

SEPTEMBER 2024

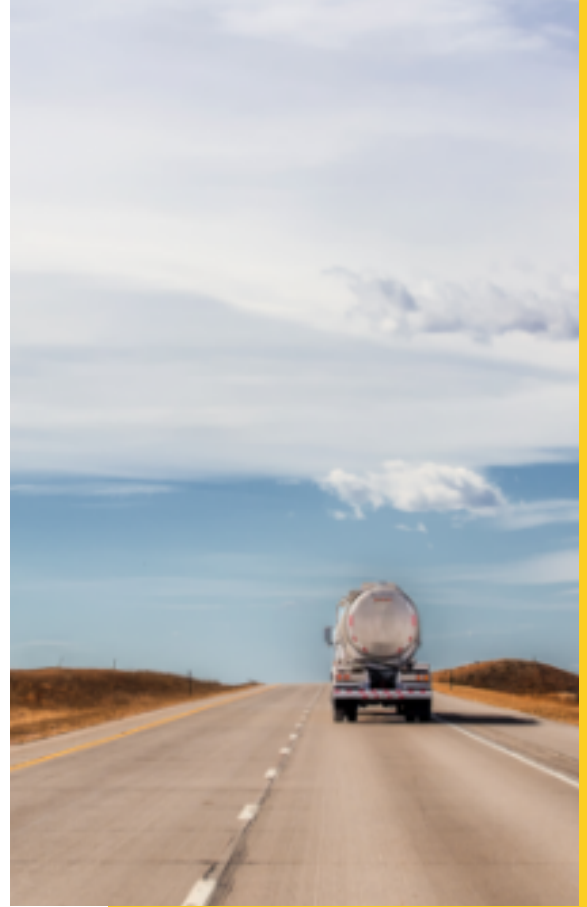
Broadbill exists to create value differently. From our strong foundations we create unsurpassed value to boldly redefine the midstream industry as the partner of choice. We fearlessly pursue innovation and strategic opportunities. We are producer centric and we work with the right people.

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

Summer is almost over. We hope you enjoyed some good weather and took some time off to rest! Hopefully, you were not impacted by the several unions strikes that took place during the summer months. Most notably the CP and CN rail shut down after labour unions talks failed.

Thank you for your continued support and we look forward to working with you soon.



Pricing View - September 13, 2024

	July 2024 Index Diff	August 2024 Index Diff	September 2024 Index Diff	October 2024 Prompt
WCS	-\$13.00	-\$14.14	-\$13.51	-\$13.71
LIGHT SWEET (MSW)	-\$3.62	-\$3.74	-\$2.70	-\$1.88
CONDENSATE (C5)	-\$4.16	-\$4.64	-\$2.90	-\$0.22
LIGHT SOUR BLEND (LSB)	-\$3.55	-\$5.82	-\$5.29	-\$3.03
MIDALE (MSM)	-\$4.51	-\$6.98	-\$6.98	-\$3.96

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Market Summary

TMX Update

The Liberal government is looking to put off the sale of TMX until after the federal election in 2025, according to officials. Delaying the sale gives more time to prove TMX's value, pay down/refinance debt, and potentially get a higher price. No final decisions have been made for a timeline.

You may remember all the push back TMX received about pipeline tariffs a few months ago. Whilst Canadian shippers want a swift resolution on TMX pipeline tariffs, the oral hearing on the issue is not until May 2025, with the final argument to take place in the summer, as incremental exports out of Westridge remain capped at 350,000 b/d.

Macro Update

Tensions between Israel and Hezbollah continued throughout the month. Israeli authorities stated that a rocket from Lebanon struck a soccer field in the Israeli-controlled Golan Heights, killing 12 children and teens. Hezbollah denied responsibility. Israel counterattacked by launching air strikes on Hezbollah targets in Lebanon. The Hezbollah leader announced that it would respond to Israel killings of its military commander regardless of consequences and would either act alone or with its regional allies. Israel forces issued a new evacuation order to Palestinians in north Gaza areas that were the first to be hit back in October.

Regardless of uncertainty in the Middle East, prices have been hammered down by concerns about Chinese demand. Several data points indicate that Chinese economy is struggling. Chinese imports in July came in at the lowest level in two years. China is lending billions of dollars to technology start-ups and small businesses, using the intellectual property as collateral in efforts to improve the lagging economy.

