

# Oil Market Review in Japan No. 24/2017

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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 14-20 week moved within a range between \$49.48 per barrel and \$50.41/bbl, rising back above \$50/bbl.

On September 21, the key contract fell slightly on profit taking after its rise above \$50/bbl on the previous day while market players were nervous before the next day's meeting of the Joint Ministerial Monitoring Committee of OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries. The November contract that became the key contract on the day closed at \$50.55/bbl, down \$0.14/bbl from the previous day. On September 22, the key contract staged a small rally on expectations of a tighter supply-demand balance enhanced by a Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by five from a week earlier to 744 for the third straight week of decline, although the OPEC-non-OPEC Joint Ministerial Monitoring Committee at its meeting in Vienna postponed a recommendation for extending an OPEC-non-OPEC coordinated production cut for the reason that crude oil prices rose back above \$50/bbl. The November contract finished at \$50.66/bbl, up \$0.11/bbl.

On September 25, the November contract rose substantially as expectations of a tighter supply-demand balance were coupled with growing fear of disrupted oil supply from Iraq's Kirkuk oil field under control by the Kurd autonomous government that forced a referendum on independence in defiance of opposition from the Iraqi central government as well as Turkey and Iran. The key contract gained \$1.56/bbl to \$52.22/bbl, the highest since \$52.41/bbl on April 18. On September 26, the November contract fell back on profit taking after its sharp rise on the previous day. However, the fall was limited by geopolitical risks involving Kurd's independence movement in northern Iraq as Turkish President Recep Tayyip Erdoğan threatened to shut down an oil pipeline via Turkey from the Kirkuk oil field under control by the Kurd autonomous government. The key contract closed at \$51.88/bbl, off \$0.34/bbl. On September 27, the November contract rebounded as a weekly EIA (Energy Information Administration) report pointed to a crude oil inventory decline against a market-forecast increase. The contract rose by \$0.26/bbl to \$52.14/bbl.

The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market moved in a range between \$53.50/bbl and \$53.90/bbl in the September 14-20 week. It closed at \$54.60/bbl on September 21, at \$54.90/bbl on September 22, at \$54.90/bbl on September 25, at \$57.00/bbl on September 26 and at \$56.30 on September 27.

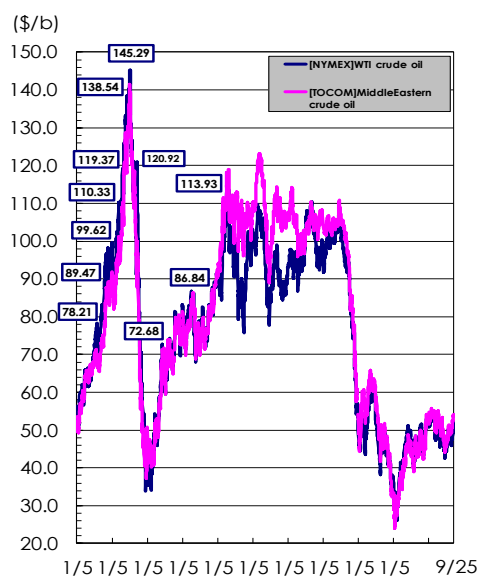
On the foreign exchange market in the September 14-20 week, the dollar moved within a range between 110.21 and 111.63 yen. It changed hands at 112.53 yen in late trading on September 21, at 112.24 yen on September 22, at 112.53 yen on September 25, at 111.55 yen on September 26 and at 112.39 yen on September 27.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 28, the average crude oil import CIF price in the September 1-10 period stood at 34,868 yen/kl (kiloliter), up 633 yen/kl from the previous 10-day period. In dollars, the price was \$50.62/bbl, up \$1.21/bbl, rising back above \$50/bbl for the first time in seven 10-day periods. The average exchange rate was 109.53 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of October were raised by 1.5 yen/l for gasoline and diesel oil by all Motouri and by 1.5-2.0 yen/l for kerosene. Crude oil acquisition cost rose as crude oil price hikes were combined the yen's depreciation.

Japan's average retail price on September 27 rose by 0.7 yen/l from a week earlier for gasoline, by 0.7 yen/l for diesel oil and by 0.3 yen/l for kerosene (heating oil). The gasoline and diesel prices rose for the second straight week. The kerosene price increased for the first time in six months. As crude oil cost rose in the fourth week of September, all Motouri companies raised their wholesale prices of petroleum products by 1.0 yen/l.

