The Broadcast

DECEMBER 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.

PRODUCER PROFIT SHARE

$23,287,843

VISIT US ONLINE

What's New in the Zoo

Merry Christmas season is here! We hope you all have a festive and relaxing time with family and friends over the holidays. If you have the time, we would love to see you tonight at our annual Christmas drop in at the Bear and Kilt on Stephen Avenue. Christmas cheer and snacks start at 3:00pm.

Broadbill Energy would like to wish everyone a relaxing and joyous Christmas holiday and as always thank you for the friendships, business, and support. See you all in 2025!

TMX is Comin' Around
https://www.youtube.com/watch?v=R8CBoVc_OMI&list=RDR8CBoVc_OMI&start_radio=1

You better pump out, you better refine,
You better lay pipe, routes on the line—
TMX is comin' around.

It's crossing the land, it's bringing the flow,
From oil sands to the ports it will go—
TMX is comin' around.

It fuels growth and spending,
It's built to meet the need,
But some folks raise their voices—
For climate change to heed!...ohhhh (brother).

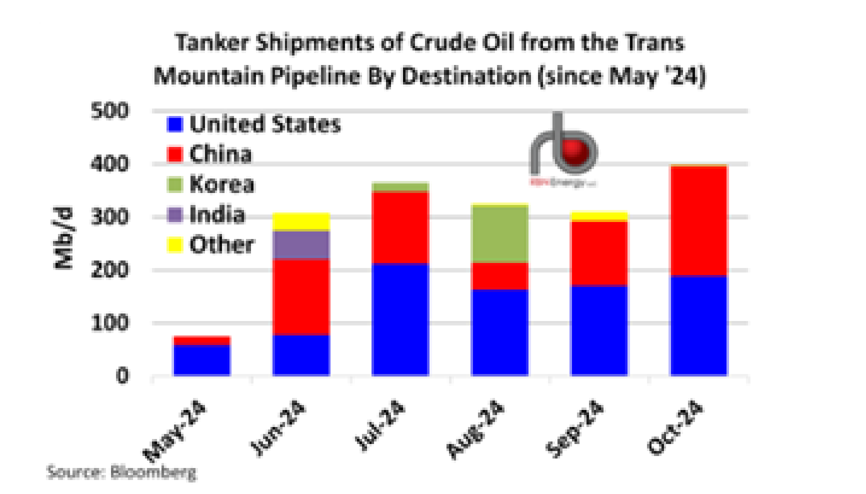
New cargoes will sail, bound for the East,
Supplying demand where consumption's increased—
TMX is comin' around.

Musical Interlude

We'll hope that it was bigger,
we'll hope that it's got strength,
we'll hope that it never slows the flow,
or we'll be hooped for goodness sakes!

So, you better not shout,
you better not cry,
better not pout when OPEC+ tells lies,
cause TMX is the only new pipe in town (that's not charging 25% tariffs).

Trumps Tariffs can rise,
and markets may sway,
But WCS is still movin' in a positive way—
TMX is comin' – you know the big fat pipe that we all own – is comin' around.



Pricing View - December 4, 2024

	October 2024 Index Diff	November 2024 Index Diff	December 2024 Index Diff	January 2025 Trade Cycle
WCS	-$13.71	-$12.01	-$11.95	-$12.25
LIGHT SWEET (MSW)	-$1.86	-$1.86	-$3.54	-$4.70
CONDENSATE (C5)	-$0.30	$0.50	$0.97	-$0.25
LIGHT SOUR BLEND (LSB)	-$3.04	-$3.86	-$5.41	-$5.50
MIDALE (MSM)	-$3.96	-$4.78	-$6.02	-$6.30

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TMX Update
TMX sale is rumored to be pushed into election year, as toll rate issues remain unresolved. The biggest contender (that we know of) to purchase the pipeline is Western Indigenous Pipeline Group (WIPG), which has a 50-50 joint venture with Pembina Pipeline. The joint venture is called Chinook Pathways. The group has said that it doesn’t expect any decisions on the sale until the issue of toll is resolved. Without the final tolls, it’s hard for the buyer to predict cash flow and profitability of the asset.

Currently, the majority of the TMX flow is going into the U.S., which doesn’t resolve the issue of a lack of diversification of customers for Canadian oil. Though some Asian countries are utilizing or experimenting with TMX, its biggest consumer is still the U.S. With Trump back in, perhaps Keystone XL will come back into play.

