

# Oil Market Review in Japan No. 36/2017

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the December 7-13 week moved within a range between \$56.60 per barrel and \$57.99/bbl.

On December 14, selling hit the market in the morning as concerns about a looser supply-demand balance emerged on a monthly IEA (International Energy Agency) report forecasting growth in U.S. oil production in 2018. After selling ran its course, however, position-adjustment buying and the dollar's depreciation against the euro led the January contract to rebound for the first time in three trading days. The key contract closed at \$57.04/bbl, up \$0.44/bbl from the previous day.

On December 15, the January contract rose on a report that the North Sea's key Forties Pipeline System, shut down since December 11 due to a crack, would take weeks to be restored. Also supporting the rise was a Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by four from a week earlier to 747 for the first fall in four weeks. The key contract rose by \$0.26/bbl to \$57.30/bbl.

On December 18, the January contract turned down for the first time in three trading days on concerns about an oversupply in 2018 as well as position adjustment and profit taking selling, despite fears of supply disruptions amid the North Sea pipeline shutdown and oil workers' walkout in Nigeria. The key contract lost \$0.14/bbl to \$57.16/bbl.

On December 19, the January contract rallied on the dollar's depreciation against the euro, as well as a report that the North Sea pipeline would take two to four weeks to be restored. The key contract gained \$0.30/bbl to \$57.46/bbl.

On December 20, the key contract rose further as a weekly EIA (Energy Information Administration) report pointed to a faster-than-expected decrease in U.S. crude oil inventories. The February contract, which replaced the January contract as the key front-month contract on the day, closed at \$58.09/bbl, up \$0.53/bbl from the previous day.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market moved in a range between \$59.30/bbl and \$62.50/bbl in the December 7-13 week. It closed at \$60.10/bbl on December 14, at \$60.80/bbl on December 15, at \$61.00/bbl on December 18, at \$61.10/bbl on December 19 and at \$61.70/bbl on December 20.

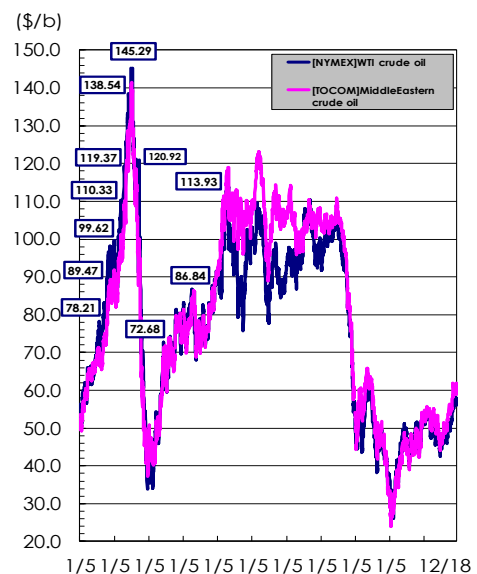
On the foreign exchange market in the December 7-13 week, the dollar moved within a firmer range between 112.51 and 113.65 yen. It changed hands at 112.80 yen in late trading on December 14, at 112.40 yen on December 15, at 112.76 yen on December 18, at 112.62 yen on December 19 and at 112.97 yen on December 20.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 18, the average crude oil import CIF price in the November 21-30 period stood at 41,858 yen/kl (kiloliter), up 601 yen/kl from the previous 10-day period. In dollars, the price was \$58.58/bbl, up \$0.92/bbl. The average exchange rate was 113.61 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 November stood at 41,168 yen/kl, up 2,457 yen/kl from the previous month. In dollars, the price was \$57.65/bbl, up \$2.90/bbl. The average exchange rate was 113.53 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of December were left unchanged for gasoline, diesel oil and kerosene (heating oil) by some Motouri companies and raised by 0.5-1.0 yen/l by others. Crude oil acquisition cost rose as crude oil prices increased, with the yen levelling off against the dollar.

Japan's average retail price on December 18 rose by 0.1 yen/l (liter) from a week earlier for gasoline, diesel oil and kerosene. The gasoline price increased for the first time in two weeks. The diesel prices rose for the 14th straight week. The kerosene price also increased for the 14th consecutive week on an 18-liter tank basis. While crude oil cost rose in the third week of December, wholesale gasoline, diesel oil and kerosene prices were left unchanged by all Motouri companies.

