

## 2018 OUTLOOK

# Holding pattern for energy prices

Only slight changes are on the cards if stability reigns, writes Yuthana Praiwan

**P**rices for energy, including oil, gas and electricity, are expected to change slightly in 2018, with the levy collected from retail sales projected to be only slightly higher than in 2017, say government and industry officials.

Government price control policies for petrol and diesel have barely changed, while the partial floating of the price for compressed natural gas (CNG) should also keep energy prices from rising substantially in 2018, said officials.

The plan to gradually phase out price subsidies for CNG and liquefied petroleum gas (LPG) at a time when global gas prices remain low, in line with oil prices, should keep domestic gas prices relatively stable in 2018.

The government paid 100 billion baht in fuel subsidies during 2008-13 to keep retail prices at a relatively low level.

According to a study by the Energy Policy and Planning Office (Eppo) issued in December 2017, domestic energy prices are unlikely to be volatile in 2018. Prices should move in line with the global oil price, which is not expected to revisit its previous high of more than US\$100 a barrel.

Eppo's estimate lines up with the forecast by Petrochemical and Refining Integrated Synergy Management (Prism), a group of national oil and gas conglomerate PTT Plc, which forecasts that the oil price will move in a range of \$52-57 a barrel in 2018.

That estimate is slightly above an average oil price of \$52.70 a barrel in 2017.

Eppo director-general Twarath Sutabutr said Thai energy demand for all segments is expected to grow by 2.1-2.4% in 2018 to 2.81 billion barrels of oil equivalent per day (boed), which is in line with the country's GDP growth, forecast to be in a range of 3.6-4.6% in 2018.

Oil demand is estimated to grow by 2.1%, power demand by 4.1%, coal demand by 1.2% and renewable energy demand by 7.1%. Demand for natural gas is estimated to shrink by 1.2%.

"If there is are no big conflicts or geopolitical tensions

adjacent to crude oil resources, the global oil price should not veer much from its price," said Mr Twarath.

A rising global oil price would push power bills in the same direction after a lag of 4-9 months, he said.

He attributed the drop in natural gas demand in 2018 to falling demand in the transport and power-generating sectors.

Renewable power has the highest projected demand increase this year because of state support for investment in the sector.

The government aims to raise the portion of palm oil in biodiesel sold at petrol stations, known as B7, to 7%.

For power demand this year, Eppo expects a 4.1% rise to 193 billion kilowatt-hours, largely based on growth in the industrial and tourism sectors, as well as exports.

Compared with demand in 2017, energy demand in all segments grew by 2.4% to 2.754 boed.

Demand for refined oil is expected to grow by 2% in 2018, demand for petrol is expected to rise 3.8%, diesel demand is eyed to increase 2.6% and demand for fuel is forecast to rise 4.4%.

But demand for LPG is expected to drop by 1.8% in 2018 due to the removal of the government's price subsidy, making it less competitive, he said.

Power demand is expected to grow by 1.4% in 2018 to 185 billion kilowatt hours, while peak power demand is forecast for May, said Mr Twarath.

Prism said the global economy could grow 3.7%, led by recoveries in the US, the EU, China and India.

For crude oil supply in 2018, Prism expects a surplus of 1.7-2.0 million barrels per day (MMBD), while demand could grow in the range of 1.4-1.5 MMBD.

Prism estimates the average oil price will be \$50-\$55 per barrel in 2018.

Auttapol Rerkpiboon, PTT's chief operating officer for downstream petroleum business, said PTT expects oil demand oil 2018 to grow in a range of 1-2%, barely changed from growth of 1.5% in 2017.

He likewise said domestic retail oil prices in 2018 may be slightly higher compared with the previous year.





Renewable energy such as solar power has the highest expected demand increase in 2018.