

Oil Market Review in Japan No. 23/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 2-September 8 week moved within a range of \$68.35 per barrel and \$69.99/bbl.

On September 9, the October contract turned down significantly due to several bearish factors such as the announcement of China's release of SPR (Strategic Petroleum Reserve), concerns over the economic slowdown caused by the new outbreaks of COVID-19 Variants and the U.S. stock prices decline. According to the announcement of the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic inventory decreased slightly for crude oil and decreased significantly for petroleum products from the previous week, which showed different results. The oil price level was supported by a delay in recovery from damages caused by Hurricane "Aida." The October contract closed at \$68.14/bbl down \$1.16/bbl from the previous day.

On September 10, the October contract rebounded by the expectation for tightening oil demand and supply in the future. There had been a delay in restart of operation in oil production facilities off the coast of the U.S. Gulf of Mexico due to damages caused by Hurricane "Aida." Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by seven units from a week earlier to 401 units. The October contract closed at \$69.72/bbl up \$1.58/bbl from the previous day.

On September 13, the key contract rose further, reaching the \$70/bbl level for the first time in one month. The market players were concerned about damages in oil facilities in the U.S. Gulf of Mexico area which would be caused by a new Hurricane "Nicolas", while they still suffered from damages caused by Hurricane "Aida." The October contract closed at \$70.45/bbl up \$0.73/bbl from the previous day.

On September 14, the key contract closing price was almost flat after mixed buying and selling trend. Although Hurricane "Nicolas" was downgraded to tropical depression, damages caused by Hurricane "Aida" was serious and many of the U.S. oil production facilities still stooped the operation. The IEA (International Energy Agency) Oil Market Report announced on this day told that the world oil demand declined for the past three months and would increase in October 2021. The October contract gained \$0.01/bbl to \$70.46/bbl from the previous day.

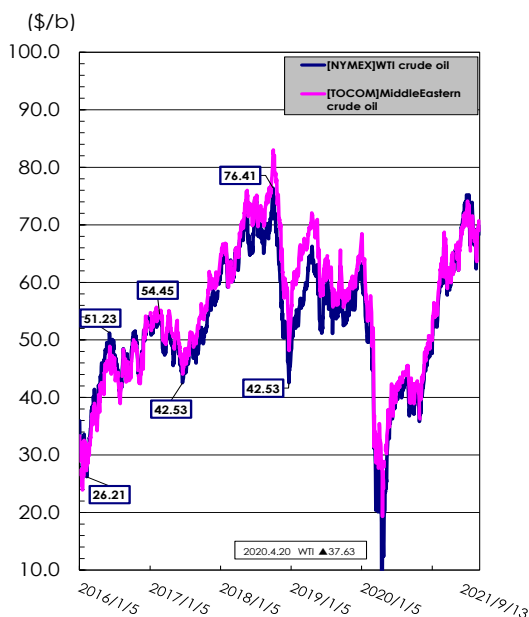
On September 15, the key contract rose further by a sense of tightening oil demand and supply due to a delay in the restart of oil supply caused by the Hurricanes. In addition, according to the U.S. EIA Weekly Report, the U.S. domestic inventory decreased for both crude oil and oil products from the previous week. The October contract gained \$2.15/bbl to \$72.16/bbl from the previous day.

The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged from \$69.60/bbl to \$71.30/bbl in the September 2-September 8 week. It closed at \$70.70/bbl on September 9, at \$70.20/bbl on September 10, at \$71.70/bbl on September 13, at \$72.20/bbl on September 14, at \$72.10/bbl on September 15.

On the foreign exchange market in the September 2-September 8 week, the dollar moved within a range of 109.78 yen and 110.27 yen. It changed hands at 110.23 yen in late trading on September 9 at 109.78 yen on September 10, at 109.98 yen on September 13, at 110.05 yen on September 14, at 109.65 yen on September 15.

Japan's average retail price on September 13 gained by 0.2 yen/l from a week earlier for gasoline and gained by 0.2 yen/l for diesel oil and gained by 1.0 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the second straight week. Diesel oil price increased for the second straight week. Kerosene price increased for the second straight week. As crude oil cost almost leveled off for the second week of September, Motouri companies maintained their wholesale prices from a week earlier for gasoline, diesel oil and kerosene for the next week.

