

## Energy Sector – Underweight

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News Update

### Muted reaction to OPEC's output delay

- **A surprise crude draw**
- **Saudi Arab crude premium could fall to 4-year low**
- **OPEC+ delayed easing of production cut**
- **Cabinet to consider carbon tax**

OPEC+'s decision to postpone easing production cuts to April 2025 has elicited a limited response in the oil market. The delay, aimed at addressing weak demand during the typically low-consumption first quarter, failed to significantly bolster oil prices. Persistent challenges, including narrowing premiums for crude grades and cautious capital budgets by major players like Chevron, underscore the market's subdued outlook despite OPEC's strategic moves.

#### Weekly US data: A surprise crude draw

- Energy Information Administration reported an inventory decline of 5.1 million barrels for the week to November 29. It compared with an EIA-estimated draw of 1.8 million barrels for the prior week.
- In gasoline, the EIA estimated an inventory build of 2.4 million barrels for the final week of November, compared with a build of 3.3 million barrels for the previous week. In middle distillates, the EIA reported an inventory rise of 3.4 million barrels for the week to November 28. This compared with a modest build of 400,000 barrels for the prior week.

#### Oil demand remains a key concern

- **Saudi Arab crude premium could fall to 4-year low.** The January official selling price (OSP) for flagship Arab Light may fall by 70 to 90 cents a barrel from December to at least a four-year low, six sources at Asian refineries said in a Reuters survey. The price cuts come after the gap between front and third-month Dubai prices narrowed in backwardation by 86 cents in November from the month before, Reuters data showed. Last month, spot premiums for January-loading Middle East grades also fell by about half from the previous month on weak demand.
- **OPEC+ delayed easing of production cut.** The OPEC+ alliance decided on Thursday to delay the start of the easing of the 2.2 million barrels per day (bpd) cuts to April 2025. OPEC+ has already postponed twice the beginning of the output increase. January 2025 was set as the point from which producers would begin to add supply—that was before Thursday's meeting. The primary reason for OPEC's deferral of the production increase to the start of the second quarter is the fact that the first quarter in any year is a weak consumption period.

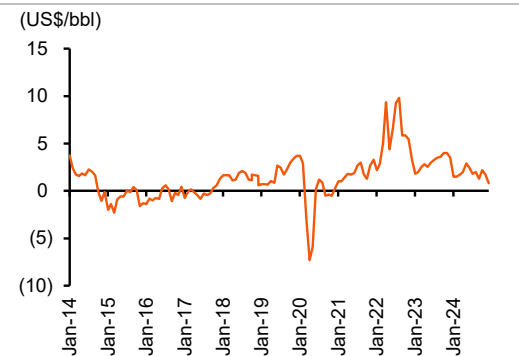
#### Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-5.073	-1.600	-1.844
Gasoline	2.362	0.600	3.314
Distillates	3.383	2.000	0.416

(k bpd)	Weekly change	% Change	Current number
Production	+20.0	+0.1%	13,513
Refinery Runs	+513	+3.1%	17,094

Source: EIA

#### Ex 2: Saudi Arabia OSP



Source: Bloomberg

- **Chevron cuts capital budget for first time since Covid-19 oil crash.** The company announced capex budget of US\$14.5-15.5bn for 2025F, down from US\$15.5-16.5bn this year. Weaker prices and wall street demand for returns in recent years had already cooled the explosive growth.
- **Impact.** A lower Arab Light premium could boost refinery margins for Thai refiners, potentially improving earnings in 1Q25F. However, demand remains a critical concern for 2025F, posing downside risks to our profit forecast. We maintain our Brent oil price assumptions unchanged at US\$75/bbl in 2025F vs. US\$80/bbl.

#### Cabinet to consider carbon tax

- **Carbon tax to be discussed on 11 Dec.** The Finance Ministry is set to propose a carbon tax for cabinet approval on 11 Dec. The department will simply adjust the proportion of the tax on oil and petroleum products and incorporate the carbon tax into the oil and petroleum tax structure. According to Ms Kulaya, the department's proposal calls for a carbon tax rate of Bt200 per tonnes of carbon.
- **Impact.** The carbon tax will not affect the general public's use of oil, as the oil excise tax rate remains unchanged. Existing taxes on oil products will be converted to a carbon tax, meaning no additional revenue will be collected and thus, no costs should be passed onto consumers. We see limited impact on petrol station operators, PTG (PTG TB, SELL, Bt8.55) and OR (OR TB, SELL, Bt14.10).

