The Broadcast

FEBRUARY 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.

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What's New in the Zoo

Tariffs. January has been a month full of speculations and discussion on how to handle possible tariffs. It is times like these that we're reminded of all the times things have gone crazy in this little space of ours. I hope you are not too tired of hearing about tariffs, but it's what is on anybody's minds and news feed these days. Sometimes the urban dictionary is good for a laugh, but lately it's been a helpful reference tool.

Time will tell if this is in fact the next never a dull moment situation that we need to grapple with. It’s entirely possible that it is also just a Paper Tiger. So far, the volatility has been anything but…

trump tariff

The unnecessary taxation of imported goods in to the Unites States. Used as a gimmick to attempt to keep jobs in the US. The increase in tax to import goods will inherently make the products more expensive. However, making them in the US will also make them more expensive. It is a lose/lose for everyone!

Aside from tariffs, we hope you are having a good start to 2025 and continuing with those new year’s resolutions.

paper tiger

a literal English translation of the Chinese phrase zhǐ lǎohǔ (simplified Chinese: 纸老虎; traditional Chinese: 紙老虎), meaning something that seems as threatening as a tiger, but is really harmless.

Pricing View - February 7, 2025

	December 2024 Index Diff	January 2025 Index Diff	February 2025 Index Diff	March Estimated - 2025 Index Diff
WCS	-$11.95	-$12.27	-$12.17	-$13.80
LIGHT SWEET (MSW)	-$3.54	-$4.74	-$4.85	-$5.50
CONDENSATE (C5)	$0.97	-$0.33	-$1.47	-$3.10
LIGHT SOUR BLEND (LSB)	-$5.41	-$5.24	-$5.69	-$7.90
MIDALE (MSM)	-$6.02	-$6.20	-$6.48	-$8.80

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Market Summary

TMX Update

The Canadian Federal government has approved a $20 billion loan for TMX, and it has brought on some criticisms from environmentalists who are claiming that the taxpayers are on the hook. The loan was provided by Export Development Canada (EDC). Though the government provides capital investments and financial backing to ensure its stability, (just like it has provided bailout to the big 5 banks in Canada), EDC is self-sufficient and mainly generates revenue through operating on a commercial basis.

This was a refinancing loan to support TMX's clean-up phase involving reclaiming areas around streams and rivers, planting trees, and backfilling a tunnel at Burnaby Mountain. The loan is said to be replacing existing higher-cost financing and will reduce TMX's interest costs by roughly $3.5 billion over six years. The cost saving would also allow TMX to pay down construction costs faster, as it tries to sell the pipeline.

Following the threat of tariffs, TMX is looking like the 8th wonder of the World. Shippers are ramping up shipments as a result and we should look to see full utilization in the near term to avoid the uncertainty. Currently, 80% of capacity is under long-term contracts and the rest is spot capacity. Our bet is the systems maximum export capacity will be tested in weeks to come.

Macro Update
The U.S. also slapped China with tariffs, along with Canada and Mexico (more on this below). Unlike Canada and Mexico, China has not received a pause of 30 days on tariffs (at least not yet). China suggested that it would challenge the tariffs at the World Trade Organization, which would be more of a performative measure than anything. Lower tariffs of 10% have been imposed on China compared to Mexico and Canada, except for Canadian energy of all forms. Even though the majority of fentanyl shipments are being sourced from China, it was one of the main motivations for imposing tariffs in the first place.

Though earlier in the month, China did propose further export restrictions on some technology used to make battery components, as well as critical minerals such as lithium and gallium. This would allow China to hold 70% of the global processing of lithium into material needed for EV batteries, enabling China to maintain a high market share and secure minerals for its own domestic battery supply chains.

China's neighbor India is seeking private investments to build a 2.5 million metric ton Strategic Petroleum Reserve (SPR). This is on top of the three SPRs of combined capacity of roughly 5.0 million tons. Part of this capacity is used for commercial operations by companies such as ADNOC.

