

FEBRUARY 2024

Broadbill exists to create value differently. From our strong foundations we create unsurpassed value to boldly redefine the midstream industry as the partner of choice. We fearlessly pursue innovation and strategic opportunities. We are producer centric and we work with the right people.

The Broadcast is a monthly marketing newsletter from Broadbill Energy Inc. to provide market insight and company updates.

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What's New in the Zoo

We are into the New Year, and we finally saw some cold winter weather. This is a welcome relief for natural gas prices, although temporary. Hopefully you stayed warm and were not impacted by the cold snap.

Thanks so much for your continued support. We look forward to another year working with our existing producers, as well as new producer partners.

Pricing View - February 11, 2024

	Dec. - 2023 Index Diff	Jan. - 2024 Index Diff	Feb. - 2024 Index Diff	Index - Feb 11 Settle
WCS	-\$26.58	-\$20.05	-\$18.75	-\$19.08
LIGHT SWEET (MSW)	-\$8.70	-\$8.38	-\$9.32	-\$8.27
CONDENSATE (C5)	-\$3.99	-\$2.75	-\$4.69	-\$4.44
LIGHT SOUR BLEND (LSB)	-\$12.15	-\$10.89	-\$10.49	-\$10.27
MIDALE (MSM)	-\$16.00	-\$13.41	-\$13.15	-\$11.41

FEBRUARY 2024

Market Summary

It's been a busy month for TMX related news. Just when it seemed that there's light at the end of the tunnel, TMX was faced with another hurdle. TMX requested approval for a variance change for the second time and after a long wait, Canada Energy Regulator (CER) finally approved it with several conditions involving testing and documenting of pipe materials.

Additionally, the Canadian federal government issued a taxpayer-backed loan guarantee for up to \$2 billion to get TMX finished. TMX intended to finish in the first quarter of this year, however news came out that TMX is facing technical challenges that has widened differentials. A few days ago it was announced that the issues were related to an obstruction discovered while attempting to pull the pipe into place to complete the challenging section we've been hearing about in the news. The CER has indicated no safety or environmental concerns have been identified. This is expected to delay service to the second quarter of this year.

Statistics are varied but we have read some reports of nearly 700,000 bbl/day of production temporarily shut in across the U.S. (primarily in North Dakota) due to the cold snap, giving prices a nice boost earlier in the month. Natural gas prices finally received the much needed break during the recent cold snap. The cold snap lifted several spot prices as ERCOT and AECO faced potential capacity shortage. We heard of some high double digit weekend gas prices on the spot day trade.

Albertans received emergency alerts urging people to limit usage of electricity. In particular, the alert requested delaying charging electric vehicles (EVs), perhaps something for the EV bulls to consider. This was the result of four natural gas fired plants failing due to mechanical and cold weather issues. Renewables did little to help, which brings back the focus on the federal government's draft clean electricity regulations and illustrates the threat of price spikes and blackouts.

Speaking of renewable energy, the cleanest is nuclear energy. Russia is the world's largest uranium enricher in the world and the U.S. is considering banning imports of Russian-origin enriched uranium. Spot price for uranium hit another record post 2011 Fukushima disaster of \$91 per pound due to threat of a ban on Russian exports, supply issues and 24 nations including the US, Japan, Canada, Britain, and France pledged last month in Dubai at COP28 to triple nuclear power capacity by 2050.

There has been no lack of news flow on the international front the last few weeks keeping WTI on its toes. In Russia, Novatek has been forced to suspend operations at its Baltic Sea export terminal after a Ukraine drone attack, that equals to a third of the country's naphtha exports. The head of British army (Gen. Sir Patrick Sanders) said that the U.K. men and women must be prepared to take up arms in a war against Russia and many speculate about the possibility of conscription. Looking at Sanders comments might suggest that he's just trying to highlight challenges with army spending cuts and issues with recruitment, however a senior ally of Putin warned that any move by Britain to deploy a military to Ukraine would be considered a declaration of war and U.K.'s military is its smallest in many years. Last week, news came out that Britain is sending 20,000 troops to take part in the NATO exercise, which is trying to get the alliance battle-ready. This went mostly unnoticed by the markets, but comments from Sanders are sparking speculations on the possibility of war and conscription.

