

Oil Market Review in Japan No. 25/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 16-September 22 week moved within a range of \$70.29 per barrel and \$72.61/bbl.

On September 23, the October contract rose further by a sense of tight oil demand and supply in the future. According to the announcement on the previous day, the U.S. domestic crude oil inventory decreased for the seventh straight week, falling down to the lowest level for the first time in about three years amid a delay in recovery from damages caused by the Hurricanes. The November contract closed at \$73.30/bbl up \$1.07/bbl from the previous day.

On September 24, the October contract rose further due to the recent sense of tight oil demand and supply and the announcement that the increase in crude oil production by some of the Members of OPEC (Organization of the Petroleum Exporting Countries) Plus, Nigeria, Angola, Azerbaijan and others stagnated. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 10 units from a week earlier to 421 units. The November contract closed at \$73.98/bbl up \$0.68/bbl from the previous day.

On September 27, the key contract rose further for the fifth straight trading day, reaching a milestone of \$75/bbl as the closing price level. The Goldman Sachs announced an upward revision of the short term crude oil price forecast for the upcoming three months amid the continuing sense of tight oil demand and supply. The November contract closed at \$75.45/bbl up \$1.47/bbl from the previous day.

On September 28, the key contract turned down for the first time in six trading day due to concerns over profit-taking selling in response to the recent high crude oil price and a sense of tight oil demand and supply caused by the depreciation of the Euro and the appreciation of the U.S. dollar in the foreign exchange market. The November contract lost \$0.16/bbl to \$75.29/bbl from the previous day.

On September 29, the key contract turned down further by a sense of expanding sense of relaxing oil supply and demand, falling down to below the milestone of \$75/bbl. The U.S. EIA (Energy Information Administration) announced that the U.S. domestic inventory increased significantly for crude oil from the previous week, which was much more than the market expectation. The November contract lost \$0.46/bbl to \$74.83/bbl from the previous day.

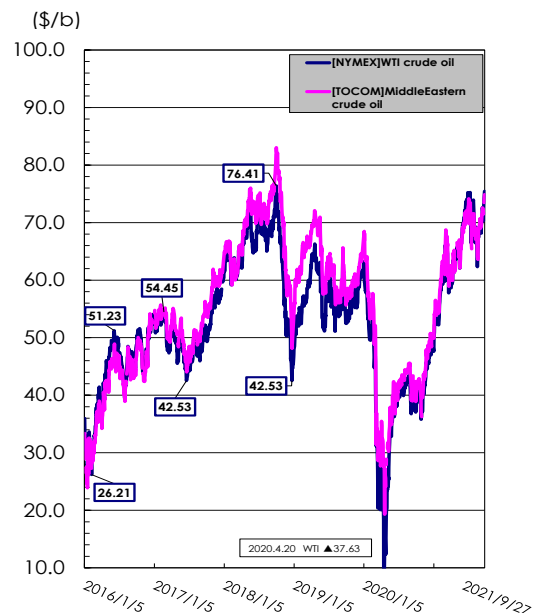
The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market ranged from \$72.50/bbl to \$73.40/bbl in the September 16-September 22 week. It closed at \$75.20/bbl on September 24, at \$76.40/bbl on September 27, at \$77.70/bbl on September 28, at \$74.80/bbl on September 29.

On the foreign exchange market in the September 16-September 22 week, the dollar moved within a range of 109.22 yen and 109.81 yen. It changed hands at 110.41 yen in late trading on September 24, at 110.75 yen on September 27, at 111.04 yen on September 28, at 111.65 yen on September 29.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 29, the average crude oil import CIF price for Japan in the early September period stood at 51,059 yen/kl (kiloliter), up 269 yen/kl from the previous 10-day period. In dollars, the price was \$73.94/bbl, up \$0.63/bbl. The average exchange rate was 109.74 yen to the dollar.

Japan's average retail price on September 27 gained by 0.3 yen/l from a week earlier for gasoline and gained by 0.3 yen/l for diesel oil and gained by 4.0 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the fourth straight week. Diesel oil price increased for the fourth straight week. Kerosene price increased for the fourth straight week. As crude oil cost increased for the fourth 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.

