

JULY 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.

PRODUCER PROFIT SHARE

\$19,521,780

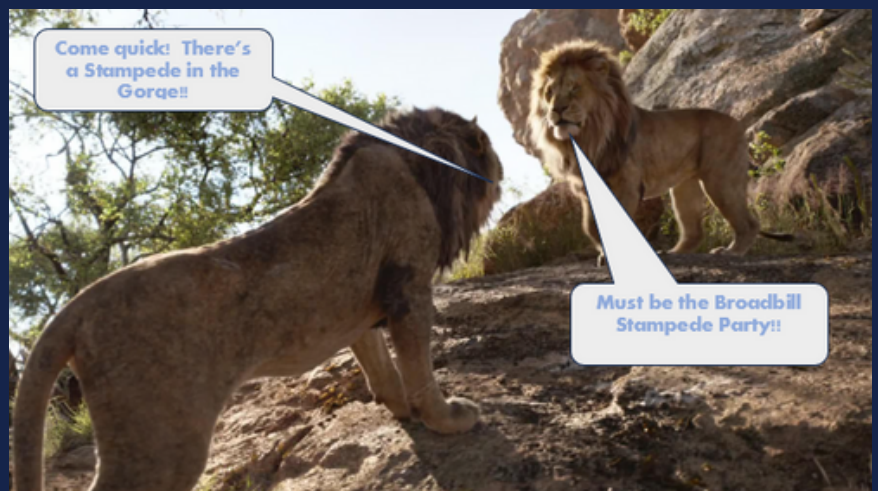
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What's New in the Zoo

Yee-haw! Welcome to the Stampede edition of the Broadcast. Hope you are having a great Stampede!

It is forecasted to get up to the 30s during stampede week. If we didn't get to see you at our annual Stampede event at the Palamino, we look forward to catching up with you at various industry events throughout the week. Thank you very much for the highest attendance we have had since inception.



Pricing View - July 8, 2024

	May 2024 Index Diff	June 2024 Index Diff	July 2024 Index Diff	August 2024 Projected Index
WCS	-\$13.07	-\$11.99	-\$13.00	-\$15.00
LIGHT SWEET (MSW)	-\$3.78	-\$2.94	-\$3.61	-\$4.30
CONDENSATE (C5)	-\$4.19	-\$3.66	-\$4.11	-\$4.70
LIGHT SOUR BLEND (LSB)	-\$3.71	-\$3.32	-\$3.55	-\$6.25
MIDALE (MSM)	-\$4.43	-\$3.94	-\$4.51	-\$7.00

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Market Summary

TMX Update

TMX nearly tripled the crude flow from Alberta to Pacific Coast to 890,000 bbl/d, hitting a major milestone. This is not all that TMX has been on the news for this month, U.S. West Coast refiners raised concerns about the high sulfur, acidity content, and high vapor pressure of the initial crude flows through TMX. Refiners complained to the Canada Energy Regulator (CER) asking to limit TAN and VP specifications on TMX. The refiners got their wish, as TMX announced soon after that it is revising the standard for heavies. Expect the specification to change for lights as well.

More on TMX, it is allegedly running at about 80% capacity with a bit of spot capacity also being used. Documents filed by Trans Mountain reveal that if TMX is unable to fill 20% of spot capacity due to higher tolls, it wouldn't turn a profit for up to 8 to 9 years. This month 22 oil tankers are scheduled to load in Vancouver.

Macro Update

Israel announced a new military attack against Hamas, making the agreement for an end to the conflict more difficult. Additionally, Israel's Foreign Minister was quoted about "all-out war" with Lebanon. Biden urged Hamas to accept the latest hostage release proposal, which would involve a permanent end to the conflict in Gaza. Israel's PM Netanyahu seems agreeable to hostage releases, however he instructed the negotiations team a proposal to "continue the war until all its objectives are achieved, including the destruction of Hamas's military and governing capabilities." Seems that tensions in the middle east are here to stay.

