The Broadcast

NOVEMBER 2024

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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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$22,582,791

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What's New in the Zoo

Hard to believe the year is almost over! Halloween is in the rear view and Christmas season is just around the corner. Hope you are taking some time off to spend time with family and friends. Keep your eyes peeled for the Broadbill Christmas event invite.

We are extremely excited to announce we've acquired two new crude terminals in the western Canadian basin - the Rimbey and Hussar Terminals from Gibson Energy and we are operating the sites as of November 1. We hope these assets continue to provide valuable market egress and service optionality to our valued customers. Please reach out to us if you have any questions regarding these new terminals.

Pricing View - November 1, 2024

	September 2024 Index Diff	October 2024 Index Diff	November 2024 Index Diff	December 2024 (Trade Cycle)
WCS	-$13.51	-$13.71	-$12.01	-$12.40
LIGHT SWEET (MSW)	-$2.70	-$1.86	-$1.86	-$3.05
CONDENSATE (C5)	-$2.90	-$0.30	$0.50	$1.30
LIGHT SOUR BLEND (LSB)	-$5.29	-$3.04	-$3.86	-$5.35
MIDALE (MSM)	-$6.98	-$3.96	-$4.78	-$6.00

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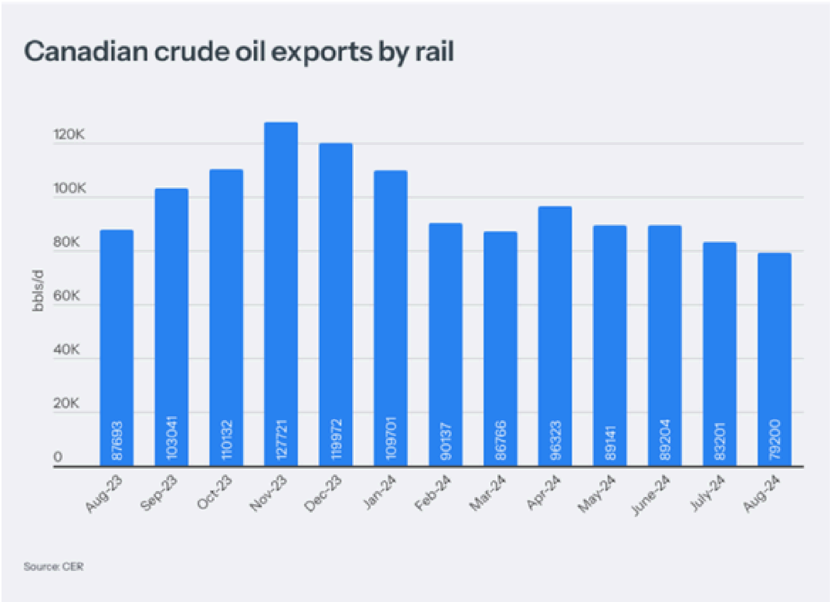
Market Summary

TMX Update
TMX continues to show its value to Canadian differentials as volume flows have remained steady through the month. Since inception, rail export flows have remained relatively flat, though they do appear to be decreasing slightly month over month. Most recent data shows rail exports under 80,000 barrels per day at present, down from approximately 95,000 per day pre TMX.

Recently, PetroChina Canada pulled out from being a committed shipper on TMX after it assigned its contracts to another party. Canadian Natural Resources will take up the additional space. This will boost CNRL’s space on the pipeline by about 75% to roughly 164,000 barrels per day.

U.S. imports of crude from Saudi Arabia hit a near four-year low last week, as TMX sent more crude to the U.S. West Coast. Canadian oil exports to the U.S. went up to 4.3 million barrels per day in July, most of which was driven by U.S. West Coast.



Macro Update
The Russian/Ukraine war is far from over as the Pentagon announced near the end of October that North Korea has sent around 10,000 troops to Russia to train and fight in Ukraine. Some of these North Korean soldiers are believed to be headed towards the Kursk border region, with intelligence reports claiming that some North Korean military units have already set up at Kursk region.

Russia has also recruited Iran's help with supplied drones. The U.S. and South Korea have asked North Korea to withdraw its troops from Russia. South Korea and its allies are claiming that more than 3000 of the above mentioned North Korean soldiers are now deployed close to the frontlines in Ukraine.