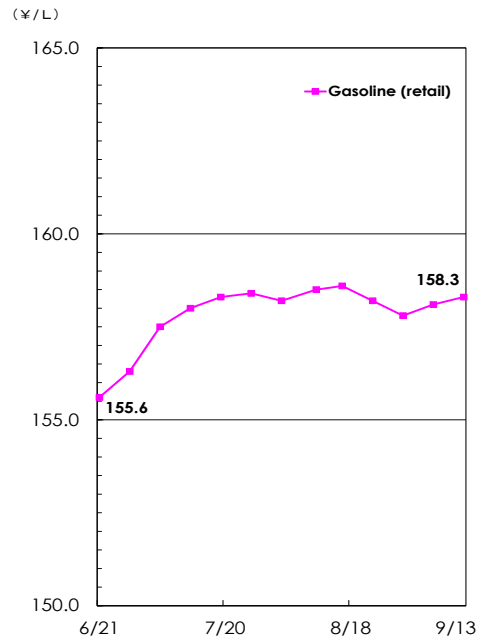
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/5 ~ 9/11	2,946	▼ -54	▲ —
	Topper capacity utilization rate (%)	"	76.5	▼ -1.5	▲ —
	Crude oil inventories (1,000 kl)	9/11	10,669	▲ 311	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/13	71.15	▲ 2.12	▲ 31.7
	WTI crude oil (NYMEX) (\$/bbl)	9/13	70.45	▲ 2.10	▲ 33.2
	Crude oil import CIF price (\$/bbl)	Mid Aug	74.79	▲ 1.83	▲ 31.34
	①Crude oil import CIF price (yen/kl)	"	51,599	▲ 1,202	▲ 22,597
	②Yen-dollar exchange rate (yen/dollar)	"	109.68	▲ 0.15	▼ -3.57
	TTS exchange rate (yen/dollar)	9/13	110.98	▼ -0.15	▼ -3.80



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/5 ~ 9/11	848	▲ 37	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	705	▼ -32	▼ -	
	Exports	"	185	▲ 153	▲ -	
	Inventories	9/11	1,578	▼ -42	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/7 ~ 9/13	66.7	▲ 0.4	▲ 23.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/7 ~ 9/13	64.7	▲ 0.7	▲ 26.4
		(TOCOM/ Chubu)	9/13	65.7	▲ 1.3	▲ 24.7
	Retail prices [weekly trend] (published by ANRE)	9/13	158.3	▲ 0.2	▲ 22.5	

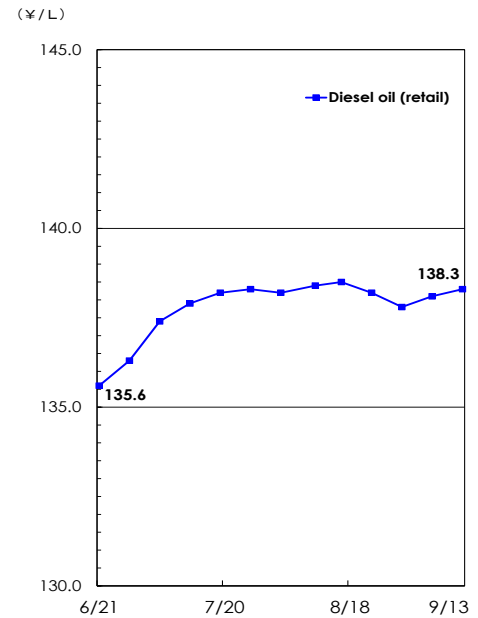
*Gyoten and futures prices are before tax



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

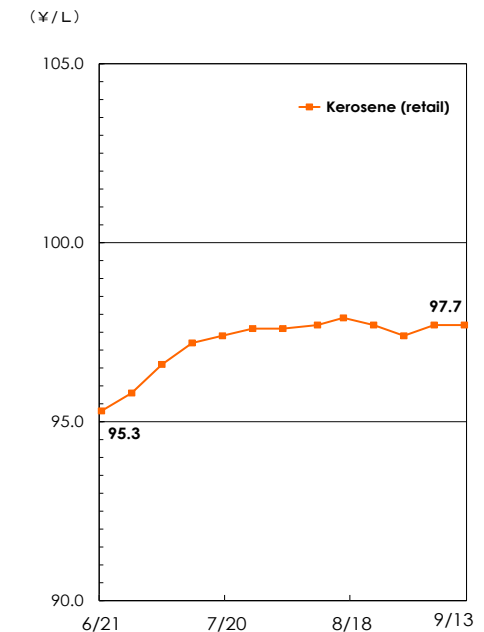
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/5 ~ 9/11	776	▼ -20	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	578	▼ -175	▼ -	
	Exports	"	306	▲ 57	▲ -	
	Inventories	9/11	1,477	▼ -106	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/7 ~ 9/13	67.9	▲ 0.5	▲ 20.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/7 ~ 9/13	67.0	▲ 0.9	▲ 20.7
		(TOCOM/ Chubu)	9/13	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/13	138.3	▲ 0.2	▲ 22.0	

