

**Energy Sector – Neutral**

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**News Update**

**Supply disruption led crude oil price rise**

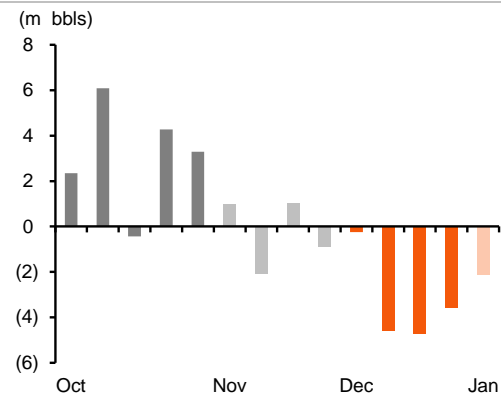
- **US oil inventory down 6 weeks in a row**
- **OPEC output likely to continue to disappoint**
- **GRM steady WoW despite supply tightness**
- **China diesel export in Dec 21 was the lowest since Mar 2015**

Oil prices are gearing up for their largest weekly gain in three weeks after protests across Kazakhstan highlighted the fragility of crude supply. Oil's market structure continues to firm in a bullish backwardation structure. This is despite the news that Saudi Arabia raised selling price to Asian buyer in Feb and maintains plan to increase output.

**OPEC+ continue its output hike**

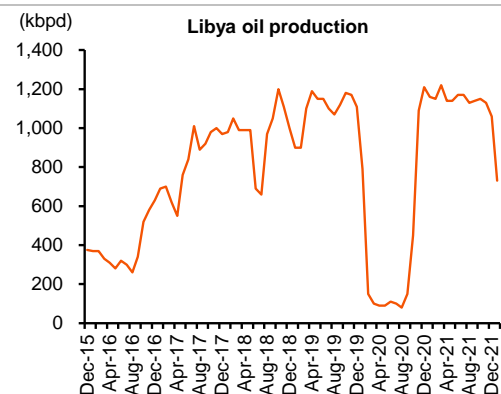
- **OPEC+ likely to continue its output hike in Feb.** As market expected, OPEC + nations have decided to maintain their output plan for another month. They will continue to raise production by 400,000 bpd for February, leaving about 3 mbpd in cuts to unwind by September. OPEC+ will hold its next meeting on Feb. 2.
- **OPEC production again undershoot target in December.** OPEC output raised 70,000 bpd from November in December. This is much below target of 253,000 bpd. Compliance with OPEC+ cut rises to 127%. Angola, Nigeria among producers unable to reach targets. Note that OPEC+ producers missed their targets by 730,000 bpd in October and by 650,000 bpd in November.
- **Supply disruption in Kazakhstan, adding more pressure after Libya oil disruption.** An uprising in Kazakhstan stoked worry that crude supply from the OPEC+ producers could be disrupted at the same time output has dropped in Libya. Oil production at Kazakhstan's largest 700,000 bpd capacity oil field Tengiz was decreased by its operator Chevron after some local contractors disrupted train lines in support of anti-government protests. Meanwhile, Argus media reported that production in Libya has dropped to 729,000 bpd from a high of 1.3 m bpd last year, partly due to pipeline maintenance work.
- **OPEC cut 1Q22 surplus by 25%.** OPEC+ now sees 1Q22 oil market surplus at 1.4 mbpd, down from an early December estimate of a 3 mbpd oversupply due to lower oil supply from non-OPEC+ oil producing nations. However, OPEC + expect some of the surplus delay and raise surplus forecast for 2Q22-3Q22.

