

# Oil Market Review in Japan No. 23/2018

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[https://eneken.iej.or.jp/en/weekly\\_oil/index.php](https://eneken.iej.or.jp/en/weekly_oil/index.php)

## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 6-12 week moved within a range between \$67.54 per barrel and \$70.37/bbl.

On September 13, the October contract turned down for the first time in three days on profit-taking selling after its rise above \$70/bbl on the previous day. Supporting selling was a monthly IEA (International Energy Agency) report which said that OPEC (Organization of the Petroleum Exporting Countries) crude oil production in August hit a nine-month high and that global oil demand would be affected by concerns about emerging markets and by the escalating trade war. The key contract closed at \$68.59/bbl, down \$1.78/bbl from the previous day.

On September 14, the October contract rallied as bargain-hunting and position adjustment buying came after the previous day's plunge even amid lingering concerns about a fall in crude oil supply from Iran. The rise was capped by uncertainties about the future course of the U.S.-China trade war and a weekly Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by seven from a week earlier to 867. The key contract gained \$0.40/bbl to \$68.99/bbl.

On September 17, the key contract fell slightly on growing concerns about the future of the global economy following the United States' announcement of the third tranche of punitive tariffs on Chinese imports, while market players grew conscious of a possible fall in crude oil supply from Iran as a halt on oil imports from that country was approaching. The October contract lost \$0.08/bbl to \$68.91/bbl.

On September 18, the key contract rebounded as market players grew conscious of Middle Eastern geopolitical risks on a report that a Syrian anti-air missile shot down a Russian military aircraft while Israeli forces were operating in waters off Syria. Other factors supporting crude oil futures included lower-than-expected U.S. punitive tariffs on Chinese imports announced on the previous day and speculation that Saudi Arabia would tolerate the recent high oil prices. The October contract gained \$0.94/bbl to \$69.85/bbl.

On September 19, the key contract rose further as a weekly EIA (Energy Information Administration) report said that U.S. crude oil and gasoline inventories decreased from a week earlier. The October contract gained \$1.27/bbl to \$71.12/bbl.

The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market moved in a range between \$74.60/bbl and \$77.50/bbl in the September 6-12 week. It closed at \$77.40/bbl on September 13, at \$76.20/bbl on September 14, at \$75.70/bbl on September 18 and at \$77.20/bbl on September 19.

On the foreign exchange market in the September 6-12 week, the dollar moved within a range between 110.51 and 111.58 yen. It changed hands at 111.43 yen in late trading on September 13, at 112.11 yen on September 14, at 111.83 yen on September 18 and at 112.30 yen on September 19.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 19, the average crude oil import CIF price in the August 21-31 period stood at 53,431 yen/kl (kiloliter), down 616 yen/kl from the previous 10-day period. In dollars, the price was \$76.55/bbl, down \$0.60/bbl. The average exchange rate was 110.97 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 August came to 53,874 yen/kl, down 454 yen/kl from the previous month. In dollars, the price was \$76.94/bbl, down \$0.25/bbl. The average exchange rate was 111.33 yen to the dollar.

All major Japanese Motouri (petroleum products wholesalers) kept their wholesale prices unchanged for the third week of September for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost leveled off as the yen's slight appreciation against the dollar countered small crude oil price hikes.

Japan's average retail price on September 18 rose by 0.6 yen/l from a week earlier for gasoline, by 0.6 yen/l for diesel oil and by 7 yen for kerosene on an 18-liter tank basis. These prices rose for the third straight week. As crude oil cost increased in the second week of September, all major Motouri companies raised their wholesale prices by 1.5 yen/l from the previous week for gasoline, diesel oil and kerosene.

