

AUGUST 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

\$20,343,074

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What's New in the Zoo

It's been hot, hot, hot. I hope you are staying cool amidst the several heat warnings in Southern Alberta in the past few weeks. Unfortunately, wildfire season is also in full gear with evacuations and disruptions in operations.

To those who made it to our Stampede event earlier this month, it was great seeing you all! Hopefully you are having a great summer, and we look forward to doing business with you.



WILL SANTINO

TMX PIPELINE

"Andy, you know ~~Hot Potato~~, right? You both play disc golf I think? Hey, there's ~~Amanda~~—I'm going to go say hi to ~~Amanda!~~"

WEST COAST LNG

WEST COAST LNG

Pricing View - August 1, 2024

	June 2024 Index Diff	July 2024 Index Diff	August 2024 Index Diff	September 2024 Prompt
WCS	-\$11.99	-\$13.00	-\$14.14	-\$15.05
LIGHT SWEET (MSW)	-\$2.94	-\$3.61	-\$3.74	-\$3.05
CONDENSATE (C5)	-\$3.66	-\$4.11	-\$4.64	-\$3.45
LIGHT SOUR BLEND (LSB)	-\$3.32	-\$3.55	-\$5.82	-\$5.10
MIDALE (MSM)	-\$3.94	-\$4.51	-\$6.98	-\$6.25

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Market Summary

TMX Update

As the media argues over TMX future contribution to Canada's long-term growth from the pipeline (against the entire province of BC economy), it's still uncertain how prices will perform as it ramps up capacity and opportunity. News outlets have reported Asian buyers are testing out discounted heavies via TMX. Indian refiner Reliance was reportedly buying up barrels via TMX Westridge dock. This month, South Korea's refiner GS Caltex and Japan's Eneos have decided to split 550,000 barrel cargo of heavy sour Cold Lake blend. The asset is certainly broadening potential market access, which over the long term is smart business as opposed to relying 100% on U.S. delivery.

Regardless of this interest coming from new markets, TMX still has some issues to sort out. Particularly, its debt. Trans Mountain is considering borrowing in the bond market to refinance part of its \$18.4 billion outstanding debt before the government finds a buyer for the TMX.

While forest fires are still a market risk, thankfully thus far TMX has not been impacted by the recent fire in Jasper. The pipeline company is using its own firefighting equipment, bringing in water to supply its equipment, and deploying its sprinkler system to protect its facilities. Sadly, the town and surrounding areas of Jasper were not so fortunate. Our thoughts go out to those people and businesses impacted by these unfortunate events.

Macro Update

Russia's deputy PM Alexander Novak indicated that Russia may reinstate its gasoline export ban from August in case of supply shortages on the domestic fuel market. A week later, Russia announced that it will reinstate its export ban on gasoline exports effective August 1st. Russia had previously banned gasoline exports for six months from March 1st with some exemptions. They later suspended the ban at the end of May.

Geopolitical events continued last month despite muted market responses. In Russia, its air defense destroyed more than 15 drones that Ukraine launched targeting Crimean port of Sevastopol. Around the same time, EU adopted the first installment of a multi-billion dollar assistance package for Ukraine to transfer €4.2 billion "to support Ukraine's recovery, reconstruction, and modernization," despite Hungary's protest. Ukraine had halted the transit of oil from Russia's Lukoil to Hungary and Slovakia on the grounds of sanctions. Hungary and Slovakia have asked the EU to mediate with Ukraine over Lukoil. The countries stated that if the consultation procedure does not go anywhere, the two countries will take the issue to an international court of their choosing. Hungary believes that the assistance package encourages Ukraine's blockage. I wonder how many European companies will get the contracts to reconstruct and modernize Ukraine.

Hungary's PM Victor Orbán recently visited Russia in hopes of a peacemaking mission, however it seems that not much came out of it. He also made another controversial visit to China. Orbán, disliked by most mainstream media for his nationalist views, recently warned that Europe is headed toward "self-destruction" and an Asia oriented "world order change" is coming. He also alleged that the U.S. was behind the 2022 explosion of Nord Stream gas pipelines. He is certainly not the only one that speculates that the U.S. had a hand in the explosion or is making claims about a changing world order. However, the timing of this is rather inconvenient for Hungary as the EU has decided to boycott Hungary's six-month presidency of the EU Council in response to Orbán's visit to Russia and China. The presidency of the EU council rotates every six months.