**Ex 1: U.S. crude oil inventory down again**



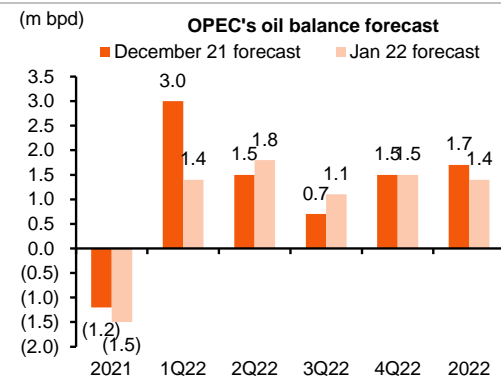
Source: EIA

**Ex 2: Libya oil output decreases in Jan 22**



Source: Bloomberg, Argus Media

**Ex 3: OPEC cut oil surplus forecast by 25%**



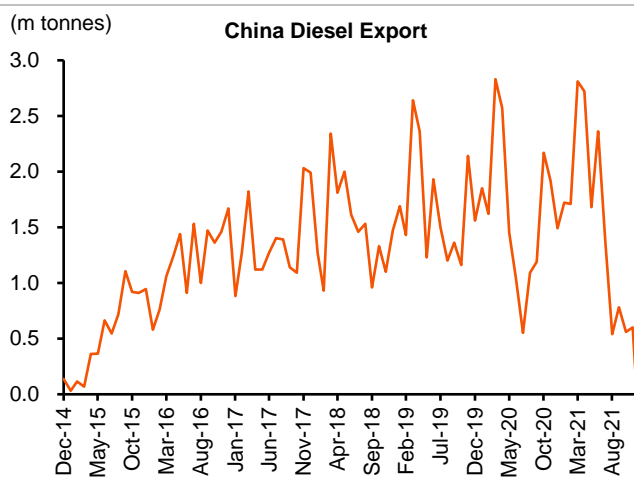
Source: OPEC

**Refinery margin steady despite supply tightness**

Middle distillate seen marginally improvement this week with Diesel crack spread has gained about 7% to US\$13.2/bbl on 7 Jan 22 from US\$12.33/bbl last week while Jet crack spread improved by 10% WoW to US\$10.6/bbl. However, naphtha and gasoline crack spread trended lower which offset the impact from higher middle distillate margins. Couple with strong oil price pressured, Singapore complex GRM dropped slightly to US\$5.9/bbl from US\$6.4/bbl last week.

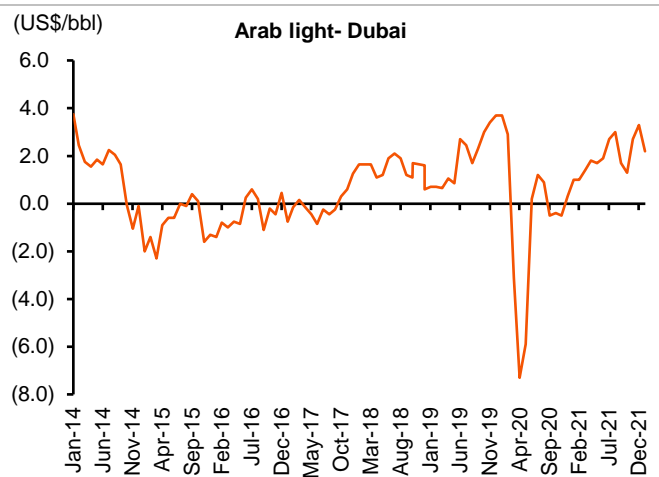
- **China refined crude oil export quota cut by 56%.** Based on Reuter report, Quotas for refined fuel exports totaled 13 million tonnes under the first batch, down 56% from 29.5 million tonnes for the first allotment of 2021. This is widely anticipated by the market given China policy toward carbon emission.
- **China Diesel export continue to drop in Dec 21.** Reuter reported that China's diesel exports dropped to 220,000 tonnes in December, down from 599,000 tonnes in November. With lower export quota in 2022, Chinese export set to continue to trend lower. However, the current diesel export level is already lowest since Mar 2015, further decline will likely have limited impact, in our view.
- **Saudi Arabia cut the prices of all the crude grades.** It will be selling to Asia in February to the lowest premium to regional benchmarks in three months, amid the rapid spread of Omicron and higher OPEC+ supply to the markets. All Saudi grades sold in Asia in February will see their official selling prices (OSPs) reduced by between \$1.00 and \$1.30 per barrel. This is following the hike in total of US\$2.00 per barrel from Dec 21- Jan 22. We believe this is to reflect potential weak demand from Omicron and OPEC + plan to increase output.
- **Exxon refinery remains running at a low rate.** Exxon says Baytown refinery remains at reduced rates following Dec 23 fire. Exxon's Baytown facility is home to a chemical plant, an olefins plant and the country's fourth-biggest oil refinery, with capacity to process 560,500 barrels per day of crude.

