

OIL SUPPLY/DEMAND REPORT

1H 2020 vs 1H 2019



Department of Energy

Oil Industry Management Bureau/
Oil Industry Competition & Monitoring Division

SUPPLY

▪ **Inventory**

The country's petroleum inventory as of end June 2020 reflected a crude oil of 21.8 days supply equivalent to 974 million liters (ML). Finished products reflected a 39.3 days supply equivalent to 1,756 ML with average daily demand of 44.6 ML. Total crude oil and finished product available days supply is 61.2 days equivalent to 2,730 ML. The June 2020 inventory was slightly lower by 0.88 percent from June 2019's 2,754 ML.

The government ensures that the Minimum Inventory Requirement (MIR) for refiners (to maintain a combination of 30 days supply of crude oil and finished product) and bulk oil suppliers and LPG importers without refining capacity (to maintain 15 days supply of finished products and 7 days supply of LPG, respectively) is complied with.

With regard to implementation of the 3rd tranche of RA 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law on petroleum products, the Department monitored the status of the oil companies' 2019 end-year inventory (referred to as old stocks) on a per product/depot basis, until the same are exhausted. This is to ensure that the new excise tax was not applied until the old stocks of finished products were depleted.

Likewise, same monitoring is being done with regard to June 25 inventory with tariff. As provided under Section 1 of E.O. 113, a 10% tariff on crude oil and refined petroleum products is temporarily imposed effective May 6 to June 25, 2020. Hence, daily withdrawals of petroleum products on a per depot basis is being submitted by the oil companies until the June 25 inventory with tariff is fully depleted. This is to ensure proper implementation of the oil companies at their respective retail outlets.

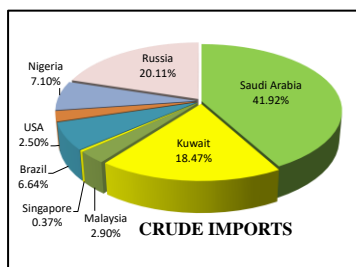
▪ **Crude Oil Supply**

Total crude oil imported for the period decreased significantly by 27.6% from 4,753 Million Liters (ML) of YTD June 2019 to 3,441 ML this year. The drop was attributed to the

Comparative Crude Oil Imports in Million Liters, ML

Origin	1H 2020		1H 2019		% Change
	Volume	%	Volume	%	
Total Crude	3,441	100.0	4,753	100.0	(27.6)
Middle East	2,078	60.4	3,509.0	73.8	(40.8)
ASEAN/Local Production	113	3.3	263.6	5.5	(57.3)
Other Asia	692	20.1	714.2	15.0	(3.1)
Others*	559	16.2	266.6	5.6	109.6
MLCD	18.9		26.1		(27.6)

* Nigeria, Brazil, USA



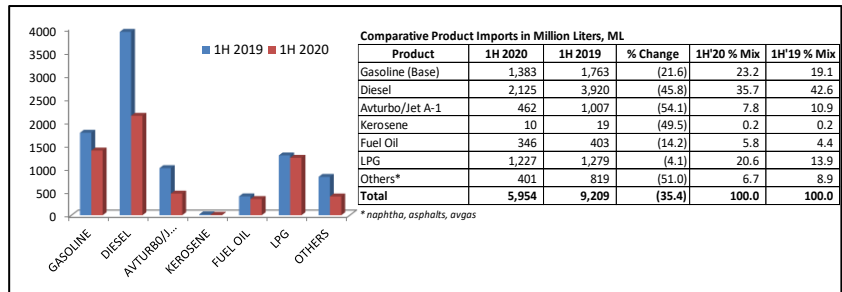
Majority of the crude oil imports were

sourced from the Middle East with a share of 60.4%, of which 41.9 percent came from Saudi Arabia (1,442 ML), the country's top exporter of crude oil. Russia was next with a 20.1 percent share (692 ML), followed by Kuwait (635 ML) with an 18.5 percent share. Meanwhile, 16.2 percent of the crude oil imports were from Nigeria (244 ML), Brazil (228 ML) and USA (86 ML). The remaining 3.3 percent of the crude import mix originated from the ASEAN Region (113 ML).

