

# Oil Market Review in Japan No. 23/2017

September 29, 2017, Friday Released at 14:00 every Friday

**Publisher: Oil Information Center, Institute of Energy Economics, Japan**

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the September 7-13 week moved within a range between \$47.48 per barrel and \$49.30/bbl.

On September 14, the October contract rose for the fourth straight day after the IEA (International Energy Agency) in its monthly report on the previous day pointed to the first fall in OPEC (Organization of the Petroleum Exporting Countries) production in five months and revised upward its global oil demand projection. Concerns on crude oil oversupply faded away as U.S. oil refineries were resuming operation smoothly after their shutdown amid hurricanes. The key contract finished at \$49.89/bbl, up \$0.59/bbl from the previous day. On September 15, the key contract briefly rose above \$50/bbl before closing unchanged from the previous day as buying and selling were mixed in the absence of new trading incentives. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by seven from a week earlier to 749, inducing buying on the crude oil futures market. However, the report's impact was limited. The October contract finished unchanged at \$49.89/bbl.

On September 18, the October contract rose slightly as buying came on hopes on a tighter supply-demand balance after the reported fall in the number of operating U.S. oil-drilling rigs and the IEA monthly report, although profit-taking selling outpaced buying in the morning. The key contract gained \$0.02/bbl to \$49.91/bbl. On September 19, news reports said that Iraqi Oil Minister Jabar al-Luaibi stated he was considering extending and expanding a coordinated oil production cut by OPEC and non-OPEC oil producing countries and that Saudi Arabian crude oil exports in July decreased by 200,000 barrels per day from the previous month. As the EIA (Energy Information Administration) reported U.S. shale oil production in October would increase for the 10th straight month, however, the October contract turned down, finishing at \$49.48/bbl, off \$0.43/bbl. On September 20, the October contract rebounded sharply as the EIA's weekly inventory report stated that U.S. gasoline and middle distillate inventories decreased substantially while crude oil inventories increased for the third straight week. The contract rose by \$0.93/bbl to \$50.41/bbl, topping \$50/bbl for the first time since July 31 when it closed at \$50.17/bbl.

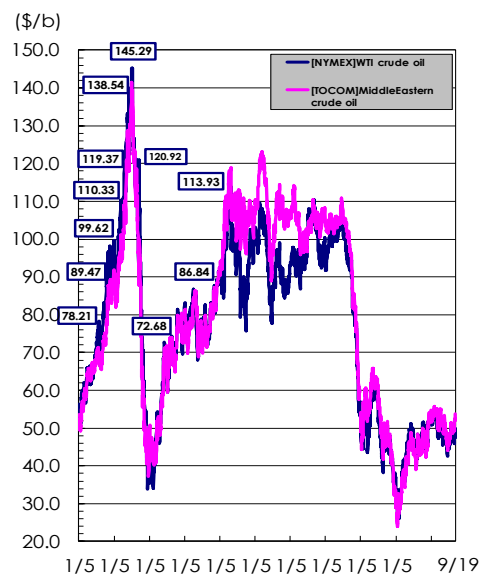
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market moved in a range between \$52.40/bbl and \$53.40/bbl in the September 7-13 week. It closed at \$53.50/bbl on September 14, at \$53.80/bbl on September 15, at \$53.90/bbl on September 19 and at \$53.80/bbl on September 20. On the foreign exchange market in September 7-13 week, the dollar moved within a range between 108.40 and 110.14 yen. It changed hands at 110.65 yen in late trading on September 14, at 110.21 yen on September 15, at 111.46 yen on September 19 and at 111.63 yen on September 20.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 20, the average crude oil import CIF price in the August 21-31 period stood at 34,235 yen/kl (kiloliter), up 138 yen/kl from the previous 10-day period. In dollars, the price was \$49.41/bbl, up \$0.41/bbl. The average exchange rate was 110.15 yen to the dollar. According to preliminary monthly trade statistics announced by the ministry on the same day, the average crude oil import CIF price in August came to 34,112 yen/kl, up 64 yen/kl from the previous month. In dollars, the price was \$48.95/bbl, up \$0.61/bbl. The average exchange rate was 110.78 yen to the dollar.

Wholesale prices of petroleum products that major Motouri (petroleum products wholesalers) applied to the fourth week of September were raised by 1.0 yen/l by all Motouri. Crude oil acquisition cost rose as crude oil price hikes were combined with the yen's depreciation.

