

# Oil Market Review in Japan No. 35/2017

**December 22, 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 November 30-December 6 week moved within a weaker range between \$55.96 per barrel and \$58.36/bbl.

On December 7, the January contract rallied as buybacks came in reaction to a steep fall on a weekly U.S. oil industry inventory report by the EIA (Energy Information Administration) on the previous day and as concerns about disruption of oil supply spread due to a Nigerian oil industry walkout. The key contract closed at \$56.69/bbl, up \$0.73/bbl from the previous day.

On December 8, the key contract rose further on concerns about disruption of oil supply from Nigeria as well as a Chinese customs report that China's crude oil imports in November increased by 1.71 million barrels per day to 9.01 million bpd, the second highest in history. However, downward pressure on crude oil futures came from a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 751 for the third straight weekly rise. The January contract rose by \$0.67/bbl to \$57.36/bbl.

On December 11, the key contract rose for the third straight trading day on a bombing terrorist attack in central New York City and the North Sea Forties crude oil pipeline's suspension due to a leak. The January contract increased by \$0.63/bbl to \$57.99/bbl.

On December 12, the key contract turned down for the first time in four trading days as selling gained momentum on the dollar's appreciation against the euro after buying outpaced selling on the North Sea pipeline suspension. The January contract lost \$0.85/bbl to \$57.14/bbl.

On December 13, the key contract fell further as a weekly EIA report pointed to a faster-than-expected increase in gasoline inventories and the eighth straight weekly rise in U.S. crude oil production. The January contract lost \$0.54/bbl to \$56.60/bbl.

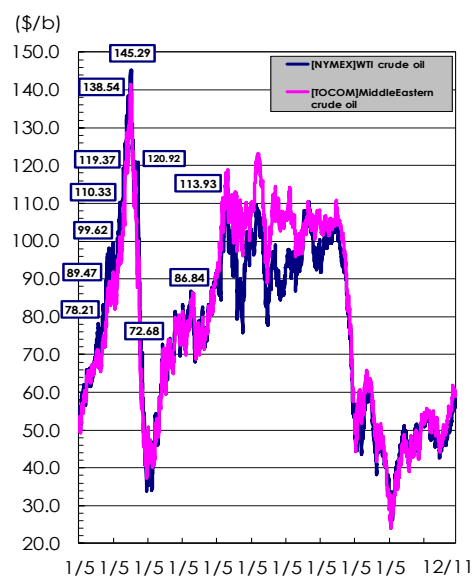
The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market moved in a range between \$60.00/bbl and \$61.00/bbl in the November 30-December 6 week. It closed at \$59.30/bbl on December 7, at \$60.00/bbl on December 8, at \$60.90/bbl on December 11, at \$62.50/bbl on December 12 and at \$61.10/bbl on December 13.

On the foreign exchange market in the November 30-December 6 week, the dollar moved within a range between 112.05 and 112.77 yen. It changed hands at 112.51 yen in late trading on December 7, at 113.29 yen on December 8, at 113.65 yen on December 11, at 113.58 yen on December 12 and at 113.42 yen on December 13.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of December were left unchanged for gasoline, diesel oil and kerosene (heating oil) by all Motouri companies. Crude oil acquisition cost fell slightly as crude oil price falls were offset by the yen's depreciation.

Japan's average retail price on December 11 remained unchanged from a week earlier for gasoline and rose by 0.1 yen/l (liter) for diesel oil and by 0.3 yen/l for kerosene. The gasoline price leveled off for the first time in 13 weeks. The diesel price rose for the 13th straight week. The kerosene price also increased for the 13th consecutive week on an 18-liter tank basis. While crude oil cost rose in the second week of December, wholesale gasoline, diesel oil and kerosene prices were left unchanged by all Motouri companies.

