

# Oil Market Review in Japan No. 28/2017

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the October 12-18 week moved within a firmer range between \$50.60 per barrel and \$52.04/bbl.

On October 19, the November contract dropped for the first time in five market days as position adjustment and profit taking selling outpaced buying in the absence of new trading incentives. The key contract closed at \$51.29/bbl, down \$0.75/bbl from the previous day.

On October 20, the key contract rallied on growing geopolitical risks in the Middle East. While Iraq announced that its government forces took control of Kirkuk from the Kurdish autonomous government, media reports said crude oil transportation via a pipeline from the Kirkuk oil field to the shipment base of Geyhan in Turkey declined to 220,000 barrels per day from the normal level of 600,000 bpd. The rally was restricted due to weekend position adjustment and profit taking selling, as well as the dollar's appreciation against the euro that made crude oil futures prices higher. The November contract rose by \$0.18/bbl to \$51.47/bbl.

On October 23, the key contract rose further with a slight gain on growing geopolitical risks since the previous weekend, as well as a Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by seven from a week earlier to 736 for the third straight weekly fall. Restricting the rise was the Iraqi Oil Ministry's announcement to increase crude oil exports from Basra in southern Iraq by 200,000 bpd to make up for a crude oil production fall at the Kirkuk oil field. The December contract, which replaced the November contract as the key contract on the day, finished at \$51.90/bbl, up \$0.06/bbl.

On October 24, the key contract rose for the third straight day and hit a six-month high as Saudi Energy Minister Khalid al-Falih made a positive remark on the enhancement of oil producing countries' coordinated production cut and a forecast U.S. crude oil inventory fall before private and government weekly oil inventory announcements in the evening of the day and the next morning. The contract gained \$0.57/bbl to \$52.47, the highest since \$52.65/bbl on April 17.

On October 25, the December contract turned down for the first time in four market days as profit taking selling came after the previous day's rise, with an EIA (Energy Information Administration) report saying that U.S. crude oil inventories posted a weekly increase against a market-forecast decline. The contract lost \$0.29/bbl to \$52.18/bbl.

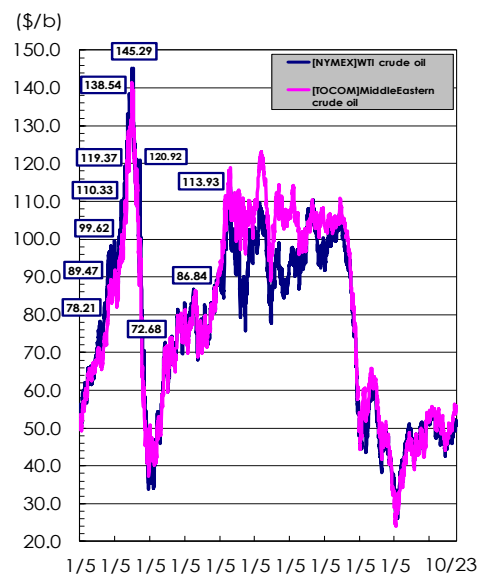
The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market moved in a range between \$54.90/bbl and \$56.20/bbl in the October 12-18 week. It closed at \$56.40/bbl on October 19, at \$55.60/bbl on October 20, at \$56.00/bbl on October 23, at \$55.60/bbl on October 24 and at \$56.30/bbl on October 25.

On the foreign exchange market in the October 12-18 week, the dollar moved within a narrow range between 112.08 and 112.45 yen. It changed hands at 112.99 yen in late trading on October 19, at 112.77 yen on October 20, at 113.89 yen on October 23, at 113.37 yen on October 24 and at 113.92 yen on October 25.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of November were left unchanged or raised by 0.5-1.0 yen/l (liter) for gasoline and increased by 0.5-1.0 yen for diesel oil and by 1.0-1.5 yen/l for kerosene (heating oil). Crude oil acquisition cost rose as crude oil prices increased, with the yen depreciating slightly against the dollar.

Japan's average retail price on October 23 rose by 0.1 yen/l from a week earlier for gasoline and diesel oil and by 0.2 yen/l for kerosene. The gasoline and diesel prices rose for the sixth straight week. The kerosene price increased for the fifth consecutive week. While crude oil cost slightly rose in the fourth week of October, Motouri companies raised their wholesale gasoline prices by 1.0 yen/l, left them unchanged or lowered them by 0.5 yen/l. All Motouri left diesel oil and kerosene prices unchanged.

