Energy Sector – Neutral

News Update

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Oil price remains stable despite hurricane impact

- **Massive crude draw**
- **OPEC+ sticking to its output plan**
- **US Gulf Coast restarting after Hurricane Ida**
- **En Plus: Coal prices likely to stay elevated**

Massive crude draw

- US commercial crude oil inventory declined by a whopping 7.17m bbls w-w. Crude inventory is now 6% below 5-year average for this time of year. Gasoline inventories, on the other hand grew by 1.3m bbls w-w while distillate stockpiles saw a 1.7m bbls draw. Both product inventories now sit at 2% and 9% below their respective 5-year averages.
- US crude oil production inched up 100kbd to 11.5mbd.
- US petroleum products supplied (a proxy for demand) grew 1mbd w-w to 22.8mbd. Growths were broad-based with the exception being "Other Oils" category.
- Baker Hughes reported that the number of active US oil rigs declined by 16 rigs w-w to 394rigs for the week ending 3 September. Some of the declines may be due to impact of Hurricane Ida.

OPEC+ sticking to its output plan

OPEC+ has concluded its ministerial meeting last week without any surprise. The next meeting is scheduled for 4 October.

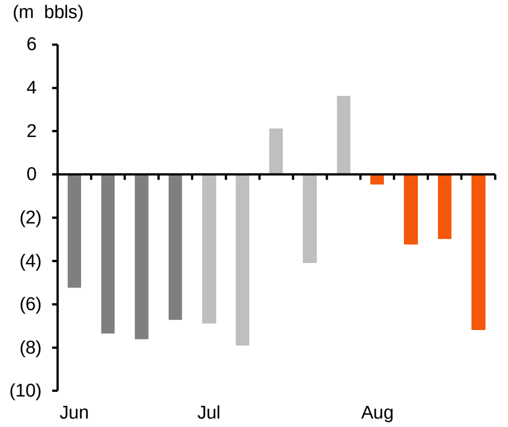
- **Sticking to output plan**: OPEC+ has reaffirmed its plan to increase production by 400kbd in October. This is on top of 400kbd increase planned for September. The pace of the increase will stay at 400kbd per month until at least the end of the year according to the group's current plan.
- **Conformity remains high**: Conformity to the production cut agreement remains high at 110% including Mexico (109% if Mexico is excluded). This is a slight dip from 113% in June but otherwise a very high level by historical standard.
- **Compensation period extended**: The group has also extended the compensation period for underperforming countries to the end of December 2021.

US Gulf Coast restarting after Hurricane Ida

US energy infrastructure in the Gulf Coast is restarting post Hurricane Ida. While the full process may take weeks, long-term damages seem to be limited.

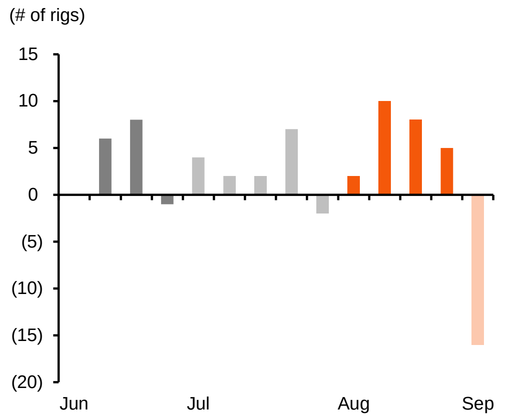
- **Oil & gas production**: US offshore oil & gas producers are returning their staff to the platforms though most of the production remain shut in. According to the US Bureau of Safety and Environmental Enforcement (BSEE), about 1.7mbd (93%) of offshore crude output and 1.99 Bcf/d (89%) of offshore natural gas output remain offline as of last Friday (3 September). So far, reports of major damages to facilities seem to be

