

Oil Market Review in Japan No. 24/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 9-September 15 week moved within a range of \$68.14 per barrel and \$72.16/bbl.

On September 16, the October contract leveled off at the previous trading day level. Buying and selling became complicated. Some of the market players sold crude oil futures for profit-taking in response to the recent high price level. On the other hand, the market also saw buying trend due to concerns over oil supply disruption caused by a delay in recovery from damages by Hurricane "Aida" and the announcement of the robust Manufacturing Business Conditions Index of the New York State. The October contract closed at \$72.61/bbl unchanged from the previous day.

On September 17, the October contract turned down due to profit-taking selling in response to the recent high crude oil futures price, the ongoing appreciation of the U.S. dollar to the Euro, and accelerating recovery from damages caused by Hurricane "Aida" and "Nicolas." Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 10 units from a week earlier to 411 units. The October contract closed at \$71.97/bbl down \$0.64/bbl from the previous day.

On September 20, the key contract turned down further by investors risk-aversion attitude. The U.S. stock prices plunged due to the announcement of China's real estate giant's huge debt. However, it was announced that Shell's oil facilities damaged by Hurricane "Aida" would complete its recovery at the end of 2021. The price level was supported by this announcement amid concerns over oil supply. The October contract closed at \$70.29/bbl down \$1.68/bbl from the previous day.

On September 21, the key contract rebounded on buying after a dip. The market players were excessively concerned over risks on the previous trading day. Another price supporting factor was Shell's announcement on the previous day. The October contract gained \$0.27/bbl to \$70.56/bbl from the previous day.

On September 22, the key contract rose significantly by a sense of tightening oil demand and supply. The U.S. EIA (Energy Information Administration) announced that the U.S. domestic inventory decreased for crude oil from the previous week. In addition, the U.S. stock price also recovered. The November contract, which replaced the October contract as the key front-month contract, gained \$1.74/bbl to \$72.23/bbl from the previous day.

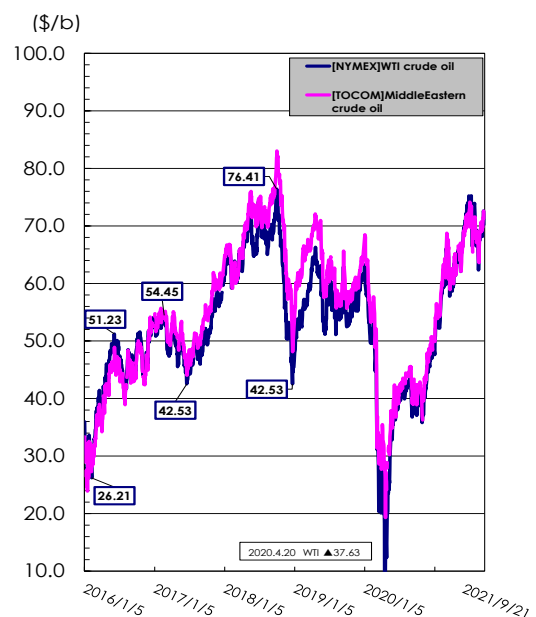
The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market ranged from \$70.20/bbl to \$72.20/bbl in the September 9-September 15 week. It closed at \$73.40/bbl on September 16, at \$73.00/bbl on September 17, at \$72.50/bbl on September 21, at \$73.30/bbl on September 22.

On the foreign exchange market in the September 9-September 15 week, the dollar moved within a range of 109.65 yen and 110.23 yen. It changed hands at 109.41 yen in late trading on September 16, at 109.81 yen on September 17, at 109.57 yen on September 21, at 109.22 yen on September 22.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 16, the average crude oil import CIF price for Japan in the late August period stood at 50,790 yen/kl (kiloliter), down 809 yen/kl from the previous 10-day period. In dollars, the price was \$73.31/bbl, down \$1.48/bbl. The average exchange rate was 110.14 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance on the same day, the average crude oil import CIF price for Japan in July stood at 50,982 yen/kl (kiloliter), up 1,108 yen/kl from the previous month. In dollars, the price was \$73.76/bbl, up \$2.04/bbl. The average exchange rate was 109.89 yen to the dollar.