Before Biden left office, the White House sanctioned 183 tankers that shipped Russian oil, along with producers such as Gazprom. This sent global freight prices soaring. Brent broke the $80 mark as a result. Houthis promise to limit attacks in the Red Sea due to the Israel-Gaza ceasefire might help to offset these souring freight prices.

OPEC & OPEC+
OPEC+ has decided to stay on the course with its policy of gradually rising oil output from April and removed EIA data from the sources used to monitor production. Trump has been calling on OPEC to bring down prices, stating that higher prices allow Russia to continue the war with Ukraine. Another thing that could help bring down prices would be for Trump to stop threatening tariffs, which are elevating prices.

Also, if the U.S. really wants the Russia/Ukraine war to end, the fastest way would be to stop sending weapons and military aid to the Ukraine. It may be an unpopular view, but it's the most effective. Trump had briefly paused sending aid to the Ukraine, however Ukrainian officials confirmed the freeze would not affect weapons deliveries, as Trump's executive order to freeze funding for 90 days for international assistance only applies to "development programs," not military aid and the Biden Admin had already sent $50 billion to the World Bank for aid. Soon after, on Feb 3rd it was announced that the Trump admin is looking to work out a deal with Ukraine to provide aid in exchange for Ukrainian rare earth elements. If he can't buy or take Greenland for its minerals, he has other options. As Churchill once quoted, never let a good crisis go to waste.

U.S. official has said that Trump will drive Iran's oil export to zero, reducing crude supply and creating others to produce more, which would compliment his "drill, baby drill" objective.

However, OPEC members such as Saudi Arabia, UAE, Iraq, and Kuwait in aggregate hold most of the world's spare oil capacity. This capacity has been sitting idle, which can be brought online in times of war or natural disasters.

NORTH AMERICA

Real threat? Or paper tiger? Trump initially dropped the tariff bomb post inauguration (Gulf of America?) by imposing a 25% tariff on Canadian imports, except for Canadian energy, which is subject to a 10% tariff. Trump also made promises that he will double the tariffs if Canada or Mexico retaliated, which the Canadian government responded immediately to with export taxes on the exact same goods and energy, further driving up the costs of everything for everyone. On the other side of the U.S. border, Mexico took a more sensible approach, though also threated levies of its own. I am no fan of Claudia Sheinbaum as you may recall from a previous Broadcast, however her government was able to negotiate a one-month ceasefire on U.S. tariffs targeting imports from Mexico. Eventually after some back and forth, even Trudeau got a 30 day pause on all tariffs after pledging to boost border enforcement. Markets sentiments indicate the 30 day pause will probably continue for a while or perhaps tariffs won't be thing a month from now. Let's hope the tiger is in fact made of paper.

Danielle Smith continued to oppose a ban on oil exports to the U.S. or export tariffs on goods leaving Canada for the U.S. She's been criticized by some even in Alberta for refusing to use the only leverage that Canada has . . . oil. However, why should Alberta have to stop the export of its main product when eastern provinces have time after time blocked projects to get those products out to market to reduce reliance on the U.S., while collecting equalization payments so Canada wouldn't be in this situation in the first place? Being sensible and diplomatic with the U.S. wasn't very popular with the other Premiers, but it's an approach that was least likely to hurt end consumers. Though it is very likely tariffs won't be imposed at all, this should be used as an opportunity for Canadian elected leaders (if they can pretend to be sensible for long enough), to reduce provincial trade barriers and reduce barriers to create projects that would lessen reliance on the U.S.

Also, energy is not the same as orange juice. If orange juice becomes unavailable; I'll replace it with mango juice imported from Asia and come back to orange juice once it becomes available and affordable. However, if Canadian oil becomes unavailable for the U.S., they will be forced to find a replacement from other countries and there's no guarantee that they will come back to Canadian oil once they have other sources. Furthermore, Trump wants oil production to vastly increase in the U.S. More supply for Canada's biggest customer certainly doesn't help light sweet grades in Canada. Time to get serious Canada about export egress.

