

## Energy Sector – Neutral

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

## News Update

### Volatile oil prices amid Omicron uncertainty

- **Huge inventory draws across the board**
- **Diverging views on oil demand growths**
- **European LNG price at a premium to Asia's**
- **En Plus: IEA sees coal demand at record high in 2022F**

#### Huge inventory draws across the board

- US commercial crude oil inventory declined by 4.58m bbls w-w, greater than 2.1m bbls draw expected by the market. Gasoline inventories also decreased by 0.7m bbls while distillate inventories declined by 2.9m bbls w-w.
- US crude oil production was unchanged w-w at 11.7mbd.
- US petroleum products supplied (a proxy for demand) grew by a strong 3.4mbd w-w to 23.2mbd. This was driven by large increases in distillate and "other oil" product categories.
- Baker Hughes reported that US oil rig count grew by another 4 rigs w-w to 475 rigs as of 17 December.

#### Diverging views on oil demand growths

The International Energy Agency (IEA) and OPEC both updated their monthly oil demand / supply forecasts last week.

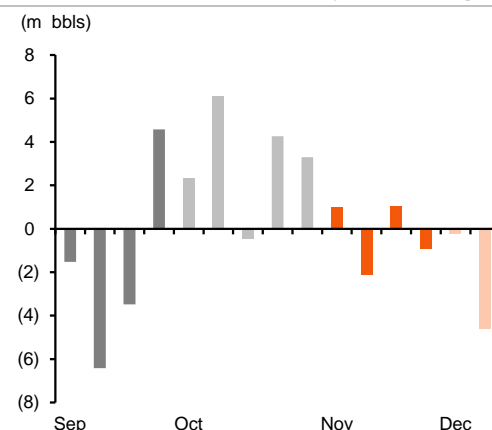
- **IEA:** The IEA revised down its oil demand growth by about 0.1mbd in both 2021F and 2022F. In 2021F, demand is now expected to grow by 5.4mbd followed by 3.3mbd growth in 2022F.
- **OPEC:** OPEC has kept its oil demand growth forecasts unchanged for both 2021F and 2022F. In 2021F, it sees demand growing by 5.7mbd, unchanged from previous forecast. This was driven by strong growth in 1H21 which helps offset slower demand growth in 3Q21. For 2022F, demand is expected to grow by 4.2mbd as some demand growth in 4Q21F is shifted to 1Q22F.

#### European LNG price at a premium to Asia's

In a rare occurrence, European LNG price was trading at a premium to its Asian counterpart.

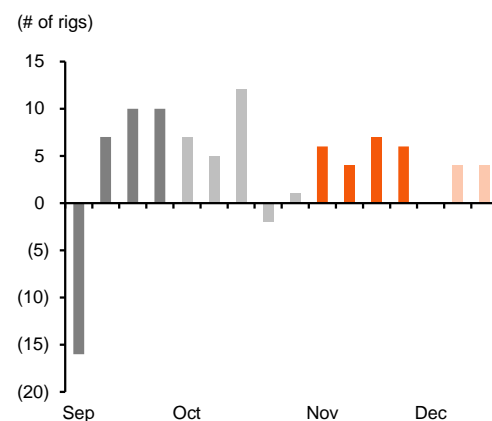
- **Record European LNG price:** Last week, European LNG price reached a record high of 41.95 \$/mmbtu for January delivery. This puts the price at a premium to its Asian counterpart which traded at \$39.02/mmbtu based on Platts' assessment. The high price in Europe is likely to pull more cargoes from the US.
- **Price to remain high and volatile:** European gas price could remain elevated and volatile given uncertainty over Nordstream 2 pipeline and on-going tension between Russia and Ukraine.

#### 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: Oil demand growth forecasts

(mbd)	Demand		Supply	
	2021F	2022F	2021F	2022F
IEA	5.4	3.3	1.5	6.4
OPEC	5.7	4.2	0.7*	3.0*

Source: IEA, OPEC

Note: \*OPEC forecasts for non-OPEC supply growth only

- **Ample inventory in Asia:** Meanwhile, inventory levels remain high across Asia particularly in major markets China and Japan.

#### En Plus: IEA sees coal demand at record high in 2022F

The strong rebound in coal demand this year could push demand in 2022F to a record high.

- **2020 slump followed by 2021F growth:** Global coal demand slumped 4.4% last year but it quickly rebounded by 6% this year. This was driven by a 9% increase in coal-fired power generation which is forecasted to reach 10,350 TWh in 2021F. This means most of the growth is driven by thermal coal whereas metallurgical coal growth is estimated to be just 0.5% y-y.
- **2022F could see a new demand record:** Total coal demand of 7,906m tons in 2021F puts it just shy of record reached in 2013-14. However, the IEA states that “depending on weather patterns and economic growth, overall coal demand could reach new all-time highs as soon as 2022F and remain at that level for the following two years.”