OPEC's monthly report came out with the expectation that inflation will diminish throughout the next two years. Though it didn't paint a very rosy demand forecast. Based on this demand forecast, Saudi Arabia announced that it is dropping its plans to expand production capacity. This came after Aramco boosted its quarterly dividend by \$10 billion to support government deficits. Earlier in the month, Saudi Arabia surprised market with large cuts to official selling price (OSP) reflecting weaker market. OSP were cut for its Asian customers by \$2 per barrel.

OPEC output rose in December by 70,000 bpd with most of it coming from Iraq and Angola. Though this trend may not continue with Angola's departure last month. OPEC stressed cooperation after Angola's departure, while other speculate if this is the start of a trend.

Libya faced production disruptions in its largest oil field from local protests over poor government and inadequate infrastructure. As a result, Libya called force majeure at its Sharara oilfields. The Libyan government then agreed to protestor demands for jobs and other government services bringing back 270 Mb/d back online.

Speaking of disruptions, conflict in the Red Sea continues. Moller-Maersk (world's second largest container line) halted transit through the Red Sea due to recent attacks by the Houthi militias after its Maersk Hangzhou tanker was attacked. The Maersk container vessel was attacked by the Houthis militants. U.S. helicopters came to chase them away, but a fight broke out and three boats sank killing 10 Houthis militants. As a result, Iran dispatched a warship to the Red Sea. U.S., U.K., Australia and Canada among others issued a joint statement giving Houthi rebels a final warning to cease attacks or face consequences. The warning fell on deaf ears.

U.S. and U.K. launched an attack on Houthi militant targets in Yemen. Iran's navy seized Marshall Islands oil tanker carrying Iraqi crude in the Gulf of Oman. This is assumed to be in retribution for the same ship being seized by Americans last year for carrying sanctioned Iranian oil.

Not surprisingly shippers are avoiding transiting in that region. As shipping gets diverted, an additional 19 days are added to ship barrels from Middle East to Europe around Africa's Cape of Good Hope instead of traveling through the Red Sea/Suez route. Cost of shipping is going up as ships continue to reroute from Asia to Europe, which means more inflation is coming to a continent near you.

Houthis also attacked a U.S. owned bulk tanker, claiming it was in retaliation for U.S. strikes on Yemen's Hodeidah airport. By the end of the month, a Houthi missile hit a Trafigura tanker, which was carrying Russian fuel. Seeing as Houthis are attacking both the U.S. and Russia, it may suggest they are not as politically motivated by either side.

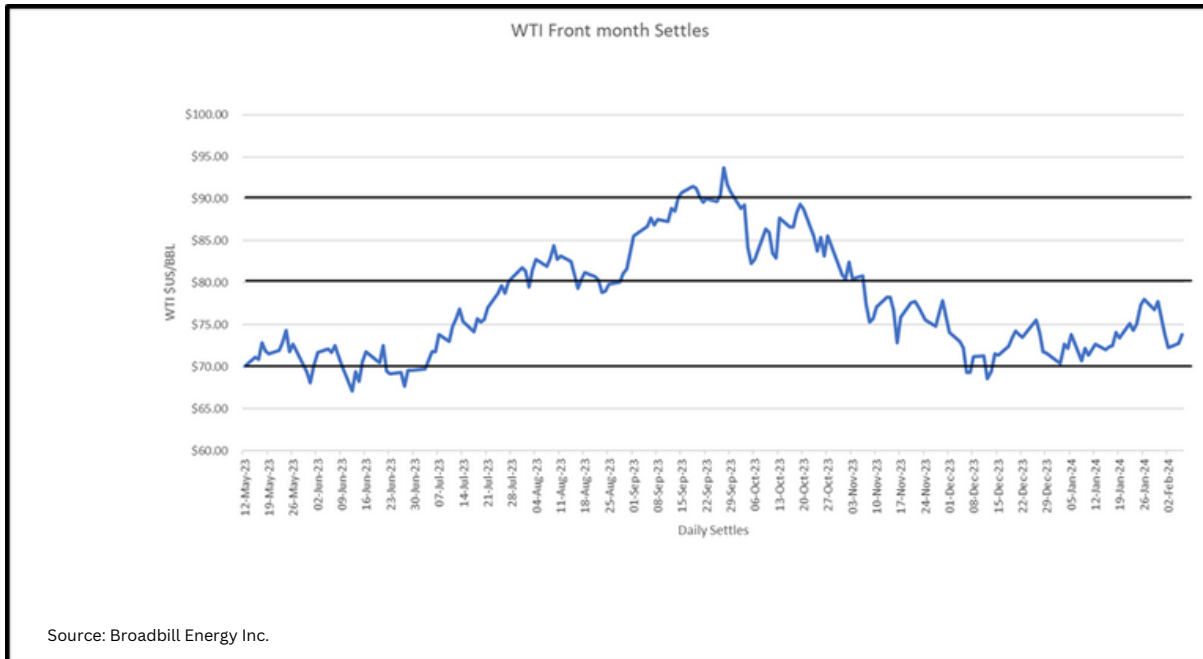
U.S. expanded sanctions on Iran linked entities as it placed two Hong Kong and UAE based companies on its sanctions list for allegedly shipping Iranian crude to benefit Iran's Islamic Revolutionary Guard Corps. Iran backed militia hit a U.S. base in Jordan and killed three U.S. service members. Iranians denied any involvement in the attack. Biden talked the big talk, but without any escalatory response prices fell near month end.