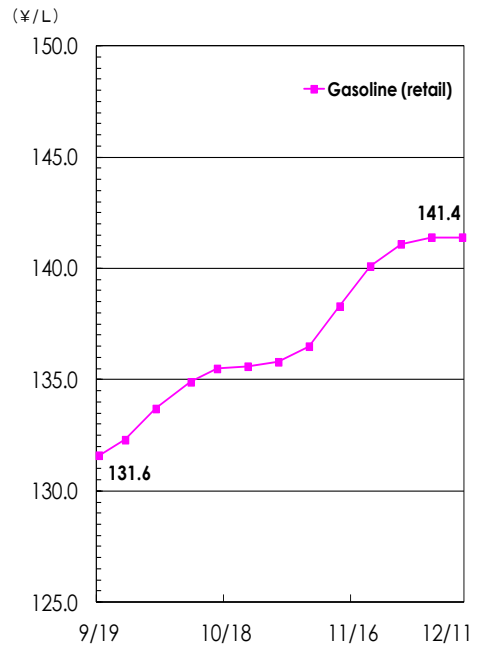
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/3 ~ 12/9	3,749	▲ 2	▼ -
	Topper capacity utilization rate (%)	"	95.7	▶ 0.0	▲ -
	Crude oil inventories (1,000 kl)	12/9	13,161	▼ -778	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/11	60.02	▼ -0.53	▲ 5.9
	WTI crude oil (NYMEX) (\$/bbl)	12/11	57.99	▲ 0.52	▲ 5.2
	Crude oil import CIF price (\$/bbl)	Mid Nov	57.66	▲ 0.88	▲ 8.58
	①Crude oil import CIF price (yen/kl)	"	41,257	▲ 801	▲ 8,842
	②Yen-dollar exchange rate (yen/dollar)	"	113.74	▼ -0.46	▼ -8.75
	TTS exchange rate (yen/dollar)	12/11	114.65	▼ -0.88	▲ 1.82



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/3 ~ 12/9	1,055	▼ -20	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	949	▼ -37	▼ -	
	Exports	"	76	▲ 24	▲ -	
	Inventories	12/9	1,700	▲ 30	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/5 ~ 12/11	58.8	➡ 0.0	▲ 11.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/5 ~ 12/11	57.4	▼ -0.4	▲ 9.2
		(TOCOM/ Chubu)	12/11	57.9	▲ 0.1	▲ 9.9
	Retail prices [weekly trend] (published by ANRE)	12/11	141.4	➡ 0.0	▲ 13.7	

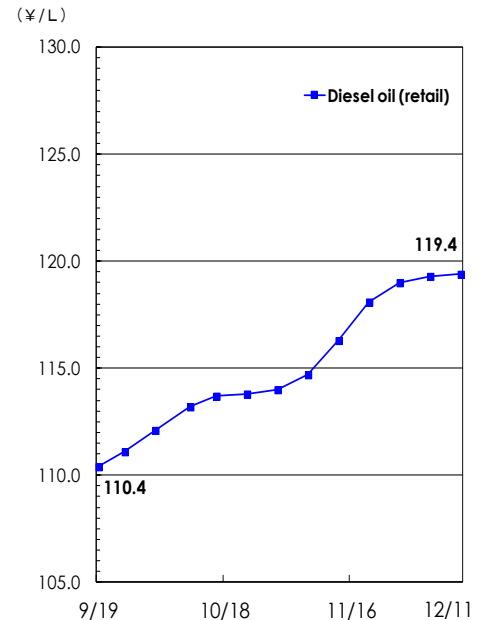
\*Gyoten and futures prices are before tax



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

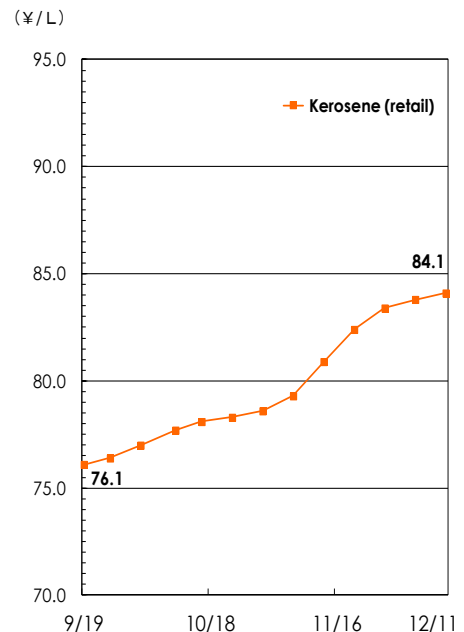
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/3 ~ 12/9	854	▼ -39	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	663	▼ -64	▲ -	
	Exports	"	153	▼ -89	▲ -	
	Inventories	12/9	1,415	▲ 39	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/5 ~ 12/11	58.6	➡ 0.0	▲ 10.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/5 ~ 12/11	58.0	➡ 0.0	▲ 12.0
		(TOCOM/ Chubu)	12/11	-	-	-
	Retail prices [weekly trend] (published by ANRE)	12/11	119.4	▲ 0.1	▲ 12.4	