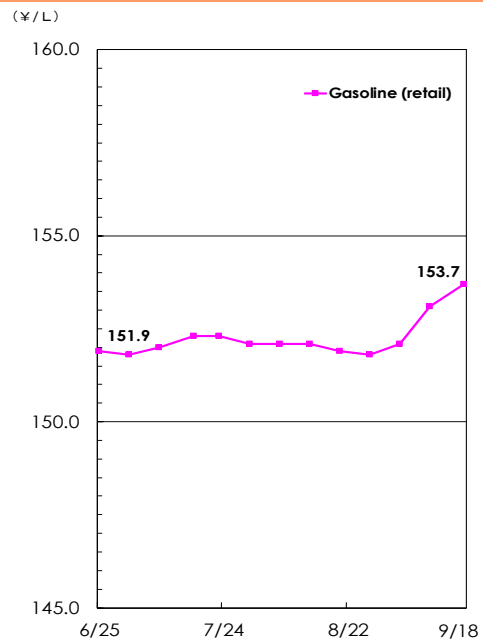
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/9 ~ 9/15	3,320	▼ -101	▼ -
	Topper capacity utilization rate (%)	"	84.8	▼ -2.6	▼ -
	Crude oil inventories (1,000 kl)	9/15	13,054	▲ 239	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/18	74.89	▲ 0.48	▲ 21.0
	WTI crude oil (NYMEX) (\$/bbl)	9/17	68.91	▲ 1.37	▲ 19.0
	Crude oil import CIF price (\$/bbl)	Late Aug	76.55	▼ -0.60	▲ 27.57
	①Crude oil import CIF price (yen/kl)	"	53,431	▼ -616	▲ 19,299
	②Yen-dollar exchange rate (yen/dollar)	"	110.97	▲ 0.39	▼ -0.19
	TTS exchange rate (yen/dollar)	9/18	112.83	▼ -0.90	▼ -0.37



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

Gasoline			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	9/9 ~ 9/15	1,067	▲ 88	▲ —
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	815	▼ -151	▼ —
	Exports	"	142	▲ 118	▲ —
	Inventories	9/15	1,666	▲ 111	▼ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 9/11 ~ 9/17	69.2	▼ -0.3	▲ 18.5
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 9/11 ~ 9/17	68.7	▲ 1.7	▲ 17.4
		(TOCOM/ Chubu) 9/14	69.3	▲ 2.7	▲ 18.2
	Retail prices [weekly trend]	(published by ANRE) 9/18	153.7	▲ 0.6	▲ 22.1

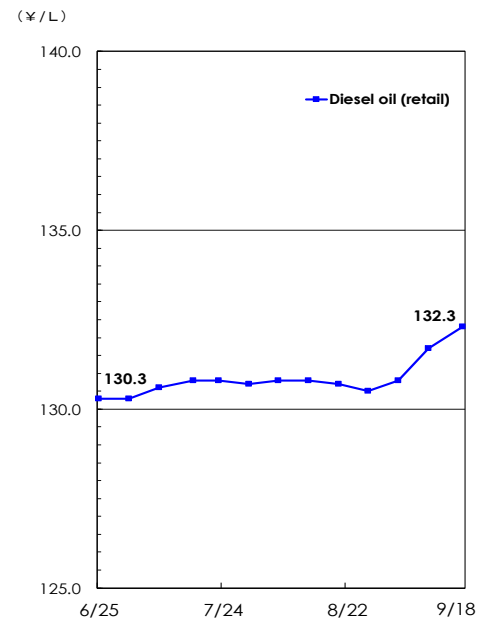
\*Gyoten and futures prices are before tax



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

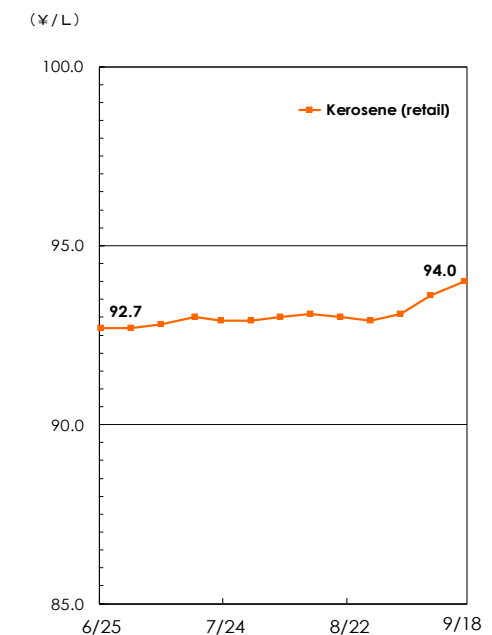
Diesel oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	9/9 ~ 9/15	815	▼ -112	▲ —
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	624	▼ -27	▲ —
	Exports	"	195	▼ -74	▼ —
	Inventories	9/15	1,576	▼ -4	▲ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 9/11 ~ 9/17	70.5	▲ 0.1	▲ 21.6
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 9/11 ~ 9/17	69.5	▲ 0.5	▲ 21.2
		(TOCOM/ Chubu) 9/14	—	—	—
	Retail prices [weekly trend]	(published by ANRE) 9/18	132.3	▲ 0.6	▲ 21.9

