

Power

Non-rated

Thermal power shines in early 2023F?

Average market price remained high in Aug

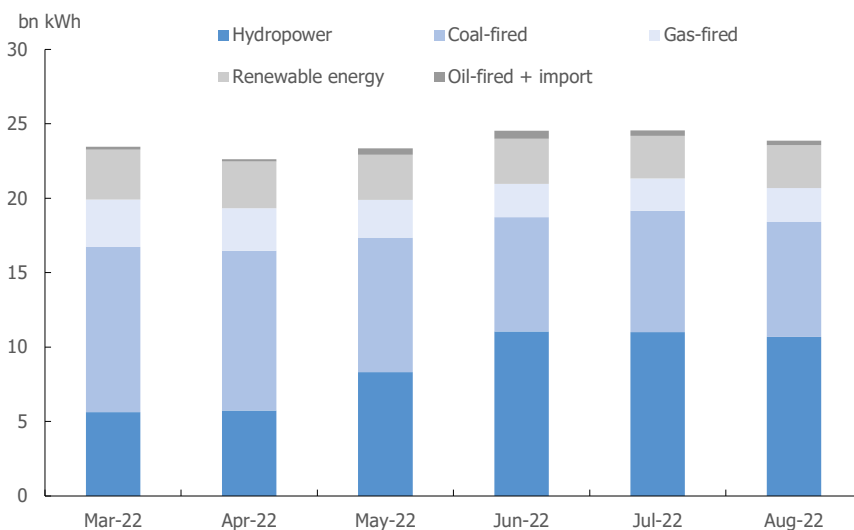
- Per EVN, total electricity production in Aug was 23.9bn kWh (+11% yoy).
- Based on our collection, the 8M22 aggregate output volume went up +5% yoy to 182bn kWh, much higher than the growth of 3.6% yoy in 6M22.
- Thanks to favorable weather conditions, hydropower output surged to 10.7 kWh in Aug (+30% yoy). Thus, ***the favorable weather condition will be beneficial to hydropower generators in the North and central region, namely VSH, CHP, SBA, REE, TBC.***
- Despite its sharp hike in 1H22, the Singapore fuel oil (FO) price (*the reference for gas supplied to domestic gas-fired power plants*) gradually slowed down its rising trend when it was down to USD398/tonne (-14% mom) in early Sep.
- The decreasing gas input prices narrowed the price gap between gas thermal and coal-fired power. As a result, gas thermal power became more competitive when its output increased by 5% mom to 2.3bn kWh.
- Coal thermal output shrank 8% yoy, 5% mom due to accelerating coal prices.
- Average competitive market price (CGM) remained at a high level, VND1,511/kWh (+51% yoy, +13% mom).

Coal prices kept rising when input gas prices cooled down

- Faced with gas shortages, several EU members announced the reopening of coal-fired power plants which pushed global coal prices up.
- Newcastle and Indonesian HBA coal prices peaked at an all-time high in early Sep when they reached USD457/tonne and USD321/tonne, respectively.
- According to Vinacomin, in 1H22, the mixed coal price supplied to domestic power plants had increased 30-35% yoy. We predict the coal price will keep its rising trend in light of soaring global coal prices.
- IRI forecasts a continuation of the La Nina event with moderate probability during Sep-Nov 2022, continuing into boreal fall and winter. However, La Nina is expected to wane since early 2023F.
- As a result, we believe that EVN will mobilize thermal power, especially gas-fired power as the substitute for shrinking hydropower output in 2023F.
- We expect CGM price will remain high in the following months in the context of hiking thermal coal prices and recovering power demand. ***NT2 still benefited from rising power price and its close proximity to southern industrial hub.***

