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‘Lower dividens may benefit O&G’

PETRONAS ALLOCATION

‘LOWER DIVIDENDS MAY BENEFIT O&G’

Kenanga Research believes this could facilitate higher capital expenditure spending by company next year

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PETROLIAM Nasional Bhd's (Petronas) budgeted dividends of RM35 billion for next year will be lower than the RM50 billion for this year, but this may be positive for the oil and gas (O&G) industry.

Analysts at Kenanga Research think the lower dividends for the government announced in the 2023 Budget may facilitate higher capital expenditure spending by Petronas, leading to improved local activities next year.

"Given its strong results underpinned by the high crude oil prices, Petronas is currently sitting on a strong net-cash position of RM103 billion — the highest since 2018," Kenanga Research said in a note yesterday.

Kenanga Research added that beneficiaries of the lower Petronas dividend would likely be Dialog Group Bhd, as well as local-centric equipment and service providers such as Velesto Energy Bhd, Dayang Enterprise Holdings Bhd and Uzma Bhd.

The firm said the 2023 Budget proposal of special status and incentives for Pengerang Petroleum Complex might likely benefit Dialog, one of the pioneer key investors of Pengerang.

The company currently sits on 202.34ha of land there ready for future development.

"Further investment interests in Pengerang may also expedite developments for (Dialog's) Pengerang Phase 3 project, which has been earmarked to target mid- to long-term storage tanker contracts," it said.

Kenanga Research also said the introduction of a carbon tax would be a negative on the O&G industry, although the full impact from this would depend on the extent of the implementation.

"We reckon this will most likely impact value chains with direct carbon emissions — oil and gas exploration and development such as Hibiscus Petroleum Bhd, or producer lines such as Petronas Chemicals Group Bhd and Lotte Chemical Titan Holding Bhd."

Petronas is currently sitting on a strong net-cash position of RM103 billion, the highest since 2018, according to Kenanga Research. FILE PIC

Kenanga Research said equipment and service provider contractors might be spared, as they might not be deemed as direct carbon emitters, but the trickle-down effect from the higher lifting costs per barrel suffered by oil producers might result in margin deterioration.

"One positive spin on this is that contractors may now be more incentivised to strengthen emissions-friendly solutions to gain competitive advantage and differentiate themselves from peers."