More on Trump, he has been working to undo some of Biden's environmental policies. He hinted at a potential end to EV tax credits and said he would seek cancellation of California's EPA waiver, which would force manufacturers to comply with more strict emissions standards. Trump also signed an executive order to withdraw from the Paris Climate Agreement and directed the Department of Energy to lift government freeze on new LNG export permit applications., potentially creating access to more markets for North American natural gas.

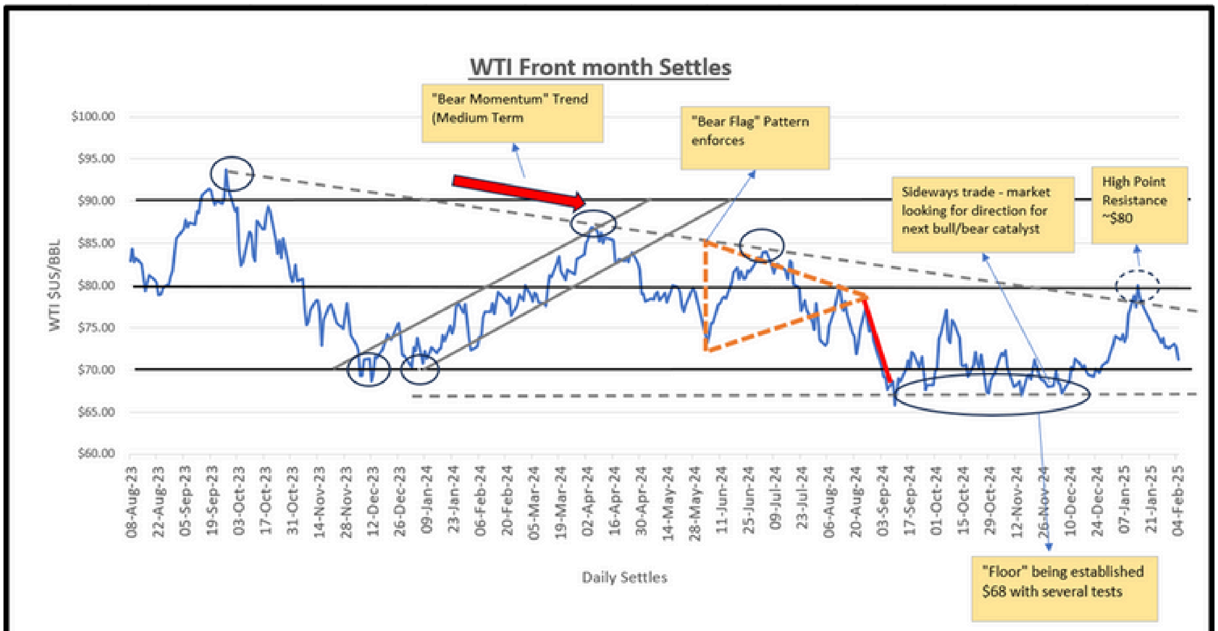
INFLATION
Poor old loonie. It must be trying to sort up from down given the week it's had. Shortly after the tariff news came out, the Canadian dollar hit a two-decade low (see below). By Tuesday afternoon it made a near visit to 1.5000, while then immediately backing off to sub 1.4400 once the tariff delay was announced. Though the loonie recovered slightly later in the day on Feb 3rd, the Canadian dollar has lost almost 10% of its value against the USD since last September. Given this, it could be argued that some of the impacts of the imposed tariff on Canadian oil could be minimized. Tariffs make Canadian oil more expensive for refiners however, a weak loonie makes things less expensive for U.S. refiners, which could offset some of the reduction in demand. However, due to the tit-for-tat nature of this tariff war so far, as well as the back and forth of products crossing the border, the end consumers will likely bear most of the brunt of higher costs in end products if tariffs go through in a month. Not good news for anyone in North America, should the war end in inflation for all.