This war is shaping up to be a proxy war between the East vs. West. Russia recently hosted the 16th BRICS summit, where Putin continued to push for a sanction free payment system. The expanded BRICS group and other aspiring BRICS member countries are turning against or away from the West to form a new world order where the U.S. is not at the center. BRICS-plus (expanded group including UAE, Egypt, Ethiopia, and Iran) is expected to create new economic ties and perhaps other allies that may a play a role in future escalations of conflicts, though most BRICS member country leaders wouldn't want to be seen as "anti-West" at this time.

China continues to report weak import numbers. September data showed a sixth consecutive monthly decline in refinery processing, which equals to about 1 million barrels per day of oil going to storage. Crude flows to China are also expected to tighten soon due to latest U.S. sanctions on Iran after missile attacks on Israel. Iranian barrels may become less competitive due to a shortage of ships and increasing shipping costs. The sanctions involve sanctioning 23 vessels and 16 entities. Sanctioned vessels make financing harder as banks don't want to touch anything shipped by sanctioned vessels. China is the biggest consumer of Iranian crude. Chinese refiners would have to explore alternatives, likely assisting the bid for TMX sourced volumes per above.

More on China, September was a new record month for Chinese electronic vehicle (EV) sales. Chinese EV sales went up 17% month over month and 42.3% year over year. These include both pure and hybrid EVs. China's stimulus package from last month is helping with the sales. China is currently considering issuing over 10 trillion yuan ($1.4 trillion) in extra debt to boost its lagging economy in the latest stimulus announced over the past month.

OPEC & OPEC+
OPEC finally cut its global oil demand growth forecast for 2024 and 2025 to join the chorus of downdrafts on global demand. The culprits for the downgrade were China and the pace of the world switching to renewable fuels. Diesel consumption having slowed due to economic conditions, as well as slowdowns in building and housing construction. While substitution of LNG for petroleum diesel in heavy-duty trucks has also been seen to be increasing.

Iraqi government officials said that Iraq produced 3.94 million barrels per day in September, which is less than its OPEC+ output quota, as Iraq tries to boost its compliance.

However, a recent Reuters survey found that perhaps the numbers aren't quite as rosy as what is being announced. The survey believes Iraq has pumped 90,000 barrels per day or more than the quota in September.

The government official claimed that production has come in below the quota due to lower exports, reduced domestic consumption, and decline in output. This is a key story to watch as the Saudi's language has certainly become more strained in recent months in deciding how much crude to bring back to market, even threatening serious outcomes if OPEC participants like Iraq continuing cheating the quotas agreed to.

NORTH AMERICA

Hurricane Milton made landfall along the Gulf coast of Florida. There were a few shut-ins ahead of the hurricane, which helped lift both crude and natural gas prices, but these proved short-lived price events.

Phillips 66 is to shut its Los Angeles refinery in Q4 2025. The move comes after Gavin Newsom's hostile regulatory environment prompting the migration of oil investment. Newson signed a rushed bill that would allow the California Energy Commission to mandate refineries to maintain an unspecified amount of gasoline and diesel inventories. The capacity for increased storage doesn't exist, and the state will not pay for its storage mandate and companies are not likely to invest capital in this hostile regulatory environment. Money goes where it's treated best, and California is not where it's treated well.

INFLATION

The U.S. election has been on the forefront on everyone and their grandmother's minds. Recent polls indicate that it'll be a tight race. Regardless of what Jerome Powell and the central bankers say about inflation, most U.S. voters are concerned about the state of the economy and inflation. Harris and Trump have both laid out their plans to tackle economic concerns. Harris pledged to expand the child tax credit for new parents and Trump also made promises about boosting child tax credits, both of which are bandage solutions and I bet young parents would much prefer a decline in food and energy prices (neither of which are part of core CPI).

You give someone free currency today, while keeping the supply of goods and services equal, that currency is going to be worth less next year. Both candidates have proposed various tax cuts. They both have pledged to end taxes on tips. Harris promised not to increase taxes on people below certain tax brackets and increase long-term capital gains tax rate for those earning over a certain amount. While Trump pledged to make permanent the tax cuts he introduced in 2017. He also showed support for eliminating taxes on overtime pay. If you want people to be more productive, don't penalize them for it.