Japan's average retail price on September 19 rose by 0.3 yen/l from a week earlier for gasoline and by 0.1 yen/l for diesel oil and remained unchanged for kerosene (heating oil). The gasoline and diesel prices rose for the first time in three weeks. The kerosene price leveled off for the eighth consecutive week. As crude oil cost rose in the third week of September, Motouri companies raised their wholesale prices of petroleum products by 1.0-1.5 yen/l.

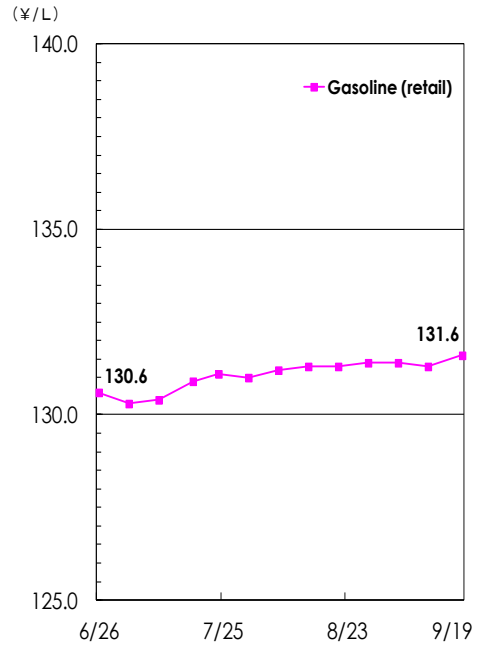
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	9/10 ~ 9/16	3,579	▲ 33	▲ -
	Topper capacity utilization rate (%)	"	91.4	▲ 0.9	▲ -
	Crude oil inventories (1,000 kl)	9/16	13,805	▲ 132	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/19	53.93	▲ 1.70	▲ 11.0
	WTI crude oil (NYMEX) (\$/bbl)	9/18	49.91	▲ 1.84	▲ 6.6
	Crude oil import CIF price (\$/bbl)	Late Aug	49.41	▲ 0.41	▲ 4.01
	①Crude oil import CIF price (yen/kl)	"	34,235	▲ 138	▲ 4,720
	②Yen-dollar exchange rate (yen/dollar)	"	110.15	▲ 0.46	▼ -6.80
	TTS exchange rate (yen/dollar)	9/19	112.46	▼ -3.02	▼ -9.51



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/10 ~ 9/16	980	▼ -33	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	895	▲ 18	▼ -	
	Exports	"	21	▼ -51	▲ -	
	Inventories	9/16	1,776	▲ 64	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/12 ~ 9/15	50.7	▲ 0.8	▲ 8.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/12 ~ 9/15	51.3	▲ 1.0	▲ 10.0
		(TOCOM/ Chubu)	9/15	51.1	▲ 1.1	▲ 9.2
	Retail prices [weekly trend] (published by ANRE)	9/19	131.6	▲ 0.3	▲ 8.7	

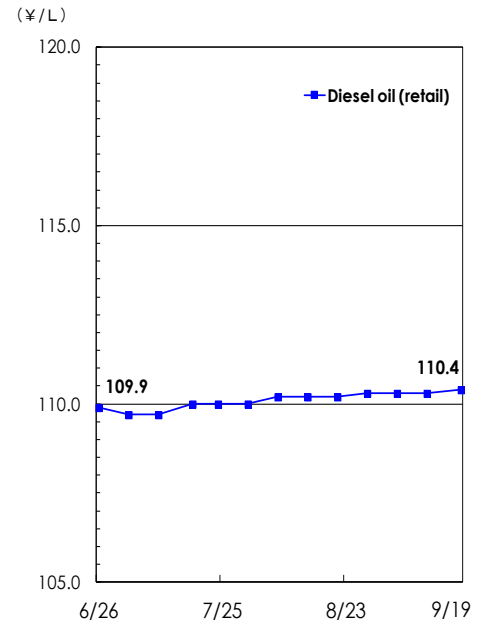
\*Gyoten and futures prices are before tax