President Nicolas Maduro won the election in Venezuela for another six-year term however, his government refused to release results. Both the President and opposition's followers have taken to the street to protest. At least 11 people have died and around 750 people have been arrested. Biden administration has said it is not looking into the retroactive cancellation of sanction waivers.

UK's new Labour government hikes windfall profit tax on oil and gas to 38% and increased overall taxation to a punitive 78% from November 1. They have also extended the Energy Profits Levy by another year. The virtue signaling move was announced in response to oil and gas companies making windfall profits from the Russian-Ukraine war that the UK helps fund and fuel through its involvement.

Speaking of the UK, I am sure you have all heard about the riots in the UK following the killings of three young girls on July 29th in the town of Southport at a dance class. Following this, thousands of people attended a vigil for the victims that turned violent. Protests and riots followed at several locations across England and Northern Ireland. The mainstream media is mostly calling these far-right racist protests and some of the participants are described as, and perhaps some of the participants are average people with actual concerns about high crimes in the UK, illegal immigration, economic migrants claiming to be asylum seeker, the strain on social services and the deteriorating quality of life in the UK.

History would show that protests about real issues often get infiltrated by bad actors who use it as an opportunity to inflict violence. History would also show that times of chaos are used as opportunities to change laws. This time is no different, the Labour government is trying to change internet safety regulations, in other words, more illusions of safety and more control for the government to activate the thought police. The riots are also being used to change school curriculum, children will be taught to "spot extremist content and fake news online," which sounds well intending, but may just train children to spy on people for thoughts, just like Orwell had warned.

Remember Nordstream? Germany issued a warrant to arrest a Ukrainian diver, Volodymyr Z for the involvement of Nord Stream pipeline explosion. The diver was in Poland and the Polish government tried to make the arrest, but he had already left and believed to have gone back to Ukraine. The Wall Street Journal had an interesting take on this, if you are looking for something entertaining to read.

<https://www.wsj.com/podcasts/google-news-update/the-outlandish-scheme-behind-the-nord-stream-pipeline-sabotage/ba093640-94fa-47e3-9e15-ceeda81d89d7c>

OPEC and OPEC+

You know it's troubling when even OPEC's outlook on demand weakens. OPEC cut its 2024 demand outlook this month. This will likely be the theme till the Chinese economy gets some relief. Chinese term buyers of Saudi Arabian crude oil have nominated 43 million barrels from the September-loading program, lower than the 46 million barrels this month.

Iraq has continued to build-out of crude infrastructure, adding two pumping units next to the Zubair oil field and adding 300,000 b/d of export capacity, despite being the worst OPEC+ overproducer. OPEC+ oil production rose in July, exceeding targets. Iraq and Kazakhstan have submitted updated output compensation plans aiming to make up for their overproduction by September 2025.

NORTH AMERICA

Kamala Harris has selected Minnesota governor Tim Walz as her running mate for November's election. Voter registration spiked after Taylor Swift endorsed Kamala Harris. This may be an indication of what's coming in November. Regardless, it's hard to argue that the west is not declining when the decision about which candidate should have the most important job in the world might be decided by a woman whose claim to fame is from breakup songs.

The U.S. Department of Energy restarted purchasing for the Strategic Petroleum Reserve again. Most recently it purchased 4.65 million barrels of crude. It also announced a tender to buy 3.5 million barrels of oil for the SPR.