Harris pledged to call on Congress to create a ban on price gouging. In other words, price ceilings or other forms of price manipulation, which will ultimately impact supply and make the problem worse. Trump intends to end "market-distorting" restrictions on oil, natural gas and coal aiming to encourage production and lower energy costs.

He also intends on reducing the federal corporate tax rate to 15% for companies that manufacture products in the U.S. Whereas Harris would rise the corporate tax rate from 21% to 28% to make companies "pay their fair share." In other words, she intends to punish companies for creating products or services that the market wants and consumers will likely pay for this increase through increase in prices.

According to an official U.S. government website, the U.S. government has spent $6.75 trillion in the fiscal year 2024, with $4.92 trillion (72.9%), which has been collected in revenues (taxes and admin fees) and $1.83 trillion (27.1%) is deficit or borrowed fiat currency. Put simply, 27.1% of government spending is being financed by borrowed fiat currency, which the U.S. is the monopoly issuer of that currency. One might ask why collect taxes at all when a monetarily sovereign country (such as US, Canada, UK, Australia, and Japan) can borrow fiat currency that they create?

Modern Monetary Theory (MMT) would argue that governments don't need to rely on taxes for spending, as they can simply create currency into existence with a few keystrokes as they are the monopoly issuer. The problem with this is inflation, which we have seen. Though the U.S. can sustain larger amounts of debt, it is only able to do so due to its status as the world reserve currency, which might not last forever if it were up to BRICS or any number of countries outside the west.

Both candidates in the U.S. election made several promises intended to bring down prices but may have the opposite effect. For instance, Trump wants to impose a baseline levy of 10% on all imports and impose tariffs as high as 60% on imports from China, which will likely be passed down to the consumers. Perhaps his intentions are not about bringing down prices at all, perhaps it's a protectionist move to encourage the "made in U.S." movement. Harris on the other hand wants to raise the minimum wage, as she is banking on nominal confusion to cloud people's judgement. Proponents of raising the minimum wage often see the nominal value of the wage instead of its relative value over time. If minimum wage is increased, the receivers of that wage will only benefit from it in the short term. Over the long term there will be more supply of currency chasing fewer goods and services, which in turn would raise prices. Effectively giving everyone a pay decrease in real terms.

Another inflation related hot topic for the election is the rising cost of housing. Harris pledged to provide first time buyers with down-payment assistance and Trump also has similar ideas about providing support to first-time buyers, which will only increase the cost of housing in the long term, assuming the quantity of houses stay at similar levels. Though Trump has promised to open "limited" quantities of federal land for homebuilding, which in theory should increase supply and stabilize prices. Harris will introduce tax cuts for homebuilders that build properties for "working families," which just sounds like a political gimmick. Only 3% of single-family homes are owned by institutional buyers. She also plans to expand low-income housing tax credits for both non-profit and for profit developers to build affordable rental housing and home tax credits to support construction or rehabilitation of homes in lower-income communities. Low-income housing tax credits and government funds supporting housing projects often lead to slow production of expensive homes. If someone else is paying me in some form to build something and I am not trying to profit from it, what is the incentive for me to be cost effective?

Most of the pledges made by both sides can be summed up to more government debt and borrowing in fiat currency. When the government incurs a budget deficit, they must pay for the deficit by borrowing money by selling treasury bonds and other debt instruments. The proceeds of these sales flow into the economy through spending, increasing the supply of currency, which devalues the currency and creates more price inflation.

Switching gears, the Bank of Canada reduced its rates this month by 50 basis points to 3.75%. The U.S. Federal Reserve is likely to cut its rates again, even though consumer spending and job creation data came in stronger than expected. Most Federal officials have indicated that they are happy with the inflation and unemployment rate. Federal Reserve Bank of San Francisco's Daly said she expects to see rate cuts continue to protect against further weakening labour market. The unemployment rate and official inflation rate certainly does not paint the whole picture however, these are key indicators that central bankers bank on.

