

Oil Market Review in Japan No. 32/2017

December 1, 2017, Friday Released at 14:00 every Friday

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

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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 November 9-15 week moved within a weaker range between \$55.33 per barrel and \$57.17/bbl.

On November 16, the December contract fell for the third straight day as concerns about growing U.S. shale oil production emerged in response to an unexpected rise in U.S. crude oil inventories and U.S. crude oil production's increase to a record 9.645 million barrels per day in September as reported by the EIA (Energy Information Administration) on the previous day. The contract closed at \$55.14/bbl, down \$0.19/bbl. On November 17, the key contract rebounded for the first time in four days as Saudi Arabian Energy Minister Khalid al-Falih indicated the extension of oil producing countries' coordinated production cut by forecasting that the oil market would remain in oversupply until late next May and the dollar's depreciation against the euro made crude oil futures prices relatively lower. Baker Hughes reported that the number of operating U.S. oil-drilling rigs remained unchanged from a week earlier at 738. The December contract gained \$1.41/bbl to \$56.55/bbl.

On November 20, the key contract turned down on profit taking, as well as the dollar's appreciation against the euro that made oil prices relatively higher. The December contract fell by \$0.46/bbl to \$56.09/bbl. On November 21, the key contract rallied on expectations of the extension of the coordinated production cut by OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries ahead of an OPEC general meeting and a joint meeting of OPEC and non-OPEC oil producing countries on November 30. Another supporter for the rally was a pipeline accident in South Dakota that led to concerns over oil supply disruptions. The January contract replaced the December contract as the key WTI futures contract on the day, closing at \$56.83/bbl, up \$0.41. On November 22, the January contract rose further as the partial shutdown of the Keystone pipeline in South Dakota led to the expectation of a drop in Canadian crude oil supply. However, a limited decline in U.S. crude oil inventories in a weekly EIA report restricted the rise. The key contract gained \$1.19/bbl to \$58.02/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market moved in a weaker range between \$59.80/bbl and \$61.90/bbl in the November 9-15 week. It closed at \$60.30/bbl on November 16, at \$59.60/bbl on November 17, at \$60.80/bbl on November 20, at \$60.30/bbl on November 21 and at \$60.90/bbl on November 22.

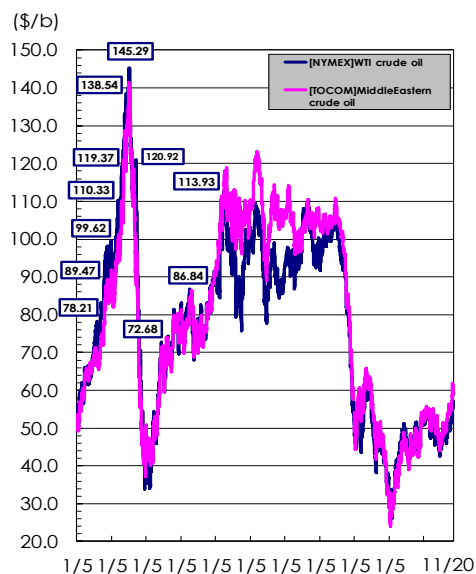
On the foreign exchange market in the November 9-15 week, the dollar moved within a range between 113.39 and 114.06 yen. It changed hands at 113.07 yen in late trading on November 16, at 112.97 yen on November 17, at 112.19 yen on November 20, at 112.66 yen on November 21 and at 112.38 yen on November 22.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 20, the average crude oil import CIF price in the October 21-31 period stood at 39,274 yen/kl (kiloliter), up 380 yen/kl from the previous 10-day period. In dollars, the price was \$55.52/bbl, up \$0.63/bbl. The average exchange rate was 112.47 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in October stood at 38,711 yen/kl, up 3,239 yen/kl from the previous month. In dollars, the price was \$54.75/bbl, up \$3.24/bbl. The average exchange rate was 112.40 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of November (changed from the fifth week of November under the previous practice) were cut by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene. Crude oil acquisition cost dropped as crude oil prices decreased, with the yen appreciating against the dollar.

Japan's average retail price on November 20 rose by 1.8 yen/l from a week earlier for gasoline and diesel oil and by 1.5 yen/l for kerosene. The gasoline and diesel prices rose for the 10th straight week. The kerosene price also increased for the 10th consecutive week on an 18-liter tank basis. As crude oil cost rose in the third week of November (changed from the fourth week of November under the previous practice), Motouri companies raised their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene.