Ex 1: U.S. crude oil inventory w-w change



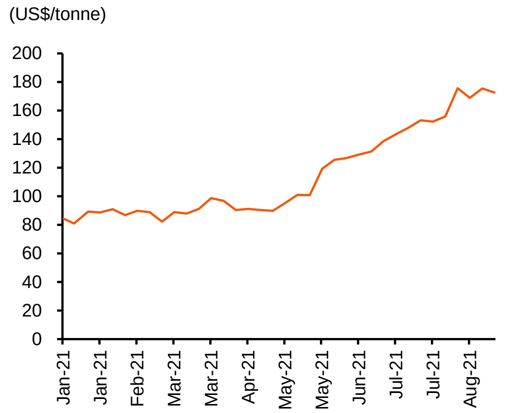
Source: EIA

Ex 2: U.S. oil rig count w-w change



Source: Baker Hughes

Ex 3: NEX coal price



Source: BANPU

limited. Shell reported damages to its offshore pumping platform that hands crude grades such as Mars and Ursa. BP, on the other hand, reported "no obvious major damage" to its offshore facilities but production will remain shut in until safety checks are done. Likewise, BHP reports no damage to its offshore platform. Louisiana Offshore Oil Port (LOOP), which handles VLCC loading, is undergoing repairs.

- **Refining**: Refineries in Louisiana, which bore the brunt of the hurricane impact, are slowly coming back to life. These include Marathon's 565kbd Gariville refinery and ExxonMobil's 500kbd Baron Rouge refinery. However, a number of smaller facilities remain shut down such as Phillips 66 250kbd Alliance refinery and Valero's 216kbd St. Charles refinery. The US government is releasing crude oil from its Strategic Petroleum Reserve (SPR) to help alleviate the supply constraints. According to Argus Media, of the roughly 3.4mbd of refining capacity in the path of Ida, about 37% is operating normally, 31% is restarting and 32% remain shut as of last Friday.
- **Chemical**: A number of US chemical plants remain shut down and only a handful have concrete plans for restarts. Dow plans to restart its Plaquemine complex which has 1.25m tpa of ethylene capacity and also produces polyethylene (PE) and other derivatives. ExxonMobil is also restarting its 1mtpa cracker in Baton Rouge. Besides these, a large number of chemical plants have yet to announce their plans to restart and many have declared force majeure. We believe the product most likely to be impacted is PVC as about 39% of US PVC capacity remained shut.

En Plus: Coal prices likely to stay elevated

Coal price remains strong with NEX hovering above $170/ton. We believe coal prices will stay elevated until at least the end of this year.

- **China – limited room for price to fall**: China Coal Energy, the listed subsidiary of state-owned China Coal, sees limited room for coal price to fall in the near term. Coal inventories at Qinhuangdao port—a major coal trading hub—is only 4.15m tons, well below 5.7m tons average in the past 3 years. Supply also remains tight as mine restarts and new capacities will not have an impact on supply until next year at the earliest. As a result, coal import has continued to grow with June and July arrivals increasing by 12% and 16% y-y, respectively.
- **India – critically low inventories**: According to India's Central Electricity Authority (CEA), coal inventories have fallen below 7 days of consumption at more than half of the 135 coal-fired power plants. This is considered critically low level of inventories. In fact, more than 50 power plants have 3 days or fewer of coal inventories with 5 power plants actually running on daily supply. The government is now urging utilities to accelerate coal imports as domestic supply cannot keep up with strong demand. According to federal grid regulator, coal-fired generation increased by 19% y-y in the first eight months of 2021 whereas coal production by Coal India only grew 7%.
- **Japan – import hit 6-mo high**: Japan's coal-fired power availability has improved in recent months. About 9.8GW and 5.4GW of coal-fired capacity were unavailable in July and August, respectively. This is down sharply from 21.5GW of unavailable capacity in May. The higher coal capacity has led to strong coal import which jumped 20% m-m and 12% y-y to a 6-month high of 15.76m tons in July.

