

OCTOBER 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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\$21,699,067

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What's New in the Zoo

Summer is behind us and fall is upon us once again. Though it doesn't feel like summer is over by looking out the window. Hopefully, you are taking advantage of the nice weather. There's been lots happening this month in the headlines however, everyone's focus has been on one main theme (more on this below).

As always, we thank you for your support and look forward to chatting soon!



Pricing View - October 1, 2024

	August 2024 Index Diff	September 2024 Index Diff	October 2024 Index Diff	November 2024 (Trade Cycle)
WCS	-\$14.14	-\$13.51	-\$13.71	-\$12.60
LIGHT SWEET (MSW)	-\$3.74	-\$2.70	-\$1.86	-\$2.00
CONDENSATE (C5)	-\$4.64	-\$2.90	-\$0.30	-\$0.90
LIGHT SOUR BLEND (LSB)	-\$5.82	-\$5.29	-\$3.04	-\$3.15
MIDALE (MSM)	-\$6.98	-\$6.98	-\$3.96	-\$4.25

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Market Summary

TMX Update

In the latest TMX headlines, Trans Mountain paid \$32MM to McKinsey (global consulting firm) to save on costs and improve productivity. I doubt that the average taxpayers will see it that way. McKinsey working for Trans Mountain raises some conflict-of-interest issues, as they are working with several companies that are currently in legal disputes with the pipeline over toll increases. This contract with McKinsey, along with other contracts between consulting companies and Canada came under fire after a federal audit that found public servants often failed to check for conflicts of interest. One of the many reasons for highlighting the problem with governments owning major infrastructures. An organization that is not driven by profits often won't take a longer-term perspective on the financial viability and survival of the organization.

The launch of TMX (among other reasons) crude oil inventories in Cushing have been unprecedentedly low. TMX does appear to be impacting Canadian oil flows to Cushing, fueling concerns about supply squeeze to refiners. Enbridge's Mainline system is now operating without congestion, as we have seen goose eggs for apportionment for the last three months.

Macro Update

China, China, China. It seems that China is on the forefront of any bearish sentiments this past month. New home prices in China rose at a slower pace in August, even after several supportive policies.

On the other hand, Chinese crude imports are starting to recover, though it remains well below monthly average in February to June. Saudi Aramco is set to increase supply to China for October by about 3 million barrels more than September.

China revealed its much anticipated stimulus package. This would be the largest stimulus package since the pandemic to boost economic growth in China. The package involves issuing 2 trillion yuan in special sovereign bonds, measures to focus on consumer subsidies and government debt, and China’s central bank cutting reserve ratio by 50 points.

Turkey has formally applied to join BRICS (Brazil, Russia, India, China, and South Africa). Speaking of BRICS, Russia will be hosting its next annual summit. Russia cannot extend a formal invite without agreement from all the member countries and Venezuela’s Nicolas Maduro is not on the official list of potential invites. Madura has been after this invite to the world’s changing order (as some would call it) group to boost Venezuela’s legitimacy globally. As Madura puts it, he wants to join the group to counterbalance Western sanctions. The final list of invites will be to join the group as partners and not as full members (unlike previous invites). Russia has called for a greater role for BRICS. This would involve a greater role in global energy conversation and an alternative to the “just transition” narrative. Bonus points to whoever can come up with the best acronym as BRICS just works. Adding a “T” and a “V” will make things tricky, but oddly enough “BRICS-TV” might make for an interesting Netflix binge series.

How this group evolves is worth keeping an eye on as they are currently in the process of making the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system and perhaps the role of the U.S. dollar as reserve currency, a relic of the past. BRICS is currently working on a blockchain-based payment system known as BRICS Bridge multisided payment platform. This would connect member states' financial systems using payment gateways for settlements in central bank digital currencies instead of the SWIFT system, which is dominated by U.S. dollars.



OPEC and OPEC+

OPEC raised its 2024 demand outlook and sees no peak demand. The raised demand outlook is led by India, Africa and the Middle East and a slower rise in electric vehicles and cleaner fuels. OPEC's rosy outlook in contrast to BP and IEA's peak demand outlook is not surprising. BP has been calling for peak demand for some time now. OPEC is also so very optimistic however, the main thing here is where this demand will come from in the future.