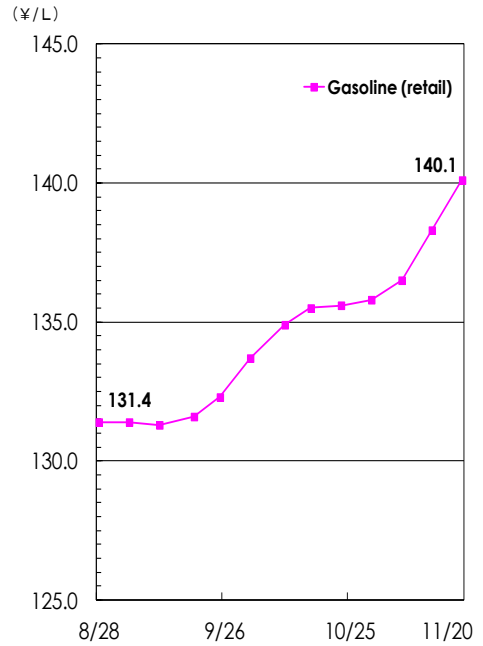
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	11/12 ~ 11/18	3,637	▲ 121	▲ -
	Topper capacity utilization rate (%)	"	92.9	▲ 3.1	▲ -
	Crude oil inventories (1,000 kl)	11/18	13,563	▲ 468	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/20	60.35	▼ -0.84	▲ 15.2
	WTI crude oil (NYMEX) (\$/bbl)	11/20	56.09	▼ -0.67	▲ 8.6
	Crude oil import CIF price (\$/bbl)	Late Oct	55.52	▲ 0.63	▲ 10.22
	① Crude oil import CIF price (yen/kl)	"	39,274	▲ 380	▲ 10,093
	② Yen-dollar exchange rate (yen/dollar)	"	112.47	▲ 0.18	▼ -10.05
	TTS exchange rate (yen/dollar)	11/20	113.19	▲ 1.49	▼ -1.24



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/12 ~ 11/18	1,037	▼ -59	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	967	▼ -12	▼ -	
	Exports	"	12	▼ -48	▼ -	
	Inventories	11/18	1,699	▲ 58	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/14 ~ 11/20	59.8	▲ 1.1	▲ 18.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/14 ~ 11/20	58.5	▼ -0.7	▲ 16.6
		(TOCOM/ Chubu)	11/20	60.0	▲ 1.3	▲ 16.8
	Retail prices [weekly trend] (published by ANRE)	11/20	140.1	▲ 1.8	▲ 14.3	

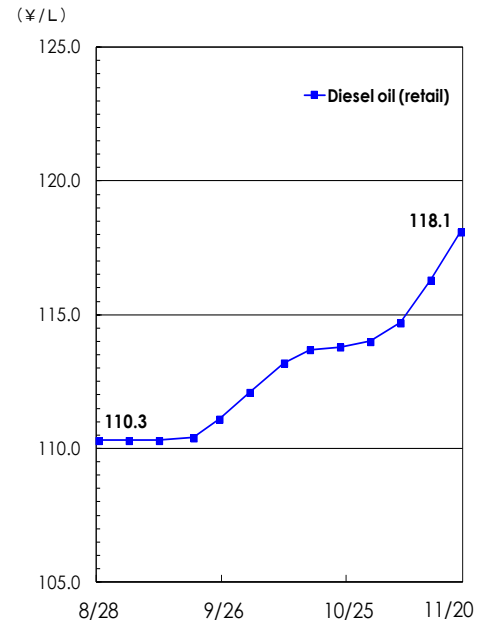
*Gyoten and futures prices are before tax



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

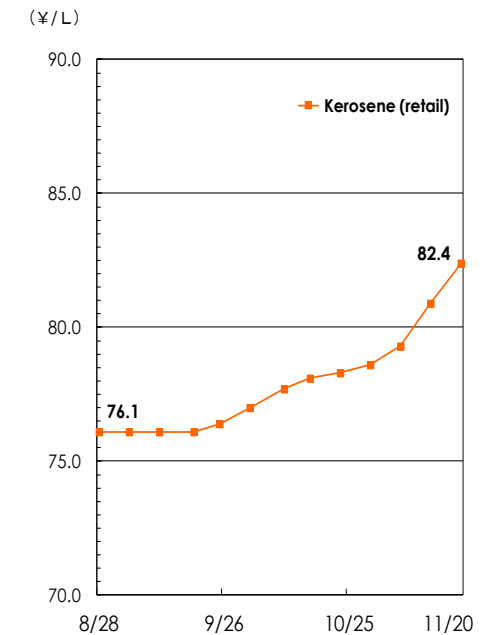
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/12 ~ 11/18	840	▲ 95	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	652	▼ -33	▼ -	
	Exports	"	159	▲ 69	▼ -	
	Inventories	11/18	1,389	▲ 28	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/14 ~ 11/20	59.3	▲ 1.6	▲ 16.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/14 ~ 11/20	55.0	➡ 0.0	▲ 12.0
		(TOCOM/ Chubu)	11/20	-	-	-
	Retail prices [weekly trend] (published by ANRE)	11/20	118.1	▲ 1.8	▲ 13.2	

