



Update on the Propane Market in Canada

Winter 2014

February 5, 2014 – Canadians are experiencing one of the coldest winters in 20 years. In addition to this reality, the cold season started much earlier than normal for a great deal of the country. The cold weather across much of Canada and the United States has impacted the propane market in two distinct ways; first, it has caused a significant increase in propane demand both here in Canada and in the United States; and second, bad weather has caused delays in the transportation of propane in some parts of Canada.

According to the National Energy Board (NEB), Canada [produces more propane than it consumes](#). However, the production of propane is constant throughout the year while demand is seasonal and highest in the winter. This winter's spike in demand, combined with weather-related transportation delays, has resulted in some rare cases where it has been difficult to get the supply of propane to where the demand is. This has meant that in some cases propane refills are being delayed. These delays are isolated and not reflective of the industry situation as a whole.

The situation is beginning to improve, and as temperatures level out demand will return to normal. However, this is dependent on the length and severity of the winter season. Overall, our industry is doing everything it can to meet the spike in demand caused by this winter season and the Canadian Propane Association continues to monitor events closely. Keeping our customers warm is our industry's top priority.

In the meantime, here are some energy conservation tips to consider:

- Turn down the thermostat. Manually, or using a programmable thermostat, lower the temperature a few degrees while you are at home and lower when you are sleeping or away.
- Reduce hot water consumption. Lower the temperature setting on your water heater. Consider showers instead of baths, and use cold water for laundry.
- Reduce drafts. Install caulking and weather-stripping around windows, doors and other openings such as ducts, fans and vents.
- Keep curtains and blinds open to receive sunlight during the day, and close them at night.
- Reduce the use of fireplaces if they are only used for secondary heat or atmosphere.
- Hang clothes on a rack to dry rather than using your propane clothes dryer.

The propane industry will continue to make every effort to provide reliable service to its valued customers, and the Canadian Propane Association encourages customers to contact their propane supplier directly with any questions. Affected retailers may prioritize deliveries based on urgency.

A list of Canadian Propane Association (CPA) retail members is available on the [CPA website here](#).

Frequently Asked Questions:

Q. Is there a shortage of supply in Canada?

The Canadian Propane Association does not track propane production and consumption; however, the National Energy Board does forecast annual production and consumption in Canada and that information is available [on their website here](#).

As you can see, the production consistently outpaces consumption.

This has been an unusually long and harsh winter and it has caused the demand for propane to spike significantly. Logistics and transportation have also been strained by the extreme weather conditions. It is worth noting that this weather was not anticipated— last fall Environment Canada was forecasting an average winter.

To date, we are only aware of a few isolated cases where propane refills have been delayed in areas of eastern Ontario and western Quebec. These delays are isolated and not reflective of the industry situation as a whole. Every stakeholder is working diligently, from producers to rail to pipeline to trucking to retailers, to meet the increased demand.

Q. When will the situation return to normal?

We are beginning to see an improvement in the situation and as temperatures level out demand will return to normal. However, this is dependent on the length and severity of the winter season. Our industry is doing everything it can to meet the increased demand. Keeping our customers warm is our top priority.

Q. Shouldn't the propane industry have been better prepared to meet the spike in demand?

No one could have foreseen the spike in propane demand. In its winter outlook, the National Energy Board stated that at the beginning of October, "[Canadian propane inventories were 1.5 million cubic meters, only slightly below the five-year average, effectively recovering from the very low levels reported at the end of the previous heating season in April 2013](#)". The National Energy Board (NEB) also stated that with the increase in Canadian and U.S. propane supply and the level of propane stocks in both countries in September, North American propane inventories were expected to be adequate to cover demand during the heating season. The NEB winter outlook is available on the [NEB website here](#).

Q. Isn't it true that Canada's supplies of propane were unusually low entering the winter?

The Canadian Propane Association does not track or provide analysis on supply. Underground inventories are collected and reported by the National Energy Board. Underground inventory data is available on the [NEB website here](#).

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Q. Why is the price of propane higher this winter?

The Canadian Propane Association (CPA) does not monitor or provide an analysis of propane prices or supply, and is not in a position to comment on individual businesses' operations. For specific questions regarding charges for propane supply and/or service, the CPA asks consumers to contact their propane supplier directly.

The Canadian propane sector is part of an integrated North American market and Canada does not set the market price. There are many factors that affect propane prices, including supply and demand. Historically, prices are higher in the winter due to higher demand and this year we are seeing one of the coldest winters in 20 years across North America. Typically, prices decline as temperatures rise.

This is not unique to propane; other commodities such as natural gas, oil and electricity are also experiencing price increases.

The CPA has prepared an overview of propane prices to help consumers better understand how propane prices work, which is available on [the CPA website here](#). This document provides an overview on the main factors that affect propane prices, as well as a summary of the integrated North American natural gas liquids market.

Q. Are increased exports to the United States, including for crop drying, causing a shortage of propane in Canada?

No. According to the National Energy Board, Canada regularly produces more propane than it consumes. While it is true that propane exports to the United States have increased, last fall the National Energy Board stated that Canadian propane reserves were only slightly below the five year average and were sufficient to meet the expected winter demand.

Q. Does the CPA support the review of propane prices and supply ordered by the Federal Natural Resources Minister?

We are committed to working with all stakeholders, including government, to ensure customers receive propane in a timely and affordable manner – this is our industry's top priority.

About the Canadian Propane Association

With over 380 members, the Canadian Propane Association is the national association for a growing, multi-billion dollar industry that impacts the livelihood of tens of thousands of Canadians.

For additional information:

Allison Mallette

Manager, Research & Communications

info@propane.ca