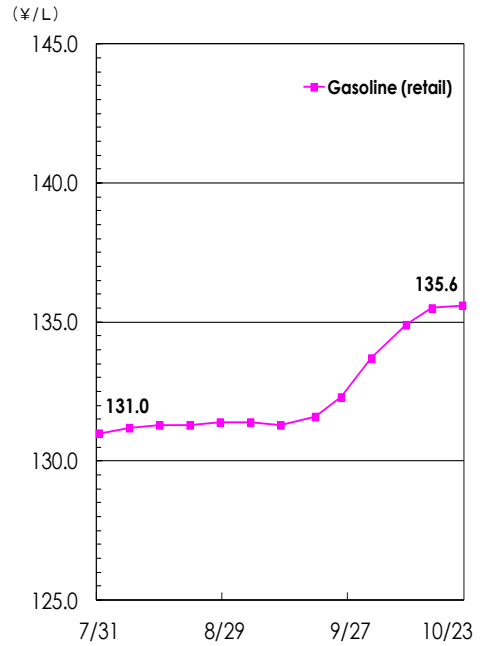
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	10/15 ~ 10/21	3,171	▼ -7	▼ -
	Topper capacity utilization rate (%)	"	81.0	▼ -0.2	▲ -
	Crude oil inventories (1,000 kl)	10/21	13,494	▲ 366	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/23	55.32	▼ -0.18	▲ 6.2
	WTI crude oil (NYMEX) (\$/bbl)	10/23	51.90	▲ 0.03	▲ 1.4
	Crude oil import CIF price (\$/bbl)	Late Sep	52.16	▲ 0.70	▲ 6.64
	①Crude oil import CIF price (yen/kl)	"	35,928	▲ 511	▲ 6,758
	②Yen-dollar exchange rate (yen/dollar)	"	109.51	▼ -0.10	▼ -7.64
	TTS exchange rate (yen/dollar)	10/23	114.89	▼ -1.81	▼ -10.01



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/15 ~ 10/21	978	▼ -8	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	952	▲ 64	▼ —	
	Exports	"	25	▼ -17	▲ —	
	Inventories	10/21	1,695	▲ 1	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/17 ~ 10/23	53.8	▼ -0.1	▲ 9.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	10/17 ~ 10/23	54.5	▲ 0.5	▲ 10.4
		(TOCOM/Chubu)	10/23	54.5	▲ 0.3	▲ 11.0
	Retail prices [weekly trend] (published by ANRE)	10/23	135.6	▲ 0.1	▲ 9.6	

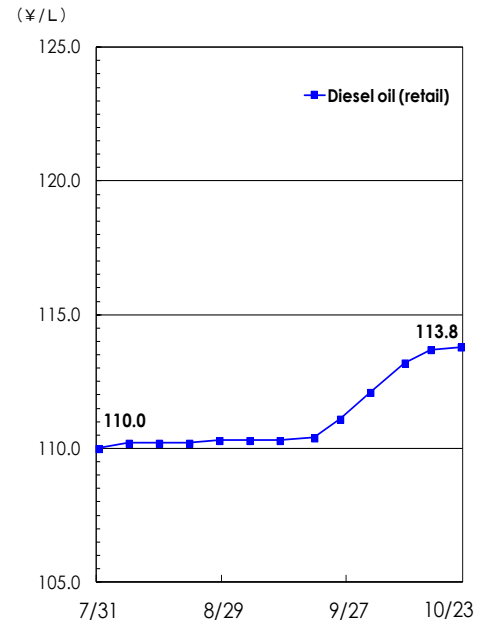
\*Gyoten and futures prices are before tax



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

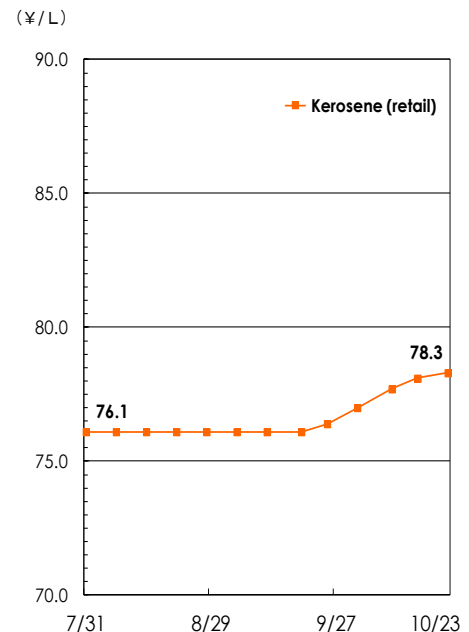
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/15 ~ 10/21	723	▲ 90	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	613	▲ 18	▼ —	
	Exports	"	147	▲ 147	▲ —	
	Inventories	10/21	1,409	▼ -37	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/17 ~ 10/23	53.2	➡ 0.0	▲ 11.8	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	10/17 ~ 10/23	50.2	▲ 0.2	▲ 9.2
		(TOCOM/Chubu)	10/23	—	—	—
	Retail prices [weekly trend] (published by ANRE)	10/23	113.8	▲ 0.1	▲ 9.1	

