

HANDOUT 1

Statement of Arkansas Propane Gas Association
Revised
April 3, 2014

Propane is a carbon based fuel refined as a distilled product from both crude oil and natural gas. Today approximately 70% is made from natural gas and 30% from crude oil. It is an important fuel used for heating homes, industries, commercial chicken, turkey, and dairy farms, grain drying, motor fuel and as a feed stock for the plastic industry.

In Arkansas there are approximately 200 propane dealers, mostly small mom and pop operations and a handful of larger national dealers.

So, what happened last winter?

Beginning Propane Inventories:

2012/2013 beginning inventories 75 million barrels

2013/2014 beginning inventories 67 million barrels

Demand for Propane:

Grain Drying; 13.9 billion bushels of corn, up 1 billion bushes

Using 325 million gallons of propane in 2013.

2012 Grain Drying used 65 million gallons

Grain Drying came at beginning of winter with no chance to rebuild inventories as winter consumption had begun.

Weather

Record cold for record length of time over record areas of the country caused unprecedented use of propane.

Propane Infrastructure Changes. The US is now a net exporter of propane with a full 20% of all production exported.

Exports of 2.6 billion gallons in 2012

Exports of 4.6 billion gallons in 2013.

Storage.

Storage of summer production along gulf coast and midcontinent was ignored in favor of export leaving inventories down 8 million barrels coupled with record grain drying left storage lacking.

Shale Gas Production

This increased production over much of the US enabled more production of propane for export to the 3rd world at favorable rates, less for storage.

Change of Pipeline Flow

Normal flow: From refining and storage areas to using areas

2013 winter: From producing areas to refining areas (Gulf Coast) for export of LNG and propane.

Trucking and Rail Bottlenecks

With pipeline flow reversed and otherwise occupied, more trucking and rail car transport was needed causing massive drive times and wait times and storage area outages all over the country. Rail cars were being used to transport crude and natural gas south to refining areas for export rather than propane north to using areas.

What Now? Arkansas produces no propane. The only storage is at each dealer's locations. All propane is normally pipelined or trucked in from the most common supply point areas such as Carthage and Mt. Vernon, Missouri, Tulsa, Oklahoma, Conway, Kansas, Hattiesburg and Greenville, Mississippi, and Light, West Memphis and Little Rock, Arkansas. Of these, all are pipeline points except Conway, Kansas (Storage cavern and pipeline point) and Tulsa, Oklahoma (small refinery and pipeline point).

Arkansas dealers are at the mercy of product availability at prevailing prices and last winter there was nothing that could be done about it once winter had begun in earnest except to look to more distant and less expensive points to obtain product. When your transport is in a line of 100 or more trucks from as far away as California and Pennsylvania, clearly something extraordinary is going on.