



For Immediate Release

For further information:
Marie Fagan
+1 (617) 933-7205

LEI examines supply alternatives for Michigan propane consumers

BOSTON, MA, July 31, 2018 – On July 27, 2018, a London Economics International (“LEI”) report provided a detailed examination of the cost of propane to Michigan consumers, and alternatives to propane supplies from Enbridge Line 5. Assuming regulators and stakeholders established a timeline which allowed industry to invest in the lowest-cost alternative, LEI found that there would be little impact on propane consumers in Michigan.

The State of Michigan is considering options for ongoing operation of the 540,000 barrel-per-day Enbridge Line 5, which traverses Michigan’s Upper Peninsula and Lower Peninsula, and crosses under the Straits of Mackinac. A small portion of the pipeline’s capacity currently supplies about 2,000 barrels per day of propane to consumers in the Upper Peninsula.

LEI found that the prospect of persistent propane supply shortages in Michigan is unlikely, even if Enbridge Line 5 ceased to operate. Supplies of propane in the United States have been growing strongly, and demand for propane in Michigan has been flat to declining. Unexpected weather-driven shortages such as experienced in 2014 during the Polar Vortex winter, will likely occur on occasion, as they have in the past. But with the prospect of plentiful supplies relative to demand, the main concern for propane consumers with the potential absence of Enbridge Line 5 is the delivered cost of alternative sources of propane.

With this focus on the cost of alternatives, LEI found that the lowest-cost alternative—trucking propane from Superior, Wisconsin—would increase consumer prices in the Upper Peninsula about \$0.05 per gallon. This amounts to about 2.5 percent of a typical \$2 per gallon propane price and would be lost in the noise of usual propane price volatility.

The report, *Assessment of Alternative Methods of Supplying Propane to Michigan in the Absence of Line 5*, was funded by the National Wildlife Federation with a grant from the Charles Steward Mott Foundation (“CS Mott”).

LEI’s report is available at http://blog.nwf.org/wp-content/blogs.dir/11/files/2018/07/LEI-Enbridge-Line-5-Michigan-Propane_7_27_2018.pdf .

#

London Economics International LLC (“LEI”) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. London Economics Press (“LEP”) publishes concise and meaningful overviews of key electricity markets worldwide and offers price forecasts for wholesale electricity prices and capacity market prices. LEI can be reached at (617) 933-7200 or visit us at www.londoneconomics.com.