Meanwhile at the Bank of Canada, another interest rate cut by 25 points. Tiff Macklem claims victory over inflation (though consumers are probably not seeing much of relief, as there needs to deflation to see price reductions) and stated that household spending is picking up however, warned of implications of trade war with the U.S. If the tariffs are imposed on both sides in a month, inflation will likely increase at least in the short term, forcing Macklem to cut rates further. In the long term, pricing inflation will curb demand, which will create disinflation (inflation at a slower rate) or deflation (decreasing prices) if tariffs are imposed.

Furthermore, if tariffs are imposed, the Canadian liberal government will borrow more to create currency into existence in the name of providing relief to those affected by tariffs. This would increase price inflation and rates would likely be reduced further. On the other side of the border, Jarome Powell and friends left rates unchanged. It might be time to finally open up that Bitcoin account.

WTI

WTI has been on an elevator ride of its own over the last month. In what appears to be a battle between inflationary policy measures (tariffs, Iranian and Russian sanction renewals) and keeping the pedal down on U.S. production to countermeasure the commodity, is also facing some headwinds the last week now trading hard toward $70. We won’t reach oversold levels on RSI until $68, which looks probable in the absence of anything bullish or constructive at the moment. We’ll be looking for continued support at these levels, which has been readily available per our WTI chart below.



Source: Broadbill Energy Inc.

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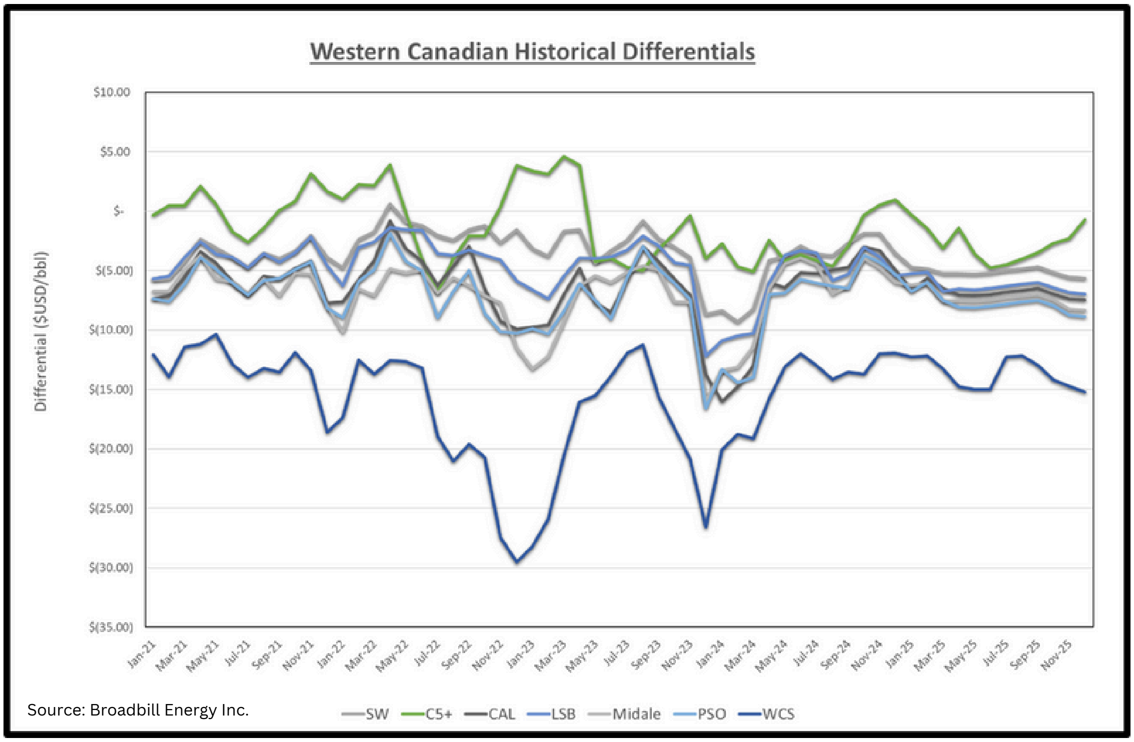
WCSB Pricing Summary

The February cycle was one with many storylines. Between supply concerns over sanctions, cold weather forecasts and Trump’s inauguration, there were many factors in play. Although January WCS settled at -$12.27, we saw numerous financial transactions’ pre cycle with a -$13 handle. The benchmark heavy blend eventually crept back and ended up settling at -$12.17 for February delivery.

