

Oil Market Review in Japan No. 37/2017

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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 December 14-20 week moved within a range between \$57.04 per barrel and \$58.09/bbl.

On December 21, the February contract rose for the third straight day on a U.S. crude oil inventory fall in the previous day's weekly EIA (Energy Information Administration) report, and position adjustment and dip buying, while concerns on oil supply disruption faded away on a report that the shutdown North Sea pipeline would resume operation in early January. The key contract closed at \$58.36/bbl, up \$0.27/bbl from the previous day.

On December 22, the key contract increased for the fourth straight day as buybacks came on market players' interpretation of price levels as reasonable amid expectations of a supply-demand equilibrium after profit taking selling before a three-day weekend ran its course. Supporting the rise was a Baker Hughes report that the number of operating U.S. oil-drilling rigs remained unchanged from a week earlier at 747. The February contract rose by \$0.11/bbl to \$58.47/bbl.

On December 25, the market was closed for Christmas.

On December 26 after a three-day weekend, the key contract rose beyond \$60/bbl briefly for the first time since June 25, 2015, for the fifth straight trading day of rise on the dollar's depreciation against the euro as well as a report that armed rebels bombed a crude oil shipment pipeline in Libya, while trading was thin after Christmas and before the year-end and New Year holidays. The February contract closed at \$59.97/bbl, up \$1.50/bbl.

On December 27, the key contract turned down as profit taking selling spread after the previous day's upsurge, with concerns on oil supply disruption fading away on Libya's announcement to restore the bombed pipeline in a week and on the reported partial restoration of the North Sea pipeline. The February contract lost \$0.33/bbl to \$59.64/bbl.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market moved in a range between \$60.10/bbl and \$61.70/bbl in the December 14-20 week. It closed at \$62.00/bbl on December 21, at \$62.40/bbl on December 22, at \$62.50/bbl on December 25, at \$62.70/bbl on December 26 and at \$64.10/bbl on December 27.

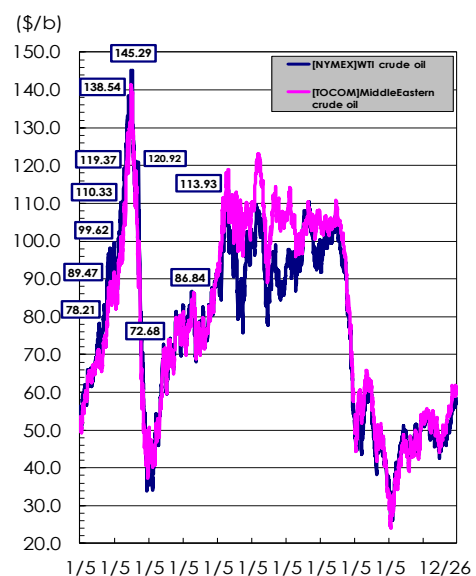
On the foreign exchange market in the December 14-20 week, the dollar moved within a narrow range between 112.40 and 112.97 yen. It changed hands at 113.22 yen in late trading on December 21, at 113.41 yen on December 22, at 113.23 yen on December 25, at 113.38 yen on December 26 and at 113.41 yen on December 27.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 27, the average crude oil import CIF price in the December 1-10 period stood at 42,974 yen/kl (kiloliter), up 1,116 yen/kl from the previous 10-day period. In dollars, the price was \$60.83/bbl, up \$2.25/bbl. The average exchange rate was 112.31 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of January were left unchanged for gasoline, diesel oil and kerosene (heating oil) by some Motouri companies and raised by 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 25 rose by 0.2 yen/l (liter) from a week earlier for gasoline, by 0.1 yen/l for diesel oil and by 0.2 yen/l for kerosene. The gasoline price increased for the second straight week. The diesel prices rose for the 15th straight week. The kerosene price also increased for the 15th consecutive week on an 18-liter tank basis. While crude oil cost rose in the fourth week of December, wholesale gasoline, diesel oil and kerosene prices were left unchanged by some Motouri companies and raised by 0.5-1.0 yen/l by others.