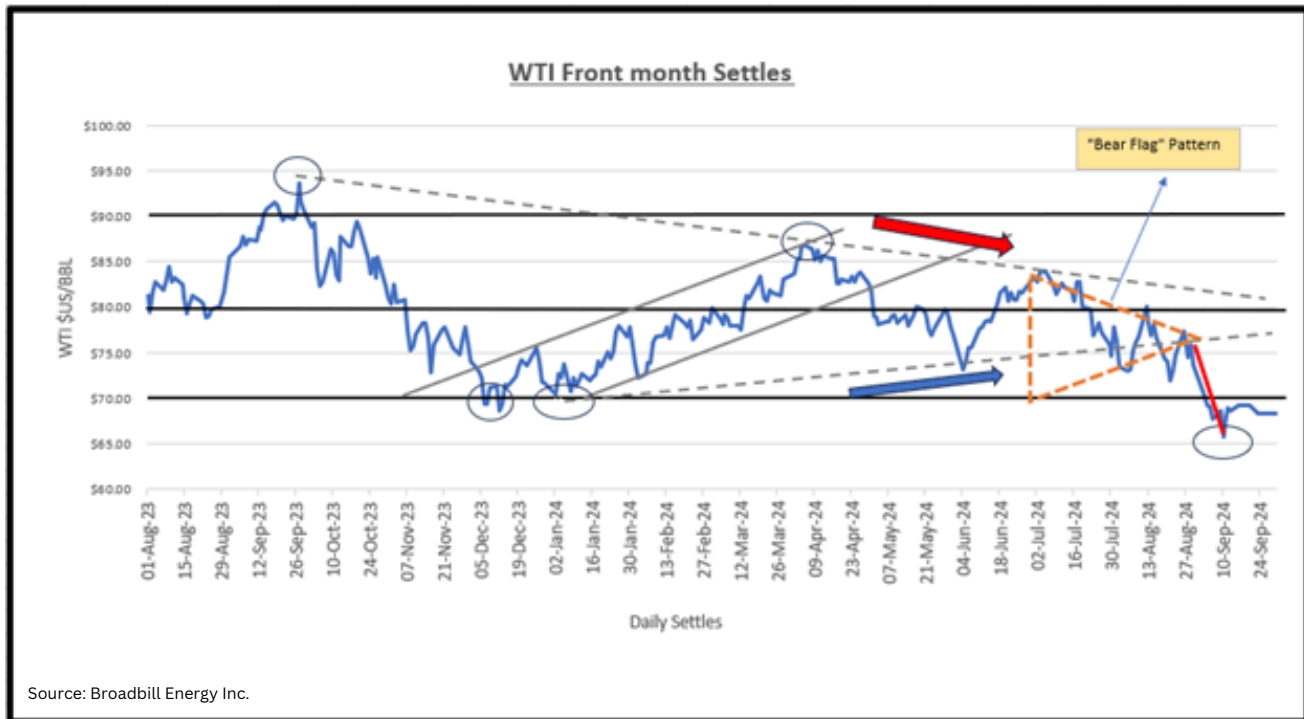
INFLATION & ECONOMICS

U.S. Consumer Price Index (CPI) came in below 3% in July (not including food and energy). Not that I would put too much weight on CPI numbers, but the July number is enough to support a rate cut in September. The market is pricing in a September rate cut with 26% chance of a 50-basis-point cut. The September rate announced is expected on September 18th.

Not to be outdone, the Bank of Canada (BOC) has signaled further rate cuts to stave off recessionary pressure. The BOC has already reduced rates by 75 basis points since June, and all the big banks see further rate cuts on the horizon with CIBC and National predicting "jumbo" rate cuts of 50 basis points in both December and January.

<https://www.bnnbloomberg.ca/investing/2024/09/12/bank-of-canada-to-start-jumbo-rate-cuts-by-december-cibc-says/>

China kept its benchmark lending rate unchanged. Bank of Japan is predicted to raise rates again in December. Bank of Canada like any other Phillips curve worshiper hopes that job growth will "pick up" after rate cuts. Statistics Canada recently reported that the unemployment rate rose to 6.6% in August. Most of this is driven by new entrants to the labour market and Canada's population growing faster than new jobs being created.



WTI Price

WTI has been in full summer vacation mode and seems to have extended this into September. As you can see in our price views, WTI lost its sideways channel support and has moved into a bear flag technical trading pattern. We found support last week at \$65 and closed the week out nicely above \$69, given some weather impacts from Hurricane Francine shutting down some Gulf Coast production during the week. These events, unless severe, usually have short lived impacts (short covering) so we will see if the momentum can continue upwards next week and if the \$70 double bottom established back in December/January earlier this year becomes a ceiling on the upside correction.

Supply/Demand

We have been paying close attention to refinery margins through crack spread analysis as a measure of demand for finished goods and ultimately crude feedstocks. Gasoline demand season is over, and the numbers are looking a little bearish, as we are seeing the EIA builds pick up steam ahead of schedule. Diesel is on a sideways trajectory but does have the winter demand season to look forward to.

