The Broadcast

JANUARY 2025

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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

$23,942,646

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What's New in the Zoo

Hope you had a great Christmas and New Year! 2024 was a big year for us, we were fortunate enough to acquire Plato Pipeline, Rimbey, and Hussar terminals as we continue our goal of providing diversified market access to the customers we serve. We also managed to squeeze in a couple of new producer optimization sites in between the terminal acquisitions and like a pair of pants after Christmas, we are barely fitting into our office space with recent staffing additions across the organization. As we look ahead to the new year, we aim to optimize our core business, while looking for new opportunities for existing and new customers.

We are very grateful for the continued support of our producers and look forward to working with you in 2025.

Pricing View - January 7, 2025

	SNovember 2024 Index Diff	December 2024 Index Diff	January 2025 Index Diff	February 2025 Estimated 2025 Index Diff
WCS	-$12.01	-$11.95	-$12.27	-$12.16
LIGHT SWEET (MSW)	-$1.86	-$3.54	-$4.74	-$5.12
CONDENSATE (C5)	$0.50	$0.97	-$0.33	$1.15
LIGHT SOUR BLEND (LSB)	-$3.86	-$5.41	-$5.24	-$5.11
MIDALE (MSM)	-$4.78	-$6.02	-$6.20	-$5.90

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Market Summary

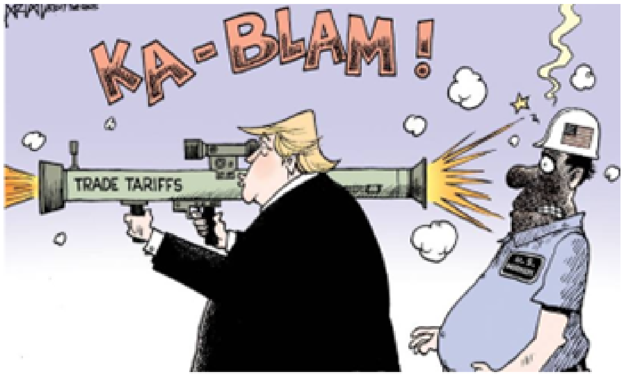
TMX Update

2024 was also a busy year for the Canadian export and market development. While the U.S. is the primary customer for Canadian crude, TMX has certainly expanded the Canadian customer base. Heavy exports to China from Westridge have been picking up through 2024 due to security of supply given global tensions in the middle east and Ukraine. Exports are also increasing from Westridge to Brunei, Ecuador, and South Korea. Canada is nowhere close to ending its reliance on the U.S. but given the continued banter and fanfare from President Elect Donald Trump, this could not have come at a better time. Additionally, the story of TMX has so far operated better than expected, as much of the pipeline risks have not materialized. Granted, the pipeline is still not operating at full capacity and perhaps this is a good thing for market balance and price competitiveness.

Macro Update

Tariffs, tariffs, tariffs. By now, everyone and their mothers in Canada are talking about Trump tariffs. However, some countries have it worse. Trump is threatening a 100% tariff on BRICS if members choose to create a new currency alternative to the dollar. You may remember from previous Broadcasts, that BRICS is working on a blockchain based payment system known as BRICS Bridge multisided payment platform, which would connect member states’ financial systems using payment gateways for settlements in central bank digital currencies instead of relying on the dollar dominated SWIFT. Most BRICS members do not want to be seen as “anti-west” however, they want to be less dependent on the U.S. dollar.

Trump wants a commitment from BRICS member countries that they will not create a new BRICS currency, nor back any other currency to replace the USD. Some members are already moving away from the dollar. China has already been using the Chinese yuan to trade Iranian crude and Brazil's president proposed creating a common currency in South America to reduce dependance on the U.S. dollar. BRICs members control close to 40% of central bank reserves globally and represent about 25% of global oil demand. While the U.S. dollar is about 88% of all trades in foreign exchange market and its share in the global foreign exchange reserves have been below 60% of late.