\*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	10/15 ~ 10/21	239	▼ -76	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	256	▲ 68	▲ —	
	Exports	"	50	▲ 50	▲ —	
	Inventories	10/21	2,653	▼ -68	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/17 ~ 10/23	55.0	▲ 0.2	▲ 13.4	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	10/17 ~ 10/23	55.1	▲ 0.9	▲ 10.5
		(TOCOM/Chubu)	10/23	56.0	▲ 0.9	▲ 12.1
	Retail prices [weekly trend] (published by ANRE)	10/23	78.3	▲ 0.2	▲ 13.0	



## Relevant Information

### 1 Overseas crude oil prices

On October 25, the most frequently traded WTI crude oil futures contract on the NYMEX dropped for the first time in four market days as profit taking after the previous day's rise was coupled with a weekly EIA oil inventory report that crude oil inventories posted an increase of 900,000 barrels from a week earlier against a market-forecast fall of 2.6 million barrels. However, the EIA report also said that gasoline inventories logged a fall of 5.5 million barrels against a market forecast that gasoline inventories would remain unchanged, with middle distillate inventories posting a decrease of 5.2 million barrels, faster than a market-forecast 900,000-barrel decline, supporting the key contract. Other bullish factors for crude oil futures included Saudi Energy Minister Al-Falih's remark that global oil demand would increase by 45% by 2050, as well as the dollar's depreciation against the euro that made crude oil futures prices lower. The December contract lost \$0.29/bbl to \$52.18/bbl. The January contract fell by \$0.24/bbl to \$52.43/bbl.

According to the EIA, the average U.S. retail price of gasoline as of October 23 fell by 1.0 cents per gallon from a week earlier to \$2.479/gal (75.1 yen/l). The average diesel oil price rose by 1.0 cents/gal to \$2.797/gal (84.8 yen/l). The gasoline price decreased for the sixth straight week. The diesel price increased for the second consecutive 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 October 15-21 week stood at 405,000 bpd, up 10,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week fell by 7,000 kl from the previous week to 3,171,000 kl. From a year earlier, it dropped by 120,000 kl. The topper capacity utilization rate stood at 81.0%, down 0.2 points from a week earlier and up 3.5 points from a year earlier.

Output decreased from the previous week only for diesel oil while increasing for other petroleum products. Output was down 0.8% for gasoline, down 3.1% for jet fuel, down 24.1% for kerosene, up 14.3% for diesel oil, down 5.8% for Fuel Oil A and down 4.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 6,000 kl, down 64,000 kl from the previous week. Diesel oil exports aggregated 147,000 kl, up 147,000 kl.

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

Gasoline shipments increased by 7.2% from the previous week to 952,000 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 77,000 kl for jet fuel (down 9.5% from the previous week), 256,000 kl for kerosene (up 36.3%), 613,000 kl for diesel oil (up 3.0%), 190,000 kl for Fuel Oil A (up 9.9%) and 177,000 kl for Fuel Oil C (down 21.7%).

(Unit: 1,000 kl)

	This week (10/15 ~ 10/21)	Previous week (10/8 ~ 10/14)	From a week earlier
Gasoline	952	888	▲ 64 (7%)
Jet fuel	77	85	▼ -8 (-9%)
Kerosene (heating Oil)	256	188	▲ 68 (36%)
Diesel oil	613	595	▲ 18 (3%)
Fuel oil A	190	173	▲ 17 (10%)
Fuel Oil C	177	225	▼ -48 (-21%)
<b>Total</b>	<b>2,265</b>	<b>2,154</b>	<b>▲ 111 (5%)</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 October 21 increased from a week earlier for gasoline, jet fuel and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for gasoline and Fuel Oil C and decreased for other petroleum products.

Gasoline inventories totaled 1,695,000 kl, up 1,000 kl from a week earlier and up 215,000 kl from a year earlier.

Kerosene inventories totaled 2,653,000 kl, down 68,000 kl from a week earlier and down 163,000 kl from a year earlier.

Diesel oil inventories totaled 1,409,000 kl, down 37,000 kl from a week earlier and down 62,000 kl from a year earlier.