Switching to a different conflict, U.S. caved to pressure from Ukraine and its European allies and agreed to change its policy to allow Kyiv to strike inside Russia with western weapons. Later in the month, Ukraine drone strikes at a major Russian port led to an oil terminal fire. Speaking of Russia, EU formalized adoption of 14th package of sanctions on Russia banning trans-shipments of Russian LNG off EU ports, sanctioning 27 tankers, and sanctioning Russia's shipping firm Sovcomflot. The EU really doesn't want its people to have affordable energy, no wonder the pendulum is swinging to the right as seen in recent European elections.

It's election season! French President Emmanuel Macron gambled huge by calling a snap election after a crushing defeat in EU parliament election. EU elections are held every five years and the number of members elected from a political party is proportional to the number of votes that an EU country receives, which means countries with bigger populations get more members. This means Germany gets most members in the EU and France gets the second most. The EU elections resulted in a rightward shift in EU parliament with center-right European People's party gaining the most seats. Not surprisingly, most of the change is due to concerns around the cost of living and immigration. Conservatism is about conserving and people want to conserve their way of life and their standard of living.

This brings us to France, where conservative party National Rally lead by Marine Le Pen won 30% of the votes whereas, the current President Macron's party won half of that of the National Rally party resulting in Macron dissolving parliament and calling for an election giving him three weeks to convince French voters to vote for his party. Regardless of where you find yourself in the political spectrum, this rightward shift in the EU means less aggressive climate policies and its uncertain what it means for trade agreements between Canada and EU.

This wasn't the only election on the news this month, Former Mexico City Mayor Claudia Sheinbaum won Mexico's presidential election by majority seats (giving her the power to change the constitution). She promised strong relations with the U.S., Banxico (central bank) autonomy, fiscal discipline, energy sovereignty and more renewables. Her vision includes spending \$13.6 billion to build wind and solar power, as well as infrastructure to transmit it. To put it into context, Mexico's national debt currently sits at \$983 billion according to the World Debt Clock. Sheinbaum worked on the UN Intergovernmental Panel on Climate Change reports, so the renewables promise is no surprise. The real question is how she's going keep both promises of fiscal discipline and energy sovereignty and more renewables all at the same time.

India also held an election with PM Modi winning his third term in what is considered the world's largest election. His party Bharatiya Janata Party (BJP) secured a majority by forming a coalition. Modi's opposition accused the party of creating religious divisiveness, being out of touch with concerns facing the young (lack of jobs, rising costs, etc.), and trying to suppress opposition by having leaders arrested and freezing their funds.

BJP has been accused of slowly becoming authoritarian citing arrests and prosecutions of journalists, information manipulation using AI, and Indian authorities demanding that social media companies remove online content critical of the government. Hmm . . . reminds me a bit of certain western governments.

Regardless of whoever had won the election, India's relationship with the U.S. will likely strengthen. India is one of its Major Defense Partner and counterbalance to China given India aspires for regional power, its proximity to China, maintaining large active-duty military force, and its long history of border disputes. If U.S. wanted to have a proxy war with China one day, India would be an important tool in it.

Houthis were also back on the news as they attacked a Swiss-owned and German-owned container ships. Houthi attacks get worse against commercial ships near Yemen, claiming a hit on Greek bulker Trans World Navigator and attempted to target the Israeli port of Haifa with long range missiles. Houthis claimed that they along with Islamic resistance in Iraq carried out joint military operation to attack a target in Israel's Haifa.

OPEC / OPEC+

OPEC meetings held in June resulted in further extensions of the voluntary cuts to Q3 2024 and begin phasing out voluntary cuts in Q4. The markets didn't like the phasing out part, but nothing lasts forever. OPEC also said that they'll be monitoring things closely to see if any changes need to be made to their plan. This wasn't the only thing that came out of that OPEC meeting. UEA came out with a win as it is allowed another upgrade to its official production quota, increasing output to 300,000 b/d throughout 2025.

