

Oil Market Review in Japan No. 22/2017

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the August 31-September 6 week moved within a range between \$47.23 per barrel and \$49.16/bbl.

On September 7, the October contract fell slightly as selling on a more-than-expected crude oil inventory increase was countered by buying on the dollar's depreciation that makes crude oil futures prices relatively lower. According to a weekly EIA (Energy Information Administration) report released one day behind the normal schedule due to the three-day Labor Day weekend, crude oil inventories posted an increase of 4.6 million barrels from a week earlier, against a market forecast rise of 4 million barrels, expanding for the first time in 10 weeks. Gasoline and middle distillate inventories declined slower than forecast. The key contract finished at \$49.09/bbl, down \$0.07/bbl from the previous day. On September 8, the key contract declined further on concerns over Hurricane Irma approaching Florida and a possible crude oil inventory increase to be caused by the expected shutdown of oil refineries. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by three from a week earlier to 756, but this report had little impact on the market. The October contract finished \$1.61/bbl lower at \$47.48/bbl.

On September 11, the October contract rebounded for the first time in three market days as buying came on the reported restart of almost all oil refineries shut down due to Hurricane Harvey after selling on concerns over slackening oil demand that would accompany evacuations, blackouts and other damage in Florida and Georgia due to Hurricane Irma that had weakened to a tropical storm. Also supporting buying was Saudi Arabian Energy Minister Khalid al-Falih's remark indicating a three-month extension of the current coordinated oil production cut by OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries that is scheduled to end in March 2018. The key contract gained \$0.59/bbl to \$48.07/bbl.

On September 12, the October contract rose further as a monthly OPEC report said the OPEC members' oil production in August decreased by 80,000 barrels per day for the first drop in five months. Concerns over a crude oil inventory increase faded away as restoration from hurricanes made progress. The contract increased by \$0.16/bbl to \$48.23/bbl.

On September 13, the October contract increased as a monthly IEA (International Energy Agency) oil market report pointed to a decline in OPEC oil production in August and was revised upward a projected global oil demand increase for 2017. Also supporting buying was a weekly EIA inventory report that included a sharp decline in gasoline and middle distillate inventories despite a crude oil inventory increase, leading market players to expect a tightening supply-demand balance. The contract rose by \$1.07/bbl to \$49.30/bbl.

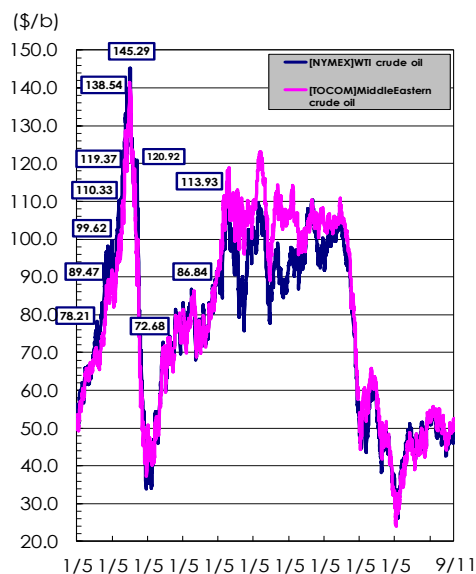
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market moved in a range between \$49.40/bbl and \$52.00/bbl in the August 31-September 6 week, rising back above \$50/bbl. It closed at \$52.60/bbl on September 7, at \$53.40/bbl on September 8, at \$52.70/bbl on September 11, at \$52.40/bbl on September 12 and at \$52.70/bbl on September 13.

On the foreign exchange market in the August 31-September 6 week, the dollar moved within a range between 108.64 and 110.42 yen. It changed hands at 109.19 yen in late trading on September 7, at 108.40 yen on September 8, at 108.44 yen on September 11, at 109.53 yen on September 12 and at 110.14 yen on September 13.