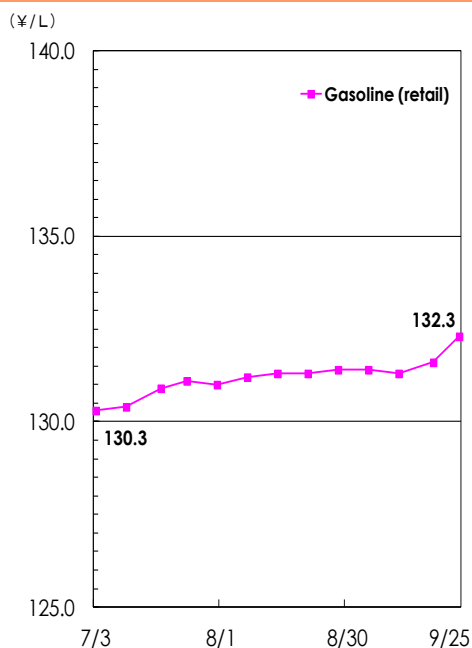
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	9/17 ~ 9/23	3,564	▼ -15	▲ -
	Topper capacity utilization rate (%)	"	91.0	▼ -0.4	▲ -
	Crude oil inventories (1,000 kl)	9/23	12,568	▼ -1,238	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/25	54.25	▲ 0.32	▲ 10.5
	WTI crude oil (NYMEX) (\$/bbl)	9/25	52.22	▲ 2.31	▲ 6.3
	Crude oil import CIF price (\$/bbl)	Early Sep	50.62	▲ 1.21	▲ 5.10
	①Crude oil import CIF price (yen/kl)	"	34,868	▲ 633	▲ 5,698
	②Yen-dollar exchange rate (yen/dollar)	"	109.53	▲ 0.62	▼ -7.66
	TTS exchange rate (yen/dollar)	9/25	113.53	▼ -1.07	▼ -11.78



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/17 ~ 9/23	983	▲ 3	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	977	▲ 82	▲ -	
	Exports	"	78	▲ 57	▲ -	
	Inventories	9/23	1,704	▼ -72	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/19 ~ 9/25	51.8	▲ 1.1	▲ 10.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/19 ~ 9/25	52.8	▲ 1.5	▲ 12.6
		(TOCOM/ Chubu)	9/25	52.5	▲ 1.4	▲ 12.5
	Retail prices [weekly trend] (published by ANRE)	9/25	132.3	▲ 0.7	▲ 9.5	

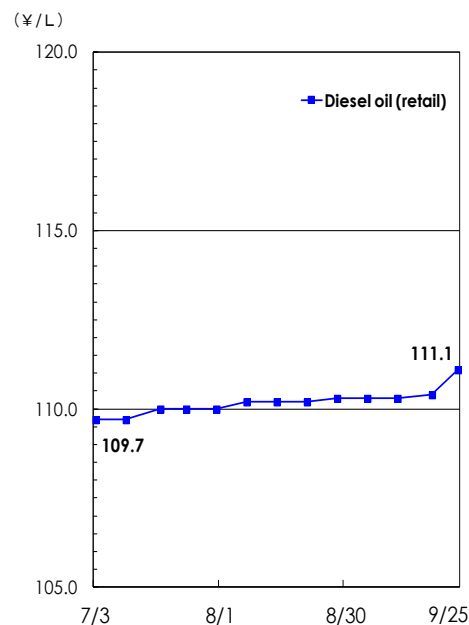
\*Gyoten and futures prices are before tax