Saudi Arabia is considering price increases for their Asian buyers by as much as 20 to 50 cents U.S./barrel. Shortly after that headline, the U.S. imposed sanctions on Iran and Russian oil exports. China then banned U.S. sanctioned vessels from its ports, therefore putting premiums on non-sanctioned barrels. As a result, Global supply became tighter and lead Asian buyers continue to value the Canadian barrel “heavily.” With the Trump administration also citing plans to implement additional sanctions on Russia, Iran and Venezuela, it could be a strong factor in which demand for the Canadian product increased.

The Canadian light barrel saw some weakness to begin the cycle as it quickly fell from its Jan settle of -$4.74, coming across the screens at -$5.30 to begin February trading. Although there was early weakness in the first few days, the light differential did gain strength as mother nature helped give some support. Cold weather forecasts and temperatures lifted heating oil demand, creating demand for the light barrel. The cold weather also affected production specifically in North Dakota. Production at one point was estimated to be down by ~12%. The Canadian light market continued to see end users audible from sweet to synthetic feedstock, as well as doing everything they can to help boost refining margins.

As we look ahead into the March window, the hot topic is tariffs and how much that will affect the WCSB market. Pre-March trade window we see the WCS financial contract printing at -$15.50, while Canadian light is exchanging hands at -$6.75. As tariff fears abated earlier in the week, we saw strengthening on both the light sweet and heavy grades. U.S. domestic grades have improved to no surprise as U.S. refiners likely seek certainty of price versus trying to figure out how a tariff invoice might be paid. The story for the cycle so far has been weak in sour grades due to maintenance downstream, along with tariff uncertainty. All February volumes seem to be in demand as refiners stock the shelves ahead of any possible tariff implementations in early March should they come back into force.



Source: Broadbill Energy Inc.