Japan's average retail price on September 21 gained by 0.1 yen/l from a week earlier for gasoline and gained by 0.1 yen/l for diesel oil and gained by 2.0 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the third straight week. As crude oil cost increased for the third week of September, Motouri companies increased their wholesale prices by 1.5 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

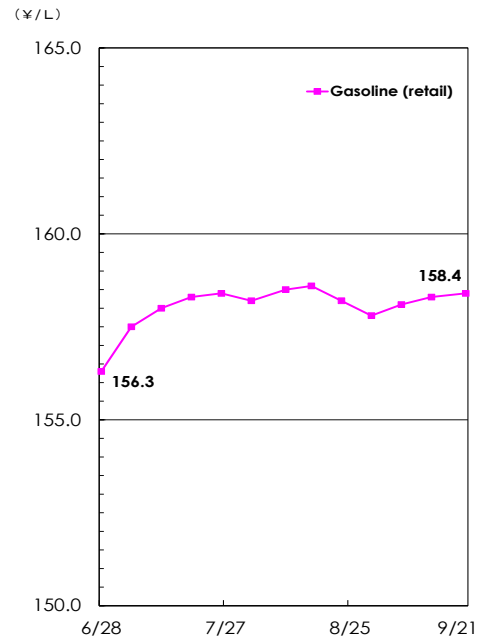
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/12 ~ 9/18	2,852	▼ -94	▲ —
	Topper capacity utilization rate (%)	"	74.1	▼ -2.4	▲ —
	Crude oil inventories (1,000 kl)	9/18	9,787	▼ -882	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/21	71.47	▲ 0.32	▲ 30.2
	WTI crude oil (NYMEX) (\$/bbl)	9/20	70.29	▼ -0.16	▲ 31.0
	Crude oil import CIF price (\$/bbl)	Late Aug	73.31	▼ -1.48	▲ 29.86
	① Crude oil import CIF price (yen/kl)	"	50,790	▼ -809	▲ 21,788
	② Yen-dollar exchange rate (yen/dollar)	"	110.14	▼ -0.46	▼ -4.03
	TTS exchange rate (yen/dollar)	9/21	110.57	▲ 0.41	▼ -4.43



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/12 ~ 9/18	859 ▲ 11	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	746 ▲ 41	▼ —	
	Exports	"	0 ▼ -185	▼ —	
	Inventories	9/18	1,691 ▲ 113	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/14 ~ 9/20	66.9 ▲ 0.2	▲ 24.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/14 ~ 9/20	66.0 ▲ 1.3	▲ 27.7
		(TOCOM/ Chubu)	9/17	66.7 ▲ 1.0	▲ 24.9
	Retail prices [weekly trend] (published by ANRE)	9/21	158.4 ▲ 0.1	▲ 23.4	

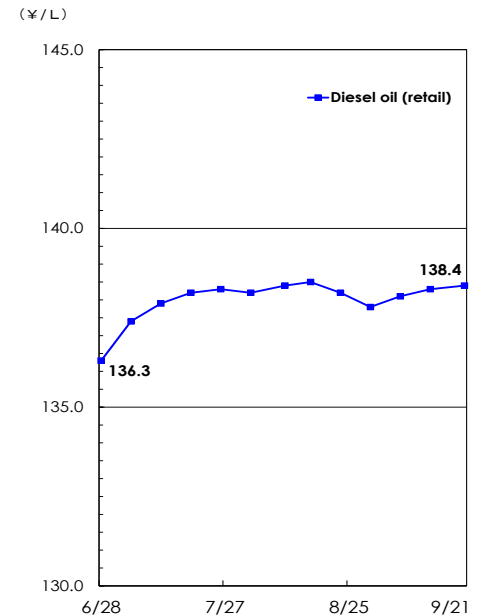
*Gyoten and futures prices are before tax