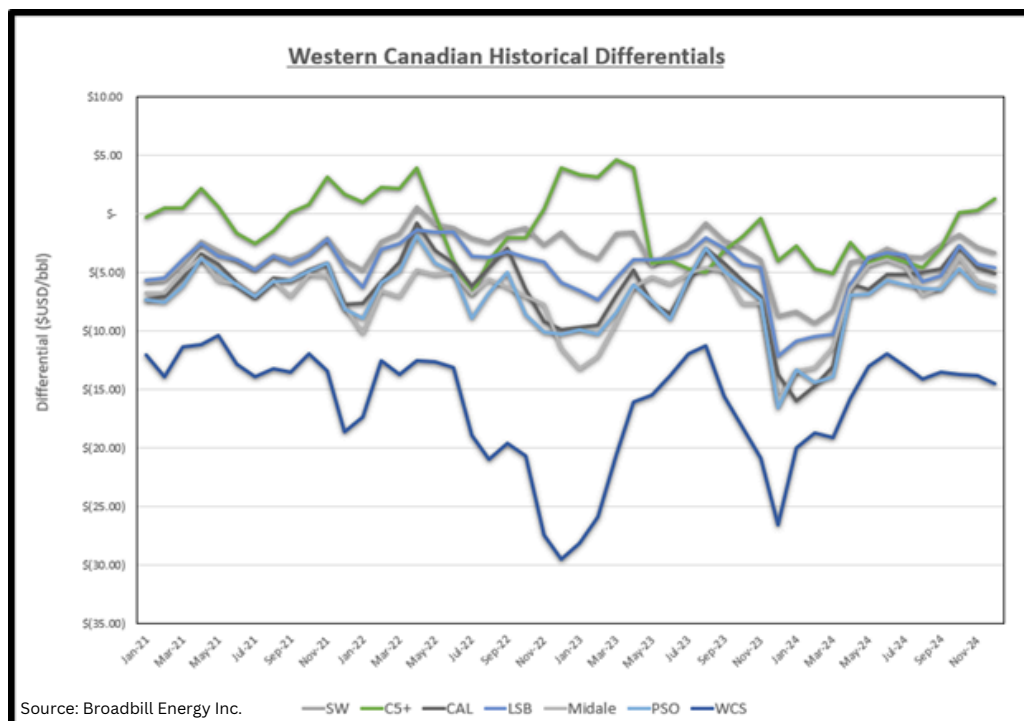
The interesting data point is U.S. and Global Crude inventory balances, which continue to move lower despite pressure on refinery margins (crack spreads). Given crude oil price backwardation and still high (but reducing – see above) interest rates, this will also keep storage levels lower but we do need see product demand/consumption hold pace or refineries will cut run rates to maintain balance in the market. With the added refinery infrastructure globally over the past two years, this may also be placing some demand on the crude input side, while making for a more competitive refinery margin landscape and hence the fall off in refinery margins. There is also the post covid correction still taking place, which might be getting to an inflection point.

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WCSB Pricing Summary

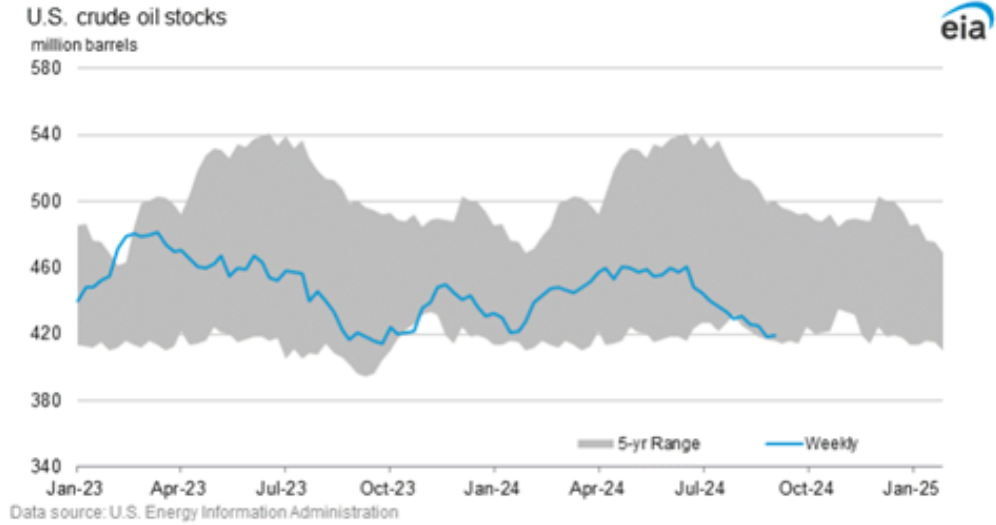
As the September cycle began, we saw the heavy differential tighten rather quickly. If we look back on September financial trades occurring in July prior to the trade window occurring in August, we were seeing TMW (WCS financial contract) transact at -\$15.55 on July 31st. However, we quickly saw heavy go from a -\$15 handle to a -\$14, then index finally settling in at -\$13.51 for the month. One of the main reasons we saw heavy differentials run in was the restart of Exxon’s Joliet refinery in Illinois. Select units were restarted at the facility three weeks after losing power following a storm. Exxon’s Joliet refinery process’s 251,800 bbls/a day, which accounts for ~ 8% of Canadian crude exports. USGC heavy prices strengthened during this time, as well wildfires helped support prices. Oil sands production was not threatening, but enough of a concern to lift heavy differentials.




