

Energy Sector – Neutral

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News Update

More refinery supply disruption

- **Strong US gasoline inventory draw**
- **Russia's oil refinery capacity idled by drone attacks**
- **IEA continues to upgrade 2024 demand outlook**
- **Chevron to stop investment in Yadana field**

It appears that bullish sentiment has finally broken out in oil markets, helped along by geopolitical uncertainty and an increasingly optimistic demand outlook.

Weekly US data: Strong US gasoline inventory draw

- The Energy Information Administration reported an estimated inventory draw of 1.5 million barrels for the week to March 8. Commercial crude inventories recorded a 1.4 million barrel increase last week.
- In gasoline, the EIA estimated an inventory draw of 5.7 million barrels for the week to March 8, which compared with a decline of some 4 million barrels for the previous week. In middle distillates, the EIA reported an inventory increase of 900,000 barrels for the week to March 8, with production averaging 4.6 million bpd.

Russia's oil refinery capacity idled by drone attacks

- **Russia has seen multiple outages at its refineries** due to technical faults and drone attacks by Ukraine since the start of the year. Russian oil refining capacity shut down in the wake of drone attacks in the first quarter amounts to about 4.6 million metric tons (370,500 barrels per day), or some 7% of the total, Reuters calculations show.
- **Russia's diesel exports are falling in Feb.** Russia typically exports about a million barrels-a-day of diesel-type fuel, making it one of the world's top suppliers. If March exports continue at their current rate, it will be the biggest monthly drop since September — the same month Russia temporarily banned exports. Such a fall also wouldn't be entirely unexpected: Industry data seen by Bloomberg for the country's key western ports showed diesel flows would drop by 11% this month.
- **Impact.** So far, diesel markets have remained relatively muted in response to the latest strikes. Diesel-Dubai spread was trading at US\$19/bbl last week vs. US\$25.6/bbl in Feb 24. We think if situation prolong, it could cause refinery margin to rebound. Buy TOP/SPRC/BCP/BSRC.

IEA continues to upgrade 2024 demand outlook

- **Red Sea conflict leads to higher demand forecast.** The International Energy Agency (IEA) raised its view on 2024 oil demand growth for the fourth time since November, expecting it to rise 1.3 million bpd, up 110,000 bpd compared to its forecast from last month. This is mainly due to an improved economic outlook for the US and higher bunker fuel consumption due to attacks in the Red Sea.

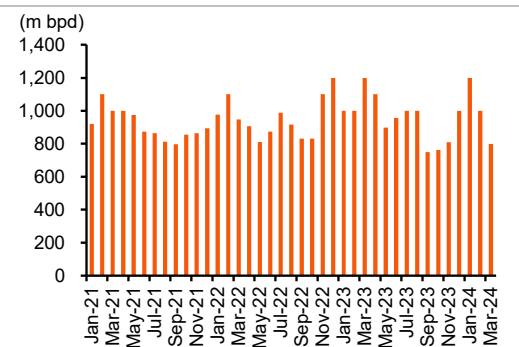
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	-1.536	0.900	1.367
Gasoline	-5.662	-1.900	-4.460
Distillates	0.888	-0.150	-4.131

(k bpd)	Weekly change	% Change	Current number
Production	-100.0	-0.8%	13,100
Refinery Runs	+390	+2.6%	15,658

Source: EIA

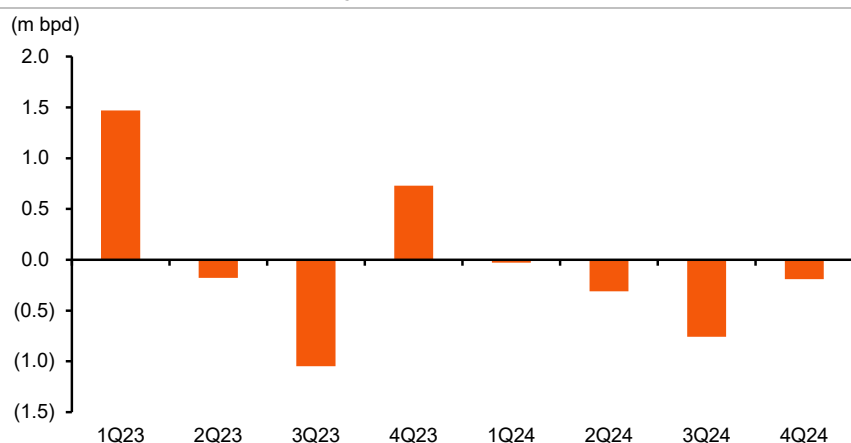
Ex 2: Russia's Diesel Exports are Falling