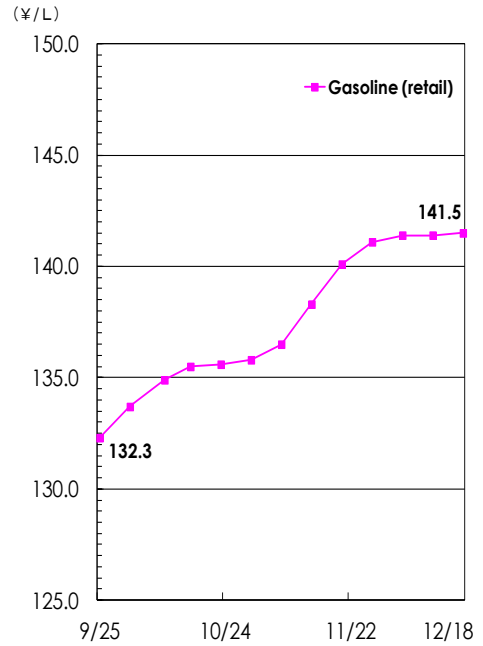
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/10 ~ 12/16	3,764	▲ 15	▼ -
	Topper capacity utilization rate (%)	"	96.1	▲ 0.4	▲ -
	Crude oil inventories (1,000 kl)	12/16	12,729	▼ -432	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/18	60.26	▲ 0.24	▲ 7.6
	WTI crude oil (NYMEX) (\$/bbl)	12/18	57.16	▼ -0.83	▲ 5.0
	Crude oil import CIF price (\$/bbl)	Late Nov	58.58	▲ 0.92	▲ 9.50
	① Crude oil import CIF price (yen/kl)	"	41,858	▲ 601	▲ 9,443
	② Yen-dollar exchange rate (yen/dollar)	"	113.61	▲ 0.13	▼ -8.62
	TTS exchange rate (yen/dollar)	12/18	113.76	▲ 0.89	▲ 4.87



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/10 ~ 12/16	995	▼ -60	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	922	▼ -27	▼ -	
	Exports	"	95	▲ 19	▼ -	
	Inventories	12/16	1,678	▼ -22	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/12 ~ 12/18	58.6	▼ -0.2	▲ 10.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/12 ~ 12/18	57.7	▲ 0.3	▲ 8.9
		(TOCOM/ Chubu)	12/18	57.5	▼ -0.4	▲ 7.6
	Retail prices [weekly trend] (published by ANRE)	12/18	141.5	▲ 0.1	▲ 12.2	

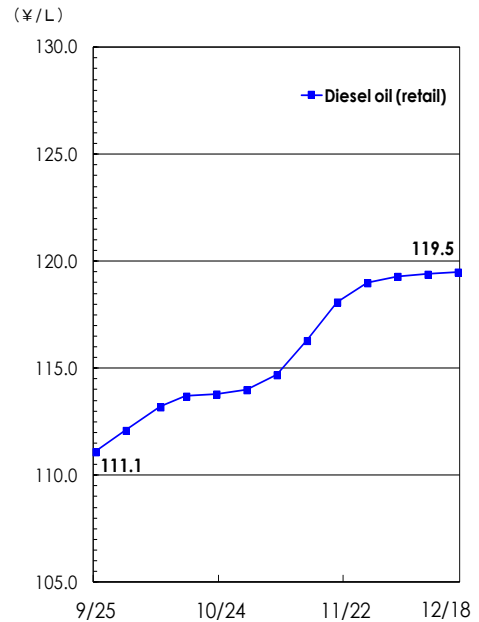
\*Gyoten and futures prices are before tax



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

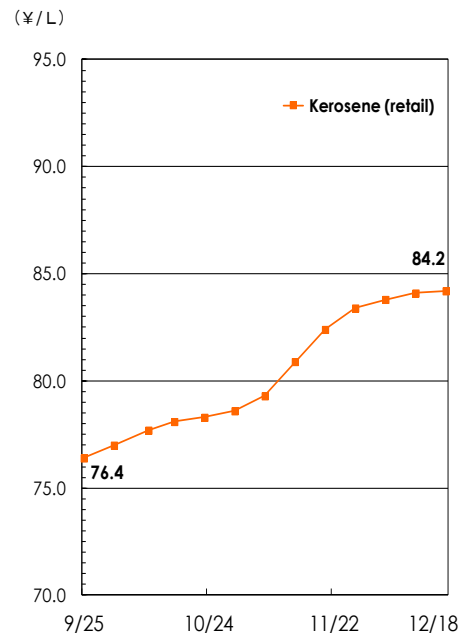
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/10 ~ 12/16	835	▼ -19	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	652	▼ -11	▲ -	
	Exports	"	185	▲ 33	▼ -	
	Inventories	12/16	1,413	▼ -2	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/12 ~ 12/18	58.5	▼ -0.1	▲ 9.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/12 ~ 12/18	58.0	→ 0.0	▲ 12.0
		(TOCOM/ Chubu)	12/18	-	-	-
	Retail prices [weekly trend] (published by ANRE)	12/18	119.5	▲ 0.1	▲ 11.0	