Light Sweet (MSW) began trading at -\$2.85 before falling to the mid -\$3’s, before quickly bouncing right back to a high -2 handle. MSW eventually ended the September trade window at -\$2.70. The LSB and Midale barrels were the two grades we didn’t see too much volatility from during the September window. LSB began and ended the cycle with a -\$5 handle and Midale did the same with a -\$6 handle. The lighter grade we did see get stronger as the September window ended was south of the border, UHC. The Clearbrook, Minnesota MSW bbl was printing at a discount to WTI to begin the cycle before transacting all the way to +\$1.65 to close it out. One thought behind this could be, as mentioned above, the restart of the Joliet refinery, but also that BP’s Whiting refineries Coker was due for planned maintenance shortly. Running this lighter barrel could allow the refinery to keep running before the scheduled repairs.

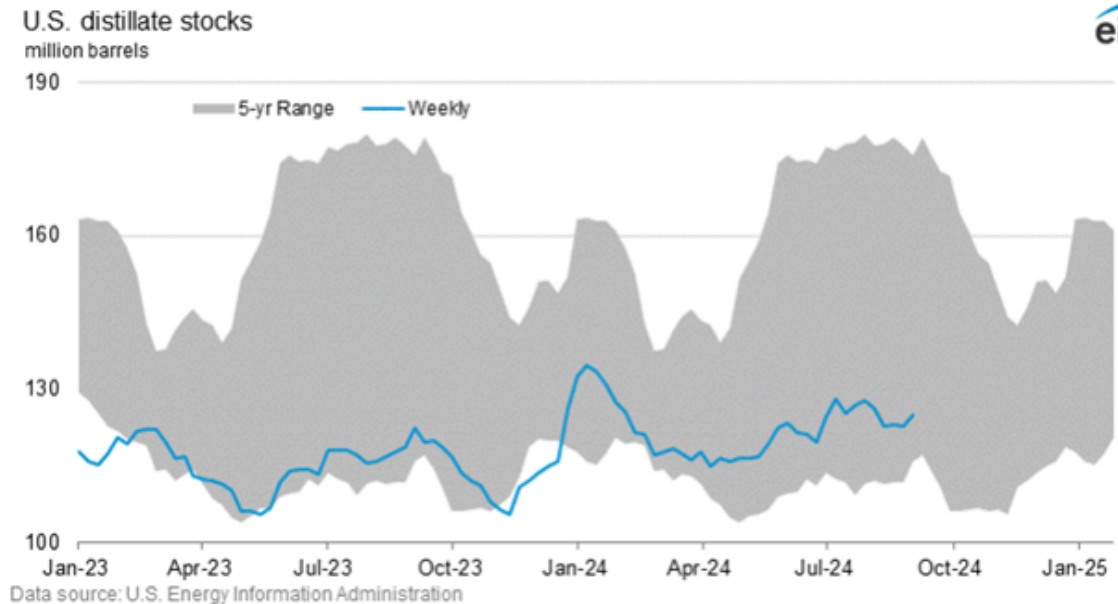


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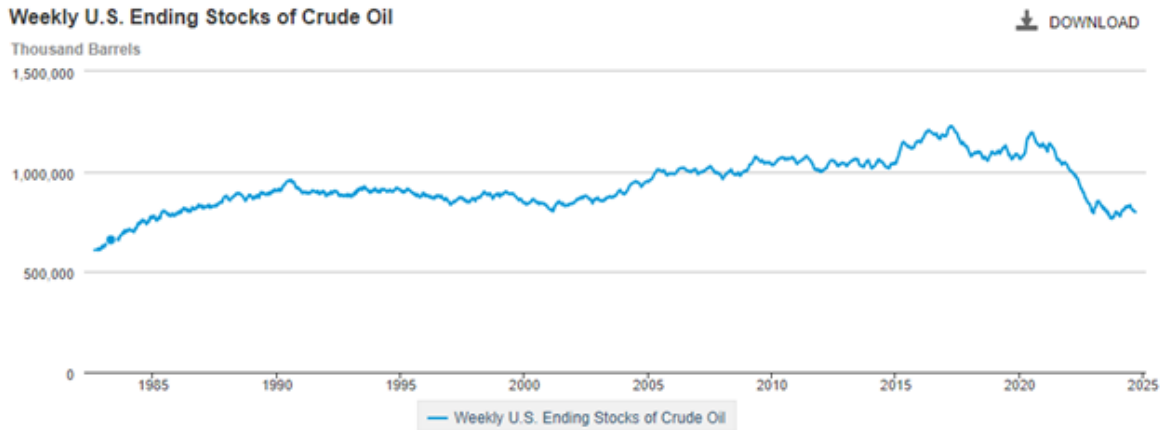
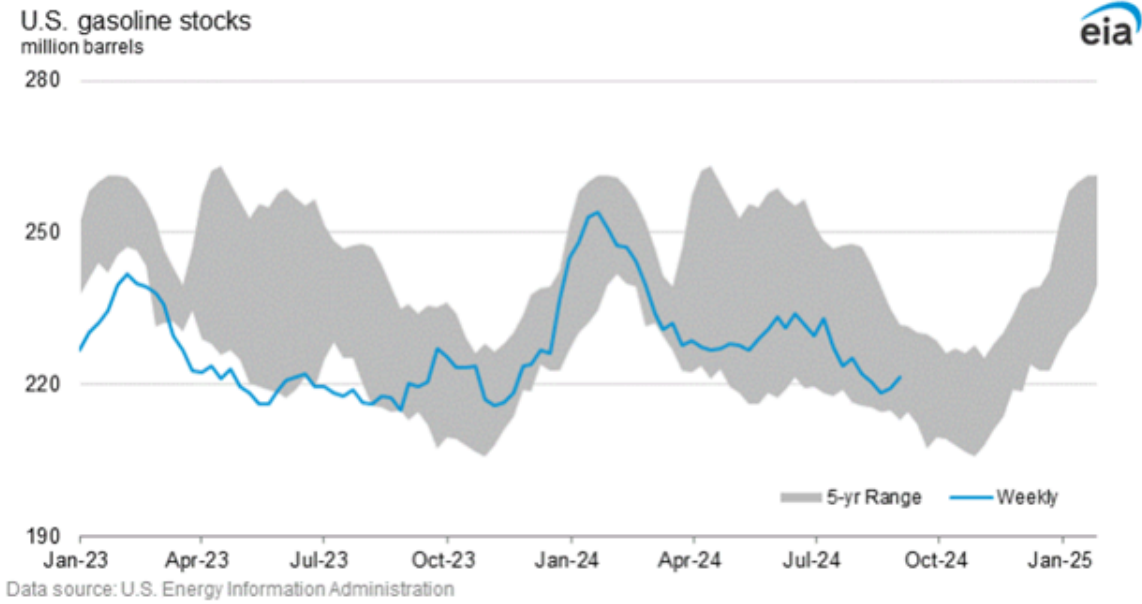
Appendix



	Stocks	Change from last	
	09/06/24	Week	Year
 Crude oil	419.1	0.8 ↑	-1.4 ↓
 Gasoline	221.6	2.3 ↑	1.2 ↑
 Distillate	125.0	2.3 ↑	2.5 ↑
 Propane	96.817	1.128 ↑	-2.296 ↓



Appendix



eia Data source: U.S. Energy Information Administration

DXY chart >

