

Oil & Gas Analyst  
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# Vietnam Oil & Gas

## Newly-discovered *Ken Bau* gas field

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# Neutral

 maintain

### Recommendations

PV Gas (GAS)		Buy
Current Price		VND63,500
Target Price		VND89,200

Petrolimex (PLX)		Buy
Current Price		VND41,550
Target Price		VND57,800

PV Transportation (PVT)		Buy
Current Price		VND9,400
Target Price		VND17,300

Binh Son Refinery (BSR)		Buy
Current Price		VND5,800
Target Price		VND8,100

PV Technical Services (PVS)		Hold
Current Price		VND10,800
Target Price		VND11,000

PV Drilling & Well Services (PVD)		Hold
Current Price		VND8,900
Target Price		VND9,600

### Newly-discovered *Ken Bau* gas field could be another gas mega project

Eni (ENI:IM) of Italy announced discovery of the new *Ken Bau* gas field with preliminary reserve estimates for 230 billion cubic metres of natural gas and 450 million barrels of associated condensates. Eni estimates it may be able to begin production in 2028E. The new *Ken Bau* field is located in *Block 114* of *Song Hong* basin off the north east coast and importantly in an area that has yet to face any offshore tensions. At 230 billion cubic metres of potential reserves, the new find could become another mega gas project alongside the two existing delayed mega projects. Proven reserves at the existing mega projects are 150 billion cubic metres for *Blue Whale* and 176 billion cubic metres for *Block B*. That said, these are only preliminary estimates and not proven reserve numbers from Eni or Petrovietnam Oil & Gas Group (PVN) so we have not formally included output from *Ken Bau* into our current forecasts. Moreover, extraction will probably not begin until 2028E and will unlikely be able to overcome the negative near-term impact of oil prices for the upstream operators and we maintain our NEUTRAL rating on Vietnam's oil & gas sector.

### Switch to GAS & unwind positions in upstream PVS & PVD

We reiterate our BUY on PV Gas (GAS, BUY, TP VND89,200) and recommend investors unwind positions in PV Technical Services (PVS, HOLD, TP VND11,000) and PV Drilling & Well Services (PVD, HOLD, TP VND9,600). We remain cautious on upstream operators given that the slow recovery in oil prices – especially below Vietnam's USD55.000 breakeven – that should continue to pressure earnings and weigh on share price performance. GAS remains our top pick for the sector and should also benefit from any additional production output from the new *Ken Bau* field as Vietnam's sole distributor of natural gas. PVS and PVD could potentially receive EPC (Engineering, Procurement & Construction) and drilling contracts, respectively, from the new mega project but competition remains intense, margins continually under pressure and near-term earnings weak for 2H 2020E.

### *Ken Bau* could impact LNG investment plans & threaten oversupply

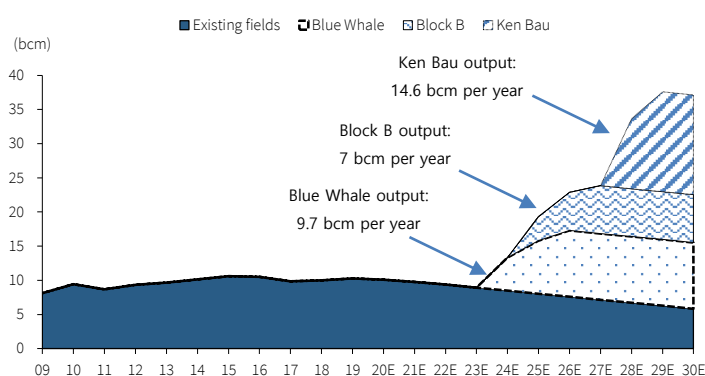
One area that we continue to monitor is the impact from Vietnam's mega gas projects that are large enough to impact overall supply and the country's long-term LNG import plans. Vietnam plans to build nine LNG regasification terminals – with seven to be constructed by GAS and one of the reasons for our positive view on the stock – but this assumes that continued delays at *Blue Whale* and *Block B* will keep any risk of oversupply in check.

**Table 1. Vietnam oil & gas – KBSV estimates for 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
Total output (existing)	10.3	10.1	10.5	11.4	12.6	19.9	25.8	29.3	30.1	29.6	29.1	28.5
Total output (KBSV est)	10.3	10.1	10.5	11.4	12.6	24.7	37.0	44.6	46.8	46.3	45.8	45.2
Total output (incl. Ken Bau)	10.3	10.1	10.5	11.4	12.6	24.7	37.0	44.6	46.8	56.5	60.4	59.8

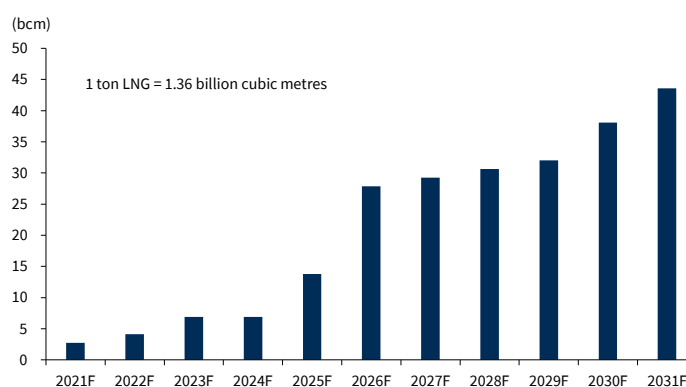
Source: PV Gas, KB Securities Vietnam

**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 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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