Macro Update

He's baaaaack!! Donald Trump is President Donald Trump once more as the 47th U.S. President! And not only is he back in the big chair, but he also sits in the big chair with command of the Senate and the House. Things are about to get a little more interesting for our neighbors down south.

China set out four "red lines" for the U.S. to not cross in future negotiations in the final meeting between Biden and Xi. Trump will likely test these "red lines" over the next four years. However, by setting out these red lines before new admin takes office, China is creating a favorable situation for itself. If Biden agrees to not breach China's red lines and Trump breaches these lines when he takes office, Washington looks like its breakings its agreement, which plays in the U.S. bullying the east narrative that China is peddling. On the other hand, if Biden doesn't agree to anything or Trump plays within these "red lines," then Washington is in a weaker position to negotiate.

The red lines first require the U.S. to stop attempting to undermine CCP's control by advocating for regime change. Second, the U.S. must acknowledge China's system of government as legitimate and stop U.S. efforts to promote democracy or other human rights such as ethnic or religious minorities. Third, the U.S. must avoid impeding China's future economic growth through trade sanctions and other tools. This "red line" is probably going to be breached by Trump right away. Lastly, China wants the U.S. to cease efforts to promote Taiwanese independence. In exchange, an agreement of some sort was reached to prohibit AI from being used in the deployment of nuclear weapons. Xi then flew to the G20 summit to reiterate the same message to Britain and Australia.

Switching gears, The Biden administration set out plans for the U.S. to triple nuclear power capacity by 2050. This is to be achieved through the construction of new reactors, plant restarts, and upgrades to existing facilities. The news came while uranium prices jumped after Russia imposed temporary restrictions on the export of enriched uranium to the U.S. Russia is the world's largest supplier of enriched uranium and its move to restrict exports came after the U.S. banned Russian uranium imports, except for companies authorized by the export control watchdog. The Biden administration continues to fuel price inflation on its way out.

Speaking of nuclear, Germany has decided to take a U-turn on its nuclear policy. Germany's conservatives' parties have described the country's 2023 nuclear shutdown "ideologically wrong" and are promoting a study into feasibility of reactivation of idled nuclear plants. This comes as German power jumps to its highest in a year.

Perhaps, the UK should take notes from Germany's failed policies, as UK power prices have increased to the highest level in almost a year like Germany. The UK is importing power from Europe at record levels. France's nuclear power is the top source of imports, as wind generation in the UK remains low. Maybe, the UK should reconsider decommissioning half of its nuclear capacity by 2025.

While the UK works in a hurry to shoot itself in the foot, other parts of the world are trying out a more measured approach to the energy transition. The world's third largest importer and consumer of oil is expected to use fossil fuels until at least 2040. While Venezuela's oil export rose to a four-year high in October driven by more sales to India and the U.S.

OPEC & OPEC+

OPEC has cut demand growth projections yet again for 2024 and 2025 for a fourth month in a row. This is mostly due China's consumption being lowered from 580,000 b/d to 450,000 b/d. China's weak demand has led to Saudi crude supply to China to drop to about 36.5 million barrels in December. This drop in demand was around the same time that Aramco cut the official selling price of the crude it sells to Asia. The drop in demand is consistent with China refinery run declines that was posted for the seventh month in a row, which was seemingly due to maintenance shutdowns, bankruptcies at three refineries, and lower refinery runs at independent refiners due to weak factory activity in China.

OPEC+ has delayed its December meeting and it is considering postponing its output hike set to start in January 2025. The meeting will be held on December 5th instead of the 1st. Other issues needing to be addressed is UAE's output hike agreed to in June. The world has plenty of spare crude capacity right now and despite oil demand being at its highest ever, this spare capacity is keeping a lid on WTI, which likely forces OPEC+ to keep a lid on returning production at this time.

NORTH AMERICA

The U.S. Department of Energy (DOE) finalized SPR replenishments, buying 2.4 million barrels of sour crude from Macquarie and Energy Transfer to be delivered in April to May 2024. Earlier in the month, pipelines from Permian to Corpus Christie and Permian to Houston were almost at full capacity, widening spreads. This was mainly due to record production at the Permian and export growth of sweet crude. The export demand was fueled by shortfall of sweet crude in Libya. Unrest interrupted Libyan supply in September.