The 100% tariff scenario is highly unlikely, and it would create as much grief for the U.S. consumer as it would for BRICS, if not more. Some members of BRICS have already taken steps that would suggest they aren't willing to roll over so easily. For instance, in response to Washington's crackdown on China's chip sector, China responded by banning exports of critical minerals such as gallium, germanium, and antimony to the U.S. Gallium and germanium are used in semiconductors and germanium is also used for infrared technology, fibre optic cables, and solar cells. Antimony is used in bullets and other weaponry. Graphite is the largest component by volumes of electric vehicle batteries. China and other BRICS members may not be as weak adversaries as the Trudeau government. Though Trump may not be successful in getting some sort of commitment or appearance of commitment from BRICS, he might be successful in creating some internal friction within BRICS, as not all members have the same anti-U.S. agenda as Russia.

Speaking of Russia, the EU agreed to the 15th package of sanctions on Russia over its war with Ukraine. These sanctions would target shadow tanker fleet and Chinese firms making drones for Russia, this includes about 30 entities, over 50 individuals and 45 tankers. Currently, 2,200 individuals and entities are on the sanctions list being banned for travel and their assets have been frozen within EU member countries, as EU aims to block supporters of Russia, or anyone affiliated with Russia.

Bearish sentiments in China prevailed for much of 2024. Chinese Refiner Sinopec believes that China's petroleum consumption will peak by 2027, most of which will be driven by the petrochemicals sector, while diesel and gasoline demand is expected to weaken. The forecasts have been helped by Trump policy fears and is based on uncertainly related to Trump tariffs and sanctions on Iran. The latest round of U.S. sanctions on Iran and unwillingness of shipowners to do ship-to-ship (transfer from one seafaring vessel to another while at sea) transfers in East Asia are decreasing crude volumes available to Chinese refiners, likely also supporting the TMX narrative for volume certainty. Perhaps 2025 will be a better year for Chinese demand, as the government continues to show support for economic growth and doubling down on support for these initiatives. The Saudi's have taken note by increasing Asian pricing for the first time in three months.

OPEC & OPEC+

OPEC revised its 2024 and 2025 forecasts yet again. It is seeing 2025 at 1.45 million b/d. The bearish sentiments are coming from a downgrade in consumption growth across the Middle East and thus far support measures that do not seem to be enough to maintain growth in China. OPEC+ producers who are reducing output by 2.2 million b/d have decided to delay the gradual easing of cuts to April 2025. While the collective group has decided to extend cuts by one year till the end of 2026.

Saudi Minister Abdulaziz said that they “believe that the market next year would be better than what is being projected.” The primary reason for deferring production increases again, according to the Minister is that the first quarter of any year is a weak consumption period, and the deferral would also give them more time to see progress or lack of on China’s growth, Europe’s growth, U.S. policy, interest rates and inflation in key markets.

China’s November crude oil imports hit a 14-month high, however most of this volume is likely to end up in storage, which doesn’t sound promising for Chinese demand (a key market that OPEC is keeping an eye on). The imports were more likely driven by Saudi Aramco’s OSP (official selling price) being at 4-year low. Chinese refiners increased nominations by 25% in January, compared to December to take advantage of low OSPs.

In other OPEC members related news, Qatar has announced that it will stop shipping gas to the EU if it strictly enforces its new law to check supply chains for using forced labour and environmental harm. Qatar is the third largest exporter of LNG after the U.S. and Australia. Penalties under EU law could include fines of up to 5% of global turnover. Qatar made it clear that if it loses 5% of its revenue by going to Europe, it will not go to Europe.

NORTH AMERICA

We cannot let the U.S. have all the fun. The Canadian political scene has been anything but dull and it appears the Liberal Party is playing a game of “last one out is in fact the rotten egg”. Apparently Prime Minister Trudeau was on the naughty list (we knew it!!) and announcing his intent to resign from his post as soon as a suitable replacement takes his place in the guillotine. Chrystia Freeland resigned as Finance Minister and deputy PM prior to opening her lump of coal over the holidays. This news came out when Housing Minister Sean Fraser was simultaneously announcing his resignation. The following week, Dominic LeBlanc was sworn in as Freeland’s replacement. Let the bet’s begin on who the replacement will be. There are rumors circulating that Freeland is gunning for Trudeau’s position in the party and may have support. Former Governor of the Bank of Canada Mark Carney seems to be raising a hand, but it’s likely a case of rearranging chairs on the deck of the titanic at this point. Can’t wait for the election to be called.

