Abstract

LPG is a fuel that is widely used in household, industrial and service, and transportation sectors. In the past, LPG production satisfied domestic demand. However, rapidly increased consumption recently causes the import of LPG since 2008. The objectives of this paper are (1) to understand factors that affect demand of LPG in Thailand, (2) to understand the price and demand structures of LPG, and (3) to provide policy recommendations to the government for LPG management. The data used in this paper is the monthly data from January 2003 to December 2008, the total of 72 observations.

The results indicate that the statistically significant factors that affect demand for LPG in household sector are average income, population and LPG’s price, the statistically significant factors that affect demand for LPG in industrial and service sector are industrial index, fuel oil’s price, GNP of hotels and restaurants, and LPG’s price, while the statistically significant factors that affect demand for LPG in transportation sector are gasohol 95’s price and number of NGV stations. During the study period, 2003 – 2008, government intervention on LPG’s price caused the artificially low LPG’s price and, therefore, consumers increase demand for PLG as a substitute for more-expensive energy such as gasoline. Thus, government should promote the use of alternative energy to reduce LPG’s import and to prevent potential trade deficit.