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

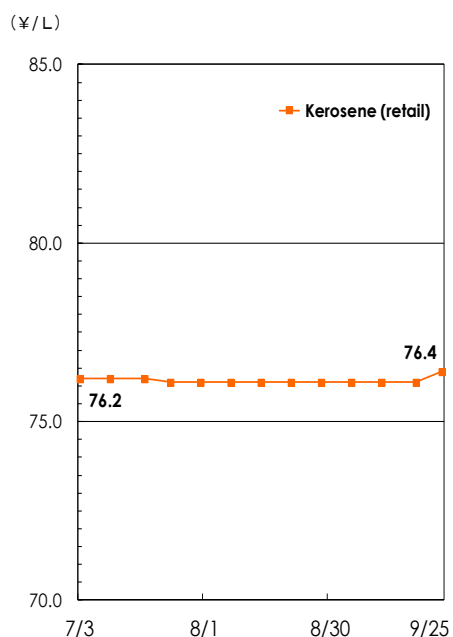
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/17 ~ 9/23	824	▲ 79	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	592	▼ -7	▼ -	
	Exports	"	114	▼ -124	▼ -	
	Inventories	9/23	1,527	▲ 118	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/19 ~ 9/25	50.1	▲ 1.2	▲ 11.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/19 ~ 9/25	49.0	▲ 0.7	▲ 10.5
		(TOCOM/ Chubu)	9/25	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/25	111.1	▲ 0.7	▲ 8.7	

\*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	9/17 ~ 9/23	221	▲ 11	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	153	▲ 30	▲ -	
	Exports	"	0	▼ -37	▶ -	
	Inventories	9/23	2,447	▲ 69	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/19 ~ 9/25	51.1	▲ 1.7	▲ 14.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/19 ~ 9/25	52.2	▲ 2.1	▲ 13.3
		(TOCOM/ Chubu)	9/25	53.7	▲ 3.4	▲ 14.8
	Retail prices [weekly trend] (published by ANRE)	9/25	76.4	▲ 0.3	▲ 12.6	



## Relevant Information

### 1 Overseas crude oil prices

On September 27, the most frequently traded WTI crude oil futures contract on the NYMEX rose as the EIA reported that crude oil inventories posted a decrease of 1.8 million barrels from a week earlier against a market-forecast increase of 3.4 million barrels. The decline came for the first time in four weeks. Tensions over the Kurd autonomous government in northern Iraq supported the rise. The November contract scored a rise of \$0.26/bbl from the previous day to \$52.14/bbl. The December contract gained \$0.24/bbl to \$52.43/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 25 fell by 5.1 cents per gallon from a week earlier to \$2.583/gal (77.4 yen/l). The average diesel oil price dropped by 0.3 cents/gal to \$2.788/gal (83.5 yen/l). The gasoline and diesel prices decreased for the second 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 17-23 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 decreased by 15,000 kl from the previous week to 3,564,000 kl. From a year earlier, it expanded by 141,000 kl. The topper capacity utilization rate stood at 91.0%, down 0.4 points from a week earlier and up 10.4 points from a year earlier.

Output increased from the previous week for gasoline, kerosene and diesel oil while decreasing for other petroleum products. Output was up 0.3% for gasoline, down 13.1% for jet fuel, up 5.3% for kerosene, down 10.7% for diesel oil, down 11.9% for Fuel Oil A and down 9.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kl, unchanged from the previous week. Diesel oil exports aggregated 114,000 kl, down 124,000 kl.

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

Gasoline shipments increased by 9.2% from the previous week to 977,000 kl. They increased week on week for the second straight week and year on year for the first time in three weeks, remaining below 1 million kl for three weeks on end.

Shipments totaled 126,000 kl for jet fuel (up 14.1% from the previous week), 153,000 kl for kerosene (up 24.6%), 592,000 kl for diesel oil (down 1.3%), 171,000 kl for Fuel Oil A (down 16.2%) and 138,000 kl for Fuel Oil C (down 22.7%).

(Unit: 1,000 kl)

	This week (9/17 ~ 9/23)	Previous week (9/10 ~ 9/16)	From a week earlier
Gasoline	977	895	▲ 82 (9%)
Jet fuel	126	110	▲ 16 (15%)
Kerosene (heating Oil)	153	123	▲ 30 (24%)
Diesel oil	592	599	▼ -7 (-1%)
Fuel oil A	171	205	▼ -34 (-17%)
Fuel Oil C	138	178	▼ -40 (-22%)
<b>Total</b>	<b>2,157</b>	<b>2,110</b>	<b>▲ 47 (2%)</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 23 increased from a week earlier for kerosene, diesel oil 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 1,704,000 kl, down 72,000 kl from a week earlier and up 96,000 kl from a year earlier.

Kerosene inventories totaled 2,447,000 kl, up 69,000 kl from a week earlier and down 408,000 kl from a year earlier.