#### Ex 4: Prices And Spreads

(US\$/bbl)	4Q20	1Q21	2Q21	3Q21	QTD	Sep-21	Oct-21	Nov-21	MTD	Last
<b>Oil prices</b>										
Dated Brent	44.53	60.84	68.63	72.94	79.99	74.72	83.65	80.75	72.84	72.09
Dubai	43.87	59.70	66.43	71.31	78.48	72.36	81.22	79.78	71.95	72.24
WTI	42.74	58.07	66.10	70.52	77.61	71.54	81.22	78.65	70.07	70.86
<b>Crack spreads over Dubai</b>										
Gasoline	5.20	7.49	10.67	12.41	15.52	12.79	16.28	16.31	13.00	13.63
Jet fuel	3.79	4.25	5.36	5.80	9.96	7.82	10.71	9.17	10.02	10.98
Diesel	4.53	5.37	6.09	7.48	10.24	8.71	11.55	8.89	10.29	10.89
High-sulfur fuel oil	(1.02)	(4.28)	(6.80)	(5.42)	(6.99)	(2.49)	(5.14)	(8.88)	(6.96)	(6.29)
<b>Refining margins</b>										
FCC / Dubai	1.07	1.21	0.95	0.85	1.72	1.15	4.44	0.00	5.87	6.37
Hydrocracking / Dubai	0.52	0.71	0.77	1.11	1.96	1.69	5.19	0.60	6.35	6.82
FCC / Espo	(0.33)	1.47	1.55	1.24	2.12	1.54	4.83	0.84	6.27	6.77
FCC / Arab Light	1.45	0.56	(0.51)	(0.64)	0.23	(0.34)	2.95	(1.05)	4.38	4.89
Hydrocracking / Murban	1.17	2.29	2.81	3.41	7.50	3.98	7.48	2.90	8.65	9.12
<b>(US\$/tonne)</b>										
<b>Aromatics spreads</b>										
PX-naphtha	136	185	232	229	127	200	143	112	117	103
BZ-naphtha	119	191	367	350	226	341	260	193	207	198
<b>Olefin spreads</b>										
HDPE-naphtha	608	583	576	462	511	462	490	510	567	538
LDPE-naphtha	780	959	936	821	942	862	914	962	972	928
PP-naphtha	695	771	709	557	586	527	604	565	582	528
Ethylene-naphtha	463	416	406	304	333	355	350	307	342	318
Propylene-naphtha	499	461	436	294	247	281	252	228	270	238
Henry Hub Gas (US\$/mmbtu)	2.76	2.73	2.97	4.32	4.99	5.11	5.57	5.12	3.86	3.69
Coal (Newcastle) (US\$/tonne)	66.20	87.47	106.49	165.89	186.51	184.41	235.44	153.53	160.72	168.00

Source: Bloomberg

## Ex 5: Valuation

	Rating	Current	Target	Upside/	Market	Norm EPS growth		— Norm PE —		EV/EBITDA		— Yield —	
		price	price	(Downside)	cap	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BANPU	BUY	11.00	22.00	100.0	2,232	na	(0.3)	4.7	4.7	4.1	3.7	6.9	7.2
BCP	SELL	25.00	21.00	(16.0)	1,032	na	na	na	22.9	8.5	6.6	0.0	2.4
ESSO	SELL	7.30	6.90	(5.5)	758	na	na	na	133.8	35.8	20.2	0.0	0.4
IRPC	BUY	3.84	5.10	32.8	2,353	na	9.6	13.7	12.5	8.8	8.0	4.4	4.8
IVL	BUY	43.50	52.00	19.5	7,324	169.1	(0.9)	14.1	14.2	8.4	9.1	2.5	2.5
PTG	BUY	15.20	22.00	44.7	761	(3.6)	11.8	14.2	12.7	6.9	6.5	3.5	3.9
PTT	BUY	38.00	50.00	31.6	32,548	182.0	5.2	10.1	9.6	4.5	4.1	4.9	5.2
PTTEP	BUY	120.00	140.00	16.7	14,286	68.1	15.8	13.2	11.4	4.1	3.7	4.5	5.2
PTTGC	BUY	59.00	92.00	55.9	7,977	355.8	1.8	7.6	7.5	7.7	6.2	6.5	6.7
SPRC	HOLD	9.50	8.80	(7.4)	1,235	na	na	na	46.0	32.5	12.6	0.0	0.8
SUSCO	BUY	3.24	4.80	48.1	107	3.0	23.4	15.2	12.3	6.4	5.2	3.4	4.1
TOP	HOLD	49.50	57.00	15.2	3,028	na	(11.7)	18.8	21.3	15.1	16.5	2.4	2.1

Sources: Company data, Thanachart estimates

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