\*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	9/9 ~ 9/15	218	▼ -92	▲ —
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	126	▼ -42	▲ —
	Exports	"	0	▶ 0	▼ —
	Inventories	9/15	2,450	▲ 92	▲ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 9/11 ~ 9/17	70.3	▲ 0.2	▲ 20.9
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 9/11 ~ 9/17	71.0	▲ 1.1	▲ 20.9
		(TOCOM/ Chubu) 9/14	71.5	▲ 1.5	▲ 21.2
	Retail prices [weekly trend]	(published by ANRE) 9/18	94.0	▲ 0.4	▲ 17.9



## Relevant Information

### 1 Overseas crude oil prices

On September 19, the most frequently traded crude oil futures contract on NYMEX rose to the highest level since July 10 as resurging concerns about a fall in crude oil supply from Iran were combined with weekly declines in U.S. crude oil and gasoline inventories as reported by the EIA. Crude oil inventories posted a slower-than-forecast decrease of 2.1 million barrels to 394.1 million barrels, the lowest since February 2015, while gasoline inventories logged a drop of 17 million barrels against a market-forecast decrease of 100,000 barrels. OPEC and non-OPEC oil producing countries were to hold a meeting of their market monitoring committee in Algeria on September 23, attracting attention from market players. The October contract gained \$1.27/bbl to \$71.12/bbl. The November contract increased by \$1.18/bbl to \$70.77/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 17 rose by 0.8 cents per gallon from a week earlier to \$2.841/gal (84.8 yen/l). The average diesel oil price increased by 1.0 cents/gal to \$3.268/gal (97.5 yen/l). The gasoline price rose for the second straight week, while the diesel price increased for the fourth straight 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 September 9-15 week stood at 300,000 barrels per day, up 236,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 101,000 kl from the previous week to 3,320,000 kl. From a year earlier, it declined by 259,000 kl. The topper capacity utilization rate stood at 84.8%, down 2.6 points from the previous week and down 6.6 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and Fuel Oil A and decreased for other petroleum products. Output was up 9.0% for gasoline, up 52.1% for jet fuel, down 29.7% for kerosene, down 12.1% for diesel oil, up 4.6% for Fuel Oil A and down 5.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 42,000 kl, down 8,000 kl from the previous week. Diesel oil exports aggregated 195,000 kl, down 74,000 kl.

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

Gasoline shipments decreased by 15.6% from the previous week to 815,000 kl for the second straight weekly fall, remaining below 1 million kl for two weeks on end.

Shipments totaled 172,000 kl for jet fuel (up 325.3% from the previous week), 126,000 kl for kerosene (down 25.0%),

624,000 kl for diesel oil (up 4.2%), 206,000 kl for Fuel Oil A (up 2.0%) and 250,000 kl for Fuel Oil C (up 83.5%).

(Unit: 1,000 kl)

	This week (9/9 ~ 9/15)	Previous week (9/2 ~ 9/8)	From a week earlier
Gasoline	815	966	▼ -151 (-16%)
Jet fuel	172	40	▲ 132 (330%)
Kerosene (heating Oil)	126	168	▼ -42 (-25%)
Diesel oil	624	651	▼ -27 (-4%)
Fuel oil A	206	202	▲ 4 (2%)
Fuel Oil C	250	136	▲ 114 (84%)
<b>Total</b>	<b>2,193</b>	<b>2,163</b>	<b>▲ 30 (1%)</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 September 15 increased from a week earlier for gasoline, kerosene and Fuel Oil C and decreased for others. From a year earlier, inventories decreased for gasoline, jet fuel and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,666,000 kl, up 111,000 kl from a week earlier and down 110,000 kl from a year earlier.

Kerosene inventories totaled 2,450,000 kl, up 92,000 kl from a week earlier and up 72,000 kl from a year earlier.

Diesel oil inventories totaled 1,576,000 kl, down 4,000 kl from a week earlier and up 167,000 kl from a year earlier.