Great timing. While Trudeau’s resignation speech was literally blowing away (https://www.youtube.com/watch?v=0VXr4fOL0Bs) Donald Trump continues to pile on his 25% tariff rhetoric. Currently, 75% of Canada’s total exports go to the U.S. As it stands, these tariffs would be applied to all forms of Canadian Energy, which would ultimately increase prices for various products for U.S. consumers. The U.S. Midwest is expected to be hit hardest by higher prices at the pump resulting from the tariffs. Some Canadian premiers urged Ottawa to respond robustly to the threat of tariffs. Doug Ford even suggested cutting off energy supplies.

Canada promised to set up new security measures along its U.S. border, which includes strengthened surveillance and a joint “strike force” to secure the border against the flow of illegal drugs and illegal migration. The federal government is to devote $1.3 billion to these measures to target transnational organized crimes and hopefully, to avoid the 25% tariff.

Speaking of Trump tariffs, Trump intends on rolling back Biden’s electric vehicle (EV) support (vehicles and charging stations) and impose tariffs on battery materials. Just as the U.S. Environmental Protection Agency approved California’s aggressive plan to ban gasoline-only vehicles by 2035. Under Trump’s plan, the funds from EV support will instead be redirected to national defense. China’s EV industry is heavily subsidized and continues to grow however, the tariffs won’t necessarily be just aimed at China. The transition team recommends imposing the tariffs on all battery material globally and negotiating exemptions with allies. We are seeing this play out in Canada as per above, Trump is getting his border security and Canada is paying for it. Just like he promised. It is unclear if Trump is going to drop the 25% tariff in exchange for the border security. You would assume that the Liberal government would have gotten something confirming the tariffs will not be imposed before giving Trump exactly what he wants, but that’s doubtful with this government’s current leadership. However, Trump’s border security ask will also benefit Canada and gives Canada the push it needs to clean up its illegal drugs and organized crime problem.

The tariff threats go beyond Canada, Mexico, and China. Trump said Europe could also face tariffs if the EU doesn’t reduce its trade deficit with the U.S. or increase its U.S. oil and gas imports. Though extra volumes are currently unavailable to export from the U.S., Trump has pledged to grow U.S. oil and gas production under the well-known, but lesser defined “Drill Baby Drill” mandate.

