

Energy Sector – Neutral

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

News Update

Oil price stabilizing as Omicron panic subsides

- **Bearish inventory data**
- **OPEC+ sticking to its output increase plan**
- **UAE plans big spending in the next 5 years**
- **En Plus: Thailand oil demand shows a strong rebound**

Oil price shows some signs of stabilizing as panic over the Omicron variant subsides.

Bearish inventory data

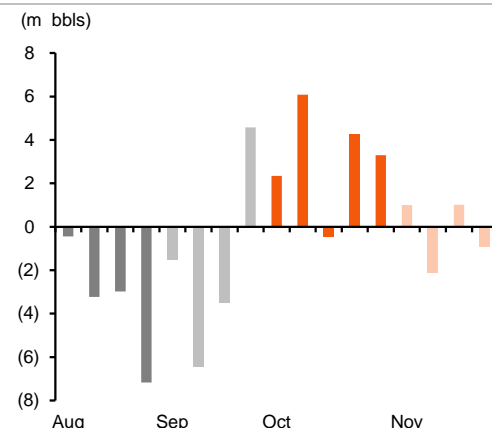
- US commercial crude oil inventory declined by 0.91m bbls w-w. This was smaller than consensus forecast of 1.2m bbls drawdown. Adding to the bearish mood, gasoline inventories grew by a whopping 4m bbls while distillate inventories also increased by 2.2m bbls.
- US crude oil production increased by another 100kbd w-w to 11.6mbd.
- US petroleum products supplied (a proxy for demand) declined by 1.5mbd to 20.2mbd. This was led by lower gasoline and “other oils” products.
- Baker Hughes reported that the number of US oil rig count was unchanged w-w at 467 rigs.

OPEC+ sticking to its output increase plan

OPEC+ members agreed to raise output in January as planned

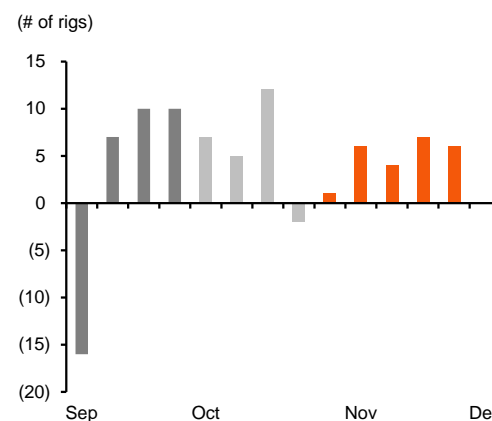
- **Another 400kbd increase:** As with previous months, OPEC+ will lift its collective output by 400kbd in January 2022. This will bring its planned production to about 40.5mbd in January. Note, however, that OPEC+ has failed to deliver monthly output increases in both September and October, falling short of target by about 700kbd in both months. For November, output increases have likely fallen below the planned 400kbd increase as well, meaning total output shortfall may have widened to over 730kbd below target.
- **Political pressure:** We believe the decision to go ahead with production increase despite potential supply glut is due to pressure from major consuming countries, including the US. Separately, US Deputy Energy Secretary David Turk indicated the US could adjust the timing of its SPR release depending on oil price movement.
- **Inventory to surge in 2022F:** OPEC+ expects global oil inventory to surge by 1.8mbd (639m bbls total) in 2022F compared to stock drawdowns of about 1.2mbd (442m bbls total) in 2021F. The forecast for next year assumes the group keeps pumping an additional 400kbd each month through September 2022F and the release of 70m bbls from strategic petroleum reserves in 1Q22F.

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: Thailand oil product demand

(m litres)	Oct-21	M-M	Y-Y
Gasoline	899	8%	-12%
Diesel	1,821	12%	-4%
Jet fuel	152	19%	-1%
Total	2,872	11%	-6%

Source: DOEB

UAE plans big spending in the next 5 years

The Abu Dhabi National Oil Company (ADNOC), the UAE's state-run oil company, has budgeted a massive spending plan for 2022-26F.

- **\$127bn budget:** ADNOC will spend up to \$127bn over the next five years on upstream, downstream, and clean energy. The company targets 5mbd of upstream capacity by 2030F compared to 4mbd current capacity. ADNOC has also upgraded its oil reserve by 4bn barrels to 111bn barrels and gas reserves by 16 tcf to 289 tcf.
- **Oil majors retreat:** The strong commitment to fossil fuels by state-owned companies such as ADNOC contrasts sharply to plans announced by oil majors. According to WoodMac, oil majors are setting aside as much as 25% of capex for renewable energy with some companies, such as Repsol, allocating as much as 35% of capex for renewables. The proportion of renewable energy capex is up sharply from just 10% in 2019.

En Plus: Thailand oil demand shows a strong rebound

Demands for gasoline, diesel and jet fuel rebounded 11% m-m in October following re-opening though it remains 6% below the same period of last year.