Source: Kepler

- **The IEA also slashed its estimate of average 2024 oil supply** by 930,000 bpd to 102.86 million bpd following the extension of OPEC+ voluntary output cuts announced March 3, as well as cold weather that disrupted Canadian production early in the year. The IEA's latest supply forecast assumes the Opec+ voluntary cuts remain in place until the end of 2024. This shifts its balance for this year from a surplus of around 800,000 bpd to a deficit of 280,000 bpd. Opec+ has yet to decide on its output policy for the second half of the year and may do so at a ministerial meeting scheduled for 1 June in Vienna.
- **Impact.** PTTEP share price has underperformed Brent crude oil price which up by 11% YTD while PTTEP share price was up only 1.7%. We believe the market may concern on Myanmar situation where Chevron also announced to not put in more capex into Yadana field. We also believe that weak 4Q23 is another reason for share price underperformance which we see as opportunity to enter amid strong oil market outlook. BUY PTTEP.

Ex 3: Global oil demand/supply balance

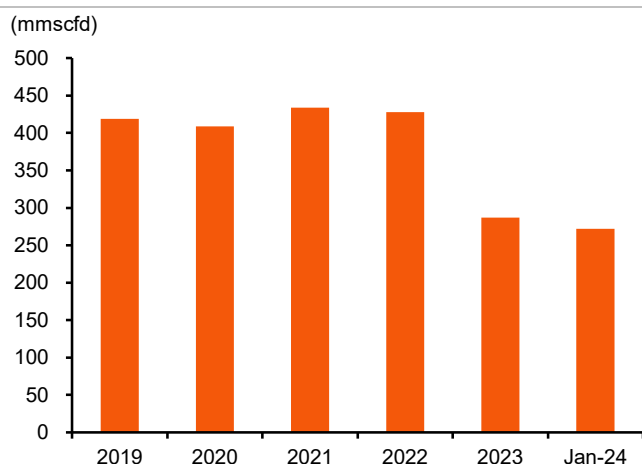


Sources: IEA

Chevron to stop investment in Yadana field

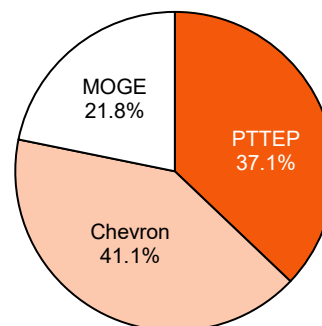
- Chevron may not continue with its investment in Yadana field in Myanmar which company hold 41.1% stake according to Kaohoon newspaper. Production volume may drop faster than expected. Note that the field contract will be expired in 2028. Production from the field could drop to 350-400mmscfd from 500mmscfd in 2023. Recall that TotalEnergies abandoned its stake in Yadana in July 2022. PTTEP took over as project operator. Now the field is hold by PTTEP (37.1%), Chevron (41.1%), and MOGE (21.8%). PTTEP is currently finding out solution with Chevron.
- **Impact.** This move doesn't come as too surprise for us given Chevron has already announced to exit Myanmar in Jan 2022. The company could buy 41% stake from Chevron, in our view. Yadana is currently accounts around 4% of PTTEP's sale volume. We don't assume contract to be extended in our model.

