KERATAN AKHBAR

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KUALA LUMPUR: Petroliam Nasional Bhd's (Petronas) capital expenditure spending could pick up and recover to pre-pandemic levels of more than RM40bil this year.

This is as oil prices are poised to stay at elevated levels coupled with recent data from Petronas' capital expenditure (capex) spending in the first quarter having risen by 12% year-on-year to RM7.4bil.

"Overall capex spent in this quarter represented 15%-19% of the estimated total capex of RM40bil to RM50bil in 2022, and is also rather reflective of levels in 2019," RHB Research said in its report.

In the first quarter statistics, the upstream segment was the largest contributor to Petronas' capex spend at 58%, followed by downstream at 17% and gas at 14%.

"We expect capex spending to ramp up in the next few quarters, especially in the second half of 2022. Domestic capex increased by 30% year-on-year to strengthen the oil and gas services and equipment system, and activities are likely to ramp up in the coming quarters," the research house said.

"We believe that upstream service providers such as drillers and maintenance-related works should benefit from a ramp-up in activities and increased domestic capex allocations, coupled with better service rates ahead," it added.

TA Research commented that domestic activities in the O&G sector are expected to rise in coming quarters and expects capex momentum to accelerate for the remainder of the year.

"Petronas' robust balance sheet with the net cash position has more than adequate capacity to fund these capex requirements," TA Research said.

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>
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On oil prices moving forward, TA Research said it maintains its Brent crude oil price assumption of US$105 (RM460) per barrel for the 2022 year.

It said oil price strength is anchored by the lingering Russia-Ukraine war, subdued production from the Organisation of the Petroleum Exporting Countries and the United States and lean Organisation for Economic Co-operation and Development inventories level.

Demand for oil would also be driven by progressive recovery in global aviation fuel demand as international borders reopen, TA Research noted.

"Over the medium term, should the Ukraine war end, we expect this to derail oil price strength. Hence, this will likely lead to normalisation of oil prices. On the back of this, we introduce our 2023 Brent crude price assumption of US$90 (RM394) per barrel," the research house said.

On the renewable energy front, RHB said Petronas' major renewable energy capacity in operations and under development have surpassed 1GW and it is on track to meet the 3GW target by the year 2024.