Pivoting to the ongoing conflict in the middle east, Yemen Houthis targeted vessels in the Red Sea and Mediterranean seas with missiles. Houthi attacks have prompted many western shippers to avoid Suez Canal and as a result, Suez Canal Authority's revenue dropped by a quarter in its last financial year. Near the end of the month, Houthi drones attacked Tel Aviv. Following this, Israel attacked Yemen's key port of Hodeida and its oil and power facilities as retaliation.

This week the top Hamas leader Ismail Haniyeh was killed in Iran, prompting a 5% WTI rally, ending what was over a \$10US/barrel price route through the month. This was the best rally since November. This week's events, along with attacks earlier in the week in Lebanon, put peace talks severely behind as its apparent that the middle east will continue to escalate tensions and forcing sides to retaliate in shows of strength.

OPEC

OPEC announced at their meeting this week they are staying firm to quotas and announced production plans. This, combined with demand concerns coming from China have had many concerned that oil supply will be at a surplus by the end of the year. However, Chinese crude buyers increased Saudi oil purchase after aggressive price cuts from the Saudi National oil firm, Aramco. Chinese buyers nominated low July Saudi Arabian volumes, however high spot trading activity indicates improvement in imports as buyers try to satisfy Beijing's mandate to add about 60 million barrels of oil to newly built SPR storage sites. With the drop of Saudi Arabian oil demand, China's imports of Russian oil have increased year-over-year, presumably at discount given Western sanctions.

OPEC's monthly report's expectations for world economy growth remain optimistic with slight revisions upwards for 2024. Demand and supply view also mostly remained unchanged, with main supply growth drivers from non-OPEC countries are expected to be the U.S., Canada, and Brazil for 2024. Strong growth in demand is expected for 2025.

OPEC+

OPEC extended the deadline for compensating for overproduction to September 2025. Soon after this, Kazakhstan Energy Minister stated that it would compensate for exceeding OPEC+ quota. Kazakhstan was expected to submit an updated production plan this month to compensate for overproduction and Russia presented its compensation plan after reporting 9.078 million b/d of oil production in June. OPEC Secretariat received a compensation plan from Russia and Kazakhstan, along with Iraq's plan for overproduction during the first six months of 2024.

NORTH AMERICA

What a month in the U.S. Election space. Biden is no longer running for re-election and he has endorsed Vice President Kamala Harris. Biden dropping out of the races shouldn't be too surprising after that hard to watch debate between him and Trump. More and more democrats have been backing Harris as the party's new nominee however, some influential democrats like the Obamas have held out the endorsing for Harris until just recently.

Speaking of the Biden administration, remember when Biden revoked the permit for the XL Keystone pipeline? TC Energy made a claim against the U.S. government for revoking the pipeline's construction permit. The claim was made to the International Centre for Settlement of Investment Disputes (ICSID). Not surprisingly, the U.S. based tribunal rejected the \$15 billion claim of TC Energy, arguing that NAFTA was no longer in force.

U.S. Hurricane season promised to make a lot of noise, but Hurricane Beryl came and went with limited damage to oil infrastructure. Freepoint LNG suffered some damage from Hurricane Beryl. Freepoint restarted the first train, however cancelled planned loadings since then across the third quarter of July, due to the damage caused by the Hurricane.