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

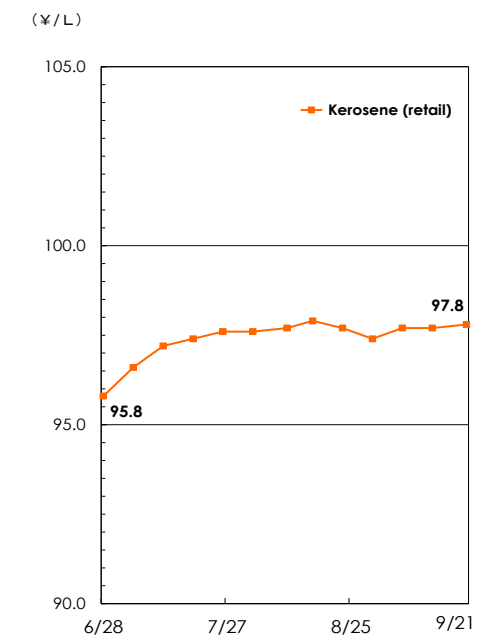
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/12 ~ 9/18	731 ▼ -45	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	605 ▲ 27	▼ —	
	Exports	"	71 ▼ -235	▲ —	
	Inventories	9/18	1,531 ▲ 54	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/14 ~ 9/20	68.0 ▲ 0.1	▲ 22.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/14 ~ 9/20	68.4 ▲ 1.4	▲ 21.6
		(TOCOM/ Chubu)	9/17	—	—
	Retail prices [weekly trend] (published by ANRE)	9/21	138.4 ▲ 0.1	▲ 22.9	

*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	9/12 ~ 9/18	184 ▲ 23	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	52 ▼ -1	▼ —	
	Exports	"	0 ➡ 0	➡ —	
	Inventories	9/18	2,377 ▲ 131	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/14 ~ 9/20	67.5 ▲ 0.1	▲ 22.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/14 ~ 9/20	65.2 ▲ 1.3	▲ 23.3
		(TOCOM/ Chubu)	9/17	67.0 ▲ 1.4	▲ 24.1
	Retail prices [weekly trend] (published by ANRE)	9/21	97.8 ▲ 0.1	▲ 16.9	



Relevant Information

1 Overseas crude oil prices

On September 22, WTI crude oil futures price on NYMEX rebounded significantly due to the decrease in the U.S. domestic crude oil inventory. According to the announcement by the U.S. EIA, the U.S. domestic crude oil inventory decreased by 3.3 million bbl from the previous week, which was more than the market expectation of the decrease by 2.4 million bbl, decreasing for the seventh straight week and falling to the lowest level for the first time in three years. In addition, the U.S. stock price also recovered by relaxing caution for risk, because the Chinese Government would deal with business crisis of China's real estate giant. The November contract, which replaced the October contract as the key front-month contract, gained \$1.74/bbl to \$72.23/bbl from the previous day. The December contract gained \$1.75/bbl to \$71.89/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of September 20 increased by 1.9 cents per gallon from a week earlier to \$3.184/gal (93.1 yen/l). The average diesel oil price increased by 1.3 cents per gallon to \$3.385/gal (99.0 yen/l). The gasoline price increased for the first time in two weeks. Diesel oil price increased for the first time in two 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 12-September 18 week in 2021 stood at 249,000 barrels per day, increasing by 69,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 94,000 kl from the previous week to 2,852,000 kl. From a year earlier, it increased by 248,000 kl. The topper capacity utilization rate stood at 74.1%, down 2.4 points from the previous week and up 7.6 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. Output was up 1.4% for gasoline, down 5.0% for jet fuel, up 14.6% for kerosene, down 5.8% for diesel oil, down 13.0% for Fuel Oil A, and up 8.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, unchanged from the previous week. Diesel oil exports aggregated 71,000 kl, down 235,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and diesel oil and decreased for other products. From a year earlier, shipments declined for all petroleum products. Gasoline shipments increased by 5.8% from the previous week to 746,000 kl, increasing for the first time in three weeks. Shipments totaled 51,000 kl for jet fuel (down 4.6% from the previous week), 52,000 kl for kerosene (down 1.2% from the previous week), 605,000 kl for diesel oil (up 4.8% from the previous week), 136,000 kl for Fuel Oil A (down 15.1% from the

previous week), and 117,000 kl for Fuel Oil C (down 30.5% from the previous week).

(Unit: 1,000 kl)

	This week (9/12 ~ 9/18)	Previous week (9/5 ~ 9/11)	From a week earlier
Gasoline	746	705	▲ 41 (6%)
Jet fuel	51	53	▼ -2 (-4%)
Kerosene (heating Oil)	52	53	▼ -1 (-2%)
Diesel oil	605	578	▲ 27 (5%)
Fuel oil A	136	160	▼ -24 (-15%)
Fuel Oil C	117	168	▼ -51 (-30%)
Total	1,707	1,717	▼ -10 (-1%)

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 18 decreased from a week earlier for Fuel Oil A 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 1,691,000 kl, up 113,000 kl from a week earlier and down 138,000 kl from a year earlier.