- **Gasoline demand:** Total gasoline demand grew to 899m litres in October, up 8% m-m and was 12% higher than 3Q21 average monthly demand. However, gasoline demand remains 12% lower y-y.
- **Diesel demand:** Diesel demand grew 12% m-m to 1.82bn litres in October. This also represented an 11% increase from 3Q21 monthly average consumption. However, diesel demand is still down 4% y-y.
- **Jet fuel demand:** Jet fuel demand grew 19% m-m to 152m litres. This was also 24% higher compared to 3Q21 average monthly consumption. On a y-y basis, jet fuel demand was 1% lower than October 2020 level and still down 74% from pre-pandemic level.

Ex 4: Prices And Spreads

(US\$/bbl)	4Q20	1Q21	2Q21	3Q21	QTD	Sep-21	Oct-21	Nov-21	MTD	Last
Oil prices										
Dated Brent	44.53	60.84	68.63	72.94	81.35	74.72	83.65	80.75	69.46	69.77
Dubai	43.87	59.70	66.43	71.31	79.78	72.36	81.22	79.78	69.67	70.32
WTI	42.74	58.07	66.10	70.52	79.02	71.54	81.22	78.65	66.11	66.26
Crack spreads over Dubai										
Gasoline	5.20	7.49	10.67	12.41	15.82	12.79	16.28	16.31	9.17	9.07
Jet fuel	3.79	4.25	5.36	5.80	9.88	7.82	10.71	9.17	8.99	8.39
Diesel	4.53	5.37	6.09	7.48	10.16	8.71	11.55	8.89	9.33	9.62
High-sulfur fuel oil	(1.02)	(4.28)	(6.80)	(5.42)	(7.01)	(2.49)	(5.14)	(8.88)	(7.05)	(7.68)
Refining margins										
FCC / Dubai	1.07	1.21	0.95	0.85	0.44	1.15	4.44	0.00	0.44	0.44
Hydrocracking / Dubai	0.52	0.71	0.77	1.11	0.60	1.69	5.19	0.60	0.60	0.60
FCC / Espo	(0.33)	1.47	1.55	1.24	0.84	1.54	4.83	0.84	0.84	0.84
FCC / Arab Light	1.45	0.56	(0.51)	(0.64)	(1.05)	(0.34)	2.95	(1.05)	(1.05)	(1.05)
Hydrocracking / Murban	1.17	2.29	2.81	3.41	2.90	3.98	7.48	2.90	2.90	2.90
(US\$/tonne)										
Aromatics spreads										
PX-naphtha	136	185	232	229	129	200	143	112	112	106
BZ-naphtha	119	191	367	350	230	341	260	193	193	161
Olefin spreads										
HDPE-naphtha	608	583	576	462	499	462	490	510	510	536
LDPE-naphtha	780	959	936	821	935	862	914	962	962	966
PP-naphtha	695	771	709	557	587	527	604	565	565	566
Ethylene-naphtha	463	416	406	304	331	355	350	307	307	316
Propylene-naphtha	499	461	436	294	242	281	252	228	228	236
Henry Hub Gas (US\$/mmbtu)	2.76	2.73	2.97	4.32	5.27	5.11	5.57	5.12	4.15	4.13
Coal (Newcastle) (US\$/tonne)	66.20	87.47	106.49	165.89	191.99	184.41	235.44	153.53	157.07	155.25

Source: Bloomberg

Ex 5: Valuation

	Rating	Current price	Target price	Upside/Downside	Market cap	Norm EPS growth	— Norm PE —	EV/EBITDA		— Yield —			
		(Bt)	(Bt)	(%)	(US\$ m)	2021F	2022F	2021F	2022F	2021F	2022F		
						(%)	(%)	(x)	(x)	(x)	(x)		
										(%)	(%)		
BANPU	BUY	10.70	22.00	105.6	2,136	na	(0.3)	4.6	4.6	4.1	3.7	7.1	7.4
BCP	SELL	25.00	21.00	(16.0)	1,016	na	na	na	22.9	8.5	6.6	0.0	2.4
ESSO	SELL	7.45	6.90	(7.4)	761	na	na	na	136.5	36.1	20.4	0.0	0.4
IRPC	BUY	3.84	5.10	32.8	2,315	na	9.6	13.7	12.5	8.8	8.0	4.4	4.8
IVL	BUY	39.75	52.00	30.8	6,585	169.1	(0.9)	12.9	13.0	8.0	8.7	2.7	2.7
PTG	BUY	15.10	22.00	45.7	744	(3.6)	11.8	14.1	12.6	6.9	6.5	3.5	4.0
PTT	BUY	36.75	50.00	36.1	30,973	182.0	5.2	9.8	9.3	4.4	4.0	5.1	5.4
PTTEP	BUY	117.50	140.00	19.1	13,764	68.1	15.8	13.0	11.2	4.1	3.7	4.6	5.4
PTTGC	BUY	57.75	86.00	48.9	7,683	219.4	(1.2)	10.7	10.8	6.5	6.3	5.6	5.6
SPRC	HOLD	9.30	8.80	(5.4)	1,190	na	na	na	45.0	32.0	12.4	0.0	0.8
SUSCO	BUY	3.24	4.80	48.1	105	3.0	23.4	15.2	12.3	6.4	5.2	3.4	4.1
TOP	HOLD	48.25	57.00	18.1	2,904	na	(11.7)	18.4	20.8	14.9	16.4	2.5	2.2

Sources: Company data, Thanachart estimates

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