Wholesale prices of petroleum products that major Motouri (petroleum products wholesalers) applied to the third week of September were raised by 1.0-1.5 yen/l (liter). Crude oil acquisition cost rose although the yen's appreciation offset some of crude oil price hikes.

Japan's average retail price on September 11 fell by 0.1 yen/l from a week earlier for gasoline and remained unchanged for diesel oil and kerosene. The gasoline price dropped for the first time in six weeks. The diesel price levelled off for the second straight week. The kerosene price remained unchanged for the seventh consecutive week. While crude oil cost slightly rose in the second week of September, wholesale prices of petroleum products were kept unchanged by all Motouri companies.

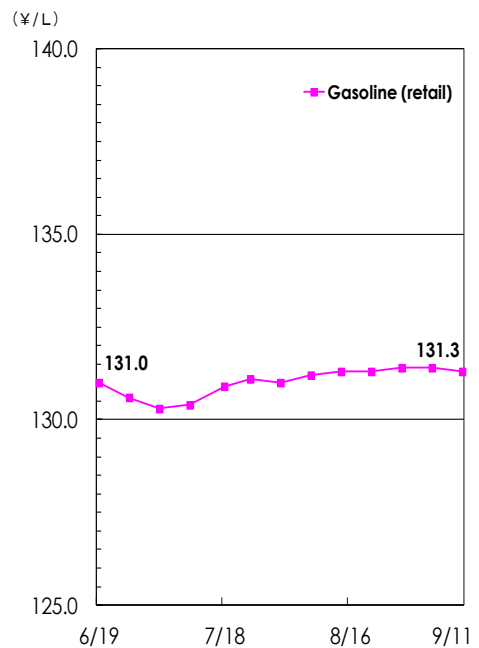
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	9/3 ~ 9/9	3,546	▼ -28	▼ -
	Topper capacity utilization rate (%)	"	90.5	▼ -0.7	▲ -
	Crude oil inventories (1,000 kl)	9/9	13,673	▲ 925	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/11	52.23	▲ 1.60	▲ 8.2
	WTI crude oil (NYMEX) (\$/bbl)	9/11	48.07	▼ -0.59	▲ 1.8
	Crude oil import CIF price (\$/bbl)	Mid Aug	49.00	▲ 0.57	▲ 3.60
	①Crude oil import CIF price (yen/kl)	"	34,097	▲ 95	▲ 4,582
	②Yen-dollar exchange rate (yen/dollar)	"	110.61	▲ 1.00	▼ -7.26
	TTS exchange rate (yen/dollar)	9/11	109.44	▲ 1.39	▼ -5.80



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/3 ~ 9/9	1,013	▼ -50	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	877	▼ -201	▼ -	
	Exports	"	72	▲ 32	▲ -	
	Inventories	9/9	1,712	▲ 64	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/5 ~ 9/11	49.9	▲ 0.1	▲ 7.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/5 ~ 9/11	50.3	▲ 0.7	▲ 9.1
		(TOCOM/ Chubu)	9/11	50.0	▲ 0.5	▲ 9.2
	Retail prices [weekly trend] (published by ANRE)	9/11	131.3	▼ -0.1	▲ 8.3	

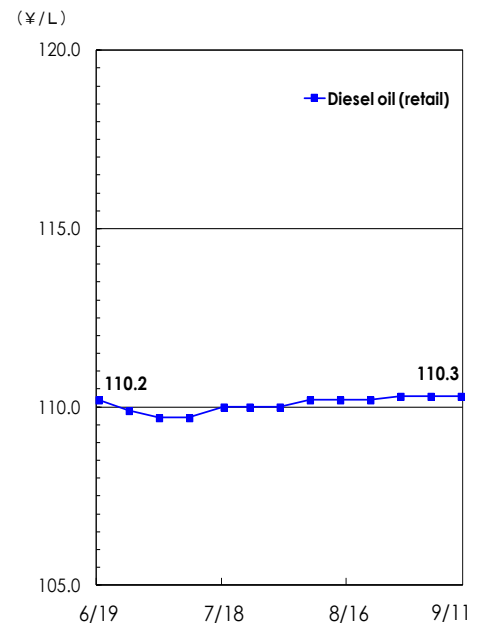
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

