

## Energy Sector – Overweight

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News Update

### Rising uncertainty

- **Mixed movement in US inventory**
- **Government seeks more help from PTT**
- **BP's biggest EU refinery restart on hold**
- **Russia oil price cap in discussion**

Brent crude oil price gave up the gain during mid-week by news on oil price cap on Russian crude given market concern that Russian crude will keep flowing into the market. The next thing to watch is OPEC meeting in 4th Dec. unless they decide to cut production further, oil price could stay under pressure.

### Mixed movement in US inventory

- US commercial crude oil inventory turned into a draw by another 3.7m bbls w-w against 1.1m bbls draw expected by the market and 5.4m bbls draw last week.
- Gasoline and distillate inventories surprisingly continued to show a build of 3m and 1.7m, respectively.
- US crude oil production was steady w-w at 12.1k bd

### Government seeks more help from PTT

- **Ask for another subsidy.** Energy and planning office (EPPO) asked help from PTT to help EGAT reduce its subsidy burden amount Bt1.5bn per month from Jan-April 2023. In total, the company will have to pay Bt6bn. According to PTT, the amount already included potential discount to IPP and SPP producers as well as the help to support subsidy for low-income people who use electricity less than 500 units per month. Note that this is not a final number and has to be approved by PTT's board of director. The meeting is expected to be held in mid-December.
- **Likely an overhang.** Although this amount is relatively small accounting for 6% of 2023F profit forecast (or implying Bt0.2 per share, 0.6% of current price), we see this will likely to continue to be the key overhang on share price if the energy price remains elevated. Note that PTT has already paid Bt3bn to help support oil fund and already bare NGV loss of Bt8.9bn for 9M222.
- **PTT already have low holding in the stock.** Despite the negative news, PTT's share price didn't move negatively and has been steady on Friday. We believe this is because of a very low holding in the stock. Therefore, we maintain our BUY rating as we see downside is limited. However, we see refinery stock as a prefer choices. Our preferred choices are ESSO and TOP.

### Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-3.691	-1.055	-5.400
Gasoline	3.058	0.383	2.207
Distillates	1.718	-0.550	1.120

(kbpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	12,100
Refinery Runs	+258	+1.6%	16,410

Source: EIA

**BP's biggest EU refinery restart on hold**

- **Refinery workers at BP's biggest refinery in Europe are on a partial strike** over demands for higher wages and will not cooperate in efforts to restart the Rotterdam refinery, which is currently offline. On top of this, BP is also working to resolve a fault at the plant, which prompted it to cease fuel-making operations last week. The fault has been fixed, but workers will not cooperate in the restart of production
- **Likely continue tightness in diesel market.** BP's Rotterdam refinery is among the biggest in Europe and is located in the heart of the region's main oil-trading hub. The BP's Rotterdam refinery accounts for almost 3% of northern Europe's refining capacity, and delays to its restart could exacerbate the diesel crunch in Europe.

**Russia oil price cap in discussion**

- **EU looking to cap Russia crude at US\$65-70.** Reports emerged on Wednesday that the EU is discussing capping the price of Russian oil at somewhere between US\$65-70 per barrel.
- **If approves, likely no flow disruption in Russian crude oil.** Ural trades at US\$20/bbl lower than Brent, making the effective price for Russian crude at US\$65/bbl which is below or near the cap price. So this US\$70/bbl cap price couldn't stop the flow of Russian crude to the market. It does provide more legitimacy for more countries to buy more Russian crude. The next thing to watch is OPEC meeting in 4<sup>th</sup> Dec. unless they decide to cut production further, oil price could stay under pressure.