Middle Eastern crude is getting more expensive and China is expected to drop consumption of Saudi crude. Chinese refiners nominated less crude for July, opting for other crude sources. OPEC's monthly report expects OECD oil demand to increase in 2025.

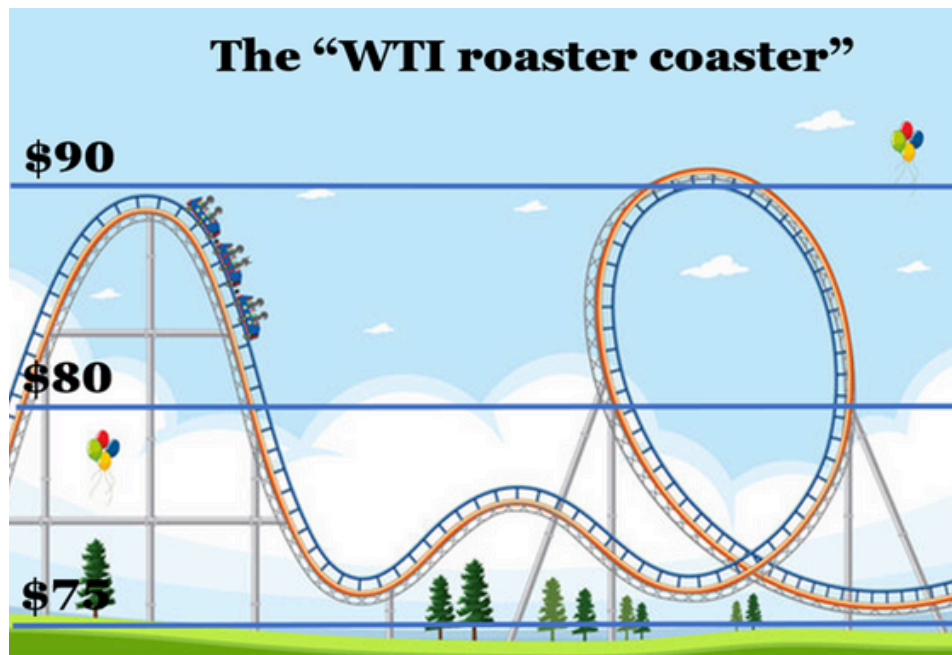
OPEC secretary general Haitham al-Ghais stated he doesn't see a peak in oil demand till 2045 and called out IEA's bleak prediction. IEA estimates a 2029 peak in global oil demand, which isn't surprising as IEA tends to peddle renewables and its executive director Fatih Birol is a contributor of WEF. OPEC has long been calling out IEA for its biases on fossil fuel so that is nothing new and neither are peak oil demand forecasts, which continue to get further away.

Nigeria increased its oil production by roughly 50,000 bdp in May as it looks to increase output after years of underperforming in the OPEC+ deal. Iran also saw an increase in production. Though Iran was exempted from the OPEC+ agreement.