Fuel Oil A inventories totaled 715,000 kl, down 16,000 kl from a week earlier and down 20,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,047,000 kl, up 1,000 kl from a week earlier and up 121,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/21)	Previous week (10/14)	From a week earlier
Gasoline	1,695	1,694	▲ 1 (0%)
Jet fuel	981	960	▲ 21 (2%)
Kerosene (heating Oil)	2,653	2,721	▼ -68 (-2%)
Diesel oil	1,409	1,446	▼ -37 (-3%)
Fuel oil A	715	731	▼ -16 (-2%)
Fuel Oil C	2,047	2,046	▲ 1 (0%)
<b>Total</b>	<b>9,500</b>	<b>9,598</b>	<b>▼ -98 (-1.0%)</b>

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

Between October 17 and 23, crude oil cost apparently increased as crude oil prices rose, with the yen depreciating a little against the dollar. Onshore cargo spot prices leveled off in a 107-108 yen/l range for gasoline, firmed to a 53-54 yen/l range for diesel oil and remained unchanged in a 54-56 yen/l range for kerosene.

Offshore barge spot prices rose sharply within a 108-111 yen/l range for gasoline and firmed in a 54-57 yen/l range for diesel oil and in a 54-56 yen/l range for kerosene.

The key futures price moved within a narrow range between 108 and 109 yen for gasoline, rose in a 50-52 yen/l range for diesel oil and firmed in a 54-56 yen/l range for kerosene. Motouri companies raised their wholesale gasoline prices by 0.5-1.0 yen/l or left them unchanged. They increased diesel prices by 0.5-1.0 yen/l and kerosene 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 October 17-23 week, onshore cargo and offshore barge spot prices for gasoline decreased. Offshore barge spot prices for diesel oil leveled off. Other spot petroleum product prices increased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the October 17-23 week) that influences Motouri's wholesale prices applied to the first week of November (October 26-November 1) fell by 0.1 yen/l from the previous week for gasoline, rose by 0.2 yen/l for kerosene and remained unchanged for diesel oil. The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline and increased by 0.7 yen/l for kerosene and diesel oil. The key futures price rose by 0.5 yen/l for gasoline and by 0.9 yen/l for kerosene and fell by 0.2 yen/l for diesel oil. Crude oil cost slightly increased as crude oil prices rose a little, with the yen remaining almost unchanged against the dollar.

Some Motouri companies left their wholesale petroleum products prices unchanged while others raised their prices by 0.5-1.0 yen/l. 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 (10/17 ~ 10/23)	Previous week (10/10 ~ 10/16)	From a week earlier
Spot Prices	Regular	53.8	53.9	▼ -0.1
	Kerosene	55.0	54.8	▲ 0.2
	Diesel oil	53.2	53.2	➡ 0.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (10/17 ~ 10/23)	Previous week (10/10 ~ 10/16)	From a week earlier
Futures Price	Regular	54.5	54.0	▲ 0.5
	Kerosene	55.1	54.2	▲ 0.9
	Diesel oil	50.2	50.0	▲ 0.2

Above prices are before tax.

Reference (October 17 - October 23 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.1	▲ 0.5	▲ 0.2
Kerosene	▲ 0.2	▲ 0.9	▲ 0.6
Diesel oil	➡ 0.0	▲ 0.2	▲ 0.1
Fuel Oil A	▼ -0.2		

(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 October 23 rose by 0.1 yen/l from a week earlier to another year-to-date high of 135.6 yen/l for gasoline, by 0.1 yen/l to 113.8 yen/l for diesel oil and by 0.2 yen/l to 78.3 yen/l for kerosene. The gasoline price rewrote a year-to-date high for the third straight week. The gasoline and diesel prices increased for the sixth straight week. The kerosene price rose for the fifth consecutive week. Gasoline prices increased in 24 of Japan's 47 prefectures, remained unchanged in 15 and dropped in eight. The lowest gasoline price among the prefectures was 130.4 yen/l in Saitama Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 131.8 yen/l in Chiba (up 0.2 yen/l). The highest price was 144.7 yen/l in Okinawa (down 0.2 yen/l). Posting the largest price hike of 1.5 yen/l was Okayama (134.9 yen/l).