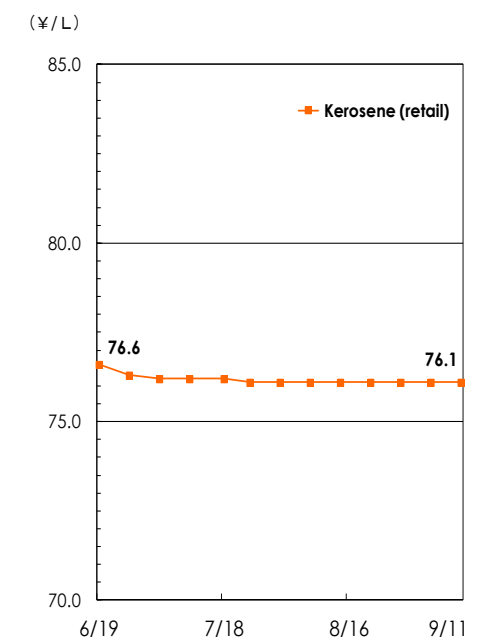
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/3 ~ 9/9	907	▲ 68	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	614	▼ -165	▼ -	
	Exports	"	204	▼ -39	▲ -	
	Inventories	9/9	1,503	▲ 90	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/5 ~ 9/11	48.3	▲ 0.2	▲ 9.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/5 ~ 9/11	48.0	▶ 0.0	▲ 8.8
		(TOCOM/ Chubu)	9/11	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/11	110.3	▶ 0.0	▲ 7.8	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/3 ~ 9/9	134	▼ -86	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	163	▲ 18	▲ -	
	Exports	"	0	▶ 0	▼ -	
	Inventories	9/9	2,327	▼ -30	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/5 ~ 9/11	48.2	▶ 0.0	▲ 11.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/5 ~ 9/11	49.1	▲ 0.9	▲ 10.0
		(TOCOM/ Chubu)	9/11	48.5	▶ 0.0	▲ 10.2
	Retail prices [weekly trend] (published by ANRE)	9/11	76.1	▶ 0.0	▲ 12.2	



Relevant Information

1 Overseas crude oil prices

On September 13, the most frequently traded WTI crude oil futures contract on the NYMEX rose further on a global crude oil production fall in August and an upward revision of projected global oil demand growth for 2017 in a monthly IEA report and faster-than-forecast drops in U.S. gasoline and middle distillate inventories in a weekly EIA report. In its September oil market report, the IEA said that global crude oil production declined for the first time in four months due to falls in OPEC and U.S. production. It also revised projected global oil demand growth for 2017 from 1.5 million bpd to 1.6 million bpd. In its weekly oil inventory report, the EIA said that while U.S. crude oil inventories posted an increase of 5.9 million barrels from a week earlier against a market-forecast rise of 3.2 million barrels, gasoline and middle distillate inventories logged respective significantly-larger-than-forecast falls of 8.4 million barrels and 3.2 million barrels. These reports led concerns about the loose oil supply-demand balance to fade away. The October contract scored a rise of \$1.07/bbl from the previous day to \$49.30/bbl, the highest for the key contract since August 9. The November contract gained \$1.00/bbl to \$49.75/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 11 rose by 0.6 cents per gallon from a week earlier to \$2.685/gal (77.5 yen/l). The average diesel oil price rose by 4.4 cents/gal to \$2.802/gal (80.9 yen/l). The gasoline and diesel prices increased for the third straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity in the September 3-9 week stood at 100,000 bpd, up 14,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week decreased by 28,000 kl from the previous week to 3,546,000 kl. From a year earlier, it declined by 35,000 kl. The topper capacity utilization rate stood at 90.5%, down 0.7 points from a week earlier and up 6.2 points from a year earlier.