- **Petroleum Product Imports**

In the first half of the year, the drop in demand for oil products due to the decreased economic activity brought about by the pandemic is already observed globally, and also in the country. Based on notice of importations received from the oil players in the first half of 2020, a decline in imports volume by 35.4 percent to 5,954 ML is noted vis-à-vis the same period in 2019 with 9,209 ML.

The top imported product for the period was diesel oil which fell by 45.8 percent from 3,920 ML to 2,125 ML this year. Next is gasoline which dropped by 21.6 percent from 1,763 ML to 1,383 ML. Avturbo imports was also down by more than



50 percent due to a slump in demand among travellers because of travel restrictions. Likewise, kerosene, fuel oil and LPG imports fell by 49.5, 14.2 and 4.1 percent, respectively.

The local refiners (Petron and Pilipinas Shell) accounted for only 18.3 percent of the total product imports, including blending stocks, and 81.7 percent share went to direct importers. Their import share in the total demand was 43.1 percent while the direct importers' import share was 56.9 percent.

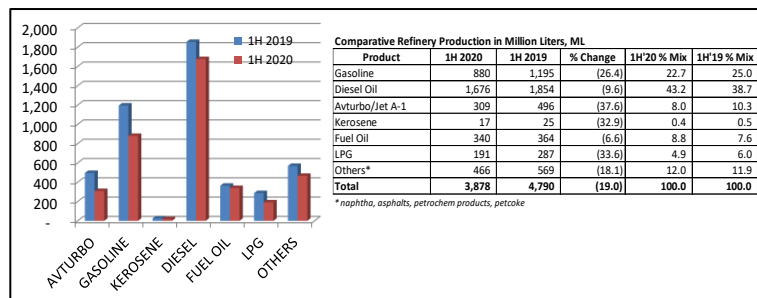
Product import mix comprised mostly of diesel oil at 35.7 percent, gasoline at 23.2 percent, LPG at 20.6 percent, kerosene/avturbo at 8.0 percent, fuel oil at 5.8 percent and other products at 6.7 percent share.

Total gasoline import met 50.7 percent of gasoline demand while diesel oil import was 45.7 percent of diesel demand. LPG import on the other hand, was 80.1 percent of LPG demand. Total product import was 55.2 percent of the total product demand.

As for ethanol imports, an increase of 7.0 percent was recorded for the first half of 2020 from 85 ML of last year's level to 91 ML this year. Republic Act No. 9367 of 2006 mandated that all gasoline to be sold in the country should be E-10 (gasoline with 10% bioethanol content).

- **Crude Run/Refinery Production**

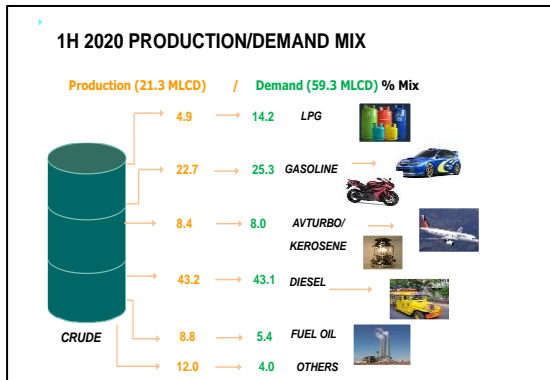
The country's current maximum working crude distillation capacity is 285.2 thousand barrels per stream day (MBSD). Refinery utilization during the period was down to 56.9 percent from last year's level of 59.7 percent due to consecutive economic/ maintenance shutdown of the two local refineries because of the pandemic.



As a backgrounder, both refineries (Petron and Shell) notified the DOE-OIMB sometime in May, that they will be on temporary economic/maintenance plant shutdown. This however is with assurance that there will be no supply disruption, and healthy inventory will be maintained. Supply will be replenished through importation of finished products.