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

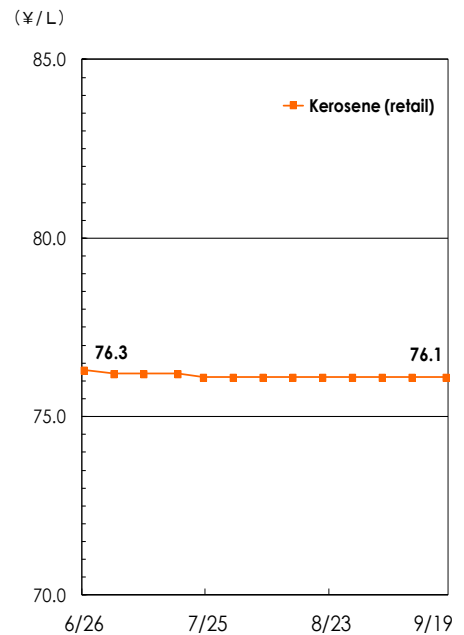
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/10 ~ 9/16	744	▼ -163	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	599	▼ -15	▼ -	
	Exports	"	238	▲ 35	▲ -	
	Inventories	9/16	1,409	▼ -94	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/12 ~ 9/15	48.9	▲ 0.6	▲ 10.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/12 ~ 9/15	48.3	▲ 0.3	▲ 9.3
		(TOCOM/ Chubu)	9/15	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/19	110.4	▲ 0.1	▲ 7.9	

\*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	9/10 ~ 9/16	210	▲ 77	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	123	▼ -40	▲ -	
	Exports	"	37	▲ 37	▲ -	
	Inventories	9/16	2,378	▲ 51	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/12 ~ 9/15	49.4	▲ 1.2	▲ 12.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/12 ~ 9/15	50.1	▲ 1.0	▲ 11.3
		(TOCOM/ Chubu)	9/15	50.3	▲ 1.8	▲ 12.3
	Retail prices [weekly trend] (published by ANRE)	9/19	76.1	➡ 0.0	▲ 12.2	



## Relevant Information

### 1 Overseas crude oil prices

On September 20, the most frequently traded WTI crude oil futures contract on the NYMEX rose above \$50/bbl for the first time in about two months as hopes on a tighter oil supply-demand balance grew on the EIA's weekly report saying that U.S. gasoline and middle distillate inventories declined from a week earlier far faster than forecast in the market. Although crude oil inventories posted an increase of 4.6 million barrels against a market-forecast rise of 3.5 million barrels, gasoline inventories decreased by 2.1 million barrels and middle distillate inventories by 5.7 million barrels. The October contract scored a rise of \$0.93/bbl from the previous day to \$50.41/bbl, the highest for the key contract since \$50.41 on July 31. The November contract gained \$0.79/bbl to \$50.69/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 18 fell by 5.1 cents per gallon from a week earlier to \$2.634/gal (77.3 yen/l). The average diesel oil price dropped by 1.6 cents/gal to \$2.786/gal (81.7 yen/l). The gasoline and diesel prices decreased for the first time in four weeks.

### 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 10-16 week stood at 100,000 bpd, unchanged from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week increased by 33,000 kl from the previous week to 3,579,000 kl. From a year earlier, it expanded by 99,000 kl. The topper capacity utilization rate stood at 91.4%, up 0.9 points from a week earlier and up 9.5 points from a year earlier.

Output increased from the previous week for kerosene, and Fuel Oil A and C while decreasing for other petroleum products. Output was down 3.2% for gasoline, down 24.0% for jet fuel, up 57.3% for kerosene, down 17.9% for diesel oil, up 8.1% for Fuel Oil A and up 5.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kl, down 9,000 kl from the previous week. Diesel oil exports aggregated 238,000 kl, up 35,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline, jet fuel and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments increased for kerosene and Fuel Oil A and decreased for others.

Gasoline shipments increased by 2.1% from the previous week to 895,000 kl. They increased week on week for the first time in two weeks and decreased year on year for the second straight week, remaining below 1 million kl for two weeks

on end.

Shipments totaled 110,000 kl for jet fuel (up 59.9% from the previous week), 123,000 kl for kerosene (up 24.9%), 599,000 kl for diesel oil (down 2.4%), 205,000 kl for Fuel Oil A (up 6.2%) and 178,000 kl for Fuel Oil C (down 6.5%).

	(Unit: 1,000 kl)		
	This week (9/10 ~ 9/16)	Previous week (9/3 ~ 9/9)	From a week earlier
Gasoline	895	877	▲ 18 (2%)
Jet fuel	110	69	▲ 41 (59%)
Kerosene (heating Oil)	123	163	▼ -40 (-25%)
Diesel oil	599	614	▼ -15 (-2%)
Fuel oil A	205	193	▲ 12 (6%)
Fuel Oil C	178	191	▼ -13 (-7%)
<b>Total</b>	<b>2,110</b>	<b>2,107</b>	<b>▲ 3 (0%)</b>

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 16 increased from a week earlier for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for gasoline, and Fuel Oil A and C and decreased for others.

Gasoline inventories totaled 1,776,000 kl, up 64,000 kl from a week earlier and up 72,000 kl from a year earlier.

