



DEPARTMENT OF
ENERGY



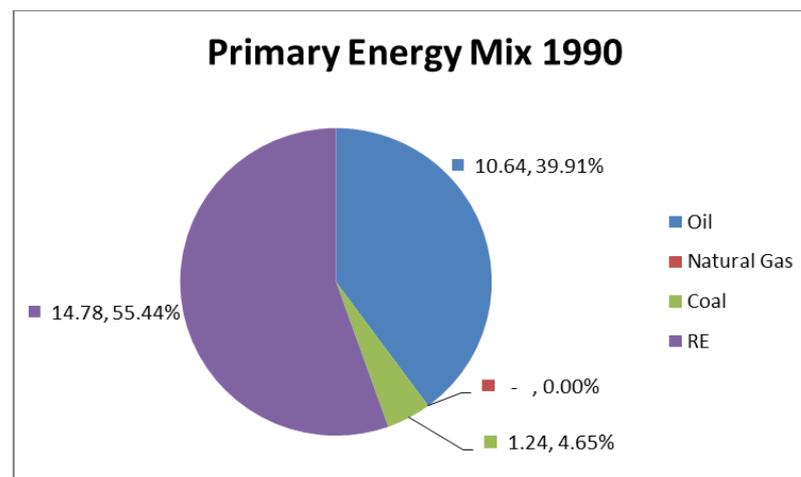
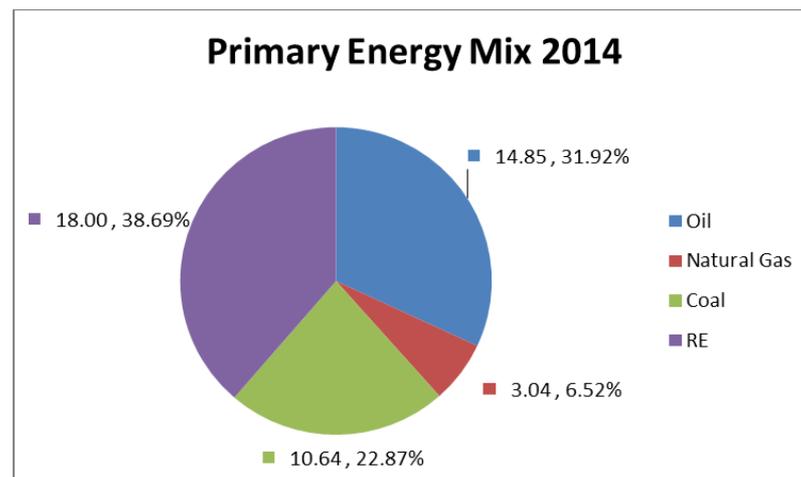
The Impact of Oil Price Reduction to Oil-Consuming Economies The Case of the Philippines

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Undersecretary*

Philippines continues to be highly dependent on oil

In MTOE

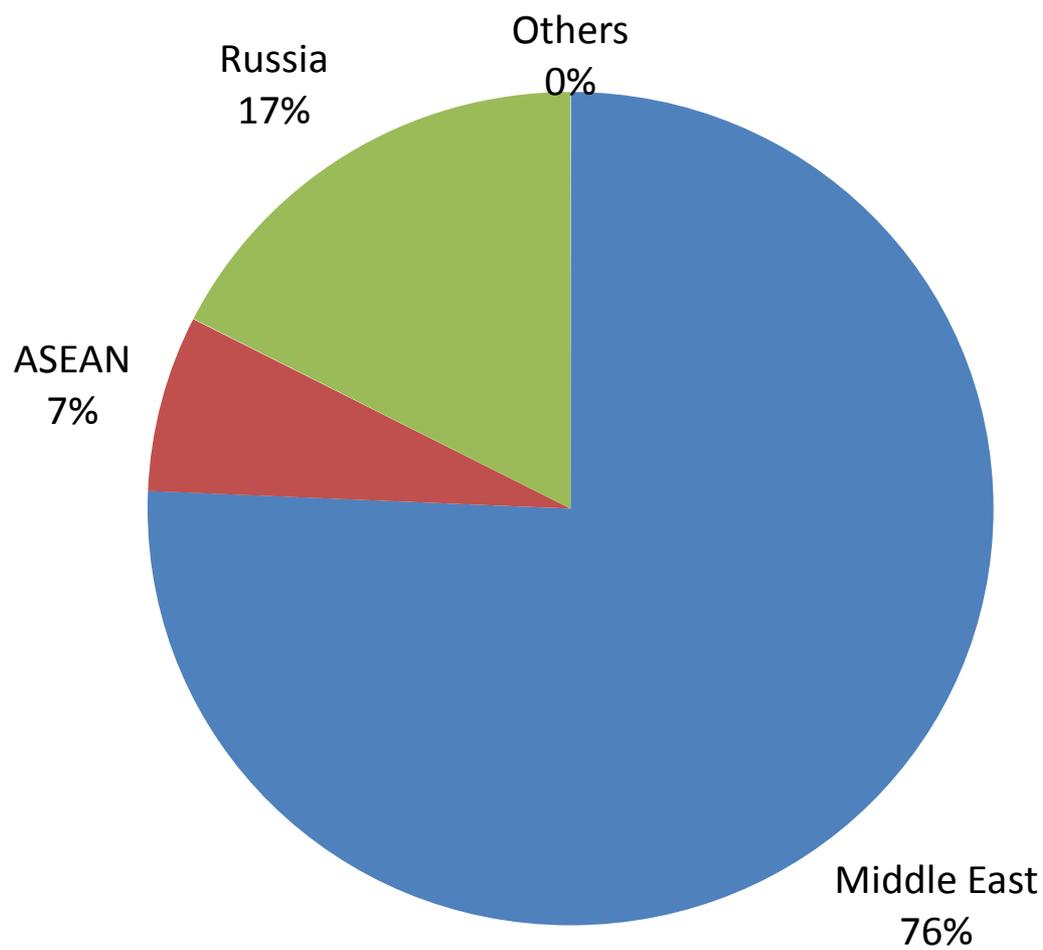
	2012	2013	2014
INDIGENOUS ENERGY	26.32	25.54	25.67
OIL	0.72	0.70	0.80
NATURAL GAS	3.13	2.89	3.04
COAL	3.88	3.74	4.01
RENEWABLE	18.59	18.21	17.82
HYDRO	2.55	2.49	2.44
GEOTHERMAL	8.81	8.26	7.74
BIOMASS	7.08	7.29	7.44
WIND	0.01	0.01	0.00
SOLAR	0.00	0.00	0.00
CME	0.11	0.12	0.13
Ethanol	0.02	0.04	0.07
NET IMPORTED ENERGY	17.43	19.46	20.86
OIL	13.1	13.0	14.0
COAL	4.21	6.26	6.63
BIOFUELS	0.16	0.19	0.18
TOTAL PRIMARY ENERGY SUPPLY	43.75	45.00	46.53