\*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	12/3 ~ 12/9	449	▼ -11	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	522	▲ 91	▲ -	
	Exports	"	49	▲ 49	▲ -	
	Inventories	12/9	2,432	▼ -122	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/5 ~ 12/11	60.8	▼ -0.1	▲ 7.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/5 ~ 12/11	59.1	➡ 0.0	▲ 6.2
		(TOCOM/ Chubu)	12/11	60.5	▲ 0.2	▲ 5.4
	Retail prices [weekly trend] (published by ANRE)	12/11	84.1	▲ 0.3	▲ 12.4	



## Relevant Information

### 1 Overseas crude oil prices

On December 13, the most frequently traded WTI crude oil futures contract on the NYMEX opened higher on a reported 0.4% fall in November OPEC (Organization of the Petroleum Exporting Countries) crude oil production and a report that a North Sea pipeline injury would take several weeks to be repaired. As the weekly EIA report in the afternoon indicated U.S. oil oversupply, however, the key contract turned down. The EIA report said that crude oil inventories posted a weekly fall of 5.1 million barrels, faster than the market-forecast decline of 3.8 million barrels but slower than a preliminary decrease announced by the API (American Petroleum Institute) on the previous day, that gasoline inventories logged an increase of 7.4 million barrels, almost two times faster than forecast in the market, and that U.S. crude oil production increased for the eighth straight week. The January contract closed at \$56.60/bbl, down \$0.54/bbl. The February contract fell by \$0.57/bbl to \$56.59/bbl.

According to the EIA, the average U.S. retail price of gasoline as of December 11 dropped by 1.5 cents per gallon from a week earlier to \$2.485/gal (75.2 yen/l). The average diesel oil price fell by 1.2 cents/gal to \$2.910/gal (88.0 yen/l). The gasoline price decreased for the fourth straight week. The diesel price fell 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 December 3-9 week remained unchanged from the previous week at zero (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week increased by 2,000 kl (kiloliters) from the previous week to 3,749,000 kl. From a year earlier, it decreased by 154,000 kl. The topper capacity utilization rate stood at 95.7%, unchanged from the previous week and up 3.2 points from a year earlier.

Output increased from the previous week for jet fuel and Fuel Oil A while decreasing for other petroleum products.

Output was down 1.8% for gasoline, up 32.9% for jet fuel, down 2.3% for kerosene, down 4.4% for diesel oil, up 23.4% for Fuel Oil A and down 1.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 11,000 kl, down 42,000 kl from the previous week. Diesel oil exports aggregated 153,000 kl, down 89,000 kl.

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

Gasoline shipments decreased by 3.8% from the previous week to 949,000 kl. They decreased week on week and year on year for the first time in two weeks, remaining below 1 million kl for six weeks on end.

Shipments totaled 101,000 kl for jet fuel (up 14.8% from the previous week), 522,000 kl for kerosene (up 21.1%), 663,000 kl for diesel oil (down 8.8%), 262,000 kl for Fuel Oil A (up 4.8%) and 301,000 kl for Fuel Oil C (up 44.6%).

(Unit: 1,000 kl)

	This week (12/3 ~ 12/9)	Previous week (11/26 ~ 12/2)	From a week earlier
Gasoline	949	986	▼ -37 (-4%)
Jet fuel	101	88	▲ 13 (15%)
Kerosene (heating Oil)	522	431	▲ 91 (21%)
Diesel oil	663	727	▼ -64 (-9%)
Fuel oil A	262	250	▲ 12 (5%)
Fuel Oil C	301	208	▲ 93 (45%)
<b>Total</b>	<b>2,798</b>	<b>2,690</b>	<b>▲ 108 (4%)</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 December 9 increased from a week earlier for gasoline, jet fuel, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline, diesel oil and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,700,000 kl, up 30,000 kl from a week earlier and down 8,000 kl from a year earlier.

Kerosene inventories totaled 2,432,000 kl, down 122,000 kl from a week earlier and up 258,000 kl from a year earlier.

Diesel oil inventories totaled 1,415,000 kl, up 39,000 kl from a week earlier and down 200,000 kl from a year earlier.

