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'Overweight' call kept on integrated O&G sector

ROBUST UPSTREAM ACTIVITIES

'Overweight' call kept on integrated O&G sector

KUALA LUMPUR: The latest Petrol-
iam Nasional Bhd (Petronas) Ac-
tivity Outlook (PAO) 2023 to 2025
suggests upstream activities will
remain robust in 2023.

Hence, RHB Research esti-
mates Petronas' capital expendi-
ture spending to be RM45 billion
to RM50 billion in 2023, with a
continuing re-deployment of re-
sources to clean energy solu-
tions.

Meanwhile, RHB Research's oil
price forecast for 2023 to 2025 are
maintained at US\$90 per barrel,
US\$80 per barrel and US\$80 per
barrel, respectively.

"The PAO 2023 to 2025 is neu-
tral as we see quite a blend of
upward revisions and downward
adjustments on sub-segments ac-
tivities in 2023 to 2024.

"Overall, we saw most sub-seg-
ments have yet to meet their
planned targets in 2022, except
for offshore support vessel (OSV)
supporting production opera-
tions, underwater services, and
fixed structure fabrications.

"We see more upward revisions
for activities in 2023, but more
downward tweaks to 2024 pro-
jections due to an overflow of un-
completed jobs this year to 2023.

"Petronas is also remaining
fairly prudent in its spending in

the longer run.

"A greater emphasis on energy
transition is also on the cards, as
Gentari (Petronas' wholly owned
clean energy solutions) is taking
a greater role with ambitious tar-
gets being outlined," the bank-
backed research firm said in a
note yesterday.

RHB Research said sub-seg-
ments with higher activities in
2023 are drilling (jack-up rig, ten-
der assisted drilling rig and hy-
draulic workover unit), fixed
structure fabrications, OSV sup-
porting drilling and projects,
hook-up and commissioning,
maintenance, as well as construc-
tion and modification.

It added that well decommis-
sioning, underwater services,
plant turnarounds, and OSV-sup-
porting production operations
could be lower year-on-year in
2023.

"Sub-segments with a positive
outlook over the medium term
(post-2025) are drilling and well
and underwater services (an up-
grade from steady previously).

"On the other hand, most
sub-segments remained on
steady/modest outlooks."

RHB Research has maintained
its "overweight" call on the in-
tegrated oil and gas (O&G) sector.