

## SPPs Under the Lens

- Downside risk from hiking gas cost looms, particularly for SPPs
- Renewable and diversified plays are winners
- Top picks are GULF, RATCH, and BCPG

### Downsides risk from structural rise in gas cost

We see rising gas costs as a key overhang on the power sector, particularly for SPPs, where limited pass-through and a minimal Ft hike constrain margin recovery. While the spot JKM LNG prices have risen to USD20–22/mmbtu, we expect them to decline and stabilize around USD15–20/mmbtu as supply rises. Nonetheless, upside risks from geopolitics and FX could keep cost pressures elevated, reinforcing differentiation toward players with better pass-through, fuel flexibility, and overseas exposure.

### But LNG cost risk in U.S.-Iran war remains below risk in Russia-Ukraine war

We see that LNG prices in the current U.S.–Iran conflict have risen but remain well below the spike during the COVID–Ukraine period, when prices surged to USD53/mmbtu amid severe supply tightness, limited liquefaction and regasification capacity, low inventories, and significant shipping and logistics disruptions that intensified global competition for cargoes. We believe the current market is more resilient, supported by expanded LNG infrastructure, higher regas capacity, and significantly higher U.S. gas production, which provides more flexible global supply. Although prices have increased to around USD20-22/mmbtu, the upside is more limited. Assuming no further escalation, we expect LNG prices to stabilize in the range of USD 15–20/MMBtu, with easing tensions supporting gradual normalization.

### Downside risk from current tariff looms large

The ERC has proposed Ft hike scenarios for May–August 2026 based on assumptions of pool gas at THB365.46/mmbtu, LNG at USD18-19/mmbtu, FX at THB31/USD, and diesel at THB27.72/litre. We view the gas cost outlook as potentially conservative, with upside risks stemming from ongoing geopolitical tensions and FX uncertainty. As such, actual gas costs could trend above assumptions, implying further pressure on future Ft adjustments. While near-term tariff increases may be capped, we see lingering cost risk for the power sector, particularly for SPPs, where margin remains a key concern given high gas exposure and limited ability to pass through costs in the short term.

### Renewable over SPP, GPSC over BGRIM

We see SPPs, particularly BGRIM and GPSC, as the most exposed to rising gas prices. However, GPSC is relatively better positioned, with 50% of IU contracts now gas-linked VS only 10% for BGRIM, alongside greater fuel flexibility, including partial coal substitution, which helps mitigate cost pressure. In contrast, renewable players remain largely insulated, supported by zero fuel cost exposure and long-term PPAs that underpin earnings stability. From a geographic perspective, domestic operators face tighter regulatory constraints, limiting tariff adjustments, while overseas markets, higher gas prices typically raise tariffs, supporting renewable margins.

### Portfolio diversification and overseas exposure are key

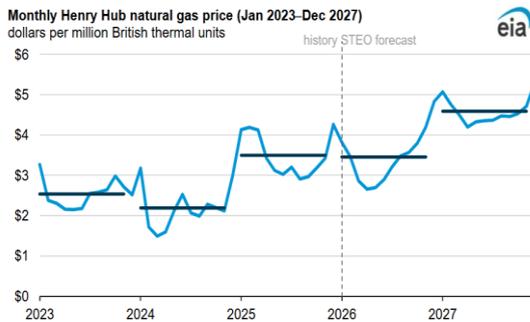
Our top picks in the power sector are GULF RATCH and BCPG, supported by their diversified portfolios, stronger earnings visibility, and lower exposure to gas cost volatility, particularly through renewable and overseas assets. Within the SPP, we prefer GPSC, given its higher gas-linked IU contracts and greater fuel flexibility.

#### Analyst

Siriluck Pinthusoonthorn  
Siriluck@globlex.co.th,  
+662 672 5806

Suwat Sinsadok, CFA, FRM, ERP  
suwat.s@globlex.co.th,  
+662 687 7026

**Exhibit 1: EIA projects Henry Hub gas price to fall in 2026 before rising in 2027**



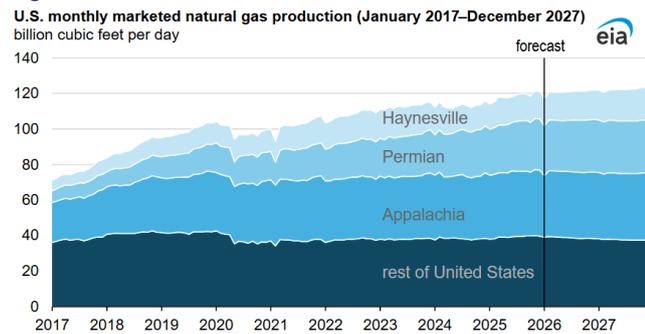
Sources: EIA

**Exhibit 2: Comparison of U.S. power market capacity, stakes owned, net profit contributions, and % net profit contributions of four firms**

Company	Stake owned (%)	Capacity (MW)	Est. annual NP (THB b)	% total NP (%)
BCPG	40	857	2.5	70
GULF	49	1,200	1.0	10
BGRIM	25	416	0.2	10
BANPU	79	1,500	1.0	15