*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	11/12 ~ 11/18	343	▲ 6	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	200	▼ -189	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	11/18	2,662	▲ 143	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/14 ~ 11/20	60.9	▲ 1.2	▲ 15.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/14 ~ 11/20	59.3	▼ -0.6	▲ 13.5
		(TOCOM/ Chubu)	11/20	61.0	▲ 0.4	▲ 14.4
	Retail prices [weekly trend] (published by ANRE)	11/20	82.4	▲ 1.5	▲ 16.4	



Relevant Information

1 Overseas crude oil prices

On November 22, the most frequently traded WTI crude oil futures contract on the NYMEX posted the highest closing level since late June 2015 as the dollar's depreciation against the dollar made crude oil prices relatively lower and the Keystone pipeline accident in South Dakota led to the expectation that Canadian crude oil supply could be reduced to 15% of the usual level until late November. However, a limited decline of 1.9 million barrels in U.S. crude oil inventories in a weekly EIA report restricted the rise. The January contract gained \$1.19/bbl to \$58.02/bbl. The February contract fell by \$1.10/bbl to \$58.02/bbl.

According to the EIA, the average U.S. retail price of gasoline as of November 20 dropped by 2.4 cents per gallon from a week earlier to \$2.568/gal (76.7 yen/l). The average diesel oil price fell by 0.3 cents/gal to \$2.912/gal (87.0 yen/l). The gasoline price decreased for the first time in four weeks. The diesel price fell for the first time in six 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 November 12-18 week stood at 120,000 bpd, down 43,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week increased by 121,000 from the previous week to 3,637,000 kl. From a year earlier, it increased by 63,000 kl. The topper capacity utilization rate stood at 92.9%, up 3.1 percentage points from the previous week and up 8.2 points from a year earlier.

Output decreased from the previous week for gasoline and jet fuel while increasing for other petroleum products. Output was down 5.4% for gasoline, down 29.7% for jet fuel, up 1.6% for kerosene, up 12.8% for diesel oil, up 4.1% for Fuel Oil A and up 5.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 67,000 kl, up 12,000 kl from the previous week. Diesel oil exports aggregated 159,000 kl, up 69,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for all petroleum products. From a year earlier, shipments also decreased for all petroleum products.

Gasoline shipments decreased by 1.2% from the previous week to 967,000 kl. They decreased week on week and year on year for the first time in two weeks, remaining below 1 million kl for three weeks on end. Shipments totaled 69,000 kl for jet fuel (down 26.5% from the previous week), 200,000 kl for kerosene (down 48.7%), 652,000 kl for diesel oil (down 4.7%),

208,000 kl for Fuel Oil A (down 11.2%) and 219,000 kl for Fuel Oil C (down 5.5%).

(Unit: 1,000 kl)

	This week (11/12 ~ 11/18)	Previous week (11/5 ~ 11/11)	From a week earlier
Gasoline	967	979	▼ -12 (-1%)
Jet fuel	69	94	▼ -25 (-27%)
Kerosene (heating Oil)	200	389	▼ -189 (-49%)
Diesel oil	652	685	▼ -33 (-5%)
Fuel oil A	208	235	▼ -27 (-11%)
Fuel Oil C	219	232	▼ -13 (-6%)
Total	2,315	2,614	▼ -299 (-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 November 18 decreased from a week earlier for jet fuel and Fuel Oil C and increased for other petroleum products. From a year earlier, inventories decreased for diesel oil and Fuel Oil A and increased for other petroleum products.

Gasoline inventories totaled 1,699,000 kl, up 58,000 kl from a week earlier and up 109,000 kl from a year earlier.

Kerosene inventories totaled 2,662,000 kl, up 143,000 kl from a week earlier and up 269,000 kl from a year earlier.

Diesel oil inventories totaled 1,389,000 kl, up 28,000 kl from a week earlier and down 46,000 kl from a year earlier.