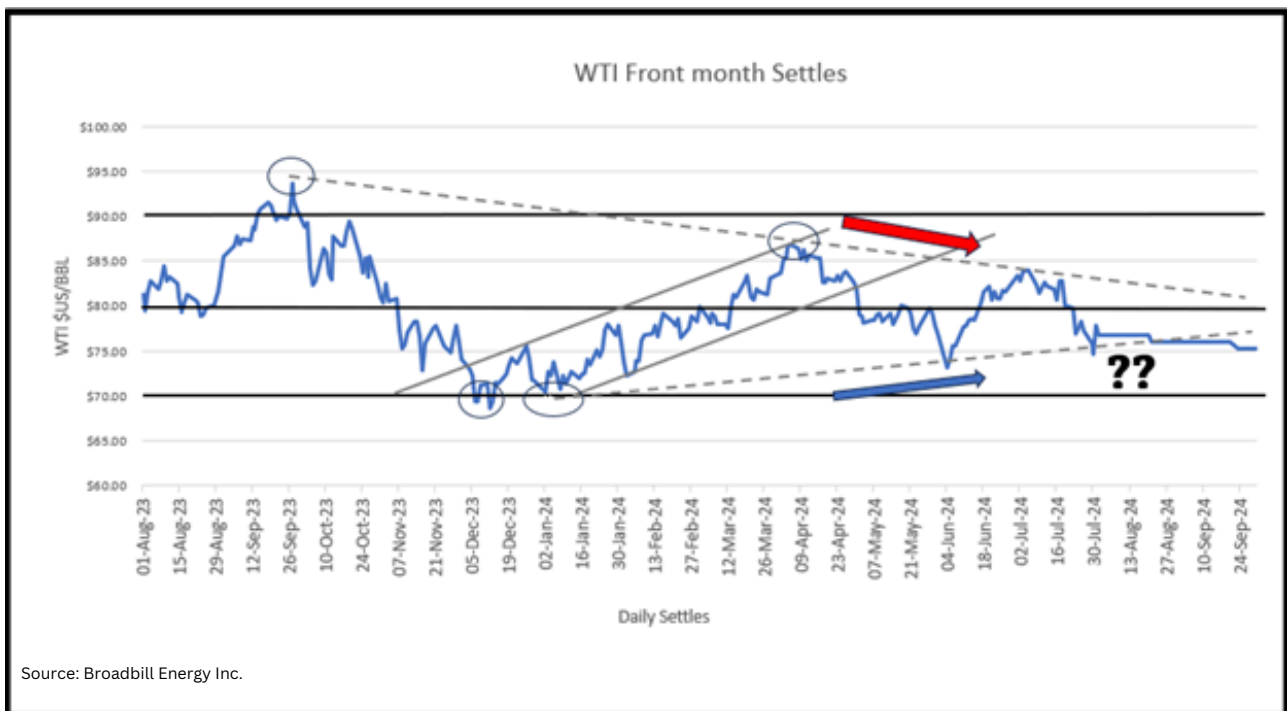
Biden Administration renewed waiver from U.S. sanctions on Iran to allow Iraq to import natural gas and electricity from Iran. You may remember from a previous Broadcast that India’s largest private refiner, Reliance Industries was seeking exemption from Venezuela sanctions. The refiner has recently received approval from the Biden administration for the exemption.

INFLATION & ECONOMICS

Speculations about U.S. rate cuts are back with soft U.S. labour data and falling U.S. Consumer Price Index (CPI) numbers. Though CPI came in below expectations, this is no indication of prices going back to pre-pandemic levels. The best the market can hope for is a disinflationary pattern so that central banks would bring down rates and CPI numbers, though unreliable, are pointing towards disinflation.

Richmond Federal Reserve president commented that disinflation is spreading, a view that would help him support rate cuts. This view is also supported by official government inflation indicators. Markets priced in a 100% chance the U.S. Fed will lower its rates in September, as U.S. initial jobless claims came in higher than expected.

The Bank of Canada cut the key interest rate to 4.5% and Tiff Macklem said it may be reasonable to expect further rate cuts “if inflation continues to ease.” In other words, if government data continues to show a disinflationary pattern, we should see more rate cuts. China also cut its short-term interest rate. European Central Bank’s VP hinted at rate cut coming in September as well. This all spells continued challenges for the Canadian dollar. We note the long standing high water mark of 1.38USD/CAD has recently fallen, as Canada continues to signal more aggressive interest rate cuts ahead of the U.S.