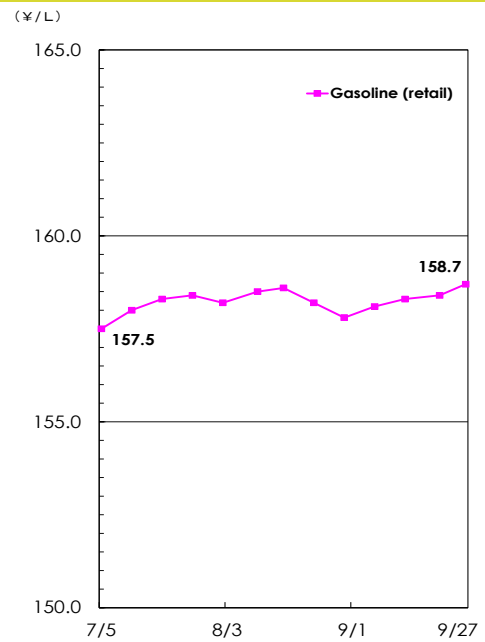
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/19 ~ 9/25	2,796	▼ -56	▲ -
	Topper capacity utilization rate (%)	"	72.7	▼ -1.4	▲ -
	Crude oil inventories (1,000 kl)	9/25	9,116	▼ -671	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/27	74.89	▲ 3.42	▲ 33.2
	WTI crude oil (NYMEX) (\$/bbl)	9/27	75.45	▲ 5.16	▲ 34.9
	Crude oil import CIF price (\$/bbl)	Early Sep	73.94	▲ 0.63	▲ 27.69
	① Crude oil import CIF price (yen/kl)	"	51,059	▲ 269	▲ 20,234
	② Yen-dollar exchange rate (yen/dollar)	"	109.79	▲ 0.35	▼ -3.84
	TTS exchange rate (yen/dollar)	9/27	111.75	▼ -1.18	▼ -5.38



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/19 ~ 9/25	871 ▲ 11	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	810 ▲ 64	▼ —	
	Exports	"	59 ▲ 59	▲ —	
	Inventories	9/25	1,692 ▲ 1	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/21 ~ 9/27	67.9 ▲ 1.0	▲ 24.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/21 ~ 9/27	66.0 → 0.0	▲ 27.1
		(TOCOM/ Chubu)	9/27	67.0 ▲ 0.3	▲ 25.6
	Retail prices [weekly trend] (published by ANRE)	9/27	158.7 ▲ 0.3	▲ 24.0	

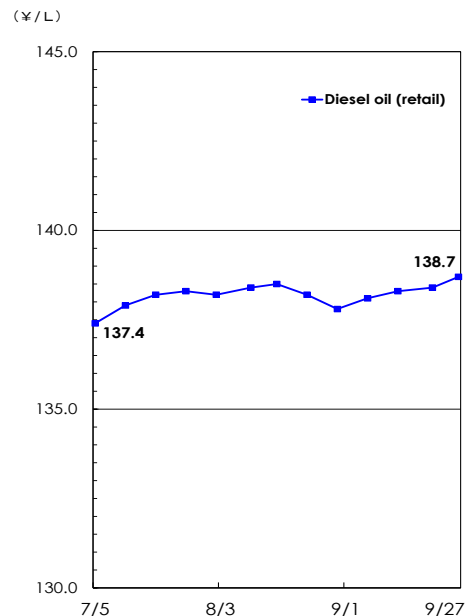
*Gyoten and futures prices are before tax



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

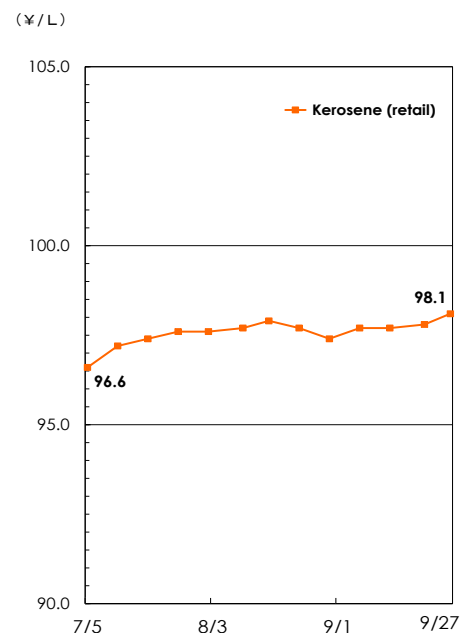
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/19 ~ 9/25	662 ▼ -69	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	499 ▼ -106	▼ —	
	Exports	"	147 ▲ 76	▲ —	
	Inventories	9/25	1,547 ▲ 16	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/21 ~ 9/27	69.0 ▲ 1.0	▲ 23.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/21 ~ 9/27	70.1 ▲ 1.7	▲ 23.2
		(TOCOM/ Chubu)	9/27	—	—
	Retail prices [weekly trend] (published by ANRE)	9/27	138.7 ▲ 0.3	▲ 23.4	