Note: 2014 data are preliminary as of 03 June 2015

Increased vulnerability to the geo-political situation

Source of importation and cost structure



2014 Volume: 64,938 MB

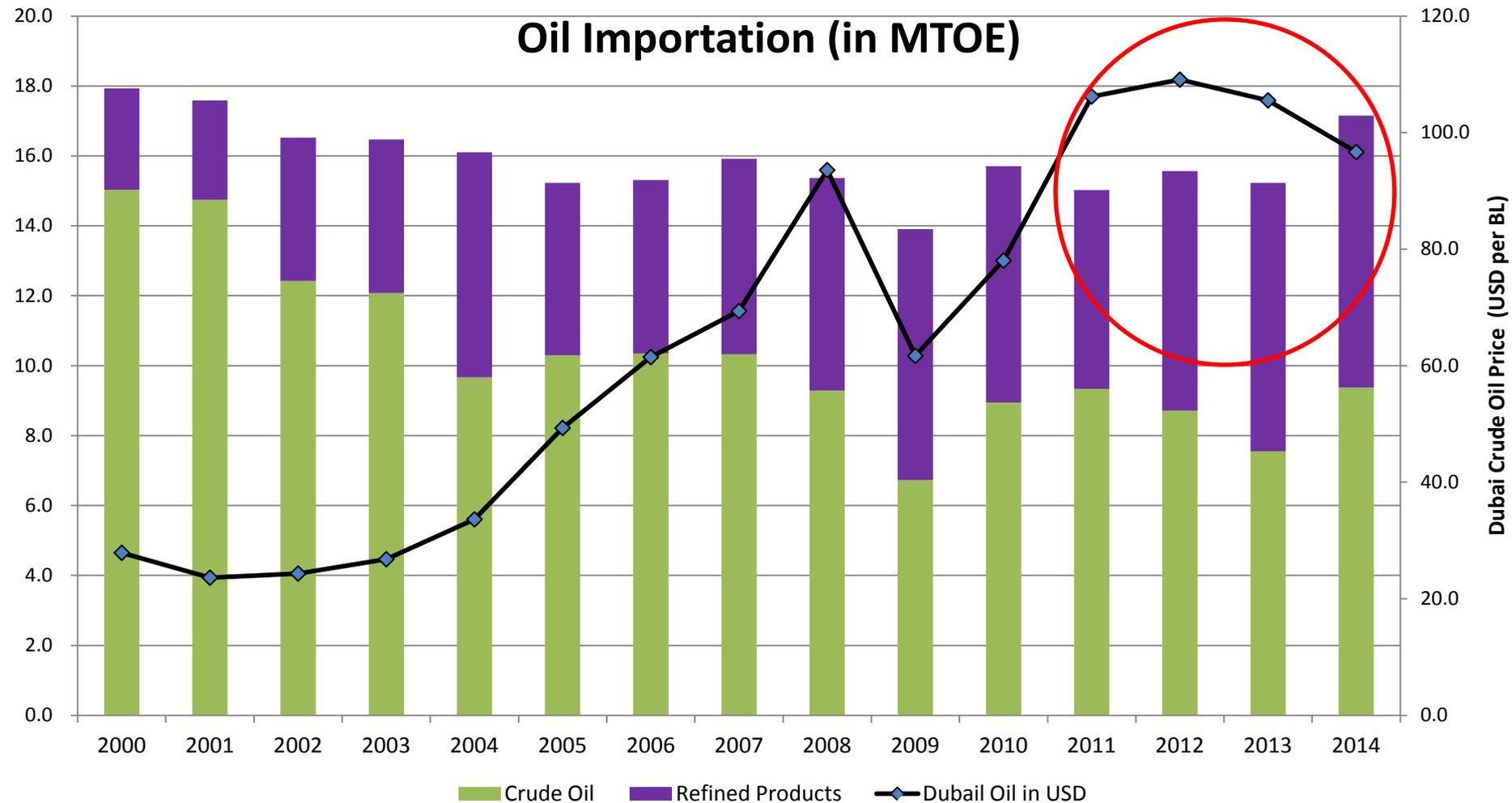
COST STRUCTURE	
Product Costs	76%
Duties/Taxes	20%
others	4%

- ❖ Raw materials (Crude and Finished Products) are imported and processed locally
- ❖ Local Prices are affected by the movement of world market prices
- ❖ Most firms follow more/less the same pricing framework

Note: 2014 data are preliminary as of 03 June 2015

Increased oil imports

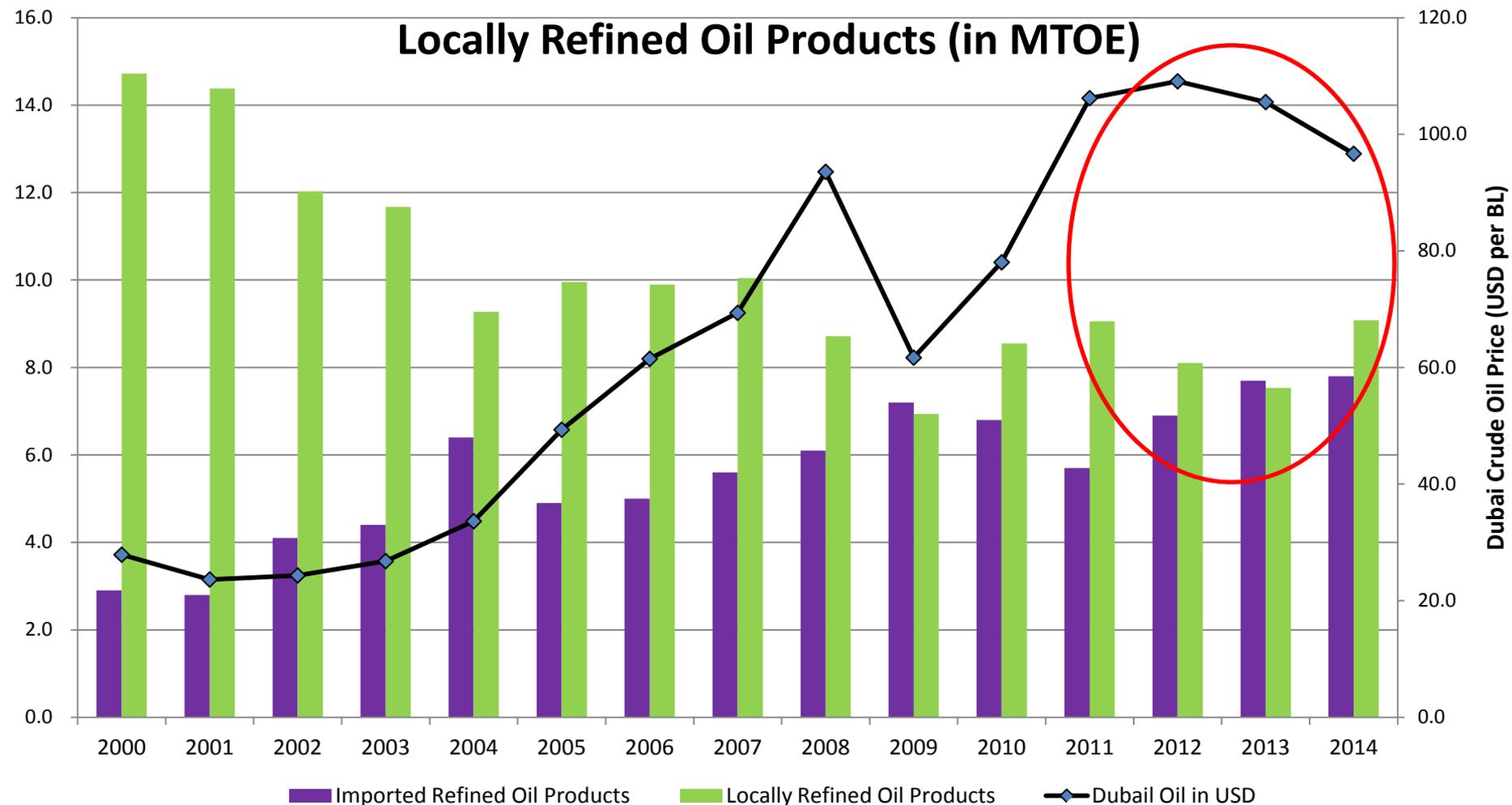
In 2013-14, oil importation has a strong response to oil price reduction. It increased by 1.50 percentage points to every 1 percent reduction in oil price