WTI

Price

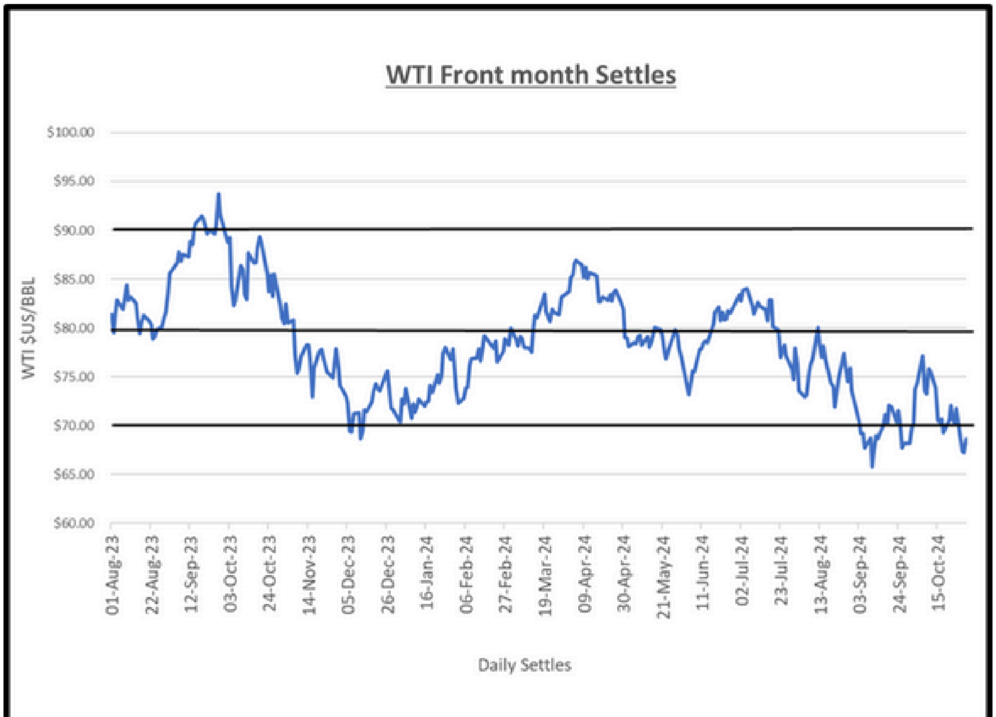
Price action on WTI continues to be volatile with a skew to the downside as overseas military action seems to be the only real upside catalyst given the continued negative economic reporting we see out of Asia. It is likely that the White House is pressuring the Israeli side of the conflict to back off energy infrastructure and do whatever is possible to keep prices (and energy inflation as a result) on the downswing. So far, Israel is complying in their attacks on Iran being focused on military targets.

The market will likely swing heavily on presidential predictions and eventual outcomes in the next week. It may just be me, but the fanfare around the election seems to be more muted than previous elections. Despite the Trump assassination attempts, arguably the last two elections were more exciting than this one. Perhaps we've just grown to accept this as the state of politics in the U.S. Imagine predicting that Donald Trump would have been the President of the U.S.A 10 years ago, let alone potentially winning the big seat twice!

Given the Bank of Canada's aggressive interest rate cut announcements (50 basis points in October with likely 50 more to follow as an early Christmas gift in December), the Canadian dollar is lagging its U.S. counterpart. This results in higher Canadian crude netbacks despite WTIs unwillingness to push back towards $80.

Supply/Demand

-Hurricane season, while active, did not have lasting impacts on energy supply or infrastructure.
-Crude inventory seems to have stabilized and continues to hold at the lows (see EIA supply chart in appendix). Of note the U.S. Government has made consistent efforts to purchase back strategic reserves on the price drops, which should continue to serve as a floor on larger sell offs. Pending government will need to release funds to allow for reserve replenishment to continue.
-Fuel demand continues to show draws on the weekly EIA numbers and both gasoline and diesel remain at the lower end of the 5-year cycle.



Source: Broadbill Energy Inc.