**Ex 4: Chinese diesel export at lowest point since Mar 2015**



Sources: Bloomberg; Thanachart

**Ex 5: Saudi Arabia cut OSP premium in Feb 22**



Sources: Bloomberg; Thanachart

## Ex 6: Prices And Spreads

(US\$/bbl)	1Q21	2Q21	3Q21	4Q21	QTD	Oct-21	Nov-21	Dec-21	MTD	Last
<b>Oil prices</b>										
Dated Brent	60.84	68.63	72.94	78.40	80.47	83.65	80.75	74.27	80.47	81.92
Dubai	59.70	66.43	71.31	76.02	77.93	81.22	79.78	72.69	77.93	80.72
WTI	58.07	66.10	70.52	76.08	77.86	81.22	78.65	71.69	77.86	78.90
<b>Crack spreads over Dubai</b>										
Gasoline	7.49	10.67	12.41	15.59	14.87	16.28	16.31	14.49	14.87	12.94
Jet fuel	4.25	5.36	5.80	11.02	11.46	10.71	9.17	10.37	11.46	11.15
Diesel	5.37	6.09	7.48	10.12	10.59	11.55	8.89	10.71	10.59	10.34
High-sulfur fuel oil	(4.28)	(6.80)	(5.42)	(5.83)	(6.70)	(5.14)	(8.88)	(6.45)	(6.70)	(7.43)
<b>Refining margins</b>										
FCC / Dubai	1.21	0.95	0.85	5.81	5.71	4.44	4.21	5.78	5.71	5.66
Hydrocracking / Dubai	0.71	0.77	1.11	6.11	6.27	5.19	4.50	6.19	6.27	6.39
FCC / Espo	1.47	1.55	1.24	6.20	6.10	4.83	4.60	6.18	6.10	6.05
FCC / Arab Light	0.56	(0.51)	(0.64)	4.32	4.22	2.95	2.72	4.30	4.22	4.17
Hydrocracking / Murban	2.29	2.81	3.41	8.41	8.57	7.48	6.80	8.49	8.57	8.69
<b>(US\$/tonne)</b>										
<b>Aromatics spreads</b>										
PX-naphtha	185	232	229	127	127	143	112	119	122	132
BZ-naphtha	191	367	350	231	231	260	193	223	231	262
<b>Olefin spreads</b>										
HDPE-naphtha	583	576	462	505	505	490	510	536	517	442
LDPE-naphtha	959	936	821	920	920	914	962	918	893	792
PP-naphtha	771	709	557	562	562	604	565	538	519	442
Ethylene-naphtha	416	406	304	321	321	350	307	319	303	237
Propylene-naphtha	461	436	294	242	242	252	228	254	244	202
Henry Hub Gas (US\$/mmbtu)	2.73	2.97	4.32	3.72	3.83	5.57	5.12	3.86	3.83	3.92
Coal (Newcastle) (US\$/tonne)	87.47	106.49	165.89	169.60	180.78	235.44	153.53	164.42	180.78	195.90

Source: Bloomberg

## Ex 7: 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	2021F	2022F
						(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BANPU	BUY	11.20	22.00	96.4	2,252	na	(0.3)	4.8	4.8	4.1	3.7	6.8	7.1
BCP	SELL	27.00	21.00	(22.2)	1,105	na	na	na	24.8	8.9	6.9	0.0	2.2
ESSO	SELL	7.50	6.90	(8.0)	771	na	na	na	137.4	36.3	20.5	0.0	0.4
IRPC	BUY	3.94	5.10	29.4	2,392	na	9.6	14.1	12.8	8.9	8.1	4.3	4.7
IVL	BUY	45.50	52.00	14.3	7,591	169.1	(0.9)	14.8	14.9	8.6	9.3	2.4	2.4
PTG	BUY	15.40	22.00	42.9	764	(3.6)	11.8	14.4	12.8	7.0	6.6	3.5	3.9
PTT	BUY	38.75	50.00	29.0	32,887	182.0	5.2	10.3	9.8	4.6	4.2	4.8	5.1
PTTEP	BUY	124.00	140.00	12.9	14,627	68.1	15.8	13.7	11.8	4.3	3.8	4.4	5.1
PTTGC	BUY	59.00	92.00	55.9	7,904	355.8	1.8	7.6	7.5	7.7	6.2	6.5	6.7
SPRC	HOLD	10.40	8.80	(15.4)	1,340	na	na	na	50.3	34.9	13.6	0.0	0.7
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	52.25	57.00	9.1	3,167	na	(11.7)	19.9	22.5	15.5	16.9	2.3	2.0

Sources: Company data, Thanachart estimates

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