Ex 4: Prices And Spreads

(US$/bbl)	3Q20	4Q20	1Q21	2Q21	QTD	Jun-21	Jul-21	Aug-21	MTD	Last
Oil prices										
Dated Brent	42.70	44.53	60.84	68.63	72.07	73.07	74.22	70.02	72.05	72.29
Dubai	42.47	43.87	59.70	66.43	70.77	70.96	72.79	68.91	70.20	71.26
WTI	40.90	42.74	58.07	66.10	69.97	71.35	72.43	67.71	69.29	69.29
Crack spreads over Dubai										
Gasoline	4.87	5.20	7.49	10.67	12.19	9.19	11.71	12.72	11.68	11.29
Jet fuel	0.68	3.79	4.25	5.36	4.95	5.57	4.44	5.16	7.07	6.93
Diesel	5.63	4.53	5.37	6.09	6.82	6.33	6.54	7.21	6.00	5.41
High-sulfur fuel oil	(2.47)	(1.02)	(4.28)	(6.80)	(6.65)	(8.37)	(8.13)	(5.62)	(3.91)	(4.62)
Refining margins										
FCC / Dubai	(0.13)	1.07	1.21	0.95	0.71	0.42	0.56	0.83	0.93	1.15
Hydrocracking / Dubai	0.03	0.52	0.71	0.77	0.87	0.64	0.74	0.92	1.38	1.68
FCC / Espo	(0.66)	(0.33)	1.47	1.55	1.11	0.82	0.96	1.22	1.32	1.54
FCC / Arab Light	(0.90)	1.45	0.56	(0.51)	(0.78)	(1.07)	(0.93)	(0.66)	(0.56)	(0.34)
Hydrocracking / Murban	0.87	1.17	2.29	2.81	3.16	2.93	3.03	3.22	3.68	3.98
(US$/tonne)										
Aromatics spreads										
PX-naphtha	128	136	185	232	242	214	230	256	256	238
BZ-naphtha	35	119	191	367	355	348	372	333	333	328
Olefin spreads										
HDPE-naphtha	526	608	583	576	462	425	432	499	499	493
LDPE-naphtha	567	780	959	936	803	743	754	864	864	893
PP-naphtha	535	695	771	709	571	570	552	594	594	553
Ethylene-naphtha	366	463	416	406	282	262	284	279	279	283
Propylene-naphtha	412	499	461	436	300	335	281	323	323	323
Henry Hub Gas (US$/mmbtu)	2.12	2.76	2.73	2.97	3.97	3.27	3.82	4.03	4.66	4.71
Coal (Newcastle) (US$/tonne)	51.60	66.20	87.47	106.49	158.17	125.31	146.01	167.19	177.03	179.00

Source: Bloomberg

Ex 5: Valuation

	Rating	Current price (Bt)	Target price (Bt)	*Upside/ (Downside) (%)*	Market cap (US$ m)	Norm EPS growth 2021F (%)	Norm EPS growth 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	EV/EBITDA 2021F (x)	EV/EBITDA 2022F (x)	Yield 2021F (%)	Yield 2022F (%)
BANPU	BUY	11.40	16.00	*40.4*	1,774	na	14.2	7.9	6.9	5.8	5.5	4.8	5.8
BCP	SELL	27.00	21.00	*(22.2)*	1,140	na	na	na	24.8	8.9	6.9	0.0	2.2
ESSO	SELL	7.85	6.90	*(12.1)*	833	na	na	na	143.9	37.0	21.0	0.0	0.3
IRPC	BUY	3.98	5.10	*28.1*	2,494	na	9.6	14.2	13.0	8.9	8.2	4.2	4.6
IVL	BUY	42.50	52.00	*22.4*	7,316	169.1	(0.9)	13.8	13.9	8.3	9.0	2.5	2.5
PTG	BUY	17.90	22.00	*22.9*	917	(3.6)	11.8	16.7	14.9	7.6	7.1	3.0	3.3
PTT	BUY	38.25	48.00	*25.5*	33,498	177.8	3.4	10.3	10.0	4.7	4.4	4.8	5.0
PTTEP	BUY	110.00	140.00	*27.3*	13,389	68.1	15.8	12.1	10.5	3.8	3.5	4.9	5.7
PTTGC	BUY	61.50	86.00	*39.8*	8,502	219.4	(1.2)	11.4	11.5	6.9	6.7	5.3	5.2
SPRC	SELL	8.80	7.20	*(18.2)*	1,170	na	na	na	114.3	20.7	15.2	0.0	0.3
SUSCO	BUY	3.30	4.80	*45.5*	111	3.0	23.4	15.5	12.5	6.5	5.3	3.3	4.0
TOP	SELL	49.50	48.00	*(3.0)*	3,096	na	6.1	25.1	23.7	17.1	17.8	1.8	1.9

Sources: Company data, Thanachart estimates

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