Fuel Oil A inventories totaled 708,000 kl, down 1,000 kl from a week earlier and down 61,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,121,000 kl, up 4,000 kl from a week earlier and up 19,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/15)	Previous week (9/8)	From a week earlier
Gasoline	1,666	1,555	▲ 111 (7%)
Jet fuel	1,001	1,136	▼ -135 (-12%)
Kerosene (heating Oil)	2,450	2,358	▲ 92 (4%)
Diesel oil	1,576	1,580	▼ -4 (-0%)
Fuel oil A	708	709	▼ -1 (-0%)
Fuel Oil C	2,121	2,117	▲ 4 (0%)
<b>Total</b>	<b>9,522</b>	<b>9,455</b>	<b>▲ 67 (0.7%)</b>

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

In the September 11-17 week, crude oil cost apparently increased from the previous week as crude oil prices hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices in the week almost leveled off in a 122-124 yen/l range for gasoline and in a 70-71 yen/l range for diesel oil and rose slightly in a 70-71 yen/l range for kerosene.

Offshore barge spot prices in the week rose in a 124-126 yen/l range for gasoline and increased sharply in a 70-72 yen/l range for diesel oil and in a 70-72 yen/l range for kerosene.

The key futures price in the week rose sharply in a 121-124 yen/l range for gasoline, increased in a 69-71 yen/l range for diesel oil and soared and fell back slightly in a 70-72 yen/l range for kerosene.

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

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

Other than onshore cargo prices for gasoline that declined, other spot petroleum products prices increased in all markets.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the September 11-17 week) that influences Motouri's wholesale prices applied to the fourth week of September (September 20-26) fell by 0.3 yen/l for gasoline and rose 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 1.6 yen/l for gasoline, by 1.1 yen/l for kerosene and by 1.1 yen/l for diesel oil.

The key futures price rose by 1.7 yen/l for gasoline, by 1.1 yen/l for kerosene and by 0.5 yen/l for diesel oil.

Crude oil cost rose as crude oil price hikes coincided with the yen's depreciation against the dollar.

For the fourth week of September, major Motouri companies raised their wholesale prices by 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 cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (9/11 ~ 9/17)	Previous week (9/4 ~ 9/10)	From a week earlier
<b>Spot Prices</b> Regular	69.2	69.5	▼ -0.3
Kerosene	70.3	70.1	▲ 0.2
Diesel oil	70.5	70.4	▲ 0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (9/11 ~ 9/17)	Previous week (9/4 ~ 9/10)	From a week earlier
<b>Futures Price</b> Regular	68.7	67.0	▲ 1.7
Kerosene	71.0	69.9	▲ 1.1
Diesel oil	69.5	69.0	▲ 0.5

Above prices are before tax.

Reference (September 11 - September 17 actual data)

Products	Spot	Futures	Average
Gasoline	▼ -0.3	▲ 1.7	▲ 0.7
Kerosene	▲ 0.2	▲ 1.1	▲ 0.7
Diesel oil	▲ 0.1	▲ 0.5	▲ 0.3
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 September 18 rose by 0.6 yen/l from a week earlier to 153.7 yen/l for gasoline, by 0.6 yen/l to 132.3 yen for diesel oil and by 0.4 yen/l to 94.0 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 7 yen to 1,692 yen). These prices rose for the third straight week. The gasoline price represented the highest level in 45 months, remaining above 150 yen/l for 17 weeks on end since May 28. Gasoline prices increased in 41 of Japan's 47 prefectures, leveled off in three and dropped in three. The lowest gasoline price among the prefectures was 149.3 yen/l in Tokushima Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 149.4 yen/l in Saitama (up 1.3 yen/l). The highest price was 162.7 yen/l in Nagasaki (up 1.0 yen/l). Posting the largest price hike of 2.6 yen/l was Shiga (153.3 yen/l). The largest price drop was 0.3 yen/l in Kumamoto Prefecture (to 154.3 yen/l). Gasoline prices leveled off in Toyama, Kochi and Ishikawa.