*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	9/5 ~ 9/11	161	▼ -15	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	53	▼ -90	▼ -	
	Exports	"	0	▼ -48	▼ -	
	Inventories	9/11	2,246	▲ 108	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/7 ~ 9/13	67.4	▲ 0.3	▲ 20.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/7 ~ 9/13	63.9	▲ 1.7	▲ 23.5
		(TOCOM/ Chubu)	9/13	65.6	▼ -0.3	▲ 23.6
	Retail prices [weekly trend] (published by ANRE)	9/13	97.7	➡ 0.0	▲ 16.5	



Relevant Information

1 Overseas crude oil prices

On September 15, WTI crude oil futures price on NYMEX rose further by the expectations for tightening oil demand and supply. The market players were much more concerned about the delay in recovery from damages caused by Hurricane "Aida" after Hurricane "Nicolas" hit Texas. In addition, according to the U.S. EIA Weekly Report, the U.S. domestic inventory decreased by 6.4 million bbl for crude oil from the previous week, which was much more than the market expectation of decrease by 3.5 million bbl, and decreased for both gasoline and middle distillates. The market players expected tightening oil demand and supply more than before. The October contract gained \$2.15/bbl to \$72.61/bbl from the previous day. The November contract gained \$2.10/bbl to \$72.33/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of September 13 decreased by 1.1 cents per gallon from a week earlier to \$3.165/gal (92.7 yen/l). The average diesel oil price decreased by 0.1 cents per gallon to \$3.372/gal (98.7 yen/l). The gasoline price decreased for the first time in two weeks. Diesel oil price decreased for the first time in three 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 September 5 -September 11 week in 2021 stood at 181,000 barrels per day, decreasing by 7,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 54,000 kl from the previous week to 2,946,000 kl. From a year earlier, it increased by 365,000 kl. The topper capacity utilization rate stood at 76.5%, down 1.5 points from the previous week and up 10.6 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and Fuel Oil C and decreased for other petroleum products. Output was up 4.6% for gasoline, up 25.9% for jet fuel, down 8.4% for kerosene, down 2.5% for diesel oil, down 4.0% for Fuel Oil A, and up 0.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 0 kl from the previous week. Diesel oil exports aggregated 306,000 kl, up 57,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel and decreased for other products. From a year earlier, shipments expanded for jet fuel, Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 4.3% from the previous week to 705,000 kl, decreasing for the second straight week. Shipments totaled 53,000 kl for jet fuel (up 9.9% from the previous week), 53,000 kl for kerosene (down 62.9% from the previous week), 578,000 kl for diesel oil (down 23.3% from the previous week), 160,000 kl for Fuel Oil A (down 9.7% from the

previous week), and 168,000 kl for Fuel Oil C (down 9.4% from the previous week).

(Unit: 1,000 kl)

	This week (9/5 ~ 9/11)	Previous week (8/29 ~ 9/4)	From a week earlier
Gasoline	705	737	▼ -32 (-4%)
Jet fuel	53	48	▲ 5 (10%)
Kerosene (heating Oil)	53	143	▼ -90 (-63%)
Diesel oil	578	753	▼ -175 (-23%)
Fuel oil A	160	177	▼ -17 (-10%)
Fuel Oil C	168	185	▼ -17 (-9%)
Total	1,717	2,043	▼ -326 (-16%)

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 11 decreased from a week earlier for gasoline and diesel oil and increased for other petroleum products. From a year earlier, inventories expanded for jet fuel, Fuel Oil A and Fuel Oil C and declined for other petroleum products.

Gasoline inventories totaled 1,578,000 kl, down 42,000 kl from a week earlier and down 180,000 kl from a year earlier.

Kerosene inventories totaled 2,246,000 kl, up 108,000 kl from a week earlier and down 404,000 kl from a year earlier.

Diesel oil inventories totaled 1,477,000 kl, down 106,000 kl from a week earlier and down 113,000 kl from a year earlier.