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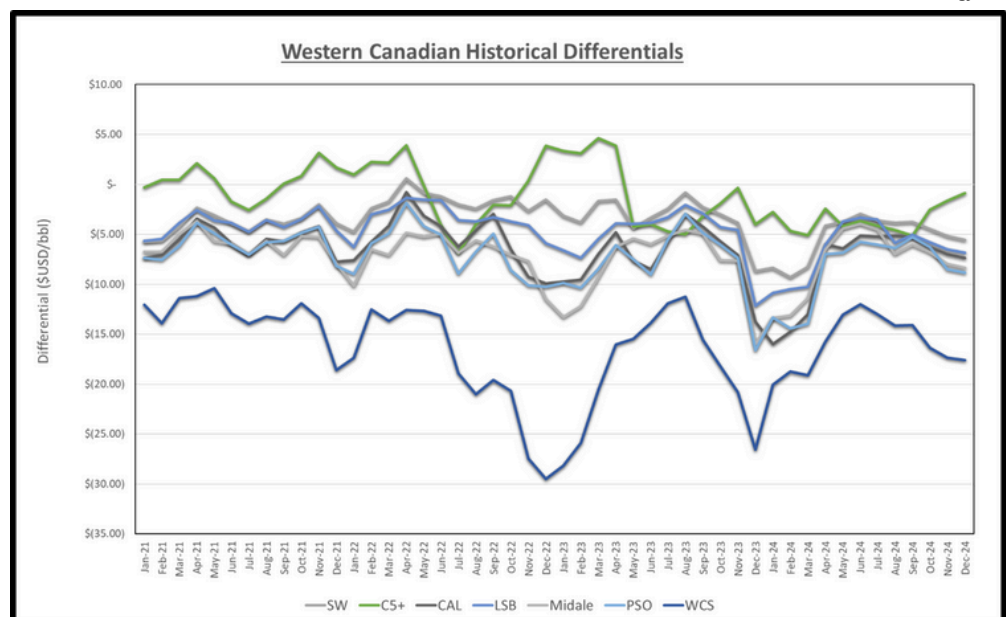
WCSB Pricing Summary

As the August trade cycle kicked off, we saw a similar trend to the previous month, as prices fell in the first few days of the trade window. Canadian Heavy (WCS) traded down to -\$16US/barrel and Light Sweet crept towards the low -\$4. Some the reasoning believed to be behind this initial trade movement is due to unplanned refinery maintenance at BP's Whiting refinery, which processes 290,000 barrels per day of Canadian heavy crude. However, shortly after differentials dropped, we saw them tighten back up. With some of the main drivers behind this movement being inventory draws and wildfire risk throughout the province, but specifically fires east of the oil sands, forcing several large producers to evacuate non-essential personnel.

WCS as a result traded up to a -\$13 handle, while Light Sweet printed as high as -\$2. The one grade that consistently exchanged hands at a lower price during the month was Light Sour (LSB), as we saw the index settle at -\$5.82/bbl. A drop greater than 2.25/ bbl for July vs August. The belief here is that the refineries that usually have the Saskatchewan light sour as part of their traditional diet are having issues that required maintenance, which than caused them to pivot to the Sweets with limited sulphur compared to the sour and heavy choices. This gave grades such as the North Dakota Bakken a lift in price, as they are low in sulphur much like Canadian Light Sweet.

