Oil & Gas

Fuel Price Reform: Impacts Should Be Manageable

Highlights

- Refinery stocks yesterday traded lower due to a new fuel price reform, effective on 29 Oct 26. However, we expect overall impact to be manageable.
- Additionally, the government is reducing the existing diesel price cut from Bt4.00 to Bt2.00 per litre, effective 1 to 30 November, which is better than our current assumption.
- Maintain MARKET WEIGHT. Our top picks are TOP and SCGP.

Analysis

- **What's new.** Refinery stocks yesterday fell by 2-5% to reflect the change in the country's fuel-pricing formula, effective on 29 Oct 26. The Energy Policy Administration Committee's (EPAC) resolution is to remove various deemed-cost components, including freight, insurance, fuel loss during transportation and some reduction in legal oil reserves. Noted that Thai ex-refinery prices are calculated based on the import parity pricing mechanism, using Mean of Platts Singapore (MOPS) as the baseline. As a result, the previous formula was represented as MOPS + Premium (or deemed costs).
- Additionally, EPAC is reducing the existing diesel price cut from Bt4.00 to Bt2.00 per litre, effective 1 to 30 November.
- **Our view.** We expect the overall impact to be manageable. Based on our preliminary channel checks, the previous premium in the formula was around US$1.30/bbl-US$1.40/bbl, equivalent to around Bt0.20-0.30/litre and Thai refiners set the premium below US$1/bbl. In the worst-case scenario, if we assume the fuel price reform reduces our market GRM assumption by US$1/bbl in 2027, our earnings estimate for five refiners should be in the range of 10-38% (Please see page 2 table).
- However, not all refined products (10%-20% production yield) from refineries will be hurt from the fuel price adjustment, including Naphtha (feedstocks for petrochem), Liquefied Petroleum Gas (LPG), and off-spec refined products. Hence, we believe refiners will be able to manage the impact from this reform.
- Meanwhile, the government is reducing the existing diesel price cut from Bt4.00 to Bt2.00 per litre, effective 1 to 30 November. The decrease in diesel price cut is better than our current assumption. Our earnings forecasts for refinery stocks have already incorporated the ex-refinery cut on diesel by Bt4.00/litre since 4Q26 towards 1H27.

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
Oil and Gas	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Thai oil	TOP TB	BUY	67.50	100.00
SCG Packaging	SCGP TB	BUY	28.50	43.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Ticker	Rec*	Price 27 Oct 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Net Profit 2026F (Btm)	Net Profit 2027F (Btm)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2027F (%)	Yield 2027F (%)	ROE 2027F (%)	Market Cap. (US$m)	Price/ NAV ps (x)
BCP TB	BUY	51.50	65.00	26.2	39,507	20,175	1.9	3.8	(48.9)	4.7	14.2	2,271	0.6
IRPC TB	HOLD	2.92	3.00	2.7	19,437	5,030	3.1	11.9	(74.1)	1.7	6.1	1,786	0.7
IVL TB	BUY	27.50	27.00	(1.8)	7,713	7,925	20.0	19.5	2.8	2.7	5.8	4,623	1.2
OR TB	HOLD	12.80	12.50	(2.3)	7,884	9,924	19.5	15.5	25.9	3.1	4.1	4,599	0.6
PTT TB	BUY	42.00	45.00	7.1	123,110	106,386	9.7	11.3	(13.6)	6.0	8.6	35,918	1.0
PTTEP TB	BUY	166.50	170.00	2.1	80,519	76,374	8.2	8.7	(5.1)	6.0	12.6	19,790	1.1
PTTGC TB	HOLD	54.25	54.00	(0.5)	30,730	18,205	8.0	13.4	(40.8)	3.0	5.0	7,324	0.7
SCC TB	HOLD	278.00	278.00	-	27,184	13,298	12.3	25.1	(51.1)	1.8	3.3	9,988	0.8
SPRC TB	BUY	14.80	17.00	14.9	27,066	10,707	2.4	6.0	(60.4)	7.4	16.0	1,921	0.9
TOP TB	BUY	67.50	100.00	48.1	50,361	27,923	3.0	5.4	(44.6)	4.4	12.5	4,514	0.7
Avg					**413,512**	**295,946**	**7.5**	**10.5**	**(28.4)**	**4.8**	**8.7**	**92,734**	**0.9**

Source: UOB Kay Hian

2027 Net Profit Forecasts and Sensitivity Analysis

	Net profit 2027	Sensitivity of 2027 net profit to a US$1.00/bbl decrease in Market GRM	
		Impact to 2027 net profit (Btm)	As a % of 2027E net profit
BCP	20,175	3,000	14.9%
IRPC	5,030	1,900	37.8%
PTTGC	18,205	1,800	9.9%
SPRC	10,707	1,600	14.9%
TOP	27,923	3,000	10.7%

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** In the O&G sector, we prefer Thai Oil (TOP TB/BUY/Target: Bt100.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00)

Thai Oil (TOP TB/BUY/Target: Bt100.00)