\*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	12/10 ~ 12/16	465	▲ 16	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	506	▼ -16	▼ -	
	Exports	"	0	▼ -49	▼ -	
	Inventories	12/16	2,390	▼ -42	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/12 ~ 12/18	60.6	▼ -0.2	▲ 5.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/12 ~ 12/18	60.1	▲ 1.0	▲ 5.9
		(TOCOM/ Chubu)	12/18	60.7	▲ 0.2	▲ 6.1
	Retail prices [weekly trend] (published by ANRE)	12/18	84.2	▲ 0.1	▲ 9.6	



## Relevant Information

### 1 Overseas crude oil prices

On December 20, the most frequently traded WTI crude oil futures contract on the NYMEX increased further on the EIA's weekly oil inventory report, a Goldman Sachs forecast of an oil supply-demand equilibrium in mid-2018 and the Brent futures price's continuous rise amid the North Sea pipeline shutdown. The EIA report said that crude oil inventories posted a decline of 6.5 million barrels from a week earlier, faster than a market-forecast fall of 3.8 million barrels, to 440 million barrels, the lowest since October 2015. Gasoline inventories logged an increase of 1.2 million barrels, slower than a market-forecast rise of 1.9 million barrels. The February contract, which became the key contract on the day, closed at \$58.09/bbl, up \$0.53/bbl. The March contract rose by \$0.55/bbl to \$58.13/bbl.

According to the EIA, the average U.S. retail price of gasoline as of December 18 dropped by 3.5 cents per gallon from a week earlier to \$2.450/gal (73.5 yen/l). The average diesel oil price fell by 0.9 cents/gal to \$2.901/gal (87.1 yen/l). The gasoline price decreased for the fifth straight week. The diesel price fell for the third 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 10-16 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 15,000 kl (kiloliters) from the previous week to 3,764,000 kl. From a year earlier, it decreased by 272,000 kl. The topper capacity utilization rate stood at 96.1%, up 0.4 percentage points from the previous week and up 0.4 points from a year earlier.

Output increased from the previous week for jet fuel and kerosene while decreasing for other petroleum products. Output was down 5.7% for gasoline, up 6.5% for jet fuel, up 3.5% for kerosene, down 2.2% for diesel oil, down 6.3% for Fuel Oil A and down 3.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 43,000 kl, up 32,000 kl from the previous week. Diesel oil exports aggregated 185,000 kl, up 33,000 kl.

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

Gasoline shipments decreased by 2.8% from the previous week to 922,000 kl. They decreased week on week and year on year for the second straight week, remaining below 1 million kl for seven weeks on end. Shipments totaled 93,000 kl for jet fuel (down 8.5% from the previous week), 506,000 kl for

kerosene (down 3.1%), 652,000 kl for diesel oil (down 1.6%), 272,000 kl for Fuel Oil A (up 4.0%) and 294,000 kl for Fuel Oil C (down 2.3%).

(Unit: 1,000 kl)

	This week (12/10 ~ 12/16)	Previous week (12/3 ~ 12/9)	From a week earlier
Gasoline	922	949	▼ -27 (-3%)
Jet fuel	93	101	▼ -8 (-8%)
Kerosene (heating Oil)	506	522	▼ -16 (-3%)
Diesel oil	652	663	▼ -11 (-2%)
Fuel oil A	272	262	▲ 10 (4%)
Fuel Oil C	294	301	▼ -7 (-2%)
<b>Total</b>	<b>2,739</b>	<b>2,798</b>	<b>▼ -59 (-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 December 16 increased from a week earlier only for jet fuel and decreased for other petroleum products. From a year earlier, inventories increased for jet fuel, kerosene and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,678,000 kl, down 22,000 kl from a week earlier and down 15,000 kl from a year earlier.

Kerosene inventories totaled 2,390,000 kl, down 42,000 kl from a week earlier and up 285,000 kl from a year earlier.