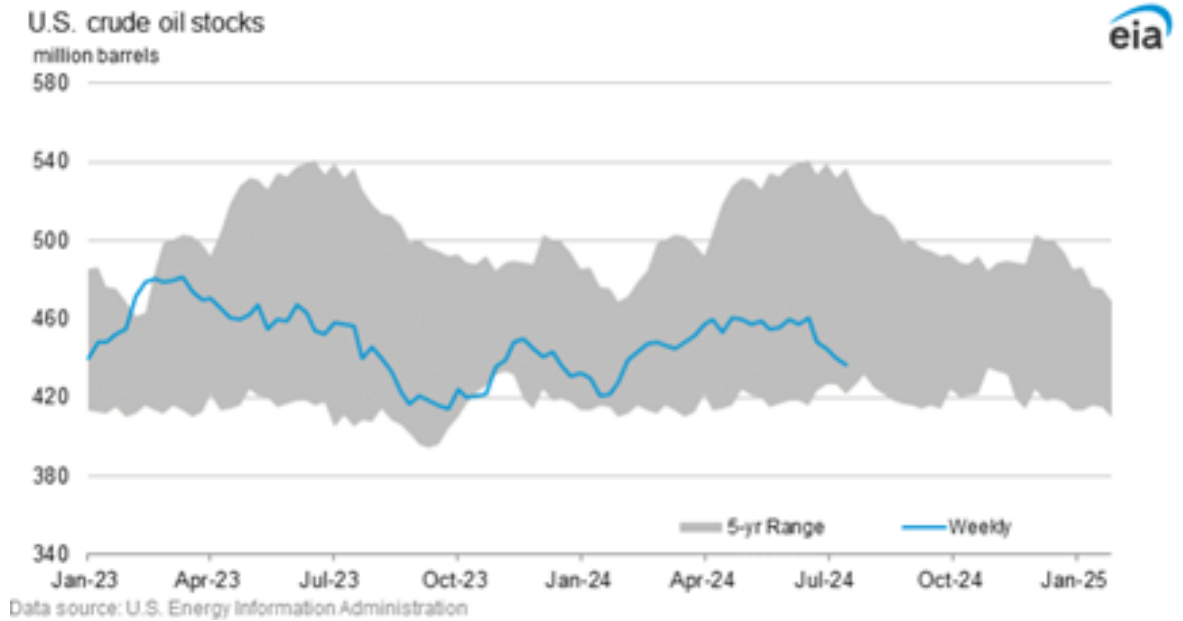
Additional pain in the LSB cash market (cash market = July prompt delivery) shows how downstream events can still have price impacts despite TMX being in service. The belief behind this price downdraft is Exxon's Joliet Refinery, which has capacity for 275,000 barrels per day had been shut down for a few days due to a storm that had destroyed transmission lines that help power the plant. LSB quickly went from a fair value price of a -\$8/barrel to print as wide as -\$12/barrel handle in thin trading.





Source: Broadbill Energy Inc.