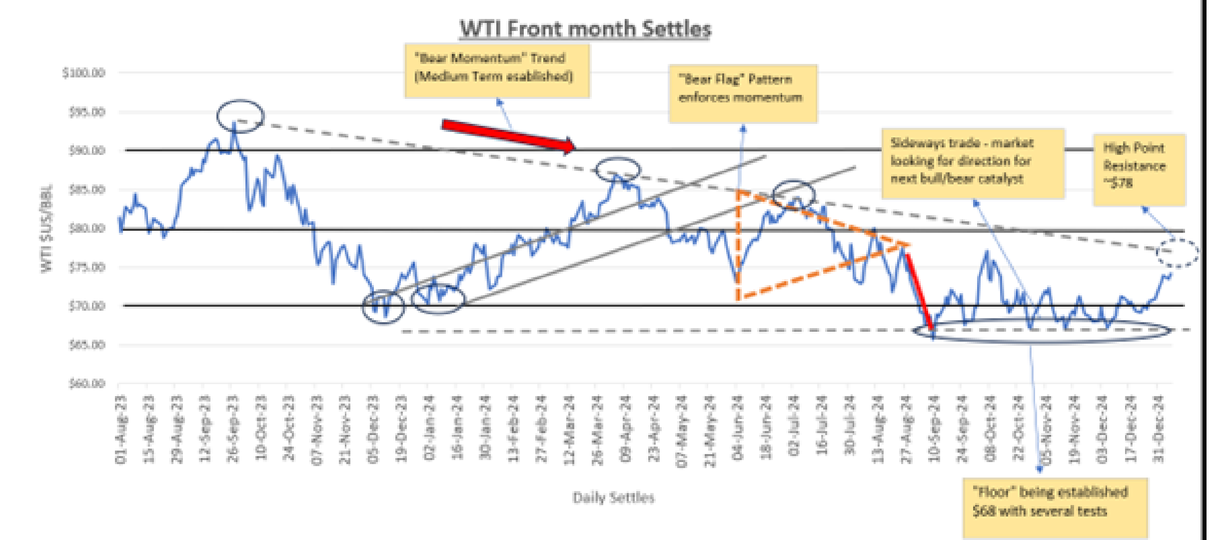
INFLATION

The Loonie struggles continue against the U.S. dollar as the expectation continues that Canada’s interest rate cuts will continue to outpace the U.S. given the overall sluggishness of Trudeau’s economic plans and policies that continue to set the pace. Federal Reserve Chair Powell suggested that he expects to reduce rates more slowly next year than previously expected. The Feds forecasted that they’ll only cut rates twice in 2025, lower than their September forecast of four rate cuts in 2025. The markets certainly didn’t like this projection, as pretty much everything was down on December 18th when the Feds suggested a slowdown in rate cuts. Everyone wants cheap money for longer, as higher rates erode profits.

The U.S. dollar continues to outperform other currencies, although the Canadian dollar is being hit by several factors such as declining oil prices, Trump threats of 25% tariff and of course, high household debt. More debt equals more money supply floating through the economy and chasing fewer goods and services, leading to inflation or in other words, devaluation of the currency. Bank of Canada cut its rate by a half point to 3.25%, mainly due to lagging economic data. The market expects the Bank of Canada to cut rates into 2025, though some would argue that the pace of rate cuts will likely depend on the U.S. Feds. However, the latest Canadian job report numbers came in weak, which would support further rate cuts and perhaps more aggressive cuts.

WTI

Happy New Year!!! The technicals have broken out their version of Auld Land Syne and things are looking promising to start the new year, especially considering Trump uncertainties as discussed throughout. We are seeing upwards momentum likely to October highs of $78 US/bbl and plenty of blue sky above $80. Before we get too excited and start popping next new year's champagne, the real story in Canadian netbacks is given the strength of the USD we are netting back over $100 CAD/bbl for light sweet and heavies are not far behind. Cash flows look to be solid heading into what could be a great year for the basin, should the conservatives find a path to majority government, which would almost certainly create positive investment sentiment across the basin. Christmas wishes actually do come true!



Source: Broadbill Energy Inc.