Diesel oil inventories totaled 1,413,000 kl, down 2,000 kl from a week earlier and down 142,000 kl from a year earlier.

Fuel Oil A inventories totaled 666,000 kl, down 1,000 kl from a week earlier and down 56,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,967,000 kl, down 22,000 kl from a week earlier and up 83,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/16)	Previous week (12/9)	From a week earlier
Gasoline	1,678	1,700	▼ -22 (-1%)
Jet fuel	1,020	1,001	▲ 19 (2%)
Kerosene (heating Oil)	2,390	2,432	▼ -42 (-2%)
Diesel oil	1,413	1,415	▼ -2 (-0%)
Fuel oil A	666	667	▼ -1 (-0%)
Fuel Oil C	1,967	1,989	▼ -22 (-1%)
<b>Total</b>	<b>9,134</b>	<b>9,204</b>	<b>▼ -70 (-0.8%)</b>

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

Between December 12 and 18, crude oil cost apparently increased as crude oil prices rose, with the yen levelling off against the dollar.

Onshore cargo spot prices leveled off in a 112-113 yen/l range for gasoline, in a 58-59 yen/l range for diesel oil and in a 60-61 yen/l range for kerosene.

Offshore barge spot prices fell in a 113-116 yen/l range for gasoline, dropped and levelled off in a 61-62 yen/l range for diesel oil and decreased slightly in a 59-61 yen/l range for kerosene.

The key futures price fell and rose back in a 110-113 yen/l range for gasoline, leveled off in a 58-59 yen/l range for diesel oil and dropped and rebounded slightly in a 59-62 yen/l range for kerosene.

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

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

While crude oil cost increased in the December 12-18 week, spot petroleum products prices were mixed. Their onshore cargo spot prices fell slightly, while their offshore barge spot and futures prices rose slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the December 12-18 week) that influences Motouri's wholesale prices applied to the fourth week of December (December 21-27) fell by 0.2 yen/l from the previous week for gasoline, by 0.2 yen/l for kerosene and by 0.1 yen/l 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 0.1 yen/l for diesel oil. The key futures price rose by 0.3 yen/l for gasoline and by 1.0 yen/l for kerosene and leveled off for diesel oil. Crude oil cost increased as crude oil prices gained, with the yen levelling off against the dollar.

For the fourth week of December, Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them 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 (12/12 ~ 12/18)	Previous week (12/5 ~ 12/11)	From a week earlier
Spot Prices	Regular	58.6	58.8	▼ -0.2
	Kerosene	60.6	60.8	▼ -0.2
	Diesel oil	58.5	58.6	▼ -0.1

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/12 ~ 12/18)	Previous week (12/5 ~ 12/11)	From a week earlier
Futures Price	Regular	57.7	57.4	▲ 0.3
	Kerosene	60.1	59.1	▲ 1.0
	Diesel oil	58.0	58.0	➡ 0.0

Above prices are before tax.

Reference (December 12 - December 18 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▼ -0.2	▲ 0.3	▲ 0.1		
Kerosene	▼ -0.2	▲ 1.0	▲ 0.4		
Diesel oil	▼ -0.1	➡ 0.0	➡ 0.0		
Fuel Oil A	➡ 0.0				

(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 18 rose by 0.1 yen/l from a week earlier to 141.5 yen/l for gasoline, by 0.1 yen/l to 119.5 yen/l for diesel oil and by 0.1 yen/l to 84.2 yen/l for kerosene. The gasoline price increased for the first time in two weeks. The diesel prices increased for the 14th straight week. The kerosene price also rose for the 14th consecutive week on an 18-liter tank basis. Gasoline prices increased in 23 of Japan's 47 prefectures, remained unchanged in 10 and decreased in 14. The lowest gasoline price among the prefectures was 136.7 yen/l in Saitama Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 137.3 yen/l in Chiba (up 0.1 yen/l). The highest price was 149.4 yen/l in Okinawa (up 1.4 yen/l). Posting the largest price hike of 1.4 yen/l was Okinawa (149.4 yen/l).