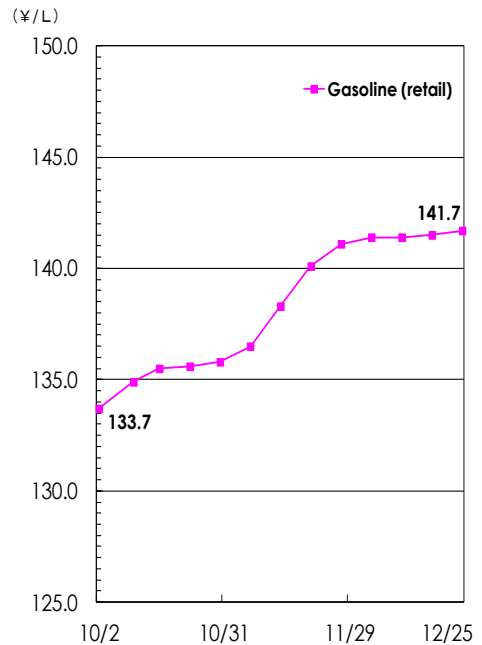
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/17 ~ 12/23	3,828	▲ 64	▼ -
	Topper capacity utilization rate (%)	"	97.7	▲ 1.6	▲ -
	Crude oil inventories (1,000 kl)	12/23	13,005	▲ 276	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/25	61.47	▲ 1.21	▲ 8.3
	WTI crude oil (NYMEX) (\$/bbl)	12/26	59.97	▲ 2.81	▲ 6.1
	Crude oil import CIF price (\$/bbl)	Early Dec	60.83	▲ 2.25	▲ 14.07
	①Crude oil import CIF price (yen/kl)	"	42,974	▲ 1,116	▲ 9,729
	②Yen-dollar exchange rate (yen/dollar)	"	112.31	▲ 1.30	▲ 0.73
	TTS exchange rate (yen/dollar)	12/25	114.23	▼ -0.47	▲ 3.79



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/17 ~ 12/23	1,021	▲ 27	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	1,013	▲ 91	▼ -	
	Exports	"	84	▼ -10	▲ -	
	Inventories	12/23	1,603	▼ -75	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/19 ~ 12/25	59.0	▲ 0.4	▲ 11.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/19 ~ 12/25	58.1	▲ 0.4	▲ 8.1
		(TOCOM/Chubu)	12/25	58.5	▲ 1.0	▲ 9.5
	Retail prices [weekly trend] (published by ANRE)	12/25	141.7	▲ 0.2	▲ 11.4	

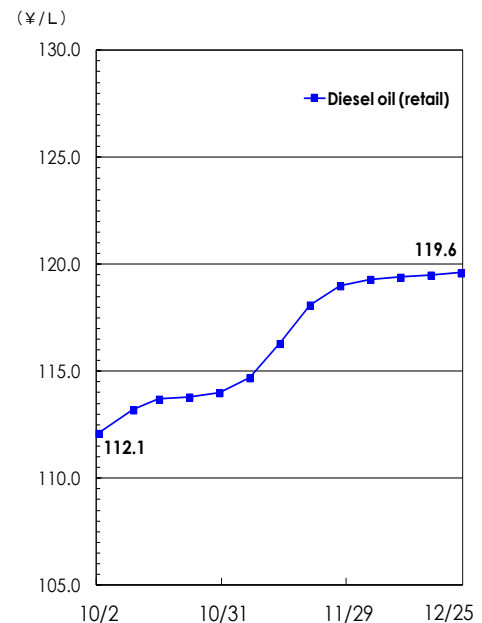
*Gyoten and futures prices are before tax



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

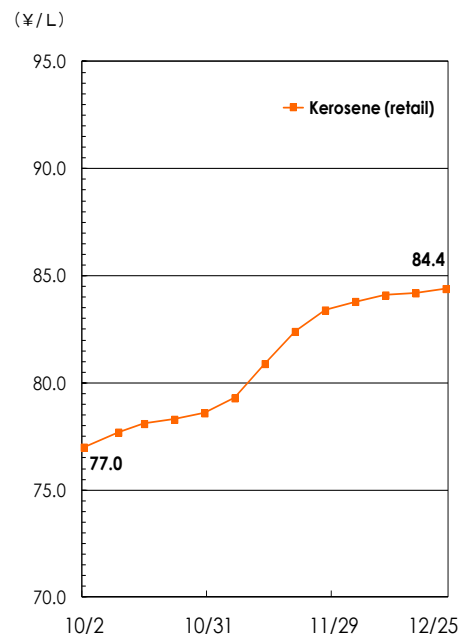
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/17 ~ 12/23	919	▲ 84	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	690	▲ 38	▼ -	
	Exports	"	144	▼ -42	▼ -	
	Inventories	12/23	1,499	▲ 86	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/19 ~ 12/25	59.0	▲ 0.5	▲ 10.0	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/19 ~ 12/25	58.0	▶ 0.0	▲ 12.0
		(TOCOM/Chubu)	12/25	-	-	-
	Retail prices [weekly trend] (published by ANRE)	12/25	119.6	▲ 0.1	▲ 10.1	