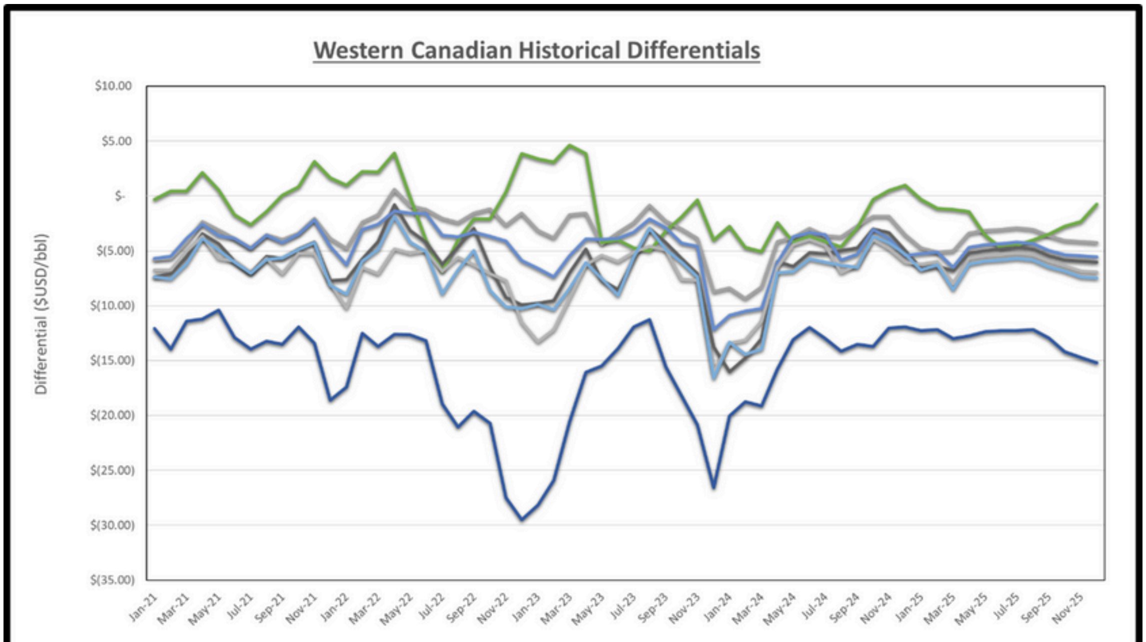
JANUARY 2025

WCSB Pricing Summary

With the first trade window of 2025 in the books, it was made clear the heavy barrel did not have any "new year, new me" resolutions, as strong heavy differentials carried into the new calendar year. Jan WCS ended up settling -$12.27, falling just .32 cents from Dec's -$11.95 mark. Like previous months TMX continues to be a main driver of tight Canadian heavy differentials. Even with Saudi Arabia reducing Jan prices to Asian buyers (lowest since Jan 2021), Asian refiners continued to provide a strong bid at Westridge for the Canadian barrel and have increased imports of it. While Middle east tensions continue to be a theme, while the concern of the reliability of the barrel could be a topic of discussion as they could still view the Canadian product as much more reliable. Refineries also having minimal to no planned maintenance is giving them an opportunity to push as much product through as possible.

We did see some movement on the light side of the market as Edmonton sweet opened the window at -$4.35, before falling below -$5.00 in the first few days of trading. This can be a side effect from actions of the ND market as we saw UHC, the Bakken field barrel (Johnson's corner) and Bakken Sweet at Patoka all fall in value impacting upstream barrels coming from Canadian production. Weather has been moderate to start this winter, which has allowed Synthetic production to remain robust. During the January cycle we also saw refining margins remain weak, which can be associated with the light differential falling.

As we look ahead to the February trade cycle, light differential spreads remain tight, at some points during the early parts of cycle we have seen LSB even trade at a premium to sweet. WCS Heavy remains well supported trading inside -$12.00 in the first few days of the trade window.



Source: Broadbill Energy Inc.

