

Office predicts oil prices already peaked

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Global oil prices are estimated to have peaked last month, with prices likely to decline as the winter, which typically increases energy consumption, ends early next year, says the Oil Fuel Fund Office (Offo).

Wisak Watanasap, director of the Offo, said the highest prices for Dubai crude oil were recorded in November at an average of US\$81 per barrel.

After many countries decided to release oil from their reserves, prices fell to \$73.3 a week ago.

Among them was the US, which released 50 million barrels of crude oil from its Strategic Petroleum Reserve to cool down the price surge, which started in October.

Global oil prices rose rapidly after the easing of lockdown measures and the reopening of many countries to jump-start their economies, which led to higher demand for oil.

Apart from the US, China, India, South Korea and Japan also released oil from their reserves to increase supplies in the global market.

The decreasing prices caused the administrative committee on energy policy to set a meeting for this Thursday to discuss whether the government still needs to cap domestic diesel prices, said Mr Wisak.

The Offo board earlier approved a 20-billion-baht loan to support the Oil Fund that is used to cap diesel prices at less than 30 baht per litre, in line with an order from Prime Minister Prayut Chan-o-cha.

Bangkok Bank, Siam Commercial Bank, the Government Savings Bank and Krungthai Bank are the key lenders.

He said the fund is expected to obtain the first portion of the loan from commercial banks in June next year for the price subsidies, which also includes the capping of liquefied petroleum gas prices to avoid burdening homeowners using cooking gas.

The loans carry a three-year payback period.

Of the total budget to subsidise diesel prices, 9 billion baht would come from the state Oil Fund and another 20 billion would come from loans, Mr Wisak said earlier.

The subsidy calculation is based on a Dubai crude oil reference price of \$90 per barrel.

According to the Offo, once global oil prices decline, the government may not reduce the domestic oil price in order to collect levies from motorists for loan repayment.