

# Vietnam Oil & Gas

## More delays for *Block B* & *Blue Whale* mega projects

### *Block B* natural gas mega project startup pushed back to 2024E

The *Block B* mega project's two main investors – Japan's Mitsui Oil Exploration (MOECO) and Thailand's PTT Exploration & Production (PTTEP) – announced that the project may only come online from September 2024E or another one-year delay (vs our expectations for a 2025E startup or a two-year delay). The project was originally scheduled to begin in 2015 before the transfer of ownership from Chevron delayed the project to a 2023E start. Delayed approvals for the government's investments in the *O Mon III* power plants (the main buyer of natural gas from the *Block B* project) likely explain this announcement. *Block B* is the second mega project located in the *Malay-Tho Chu* basin and is expected to generate 7.0 billion cubic metres of natural gas per year or about 15% of Vietnam's total gas demand in 2030E.

### Headwinds at Exxon Mobil may also delay the *Blue Whale* mega project

Exxon Mobil's recent decision to cut its 2020E capex budget by 30% may also signal a possible delay for the *Blue Whale* mega project. The US energy company owns a 64% stake in the *Blue Whale* project that is scheduled to begin operations in 2023E but a recent Bloomberg article highlighted that consensus estimates for Exxon Mobil's 2020E losses has already reached USD1.86 billion and could lead to a cash shortfall of USD48 billion until the end of next year. This may force the company to cut staff and postpone projects into 2021E according to the article. *Blue Whale* is located in the *Song Hong* basin and is expected to generate 9.7 billion cubic metres of natural gas per year or about 22% Vietnam's total gas demand in 2030E.

### *Thi Vai* terminal start up on time for 2023E; switch to GAS from PVS & PVD

We continue to recommend switching into PV Gas (GAS, BUY, TP VND89,200) from both PV Technical Services (PVS, HOLD, TP VND11,000) and PV Drilling & Well Services (PVD, HOLD, TP VND9,600). PV Gas remains the main beneficiary of delays in upstream output from the *Block B* and *Blue Whale* mega projects that emphasize once again Vietnam's need to meet future natural gas demand from cheaper-priced LNG imports. The still uncertain startup and wellhead prices for the *Ken Bau* field (14 billion cubic metres per year or 31% of 2030E demand) highlights this further. Currently, phase one of the *Thi Vai* LNG terminal is running ahead of schedule and should begin commercial operations by 2022E (one million tons of LNG per year or 7% of 2022E demand). Moreover, bidding for phase two's feasibility study has begun for startup in 2023E (3 million tons of LNG per year or 15% of 2023E demand). PV Gas will build seven of Vietnam's nine LNG regasification terminals scheduled until 2030E.

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**Neutral** maintain

#### Recommendations

PV Gas (GAS)	Buy
Current Price	VND73,500
Target Price	VND89,200

Petrolimex (PLX)	Buy
Current Price	VND51,700
Target Price	VND59,800

PV Transportation (PVT)	Buy
Current Price	VND13,150
Target Price	VND16,800

Binh Son Refinery (BSR)	Buy
Current Price	VND6,800
Target Price	VND8,100

PV Technical Services (PVS)	Hold
Current Price	VND13,500
Target Price	VND11,000

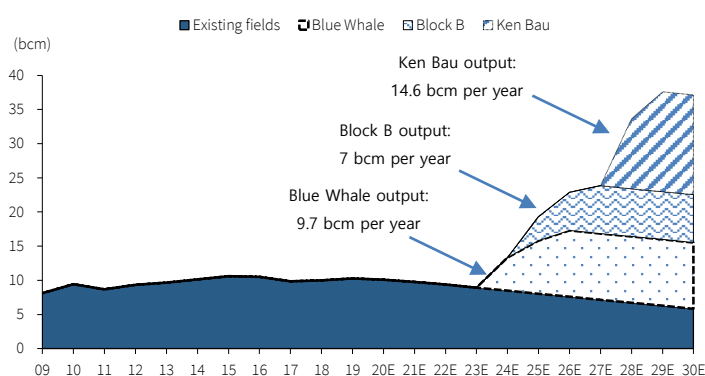
PV Drilling & Well Services (PVD)	Hold
Current Price	VND11,400
Target Price	VND9,600

**Table 1. Vietnam oil & gas – Natural gas production by basin & potential additional production from *Ken Bau* field, 2019–2030E (billion cubic metres)**

Basins/years (bcm)	19	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cuu Long	1.1	1.0	0.9	1.7	2.1	2.3	2.2	2.2	2.1	2.0	1.9	1.8
Nam Con Son	7.0	7.0	7.5	7.7	7.8	7.5	7.3	7.0	6.8	6.5	6.3	6.0
Malay-Tho Chu	2.1	2.0	2.0	2.0	2.7	3.4	6.8	8.8	10.1	10.0	9.9	9.8
Block B							3.5	5.6	7.0	7.0	7.0	7.0
Song Hong	0.1	0.1	0.1	0.1	0.1	6.7	9.5	11.3	11.2	11.1	11.0	10.9
Blue Whale						4.9	7.8	9.7	9.7	9.7	9.7	9.7
Ken Bau										10.2	14.6	14.6
<b>Total output (existing)</b>	<b>10.3</b>	<b>10.1</b>	<b>10.5</b>	<b>11.4</b>	<b>12.6</b>	<b>19.9</b>	<b>25.8</b>	<b>29.3</b>	<b>30.1</b>	<b>29.6</b>	<b>29.1</b>	<b>28.5</b>
<b>Total output (KBSV est)</b>	<b>10.3</b>	<b>10.1</b>	<b>10.5</b>	<b>11.4</b>	<b>12.6</b>	<b>24.7</b>	<b>37.0</b>	<b>44.6</b>	<b>46.8</b>	<b>46.3</b>	<b>45.8</b>	<b>45.2</b>
<b>Total output (incl. Ken Bau)</b>	<b>10.3</b>	<b>10.1</b>	<b>10.5</b>	<b>11.4</b>	<b>12.6</b>	<b>24.7</b>	<b>37.0</b>	<b>44.6</b>	<b>46.8</b>	<b>56.5</b>	<b>60.4</b>	<b>59.8</b>

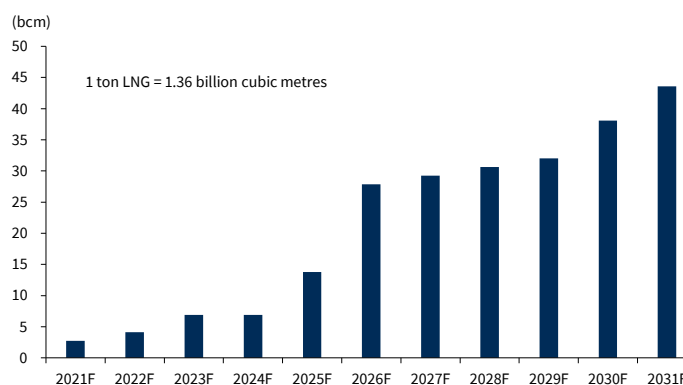
Source: PV Gas, KB Securities Vietnam

**Fig 1. Vietnam oil & gas – Natural gas production by basin for existing fields & potential output from new mega projects, 2019–2030E (billions of cubic metres)**



Source: PV Gas, KB Securities Vietnam

**Fig 2. Vietnam oil & gas – LNG output from new LNG terminals, 2021E–2031E (billion cubic metres)**



Source: Vietnam Gas Master Plan, KB Securities Vietnam

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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