

A scratch, not scar from US sanction on Iran's oil export & China

- Trump reimposed sanction on Iran's oil export is expected to have limited impact on global oil price, Iran's oil revenue coffin, and China's energy security
- China is likely to "ignore" US sanction on Iran given US' tariff hikes against China's imported products are already in place
- Potential winners: Chemical (IVL), electronics (Delta), rubber (NER), oil (BCP)

Iran's developed strengths against US sanctions

On 5 Jan-25, Trump restored his "maximum pressure" campaign on Iran that includes efforts to curb Iran's oil exports down to zero in order to stop Iran from obtaining a nuclear weapon. The campaign will embrace sanctions and enforcement mechanisms on those violating existing sanctions. While Iran may lose its oil exports revenue of USD54b, the impact of "complete stop" production of crude oil from Iran will be limited to global energy supply, if unlikely to be achieved as Iran could find buyers even under Trump 1.0 that had driven Iran's oil exports to near-zero during but under Biden's tenure Iran succeeded in evading sanctions.

US' attempt to put the salt into the injury for China's energy security

We believe US' sanctions on Iran's oil export will kill two birds with one stone to Iran (as a seller) and China (as a buyer) but impacts will be limited. For Thailand, we think the impact could be negligible, even for the import oil cost as we project crude oil price is unlikely to increase meaningfully even Iran's crude oil export is fully prohibited. Despite a large oil reserve of 209b bbls, second only to Saudi Arabia's 267b bbls and Venezuela's 303b bbls, Iran has long been restricted to produce and export more oil. Iran's oil export volume dropped from 2.1mbpd in 2017 to 587m bbls (1.6mbpd) with USD54b revenue in 2024 with the highest running since 2018, according to EIA.

Eastern buyers could be white knights

Our analysis indicates that this time may be different for Iran, given 1) Iran's developed strengths against US sanctions since the 1979 Islamic revolution for oil revenue, securing eastern buyers white knights for its oil exports; 3) Iran's current exports are small at only 1.2mbpd (1.1% of global supply), effortlessly replaced by US, UAE, and Saudi Arabia whose spare capacity is growing over 4mbpd.

China will be the pinch from Iran's oil export plunge

China is Iran's largest importer of crude oil and liquids in 2024, accounting for 89% of total exports, followed by 6% to Syria, 3% to UAE, and 2% to Venezuela. With 1.6mbpd crude oil import from Iran, China could see its crude supply drop by 15% if Iran could not export its crude oil. China does not recognize US sanctions and has built a trading system that uses mostly Chinese yuan and a network of middlemen, avoiding the dollar and exposure to US regulators. Trump could enforce the 2024 Stop Harboring Iranian Petroleum (SHIP) law, passed but not enforce strictly during Biden term, by using measures on foreign ports and refineries that process petroleum from Iran.

US-China trade war may spill over benefits to Thailand

We think the likely winners from US' sanction on Iran and US-China trade war are electronics play Delta (higher demands for AI), chemical IVL (beneficiary on US' tariff hike), rubber NER (higher demands on production relocations), and downstream refinery play BCP (on SAF and E&P).

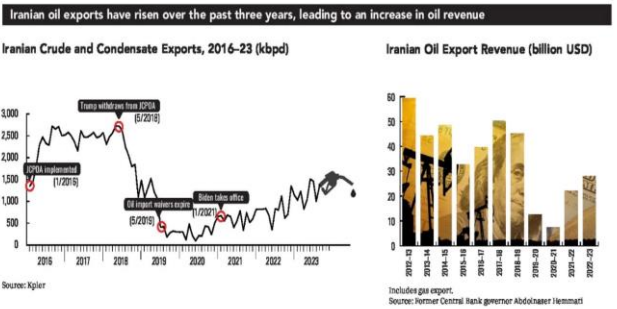
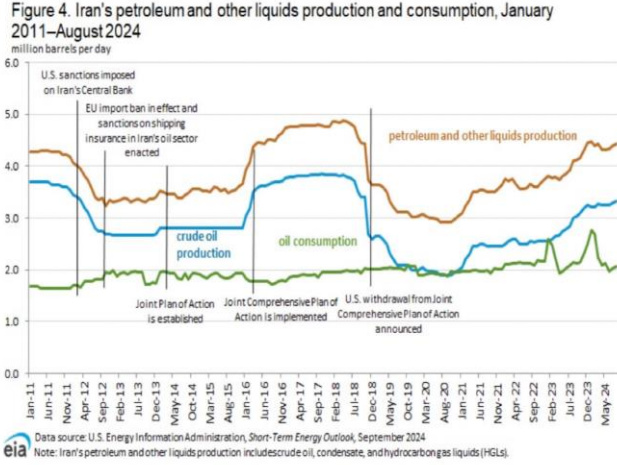
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Exhibit 1: Iran's petroleum and other liquids production and consumption (January 2011-August 2024)