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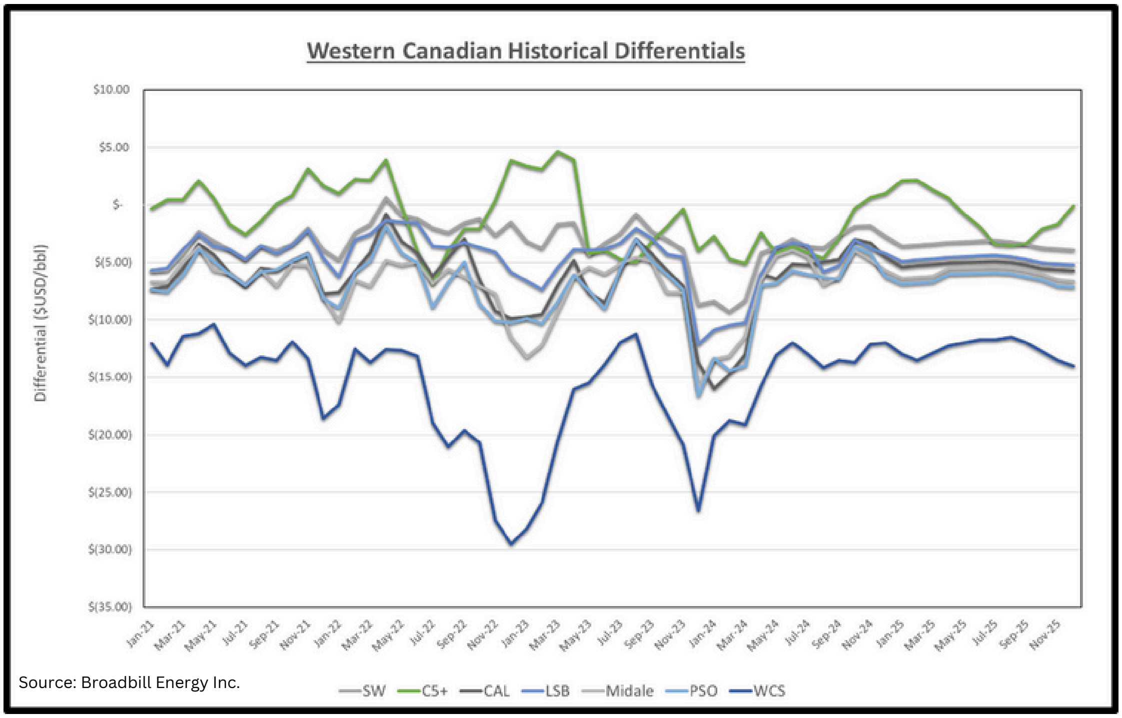
WCSB Pricing Summary

Like October, the November trade window had the same question: would WCS continue bucking the seasonal trend and stay strong? Just like a closer's fastball out of the bullpen, WCS started moving and moving fast. Early trading saw the grade move from -13 briefly into the -10s, finally settling at -12.01 for the cycle. Some of this could be a result of low inventories, lower refinery turnaround season impact this fall, as well as concerns from middle east tensions and volume reliability given escalating tensions. Refiners around the world could potentially value the Canadian barrel a little higher than the alternatives, as they could have more confidence that the barrel will get delivered to their refinery. Quite the change in view that TMX might be the more reliable supply, as many views were presented in the TMX lead up that Vancouver might well be a challenging port to ramp up exports from.

In the light grades, MSW had more of a knuckleball theme and while the spread was tight, it seemed to move around a fair bit throughout the trade window not really gathering momentum in either direction. Never really pressing into the -2s and posting a high trade of -1.50, it bounced around inside those support and resistance prices throughout the window before settling at -1.86 for the cycle.

As TMX continues to move more product to the west coast, we are seeing more U.S. West Coast refiners' pencil in more Canadian lights into their diet. During September waterborne imports increased to nearly 100,000 barrels per day of Canadian light sweet and Synthetic blends to U.S. refiners. Up from 7,000 barrels per day in June. Again, the reliability effect may be a key paradigm, while tensions overseas continue to grow.

To start the December cycle, we are seeing heavies come off slightly from the pre-trade cycle levels and lights are starting the cycle off weaker than the November trade, which is normal given the seasonal drop off on transportation fuel cracks. That said, light differentials printing inside of -6.00 is significantly better than what we have seen in prior winter trade cycles, showing that the bid is strong to fill outgoing available pipeline capacity.



Source: Broadbill Energy Inc.

