne LPG trade firm and freight rates elevated in the near term.

Short-term forecast freight rates		$/t
	Oct	Nov
VLGC Mideast Gulf-Japan	240.0	240.0
VLGC Houston-Chiba	310.0	300.0
VLGC Houston-Flushing	160.0	155.0

Further ahead, the slight recovery in Mideast Gulf flows could begin to temper this support. Shipping is gradually adapting to continued hostilities through escorted passages, ship-to-ship logistics and other operational measures, although the recovery remains uneven and security risks will keep freight volatile. A sustained normalisation of Hormuz flows would reduce Asia's reliance on longer-haul US cargoes and weaken tonne-mile demand. Combined with an orderbook of 155 VLGCs and very large ammonia carriers through 2030, stronger Mideast Gulf exports could place increasing downward pressure on rates as fleet capacity expands.

PROPANE ARBITRAGE MAP

$/t



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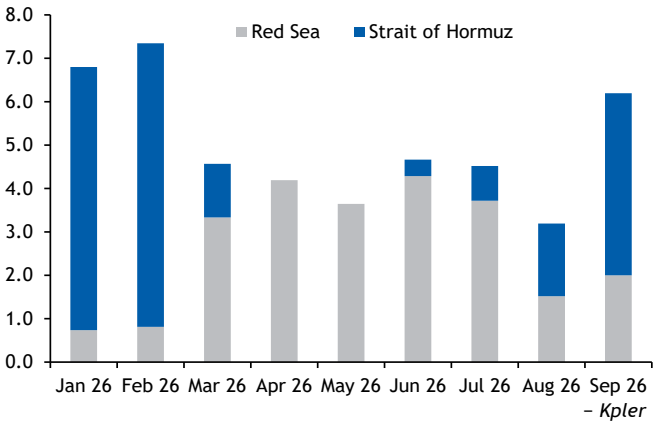
Crude overview

The attack on the East-West pipeline in Saudi Arabia and subsequent halt to flows pushed crude prices sharply higher in September. Saudi Arabia had been relying on the link to its Red Sea port of Yanbu to keep crude exports flowing, so the outage posed the risk of significant shortages. In August, exports from Egypt's Sidi Kerir terminal — which handles crude delivered through the Suez Canal and the Sumed pipeline — averaged 2.1mn b/d, but September's Sidi Kerir exports were estimated at a little over 600,000 b/d, which is less than the typical pre-crisis level of 700,000 b/d.

In the end — and despite early fears of a prolonged outage — repairs and workarounds have allowed flows to resume swiftly. Three of the line's 11 pumping stations were damaged, one significantly, although the pipeline itself sustained no damage. Repair work is ongoing and Saudi Aramco has created a temporary bypass to route crude around the most damaged station, and the pipeline now is reported to be running at more than 75pc of capacity.

With the pipeline to Yanbu temporarily off line, Aramco was busy switching its marketing focus to the Gulf and the strait of Hormuz. Red Sea exports were already down in August as Yemen's Houthis started attacking Saudi shipping and export infrastructure, and they remained low in September. But Saudi Aramco had been increasing sales via Hormuz in August, using ship-to-ship (STS) transfers and, uniquely, adopting a delivered spot pricing basis. Loading data suggest that in September the amount of Saudi crude and condensate passing through Hormuz exceeded 4mn b/d — double the volume exiting via the Red Sea (*see graph*).

Saudi crude & condensate exports by route ***mn b/d***



– *Kpler*

The Saudi experience is a good example of what is happening more widely. Despite the ongoing standoff between Iran and the US and occasional outbreaks of hostility — although there have been no US strikes on Iran for weeks — the volume of oil transiting Hormuz has climbed steadily. Again using loadings data, exports in September were over 9mn b/d, the highest since the start of the disruption in March and around 55pc of pre-crisis levels.

Combined with loadings at Yanbu and Fujairah, this would put total Middle East exports in September at 13.1mn b/d, which is 70-75pc of pre-crisis volumes. Other commentators say they believe that September exports might have been even higher, with some suggesting that exports have now fully attained their pre-crisis levels. But at this stage, we prefer to remain conservative. Use of shuttle traffic through Hormuz with AIS switched off and then STS transfer outside the strait makes vessel tracking even less reliable than usual, and with increased scope for double-counting. We believe that there is still some way to go before we can say exports are back to their pre-crisis levels.

