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Impacts of East Japan Great Earthquake on Oil Supply and Demand

<This is a report as of March 17. An updated one is available at the following
URL: <http://eneken.iecej.or.jp/data/3753.pdf> >

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Although around 30% of Japan's crude capacity remained suspended as of March 15 due to the effects of the earthquake, Japan will have sufficient capacity to provide oil products as a whole as the crude capacity is expected to be restored starting in the next week; the operating rates of refineries in Western Japan will be increased to provide additional oil products; the number of oil-stockpile days is to be reduced; and imports of petroleum products may increase. Therefore, it is hoped that the people will remain calm and not stock up on gasoline and other products excessively.

As of March 15, the crude capacity of around 1.4 million bbl/day remained suspended due to the East Japan Great Earthquake. The volume accounts for about 31% of the total crude capacity in Japan, which stands at around 4.52 million bbl/day. However, of the suspended capacity, about 0.78 million bbl/day is expected to be restored next week. As a result, the domestic crude capacity will increase to 3.9 million bbl/day, or about the same level as that before the quake.

It is believed that it is possible to secure a sufficient supply of petroleum products in Japan as a whole by taking the following measures, in addition to the restoration of crude capacity.

1) The average operating rate of refineries in Japan was 90.4% before the earthquake. It is possible to increase the crude capacity at refineries still in operation.

2) As a result of the cut in the number of oil-stockpile days required of oil companies, additional supply of products can be expected (three days' worth of domestic shipment).

3) As of March 5, Japan had 2.17 million kiloliters of gasoline stocks (about 14 days' worth of domestic shipment), 1.94 million kiloliters of kerosene stocks (about 25 days' worth of domestic shipment), and 1.69 million kiloliters of gas oil stocks (about 18 days' worth of domestic shipment).

4) Oil product imports are expected to increase in the days to come.

Meanwhile, the closure of roads, rolling blackouts, and earthquake disaster has disrupted transportation and distribution businesses, resulting in regional product shortages. However, the situation has gradually been improving thanks to stepped-up efforts by oil companies to increase oil transportation in tank trucks and domestic vessels, particularly to quake-hit areas.

As for product prices, according to a report on the results of a weekly retail price survey released by the Oil Information Center of the IEEJ, on March 16, the average pump price of regular gasoline per liter rose ¥3.0 from the preceding week on a national average and rose ¥2.4 in the Tohoku region. These are more or less in line with rises in spot and wholesale prices of gasoline. The center reports no cases of price-gouging on the end-user market.

As described above, Japan has sufficient capacity to provide products as a whole, and the product shortages seen in some areas are expected to be gradually resolved through the efforts of relevant parties. Therefore, it is hoped that people will remain calm and not stock up on gasoline and other products excessively. In order to stabilize energy supply and demand, it is essential to continue to thoroughly implement electricity and energy saving.

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