NORTH AMERICA

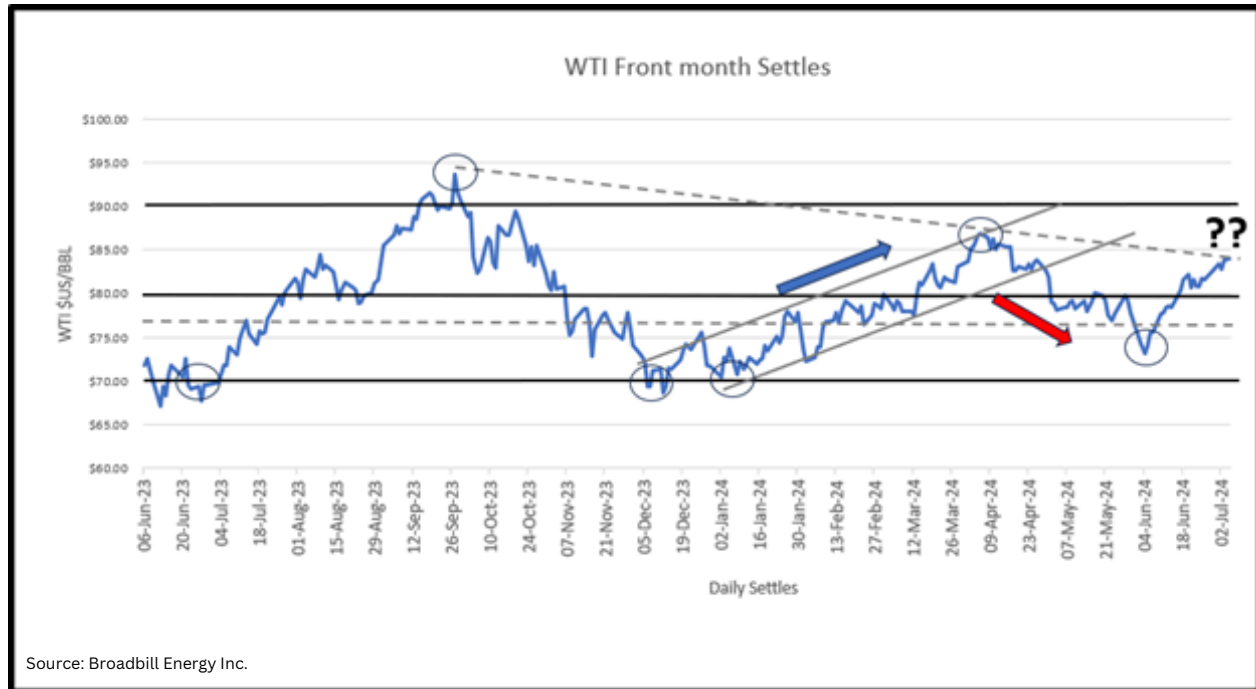
A new roller coaster would be fitting at Stampede: “the WTI roaster coaster.” We bottomed out the recent two month sell off down some \$13/Bbl off previous highs to settle \$73.25 early in the month. The rest of the month has seen a nice run higher to last week’s high settle of slow kick off to U.S. driving season weakening fuel demand. Gasoline demand in the U.S. is about 2% lower year-over-year, as driving season isn’t picking up as expected by the market. Cost of living concerns are probably forcing people to prioritize other necessities and cut back on spending. Though there’s still time for gasoline demand to pick up until Labour Day in September and based on last week’s crude draws, the market seems to agree this week. Keep an eye on those gasoline draws and crack spreads as they likely are critical to price movements.

As prices once again rebounds through the \$80s for WTI, be observant of what we see from the Biden team heading into election season. Speaking of which, the first U.S. Presidential candidate debate took place. Worth the watch: <https://www.youtube.com/watch?v=-v-8wJkmwBY>. Biden will likely want to keep a lid on gasoline pricing and there are whispers about further draws from the strategic reserves to assist in this endeavor.



INFLATION

Bank of Canada is leading the charge on interest rates cutting by 25 basis points. The European central bank also cut rates. While the U.S. May jobs survey implied slowing down of job creation, U.S. jobs data came out better than expected and U.S. Feds held the rate steady and are indicating there will be just one rate cut this year. All signs point to a continued soft Canadian dollar vs U.S. dollar exchange rate given these policy measures. Looks like the kids will have to wait for Disneyland and settle for West Edmonton Mall yet again. Of course, from a crude perspective this will increase Canadian dollar netbacks and continue to put more cash in the banks of the Canadian producers, so not all bad news just be prepared if you’re heading stateside anytime soon (or anywhere for that matter) to have extra Canadian dollars as rate cuts continue to put the Loonie on the backpedal.