Kerosene inventories totaled 2,377,000 kl, up 131,000 kl from a week earlier and down 399,000 kl from a year earlier.

Diesel oil inventories totaled 1,531,000 kl, up 54,000 kl from a week earlier and down 33,000 kl from a year earlier.

Fuel Oil A inventories totaled 746,000 kl, down 8,000 kl from a week earlier and up 4,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,047,000 kl, up 79,000 kl from a week earlier and up 164,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/18)	Previous week (9/11)	From a week earlier
Gasoline	1,691	1,578	▲ 113 (7%)
Jet fuel	872	843	▲ 29 (3%)
Kerosene (heating Oil)	2,377	2,246	▲ 131 (6%)
Diesel oil	1,531	1,477	▲ 54 (4%)
Fuel oil A	746	754	▼ -8 (-1%)
Fuel Oil C	2,047	1,968	▲ 79 (4%)
Total	9,264	8,866	▲ 398 (4.5%)

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

During September 14-September 20, crude oil cost in yen increased from a week earlier with the increase in crude oil price and the slight appreciation of the yen to the US dollar.

For the next week of September 23-September 29, Motouri companies increased their wholesale prices by 1.5 yen/l 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 14-September 20 week increased for all oil products in all trading except for the leveled off offshore diesel oil compared to the period of September 7-September 13.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the September 14-September 20) increased by 0.2 yen/l from a week earlier (September 7-September 13 week) for gasoline, increased by 0.1 yen/l for kerosene and increased by 0.1 yen/l for diesel oil. For the latest period of September 14-September 20, the price increased slightly in a 120 yen/l range for gasoline; and increased slightly in a 67 yen/l range for kerosene; increased slightly in a 67-68 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.2 yen/l for gasoline, increased by 0.2 yen/l for kerosene and leveled off for diesel oil for the September 14-September 20 week from a week earlier. Offshore cargo spot prices during September 14-September 20 increased slightly in a 121 yen/l range for gasoline and increased in a 64-65 yen/l range for kerosene and increased slightly in a 69 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 1.3 yen/l for gasoline, increased by 1.3 yen/l for kerosene and increased by 1.4 yen/l for diesel oil from a week earlier. The key futures price during September 14-September 20 increased in a 119-120 yen/l range for gasoline, increased slightly in a 65 yen/l range for kerosene and increased in a 68 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (9/14 ~ 9/20)	Previous week (9/7 ~ 9/13)	From a week earlier
Spot Prices	Regular	66.9	66.7	▲ 0.2
	Kerosene	67.5	67.4	▲ 0.1
	Diesel oil	68.0	67.9	▲ 0.1

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (9/14 ~ 9/20)	Previous week (9/7 ~ 9/13)	From a week earlier
Futures Price	Regular	66.0	64.7	▲ 1.3
	Kerosene	65.2	63.9	▲ 1.3
	Diesel oil	68.4	67.0	▲ 1.4

Above prices are before tax.

Reference (September 14 - September 20 actual data)			
(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 1.3	▲ 0.8
Kerosene	▲ 0.1	▲ 1.3	▲ 0.7
Diesel oil	▲ 0.1	▲ 1.4	▲ 0.7
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 21 increased by 0.1 yen from a week earlier to 158.4 yen/l for gasoline, increased by 0.1 yen to 138.4 yen/l for diesel oil and increased by 2 yen to 1,761 yen for kerosene on an 18-liter tank basis (increased by 0.1 yen/l to 97.8 yen/l) from a week earlier. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the third straight week.

Gasoline prices increased in 17 prefectures, leveled off in 10 prefectures and decreased in 20 prefectures. The lowest gasoline price among the prefectures was 152.5 yen/l in Saitama (up 0.1 yen/l from a week earlier). The second lowest was 152.6 yen/l in Miyagi (unchanged). The highest price was 168.4 yen/l in Nagasaki (down 0.1 yen/l from a week earlier). Shiga logged the largest price gain of 1.2 yen/l to 158.1 yen/l. The price leveled off in Saga and other nine prefectures. Tokyo logged the largest price fall of 1.3 yen/l to 160.5 yen/l.