#### Ex 3: Prices And Spreads

Unit	This week	Last week	% chg	Quarterly						Yearly			
				2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	2022	2023	2024	
<b>Upstream</b>													
Dubai (US\$/bbl)	72	72	0.2%	87	84	82	85	79	74	97	81	82	
Brent (US\$/mmbtu)	71	73	-2.5%	86	83	82	85	79	75	99	82	82	
Henry hub (US\$/mmbtu)	3.1	3.4	-8.5%	2.7	2.9	2.1	2.3	2.2	2.8	6.5	2.6	2.2	
JKM Spot (US\$/mmbtu)	15.1	14.9	1.0%	12.3	15.6	9.7	11.2	13.0	13.7	34.0	13.9	11.3	
Dutch TTF (EUR/MWh)	46	48	-2.8%	34	43	28	32	36	42	132	41	32	
NEX coal price (US\$/tonne)	133	142	-5.8%	147	136	127	136	140	144	357	188	134	
<b>Crack spreads over Dubai</b>													
Gasoline (US\$/bbl)	12.0	12.4	-3.3%	16.6	18.9	12.6	17.9	11.6	11.3	18.8	16.7	13.0	
Jet fuel (US\$/bbl)	16.3	17.3	-5.5%	14.0	26.1	23.6	21.1	13.6	14.6	30.3	22.5	15.6	
Diesel (US\$/bbl)	16.1	17.1	-5.7%	14.6	26.9	21.1	21.7	14.0	13.9	34.3	21.9	15.6	
HSFO (US\$/bbl)	(0.8)	(1.6)	-51.6%	(8.7)	(5.4)	(11.0)	(9.7)	(3.4)	(1.7)	(14.1)	(10.3)	(5.0)	
<b>SG GRM (US\$/bbl)</b>	<b>8.0</b>	<b>8.2</b>	<b>-2.9%</b>	<b>5.4</b>	<b>10.9</b>	<b>6.3</b>	<b>8.1</b>	<b>4.9</b>	<b>6.0</b>	<b>11.5</b>	<b>7.9</b>	<b>6.1</b>	
<b>Aromatics</b>													
PX-naphtha (US\$/tonne)	178	177	0.6%	407	407	349	323	336	177	299	378	307	
BZ-naphtha (US\$/tonne)	288	287	0.3%	275	273	269	326	391	267	267	267	356	
<b>Olefin</b>													
HDPE-naphtha (US\$/tonne)	368	357	3.1%	436	361	350	333	350	330	392	390	340	
LDPE-naphtha (US\$/tonne)	508	497	2.2%	443	363	372	454	519	489	683	427	508	
PP-naphtha (US\$/tonne)	368	357	3.1%	403	305	303	302	331	337	386	359	321	
<b>Others</b>													
Integrated PET (US\$/tonne)	143	141	1.5%	194	114	134	138	130	155	278	161	142	
Phenol-BZ (US\$/tonne)	32	27	18.5%	79	89	64	(52)	(38)	43	279	80	5	
BPA -Phenol (US\$/tonne)	322	312	3.2%	299	270	327	317	303	277	551	294	292	

Sources: TOP, Bloomberg

## Ex 4: Valuation

	Rating	Current	Target	Upside/	Market	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		price	price	(Downside)	cap	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	BUY	5.80	7.50	29.3	1,705	(87.3)	426.3	55.4	10.5	7.2	5.9	0.4	0.4	2.2	4.8	0.8	4.2
BCP	BUY	31.75	40.00	26.0	1,283	(48.3)	69.9	8.7	5.1	4.4	4.1	0.6	0.5	1.7	4.4	6.9	11.1
BSRC	HOLD	7.75	7.00	(9.7)	787	11.7	(7.0)	9.5	10.2	5.6	5.2	0.9	0.9	2.3	3.5	10.0	8.9
IRPC	SELL	1.40	1.20	(14.3)	839	na	na	na	na	19.7	14.9	0.4	0.4	0.0	0.0	na	na
IVL	BUY	25.25	29.00	14.9	4,160	298.1	28.1	22.3	17.4	7.3	6.6	0.9	0.9	0.0	1.7	4.5	5.8
OR	SELL	14.10	12.60	(10.6)	4,965	(44.7)	50.0	27.6	18.4	11.3	8.6	1.5	1.5	2.0	3.1	5.6	8.1
PTG	SELL	8.55	6.80	(20.5)	419	(0.8)	6.0	15.1	14.3	3.8	3.9	1.5	1.5	3.0	3.1	10.5	10.5
PTT	BUY	32.25	38.00	17.8	27,029	0.7	(3.8)	9.2	9.5	4.2	4.0	0.8	0.8	6.2	6.2	8.9	8.3
PTTEP	BUY	128.00	150.00	17.2	14,911	(6.1)	(13.7)	6.9	8.0	2.1	2.4	0.9	0.9	7.4	7.0	14.2	11.4
PTTGC	SELL	25.25	23.00	(8.9)	3,341	na	na	na	23.0	11.6	9.0	0.4	0.4	3.0	1.6	na	1.8
SCC	SELL	183.50	175.00	(4.6)	6,461	(44.9)	76.8	26.7	15.1	22.7	11.4	0.6	0.6	1.9	3.3	2.3	3.9
SPRC	SELL	7.00	5.90	(15.7)	891	na	(1.1)	9.5	9.6	5.4	5.4	0.8	0.7	3.2	2.8	8.5	7.9
TOP	SELL	38.75	39.00	0.6	2,540	(41.5)	(16.6)	5.4	6.5	7.6	8.9	0.5	0.5	4.0	5.2	9.6	7.7

Sources: Company data, Thanachart estimates

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