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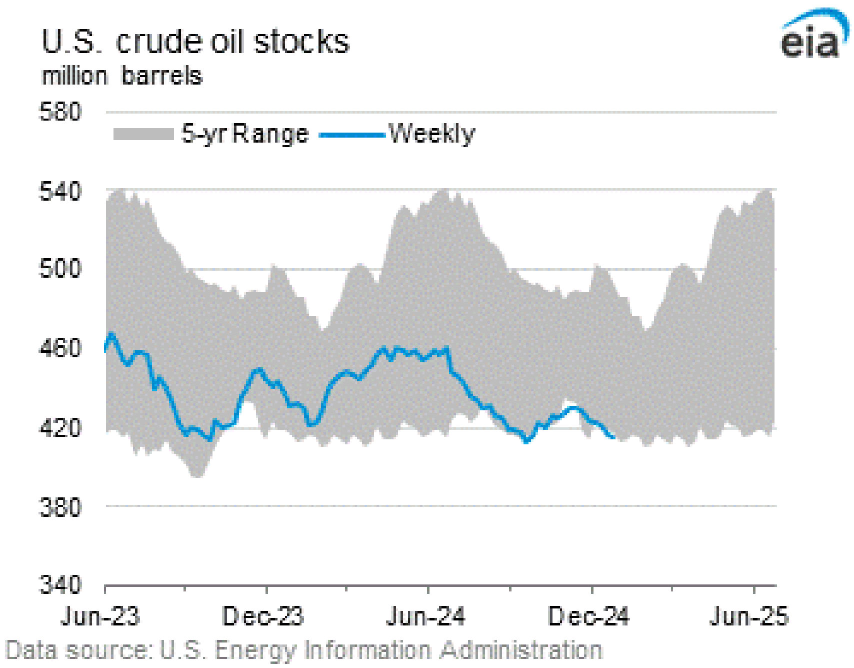
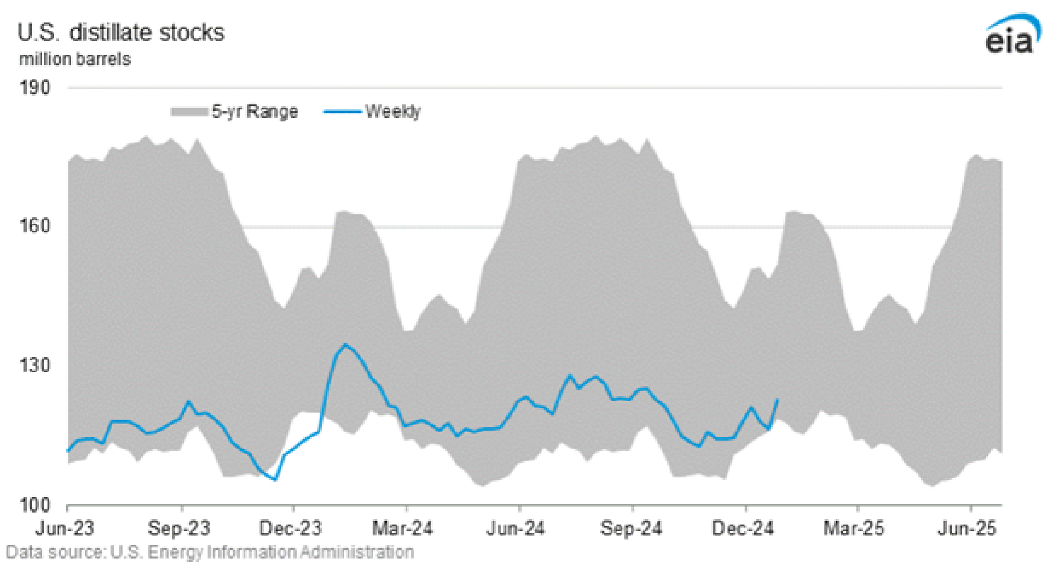
Appendix



	Stocks	Change from last	
	12/27/24	Week	Year
Crude oil	415.6	-1.2 ↓	-15.5 ↓
Gasoline	231.4	7.7 ↑	-5.6 ↓
Distillate	122.9	6.4 ↑	-3.0 ↓
Propane	85.043	-0.552 ↓	2.396 ↑