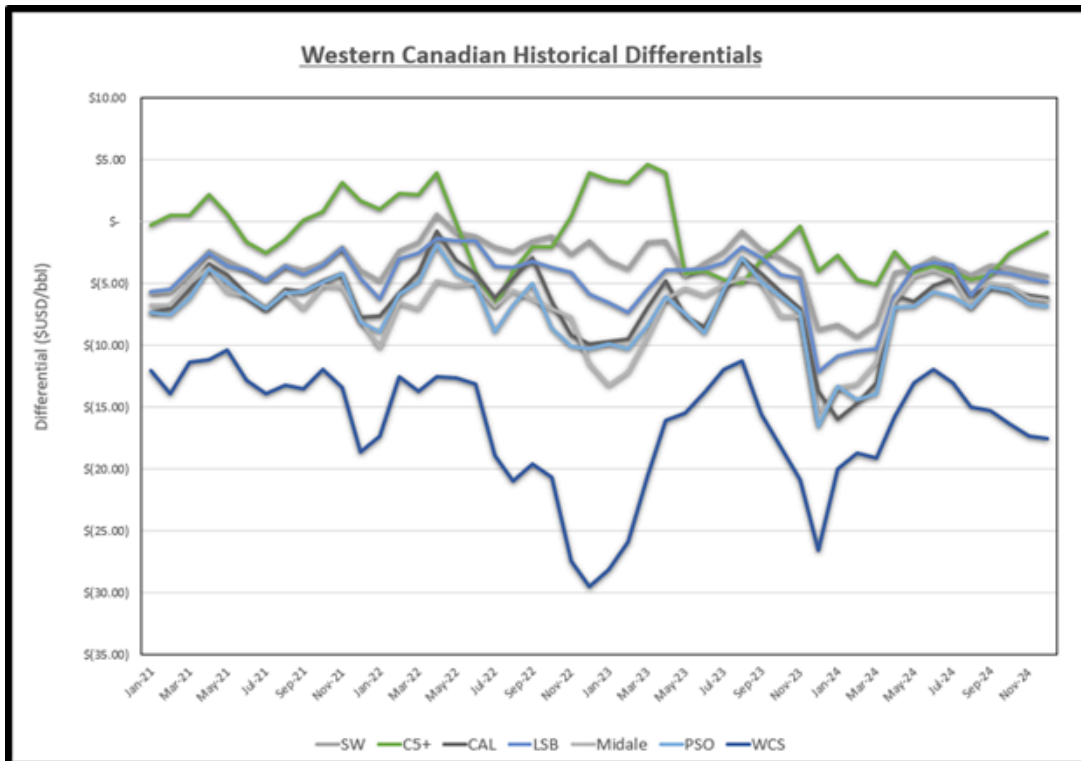
Source: Broadbill Energy Inc.

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WCSB Differential Pricing Summary

The July trade cycle started out with a pullback on pricing, with differentials all weakening from the previous month's settlement. TMW (the WCS financial contract) printed quite a few times roughly around the -\$11.25/Bbl mark. However, once the trade window opened we saw the price of July WCS fall below that mark before settling at -\$13.00/Bbl to end the month. This movement lower was believed to be from unplanned refinery turnarounds announced from BP at their flagship Whiting Refinery, which processes 290,000 barrels per day of Canadian Heavy Crude. Sweet and C5 also trended lower during the cycle as Light Sweet settled at -\$3.61/Bbl and C5 settled at -\$4.11/Bbl. One interesting note from July trading was that LSB settled higher than SW during the month as LSB had a final mark of -\$3.55/Bbl. One thought regarding the disconnect is Bakken field sweet on Dakota Access Pipeline (DAPL) also weakened as the price at Johnson Corner North Dakota settling below -\$3.00/Bbl during the month, making it easier for buyers to opt for the North Dakota product.

