

Power

Non-rated

Hydropower will shine in 3Q22F

Hydropower enjoyed splendid results in Jul

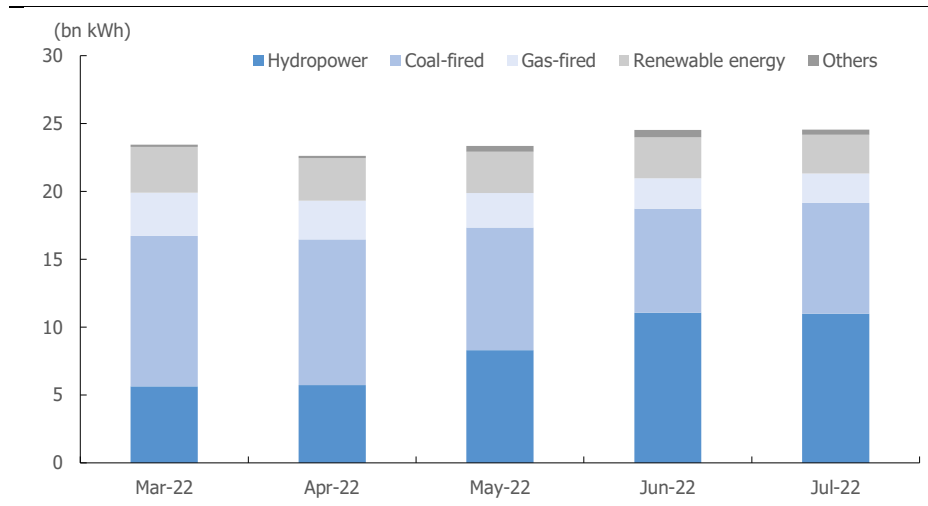
- According to EVN, total electricity production in Jul was 24.6bn kWh (+3% yoy). Based on our collection, the 7M22 aggregate output volume went up to 158bn kWh (+4% yoy).
- Average Newcastle coal price in Jul sharply surged to USD408/tonne (+3% mom, +171% yoy) amid long-lasting political tensions. Meanwhile, the Singapore fuel oil (FO) prices (*the reference for gas supplied to domestic gas-fired power plants*) gradually slowed down its rising trend after recording its all-time high price in Mar, 2022. However, FO prices still hovered at ~USD500/tonne.
- In the context of rising input material prices, coal-fired power and gas thermal power volume plummeted to 8.2bn kWh (+6% mom, -20% yoy) and 2.2bn kWh (-4% mom, -5% yoy), respectively.
- The unexpectedly high level of rainfall in the extremely hot season, especially in May and Jun made the hydropower output surge to 11bn kWh in Jul (-0.5% mom, +40% yoy). This was even higher than the monthly hydropower output in previous rainy seasons.
- Thanks to abundant hydropower volume, the average competitive market (CGM) reversed its rising trend and dropped to ~VND1,100/kWh in May and Jun.

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- According to IRI, the probability of La Nina effect will wane in Jul and will rebound during Aug – Oct 2022 with moderate probability (68%), continuing into boreal fall and early winter with ~60% likelihood.
- According to National Centre for Hydro-Meteorological Forecasting (NCHMF), the usual La Nina lasts 2 years, yet this time it has existed for over 3 years. It is also predicted that there will be 10-12 typhoons and tropical depressions in this year. Thus, we believe hydropower output will be bolstered in 3Q22F, owing to the abundant rainfall.
- As cold air appears early (from October-November) to combine with regular storms, from July to September, the precipitation in the North will possibly be higher than the average of previous years.

