Energy Sector – Overweight

News Update

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Rising threat on gas supply

- **Surprise US crude inventory build**
- **Surging in global gas price due to supply disruption**
- **Libya supply disruption**
- **Resilient Russia oil export**

The threat to supply in Europe returned this week, just as the EU is looking to stock up on gas and possibly avoid gas rationing for industries next winter. Dutch TTF gas spiked 52% w-w to EUR128/MWh (US$43/mmbtu) which also send JKM LNG price surged 52% w-w to US$35/mmbtu. This is negative for PTT who import spot LNG and IVL via higher gas cost in Europe which accounts 18% of its EBITDA. Crude oil market also remains positive as OPEC output is likely miss production again in June due to Libya supply disruption.

Surprise US crude inventory build

- US commercial crude oil inventory increased by another 1.96m bbls w-w, against -1.3m bbls draw expected by the market and 2m bbls draw last week.
- Gasoline inventories draw by another to 0.7m bbls vs 1m bbls build expected by the market. Meanwhile, distillate inventory continues to build, increasing by 0.7m bbl w-w.
- US crude oil production increased 100k bpd w-w to 12mbd.

Surging in global gas price due to supply disruption

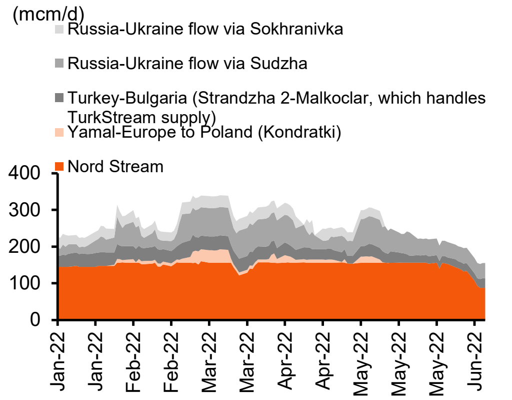
- **Freeport start up delay**. U.S. LNG supplies have become problematic after an explosion at Freeport LNG prompted production suspension that will last for a minimum of three months, with a full return to normal operation coming no sooner than late 2022. The facility accounts for about 20% of U.S. LNG exports and has been a major supplier to European buyers seeking alternatives to Russian gas since its invasion of Ukraine. Freeport shipped 30 million cubic meters of gas a day to Europe in May, which means it met 2.5% of European demand last month. The LNG terminal has exporting capacity of 15.3 Mtpa (2 Bcf/d) located on Quintana Island
- **Two gas supply disruption in Russia.** Gazprom cut Nord Stream 1 volumes by 40%, citing the delayed delivery of gas turbines it had sent to German Siemens for scheduled repairs. Siemens, for its part, said that it had sent the turbines to be repaired at a Canadian factory, but new anti-Russian sanctions imposed by the federal Canadian government had stalled the return of the equipment. Meanwhile, Eni confirmed that Gazprom said it would cut natural gas flows by 15% to Italy, without detailing the reasons why. Italy and Germany are Russia's two biggest customers, and Russian gas accounted for 40% of gas consumption in those countries before the war in Ukraine.

Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	+1.957	(1.314)	+2.025
Gasoline	(0.710)	+1.066	(0.812)
Distillates	+0.725	+0.292	2.592
(kbpd)	**Weekly change**	**% Change**	**Current number**
Production	+100	0.8%	12,000
Refinery Runs	-68	-0.4%	16,319

