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ENERGY

Offo tries to calm sellers as oil prices sink

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The Oil Fuel Fund Office (Offo) says low global oil prices will be a temporary condition, as officials seek to assuage domestic energy firms already reeling from a sharp drop in demand as a result of the coronavirus crisis.

Offo director Viraphol Jirapraditkul said the fund has held discussions with major oil traders and refiners in Thailand and estimates that the low prices will last until the second quarter of this year.

He said regions with high production costs like North America, South America and Europe will likely cease production while surplus supplies get used up.

Mr Viraphol said prices dropped over a dispute between Saudi Arabia, which dominates the Opec production group, and Russia, which leads non-Opec members.

When Russia refused to cut its crude oil output, Saudi Arabia flooded the market with cheap oil, causing a sharp drop in prices.

Mr Viraphol said domestic retail petrol has gradually declined by 2.40 baht per litre. A litre of gasohol 91 fell to 23.28 baht from 25.68 baht on Feb 28. High-speed diesel dipped from 24.29 baht on Feb 27 to 23.59 baht yesterday.

Before this weekend's price drop, there was a huge surplus in global oil supplies after a sharp decrease in

global travel.

"This epidemic has made global oil prices drop because of air and land travel shutting down in some countries, so demand for oil is falling lower and lower," Mr Viraphol said.

He said local oil traders and refiners expect the conflict between Russia and Saudi Arabia to be resolved soon and for the two nations to hold talks to decrease production.

The drop in global oil prices was first seen last Saturday, when the WTI reference price fell by 8.2% to \$42.17 a barrel and the Brent reference price dropped nearly 8% to \$46.01 a barrel.

WTI plunged a further 32% to \$27.85 a barrel on Monday, but reference prices

in the US, the EU and Dubai rebounded to \$36-37 yesterday.

Offo yesterday approved a measure to widen the price gap between biodiesels B10 and B7 by three baht per litre and between B20 and B7 by 3.50 baht per litre.

The oil refining business will be hit this year by drastically lower demand for jet fuel and diesel as flights are cancelled.

Refineries are set to decrease production to 88% or 106 kilobarrels per day this year, dragged down by a shutdown for scheduled maintenance.

Oil refiners saw zero growth in demand in the first quarter of 2020, down from 3% growth in the same period of 2019.