Iran isn't the only country facing U.S. sanctions. The White House is reviewing its sanction policy against Venezuela months after lifting the ban on crude after Venezuela's Supreme Tribunal banned Maria Corina Machado from running for the 2024 presidential elections. Venezuela has produced more crude since U.S. sanctions were lifted in October with U.S., India, and China being its biggest buyers. India's state owned refiners are considering resuming imports from Venezuela after India's private refiners started buying last.

Israeli attacks were pushed into Lebanon, killing a deputy Hamas leader. With all the conflict related to Hames, Houthis, production disruptions listed above, and economic data (more on this below) coming out this month, this was a volatile month for prices for several commodities. We expect the volatility to continue in the short term as market sentiments, actual supply, and projected demand switch back and forth to take the spotlight.

The U.S. job openings report declined as U.S. private payroll data came out better than expected and U.S. inflation numbers came in higher than expected. Though the feds sounded hawkish, the market is expecting a rate cut by March 2024. Canadian Consumer Price Index (CPI) numbers came in at 3.4%. Anyone keeping an eye on their expenses knows that the increase in costs they are seeing is much higher and a big contributor to this is the higher cost of borrowing. Weak Chinese data came out with December showing a sharp decline in home prices. Consequently, China is rolling out around \$140 billion in stimulus for its housing market. Though China's efforts to stimulate the markets is overshadowed by Evergrande's (property developer) court ordered liquidation.

The U.S. Department of Energy bought 3.2 million barrels of crude in April and 3.1 million barrels in May to replenish the Strategic Petroleum Reserve (SPR). Although U.S. crude inventories (not including SPR) have been decreasing throughout the month, the latest Energy Information Administration (EIA) showed an increase of 1.2 million barrels to 421.9 million barrels.