- **3Q26 net profit expected to rise both qoq and yoy.** We expect TOP to report a net profit of Bt17.84b in 3Q26, up 115% qoq and 731% yoy, driven by a persistently high market gross integrated margin (GIM) and higher stock gains. Excluding extraordinary items, core profit is estimated at Bt16.34b, down 14% qoq, with 9M26 core profit accounting for 82% of our 2026 forecast.
- **Strong GRM outlook amid prolonged supply constraints.** Although gross refinery margin (GRM) has recently declined due to higher costs, it remains above pre-war levels. Refined product exports from the Persian Gulf remain at approximately 3.00m barrel per day (MBD) below pre-war levels, while Russian refined product supply has declined by around 1.30-1.40 MBD due to drone attacks.
- However, these supply shortfalls have been partially offset by combined refined product exports from China, India and the US of approximately 1.50 MBD. China also approved its third batch of refined product export quotas in 3Q26. As a result, the net supply shortfall is expected to remain at around 2.00-3.00 MBD in 4Q26 and continue through 1H27.
- In addition, deferred refinery maintenance in North America will concentrate most shutdowns in 1Q27, affecting approximately 8% of global refined product supply, followed by refinery maintenance in Asia in 2Q27. These factors should support structurally higher GRM levels relative to the pre-war range of approximately US$5-7/bbl.

SCG Packaging (SCGP TB/BUY/Target: Bt43.00)

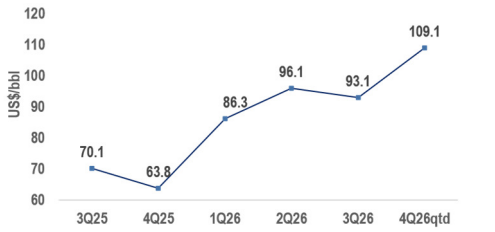
- **Fajar is expected to sustain its profitability.** We continue to expect Fajar to remain profitable in 4Q26, supported by year-end activities and New Year celebrations that should boost demand for consumer goods, particularly food and beverages. Fajar will continue to focus on the domestic Indonesian market while expanding into new regional markets with strong demand, particularly India and South Asia. Cost-reduction initiatives will remain a priority through domestic recovered paper (RCP) sourcing and energy management, alongside studies to upgrade its duplex paper production machinery. Fajar will also pursue M&P strategies with packaging box plants to increase the integrated value chain ratio (Fajar and MYPAK) to above 26%, strengthening competitiveness and supporting further margin expansion. Fajar reported 9M26 net profit of Bt435m, reversing a net loss of Bt1.48b in 9M25. We maintain our FY26 net profit forecast at Bt685m, versus a net loss of Bt2.26b in 2025, marking its return to profitability for the first time in four years.
- **4Q26 demand recovery faces rising production cost risks.** We expect 4Q26 demand to benefit from a recovery following Thailand's floods, year-end consumption and inventory replenishment ahead of upcoming festivals,

Government Intervention: Refinery Diesel Price Discount Measures

Phase	Effective Period in 2026	Diesel Refinery Price Discount (Bt/Liter)	Operational Status
1	Apr 9-23	2.00	Concluded
2	Apr 24 - May 9	5.00	Concluded
3	May 10-19	3.00	Concluded
4	July 9-23	1.40	Concluded
5	Jul 24 - Sep 15	2.40	Concluded
6	Sep 16 - Oct 31	4.00	Currently Active
7	Nov 1-30	2.00	Currently Active

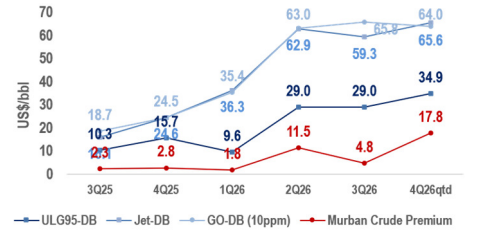
Source: Energy Policy Administration Committee (EPAC), UOB Kay Hian

Dubai Crude Oil Price



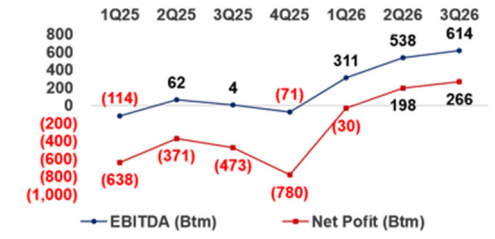
Source: TOP

Petroleum Crack Spread and Crude Premium



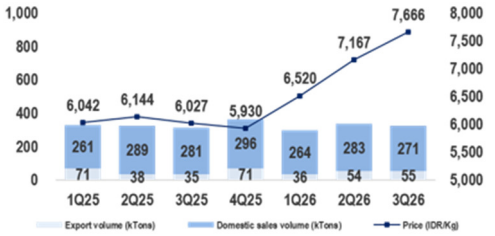
Source: TOP

Fajar's Earnings Performance



Source: SCGP

Fajar's ASP and Sales Volume



Source: SCGP

including Tet in Vietnam and Hari Raya in Indonesia, with seasonal demand extending into 1Q27. However, higher raw material costs, particularly recycle paper (RCP) prices, and rising energy costs since 2Q26 are likely to limit the upside. We forecast 4Q26 net profit of Bt1.8b, down qoq but significantly higher yoy from Bt1.21b in 4Q25, supported by ongoing selling price adjustments throughout 2026 and a higher proportion of domestically sourced RCP and biomass usage.

Sector Catalyst/Risk

- Global economic slowdown.
- Fluctuations in crude oil prices and GRM.
- Petrochemical demand is recovering slowly, but new petrochemical production capacity continues to increase.

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