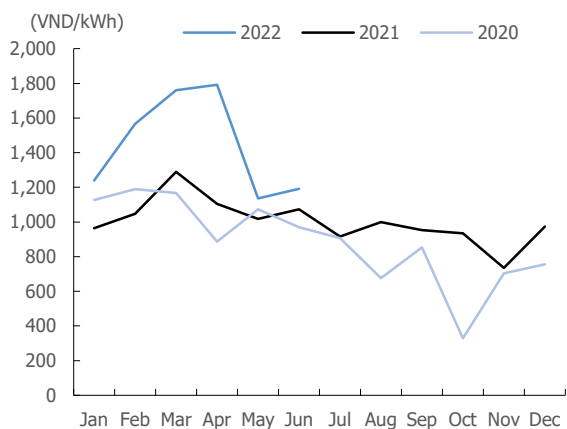
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Figure 1. Hydropower was the biggest power generator in Jul 2022



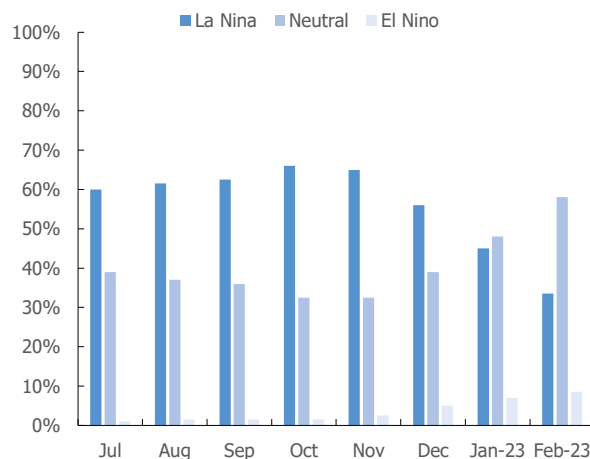
Source: EVN

Figure 2. Average CGM price reversed its rising trend since May



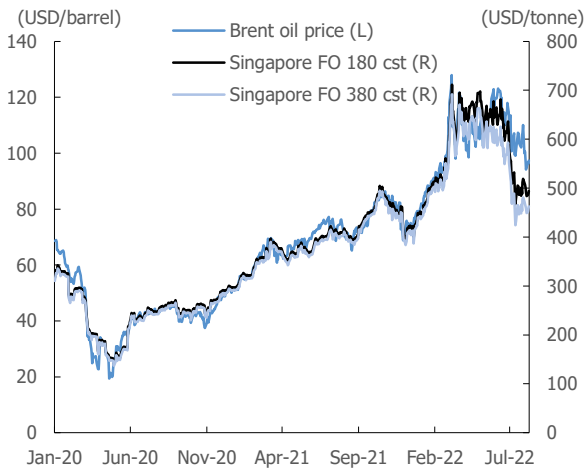
Source: EVNGENCO3
Note: The average CGM price was updated as of Jun 2022.

Figure 3. IRI's Probabilistic ENSO forecasts



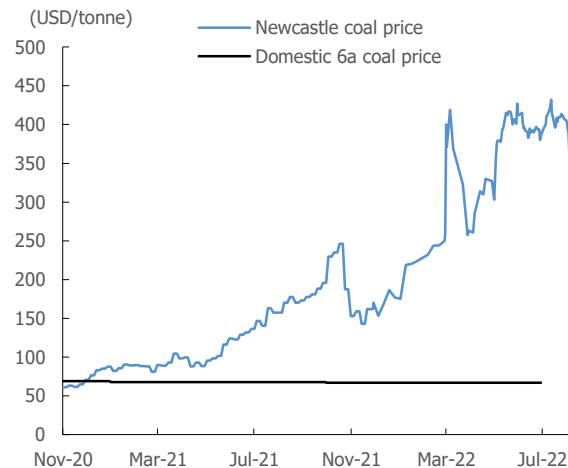
Source: IRI, KIS Research

Figure 4. Singapore FO prices went up 24% yoy in Jul



Source: Bloomberg
Note: The Singapore FO and Brent oil prices were updated as of Aug 10th.

Figure 5. Global coal price remained very high in Jul



Source: Bloomberg, Trading Economics, EVNGENCO3
Note: The Newcastle coal price was updated as of Aug 10th.

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