*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	12/17 ~ 12/23	404	▼ -61	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	516	▲ 10	▲ -	
	Exports	"	0	▶ 0	▼ -	
	Inventories	12/23	2,279	▼ -111	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/19 ~ 12/25	60.9	▲ 0.3	▲ 6.8	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/19 ~ 12/25	60.5	▲ 0.4	▲ 7.7
		(TOCOM/Chubu)	12/25	60.2	▼ -0.5	▲ 8.1
	Retail prices [weekly trend] (published by ANRE)	12/25	84.4	▲ 0.2	▲ 8.2	



Relevant Information

1 Overseas crude oil prices

On December 27, the most frequently traded WTI crude oil futures contract on the NYMEX turned down for the first time in six trading days as concerns about oil supply disruption faded away on announcements about Libyan and North Sea pipelines, with profit taking selling following the previous day's upsurge. Libya's National Oil Corporation announced the pipeline (with transportation capacity at 100,000 barrels per day) bombed by radicals would restart operation in a week, having no major effect on its crude oil exports. An announcement said that the North Sea Forties pipeline (with capacity at 450,000 bpd), shut down due to leaks, resumed operation partially on December 26. The EIA's weekly oil inventory report was postponed until December 28 due to Christmas. The February contract closed at \$59.64/bbl, down \$0.33/bbl. The March contract fell by \$0.31/bbl to \$59.69/bbl.

According to the EIA, the average U.S. retail price of gasoline as of December 25 rose by 2.2 cents per gallon from a week earlier to \$2.472/gal (74.5 yen/l). The average diesel oil price increased by 0.2 cents/gal to \$2.903/gal (87.5 yen/l). The gasoline price rose for the first time in six weeks. The diesel price increased for the first time in four 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 December 17-23 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 64,000 kl from the previous week to 3,828,000 kl. From a year earlier, it decreased by 201,000 kl. The topper capacity utilization rate stood at 97.7%, up 1.6 percentage points from the previous week and up 2.2 points from a year earlier.

Output increased from the previous week for gasoline, diesel oil and Fuel Oil A while decreasing for other petroleum products. Output was up 2.7% for gasoline, down 11.0% for jet fuel, down 13.1% for kerosene, up 10.1% for diesel oil, up 5.0% for Fuel Oil A and down 8.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 48,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 144,000 kl, down 42,000 kl.

Shipments (excluding imports) in the week decreased from the previous week only for Fuel Oil C and increased for other petroleum products. From a year earlier, shipments increased for jet fuel, kerosene and Fuel Oil A and decreased for others. Gasoline shipments increased by 9.8% from the previous week to 1,013,000 kl. They increased week on week for the first time in three weeks and decreased year on year for the third straight week, exceeding 1 million kl for the first time in eight weeks. Shipments totaled 136,000 kl for jet fuel (up 47.1% from the previous week),

516,000 kl for kerosene (up 1.9%), 690,000 kl for diesel oil (up 5.8%), 296,000 kl for Fuel Oil A (up 8.6%) and 289,000 kl for Fuel Oil C (down 1.9%).

(Unit: 1,000 kl)

	This week (12/17 ~ 12/23)	Previous week (12/10 ~ 12/16)	From a week earlier
Gasoline	1,013	922	▲ 91 (10%)
Jet fuel	136	93	▲ 43 (46%)
Kerosene (heating Oil)	516	506	▲ 10 (2%)
Diesel oil	690	652	▲ 38 (6%)
Fuel oil A	296	272	▲ 24 (9%)
Fuel Oil C	289	294	▼ -5 (-2%)
Total	2,940	2,739	▲ 201 (7%)

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 23 increased from a week earlier for diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,603,000 kl, down 75,000 kl from a week earlier and down 51,000 kl from a year earlier.

Kerosene inventories totaled 2,279,000 kl, down 111,000 kl from a week earlier and up 120,000 kl from a year earlier.