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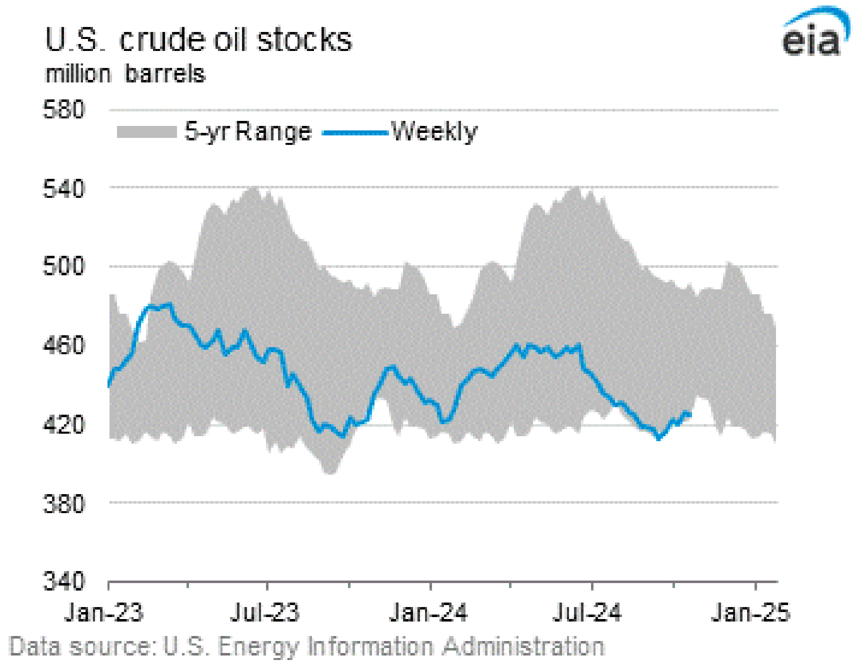
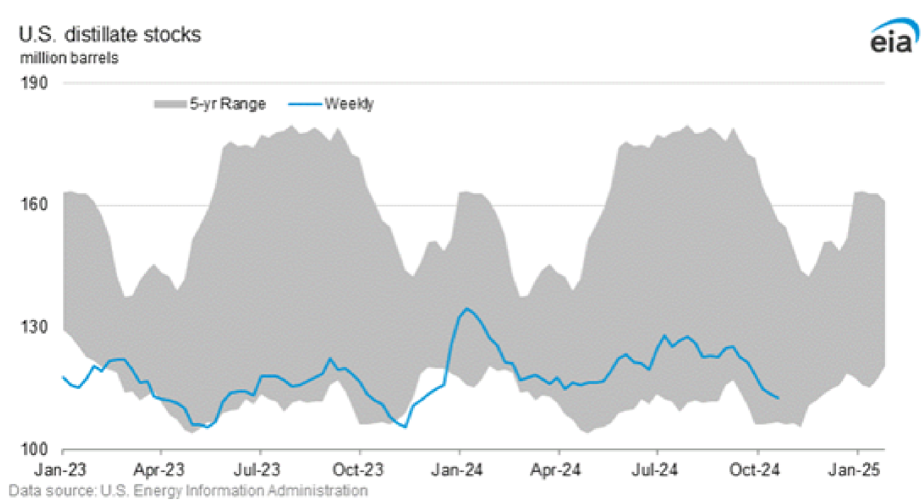
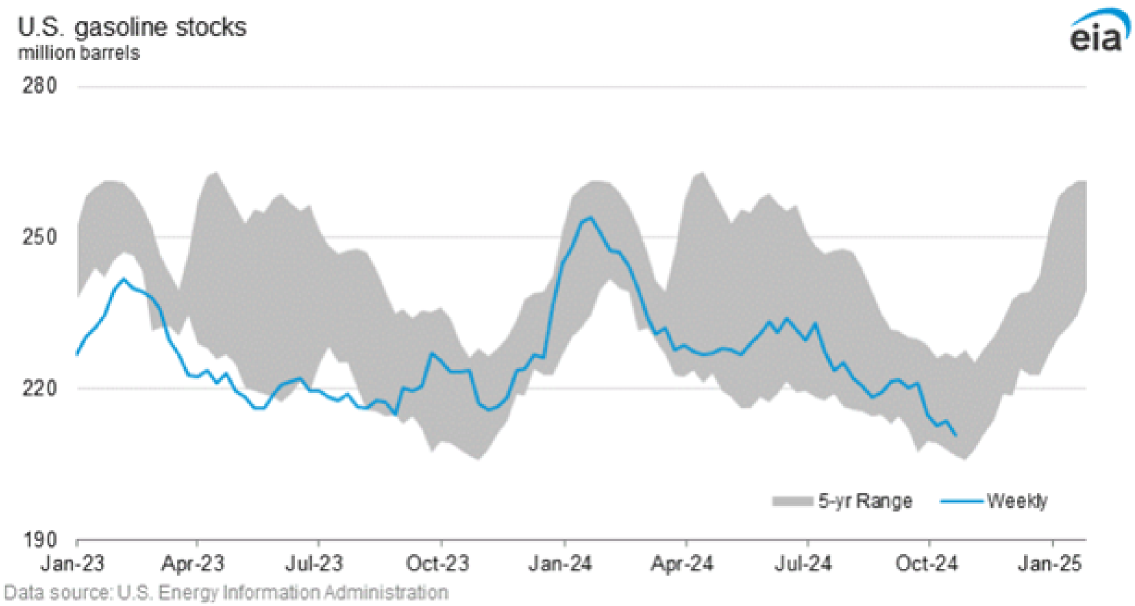
Appendix