Fuel Oil A inventories totaled 667,000 kl, up 9,000 kl from a week earlier and down 46,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,989,000 kl, down 106,000 kl from a week earlier and up 150,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/9)	Previous week (12/2)	From a week earlier
Gasoline	1,700	1,670	▲ 30 (2%)
Jet fuel	1,001	978	▲ 23 (2%)
Kerosene (heating Oil)	2,432	2,554	▼ -122 (-5%)
Diesel oil	1,415	1,376	▲ 39 (3%)
Fuel oil A	667	658	▲ 9 (1%)
Fuel Oil C	1,989	2,095	▼ -106 (-5%)
<b>Total</b>	<b>9,204</b>	<b>9,331</b>	<b>▼ -127 (-1.4%)</b>

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

Between December 5 and 11, crude oil cost apparently decreased slightly as crude oil price falls were partially offset by the yen's depreciation against the dollar.

Onshore cargo spot prices weakened in a 112-113 yen/l range for gasoline, in a 58-59 yen/l range for diesel oil and in a 60-62 yen/l range for kerosene.

Offshore barge spot prices rose in a 113-115 yen/l range for gasoline, leveled off in a 61-62 yen/l range for diesel oil and firmed slightly in a 59-61 yen/l range for kerosene.

The key futures price slightly rose in a 110-112 yen/l range for gasoline, leveled off in a 58-59 yen/l range for diesel oil and firmed in a 58-60 yen/l range for kerosene.

All Motouri companies kept their wholesale prices unchanged 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 slightly in the December 5 -12 week, spot prices other than gasoline futures and kerosene onshore cargo prices levelled off or rose slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the December 5-11 week) that influences Motouri's wholesale prices applied to the third week of December (December 14-20) leveled off from the previous week for gasoline, fell by 0.1 yen/l for kerosene and remained unchanged for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 0.2 yen/l for gasoline, by 0.5 yen/l for kerosene and by 0.6 yen/l for diesel oil. The key futures price fell by 0.4 yen/l for gasoline and levelled off for kerosene and diesel oil. Crude oil cost decreased slightly as crude oil price drops were partially offset by the yen's depreciation against the dollar.

For the third week of December, all Motouri companies kept their wholesale prices unchanged 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 (12/5 ~ 12/11)	Previous week (11/28 ~ 12/4)	From a week earlier
Spot Prices	Regular	58.8	58.8	➡ 0.0
	Kerosene	60.8	60.9	▼ -0.1
	Diesel oil	58.6	58.6	➡ 0.0

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (12/5 ~ 12/11)	Previous week (11/28 ~ 12/4)	From a week earlier
Futures Price	Regular	57.4	57.8	▼ -0.4
	Kerosene	59.1	59.1	➡ 0.0
	Diesel oil	58.0	58.0	➡ 0.0

Above prices are before tax.

Reference (December 5 - December 11 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	➡ 0.0	▼ -0.4	▼ -0.2		
Kerosene	▼ -0.1	➡ 0.0	➡ 0.0		
Diesel oil	➡ 0.0	➡ 0.0	➡ 0.0		
Fuel Oil A	▲ 0.1				

(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 December 11 remained unchanged from a week earlier at 141.4 yen/l for gasoline and rose by 0.1 yen/l to 119.4 yen/l for diesel oil and by 0.3 yen/l to 84.1 yen/l for kerosene. The gasoline price stopped a decline for the first time in 13 weeks. The diesel prices increased for the 13th straight week. The kerosene price also rose for the 13th consecutive week on an 18-liter tank basis. Gasoline prices increased in 25 of Japan's 47 prefectures, remained unchanged in eight and decreased in 14. The lowest gasoline price among the prefectures was 136.5 yen/l in Saitama Prefecture (unchanged from a week earlier). The second lowest was 137.2 yen/l in Chiba (up 0.1 yen/l). The highest price was 148.2 yen/l in Nagasaki (up 1.1 yen/l). Posting the largest price hike of 2.6 yen/l was Kochi (143.8 yen/l).