Diesel oil inventories totaled 1,499,000 kl, up 86,000 kl from a week earlier and up 78,000 kl from a year earlier.

Fuel Oil A inventories totaled 668,000 kl, up 2,000 kl from a week earlier and down 69,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,914,000 kl, down 53,000 kl from a week earlier and up 35,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/23)	Previous week (12/16)	From a week earlier
Gasoline	1,603	1,678	▼ -75 (-4%)
Jet fuel	972	1,020	▼ -48 (-5%)
Kerosene (heating Oil)	2,279	2,390	▼ -111 (-5%)
Diesel oil	1,499	1,413	▲ 86 (6%)
Fuel oil A	668	666	▲ 2 (0%)
Fuel Oil C	1,914	1,967	▼ -53 (-3%)
Total	8,935	9,134	▼ -199 (-2.2%)

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

Between December 19 and 25, crude oil cost apparently increased as crude oil prices rose, with the yen levelling off against the dollar.

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

Offshore barge spot prices rose and fell back slightly in a 114-116 yen/l range for gasoline, levelled off in a 61-62 yen/l range for diesel oil and rose in a 59-61 yen/l range for kerosene.

The key futures price rose and fell back slightly in a 110-113 yen/l range for gasoline, leveled off in a 58-59 yen/l range for diesel oil and rose in a 59-61 yen/l range for kerosene.

Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them by 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 19-25 week, spot petroleum products prices other than offshore barge and futures prices for diesel oil rose slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the December 19-25 week) that influences Motouri's wholesale prices applied to two weeks from December 28 to January 10 rose by 0.4 yen/l from the previous week for gasoline, by 0.3 yen/l for kerosene and by 0.5 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 0.7 yen/l for gasoline and by 0.2 yen/l for kerosene and fell by 0.1 yen/l for diesel oil. The key futures price rose by 0.4 yen/l for gasoline and 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 first week of January, Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them by 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 cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/19 ~ 12/25)	Previous week (12/12 ~ 12/18)	From a week earlier
Spot Prices	Regular	59.0	58.6	▲ 0.4
	Kerosene	60.9	60.6	▲ 0.3
	Diesel oil	59.0	58.5	▲ 0.5

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/19 ~ 12/25)	Previous week (12/12 ~ 12/18)	From a week earlier
Futures Price	Regular	58.1	57.7	▲ 0.4
	Kerosene	60.5	60.1	▲ 0.4
	Diesel oil	58.0	58.0	➡ 0.0

Above prices are before tax.

Reference (December 19 - December 25 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▲ 0.4	▲ 0.4	▲ 0.4		
Kerosene	▲ 0.3	▲ 0.4	▲ 0.3		
Diesel oil	▲ 0.5	➡ 0.0	▲ 0.2		
Fuel Oil A	▲ 0.3				

(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 25 rose by 0.2 yen/l from a week earlier to 141.7 yen/l for gasoline, by 0.1 yen/l to 119.6 yen/l for diesel oil and by 0.2 yen/l to 84.4 yen/l for kerosene. The gasoline price increased for the second straight week. The diesel price increased for the 15th straight week. The kerosene price also rose for the 15th consecutive week on an 18-liter tank basis. Gasoline prices increased in 27 of Japan's 47 prefectures, remained unchanged in nine and decreased in 11. The lowest gasoline price among the prefectures was 136.7 yen/l in Saitama Prefecture (unchanged from a week earlier). The second lowest was 137.5 yen/l in Chiba (up 0.2 yen/l). The highest price was 149.5 yen/l in Okinawa (up 0.1 yen/l). Posting the largest price hike of 0.9 yen/l was Yamanashi (141.0 yen/l).