Fuel Oil A inventories totaled 672,000 kl, up 5,000 kl from a week earlier and down 37,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,981,000 kl, down 38,000 kl from a week earlier and up 99,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/18)	Previous week (11/11)	From a week earlier
Gasoline	1,699	1,641	▲ 58 (4%)
Jet fuel	1,036	1,052	▼ -16 (-2%)
Kerosene (heating Oil)	2,662	2,519	▲ 143 (6%)
Diesel oil	1,389	1,361	▲ 28 (2%)
Fuel oil A	672	667	▲ 5 (1%)
Fuel Oil C	1,981	2,019	▼ -38 (-2%)
Total	9,439	9,259	▲ 180 (1.9%)

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

Between November 14 and 20, crude oil cost apparently decreased as crude oil prices dropped, with the yen appreciating against the dollar.

Onshore cargo spot prices rose and weakened in a 112-114 yen/l range for gasoline, in a 58-60 yen/l range for diesel oil and firmed in a 60-62 yen/l range for kerosene.

Offshore barge spot prices firmed in a 113-114 yen/l for gasoline and leveled off in a 60-61 yen/l range for diesel oil and in a 59-60 yen/l range for kerosene.

The key futures price slightly eased in a 111-113 yen/l range for gasoline, leveled off in a 55-56 yen/l range for diesel oil and weakened in a 58-61 yen/l range for kerosene.

Motouri companies raised their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene.

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

While crude oil cost decreased in the November 14-20 week, onshore cargo spot prices rose for all petroleum products. Offshore barge spot prices fell for gasoline and diesel oil and leveled off for kerosene. Futures prices declined for gasoline and kerosene and leveled off for diesel oil.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the November 14-20 week) that influences Motouri's wholesale prices applied to the fourth week of November (November 23-29, changed from the fifth week of November under the previous practice) rose by 1.1 yen/l from the previous week for gasoline, by 1.2 yen/l for kerosene and by 1.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay decreased by 0.7 yen/l for gasoline, leveled off for kerosene and dropped by 0.1 yen for diesel oil. The key futures price fell by 0.7 yen/l for gasoline, rose by 0.6 yen/l for kerosene and leveled off for diesel oil. Crude oil cost decreased as crude oil prices fell, with the yen appreciating against the dollar.

For the fourth week of November (changed from the fifth week of November under the previous practice), Motouri companies raised their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene. 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 (11/14 ~ 11/20)	Previous week (11/7 ~ 11/13)	From a week earlier
Spot Prices	Regular	59.8	58.7	▲ 1.1
	Kerosene	60.9	59.7	▲ 1.2
	Diesel oil	59.3	57.7	▲ 1.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/14 ~ 11/20)	Previous week (11/7 ~ 11/13)	From a week earlier
Futures Price	Regular	58.5	59.2	▼ -0.7
	Kerosene	59.3	59.9	▼ -0.6
	Diesel oil	55.0	55.0	➡ 0.0

Above prices are before tax.

Reference (November 14 - November 20 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▲ 1.1	▼ -0.7	▲ 0.2		
Kerosene	▲ 1.2	▼ -0.6	▲ 0.3		
Diesel oil	▲ 1.6	➡ 0.0	▲ 0.8		
Fuel Oil A	▲ 1.4				

(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 November 20 rose by 1.8 yen/l from a week earlier to another year-to-date high of 140.1 yen/l for gasoline, by 1.8 yen/l to 118.1 yen/l for diesel oil and by 1.5 yen/l to 82.4 yen/l for kerosene. The gasoline price rewrote a year-to-date high for the seventh straight week. The gasoline and diesel prices increased for the 10th straight week. The kerosene price also rose for the 10th consecutive week on an 18-liter tank basis. Gasoline prices increased in all of Japan's 47 prefectures. The lowest gasoline price among the prefectures was 136.1 yen/l in Saitama Prefecture (up 2.9 yen/l from a week earlier). The second lowest was 136.4 yen/l in Kochi (up 0.1 yen/l). The highest price was 147.6 yen/l in Okinawa (up 1.0 yen/l). Posting the largest price hike of 3.5 yen/l was Kyoto (142.0 yen/l).