Initially, OPEC+ delayed output increases by two months, citing worse than expected economic data from China and the US. According to OPEC+ sources, it has decided to proceed with the planned production increase in December, although there's still a need to address overproduction by some members. Iraq and Kazakhstan have agreed to cut 123,000 bpd in September to compensate for earlier overproduction. However, Iraq's Kurdistan region continues to increase crude production, as output is rumored to surpass 350,000 bpd mark in recent weeks. This is the highest since 2023.

Iraq has vowed to approach Kurdistan authorities over the surplus in volumes. As such, Iraq's capital, Baghdad was threatened to withhold Kurdish government's share of the federal budget if it fails to reduce production and cut back smuggling to Turkey and Iran. Also, Kazakhstan's Energy Minister asked producers to delay field maintenance planned for October, noting gas shortages. This would undo the country's OPEC+ Compensation plan.

More on members, Libya's upstream has shut in almost 60% of production due to nationwide oil blockade. Though three of Libya's oil fields (Sarir, Mesla, and Nafoura) have received instructions to resume production, only to feed local power plants and small refineries in the east. However, news about Libya mostly went unnoticed as OPEC+ is expected to start unwinding production in October.

NORTH AMERICA

The Department of Energy (DOE) has granted LNG developer New Fortress Energy to export LNG from its LNG offshore plant in Mexico to non-FTA countries. This would be the first approval for this type of project since the Biden administration halted the permitting process. Speaking of the DOE, it procured another 3.4 million barrels, speeding up the pace of SPR replenishment.

Hurricane season is now well underway, as we see Hurricane Francine shutting down 42% of crude and 53% of natural gas production in the U.S. Gulf of Mexico. However, U.S. refiners suffered minimal damage with Narco and Lake Charles refineries suffering no damage. These refiners returned to normal operations pretty much immediately. Right on its heels, Hurricane Helene has hit in 24% of crude and 18% of natural gas in the same area. Reuters reported 427,000 barrels per day of oil production and nearly 343 million cubic feet of natural gas from Gulf waters were impacted. While likely short lived, this won't help U.S. Inventory stocks, which as mentioned above are already heavily depleted.

INFLATION & ECONOMICS

The U.S. Feds finally cut the benchmark rate 50 basis points in what marks the end of the interest rate high cycle. In Canada, Tiff Macklem made some comments suggesting that further rate cuts are coming. The reported inflation rate fell to the target rate of 2% in August, regardless of how manipulated official inflation numbers are it does support a disinflationary narrative. Prices continued to go up but at a slower pace and we likely won't go back to pre-pandemic level pricing anytime soon or ever (apart from volatile commodities).

The Bank of Japan (BOJ) held interest rates steady however, commented that the central bank has time to evaluate when it needs to raise borrowing costs further. This fueled market speculation about another rate hike before year's end, leading to traders selling off the yen. BOJ governor Ueda also mentioned that upside risks to prices are waning, following the yen's recent appreciation as we saw back in July. The BOJ ended negative rates back in March first time in 17 years and raised rates from 0.1% to 0.25% in July, which triggered a global sell off. Yen gained against USD almost immediately. Investors who borrowed yen for cheap to trade in dollars or euros needed to earn more in dollars or euros to pay their yen-dominated loan, which led to investors unwinding their trades. As such, BOJ is trying to balance tackling price inflation with an appreciating yen against USD using every central bank's favorite toll, influencing market perceptions.