This resulted to a decrease in volume of crude processed at the refinery for the first half of 2020 by 18.8 percent from 4,898 ML of last year's level to 3,977 ML this year.

Based on the actual reports of the local refiners, the refinery production output is also accounted to be 19.0 percent lower in the first half of this year compared to year-ago, from 4,790 ML to 3,878 ML, respectively. This observation is consistent with the observed decrease in demand in the liquid fuels retail outlets with the implementation of the enhanced community quarantine. Average refining output was at 21.3 ML per day.



All products decreased vis-à-vis last year's level. Avturbo showed a decline of 37.6 percent, LPG fell by 33.6 percent, kerosene dropped by 32.9 percent, gasoline down by 26.4 percent, diesel oil reduced by 9.6 percent and fuel oil decreased by 6.6 percent.

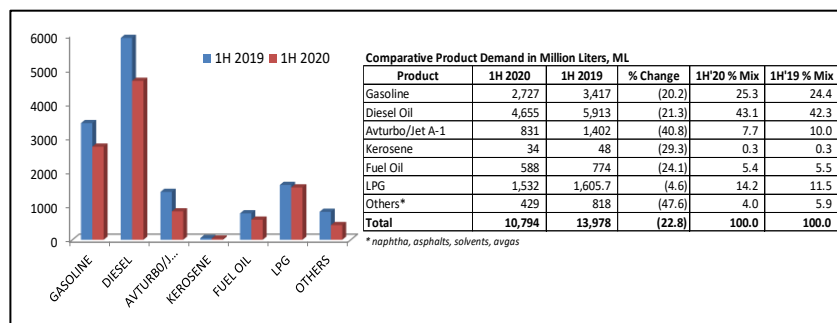
Diesel oil continued to dominate the production mix with a share of 43.2 percent, followed by gasoline and fuel oil with 22.7 and 8.8 percent share, respectively. Meanwhile, kerosene/avturbo got 8.4 share and LPG had 4.9 percent share.

DEMAND

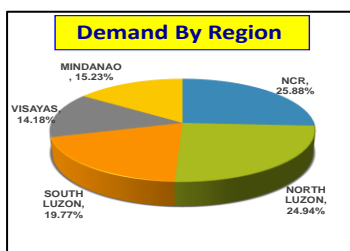
Petroleum Product Demand

YTD June 2020 demand of petroleum products totaled 10,794 ML, a decline of 22.8 percent from 13,978 ML last year. This can be translated to an average daily requirement of 59.3 ML compared with last year's level of 77.2 ML. The decrease is attributed to reduced economic activity due to lockdown and travel restrictions because of the pandemic.

Compared with first half 2019 figures, diesel oil and gasoline demand decreased by 21.3 and 20.2 percent, respectively. Similarly, demand of avturbo dropped by 40.8 percent. Likewise, kerosene, fuel oil and LPG also went down by 29.3, 24.1 and 4.6 percent, respectively.



Product demand mix comprises of diesel oil at 43.1 percent, gasoline at 25.3 percent, LPG at 14.2 percent, kerosene/ avturbo at 10.0 percent, fuel oil at 5.4 percent and other products at 4.0 percent share in the total product mix.

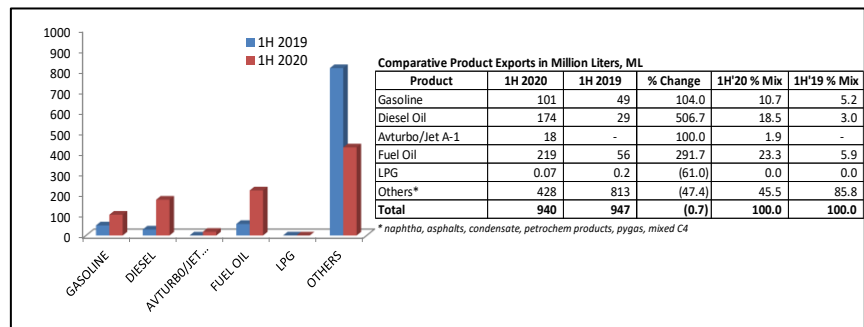


On a per region basis, the National Capital Region (NCR) captured 25.88 percent of the total market, while North Luzon and South Luzon got 24.94 and 19.77 percent shares, respectively. Mindanao region on the other hand, captured 15.23 percent of the market. The remaining 14.18 percent was from the Visayas region.