Note: 2014 data are preliminary as of 03 June 2015

Boosted higher refinery production

Lower crude oil price encourages higher refinery production



Note: 2014 data are preliminary as of 03 June 2015

Impact to Petroleum Consumption

Increased consumption of transport, commercial and power generation sectors

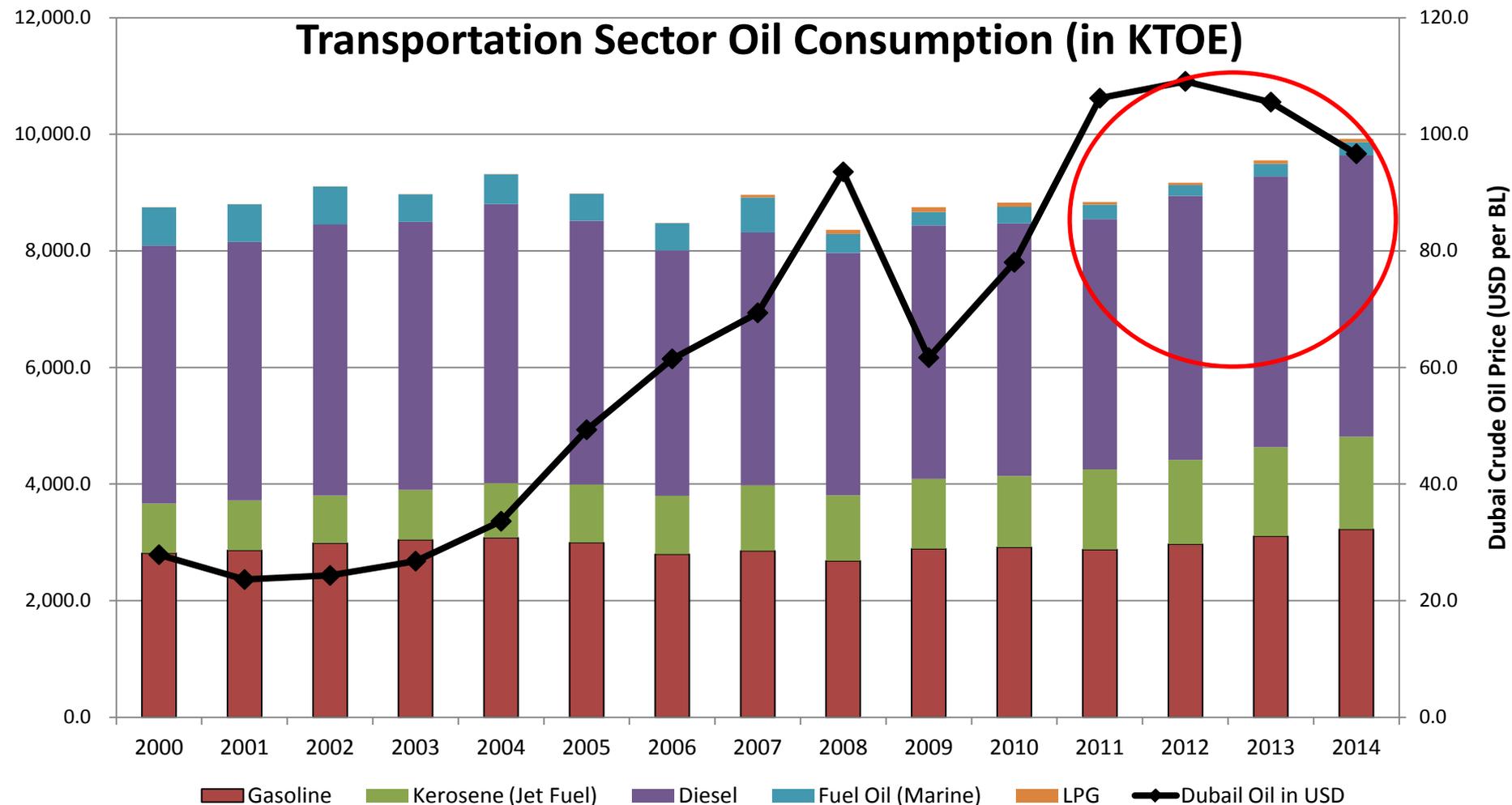
(In KTOE)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>AAGR</u>
<u>Total Petroleum Consumption</u>	<u>12,391</u>	<u>12,932</u>	<u>12,081</u>	<u>12,555</u>	<u>13,317</u>	<u>14,282</u>	<u>2.88%</u>
Industry	1,359	1,403	1,318	1,275	1,281	1,205	-2.38%
<i>Transport</i>	<i>7,602</i>	<i>7,841</i>	<i>7,768</i>	<i>8,086</i>	<i>8,452</i>	<i>8,782</i>	<i>2.93%</i>
Residential	938	930	916	901	880	863	-1.64%
<i>Commercial</i>	<i>826</i>	<i>942</i>	<i>980</i>	<i>967</i>	<i>1,124</i>	<i>1,432</i>	<i>11.63%</i>
Agriculture	376	216	186	182	190	172	-14.49%
Others, non-energy use	112	120	117	172	314	449	32.12%
<i>Power generation</i>	<i>1,178</i>	<i>1,480</i>	<i>796</i>	<i>971</i>	<i>1,077</i>	<i>1,378</i>	<i>3.19%</i>

- ❖ Low Consumption Growth Rate but a highly competitive industry
- ❖ The growth of Petroleum consumption is 46% elastic to GDP growth
- ❖ Transportation is the largest consumer of oil products (61%)
- ❖ Oil consumed by power generation represents 10% of the total demand.

Note: 2014 data are preliminary as of 03 June 2015

Increased consumption in transport sector

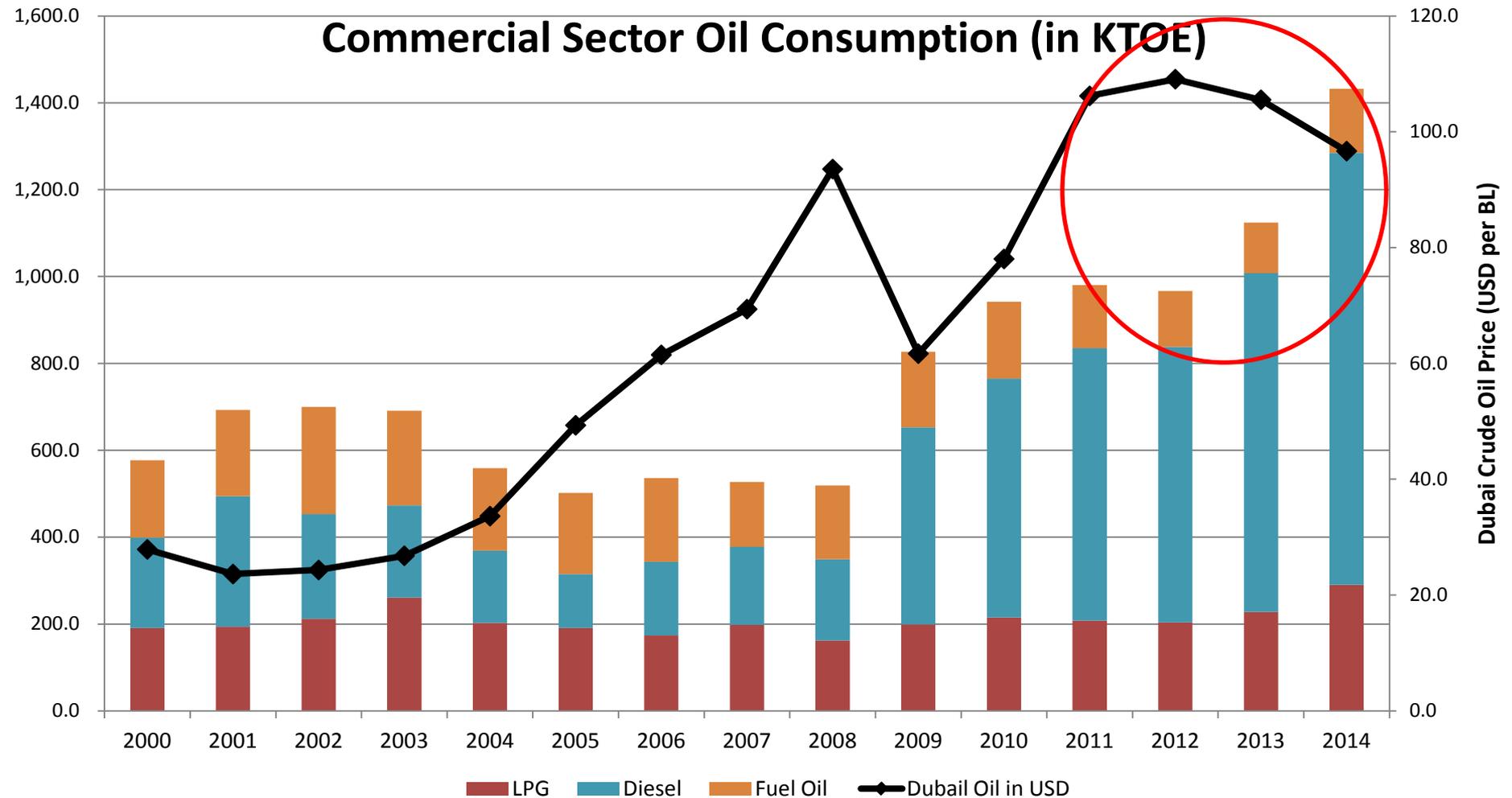
In 2013-2014, commercial oil consumption had a very strong response to oil price reduction. It increased by 4.0 percentage points to every 1.0 percent reduction in oil price