Ex 4: Yadana Gas Import



Sources: EPPO

Ex 5: Yadana Field Shareholder



Source: Company data

Ex 6: Prices And Spreads

Unit	This week	Last week	% chg	Quarterly						Yearly			
				4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2022	2023	2024	
Upstream													
Dubai (US\$/bbl)	85	84	1.0%	84	80	78	87	84	81	97	81	81	
Brent (US\$/mmbtu)	85	82	4.0%	89	82	78	86	83	81	99	82	81	
Henry hub (US\$/mmbtu)	1.7	1.8	-8.3%	6.1	2.8	2.3	2.7	2.9	2.2	6.5	2.6	2.2	
JKM Spot (US\$/mmbtu)	8.7	8.4	3.1%	31.2	18.4	11.1	12.3	15.6	9.7	34.0	13.9	9.7	
Dutch TTF (EUR/MWh)	27	26	2.4%	123	53	35	34	43	28	132	41	28	
NEX coal price (US\$/tonne)	131	134	-2.5%	380	255	161	147	136	126	357	188	126	
Crack spreads over Dubai													
Gasoline (US\$/bbl)	15.7	15.9	-1.6%	9.4	18.7	16.6	18.9	12.6	17.1	18.8	16.7	17.1	
Jet fuel (US\$/bbl)	19.4	18.9	3.0%	33.5	26.5	14.0	26.1	23.6	21.6	30.3	22.5	21.6	
Diesel (US\$/bbl)	20.3	19.7	3.4%	39.3	25.2	14.6	26.9	21.1	21.9	34.3	21.9	21.9	
HSFO (US\$/bbl)	(8.0)	(9.7)	-17.5%	(22.5)	(16.3)	(8.7)	(5.4)	(11.0)	(9.7)	(14.1)	(10.3)	(9.7)	
SG GRM (US\$/bbl)	7.3	6.9	6.0%	7.0	8.9	5.4	10.9	6.3	8.2	11.5	7.9	8.2	
Aromatics													
PX-naphtha (US\$/tonne)	261	300	-13.0%	289	318	407	407	349	326	299	378	326	
BZ-naphtha (US\$/tonne)	321	310	3.6%	184	252	275	273	269	322	267	267	322	
Olefin													
HDPE-naphtha (US\$/tonne)	316	330	-4.2%	336	373	436	361	350	334	392	390	334	
LDPE-naphtha (US\$/tonne)	436	460	-5.2%	523	476	443	363	372	455	683	427	455	
PP-naphtha (US\$/tonne)	286	300	-4.6%	301	369	403	305	303	303	386	359	303	
Others													
Integrated PET (US\$/tonne)	152	142	7.2%	212	201	194	114	135	136	278	161	136	
Phenol-BZ (US\$/tonne)	(54)	(16)	237.5%	269	87	79	89	86	(31)	279	85	(31)	
BPA -Phenol (US\$/tonne)	298	313	-4.8%	368	282	299	270	306	323	551	289	323	

Sources: TOP, Bloomberg

Ex 7: Valuation

	Rating	Current price	Target price	Upside/ (Downside)	Market cap	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		(Bt)	(Bt)	(%)	(US\$ m)	24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)	24F (%)	25F (%)
BANPU	SELL	5.80	7.00	20.7	1,624	(2.0)	(30.4)	7.2	10.4	5.3	5.1	0.4	0.4	3.5	2.4	6.0	4.0
BCP	BUY	44.50	45.00	1.1	1,713	(12.4)	6.5	7.2	6.8	4.2	3.8	0.8	0.8	3.2	3.5	11.6	11.6
BSRC	BUY	9.85	11.50	16.8	953	(8.9)	24.3	7.8	6.3	5.6	4.4	1.1	0.9	3.6	4.5	14.5	15.9
IRPC	SELL	1.94	1.50	(22.7)	1,108	na	104.6	64.8	31.7	12.3	10.9	0.5	0.5	0.0	0.6	0.8	1.6
IVL	SELL	24.90	23.00	(7.6)	3,907	111.2	100.4	28.0	14.0	7.3	6.3	0.8	0.8	1.1	2.1	3.0	5.7
OR	SELL	18.20	16.00	(12.1)	6,104	(14.6)	13.5	23.1	20.3	12.0	10.8	1.9	1.8	2.4	2.8	8.5	9.3
PTG	SELL	8.80	8.00	(9.1)	411	(1.9)	5.3	15.8	15.0	4.4	3.9	1.6	1.5	2.9	3.0	10.4	10.3
PTT	SELL	34.75	30.00	(13.7)	27,742	(2.2)	(1.7)	10.2	10.4	3.9	3.4	0.9	0.8	5.8	5.8	8.6	8.3
PTTEP	BUY	153.50	187.00	21.8	17,032	(6.1)	(7.4)	8.3	8.9	2.4	2.6	1.1	1.0	5.5	5.2	14.1	12.1
PTTGC	HOLD	40.00	33.00	(17.5)	5,041	na	77.5	32.2	18.2	10.7	9.2	0.6	0.6	1.9	2.1	1.9	3.4
SCC	BUY	270.00	325.00	20.4	9,056	34.0	31.6	16.2	12.3	19.0	9.8	0.9	0.8	3.1	4.1	5.4	6.9
SPRC	BUY	9.10	9.80	7.7	1,103	na	(3.3)	11.5	11.9	6.6	6.2	1.0	1.0	2.2	2.3	9.1	8.3
TOP	BUY	59.00	61.00	3.4	3,684	(49.0)	50.8	9.4	6.2	9.4	7.6	0.8	0.7	3.6	5.4	8.3	11.7

Sources: Company data, Thanachart estimates

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