In other Gulf coast related news, 17 Gulf oil platforms were evacuated earlier in the month due to threat of Hurricane Rafael. Oil companies evacuated personnel ahead of the hurricane passing the Gulf of Mexico. The hurricane struck Cuba.

Trump's transition team has prepared executive orders and proclamations to withdraw from the Paris climate agreement. Perhaps, its neighbor to the north should take notes. Anyhow, Trump is also expected to end the pause in permitting new LNG exports to Asia and Europe, as well as revoke waivers allowing the Socialist Republic of California to have tighter pollution standards.

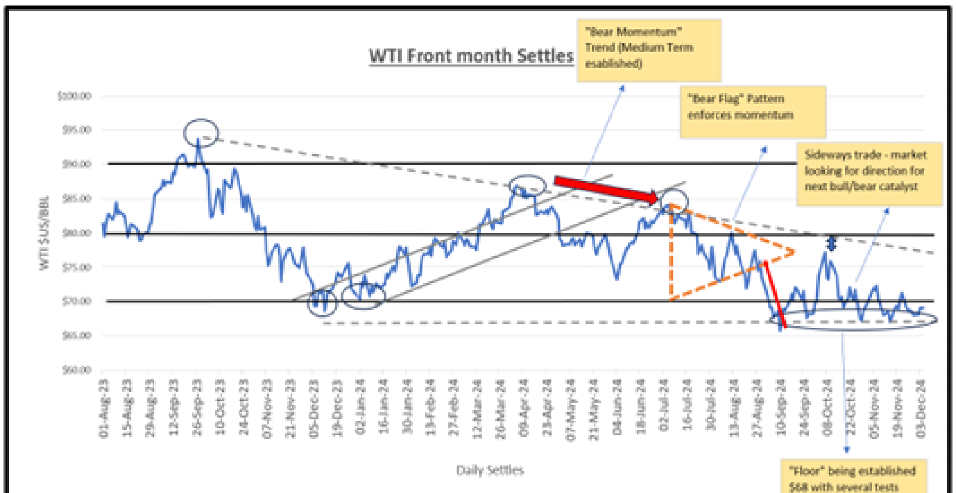
Speaking of Trump, he is also rumored to end Iraq's sanction waivers for importing Iranian gas and power, which would greatly impact Iraq's ability to generate power. The Trump administration is likely to use sanctions to pressure Iraq to remove itself from Iranian influence. It's likely Trump won't stop at Iraq on sanction renewal and more importantly observance and implementation of them. Lots of rhetoric since the election on stiff sanctions on Iran, China, and essentially any nation not aligned with "making America great again."

The Canadian government released draft regulations that would cap emissions from greenhouse gasses from the oil and gas sector by 35% below 2019 levels by 2030. The industry argues that this would force production cuts. This is the very reason that BlackRock, State Street, and Vanguard are being sued by 11 states, led by Texas, for breaking antitrust laws by reducing coal production and boosting electricity prices. The three institutional investors are being accused of conspiring to artificially constrict the market for coal, pressuring coal companies to cut output to reduce carbon emissions from coal by more than 50% by the magic numbered year 2030, ultimately driving up costs to consumers. Similarly, the Canadian government is seeking to force oil and gas companies to cut production to reduce emissions by 2030, which would increase costs for the consumers.

INFLATION

U.S. Feds cut interest rates in November, noting that the job market has "generally eased." I would argue that the unemployment rate is highly manipulated and displays a faulty outlook on the health of the labour market, Powell doesn't agree. Furthermore, the Feds have hinted that further rate cuts are coming in the new year as new data points emerge. There's no doubt the U.S. economy seems to be on better footing than most, and because of Trump coming into power its possible some austerity creeps into the Fed, meaning higher rates for longer.

Here at home, the Bank of Canada will announce its final key lending rate announcement of 2024 next week. The market expects at least a 25 basis point reduction, however, 50 basis points cut is in not out of the question. As with all central banks, the Bank of Canada too is a Phillips curve worshiper, so it'll look at the at labour market data coming over the next few days to come to its decision. The reality is that other than energy and real estate, the economy is in a harder landing situation and as a result we continue to observe currency weakening relative to the USD.



Source: Broadbill Energy Inc.