Note: 2014 data are preliminary as of 03 June 2015

Increased consumption in commercial sector

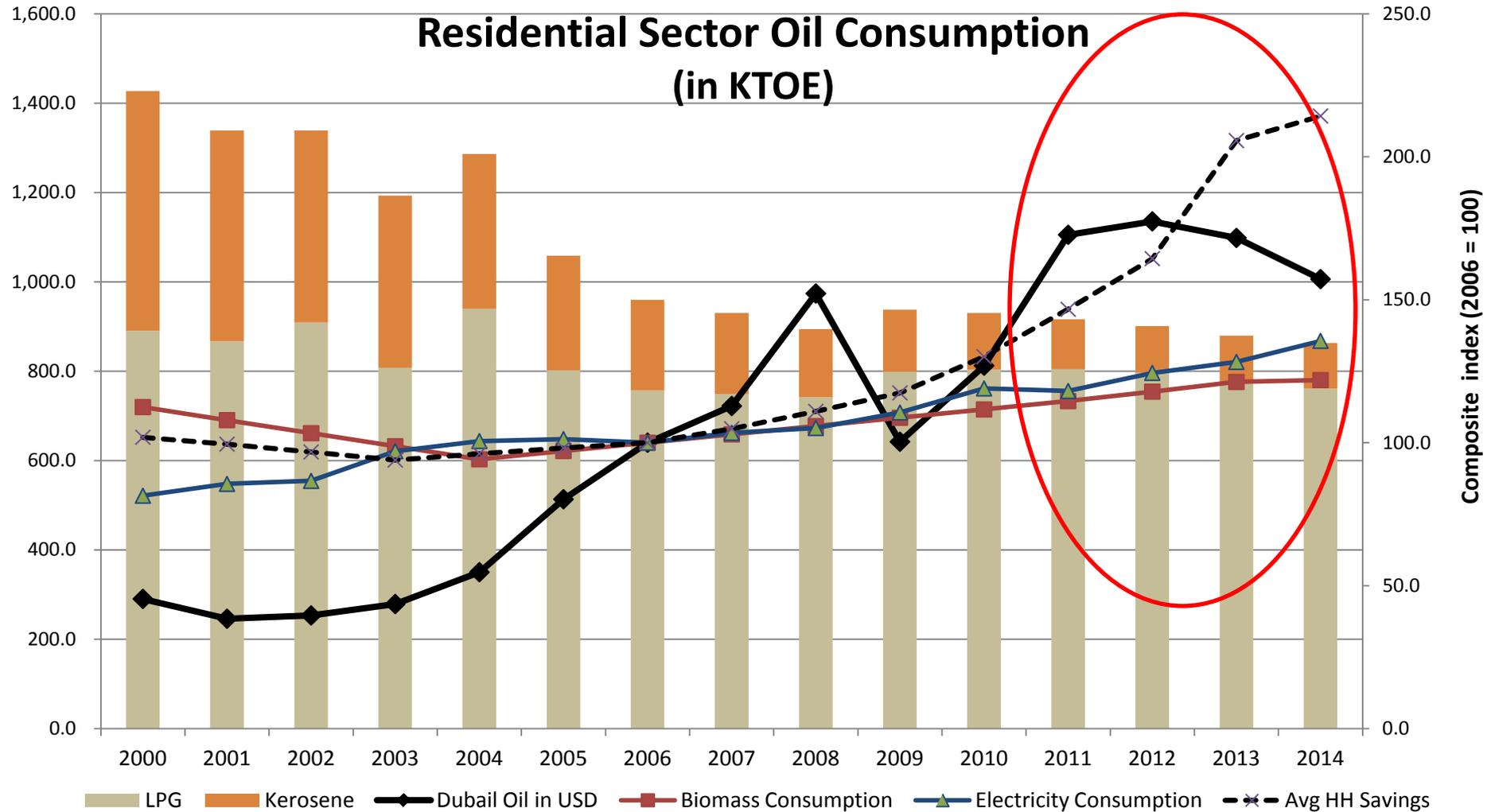
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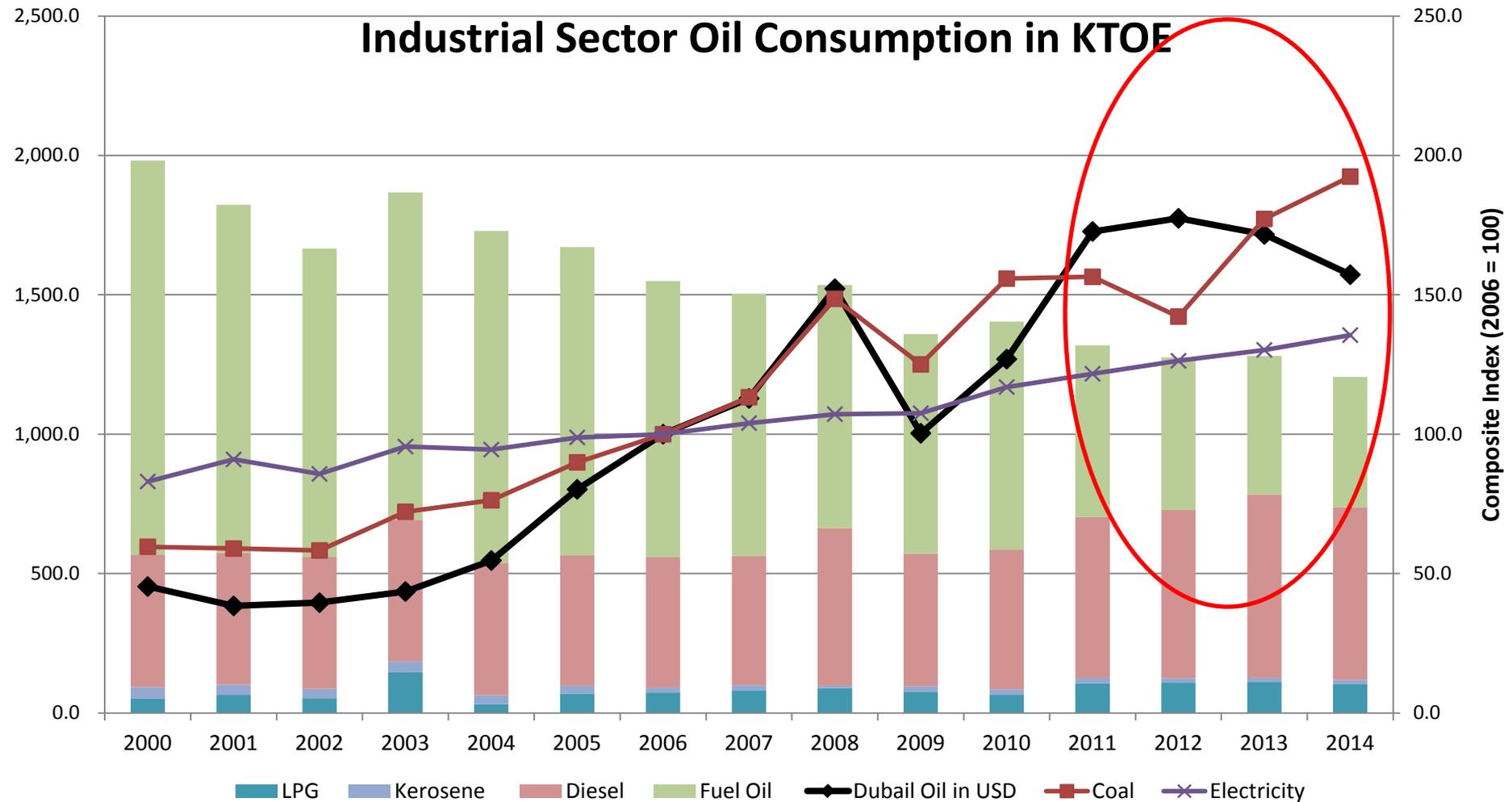
Contributed to personal savings