Sources: Kpler, EIA

Exhibit 2: Iran's crude oil and condensate exports by destinations in 2023

Figure 9. Iran's crude oil and condensate exports by destination, 2023

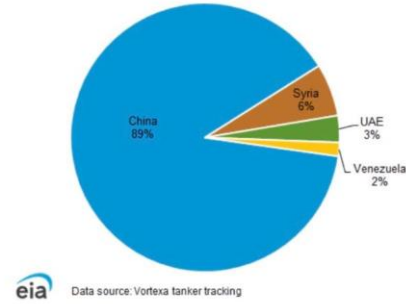
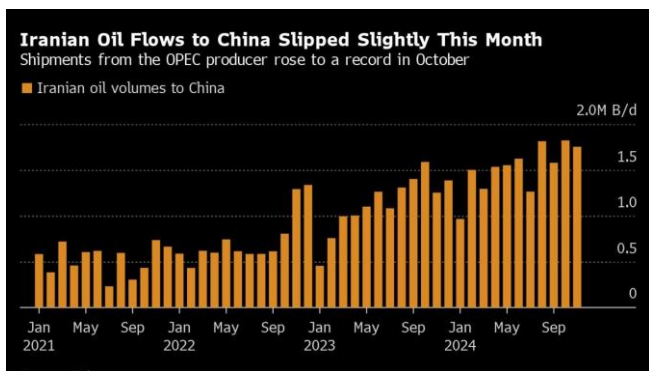
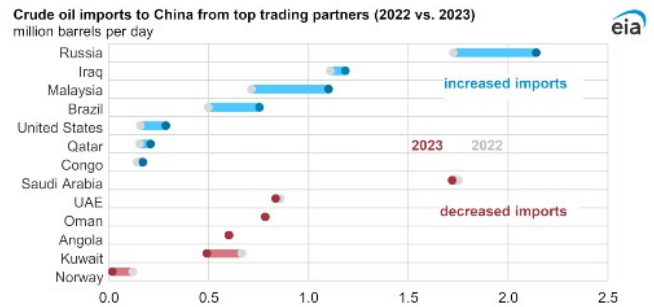


Exhibit 3: Iran's oil export to China increases in 2024



Sources: Bloomberg

Exhibit 4: China's refiners imported more crudes from Russia and Iran via Malaysia



Sources: Hydrocarbonprocessing

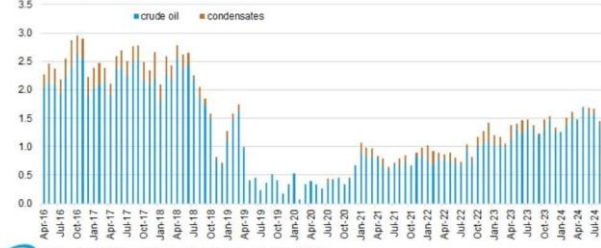
Exhibit 5: Iran's petroleum fields



Sources: World Bank, National Energy Technology Laboratory Global Oil and Gas Feature Database, EIA

Exhibit 6: Iran's monthly crude oil and condensate exports January 2016-August 2024

Figure 8. Iran's monthly crude oil and condensate exports, January 2016-August 2024 million barrels per day

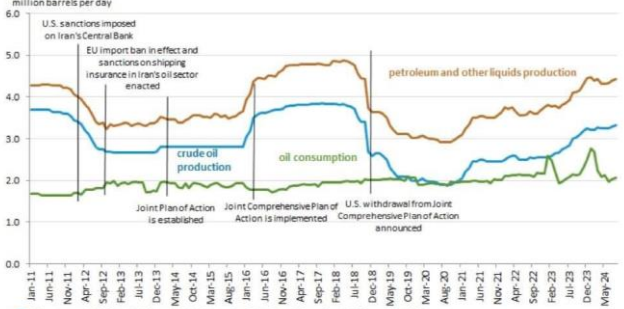


Data source: Vortexa tanker tracking (accessed October 2024)
Note: August 2024 is a preliminary estimate.

Sources: Vortexa tanker tracking

Exhibit 7: Iran's petroleum and other liquid production and consumption, January 2011-August 2024

Figure 4. Iran's petroleum and other liquids production and consumption, January 2011-August 2024 million barrels per day



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2024
Note: Iran's petroleum and other liquids production includes crude oil, condensate, and hydrocarbon gas liquids (HGLs).

Sources: EIA

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Analyst Certification

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Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

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Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.