Diesel oil inventories totaled 1,527,000 kl, up 118,000 kl from a week earlier and down 61,000 kl from a year earlier.

Fuel Oil A inventories totaled 756,000 kl, down 14,000 kl from a week earlier and up 33,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,127,000 kl, up 25,000 kl from a week earlier and up 27,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/23)	Previous week (9/16)	From a week earlier
Gasoline	1,704	1,776	▼ -72 (-4%)
Jet fuel	1,010	1,026	▼ -16 (-2%)
Kerosene (heating Oil)	2,447	2,378	▲ 69 (3%)
Diesel oil	1,527	1,409	▲ 118 (8%)
Fuel oil A	756	770	▼ -14 (-2%)
Fuel Oil C	2,127	2,102	▲ 25 (1%)
<b>Total</b>	<b>9,571</b>	<b>9,461</b>	<b>▲ 110 (1.2%)</b>

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

Between September 19 and 25, 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 105-106 yen/l range for gasoline, in a 49-51 yen/l range for diesel oil and in a 50-52 yen/l range for kerosene.

Offshore barge spot prices firmed in a 107-109 yen/l range for gasoline, in a 51-54 yen/l range for diesel oil and in a 49-52 yen/l range for kerosene.

The key futures price remained firm in a 106-107 yen/l range for gasoline, levelled off in a 49-50 yen/l range for diesel oil and firmed in a 50-54 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

As crude oil cost increased in the September 19-25 week, 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 19-25 week) that influences Motouri's wholesale prices applied to the first week of October (September 28-October 4) rose by 1.1 yen/l from the previous week for gasoline, by 1.7 yen/l for kerosene and by 1.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 1.1 yen/l for gasoline, by 2.1 yen/l for kerosene and by 1.7 yen/l for diesel oil. The key futures price rose by 1.5 yen/l for gasoline, by 2.1 yen/l for kerosene and by 0.7 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 1.5-2.0 yen/l for the first week of October. 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 (9/19 ~ 9/25)	Previous week (9/12 ~ 9/15)	From a week earlier
<b>Spot Prices</b>			
Regular	51.8	50.7	▲ 1.1
Kerosene	51.1	49.4	▲ 1.7
Diesel oil	50.1	48.9	▲ 1.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (9/19 ~ 9/25)	Previous week (9/12 ~ 9/15)	From a week earlier
<b>Futures Price</b>			
Regular	52.8	51.3	▲ 1.5
Kerosene	52.2	50.1	▲ 2.1
Diesel oil	49.0	48.3	▲ 0.7

Above prices are before tax.

Reference (September 19 - September 25 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.1	▲ 1.5	▲ 1.3
Kerosene	▲ 1.7	▲ 2.1	▲ 1.9
Diesel oil	▲ 1.2	▲ 0.7	▲ 1.0
Fuel Oil A	▲ 0.7		

(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 25 rose by 0.7 yen/l from a week earlier to 132.3 yen/l for gasoline, by 0.7 yen/l to 111.1 yen/l for diesel oil and by 0.3 yen/l to 76.4 yen/l for kerosene. The gasoline and diesel prices increased for the second straight week. The kerosene price rose for the first time in six months. Gasoline prices increased in 42 prefectures, remained unchanged in one and fell in four. The lowest gasoline price among the prefectures was 127.2 yen/l in Saitama Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 129.2 yen/l in Niigata (up 0.2 yen/l). The highest price was 141.9 yen/l in Okinawa (up 1.4 yen/l). Posting the largest price hike of 1.9 yen/l was Miyagi (131.3 yen/l). Logging the largest drop of 0.3 yen/l were Kanagawa (129.6 yen/l) and Tottori (129.9 yen). The average gasoline price remained unchanged in Kochi (136.0 yen/l).