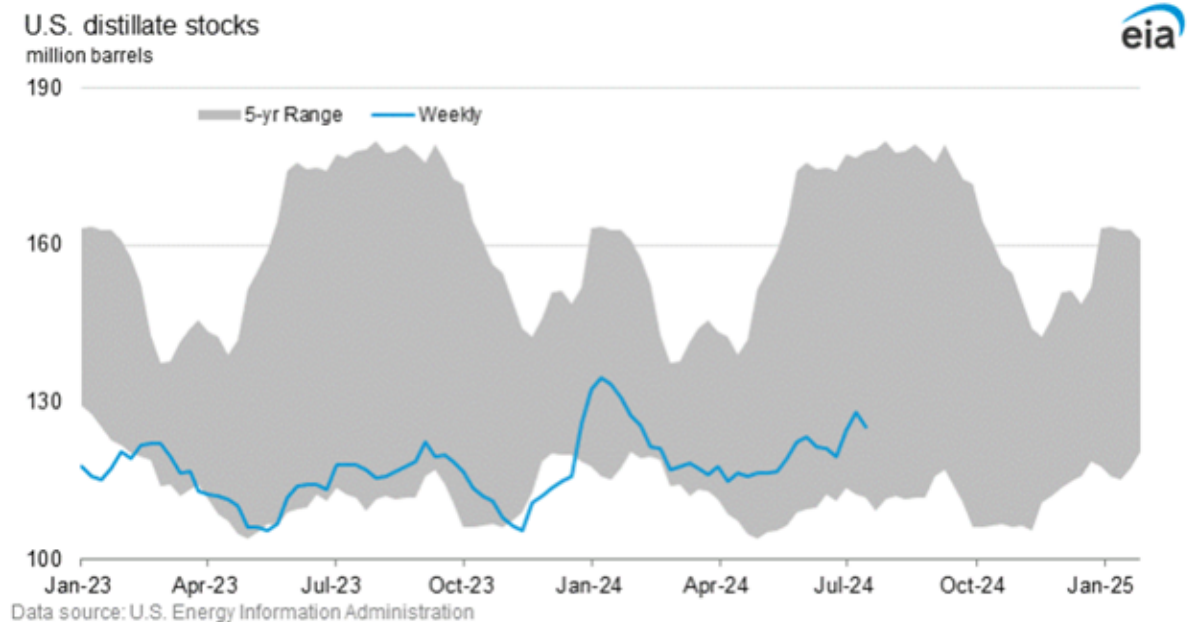


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Appendix

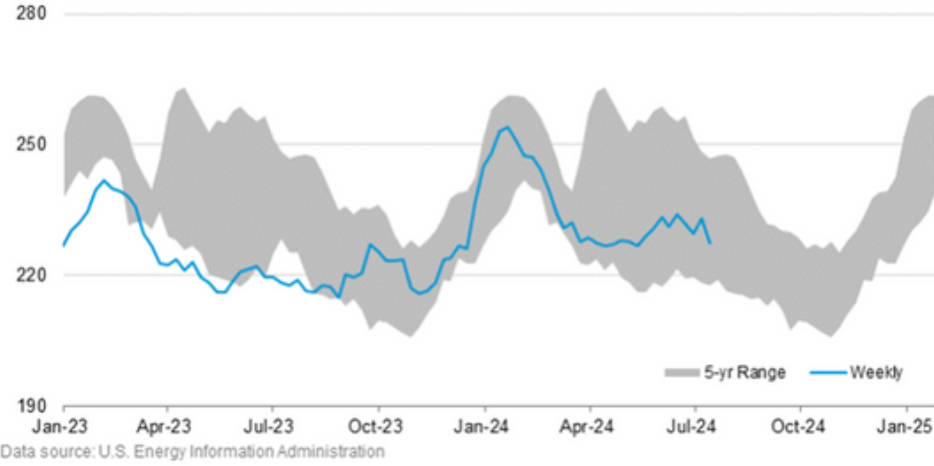


	Stocks 07/19/24	Change from last	
		Week	Year
 Crude oil	436.5	-3.7 ↓	-20.3 ↓
 Gasoline	227.4	-5.6 ↓	9.8 ↑
 Distillate	125.3	-2.8 ↓	7.4 ↑
 Propane	84.460	1.846 ↑	-1.244 ↓



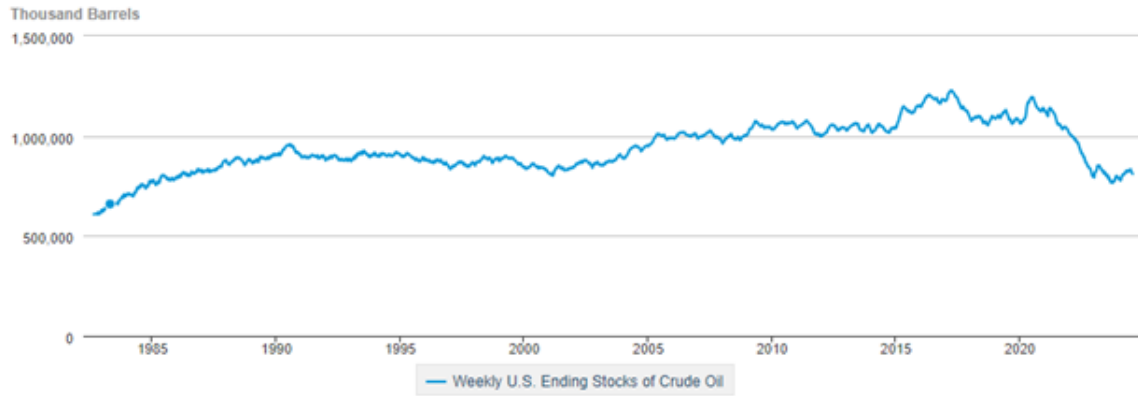
Appendix

U.S. gasoline stocks
million barrels



Weekly U.S. Ending Stocks of Crude Oil

[DOWNLOAD](#)



eia Data source: U.S. Energy Information Administration