▪ **Petroleum Product Exports**

Total country's petroleum products exports as of YTD June 2020 was slightly down by 0.7 percent from 947 ML of YTD June 2019 to 940 ML this year.

While exports of LPG and other products (petrochem products, naphtha, asphalts, condensate, pygas and mixed C4) were significantly down, all of the remaining exported products increased vis-à-vis the first half of 2019. Diesel oil exports rose by more than 500 percent, while gasoline grew by more than 100 percent.



The total export mix comprised of fuel oil (23.3 percent); diesel oil (18.5 percent); gasoline (10.7 percent); avturbo (1.9 percent) and LPG/others (45.5 percent).

The oil refiners' exports accounted 83.4 percent of the total export mix while the remaining 8.9 percent was accounted to other players.

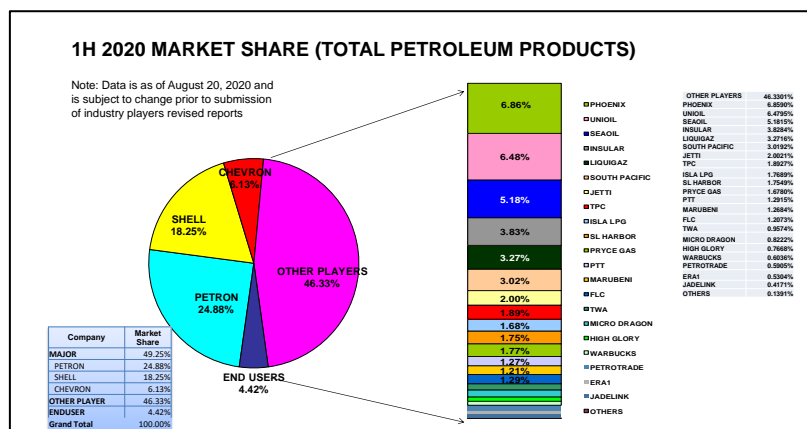
▪ **Crude Oil Exports**

The 34 ML crude oil from Galoc (Palawan Light) exported to South Korea dropped by 68.8 percent from last year's 109 ML.

MARKET SHARE

▪ **Total Petroleum Products**

Major oil companies (Petron Corp., Chevron Phils. and Pilipinas Shell Petroleum Corp.) got 49.25 percent market share of the total demand while other industry players including PTT Philippine Corp. (PTTPC), Total Phils., Seoail Phil. Inc., TWA Inc., Phoenix, Liquigaz, Prycegas, Micro Dragon, Unioil, Isla Gas, Jetti, Eastern Petroleum, Petrotrade, South Pacific, Marubeni, SL Harbour, Rockoil, RK3 Int'l., Insular, ERA



1, High Glory, Warbucks, Perdido, Golden Share and Filoil Logistics Corp., as well as the end users who imported directly for their own requirement captured 50.75 percent of the market.

Meanwhile, local refiners (Petron Corp. and Pilipinas Shell) captured 43.0 percent of the total market demand while 57.0 percent was credited to direct importers and end-users of finished petroleum product.

- **LPG**

Other industry players' market share was at 75.3 percent while the remaining 24.7 percent was credited to the oil refiners. Petron's share was 24.4 percent of the total LPG demand while among the other industry LPG players, Liquigaz got the biggest market share with a 23.1 percent share. This was followed by South Pacific, Inc. (SPI) with a share of 21.3 percent. Next were Pryce Gases and Isla Gas with shares of 12.5 and 11.8 percent, respectively.