Despite the recent disruption to pipeline flows to Yanbu, there seems to be an increasing sense that the situation is continuing to improve, with the prospect of sustained shortages receding. Recent strength in crude prices has very much been focused on the physical North Sea Dated market, reflecting a tight prompt scene, with strong refiner demand spurred on by sky-high margins. Vessel-tracking data suggest that European crude imports in recent months have actually been higher than immediately before the crisis, but Asian imports are still running around 5mn b/d lower. This is keeping global competition for barrels keen, while capping any potential upside for European imports.

Ice futures are much weaker and have barely been out of the $100-105/bl range since mid-September. While prompt strength is understandable, given the immediate disruption to Middle East supply, the more relaxed look further along the curve is also understandable, given the signs of a potential return to normality.

It is early days, and the situation between Iran and the US can change in an instant. But there is growing evidence that the market is adjusting and adjusting well to the new paradigm of a protracted — perhaps permanent — standoff. And

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Summary of global oil balance												mn b/d
	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26	3Q26	4Q26	2026	2027	2028
Demand	103.1	104.1	105.4	105.5	**104.5**	104.7	98.1	102.7	103.7	**102.3**	**104.3**	**105.2**
Supply	102.0	103.6	106.3	107.1	**104.8**	102.1	95.0	101.5	105.3	**101.0**	**110.2**	**112.9**
Opec crude	24.0	24.4	24.9	25.3	**24.7**	23.3	17.6	21.2	23.6	**21.4**	**26.5**	**27.3**
Opec NGL and condensate	4.2	4.2	4.2	4.2	**4.2**	3.4	2.0	2.9	3.7	**3.0**	**4.0**	**4.2**
Non-Opec crude and NGL	67.9	68.6	70.4	71.2	**69.5**	69.4	68.8	70.3	71.2	**69.9**	**72.8**	**74.3**
Other supply	5.9	6.4	6.8	6.4	**6.4**	6.0	6.5	7.1	6.7	**6.6**	**6.9**	**7.1**
Strategic stocks	-0.0	-0.0	-0.0	0.1	**0.0**	-0.1	-1.9	-0.7	-0.7	**-0.9**	**0.3**	**0.4**
Global balance*	-1.2	-0.4	0.9	1.5	**0.2**	-2.5	-1.2	-0.4	2.2	**-0.5**	**5.5**	**7.3**

**equivalent to global stock change*

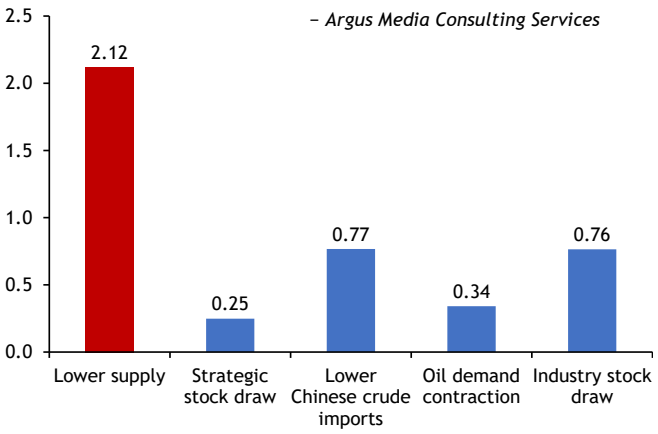
it also seems that global stocks might be less of a concern than first thought. Since the start of the crisis, we estimate that the market has lost 2.1bn bl of supply, which has been covered in a number of ways (*see graph*). The single largest adjustment appears to have been the sharp drop in Chinese crude buying. The smallest contribution has been IEA strategic stocks.

In addition to this strategic stockdraw, we calculate that industry stocks of crude and products have fallen by around 765mn bl. In total, commercial and strategic inventories appear to have fallen by just over 1bn bl between March and September. This is a large volume, and for 2026 as a whole our balance shows an average stockdraw of more than 2mn b/d. But within the context of a starting position of over 8bn bl of combined inventory at the start of the crisis, it is a manageable volume. Assuming no material worsening in the situation in the Mideast Gulf and that vessel movements continue at their current levels, the overall global stock position, while tighter than normal, remains relatively comfortable through to the end of the year and well above the estimated operational floor.

