

Energy Sector – Neutral

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News Update

Rising Middle East tension

- **US crude inventory reached 10-months high**
- **Muted oil price reaction masks massive war risk premium**
- **SCG unit fined US\$20m for evading US sanction on Iran**
- **China March clean oil product exports hit 14-month high**

This week crude oil market experienced significant volatility to the downside, driven by geopolitical tensions, unexpected inventory adjustment, and changes in demand. Although escalation fears between Israel and Iran loomed over the market, price response were muted, reflecting a complex set of influences on oil pricing.

Weekly US data: US crude inventory reached 10-months high

- While U.S. commercial stocks are just below the five-year average for this time of year, there has been a bearish trend of builds so far this month, including an inventory build of 5.8 million barrels for the week to April 5, and an inventory increase of 2.7 million barrels for the week to April 12, per EIA estimates. U.S. crude oil stocks have risen to a ten-month high, rising doubt on demand.
- U.S. gasoline stocks fell by 1.2 million barrels while distillate stockpiles fell by 2.7 million barrels.
- Crude production was unchanged for a sixth straight week at 13.1 million barrels per day; meanwhile, the rig count has slipped by 12 over the past month

Muted oil price reaction masks massive war risk premium

- **No impact on physical oil supply so far.** The reported Israeli missile hit rekindled fears of a broader escalation, but so far, no oil supply from the Middle East has been directly threatened.
- **A major disruption in the Strait of Hormuz is a 'low probability' event.** About 30% of global oil consumption passes through this strait, with a large portion of the oil exports from Saudi Arabia, Iraq, Iran, the UAE, Kuwait, and Qatar's LNG passing through it as well. This makes the strait an important choke point in the global oil and gas market. However, oil traders doubt the country would ever close the strait entirely because that would prevent Iran from exporting its own petroleum.
- **Shock absorbers.** The current state of oil market fundamentals contains a few shock absorbers. The oil market is sitting on a spare capacity of about 6 million bpd of oil production that can be returned gradually in case of severe tightness in markets and a surge in oil prices above US\$100 per barrel. That's the highest spare capacity at OPEC since the 2009 recession, except for 2020, when the pandemic crushed oil demand and prices, and global producers held back 10 million bpd from the market.

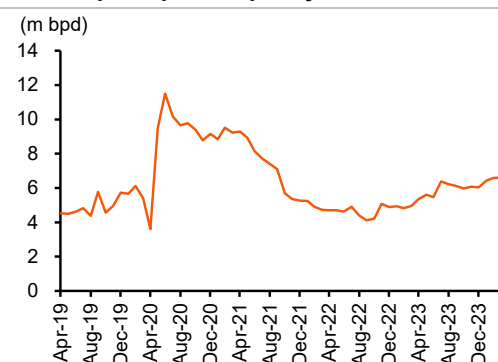
Ex 1: US Weekly data

(m bbls)	Weekly change	Consensus	Last week
Crude Oil	2.735	1.600	5.841
Gasoline	-1.154	na	0.715
Distillates	-2.760	na	1.659

(k bpd)	Weekly change	% Change	Current number
Production	0.0	0.0%	13,100
Refinery Runs	+35	+0.2%	16,228