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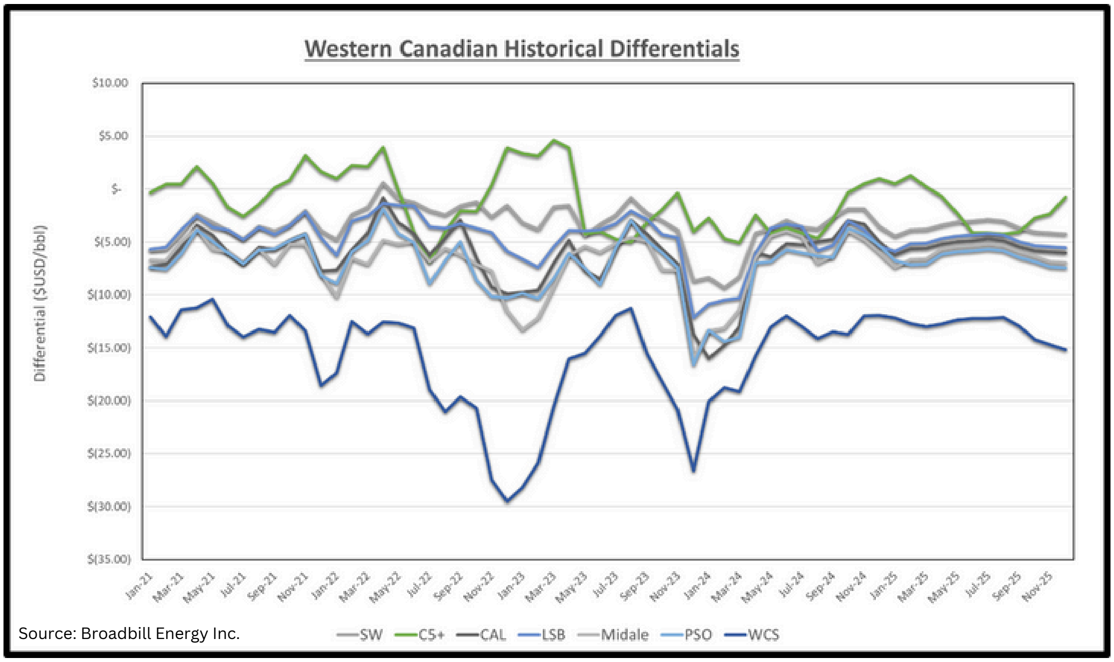
WCSB Pricing Summary

TMX continues to be the best stocking stuffer for producing heavy oil in the WCSB. While volatility persists in differentials in general, the December trade cycle has firmed WCS in tight double digits settling in for a -$11.95 mark for December. The forward curve on heavy also shows strength and resiliency so for now, if TMX performs, it appears poised to remain strong.

Like the previous months, global refiners could value the Canadian barrel a little higher than the global alternatives. Asian end users could be showing more confidence to TMX and the reliability it provides to the global market with uncertainty in other parts of the world when conflict arises. Other factors that are likely to have an impact on trading for the month could be supply concerns coming from USGC production, as hurricane Rafael caused output to slow down. BP Whiting also restarted in late November, which would allow them to increase demand for the heavy barrel and potentially sell lights and buy heavies post turnaround.

Light grades were volatile as well through the trade window, but unfortunately finished in the figgy pudding. Sweets first transaction came in at -$3.00 before gaining small momentum to -$2.75. However, as the cycle continued, we saw buyers disappear and it traded all the way back to -$4.65. Sweet settled at -$3.54 for the month, $1.68 below the November mark of -$1.86. We also saw Syncrude fall during this time, beginning the month at $0.25 cents, and falling all the way to -$1.50. One reason behind the lights falling off is the warmer than regular weather we have had so far this fall, allowing for Synthetic production to stay high. End users could see more value in this heavy barrel as turnaround times at refineries are minimal this year so they could use this as an opportunity to push as much heavy through their facility as possible. Weak refining margins are another factor to consider for the lights price pullback.

Lots of discussion swirling regarding U.S. Tariffs on all things Canada, in this case oil and gas exports. The prevailing view seems to be that Trump will relax these Tariffs on Canadian energy being so dependent on it. We continue to dig in and digest the news. Time will tell but one thing is for certain, Trump has one term, he’ll exit the White House 82 years young and with control of Senate and House it’s a wait and see situation but we’d bet he won’t be advocating (or is it Elon Musk pulling the strings now?) for anything other than the U.S. coming out ahead on these policies and negotiations.