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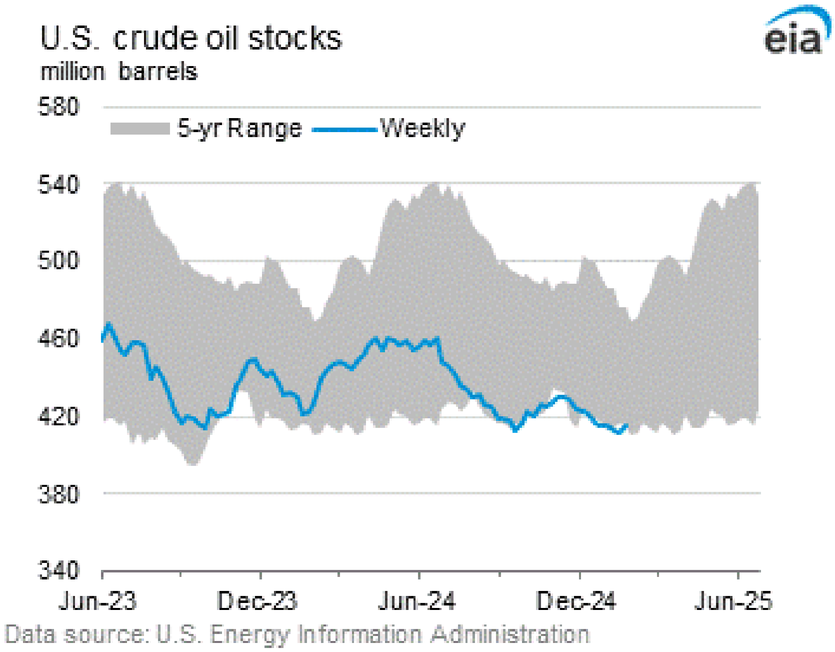
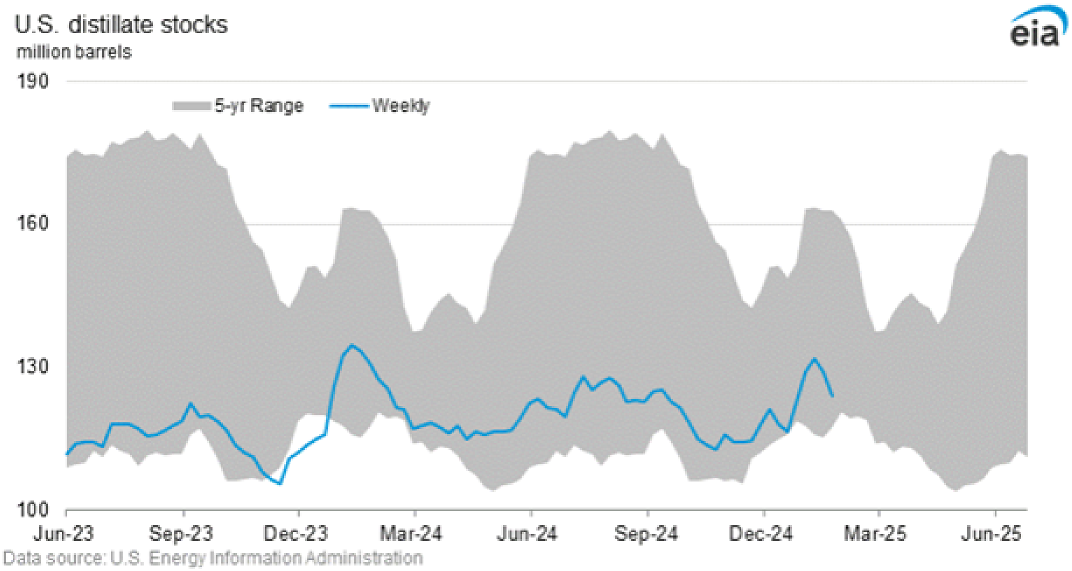
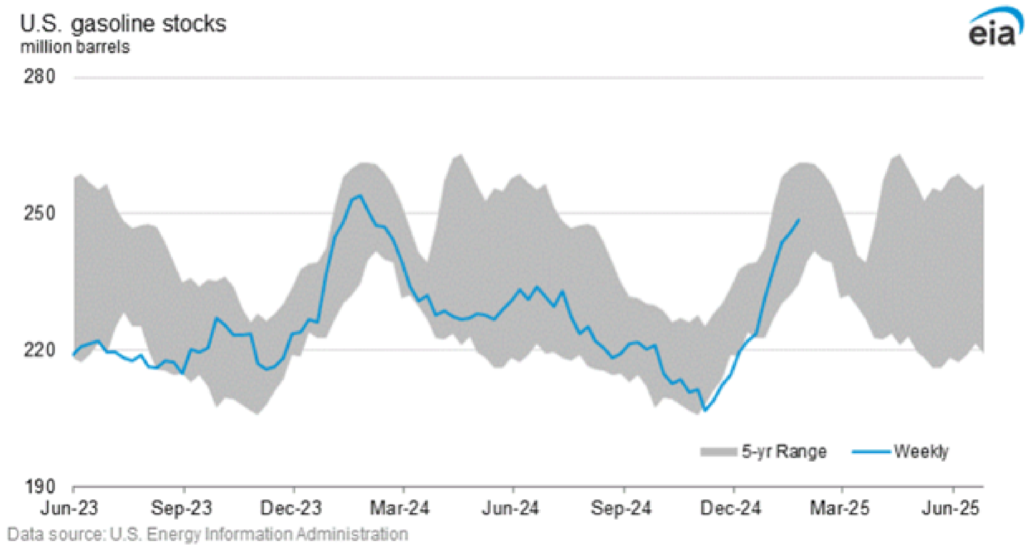
Appendix