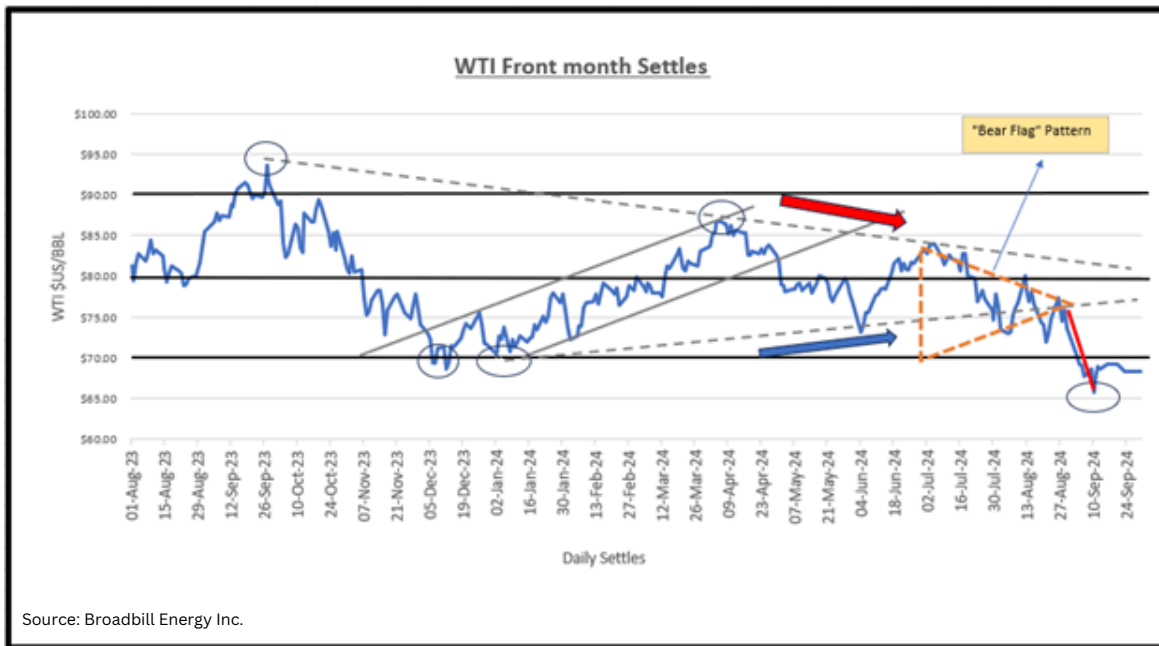
WTI

Price

Well, we got our answer. WTI couldn't hold the \$70 floor we were hoping for and we decided to head down and test \$65 last month. Now for the (not so) fun part as that \$70 floor will likely act as a ceiling on moving back up. This, despite mother nature's best efforts with two back-to-back storms impacting U.S. Gulf Coast production, as mentioned above, WTI pricing continues to struggle with the constant barrage of pessimism coming out of China. We figured it was worth a second print of the "Bear Market" illustration from last month's letter as even though China continues to announce stimulus packages, the market is firmly entrenched in a buy the rumor sell the fact mind set as it relates to China and stimulus efforts. On a positive front, despite breaking the \$70 floor we seem to be forming support at the \$65-67 level and with the storms impacting production and continued drops in inventories, we are optimistic we can make that climb back above \$70. We also have the U.S. as support at these prices as a bid to replenish strategic inventory reserves as mentioned above. To open this morning WTI has once again rallied above \$70 on news that Israel may be moving to launch direct attacks into Iran. We shall see how this latest escalation impacts price.

Supply/Demand

- Crack spreads continue to hover around three-year lows, refineries continue to run at high run rates despite this.
- Cushing inventory continues to drop (see EIA supply chart below).
- Hurricane season is well underway with two back-to-back storms impacting U.S. production.
- Fuel demand has seen rising in recent weekly EIA numbers with both gasoline and diesel picking up some pace.



Source: Broadbill Energy Inc.