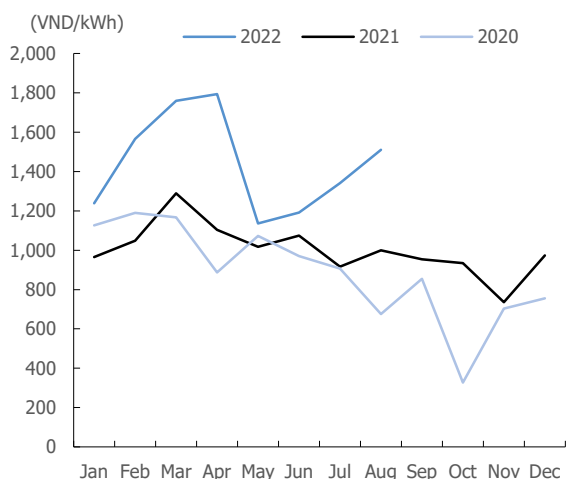
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Figure 1. Coal thermal power output was devastated by rising coal prices



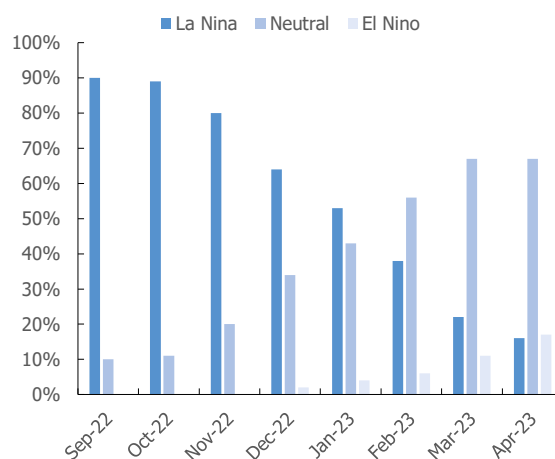
Source: EVN

Figure 2. Average CGM price remained high in Aug 2022



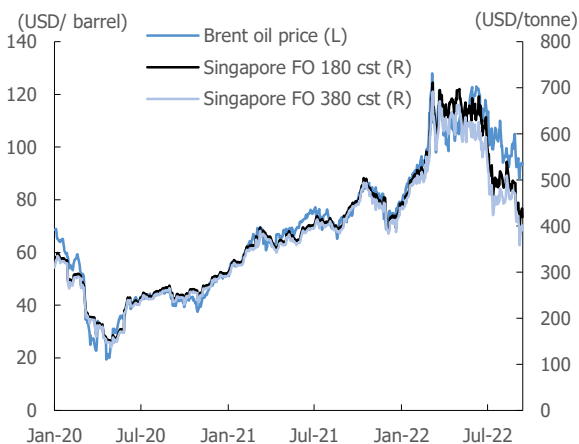
Source: EVNGENCO3
Note: The average CGM price was updated as of Aug 2022.

Figure 3. IRI's Probabilistic ENSO forecasts



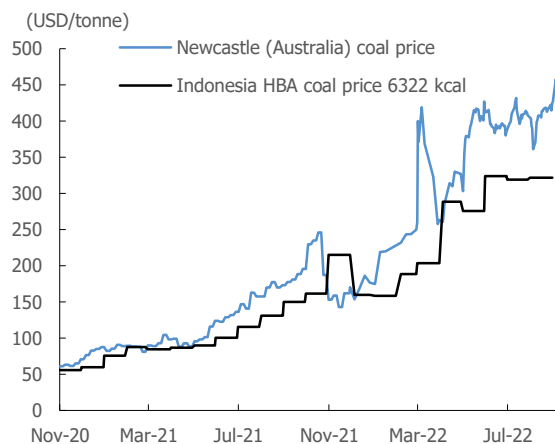
Source: IRI, KIS Research

Figure 4. Singapore FO prices cooled down in Aug



Source: Bloomberg
Note: The Singapore FO and Brent oil prices were updated as of Sep 14th.

Figure 5. Rising global coal prices put pressure on domestic coal-fired power makers



Source: Bloomberg, Trading Economics
Note: The Newcastle and Indonesian coal price was updated as of Sep 14th.

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