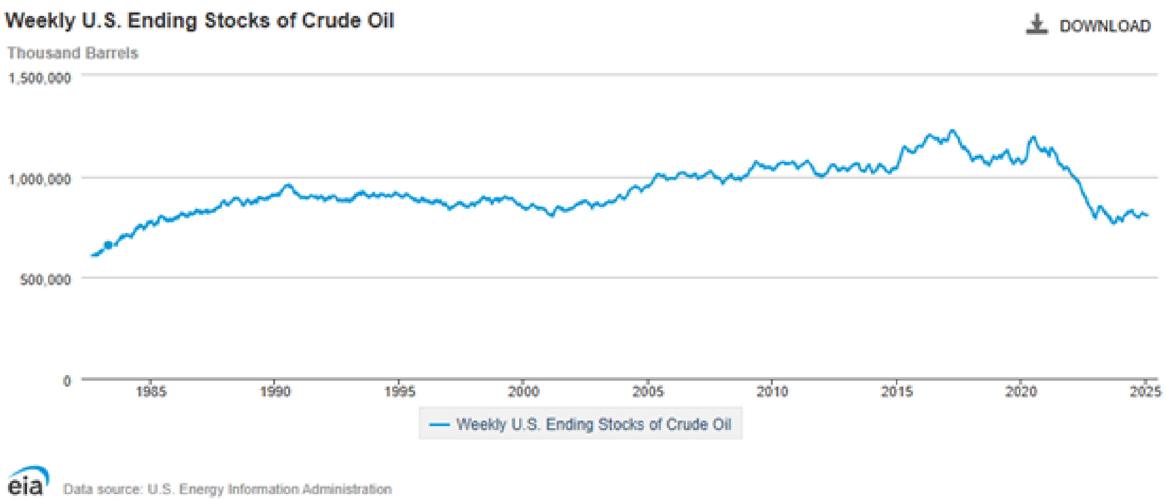


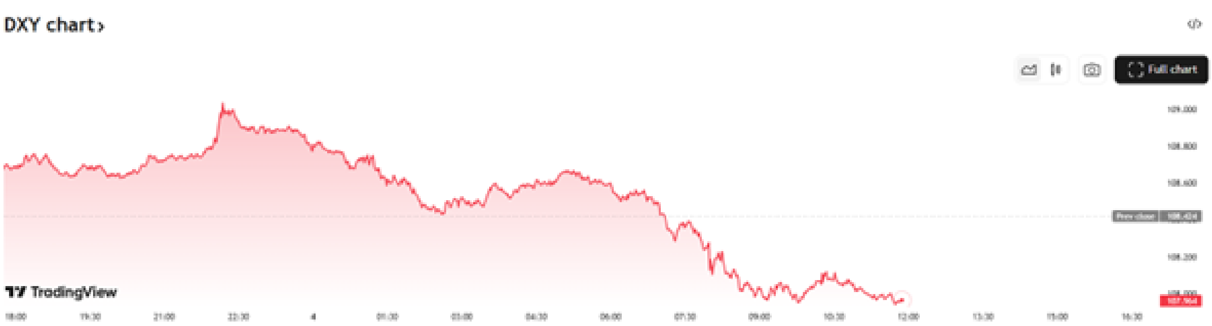
	Stocks	Change from last	
	01/24/25	Week	Year
Crude oil	415.1	3.5 ▲	-6.8 ▼
Gasoline	248.9	3.0 ▲	-5.3 ▼
Distillate	124.0	-5.0 ▼	-6.8 ▼
Propane	66.249	-7.887 ▼	3.653 ▲



Appendix


U.S. gasoline stocks
million barrels
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
eia


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