Residential oil consumption responded to oil price movements with an average increase of 0.29 percentage points to every 1.0 percent reduction in oil price on an average



Encouraged higher diesel consumption

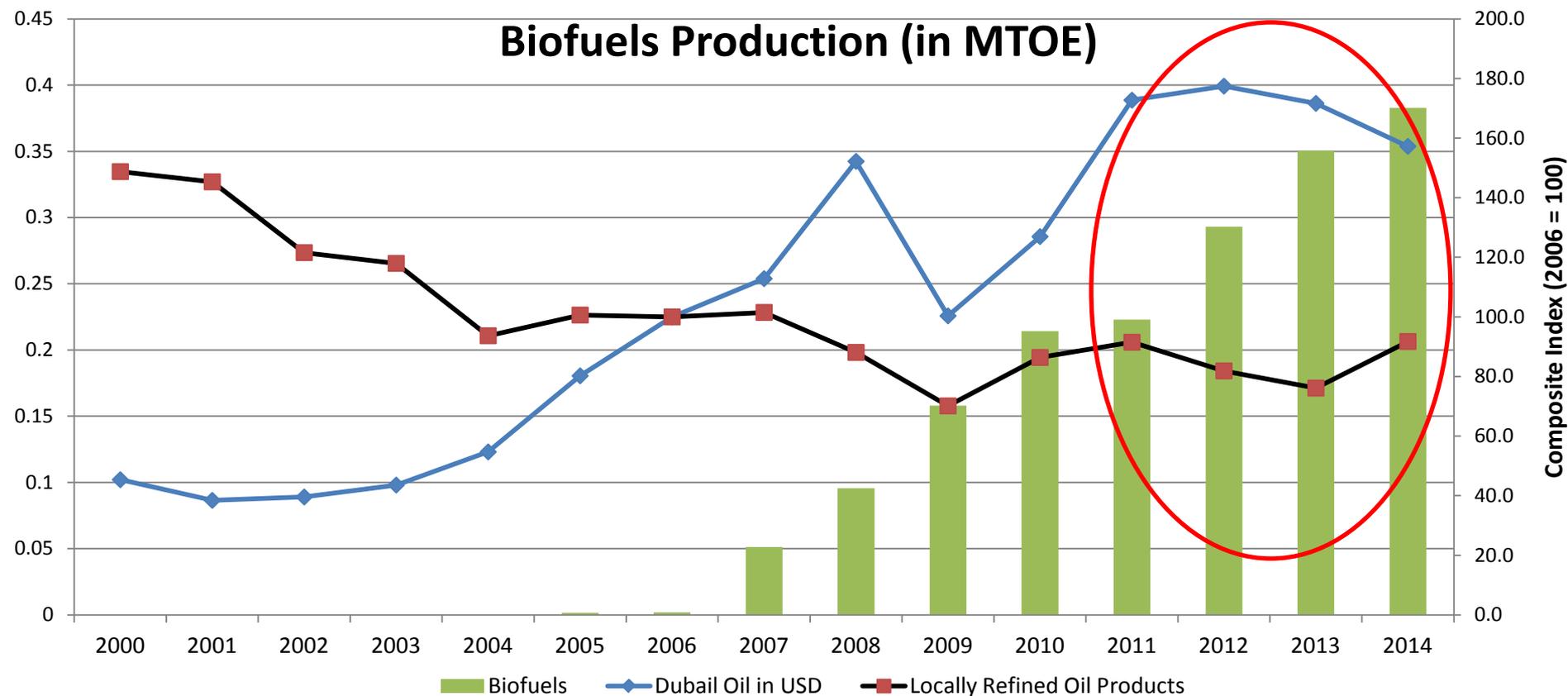
Industrial oil consumption generally responded to oil price movements with an average increase of 0.22 percentage points to every 1.0 percent reduction in oil price on an average



Impact to Energy Supply

Stimulated Biofuels Production

Biofuels production has a strong response to oil price reduction in 2013-14. It increased by 3.0 percentage points for every 1.0 percent reduction in oil price



