

Energy Sector – Neutral

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News Update

Oil price recovered

- **Big crude draw offset by product builds**
- **Russia to expand crude output by 3-5% in 2022F**
- **Bullish drivers for refining margins**
- **En Plus: Wild rides for European and Asian gas prices**

Oil price regained some grounds last week on big crude draw in the US and less concern over Omicron variant.

Big crude draw offset by product builds

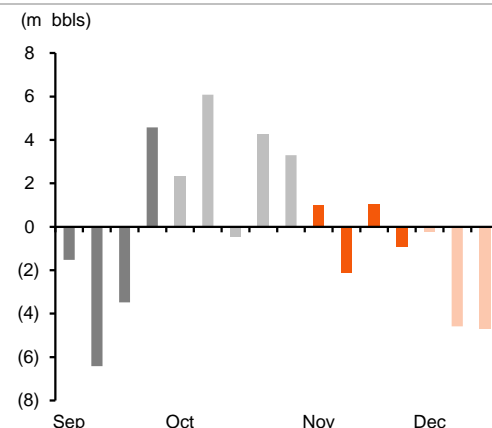
- US commercial crude oil inventory declined by a bigger-than-expected 4.72m bbls w-w. However, gasoline inventories grew by 5.5m bbls while distillate inventories also increased by 0.4m bbls w-w.
- US crude oil production dipped by 100kbd w-w to 11.6mbd.
- US petroleum products supplied (a proxy for demand) dropped by over 2.7mbd to 20.5mbd. This was led by declines in distillate fuels and propane/propylene.
- Baker Hughes reported that US oil rig count increased by another 5 rigs to 480 rigs as of 23 December.

Russia to expand crude output by 3-5% in 2022F

Russia has plans to modestly increase its crude oil output in 2022F while gas output is dependent on Nord Stream 2 approval by German regulators.

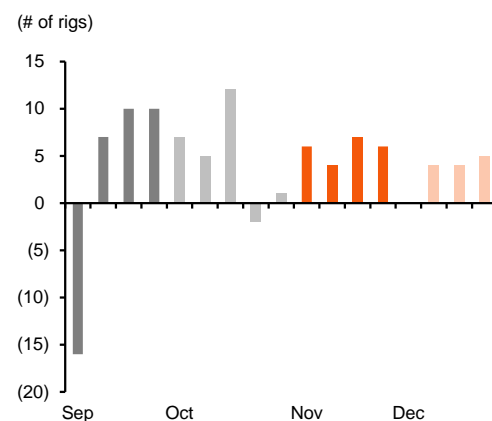
- **Crude output target 11.05mbd:** Russia's Deputy Prime Minister Alexander Novak expects his country's crude oil and condensate output to grow by 3-5% in 2022F to 540-550m tons (or up to 11.05mbd). This follows about a 2.1% growth in 2021F to 524m tons (10.5mbd). Output is likely to reach pre-pandemic level by May of next year with further unwinding of OPEC+ output cut. We note, however, that Russia's planned output increase is significantly lower than OPEC's and EIA's projections of a 9% and 7% growths, respectively.
- **Gas output up 10% y-y in 2021F:** Russia's natural gas production is expected to grow by 10% y-y in 2021F to about 760 Bcm. This follows a 6.1% output contraction in 2020. Export, which is growing by 9.5% in 2021F, will be dependent also on approval of Nord Stream 2 though a decision is not expected until 2H22F (according to previous statement by German energy regulator).

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



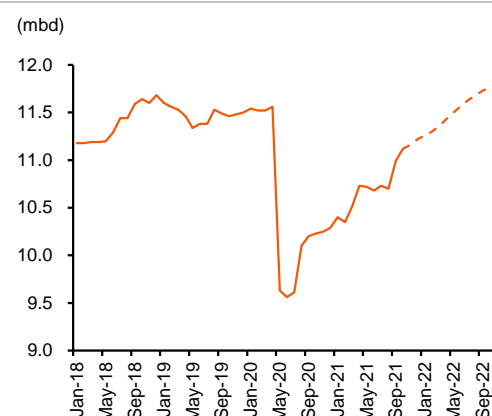
Source: EIA

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



Source: Baker Hughes

Ex 3: Russia's oil and other liquids output



Source: EIA

Bullish drivers for refining margins

There were a few bullish developments for refining space last week.

- **ExxonMobil's Baytown refinery accident:** ExxonMobil reported last Thursday that a fire broke out at its Baytown refinery's desulfurization unit while it was going a repair maintenance. The site is the 4th largest refining complex in the US with 557kbd capacity. It also produces over 1.1m tpa of propylene and 3.8m tpa of ethylene along with associated downstream units. Later, the company said the complex was operating at a "reduced rate".
- **Potential delay to allocation of China's export quota:** According to S&P Global Platts, the Chinese government is unlikely to allocate new batch of oil product export quota by the end of December. This may prompt delays in product export in the first half of January. The delay reflects the government's aim to cut export quota next year in an effort to meet its net-zero target.