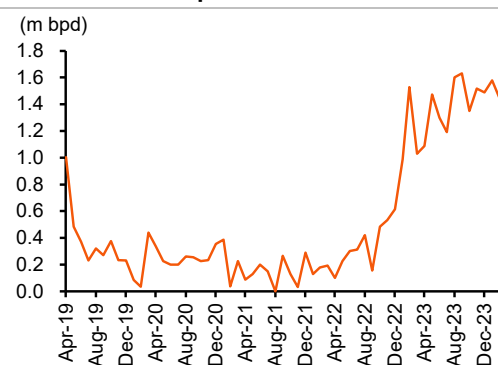
Source: EIA

Ex 2: Opec Spare Capacity



Source: Bloomberg

Ex 3: Iran Oil Export



Source: Bloomberg

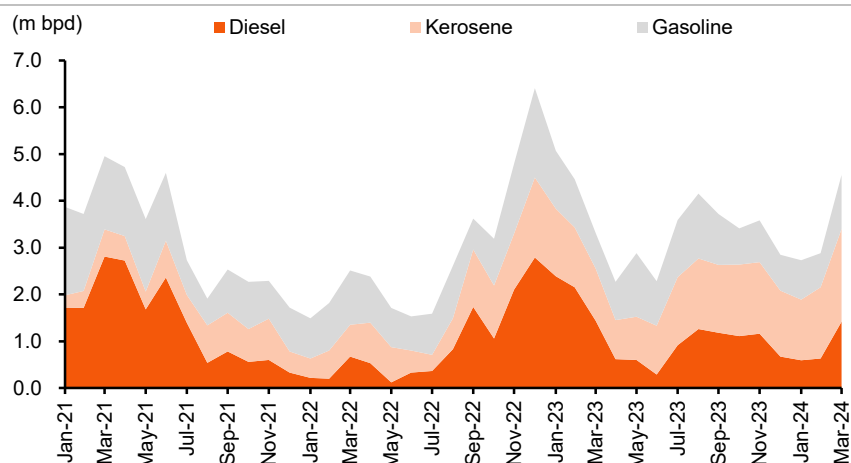
SCG unit fined US\$20m for evading US sanction on Iran

- What's news.** A unit of Thailand-based SCG Chemicals PLC has agreed to pay US\$20m (Bt735m) to the United States to settle potential civil liability for violations of US sanctions on Iran, according to the US Treasury department, the Office of Foreign Assets Control (OFAC).
- What's happen.** The violation took place at SCG Plastic, a trading company that purchased, marketed, and sold plastic resin products manufactured by affiliates of SCG Chemicals, including Mehr. Mehr Petrochemical Company is a US\$225m joint venture established in Iran in 2005 by SCG Chemicals and the National Petrochemical Company of Iran, a state enterprise. SCG Chemicals had a 38% stake in the joint venture with an equity investment of US\$26m. SCG Plastic purchased and resold 60% of Mehr's output of Iranian-origin HDPE to its customers from 2009 to July 2018.
- Impact.** According to the news, SCG Chemical has already stopped selling HDPE from the plants since 2018. The company also said that it had already set aside a provision of US\$20m for the fine to the US government and there will be no further liability for this case. Therefore, we expect no financial impact on our 2024F profit forecast. Maintain BUY on SCC.

China March clean oil product exports hit 14-month high

- March export recover after Lunar New Year.** China's clean oil product exports rose 58% month on month and 36.9% year on year to a 14-month high of 4.55 million tonnes (1.25 million bpd) in March, General Administration of Customs data showed April 18, as most market participants returned from the Lunar New Year holidays. The exports were last higher at 5.07 million mt in January 2023.
- Export flow likely unchanged despite more quota.** Serval sources with state-owned quota holders told S&P Global Commodity Insights that they have applied for new export quotas, which could be allocated in late April or early May, with the volume expected to be as much as 18 million tonnes vs. 19 million tonnes for the first batch. However, the new allocation will not affect their export pace immediately as they expected the total quota for 2024 to be unchanged from 2023 at about 40 million tonnes.
- April outflows seen falling.** We expect exports in April to decrease from the level seen in March due to maintenance at state-run and mega independent refineries but higher than the volumes in January and February.