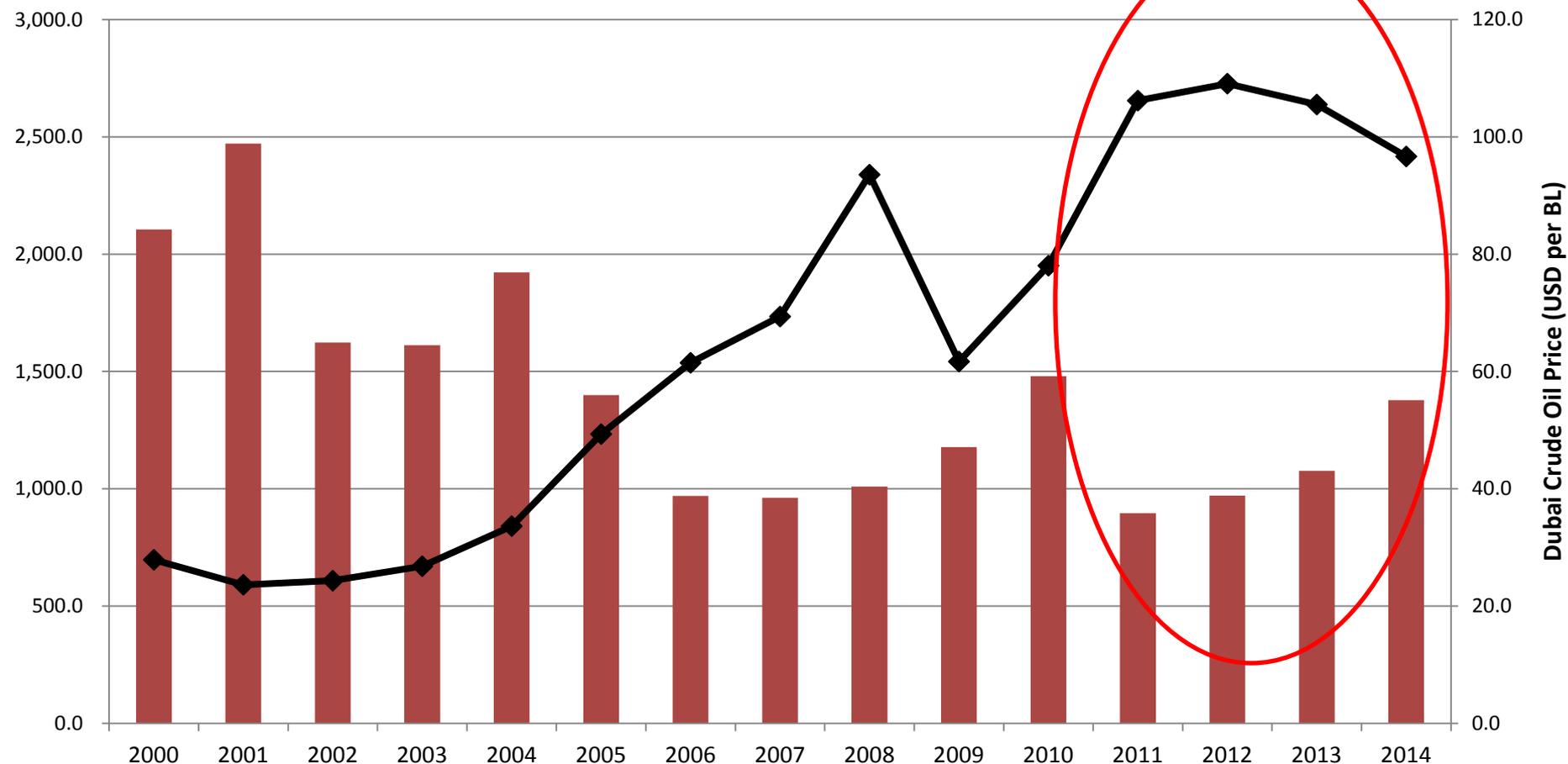
Biofuels	2007	2008	2009	2010	2011	2012	2013	2014
Bioethanol	0.68%	0.10%	3.00%	5.00%	10.0%	10.00%	10.00%	10.00%
Biodiesel	0.58%	1.15%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Note: 2014 data are preliminary as of 03 June 2015

Increased power supply from Oil

Oil-based power plants represent 6 percent of the total power generation. Price reduction coincided with need for oil to replace hydropower plants due to low water level.

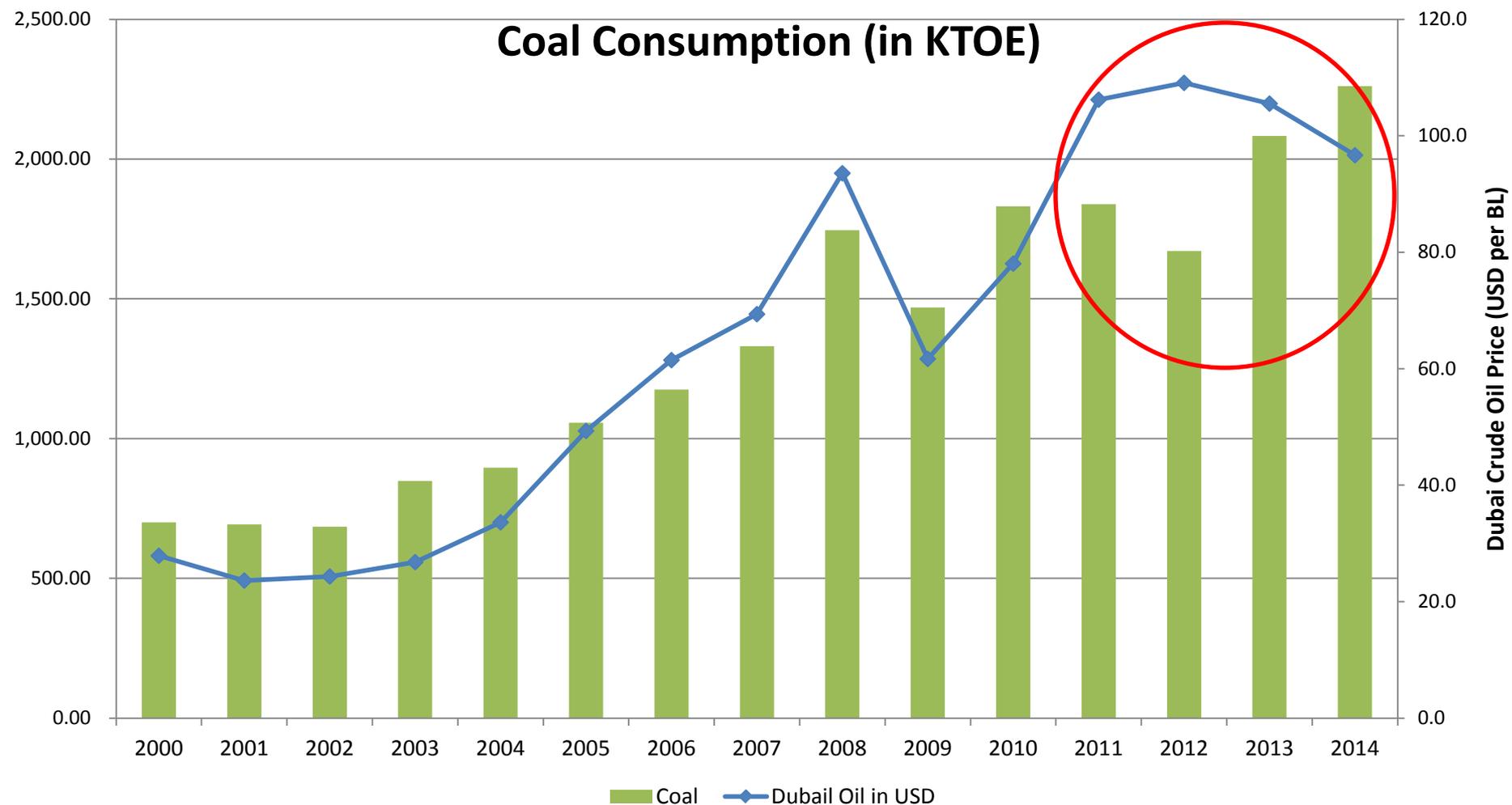
Oil Input to Power Generation (in KTOE)