Stocks are also in the headlines, with the US threatening a diesel export ban if Europe does not release diesel from inventory to help bring down record prices. European diesel stocks actually rose through June to hit 55mn t by the end of that month. There was a sharp drop in July — mostly in Germany, where reduced road fuel taxes boosted demand just as supplies were choked off by low water levels on the river Rhine. But regional stocks at the end of July were still little changed from pre-crisis levels.

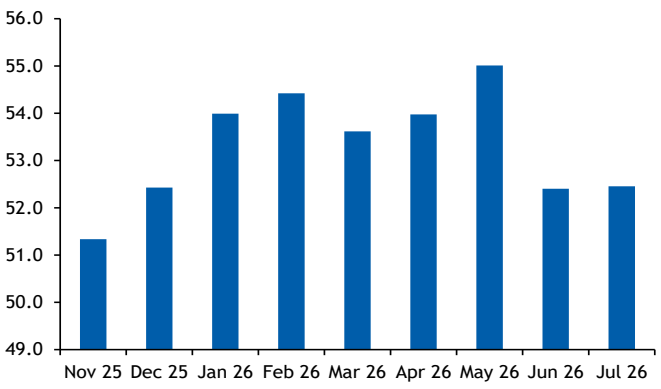
Six months on from the start of the US-Iran conflict, there are no signs of a market in structural distress. Rather, the signs point to a market that is learning to live with a new set of realities. The situation is a fragile one, and holds the potential for periodic bouts of risk premium. But on an underlying structural basis, it feels that prices have hit their highs and should weaken going forward.

Filling the supply gap : Mar-Sep 2026 ***bn bl***



– *Argus Media Consulting Services*

European diesel stocks ***mn t***



– *Eurostat*

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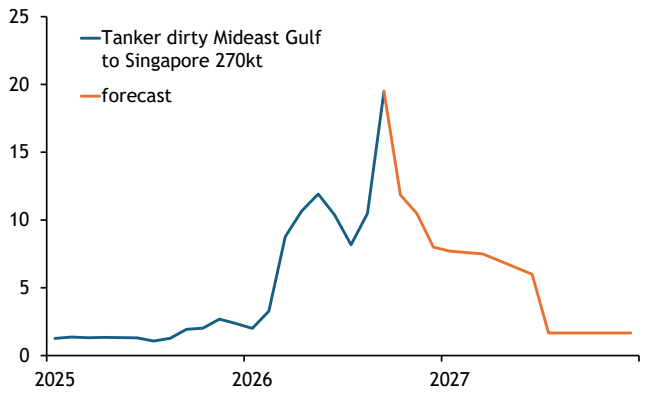
Refining economics

Record-high freight rates have caused a divergence in refining margins between the key hubs. Freight for a VLCC from the Mideast Gulf to Singapore reached $20/bl in September (*see graph*), almost double the rate in August and 10 times higher than in 2025. As such, the Singapore FCC indicator margin against Dubai crude slumped to just $5.54/bl in September, while northwest Europe, the Mediterranean and US Gulf coast FCC margins all remained close to record highs.

The rise in dirty freight rates between the Middle East and Asia was particularly sharp in September as Mideast Gulf producers have been heavily reliant on ship-to-ship (STS) transfers to exit Hormuz after Saudi Arabian Red Sea loadings were halted by a drone attack on the country's East-West pipeline. The STS operation, conducted just outside the strait, is much more vessel-intensive than a simple transit, while the geopolitical risk premium of operating in the area continues to be added to the cost of freight. Meanwhile, many shipowners are simply avoiding the region altogether and preferring routes through the Atlantic basin. All of this is pushing up costs for Asian refiners looking to import Middle Eastern crude and massively eroding their margins.