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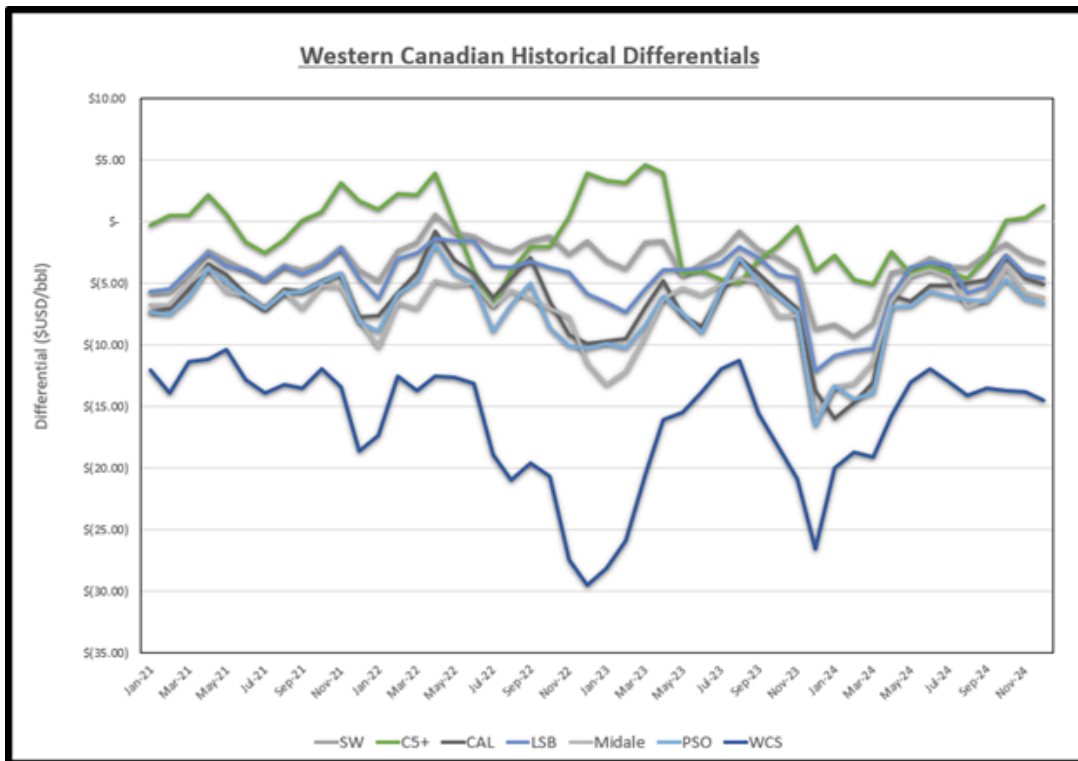
WCSB Pricing Summary

There were plenty of storylines heading into the October trade window. One of the big questions was the price of WCS heavy and if it would stay strong as we creep into the fall months and the usual seasonal turnaround time for refineries. Prior to the cycle kicking off the October contract printed at -13.20 on the 29th of August. But after everyone got back to the desk post Labor Day long weekend, we saw -13.60s come across the screens. There was some back and forth to begin the month, but it stayed range bound in the -13s through the cycle the WCS index settled at -13.71 for the month.

The light sweeter products were also a question not only for refinery turnaround season, but with the Dangote Refinery in Nigeria online and pulling 350kbd of lights out of the global market, it left question marks on how lighter products in North America would be affected. To raise even more questions on the light market, Libya's political scene took several hundred thousand barrels a day of light sweet offline, which continues today despite news of a deal coming forward to restore production. As a result, we saw our light sweet find support through most of the cycle as MSW had its October index settle at -1.86.

During this time, we also saw North Dakota UHC get stronger as well with it kicking the cycle off at +0.60. UHC crept up as the cycle continued with it reaching an October high of +2.70. Supply right now at Cushing is very low, which is putting pressure on Mid-Con traders to pay up for these lighter barrels. It was reported by Energy Aspects that lately “Mid-Con refiners have purchased light barrels from the Permian usually shipped to Europe and Asia”. There is clearly a desire for these lighter barrels, which trickled up to our Canadian market.