The Broadbill Energy Team

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www.broadbillenergy.com

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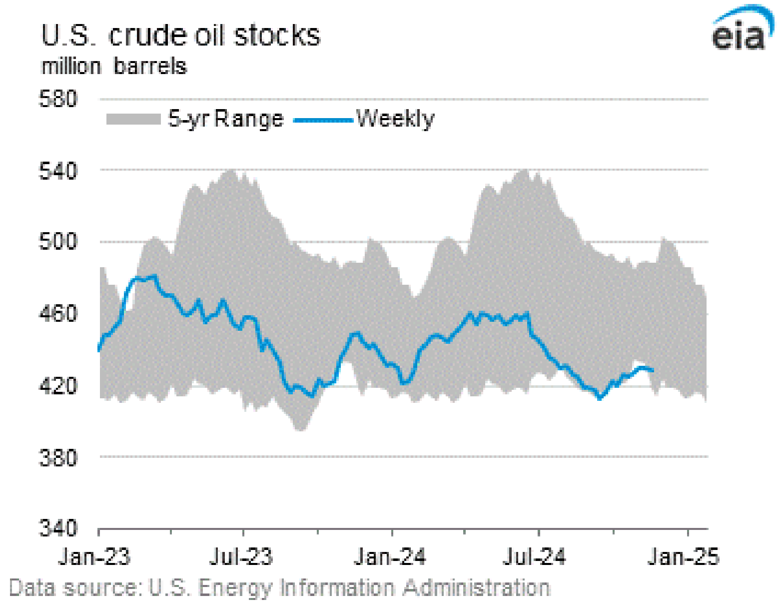
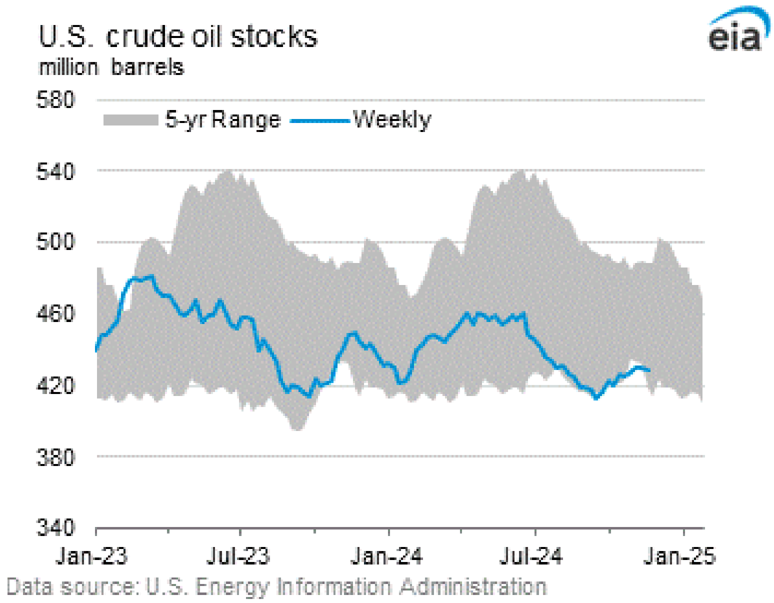
Appendix



	Stocks	Change from last	
	11/22/24	Week	Year
Crude oil	428.4	-1.8 ↓	-21.2 ↓
Gasoline	212.2	3.3 ↑	-5.9 ↓
Distillate	114.7	0.4 ↑	3.9 ↑
Propane	96.694	-1.011 ↓	-2.044 ↓