Sources: Companies; Globlex Research

**Exhibit 3: U.S. natural gas production to reach record highs in 2026 and 2027**



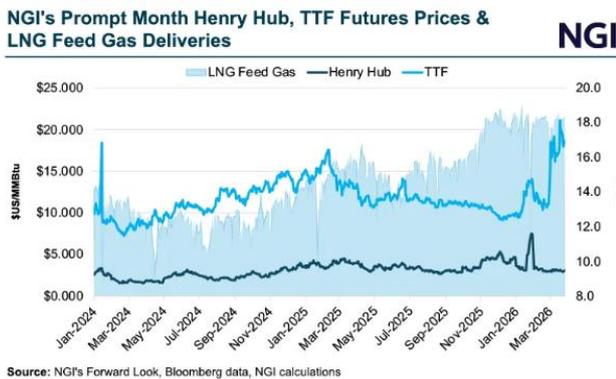
Sources: EIA

**Exhibit 4: U.S. LNG developers sign the highest volume of sale and purchase contracts since 2022**



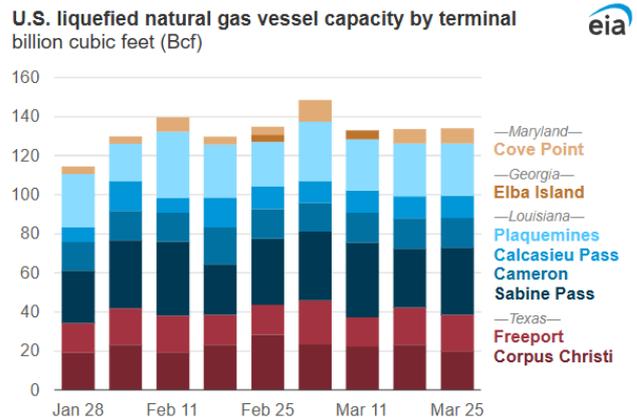
Sources: EIA

**Exhibit 5: JKM, TTF and HH gas price**



Sources: NGI

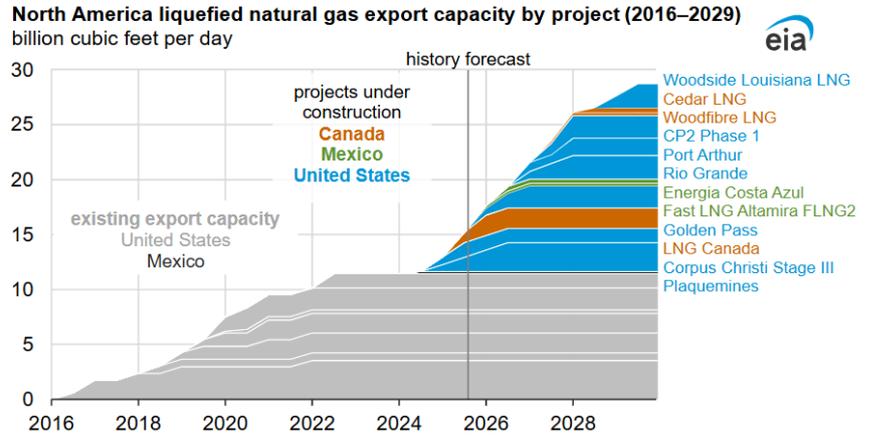
**Exhibit 6: U.S. LNG vessel capacity by terminal**



Data source: Vortexa Analytics tanker tracker

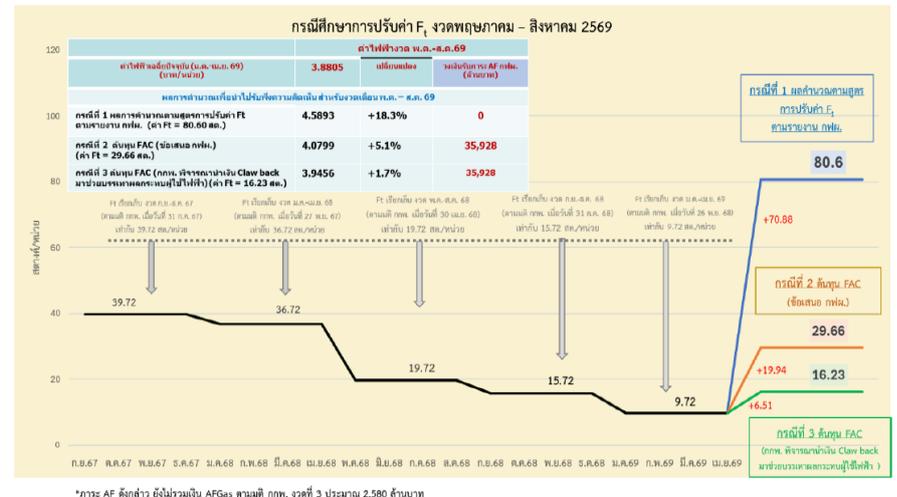
Sources: EIA

### Exhibit 7: North America's LNG export capacity could more than double by 2029



Sources: EIA

### Exhibit 8: Thailand's Ft adjustment



Sources: ERC

## GENERAL DISCLAIMER

### Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

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.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one 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.

**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.