En Plus: Wild rides for European and Asian gas prices

Gas prices in Europe and Asia renewed fresh records.

- **Dutch TTF:** Dutch TTF gas price, a European benchmark, soared to a fresh record last week of over EUR180/MWh (\$60/mmbtu) as fears of cold weather and limited supplies drove buying frenzy. A number of LNG ships, carrying US cargoes initially bounded for Asia, have been diverted to Europe to meet the demand. Even after a big correction by the end of the week, price for front-month delivery remained at EUR110/MWh (\$36/mmbtu) which is still a very high level by historical standard.
- **Asian spot LNG:** Spot LNG price in Asia also renewed its fresh high as competitive buying against Europe drove up prices to \$45/mmbtu. This was despite relatively low demand from major Asian buyers (Japan, China) with Thailand the only notable exception.

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	79.55	74.72	83.65	80.75	73.37	77.99
Dubai	43.87	59.70	66.43	71.31	77.91	72.36	81.22	79.78	71.87	73.60
WTI	42.74	58.07	66.10	70.52	77.16	71.54	81.22	78.65	70.69	75.57
Crack spreads over Dubai										
Gasoline	5.20	7.49	10.67	12.41	15.64	12.79	16.28	16.31	14.11	19.30
Jet fuel	3.79	4.25	5.36	5.80	10.05	7.82	10.71	9.17	10.32	10.85
Diesel	4.53	5.37	6.09	7.48	10.29	8.71	11.55	8.89	10.46	11.09
High-sulfur fuel oil	(1.02)	(4.28)	(6.80)	(5.42)	(6.89)	(2.49)	(5.14)	(8.88)	(6.63)	(5.51)
Refining margins										
FCC / Dubai	1.07	1.21	0.95	0.85	2.05	1.15	4.44	0.00	5.80	5.87
Hydrocracking / Dubai	0.52	0.71	0.77	1.11	2.29	1.69	5.19	0.60	6.23	6.23
FCC / Espo	(0.33)	1.47	1.55	1.24	2.45	1.54	4.83	0.84	6.20	6.26
FCC / Arab Light	1.45	0.56	(0.51)	(0.64)	0.56	(0.34)	2.95	(1.05)	4.31	4.38
Hydrocracking / Murban	1.17	2.29	2.81	3.41	7.56	3.98	7.48	2.90	8.52	8.52
(US\$/tonne)										
Aromatics spreads										
PX-naphtha	136	185	232	229	126	200	143	112	119	132
BZ-naphtha	119	191	367	350	228	341	260	193	223	262
Olefin spreads										
HDPE-naphtha	608	583	576	462	510	462	490	510	536	487
LDPE-naphtha	780	959	936	821	930	862	914	962	918	837
PP-naphtha	695	771	709	557	572	527	604	565	538	487
Ethylene-naphtha	463	416	406	304	327	355	350	307	319	272
Propylene-naphtha	499	461	436	294	245	281	252	228	254	237
Henry Hub Gas (US\$/mmbtu)	2.76	2.73	2.97	4.32	4.90	5.11	5.57	5.12	3.87	4.06
Coal (Newcastle) (US\$/tonne)	66.20	87.47	106.49	165.89	185.07	184.41	235.44	153.53	163.08	170.10

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	10.60	22.00	107.5	2,136	na	(0.3)	4.5	4.5	4.0	3.7	7.2	7.5
BCP	SELL	24.70	21.00	(15.0)	1,013	na	na	na	22.6	8.5	6.6	0.0	2.4
ESSO	SELL	7.30	6.90	(5.5)	752	na	na	na	133.8	35.8	20.2	0.0	0.4
IRPC	BUY	3.78	5.10	34.9	2,300	na	9.6	13.5	12.3	8.7	8.0	4.4	4.9
IVL	BUY	43.00	52.00	20.9	7,190	169.1	(0.9)	13.9	14.1	8.4	9.0	2.5	2.5
PTG	BUY	15.00	22.00	46.7	746	(3.6)	11.8	14.0	12.5	6.9	6.5	3.6	4.0
PTT	BUY	37.75	50.00	32.5	32,113	182.0	5.2	10.0	9.5	4.5	4.1	5.0	5.2
PTTEP	BUY	118.00	140.00	18.6	13,952	68.1	15.8	13.0	11.2	4.1	3.7	4.6	5.3
PTTGC	BUY	57.75	92.00	59.3	7,755	355.8	1.8	7.5	7.4	7.6	6.1	6.7	6.8
SPRC	HOLD	9.45	8.80	(6.9)	1,220	na	na	na	45.7	32.4	12.6	0.0	0.8
SUSCO	BUY	3.26	4.80	47.2	107	3.0	23.4	15.3	12.4	6.4	5.2	3.4	4.0
TOP	HOLD	48.25	57.00	18.1	2,932	na	(11.7)	18.4	20.8	14.9	16.4	2.5	2.2

Sources: Company data, Thanachart estimates

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