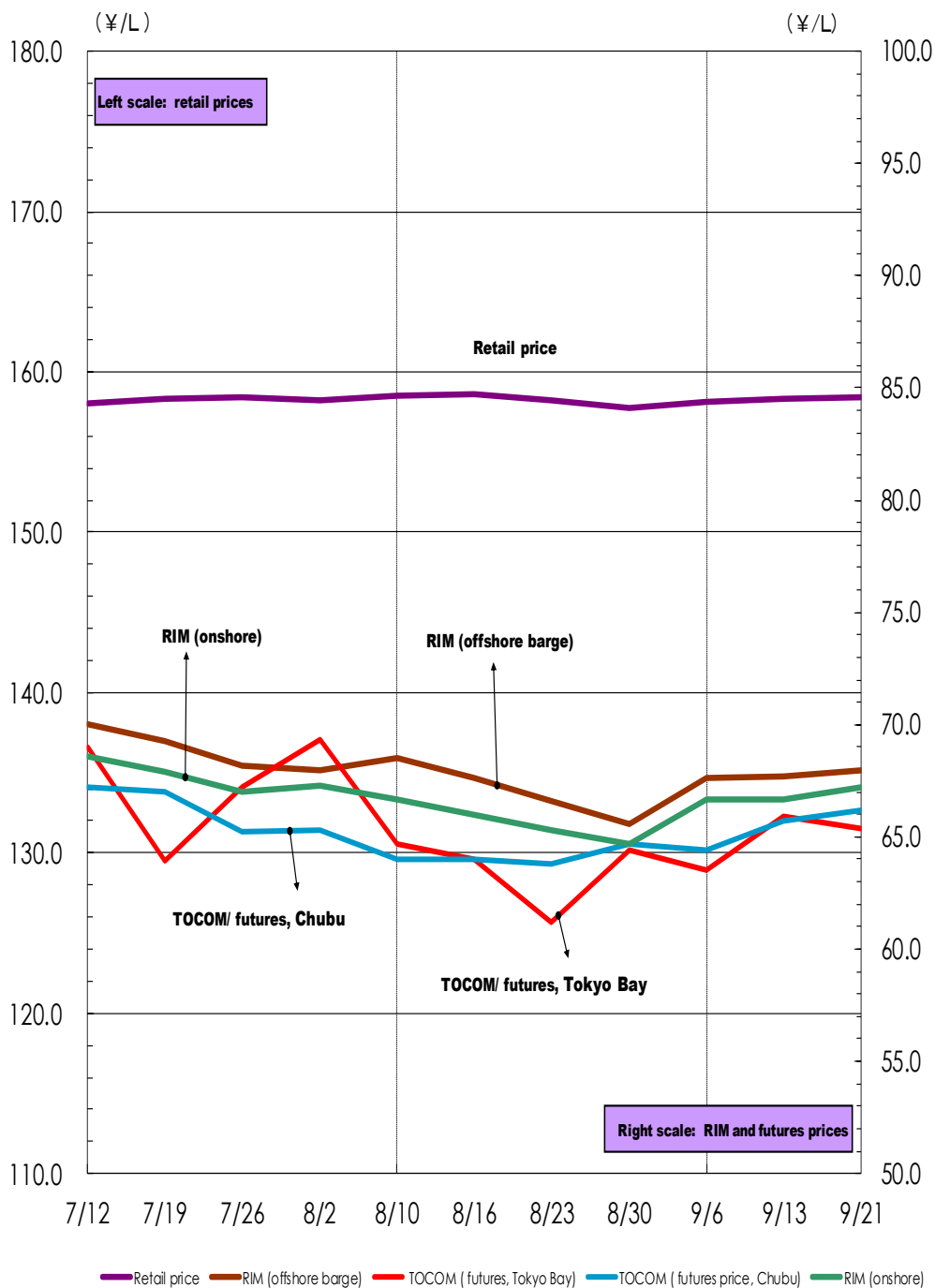
Crude oil cost in yen increased for the period from September 14-September 20 with the increase in crude oil price and the slight appreciation yen to the US dollar. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the period from September 23-September 29. Retail gasoline price on the next price survey day (September 27) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (9/21)	Previous week (9/13)	From a week earlier	Latest high
Retail Price	Regular	158.4	158.3	▲ 0.1	08/8/4 185.1
	Kerosene	97.8	97.7	▲ 0.1	08/8/11 132.1
	Diesel oil	138.4	138.3	▲ 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

(2021/7/12 ~ 2021/9/21)



(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. 25 for 2021) will be announced on October 8.

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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).