Kerosene inventories totaled 2,378,000 kl, up 51,000 kl from a week earlier and down 401,000 kl from a year earlier.

Diesel oil inventories totaled 1,409,000 kl, down 94,000 kl from a week earlier and down 383,000 kl from a year earlier.

Fuel Oil A inventories totaled 770,000 kl, down 6,000 kl from a week earlier and up 40,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,102,000 kl, up 15,000 kl from a week earlier and up 16,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (9/16)	Previous week (9/9)	From a week earlier
Gasoline	1,776	1,712	▲ 64 (4%)
Jet fuel	1,026	1,040	▼ -14 (-1%)
Kerosene (heating Oil)	2,378	2,327	▲ 51 (2%)
Diesel oil	1,409	1,503	▼ -94 (-6%)
Fuel oil A	770	776	▼ -6 (-1%)
Fuel Oil C	2,102	2,087	▲ 15 (1%)
<b>Total</b>	<b>9,461</b>	<b>9,445</b>	<b>▲ 16 (0.2%)</b>

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

Between September 12 and 15, crude oil cost apparently increased as the yen's depreciation was coupled with crude oil price hikes.

Onshore cargo spot prices were firm in a 104-105 yen/l range for gasoline, in a 48-50 yen/l range for diesel oil and in a 48-50 yen/l range for kerosene.

Offshore barge spot prices firmed in a 106-108 yen/l range for gasoline, in a 50-51 yen/l range for diesel oil and in a 48-49 yen/l range for kerosene.

The key futures price remained firm in a 104-106 yen/l range for gasoline, rose to a 48-50 yen/l range for diesel oil and firmed in a 49-51 yen/l range for kerosene. Motouri companies raised their wholesale petroleum products prices by 1.0 yen/l.

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

As crude oil cost increased in the September 12-15 period, all onshore cargo, offshore barge and futures prices increased for all petroleum products.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the September 12-15 period) that influences Motouri's wholesale prices applied to the September 21-27 week rose by 0.8 yen/l from the previous week for gasoline, by 1.2 yen/l for kerosene and by 0.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 0.8 yen/l for gasoline, by 0.5 yen/l for kerosene and by 1.4 yen/l for diesel oil. The key futures price rose by 1.0 yen/l for gasoline, by 1.0 yen/l for kerosene and by 0.3 yen/l for diesel oil. Crude oil cost increased as the yen's depreciation coincided with crude oil price hikes.

Motouri companies increased their wholesale prices of petroleum products by 1.0 yen/l in the fourth 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 (9/12 ~ 9/15)	Previous week (9/5 ~ 9/11)	From a week earlier
Spot Prices	Regular	50.7	49.9	▲ 0.8
	Kerosene	49.4	48.2	▲ 1.2
	Diesel oil	48.9	48.3	▲ 0.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (9/12 ~ 9/15)	Previous week (9/5 ~ 9/11)	From a week earlier
Futures Price	Regular	51.3	50.3	▲ 1.0
	Kerosene	50.1	49.1	▲ 1.0
	Diesel oil	48.3	48.0	▲ 0.3

Above prices are before tax.

Reference (September 12 - September 15 actual data)			
Products	Spot	Futures	Average
Gasoline	▲ 0.8	▲ 1.0	▲ 0.9
Kerosene	▲ 1.2	▲ 1.0	▲ 1.1
Diesel oil	▲ 0.6	▲ 0.3	▲ 0.4
Fuel Oil A	▲ 0.6		

(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 19 rose by 0.3 yen/l from a week earlier to 131.6 yen/l for gasoline and by 0.1 yen/l to 110.4 yen/l for diesel oil and remained unchanged at 76.1 yen/l for kerosene. The gasoline and diesel prices increased for the first time in three weeks. The kerosene price remained unchanged for the eighth consecutive month. Gasoline prices increased in 34 prefectures, remained unchanged in six and fell in seven. The lowest gasoline price among the prefectures was 127.3 yen/l in Saitama Prefecture (up 0.4 yen/l from a week earlier). The second lowest was 128.7 yen/l in Tokushima (up 1.2 yen/l). The highest price was 140.5 yen/l in Okinawa (up 0.2 yen/l). Posting the largest price hike of 1.6 yen/l was Toyama (132.5 yen/l). Logging the largest drop of 0.9 yen/l was Wakayama (130.3 yen/l). Gasoline prices remained unchanged in Kochi, Ehime, Fukui, Kyoto, Gifu and Okayama.