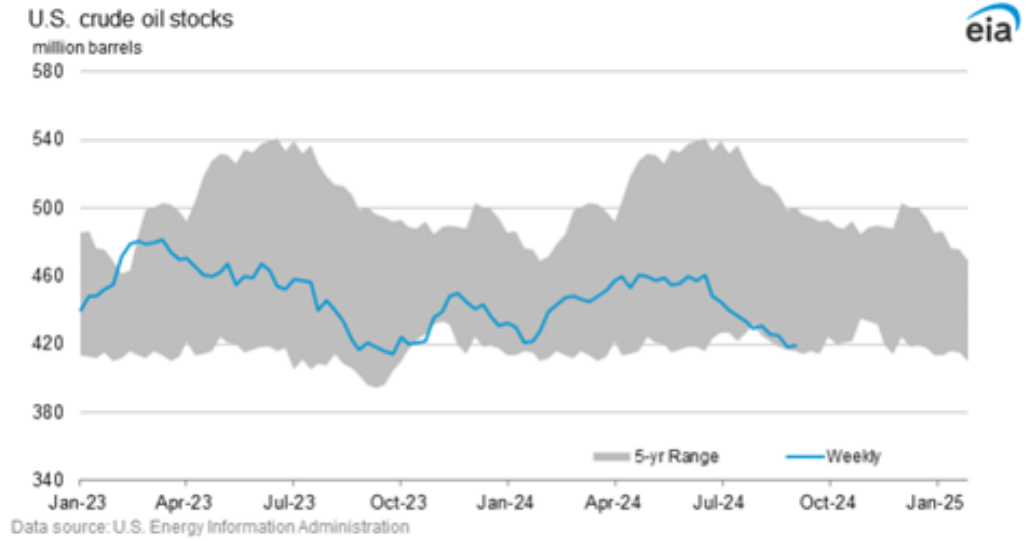
As referenced in our pricing view all light streams found bids through the month. As we see LSB and MSW streams trading very closely, it raises curiosity if PADD 2 refiners are loading up their shopping carts with the Saskatchewan commodities. With BP Whiting in scheduled maintenance, this product could be at a premium to help keep inputs high into the refinery.



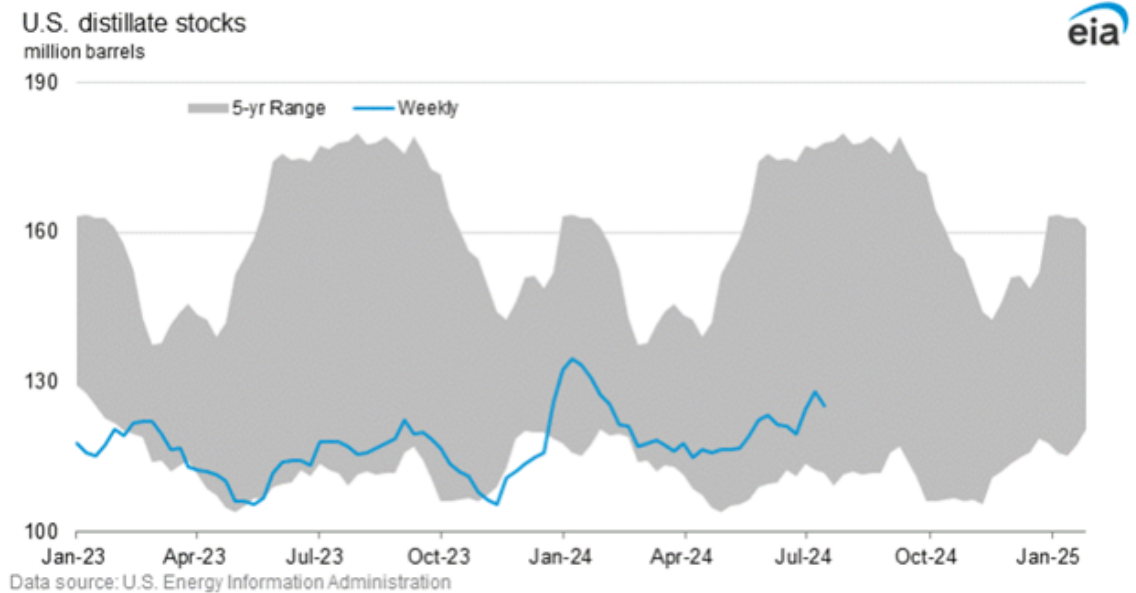
Source: Broadbill Energy Inc.