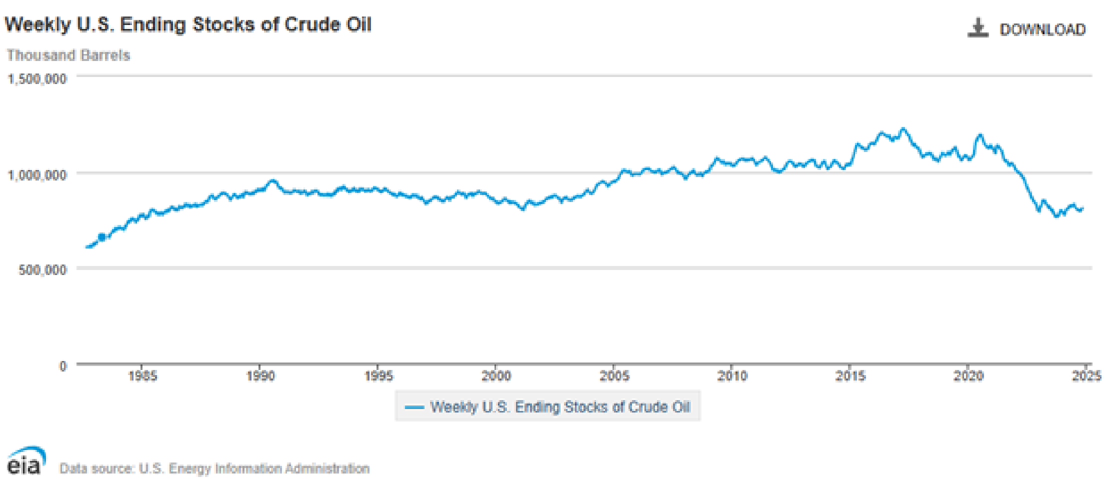


	Stocks	Change from last	
	10/25/24	Week	Year
Crude oil	425.5	-0.5	3.6
Gasoline	210.9	-2.7	-12.7
Distillate	112.9	-1.0	1.6
Propane	101.530	-0.237	0.331



Appendix


U.S. gasoline stocks
million barrels
280
250
220
190
5-yr Range
Weekly
Jan-23
Apr-23
Jul-23
Oct-23
Jan-24
Apr-24
Jul-24
Oct-24
Jan-25
Data source: U.S. Energy Information Administration


Weekly U.S. Ending Stocks of Crude Oil
DOWNLOAD
Thousand Barrels
1,500,000
1,000,000
500,000
0
1985
1990
1995
2000
2005
2010
2015
2020
2025
Weekly U.S. Ending Stocks of Crude Oil
Data source: U.S. Energy Information Administration


DXY chart›
Full chart
TradingView