The primary sources of our cash and cash equivalents have been cash flows generated from operations and cash contributions made by UGI principally to fund acquisitions of businesses. However, there can be no assurance that UGI will make contributions to our capital or otherwise provide funding in the future. Our primary uses of cash have been to fund acquisitions of businesses, repay long-term debt and pay distributions to our parent company. Our ability to service debt has been, and will continue to be, dependent upon our ability to generate cash from our operations.

Our cash and cash equivalents totaled $194 million at December 31, 2021, compared with $606 million at September 30, 2021. A substantial portion of this cash is located outside of the United States. The significant decrease in cash and cash equivalents since September 30, 2021 is primarily attributable to commodity price volatility experienced in the 2021 three-month period and the seasonality of our business as further described in “Cash Flows” below.

Long-term debt and credit facility

UGI International's debt outstanding at December 31, 2021 totaled $791 million (including current maturities of long-term debt of $1 million). UGI International's debt outstanding at September 30, 2021, totaled $770 million (including current maturities of long-term debt of $21 million). Total long-term debt outstanding at December 31, 2021, including current maturities, comprises $455 million of 2.50% Senior Notes, a $341 million variable-rate term loan, and $2 million of other long-term debt, and is net of $7 million of unamortized debt issuance costs.

On December 7, 2021, UGI International, LLC issued, in an underwritten private placement, €400 million principal amount of the 2.50% Senior Notes due December 1, 2029. The 2.50% Senior Notes rank equal in right of payment with indebtedness issued under the UGI International Credit Facilities Agreement. The net proceeds from the 2.50% Senior Notes were used (1) to repay all of the 3.25% Senior Notes due November 1, 2025 and associated fees and expenses and (2) for general corporate purposes.

At December 31, 2021 and 2020 there were no borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility for the three months ended December 31, 2021 were €13 million ($15 million) and €40 million ($45 million), respectively. At December 31, 2021, the Company's available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility was €300 million. In January 2022, UGI International, LLC borrowed €250 million under this multicurrency revolving credit facility to support short-term liquidity targets associated with its operating subsidiaries.

Cash Flows

Due to the seasonal nature of the Company’s businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for LPG consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the fourth and first fiscal quarters when the Company’s investment in working capital, principally inventories and accounts receivable, is generally greatest.

Cash flows from operating activities can be significantly affected by year-to-year variations in changes in operating working capital reflecting changes in LPG commodity prices. Cash flow from investing activity is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses; and net cash proceeds from sales and retirements of property, plant and equipment. Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt, cash capital contributions from UGI usually in conjunction with material business acquisitions, revolving credit facility borrowings, and distributions paid to UGI International's parent company, Enterprises.

Operating Activities. Cash flow used by operating activities was $352 million in the 2021 three-month period compared to cash provided by operating activities of $103 million in the prior-year period. Cash flow from operating activities before changes in operating working capital was $36 million in the 2021 three-month period compared to $126 million in the prior-year period. The lower cash flow from operating activities before changes in working capital reflects, in large part, lower operating results for the 2021 three-month period. Cash used to fund changes in operating working capital totaled $388 million in the 2021 three-month period compared $23 million in the 2021 three-month period. Changes in operating working capital during the 2021 three-month period reflect, among other things, increases in cash used to fund accounts receivable, inventory, accounts payable and other current liabilities, principally due to increases in commodity prices during the 2021 three-month period. Additionally, the 2021 three-month period includes $132 million of cash collateral repaid to derivative counterparties as compared to $13 million of cash collateral received in the prior-year period. The impact of commodity price volatility and increasing supply chain costs are pervasive throughout these changes in working capital.

Investing Activities. Cash flow provided by investing activities was $4 million in the 2021 three-month period compared to $33 million of cash flow used by investing activities in the prior-year period. Capital expenditures for property, plant and equipment totaled $23 million in the 2021 three-month period compared with $29 million in the prior-year period. Cash used for acquisitions of businesses and assets in the 2020 three-month period reflects UGI International's acquisition of an LPG retail business in Europe. Cash inflows associated with investing activities during the 2021 three-month period includes cash received from the termination of a forward foreign currency contract previously designated at a net investment hedge associated with the UGI International 3.25% Senior Notes.

Financing Activities. Cash flow used to fund financing activities was $58 million in the 2021 three-month period compared to $5 million cash flow provided by financing activities in the prior-year period. Cash flows used to fund financing activities during the 2021 three-month period includes the issuance of the 2.50% Senior Notes and concurrent repayment of the 3.25% Senior Notes. UGI International paid $138 million in cash distributions during the 2021 three-month period.

Qualitative and Quantitative Disclosures About Market Risk

Our primary market risk exposures are (1) commodity price risk; (2) interest rate risk; and (3) foreign currency exchange rate risk. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Commodity Price Risk

The risk associated with fluctuations in the prices we pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Our profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. We may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, we use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts to reduce market risk associated with a portion of our LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract. Our natural gas and electricity marketing businesses also use natural gas and electricity futures and forward contracts to economically hedge market risk associated with a substantial portion of anticipated volumes under fixed-price sales and purchase contracts.

To addition, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. December 31, 2021, volumes associated with diesel swap contracts were not material.

Interest Rate Risk

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows. Our variable-rate debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI International has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying euribor interest rate on such borrowings for a significant portion of their tenor. We have designated such interest rate swaps as cash flow hedges. At December 31, 2021, combined borrowings outstanding under variable-rate debt agreements, excluding UGI International's effectively fixed-rate debt, totaled $55 million.

Foreign Currency Exchange Rate Risk

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our substantial net investments in foreign (non U.S. based) operations, a 10% decline in the value of the foreign currencies versus the U.S. dollar would reduce their aggregate net book value at December 31, 2021, by approximately $120 million, which amount would be reflected in other comprehensive income. We have designated our euro-denominated loan borrowings as net investment hedges.

In order to reduce the volatility in net income associated with our operations, principally as a result of changes in the U.S. dollar exchange rate between the euro and British pound sterling, we have entered into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over a multi-year period to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes.

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2021, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $878 million. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2021 the Company had received cash collateral from derivative instrument counterparties totaling $187 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at December 31, 2021 and changes in fair values due to market risks.

	Asset (Liability)	
(Millions of dollars)	Fair Value	Change in Fair Value
December 31, 2021		
Commodity price risk (1)	$ 797	$ (165)
Interest rate risk (2)	$ (1)	$ —
Foreign currency exchange rate risk (3)	$ 22	$ (40)

(1) Change in fair value represents a 10% adverse change in the market prices of certain commodities.
(2) Change in fair value represents a 50 basis point adverse change in prevailing market interest rates.
(3) Change in fair value represents a 10% adverse change in the value of the Euro and the British pound sterling versus the U.S. dollar.