Ex 4: China Clean Fuel Export Rose In Mar 24



Source: Bloomberg

Ex 5: Prices And Spreads

Unit	This week	Last week	% chg	Quarterly						Yearly			
				4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2022	2023	2024	
Upstream													
Dubai (US\$/bbl)	88	91	-4.0%	84	80	78	87	84	82	97	81	82	
Brent (US\$/mmbtu)	87	90	-3.5%	89	82	78	86	83	82	99	82	82	
Henry hub (US\$/mmbtu)	1.8	1.8	-1.0%	6.1	2.8	2.3	2.7	2.9	2.1	6.5	2.6	2.1	
JKM Spot (US\$/mmbtu)	10.9	10.7	1.4%	31.2	18.4	11.1	12.3	15.6	9.7	34.0	13.9	9.7	
Dutch TTF (EUR/MWh)	31	31	0.1%	123	53	35	34	43	28	132	41	28	
NEX coal price (US\$/tonne)	131	129	1.0%	380	255	161	147	136	127	357	188	127	
Crack spreads over Dubai													
Gasoline (US\$/bbl)	16.7	17.5	-4.1%	9.4	18.7	16.6	18.9	12.6	17.5	18.8	16.7	17.5	
Jet fuel (US\$/bbl)	15.8	15.4	2.6%	33.5	26.5	14.0	26.1	23.6	20.9	30.3	22.5	20.9	
Diesel (US\$/bbl)	16.6	16.4	1.7%	39.3	25.2	14.6	26.9	21.1	21.2	34.3	21.9	21.2	
HSFO (US\$/bbl)	(10.9)	(11.0)	-0.5%	(22.5)	(16.3)	(8.7)	(5.4)	(11.0)	(9.6)	(14.1)	(10.3)	(9.6)	
SG GRM (US\$/bbl)	5.3	5.2	2.0%	7.0	8.9	5.4	10.9	6.3	8.1	11.5	7.9	8.1	
Aromatics													
PX-naphtha (US\$/tonne)	332	327	1.6%	289	318	407	407	349	323	299	378	323	
BZ-naphtha (US\$/tonne)	382	377	1.4%	184	252	275	273	269	326	267	267	326	
Olefin													
HDPE-naphtha (US\$/tonne)	342	337	1.6%	336	373	436	361	350	333	392	390	333	
LDPE-naphtha (US\$/tonne)	462	457	1.1%	523	476	443	363	372	454	683	427	454	
PP-naphtha (US\$/tonne)	312	307	1.7%	301	369	403	305	303	302	386	359	302	
Others													
Integrated PET (US\$/tonne)	120	123	-2.3%	212	201	194	114	135	136	278	161	136	
Phenol-BZ (US\$/tonne)	(113)	(114)	-0.9%	269	87	79	89	86	(36)	279	85	(36)	
BPA -Phenol (US\$/tonne)	328	328	0.0%	368	282	299	270	306	319	551	289	319	

Sources: TOP, Bloomberg

Ex 6: Valuation

	Rating	Current	Target	Upside/	Market cap	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
		price	price	(Downside)		24F	25F	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	SELL	5.30	7.00	32.1	1,440	(2.0)	(30.4)	6.6	9.5	5.1	5.0	0.4	0.4	3.8	2.6	6.0	4.0
BCP	BUY	43.25	53.00	22.5	1,615	(2.8)	11.7	6.3	5.7	4.5	4.1	0.8	0.7	3.8	4.3	12.5	12.8
BSRC	BUY	9.20	12.00	30.4	864	93.5	14.4	6.5	5.7	5.0	4.2	1.0	0.9	5.8	6.7	16.5	17.0
IRPC	SELL	1.93	1.50	(22.3)	1,070	na	104.6	64.5	31.5	12.3	10.9	0.5	0.5	0.0	0.6	0.8	1.6
IVL	SELL	23.90	23.00	(3.8)	3,640	111.2	100.4	26.9	13.4	7.1	6.2	0.8	0.8	1.1	2.2	3.0	5.7
OR	SELL	17.80	16.00	(10.1)	5,794	(14.6)	13.5	22.6	19.9	11.7	10.6	1.9	1.8	2.5	2.8	8.5	9.3
PTG	SELL	8.50	8.00	(5.9)	385	(1.9)	5.3	15.2	14.5	4.3	3.8	1.5	1.5	3.0	3.1	10.4	10.3
PTT	SELL	33.50	29.00	(13.4)	25,955	(9.8)	2.1	10.6	10.4	4.2	3.8	0.8	0.8	6.0	6.0	8.0	8.0
PTTEP	BUY	160.00	187.00	16.9	17,230	(6.1)	(7.4)	8.6	9.3	2.6	2.7	1.2	1.1	5.3	5.0	14.1	12.1
PTTGC	HOLD	38.75	33.00	(14.8)	4,739	na	77.5	31.2	17.6	10.5	9.0	0.6	0.6	1.9	2.2	1.9	3.4
SCC	BUY	242.00	325.00	34.3	7,877	34.0	31.6	14.5	11.0	18.0	9.3	0.8	0.7	3.5	4.5	5.4	6.9
SPRC	BUY	7.90	9.80	24.1	929	na	(3.3)	10.0	10.4	5.8	5.3	0.9	0.8	2.6	2.6	9.1	8.3
TOP	BUY	57.25	61.00	6.6	3,469	(49.0)	50.8	9.1	6.1	9.2	7.5	0.7	0.7	3.7	5.6	8.3	11.7

Sources: Company data, Thanachart estimates

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