Output increased from the previous week for diesel oil and Fuel Oil C while decreasing for other petroleum products. Output was down 4.7% for gasoline, down 0.3% for jet fuel, down 39.2% for kerosene, up 8.1% for diesel oil, down 11.6% for Fuel Oil A and up 5.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 14,000 kl, down 49,000 kl from the previous week. Diesel oil exports aggregated 204,000 kl, down 39,000 kl.

Shipments (excluding imports) in the week increased from the previous week for jet fuel, kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments increased for kerosene and Fuel Oil A and decreased for others. Gasoline shipments decreased by 18.6% from the previous week to 877,000 kl. They decreased week on week and year on year for the first time in two weeks, slipping below 1 million kl for the first time in two weeks.

Shipments totaled 69,000 kl for jet fuel (up 333.5%

from the previous week), 163,000 kl for kerosene (up 12.7%), 614,000 kl for diesel oil (down 21.2%), 193,000 kl for Fuel Oil A (down 4.1%) and 191,000 kl for Fuel Oil C (up 19.9%).

(Unit: 1,000 kl)

	This week (9/3 ~ 9/9)	Previous week (8/27 ~ 9/2)	From a week earlier
Gasoline	877	1,078	▼ -201 (-19%)
Jet fuel	69	16	▲ 53 (331%)
Kerosene (heating Oil)	163	145	▲ 18 (12%)
Diesel oil	614	779	▼ -165 (-21%)
Fuel oil A	193	201	▼ -8 (-4%)
Fuel Oil C	191	159	▲ 32 (20%)
Total	2,107	2,378	▼ -271 (-11%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of September 9 increased from a week earlier for gasoline, jet fuel and diesel oil and decreased for other petroleum products. From a year earlier, inventories increased for gasoline and Fuel Oil A and decreased for others.

Gasoline inventories totaled 1,712,000 kl, up 64,000 kl from a week earlier and up 16,000 kl from a year earlier.

Kerosene inventories totaled 2,327,000 kl, down 30,000 kl from a week earlier and down 384,000 kl from a year earlier.

Diesel oil inventories totaled 1,503,000 kl, up 90,000 kl from a week earlier and down 283,000 kl from a year earlier.

Fuel Oil A inventories totaled 776,000 kl, down 9,000 kl from a week earlier and up 17,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,087,000 kl, down 75,000 kl from a week earlier and down 3,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/9)	Previous week (9/2)	From a week earlier
Gasoline	1,712	1,648	▲ 64 (4%)
Jet fuel	1,040	977	▲ 63 (6%)
Kerosene (heating Oil)	2,327	2,357	▼ -30 (-1%)
Diesel oil	1,503	1,413	▲ 90 (6%)
Fuel oil A	776	785	▼ -9 (-1%)
Fuel Oil C	2,087	2,162	▼ -75 (-3%)
Total	9,445	9,342	▲ 103 (1.1%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

Between September 5 and 11, crude oil cost apparently increased although the yen's appreciation partially offset crude oil price hikes.

Onshore cargo spot prices were firm in a 103-104 yen/l range for gasoline, unchanged in a 48-49 yen/l range for diesel oil and robust in a 48-49 yen/l range for kerosene.

Offshore barge spot prices firmed in a 105-107 yen/l range for gasoline, leveled off in a 48-49 yen/l range for diesel oil and remained robust in a 47-49 yen/l range for kerosene.