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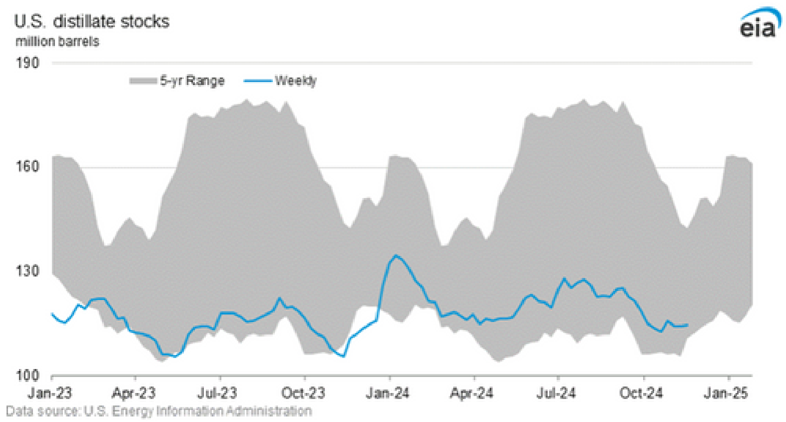
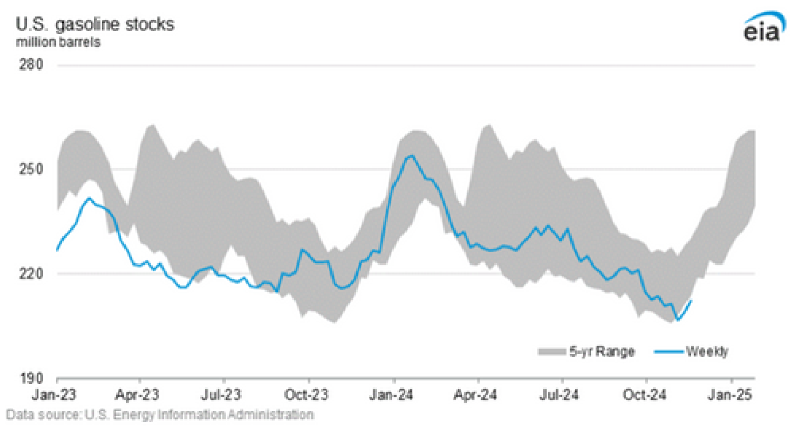
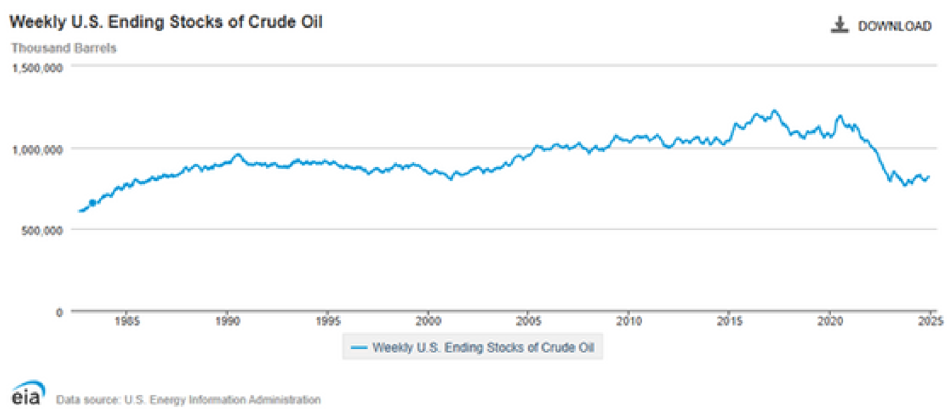
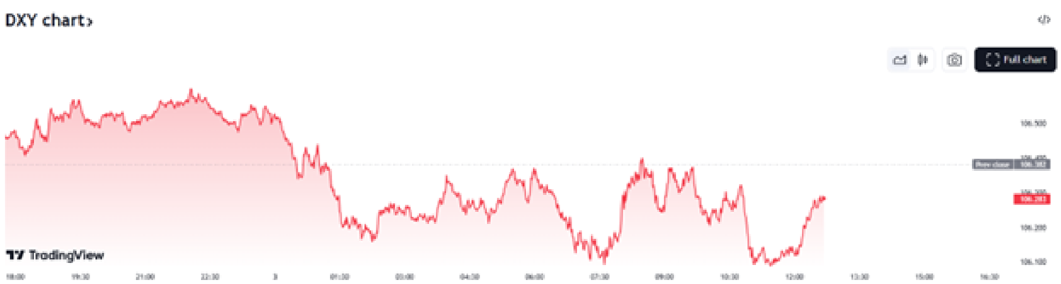

U.S. distillate stocks
million barrels
eia
190
160
130
100
5-yr Range
Weekly
Jan-23
Apr-23
Jul-23
Oct-23
Jan-24
Apr-24
Jul-24
Oct-24
Jan-25
Data source: U.S. Energy Information Administration


U.S. gasoline stocks
million barrels
eia
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
eia
Data source: U.S. Energy Information Administration


DXY chart ›
Full chart
TradingView