

South Carolina Propane Gas Association

For More Information Contact:
J.M. Clark, Jr., Executive Director
803-865-2284

FOR IMMEDIATE RELEASE

Statement on Propane Supply, Demand, and Distribution

January 23, 2014 - The National Propane Gas Association is working at all levels to seek relief from the current supply, distribution, and infrastructure problems facing American propane customers.

To allow for expedited delivery of propane, NPGA is working with stakeholders throughout the industry to seek relief from the current situation. Presently, the U.S. Department of Transportation has issued a regional order for the Southern, Midwestern and Eastern regions which will allow transporters to move propane more freely throughout the most impacted regions. The rare regional orders apply to 8 Southern states **including South Carolina**, 10 Midwest states and 14 Eastern states. A total of 30 states so far have individually issued Hours of Service relief.

Last week, the U.S. Department of Energy reported that cold weather led to record-high natural gas storage withdrawals, as well as propane. These are the largest drawdowns in the 20-year history of the survey and the second time this year the record has been broken. Efforts are underway with the U.S. Department of Energy to acknowledge that emergency conditions could be forming, as consumers and businesses in dozens of state are faced with higher electricity and gas costs due to persistent cold weather.

In addition to seeking relief at the federal level, NPGA is working with officials within the pipeline, rail, and truck transport industries and asking for propane shipments to be prioritized within their industry.

Local propane marketers in South Carolina are working to provide service to their customers in a timely manner. Customers that have questions about their supply of propane should contact their propane marketer directly.

BACKGROUND

The challenges in delivering propane for consumers during this prolonged period of cold weather started with a confluence of events beginning in October.

Abundant grain crops were being harvested throughout the Upper Midwest almost simultaneously this fall. Ordinarily, the harvest progresses in stages through the region, but in late 2013 the harvests happened at the same time over a wide area. This was a large, wet crop which required massive amounts of propane in order to be dried prior to storage. That demand reduced propane inventories throughout the area.

At the same time, infrastructure realignments inhibited the transportation of propane. The Cochin pipeline, which provided 40% of the product used by Minnesota suppliers, was shut down for repairs. This triggered a chain reaction causing suppliers to go further out to load their supply. Canadian imports to the Northeast were also impaired by rail re-routing. This forced Minnesota and Wisconsin retailers to get their propane at the pipelines in Iowa, increasing demand in that state.

In the Midwest, a pipeline previously in propane service was reversed to begin moving ethane from the central part of the country the Gulf Coast. As the harvest demand ended, a massive winter storm rolled across much of the country. Demand for residential, commercial and agricultural heat soared. The average number of heating degree days** for this winter is more than 10 percent higher than last year. The forecast continues to project colder than normal weather for much of the United States.

An important difference between this year and previous years is the extent of propane exports into the world market. In 2013, over 20% of total U.S. propane was exported, up from 5% in 2008.

All these events combined to prevent regional inventories from recovering and the existing pipeline & terminal infrastructure has been unable to fully meet current demand for product. This has required longer driving distances and loading times for propane truckers, displacement of product and delays in making deliveries to end use customers.

***Heating degree days are used to calculate the deviation in temperature from an average day from 65 degrees.*