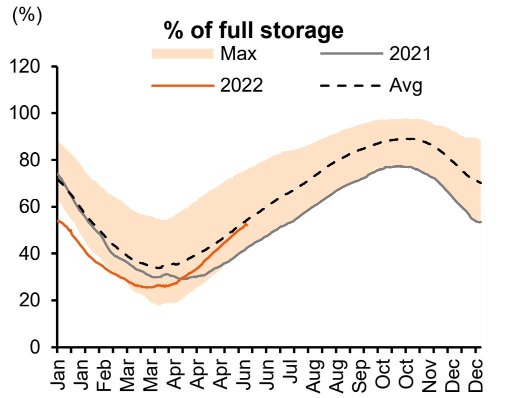
Source: EIA

Ex 2: Russia gas flow to Europe



Source: Bloomberg

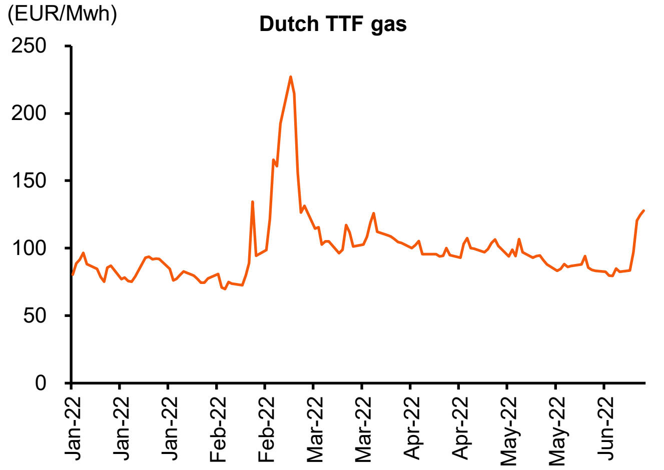
Ex 3: Europe inventory level



Source: Bloomberg

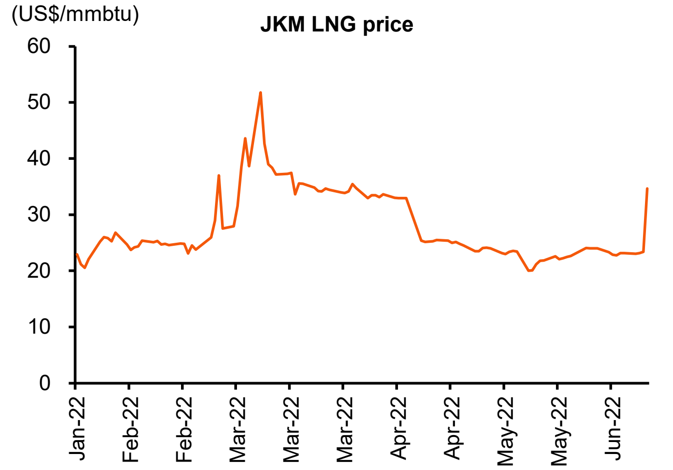
- **EU Winter supply under threat.** EU member states are now required to reach a minimum 80% gas storage level by November 1 to protect against potential interruptions to supply. As of June 15, gas storage in the EU was 52% full, with Germany at 56% full and Italy at 54%, according to data from Gas Infrastructure Europe.

Ex 4: Dutch TTF Gas



Source: Bloomberg

Ex 5: JKM LNG price



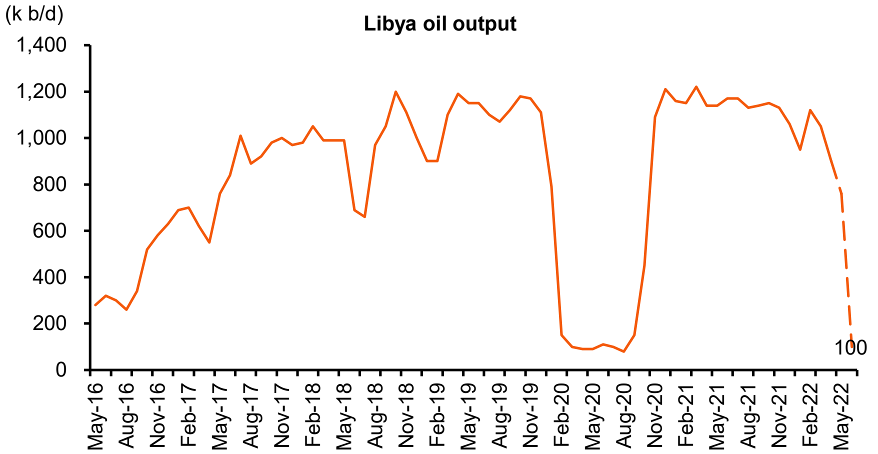
Source: Bloomberg

OPEC likely miss production target again in June

- **Libya is losing oil production at the rate of 1.1m b/d**, the country's oil minister Mohammed Aoun has said, adding that almost all of the country's oil fields were shut down due to unrest in the country. Libya was producing around 600,000 b/d in May (vs. normal output of 1.1-1.2m b/d) due to the large field and export terminal closures, and now, based on Aoun's comments, its output rate is close to about 100,000 b/d.

- **Resilient Russia oil export.** Russia's oil export resilience to Western boycotts and sanctions so far has surprised most market watchers as China and India continue to stock up cheap Russia crude. Compared to pre-war levels in January and February, Russia's shipped crude exports from June 1-15 rose by 576,000 b/d to average about 3.88 m b/d, according to preliminary data from shipping analytics provider Kpler. For production, after plunging 930,000 b/d in April, Russian total oil production in May actually rose by 130,000 b/d to 10.55 million b/d, the IEA said in its June 15 monthly oil market report.