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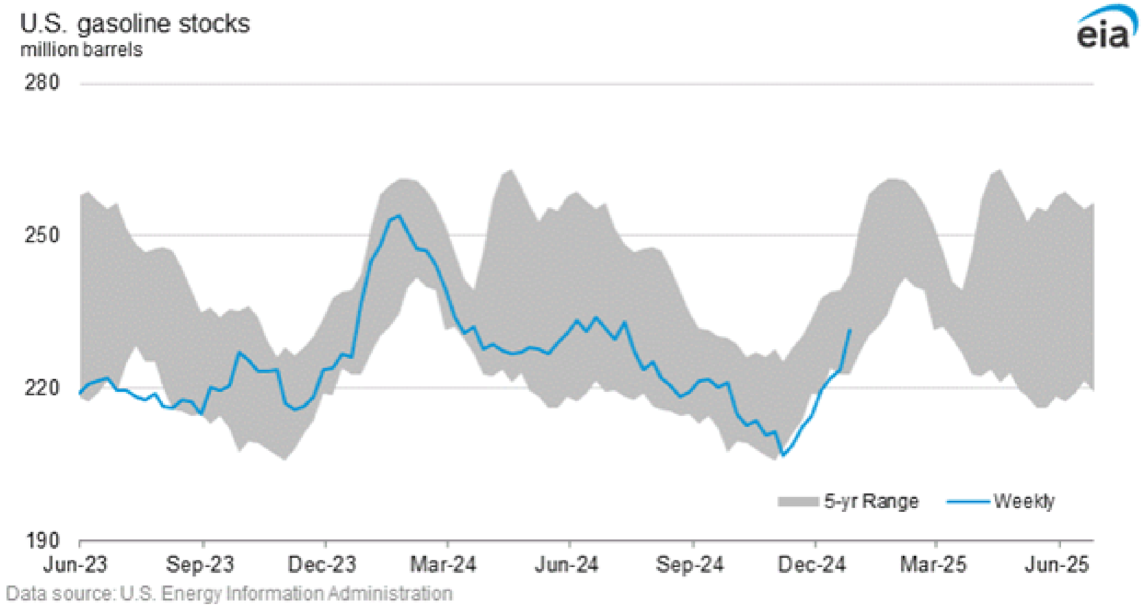
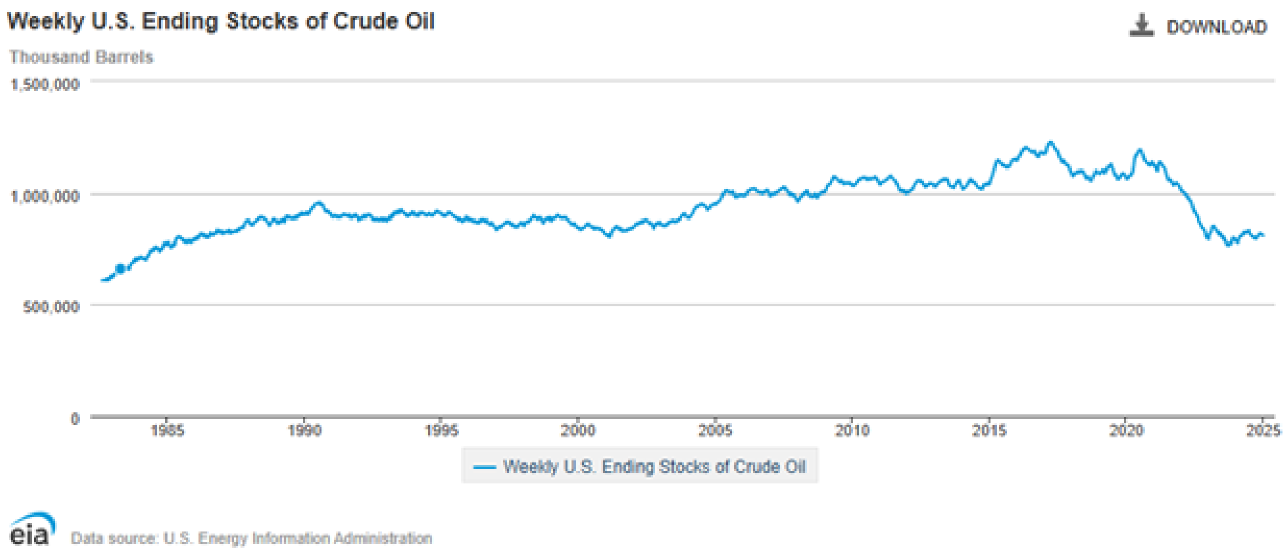

U.S. gasoline stocks
million barrels
eia
280
250
220
190
5-yr Range
Weekly
Jun-23
Sep-23
Dec-23
Mar-24
Jun-24
Sep-24
Dec-24
Mar-25
Jun-25
Data source: U.S. Energy Information Administration


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 ›
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