Note: 2014 data are preliminary as of 03 June 2015

Oil still not low enough to beat coal

Coal continued to dominate because prices of coal are cheaper than oil prices

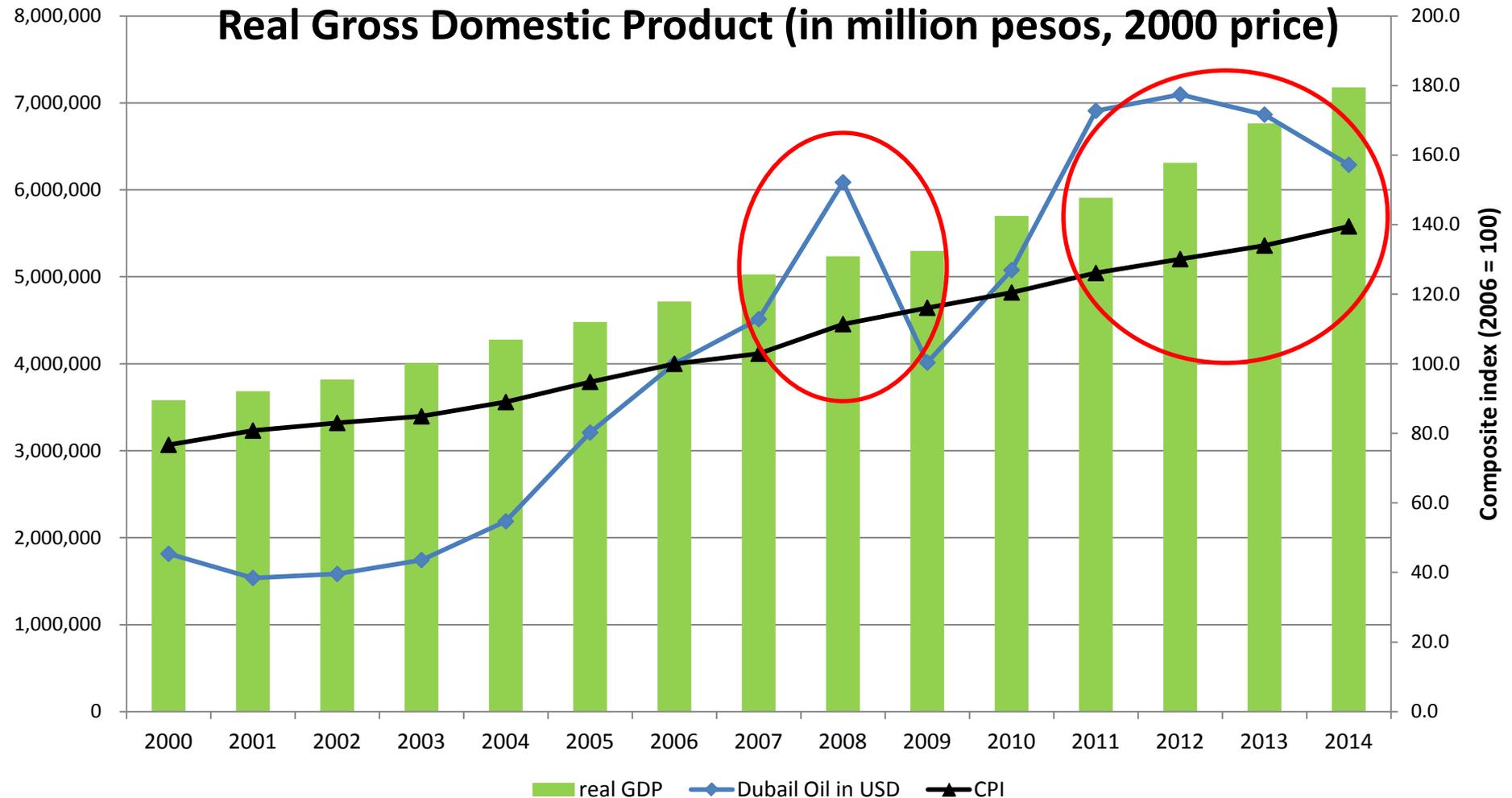


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Impact to Economy

Contributed to higher economic activities

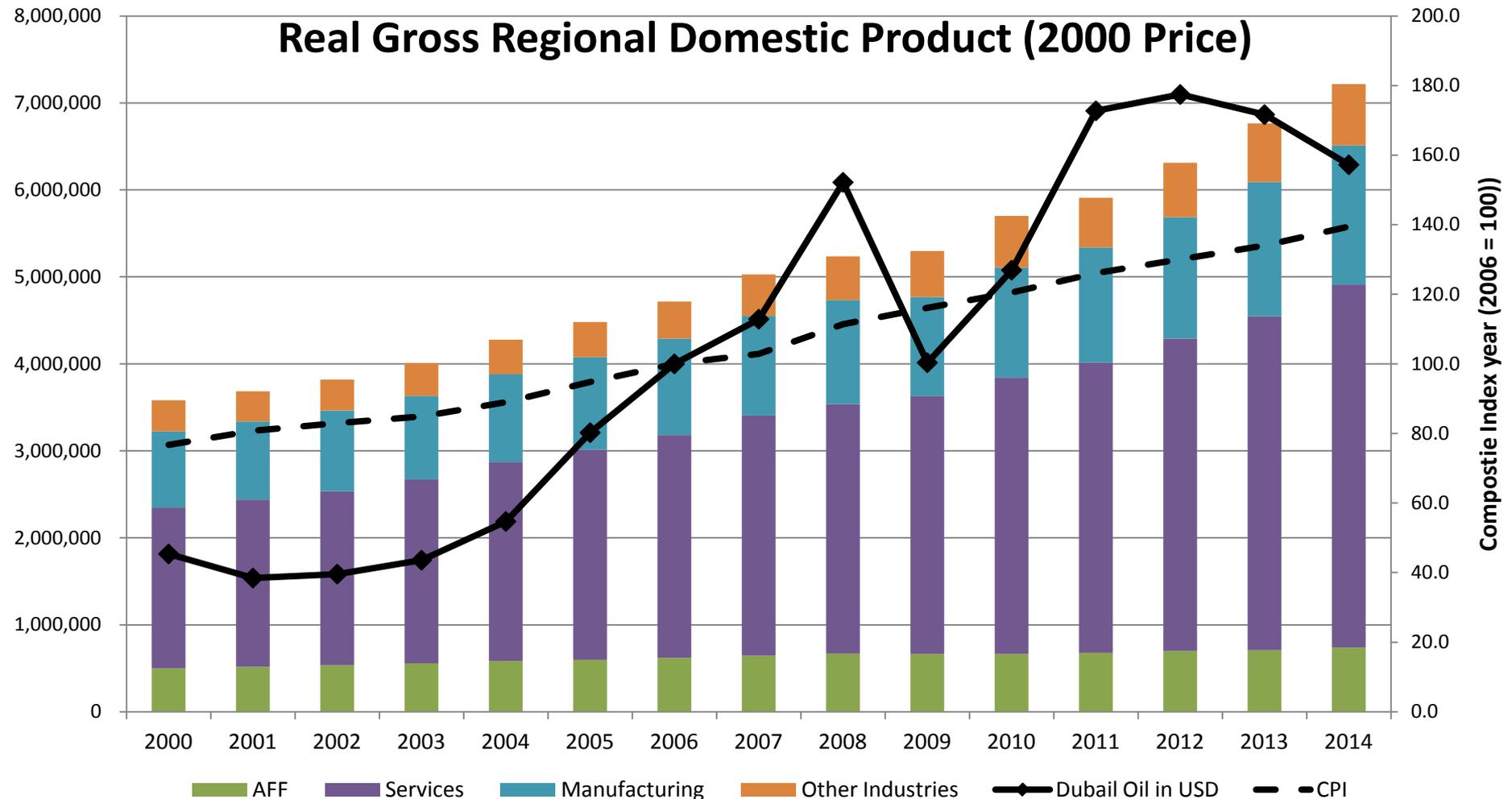
Encouraged higher consumer spending, trade and investments and mobility of goods, services and people.