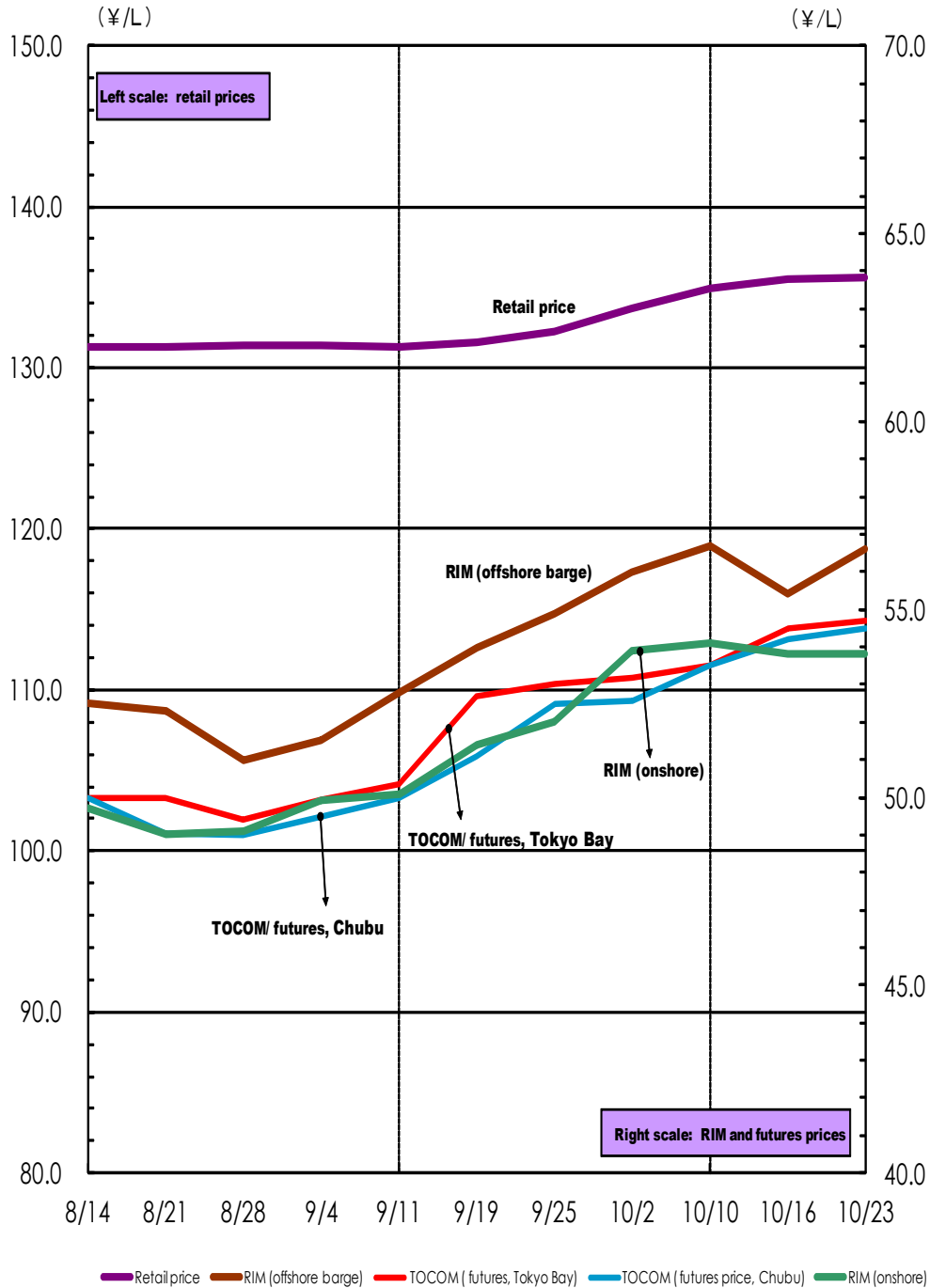
While crude oil cost slightly increased last week, Motouri companies lowered wholesale petroleum product prices, left them unchanged or raised them. As earlier wholesale price hikes accompanying crude oil cost rises since mid-September were passed on to retail prices, however, retail gasoline prices rose for the sixth straight week. This week, crude oil cost increased as crude oil prices rose, with the yen depreciating slightly against the dollar. Some Motouri companies left gasoline prices unchanged and others raised their prices by 0.5-1.0 yen/l. Motouri increased their diesel oil prices by 0.5-1.0 yen and kerosene prices by 1.0-1.5 yen/l. Retail gasoline and kerosene prices are likely to rise slightly next week (as of October 30).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (10/23)	Previous week (10/16)	From a week earlier	Latest high
Retail Price	Regular	135.6	135.5	▲ 0.1	08/8/4 185.1
	Kerosene	78.3	78.1	▲ 0.2	08/8/11 132.1
	Diesel oil	113.8	113.7	▲ 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

(2017/8/14 ~ 2017/10/23)



(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. 29 for 2017) will be announced at 14:00 on November 10.

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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).