The key futures price levelled off in a 103-105 yen/l range for gasoline and in a 48-50 yen/l range for diesel oil and firmed in a 48-49 yen/l range for kerosene. Motouri companies raised their wholesale petroleum products prices by 1.0-1.5 yen/l.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

While crude oil cost increased in the September 5-11 week, spot petroleum products prices other than offshore barge spot and futures prices for diesel oil and onshore cargo prices for kerosene increased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the September 5-11 week) that influences Motouri's wholesale prices applied to the third week of September (September 14-20) rose by 0.1 yen/l from the previous week for gasoline, leveled off for kerosene and increased by 0.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 1.4 yen/l for gasoline and by 0.2 yen/l for kerosene and fell by 0.1 yen for diesel oil. The key futures price rose by 0.7 yen/l for gasoline and by 0.9 yen for kerosene and remained unchanged for diesel oil. Crude oil cost increased although the yen's appreciation partially offset crude oil price hikes.

Motouri companies increased their wholesale prices of petroleum products by 1.0-1.5 yen/l in the third week of September. Motouri based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (9/5 ~ 9/11)	Previous week (8/29 ~ 9/4)	From a week earlier
Spot Prices	Regular	49.9	49.8 ▲ 0.1
	Kerosene	48.2	48.2 ➡ 0.0
	Diesel oil	48.3	48.1 ▲ 0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (9/5 ~ 9/11)	Previous week (8/29 ~ 9/4)	From a week earlier
Futures Price	Regular	50.3	49.6 ▲ 0.7
	Kerosene	49.1	48.2 ▲ 0.9
	Diesel oil	48.0	48.0 ➡ 0.0

Above prices are before tax.

Reference (September 5 - September 11 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.1	▲ 0.7	▲ 0.4
Kerosene	➡ 0.0	▲ 0.9	▲ 0.5
Diesel oil	▲ 0.2	➡ 0.0	▲ 0.1
Fuel Oil A	▼ -0.3		

(Source) Spot: RIM 4-district average lorry rack price
(Chiba, Kawasaki, Chukyo, Hanshin)

Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of September 11 fell by 0.1 yen/l from a week earlier to 131.3 yen/l for gasoline and remained unchanged at 110.3 yen/l for diesel oil and at 76.1 yen/l for kerosene. The gasoline price dropped for the first time in six weeks. The diesel price levelled off for the second straight week. The kerosene price remained unchanged for the seventh consecutive month. Gasoline prices increased in 13 prefectures, remained unchanged in 16 and fell in 18. The lowest gasoline price among the prefectures was 126.9 yen/l in Saitama Prefecture (down 0.2 yen/l from a week earlier). The second lowest was 127.5 yen/l in Tokushima (unchanged). The highest price was 140.3 yen/l in Okinawa (down 0.3 yen/l). Posting the largest price hike of 0.4 yen/l was Aichi (129.0 yen/l). Logging the largest drop of 1.0 yen/l was Wakayama (131.2 yen/l). Gasoline prices remained unchanged in Nagasaki, Kagoshima, Kochi, Shimane, Saga, Toyama, Aomori, Osaka, Tottori, Akita, Ibaraki, Hiroshima, Ishikawa, Gunma, Nara and Tokushima.