Ex 6: Libya Oil Output



Sources: Bloomberg

Ex 7: Prices And Spreads

(US$/bbl)	1Q21	2Q21	3Q21	4Q21	1Q22	QTD	Apr-22	May-22	MTD	Last week	This week
Upstream											
Dubai	60	66	71	77	97	108	101	109	120	119	120
Brent	61	69	73	79	98	112	106	112	120	120	122
Henry hub (US$/mmbtu)	2.5	2.6	3.3	3.9	4.5	7.8	6.8	8.2	8.9	8.9	8.9
NEX coal price (US$/t)	87	106	165	185	266	356	305	391	406	415	390
Crack spreads over Dubai											
Gasoline	7.0	9.9	11.6	15.5	17.8	0.0	24.1	38.4	39.9	41.4	39.5
Jet fuel	3.3	4.5	5.3	10.2	16.2	0.0	31.6	34.5	48.1	42.3	49.6
Diesel	(3.4)	(5.8)	(3.3)	(6.9)	(8.3)	12.5	36.7	36.8	51.7	47.1	52.5
High-sulfur fuel oil	0.8	(1.0)	1.6	3.2	(2.1)	(8.7)	8.3	(2.7)	(14.7)	(10.6)	(17.7)
Singapore complex GRM	**2.1**	**2.3**	**4.0**	**6.4**	**8.4**	**(1.6)**	**19.8**	**21.5**	**22.6**	**22.4**	**21.9**
(US$/tonne)											
Aromatics spreads											
PX-naphtha	190	241	240	134	192	345	257	341	533	480	587
BZ-naphtha	190	360	317	196	196	361	226	317	570	541	629
Olefin spreads											
HDPE-naphtha	577	575	462	509	413	448	504	430	383	360	407
LDPE-naphtha	962	915	740	890	731	790	834	776	738	730	747
PP-naphtha	748	694	548	558	419	431	484	408	383	360	407
Others											
Integrated PET	230	231	185	345	297	290	310	284	250	219	298
ABS-naphtha	1,811	1,932	1,712	1,565	1,108	1,089	1,129	1,080	1,033	1,010	1,057
Phenol-BZ	213	252	255	333	421	170	282	180	47	29	36
BPA -Phenol	1,565	2,008	2,074	1,198	843	638	736	693	486	510	462

Sources: TOP, Bloomberg

Ex 8: Valuation

	Rating	Current price (Bt)	Target price (Bt)	*Upside/ (Downside) (%)*	Market cap (US$ m)	Norm EPS growth 2022F (%)	Norm EPS growth 2023F (%)	— Norm PE — 2022F (x)	— Norm PE — 2023F (x)	EV/EBITDA 2022F (x)	EV/EBITDA 2023F (x)	— Yield — 2022F (%)	— Yield — 2023F (%)
BANPU	BUY	12.60	17.00	*34.9*	2,420	132.1	(17.3)	4.0	4.8	3.2	3.0	8.5	7.3
BCP	BUY	29.25	39.00	*33.3*	1,143	116.4	(34.9)	4.1	6.2	3.0	4.6	6.2	4.1
ESSO	BUY	10.70	16.00	*49.5*	1,051	na	(9.9)	5.9	6.5	4.1	5.0	9.3	4.6
IRPC	BUY	3.10	4.40	*41.9*	1,798	(70.7)	489.1	55.3	9.4	12.1	7.0	4.9	5.3
IVL	BUY	47.50	62.00	*30.5*	7,572	96.4	(18.9)	6.6	8.2	6.6	7.2	4.2	3.2
PTG	BUY	13.60	20.00	*47.1*	645	50.7	19.3	15.0	12.6	7.0	6.0	3.3	4.0
PTT	BUY	33.50	42.00	*25.4*	27,166	(5.0)	4.4	11.3	10.9	4.4	4.1	6.0	6.0
PTTEP	HOLD	162.50	161.00	*(0.9)*	18,315	79.9	(9.8)	8.1	9.0	3.0	3.0	3.7	4.3
PTTGC	BUY	43.75	58.00	*32.6*	5,600	(19.4)	5.4	8.6	8.2	7.1	6.6	5.7	5.5
SPRC	BUY	11.30	15.50	*37.2*	1,391	na	(39.5)	4.3	7.1	2.6	3.8	10.6	4.1
SUSCO	BUY	3.56	6.20	*74.2*	111	46.5	11.9	10.7	9.5	5.7	4.9	5.6	6.3
TOP	HOLD	49.50	57.00	*15.2*	2,867	194.9	(25.7)	6.1	8.3	8.8	12.0	6.1	3.9

Sources: Company data, Thanachart estimates

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