Looking forward, the direction for freight rates is uncertain. On the one hand, they could remain high as STS operations to escape Hormuz are expected to continue, and vessels are expected to keep diverting to avoid the region, leaving vessel availability tight and freight rates elevated. On the other hand, Saudi Arabia is reportedly close to repairing the East-West pipeline to Yanbu, which could buoy Red Sea loadings and lead to less reliance on Hormuz-STS operations. For now, we see freight rates easing to $12/bl in October, and the Singapore refining margin against Dubai rebounding to $15.28/bl, supported by strength in transport fuel cracks.

Mideast Gulf to Singapore dirty freight ***$/bl***



Asia has, of course, resorted to imports from alternative sources. Asian FCC margins against Russian ESPO Blend crude are still very strong, averaging $40/bl in September.

In northwest Europe and the Mediterranean, September's indicator FCC margins against North Sea Dated and CPC Blend averaged $26.60/bl and $32.39/bl, respectively, slightly down on August, but still much higher than usual. This has encouraged some refiners to delay maintenance, so we expect utilisation rates across both regions to stay strong this quarter, with more supply needed as disruption to Middle Eastern and Russian exports continues.

Higher runs would not, however, be enough to compensate for a loss of US diesel imports, should the US move forward with an export ban. Europe is currently importing 400,000-500,000 b/d of diesel from the US, and the loss of this would see diesel prices climbing higher and associated demand destruction, with European refining margins almost certain to hit new heights. Our base case assumes that the US diesel export ban does not materialise, and we forecast that European refining margins will remain close to their current levels through to the end of the year, before easing back in 2027 — under the assumption that more Middle Eastern and Russian volumes return to the Atlantic basin.

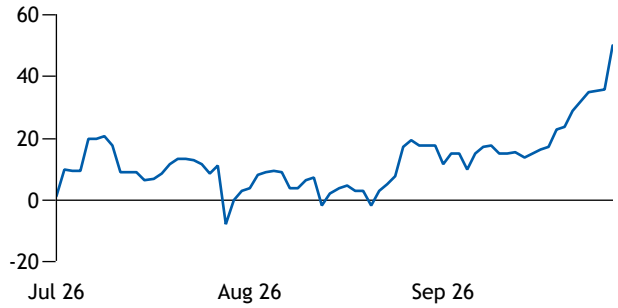
Refining margins					*$/bl*
	Aug	Sep	Oct	Nov	Dec
Northwest Europe					
vs North Sea Dated	32.01	26.60	27.50	26.00	25.00
vs Johan Sverdrup	19.43	-3.23	6.60	9.79	10.66
Mediterranean					
vs Kebco cif Augusta	25.32	16.03	17.71	16.61	18.44
vs CPC Blend	41.91	32.39	29.80	28.90	29.50
US Gulf coast					
vs WTI Houston	38.59	42.90	41.10	32.90	32.10
vs Mars	17.16	17.31	19.20	14.70	14.10
Singapore					
vs Dubai	19.79	5.54	13.80	13.50	14.90
vs ESPO Blend	42.76	39.56	29.30	26.70	28.50

Gross refining margins calculated based on FCC unit yields

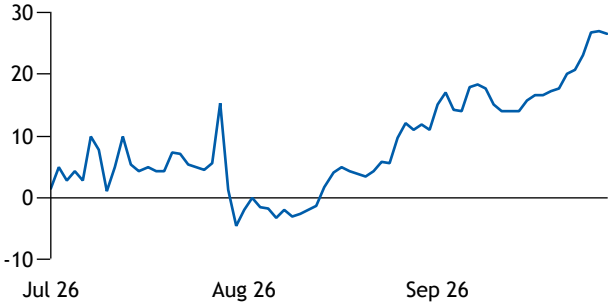
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LPG swaps

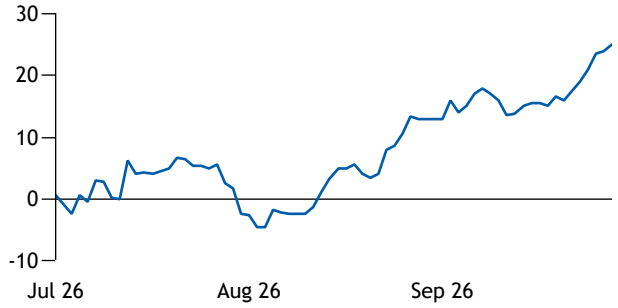
Propane NW Europe month 1 vs month 2 $/t