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Contributed to higher economic activities

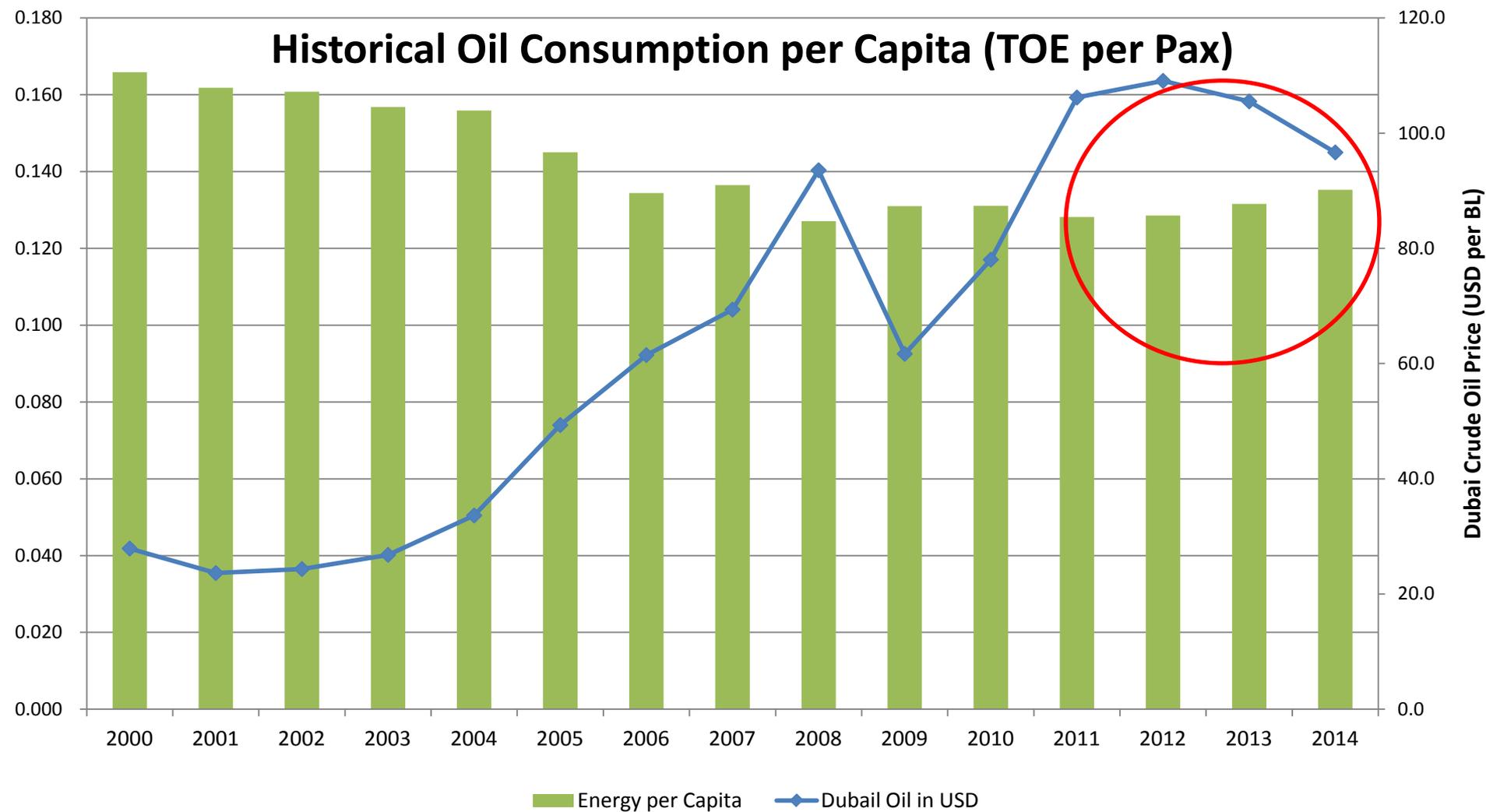
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Increased oil consumption per capita

It increased by 0.15 percentage points for every 1.0 percent reduction in Oil Price.

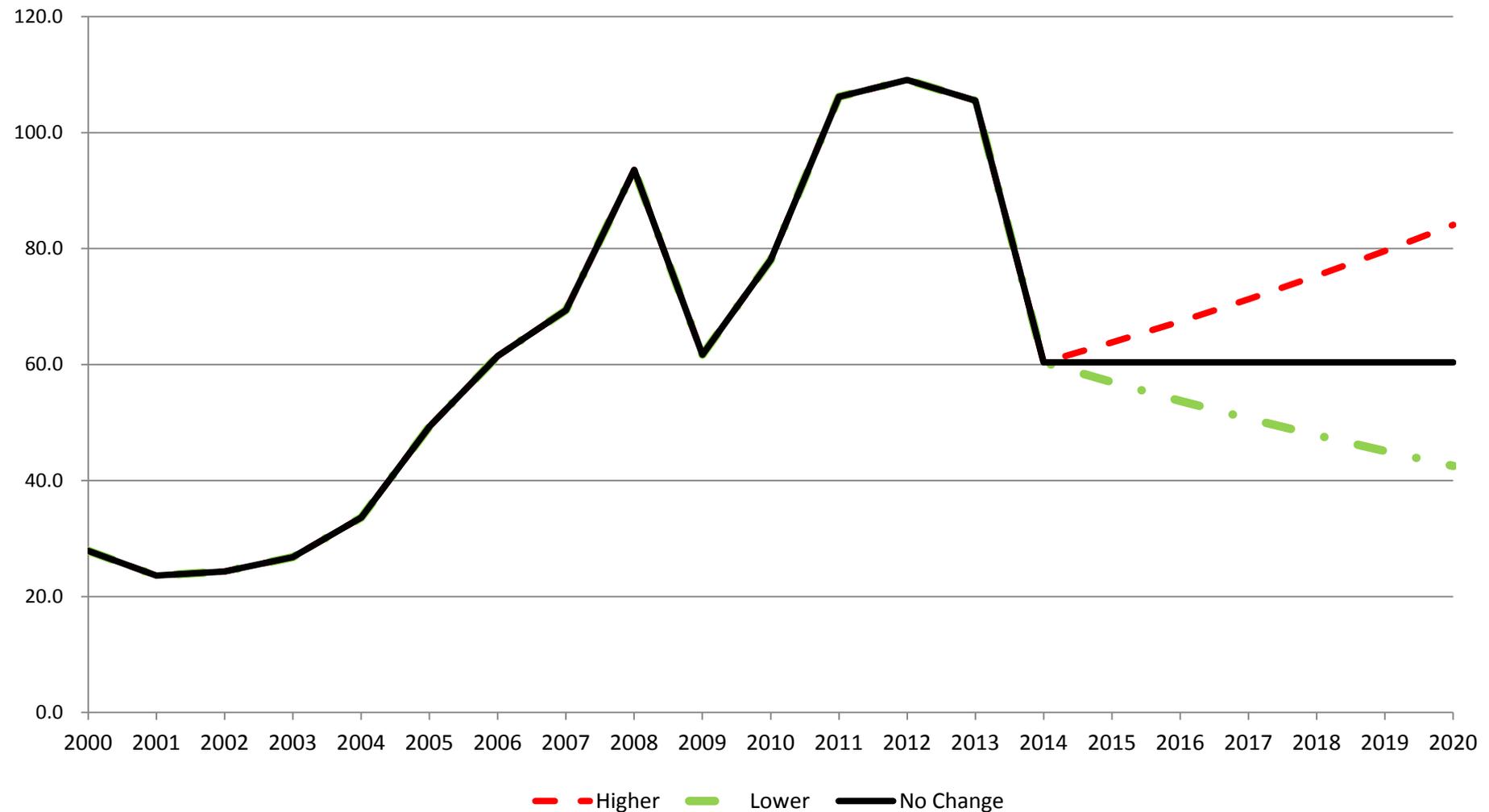


Impacts of Low Oil Price

On oil consuming economies based on the Philippine Experience

- ❖ Stimulates oil consumption
 - Particularly in transport, commercial and power generation
 - Diesel consumption in industry sector
 - Current oil price level still not low enough to encourage baseload oil power generation
- ❖ Increases oil importation favoring higher crude volume for in-country processing
- ❖ Boosts production of biofuels for blending but could delay
 - Deployment of alternative fuels and technology
 - Development of Indigenous energy
- ❖ Drives economic growth and activities

Is OIL PRICE REDUCTION for LONG or JUST for NOW?



Arigatou Gozaimasu!

MARAMING SALAMAT PO!

Thank you very much!



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