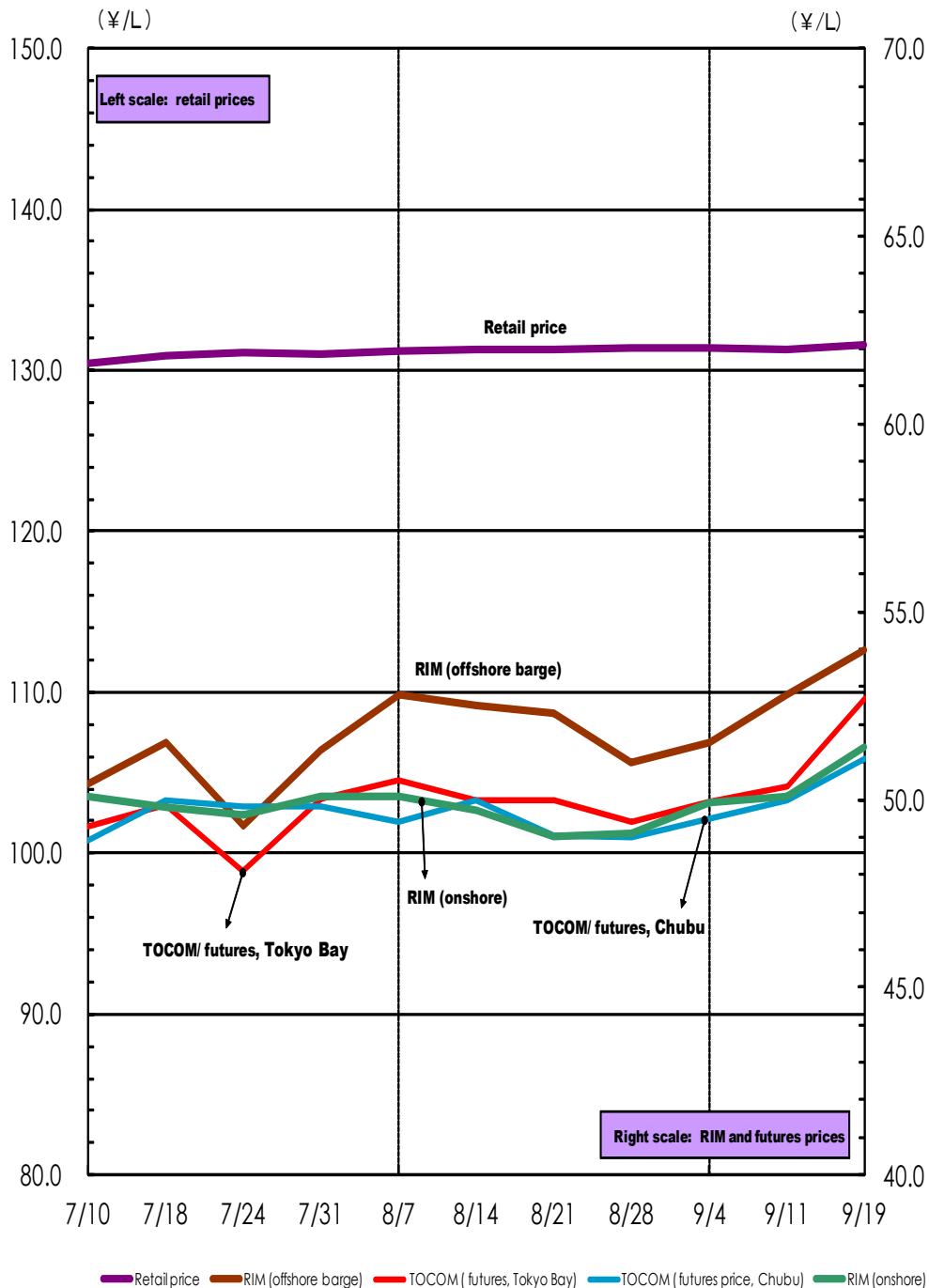
While crude oil cost increased, retail gasoline prices rose for the first time in three weeks. This week, crude oil cost increased as the yen's depreciation coincided with crude oil price hikes. All Motouri companies raised their wholesale prices of petroleum products by 1.0 yen/l. Retail gasoline prices are likely to increase next week (as of September 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (9/19)	Previous week (9/11)	From a week earlier	Latest high
Retail Price	Regular	131.6	131.3	▲ 0.3	08/8/4 185.1
	Kerosene	76.1	76.1	▶ 0.0	08/8/11 132.1
	Diesel oil	110.4	110.3	▲ 0.1	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

(2017/7/10 ~ 2017/9/19)



(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. 24 for 2017) will be announced at 14:00 on October 6.

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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).