Fuel Oil A inventories totaled 754,000 kl, up 9,000 kl from a week earlier and up 31,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,968,000 kl, up 49,000 kl from a week earlier and up 75,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/11)	Previous week (9/4)	From a week earlier
Gasoline	1,578	1,620	▼ -42 (-3%)
Jet fuel	843	753	▲ 90 (12%)
Kerosene (heating Oil)	2,246	2,138	▲ 108 (5%)
Diesel oil	1,477	1,583	▼ -106 (-7%)
Fuel oil A	754	745	▲ 9 (1%)
Fuel Oil C	1,968	1,919	▲ 49 (3%)
Total	8,866	8,758	▲ 108 (1.2%)

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

During September 7-September 13, crude oil cost in yen almost leveled off from a week earlier with the leveled off crude oil price and the almost leveled off yen to the US dollar.

For the next week of September 16-September 22, Motouri companies maintained their wholesale prices for gasoline, kerosene, and diesel oil from a week earlier.

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

Spot petroleum products prices in the September 7-September 13 week increased for all oil products compared to the period of August 31-September 6.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the September 7-September 13) increased by 0.4 yen/l from a week earlier (August 31-September 6 week) for gasoline, increased by 0.3 yen/l for kerosene and increased by 0.5 yen/l for diesel oil. For the latest period of September 7-September 13, the price almost leveled off in a 120 yen/l range for gasoline; and almost leveled off in a 67 yen/l range for kerosene; almost leveled off in a 67-68 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.4 yen/l for gasoline, increased by 0.1 yen/l for kerosene and increased by 1.0 yen/l for diesel oil for the September 7-September 13 week from a week earlier. Offshore cargo spot prices during September 7-September 13 almost leveled off in a 121 yen/l range for gasoline and leveled off after the fluctuation in a 63-64 yen/l range for kerosene and decreased slightly after the slight increase in a 69 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 0.7 yen/l for gasoline, increased by 1.7 yen/l for kerosene and increased by 0.9 yen/l for diesel oil from a week earlier. The key futures price during September 7-September 13 increased significantly in a 117-119 yen/l range for gasoline, increased significantly after the leveled off in a 63-65 yen/l for kerosene and increased in a 66-67 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (9/7 ~ 9/13)	Previous week (8/31 ~ 9/6)	From a week earlier
Spot Prices	Regular	66.7	66.3	▲ 0.4
	Kerosene	67.4	67.1	▲ 0.3
	Diesel oil	67.9	67.4	▲ 0.5

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (9/7 ~ 9/13)	Previous week (8/31 ~ 9/6)	From a week earlier
Futures Price	Regular	64.7	64.0	▲ 0.7
	Kerosene	63.9	62.2	▲ 1.7
	Diesel oil	67.0	66.1	▲ 0.9

Above prices are before tax.

Reference (September 7 - September 13 actual data)			
(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.4	▲ 0.7	▲ 0.5
Kerosene	▲ 0.3	▲ 1.7	▲ 1.0
Diesel oil	▲ 0.5	▲ 0.9	▲ 0.7
Fuel Oil A	▲ 0.9		

(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 13 increased by 0.2 yen from a week earlier to 158.3 yen/l for gasoline, increased by 0.2 yen to 138.3 yen/l for diesel oil and increased by 1 yen to 1,759 yen for kerosene on an 18-liter tank basis (leveled off at 97.7 yen/l) from a week earlier. The gasoline price increased for the second straight week. Diesel oil price increased for the second straight week. Kerosene price increased for the second straight week.

Gasoline prices increased in 26 prefectures, leveled off in eight prefectures and decreased in 13 prefectures. The lowest gasoline price among the prefectures was 152.4 yen/l in Saitama (up 0.8 yen/l from a week earlier). The second lowest was 152.6 yen/l in Miyagi (up 0.3 yen/l). The highest price was 168.5 yen/l in Nagasaki (leveled off). Kanagawa logged the largest price gain of 1.5 yen/l to 157.0 yen/l. The price leveled off in Yamagata and other seven prefectures. Shiga logged the largest price fall of 2.0 yen/l to 156.9 yen/l.

Crude oil cost in yen almost leveled off for the period from September 7-September 13 with the leveled off crude oil price and the almost leveled off yen to the US dollar. Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the period from September 16-September 22. Retail gasoline price on the next price survey day (September 21) is expected to increase slightly from a week earlier, since the increase in wholesale price remains in the retail price.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (9/13)	Previous week (9/6)	From a week earlier	Latest high
Retail Price	Regular	158.3	158.1	▲ 0.2	08/8/4 185.1
	Kerosene	97.7	97.7	▶ 0.0	08/8/11 132.1
	Diesel oil	138.3	138.1	▲ 0.2	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

(2021/7/5 ~ 2021/9/13)



(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 2021) will be announced on October 1.

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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).