FEBRUARY 2024

WCSB Pricing Summary

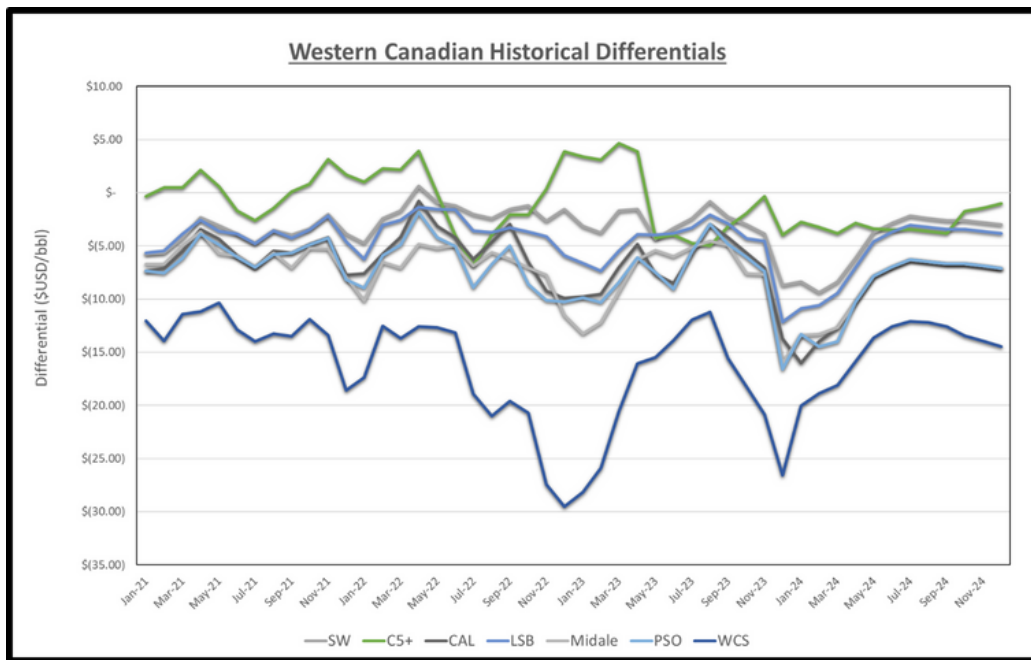
Alberta production hit a record high in November in anticipation of TMX and storage is almost at full capacity, which could pose some risk narrative for narrowing of heavies after TMX is online. The forward strips indicate all systems are a go once the pipeline is in service, so it may be prudent to look at hedging that value given continued project uncertainties. As discussed above, we were literally a week or two away from line fill until the latest challenge was announced. The March differentials remained relatively flat to February as the market continues to await TMX finality.

There are some points to be made with the TMX coming online (whenever that may be), it won't necessarily result in consistently narrow differentials. First, producers ramped up Alberta output to a record high in November in anticipation of TMX and storage in Alberta is nearly full. Second, higher tolls on the water will make shipping to Asia and or the U.S. Coasts less attractive. Near term challenges in the Red Sea are exacerbating this shipping cost issue. Depending on the effects of any soft/hard landing in the U.S. economy, this could lead to poor fuel demand outlook, which can weigh in given the impacts to refinery demand. We do note however that gasoline/diesel cracks have seen price improvement over the last 30 days both on the prompt season, as well as the forward curve. This would be bullish for differentials should demand remain intact. Lastly, any challenges on West Coast, logistics or otherwise, will be met with volatility on pricing in Edmonton/Hardisty trading hubs.

Enbridge apportionments continue to February with 39% on lights and 31% on heavies. We are receiving lots of calls concerning the future of apportionment once TMX is in service. The reality is this will hinge heavily on combined effective TMX tolling, PADD 2/3 demand for crude and associated pricing and fundamentally how much crude by rail swings back to pipeline. The other interesting consideration that appears to be lost in translation is just how quickly TMX can fill.

Analysts in general don't see this being a concern for some time, but we also believe in the ability of our basin to fill new egress potentially faster than what the market realizes given we really have not had this kind of space coming to market since Enbridge line 3 replacement (full day 1 of service at 300-350K barrels per day of capacity). Given all the above, the next twelve months are sure to be interesting ones.

The February weather forecast is out and it is expected to get colder in Fort Mac in mid-February. It will likely not be cold enough for any major supply disruptions, but hopefully cold enough to get in a few decent ski turns. That said, we expect to see high supplies from the oilsands for the rest of this winter, which will likely continue to pressure light differentials until we see the TMX relief valve come to fruition.



Source: Broadbill Energy Inc.