The beginning of the August cycle saw differentials continue to fall seeing august WCS trade down to -\$16.00/bbl and Light Sweet trending toward the low -\$4s. This mostly likely off demand concerns for the summer. One factor being weak employment data in the U.S. and Canada. However, we might have found a support level, as during the early stages of the trade window we now see grades trading stronger as WCS has transacted back up to -\$13.00/Bbl and lights are rallying back into -\$3.00/Bbl, possibly on the heels of bullish crude draws this week as mentioned above on snap demand into summer driving season.



Source: Broadbill Energy Inc.

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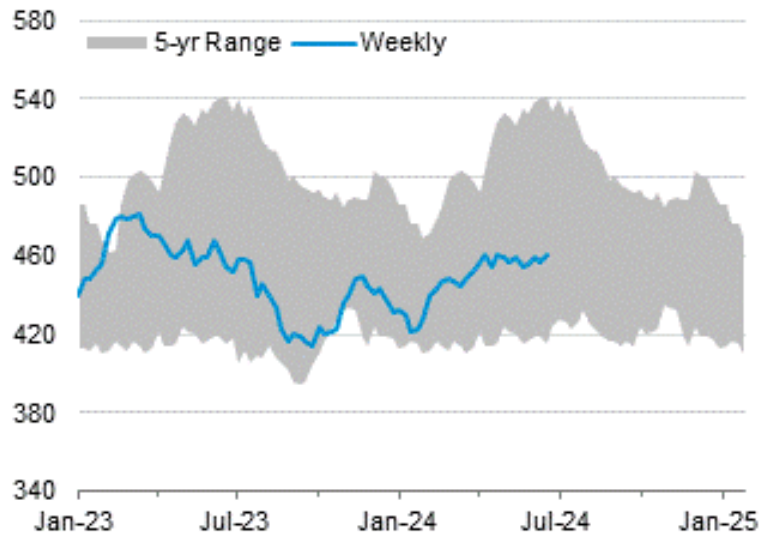


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Appendix

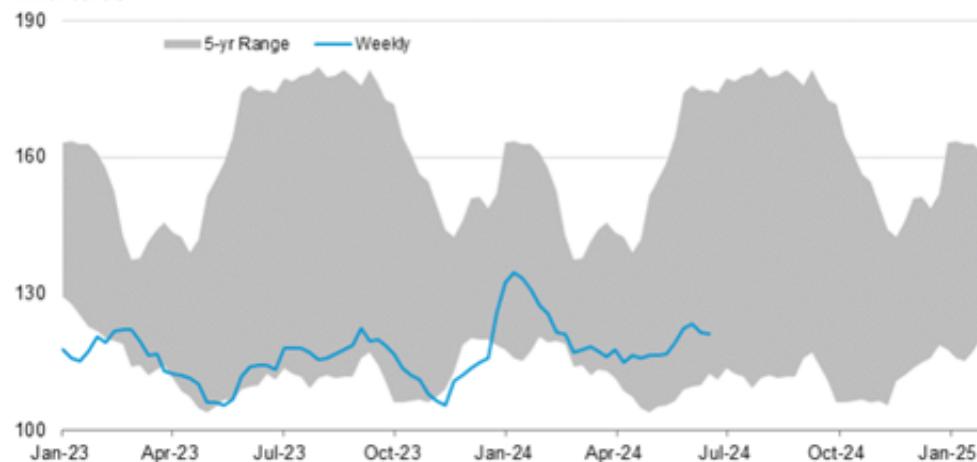
U.S. crude oil stocks
million barrels



Data source: U.S. Energy Information Administration

	Stocks	Change from last	
	06/21/24	Week	Year
 Crude oil	460.7	3.6 	7.0 
 Gasoline	233.9	2.7 	11.9 
 Distillate	121.3	-0.4 	6.9 
 Propane	73.535	2.092 	-6.011 

U.S. distillate stocks
million barrels



Data source: U.S. Energy Information Administration

Appendix