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Appendix

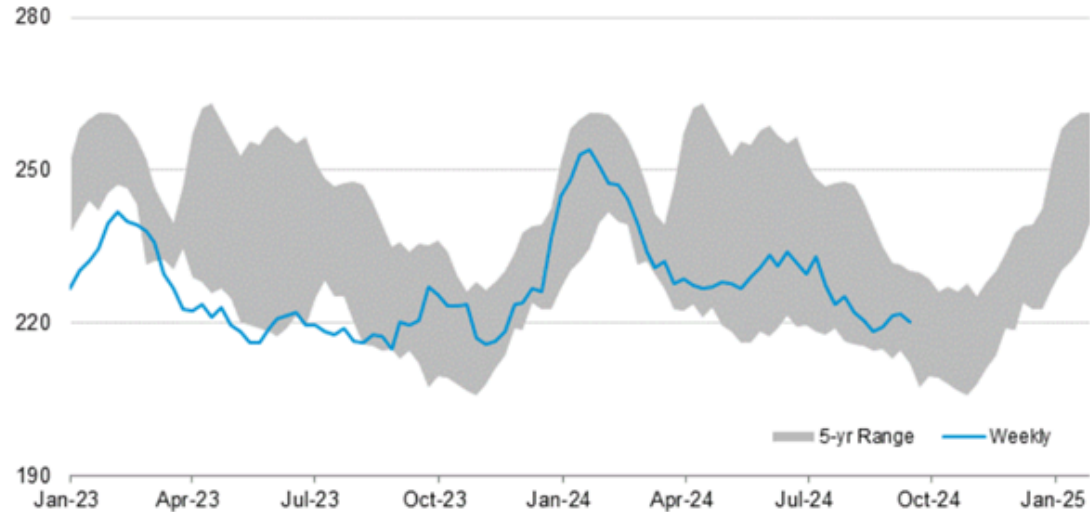


	Stocks 09/06/24	Change from last	
		Week	Year
Crude oil	419.1	0.8 ↑	-1.4 ↓
Gasoline	221.6	2.3 ↑	1.2 ↑
Distillate	125.0	2.3 ↑	2.5 ↑
Propane	96.817	1.128 ↑	-2.296 ↓



Appendix

U.S. gasoline stocks
million barrels

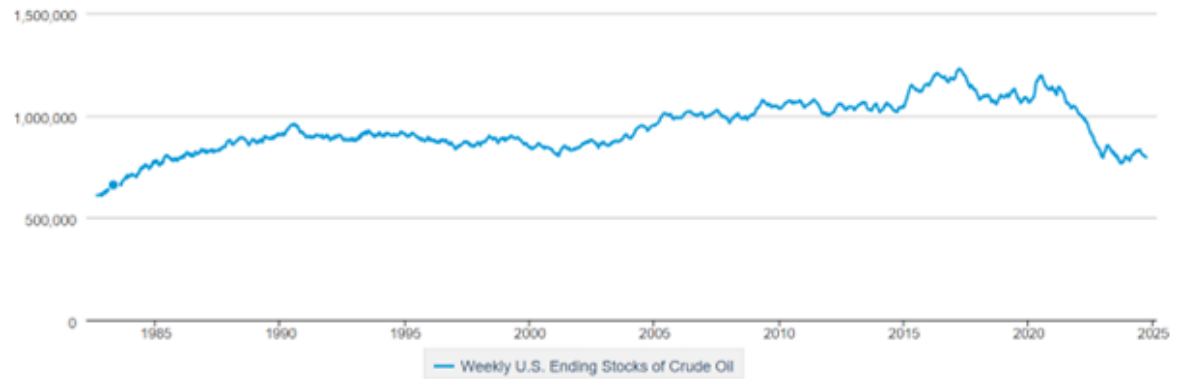


Data source: U.S. Energy Information Administration

Weekly U.S. Ending Stocks of Crude Oil

DOWNLOAD

Thousand Barrels



eia Data source: U.S. Energy Information Administration

DXY chart >

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Full chart