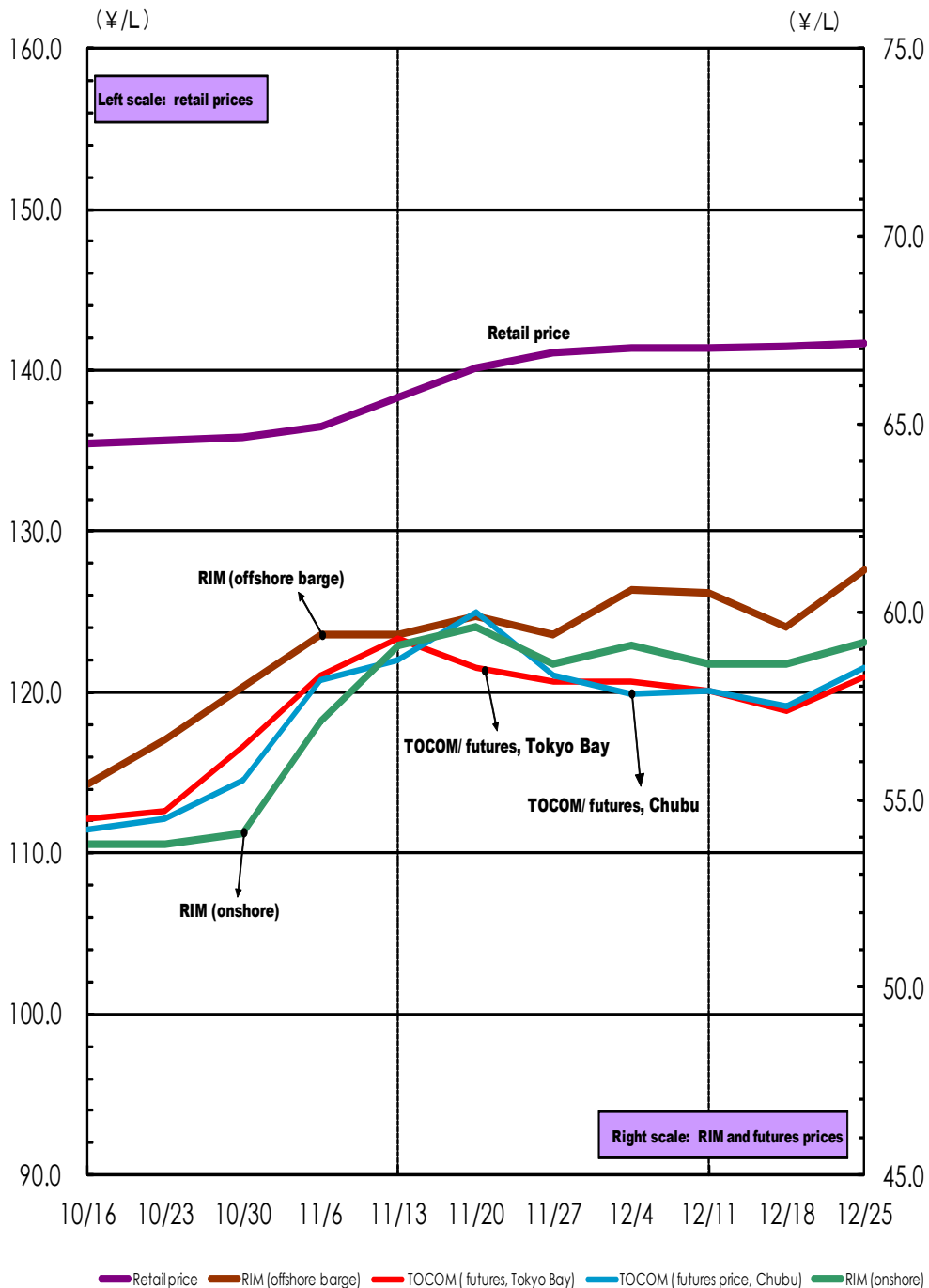
While crude oil cost increased in the previous week, Motouri companies kept wholesale prices unchanged for gasoline, diesel oil and kerosene or raised them by 0.5-1.0 yen/l. The average retail gasoline price rose for the second straight week. This week, crude oil cost increased as crude oil prices rose, with the yen levelling off against the dollar. Motouri companies that kept their wholesale prices unchanged for gasoline, diesel oil and kerosene in the previous week raised them by 1.0 yen/l this week. Those that raised these prices in the previous week left them unchanged. Retail gasoline and kerosene prices are expected to rise slightly next week (as of January 9).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
		This week (12/25)	Previous week (12/18)	From a week earlier	Latest high	
Retail Price	Regular	141.7	141.5	▲ 0.2	08/8/4	185.1
	Kerosene	84.4	84.2	▲ 0.2	08/8/11	132.1
	Diesel oil	119.6	119.5	▲ 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

(2017/10/16 ~ 2017/12/25)



(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. 38 for 2017) will be announced at 14:00 on January 19.

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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).