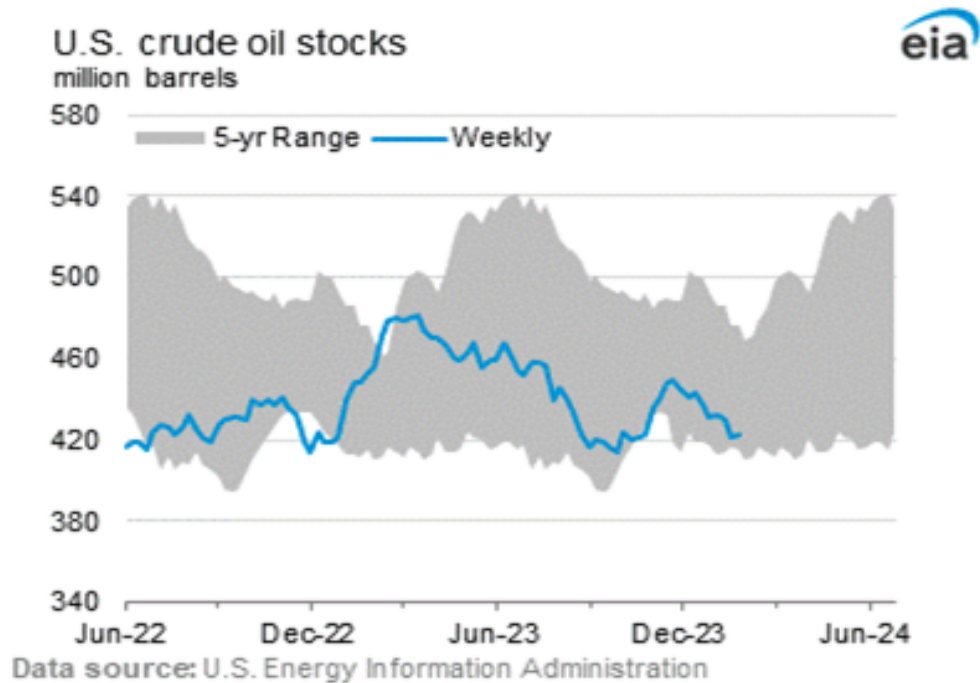
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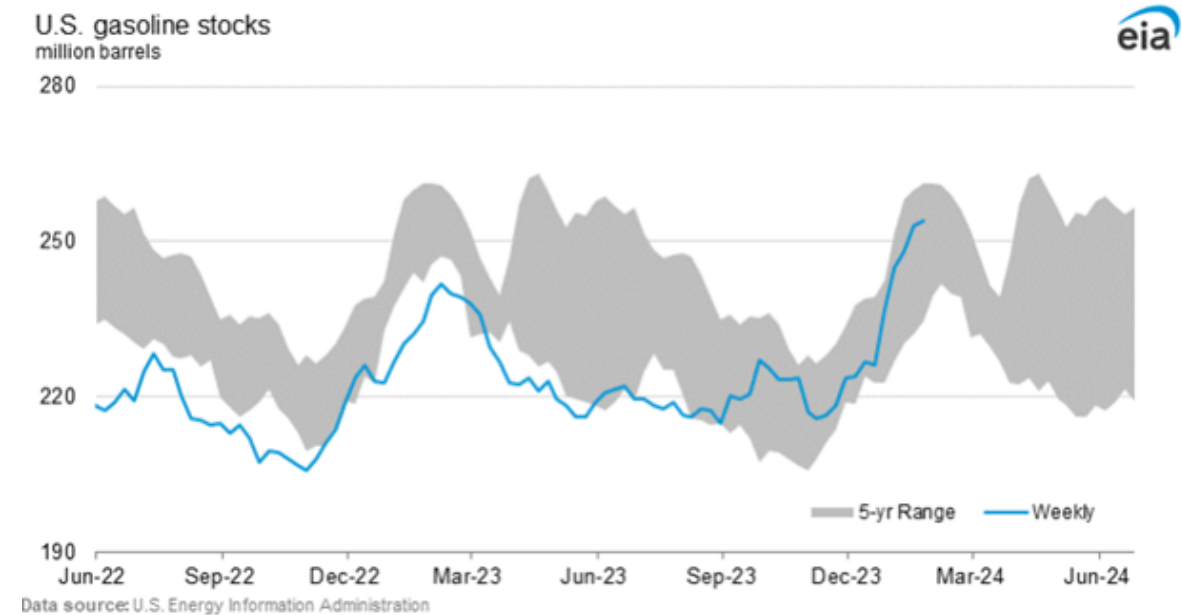
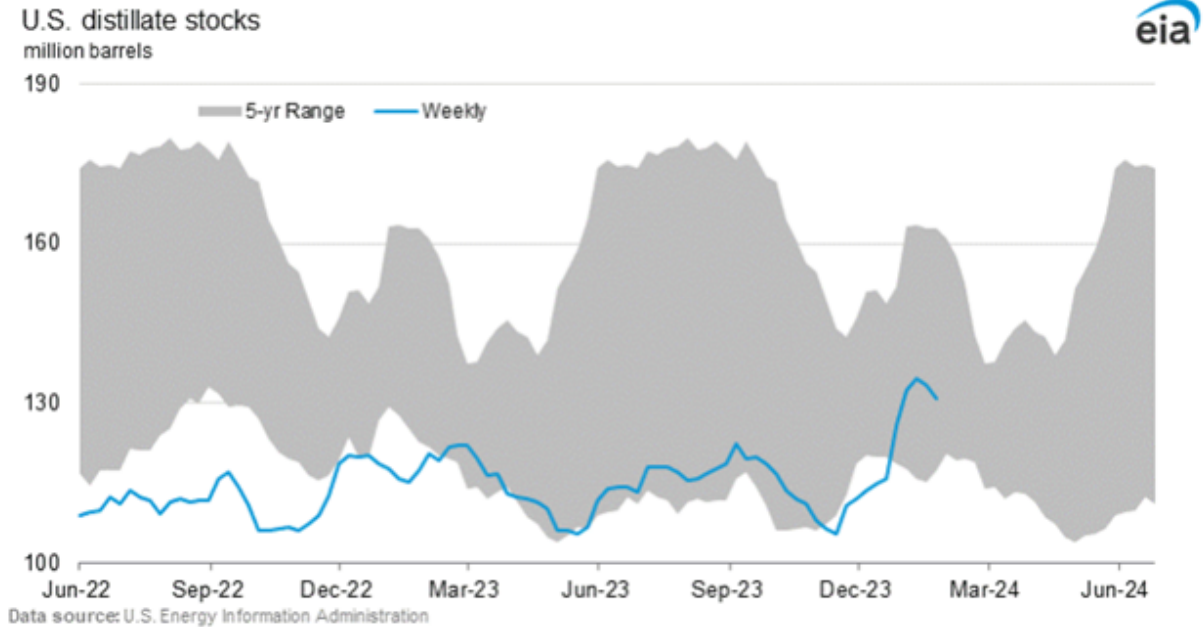
FEBRUARY 2024