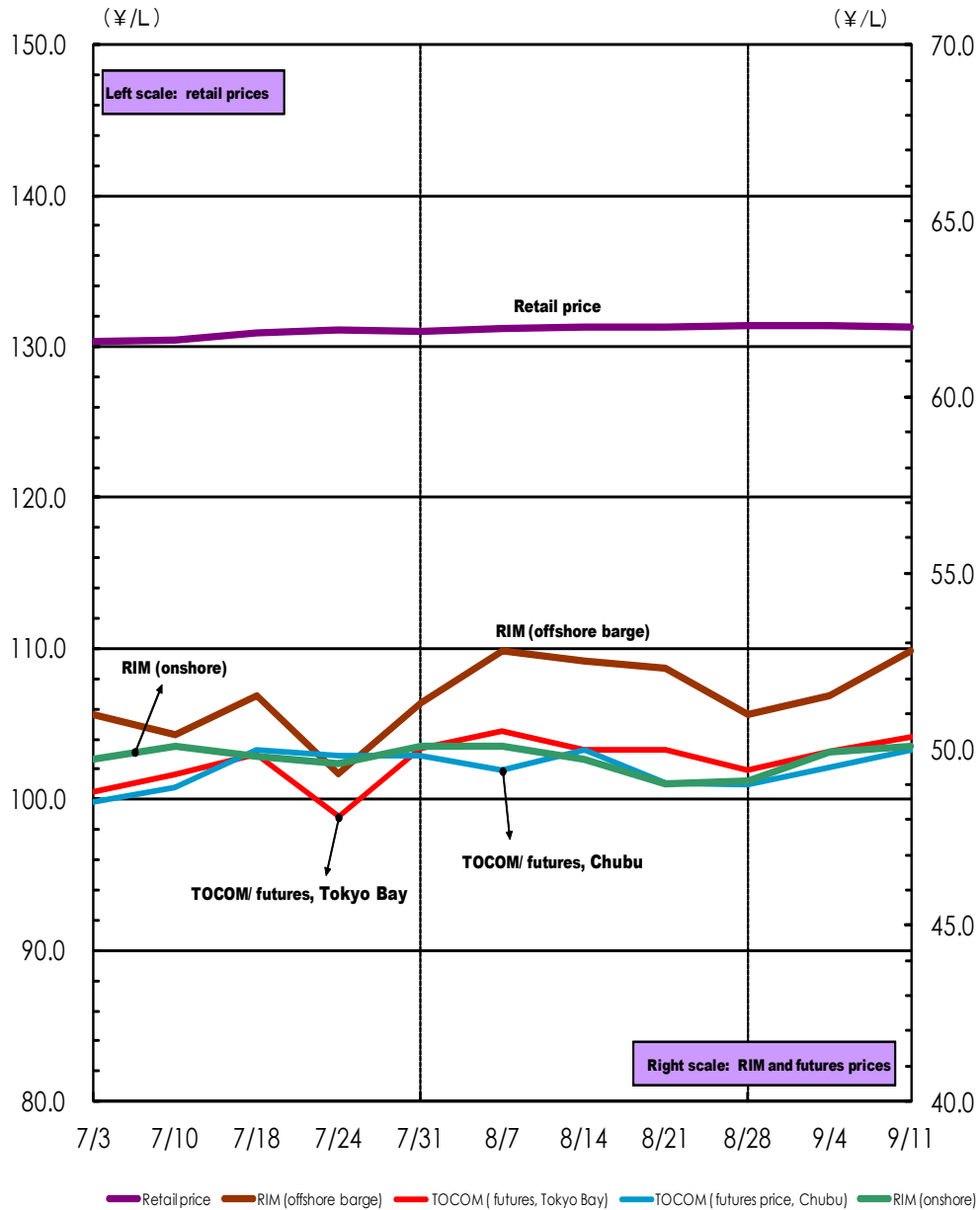
While crude oil cost increased, retail gasoline prices fell for the first time in six weeks. This week, crude oil cost increased slightly although the yen's appreciation partially offset crude oil price hikes. Motouri companies raised their wholesale prices of petroleum products by 1.0-1.5 yen/l. Retail gasoline prices are likely to increase next week (as of September 18).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/11)	Previous week (9/4)	From a week earlier	Latest high	
Retail Price	Regular	131.3	131.4 ▼ -0.1	08/8/4	185.1
	Kerosene	76.1	76.1 ➡ 0.0	08/8/11	132.1
	Diesel oil	110.3	110.3 ➡ 0.0	08/8/4	167.4

Nationwide average cash retail price
(including consumption tax)
Since April 2007, 2,000 service stations
have been covered.
Latest highs are highest levels since
October 2003.

Gasoline price trend

(2017/7/3 ~ 2017/9/11)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district.

Announcement

This report is available at the center's website (<http://eneken.ieej.or.jp/en/>).
The next issue (No. 23 for 2017) will be announced at 14:00 on September 29.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).