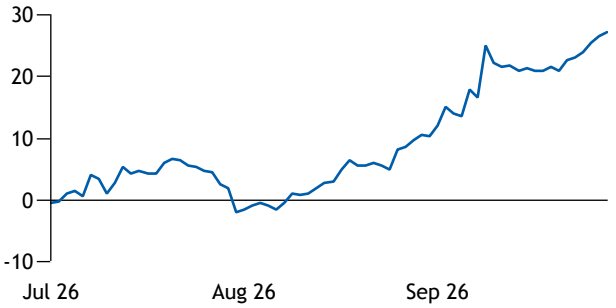
Propane NW Europe month 2 vs month 3 $/t



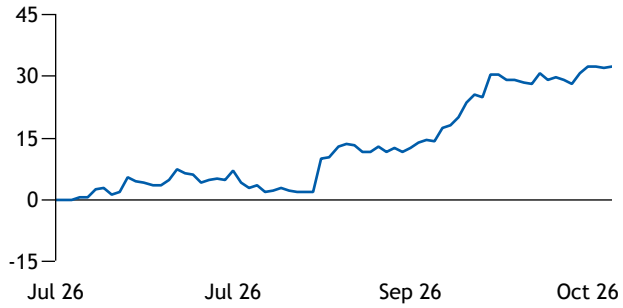
Propane NW Europe month 3 vs month 4 $/t



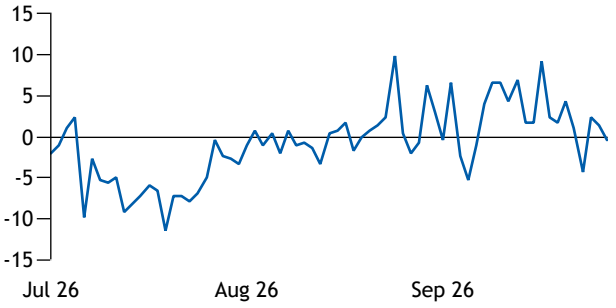
Propane NW Europe month 4 vs month 5 $/t



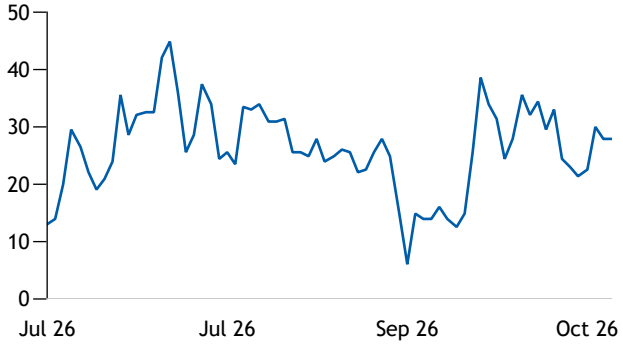
Propane NW Europe month 5 vs month 6 $/t



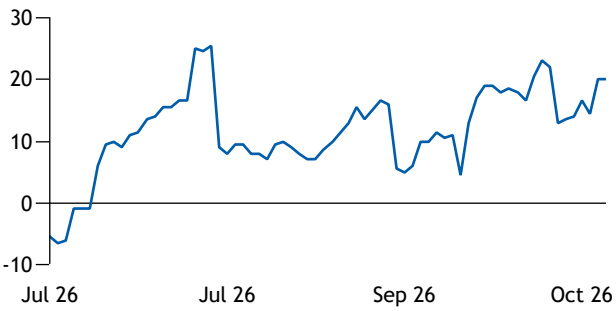
Mont Belvieu month 1 vs month 2 $/t



Saudi CP month 1 vs month 2 $/t



Saudi CP month 2 vs month 3 $/t



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LPG developments to watch

Date	Development
China PDH start-ups	
2026	Sinopec Zhenhai
North America LPG Export Terminals 2025-2026	
Apr-26	Neches River Stage 2 (360,000 b/d, shared with ethane)
Q4 2026	Enterprise Houston Expansion (300,000 b/d)
Q1 2027	Ridley Island Energy Export Facility (55,000 b/d)

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Issue 6	11 June
Issue 7	9 July
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Issue 9	10 September
Issue 10	8 October
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Issue 12	10 December

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