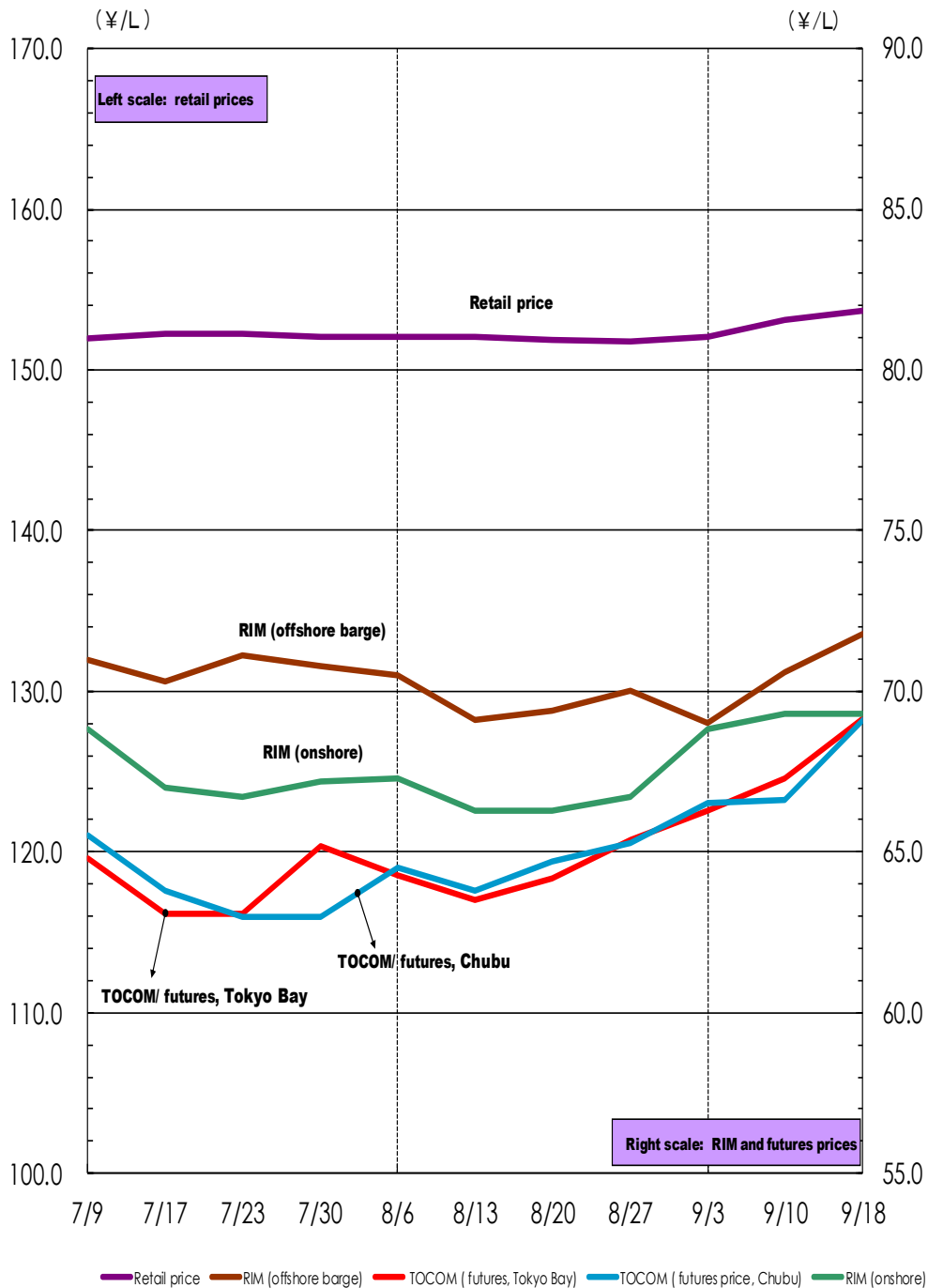
As crude oil cost rose last week, all major Motouri companies raised their wholesale prices by 1.0 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost leveled off this week as crude oil price hikes coincided with the yen's depreciation against the dollar. Retail gasoline prices are expected to rise next week (as of September 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/18)	Previous week (9/10)	From a week earlier	Latest high	
<b>Retail Price</b> Regular	153.7	153.1	▲ 0.6	08/8/4	185.1
Kerosene	94.0	93.6	▲ 0.4	08/8/11	132.1
Diesel oil	132.3	131.7	▲ 0.6	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

(2018/7/9 ~ 2018/9/18)



(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 (<https://eneken.ieej.or.jp/en/>).  
The next issue (No. 24 for 2018) will be announced at 14:00 on October 5.

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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).