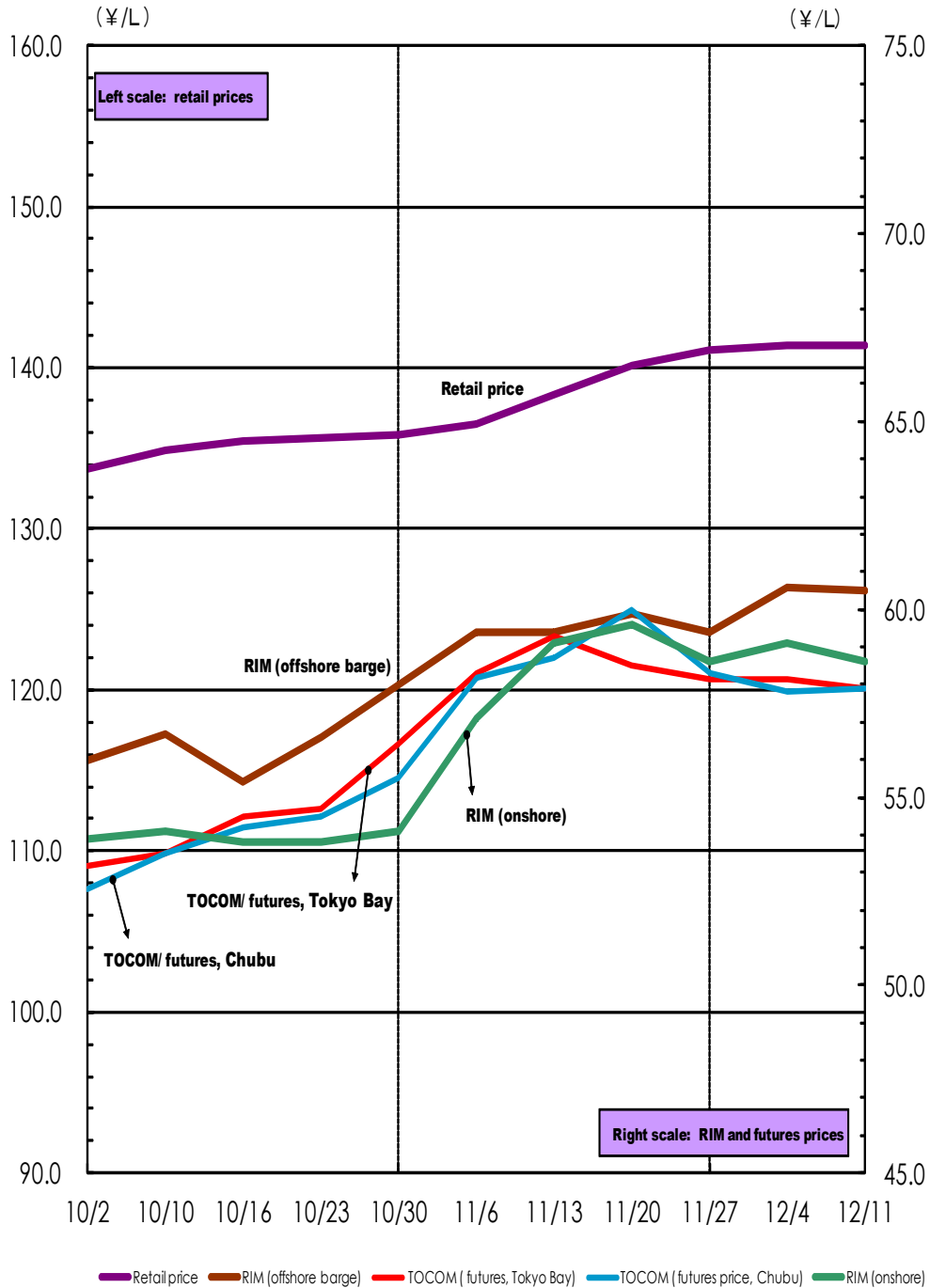
While crude oil cost decreased slightly last week, all Motouri companies kept wholesale prices unchanged for gasoline, diesel oil and kerosene. The average retail gasoline price stopped a decline for the first time in 13 weeks. This week, crude oil cost decreased slightly as crude oil price drops were partially offset by the yen's depreciation against the dollar. All Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to level off next week (as of December 18).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/11)	Previous week (12/4)	From a week earlier	Latest high
Retail Price	Regular	141.4	141.4	➡ 0.0	08/8/4 185.1
	Kerosene	84.1	83.8	▲ 0.3	08/8/11 132.1
	Diesel oil	119.4	119.3	▲ 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

(2017/10/2 ~ 2017/12/11)



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