## Ex 2 Prices And Spreads

(US\$/bbl)	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Sep-22	Oct-22	MTD	Last week	This week
<b>Upstream</b>											
Dubai	71	77	97	108	99	90	91	90	89	85	78
Brent	73	79	98	112	98	93	91	94	93	88	87
Henry hub (US\$/mmbtu)	3.6	4.2	4.8	7.7	8.1	6.4	8.1	6.5	6.3	6.3	7.1
NEX coal price (US\$/t)	165	185	266	364	416	370	439	393	342	343	347
<b>Crack spreads over Dubai</b>											
Gasoline	11.6	15.5	17.8	35.0	13.2	7.6	6.9	3.8	11.4	11.3	13.0
Jet fuel	5.3	10.2	16.2	39.2	32.4	33.4	29.9	32.2	34.6	36.8	35.7
Diesel	5.4	11.4	19.6	43.1	35.2	42.1	33.9	42.6	41.6	41.6	41.5
High-sulfur fuel oil	1.6	3.2	(2.1)	(13.1)	(22.2)	(15.7)	(24.7)	(29.0)	(22.0)	(21.9)	(20.0)
<b>Singapore complex GRM</b>	<b>4.0</b>	<b>6.4</b>	<b>8.4</b>	<b>22.0</b>	<b>6.9</b>	<b>5.6</b>	<b>3.5</b>	<b>3.4</b>	<b>7.7</b>	<b>8.3</b>	<b>9.3</b>
<b>(US\$/tonne)</b>											
<b>Aromatics spreads</b>											
PX-naphtha	240	134	192	364	367	335	393	352	307	332	273
BZ-naphtha	317	196	196	353	263	154	244	191	115	148	104
<b>Olefin spreads</b>											
HDPE-naphtha	462	509	413	444	370	344	361	364	312	317	293
LDPE-naphtha	740	890	731	781	607	494	546	514	436	447	413
PP-naphtha	548	558	419	431	352	309	383	304	249	247	233
<b>Others</b>											
Integrated PET	185	345	297	302	303	206	276	229	206	160	217
ABS-naphtha	1,712	1,565	1,108	1,088	888	771	851	812	702	697	683
Phenol-BZ	255	333	421	193	233	313	320	361	264	204	234
BPA -Phenol	2,074	1,198	843	625	369	396	415	412	380	393	393

Sources: TOP, Bloomberg

## Ex 3: Valuation

	Rating	Current	Target	Upside/	Market	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		price	price	(Downside)	cap	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BCP	BUY	31.75	39.00	22.8	1,220	116.4	(34.9)	4.4	6.8	3.1	4.7	0.7	0.7	5.7	3.8	17.5	10.5
ESSO	BUY	12.50	18.00	44.0	1,207	na	(31.1)	4.1	5.9	3.1	4.6	1.3	1.3	17.6	6.1	41.0	22.2
IRPC	BUY	3.06	4.40	43.8	1,745	(70.7)	489.1	54.6	9.3	12.0	6.9	0.7	0.7	5.0	5.4	1.3	7.3
IVL	HOLD	42.25	46.00	8.9	6,620	93.0	(26.6)	6.0	8.2	5.4	6.1	1.2	1.1	4.7	3.6	22.4	14.3
OR	SELL	24.30	20.00	(17.7)	8,138	27.8	(14.0)	20.7	24.1	11.2	12.2	2.6	2.5	1.4	1.2	13.4	10.5
PTT	BUY	33.75	42.00	24.4	26,902	(5.0)	4.4	11.4	10.9	4.4	4.1	0.9	0.9	5.9	5.9	8.2	8.3
PTTEP	HOLD	186.50	159.00	(14.7)	20,662	77.0	(15.4)	9.5	11.2	3.3	3.7	1.6	1.4	3.2	3.8	17.5	13.4
PTTGC	BUY	47.00	56.00	19.1	5,914	7.4	(21.9)	7.0	8.9	7.5	7.6	0.7	0.6	5.3	4.6	9.5	7.3
SCC	SELL	337.00	300.00	(11.0)	11,285	(37.1)	(2.0)	13.7	14.0	13.1	11.3	1.1	1.0	3.7	3.6	8.0	7.5
SPRC	BUY	11.80	15.50	31.4	1,428	na	(39.5)	4.5	7.4	2.7	4.0	1.1	1.1	10.2	4.0	28.5	15.0
TOP	BUY	55.00	70.00	27.3	3,429	450.0	(54.1)	3.7	8.1	5.3	10.0	0.7	0.7	5.5	4.2	22.0	9.0

Sources: Company data, Thanachart estimates

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