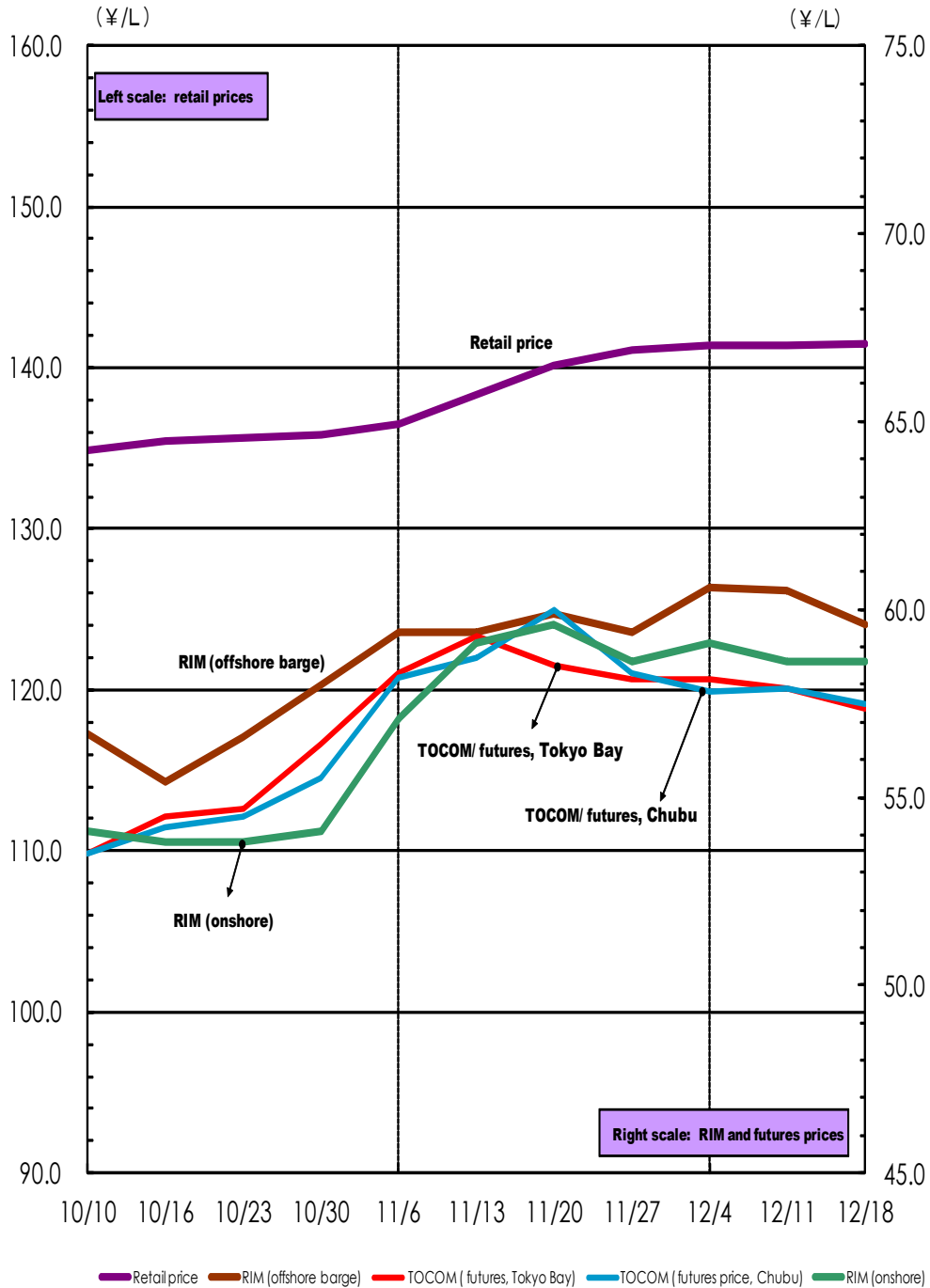
While crude oil cost increased slightly in the previous week, all Motouri companies kept wholesale prices unchanged for gasoline, diesel oil and kerosene. The average retail gasoline price rose for the first time in two weeks. This week, crude oil cost increased as crude oil prices rose, with the yen levelling off against the dollar. Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them by 0.5-1.0 yen/l. Retail gasoline and kerosene prices are expected to rise slightly next week (as of December 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/18)	Previous week (12/11)	From a week earlier	Latest high
Retail Price	Regular	141.5	141.4	▲ 0.1	08/8/4 185.1
	Kerosene	84.2	84.1	▲ 0.1	08/8/11 132.1
	Diesel oil	119.5	119.4	▲ 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

(2017/10/10 ~ 2017/12/18)



(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. 37 for 2017) will be announced at 14:00 on January 12.

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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).