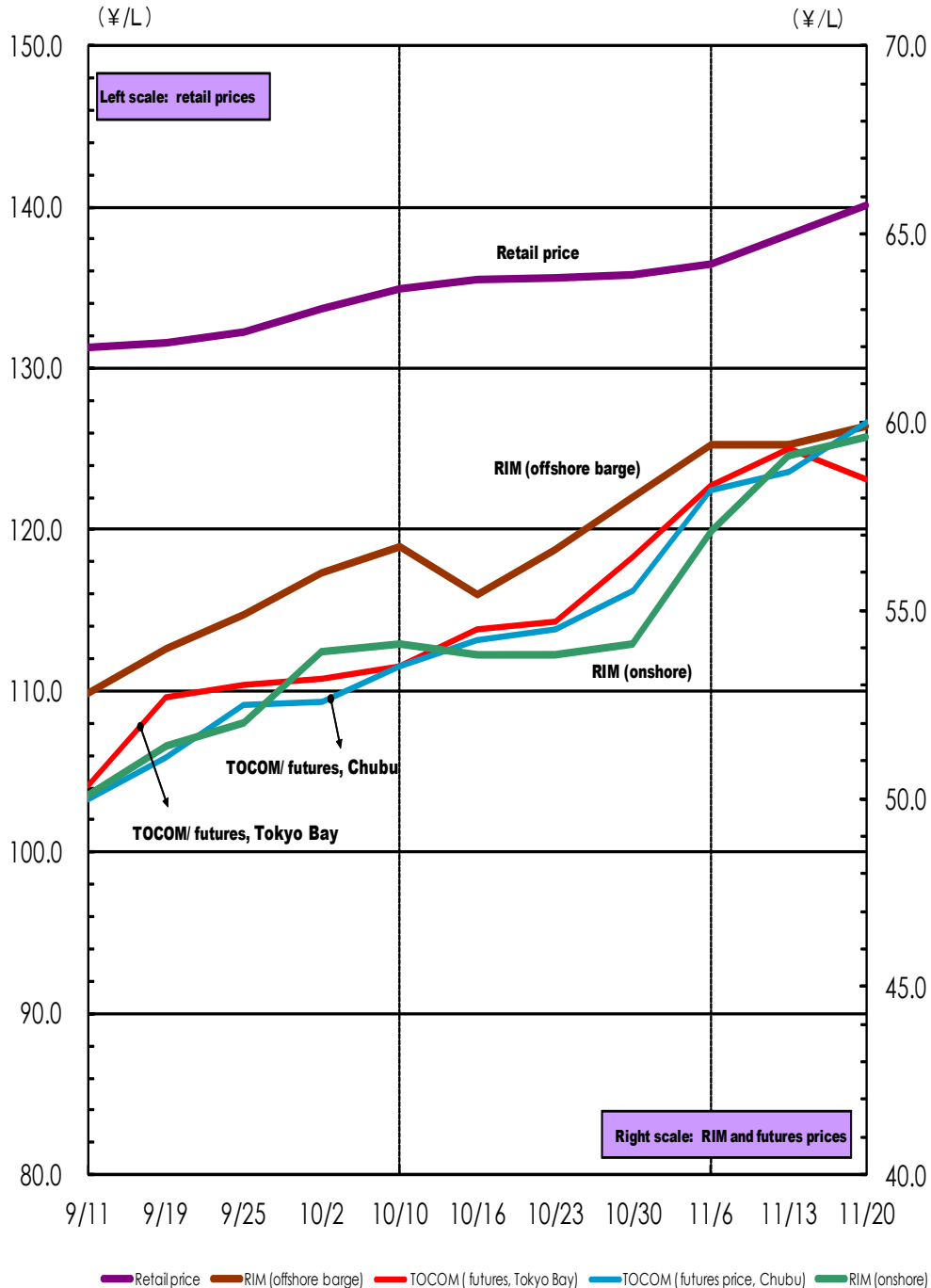
As crude oil cost increased last week, Motouri companies raised wholesale prices by 1.5-2.0 yen/l for petroleum products. The average retail gasoline price rose for the 10th straight week. This week, crude oil cost decreased as crude oil prices fell, with the yen appreciating against the dollar. Motouri companies lowered gasoline, diesel oil and kerosene prices by 0.5-1.0 yen/l. Retail gasoline prices are likely to slightly fall next week (as of November 27). Retail kerosene prices, which have remarkably failed to reflect wholesale price changes, are expected to level off.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/20)	Previous week (11/13)	From a week earlier	Latest high
Retail Price	Regular	140.1	138.3	▲ 1.8	08/8/4 185.1
	Kerosene	82.4	80.9	▲ 1.5	08/8/11 132.1
	Diesel oil	118.1	116.3	▲ 1.8	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

(2017/9/11 ~ 2017/11/20)



(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. 33 for 2017) will be announced at 14:00 on December 8.

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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).