Appendix



	Stocks	Change from last	
		01/26/24	Week
 Crude oil	421.9	1.2 ↑	-30.8 ↓
 Gasoline	254.1	1.2 ↑	19.5 ↑
 Distillate	130.8	-2.5 ↓	13.2 ↑
 Propane	62.595	-5.317 ↓	-10.586 ↓

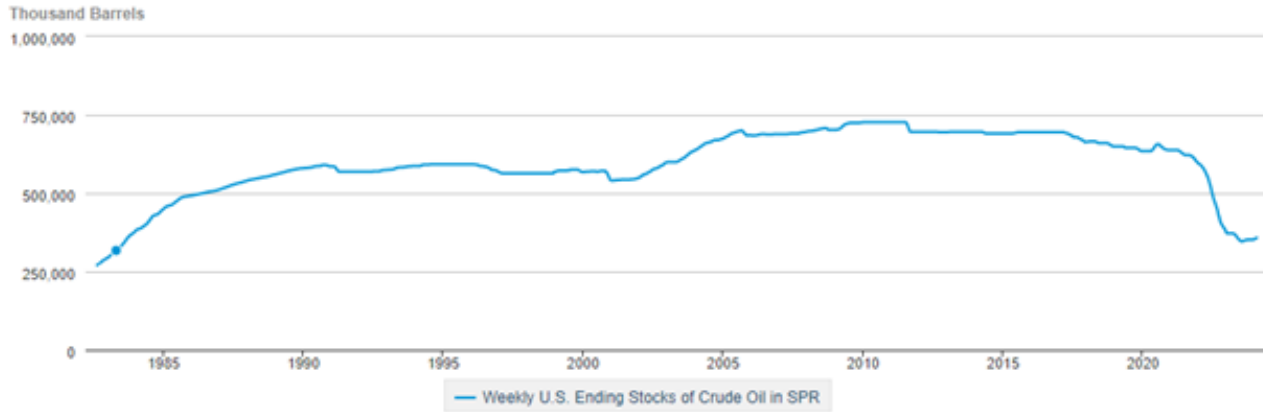
Appendix



Appendix

Weekly U.S. Ending Stocks of Crude Oil in SPR

DOWNLOAD



eia Data source: U.S. Energy Information Administration

DXY chart >