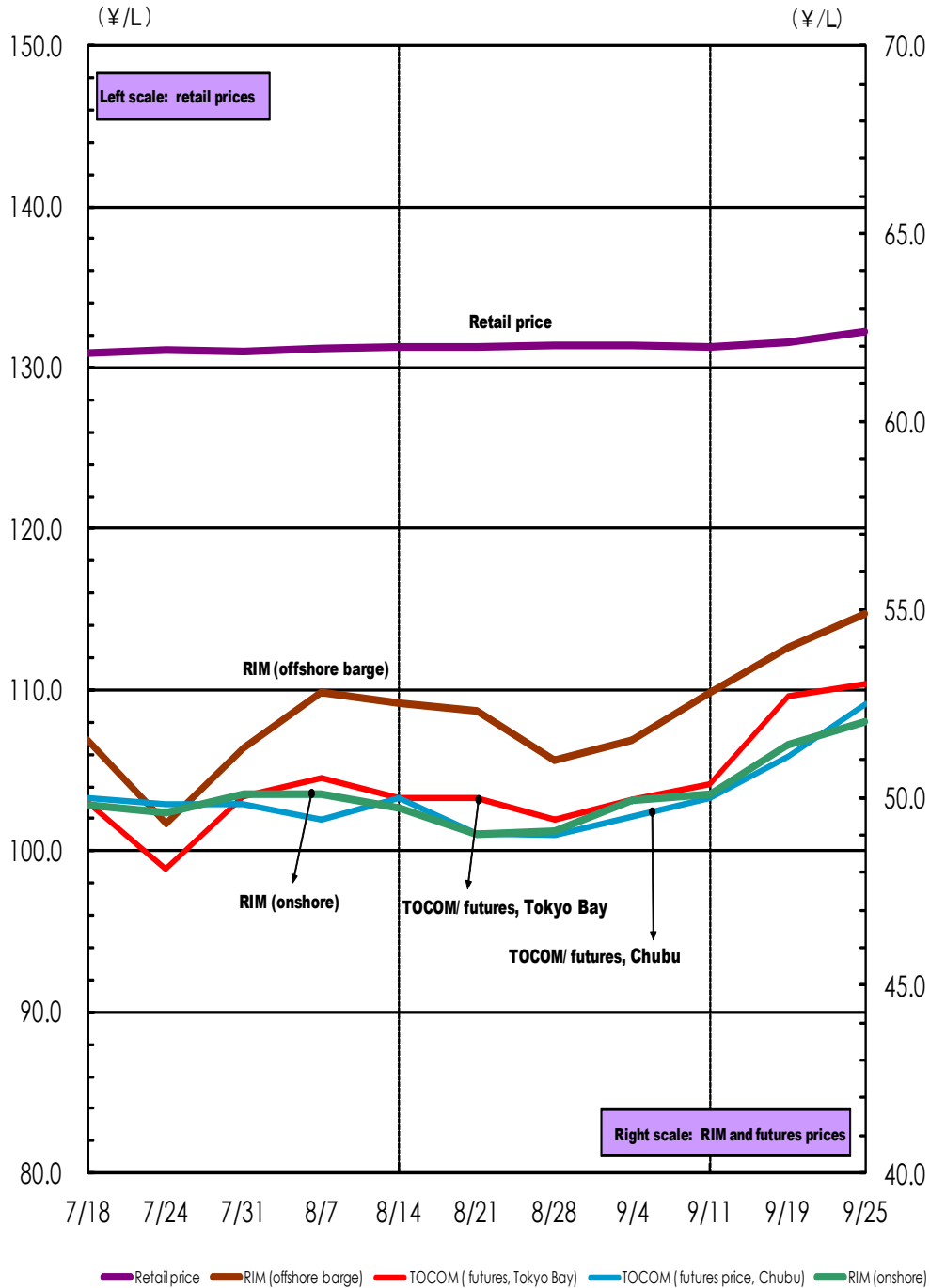
While crude oil cost increased, retail gasoline prices rose for the second straight week. This week, crude oil cost increased as the yen's depreciation coincided with crude oil price hikes. Motouri companies raised their wholesale prices of petroleum products by 1.5-2.0 yen/l. Retail gasoline prices are likely to increase next week (as of October 2).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/25)	Previous week (9/19)	From a week earlier	Latest high	
<b>Retail Price</b>					
Regular	132.3	131.6	▲ 0.7	08/8/4	185.1
Kerosene	76.4	76.1	▲ 0.3	08/8/11	132.1
Diesel oil	111.1	110.4	▲ 0.7	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

(2017/7/18 ~ 2017/9/25)



(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. 25 for 2017) will be announced at 14:00 on October 13.

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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).