*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	9/19 ~ 9/25	211 ▲ 27	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	103 ▲ 51	▼ —	
	Exports	"	0 → 0	→ —	
	Inventories	9/25	2,486 ▲ 109	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/21 ~ 9/27	68.5 ▲ 1.0	▲ 23.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/21 ~ 9/27	65.9 ▲ 0.7	▲ 23.6
		(TOCOM/ Chubu)	9/27	66.5 ▼ -0.5	▲ 23.0
	Retail prices [weekly trend] (published by ANRE)	9/27	98.1 ▲ 0.3	▲ 17.4	



Relevant Information

1 Overseas crude oil prices

On September 29, WTI crude oil futures price on NYMEX turned down because of the announcement of the increase in the U.S. crude oil inventory. According to the announcement by the U.S. EIA, the U.S. domestic crude oil inventory increased by 4.6 million bbl for crude oil from the previous week, which was against the market expectation of the decrease by 1.7 million bbl, increasing for the first time in eight weeks. This reflected progress in recovery from the damages caused by the Hurricanes and there was also a robust oil demand. Selling and buying became complicated. However, most of the market players seemed to be interested in the Ministerial Meeting of Members of OPEC Plus scheduled for the beginning of October 2021. The November contract lost \$0.46/bbl to \$74.83/bbl from the previous day. The December contract lost \$0.40/bbl to \$74.50/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of September 27 decreased by 0.9 cents per gallon from a week earlier to \$3.175/gal (93.6 yen/l). The average diesel oil price increased by 2.1 cents per gallon to \$3.406/gal (100.4 yen/l). The gasoline price decreased for the first time in two weeks. Diesel oil price increased for the second 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 19-September 25 week in 2021 stood at 315,000 barrels per day, increasing by 65,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 56,000 kl from the previous week to 2,796,000 kl. From a year earlier, it increased by 47,000 kl. The topper capacity utilization rate stood at 72.7%, down 1.4 points from the previous week and up 2.5 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil A and decreased for other petroleum products. Output was up 1.3% for gasoline, down 18.6% for jet fuel, up 14.6% for kerosene, down 9.5% for diesel oil, up 23.0% for Fuel Oil A, and down 38.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 147,000 kl, up 76,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene, Fuel Oil A and Fuel Oil C and decreased for other products. From a year earlier, shipments expanded for Fuel Oil A and declined for all petroleum products. Gasoline shipments increased by 8.6% from the previous week to 810,000 kl, increasing for the second straight week. Shipments totaled 33,000 kl for jet fuel (down 35.0% from the previous week), 103,000 kl for kerosene (up 95.7% from the previous week), 499,000 kl for diesel oil (down 17.5% from the previous week), 194,000 kl for Fuel Oil A (up 43.1% from

previous week), and 121,000 kl for Fuel Oil C (up 3.4% from the previous week).

(Unit: 1,000 kl)

	This week (9/19 ~ 9/25)	Previous week (9/12 ~ 9/18)	From a week earlier
Gasoline	810	746	▲ 64 (9%)
Jet fuel	33	51	▼ -18 (-35%)
Kerosene (heating Oil)	103	52	▲ 51 (98%)
Diesel oil	499	605	▼ -106 (-18%)
Fuel oil A	194	136	▲ 58 (43%)
Fuel Oil C	121	117	▲ 4 (3%)
Total	1,760	1,707	▲ 53 (3%)

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

Gasoline inventories totaled 1,692,000 kl, up 1,000 kl from a week earlier and down 100,000 kl from a year earlier.

Kerosene inventories totaled 2,486,000 kl, up 109,000 kl from a week earlier and down 362,000 kl from a year earlier.

Diesel oil inventories totaled 1,547,000 kl, up 16,000 kl from a week earlier and up 62,000 kl from a year earlier.

Fuel Oil A inventories totaled 742,000 kl, down 4,000 kl from a week earlier and up 33,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,006,000 kl, down 41,000 kl from a week earlier and up 155,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/25)	Previous week (9/18)	From a week earlier
Gasoline	1,692	1,691	▲ 1 (0%)
Jet fuel	842	872	▼ -30 (-3%)
Kerosene (heating Oil)	2,486	2,377	▲ 109 (5%)
Diesel oil	1,547	1,531	▲ 16 (1%)
Fuel oil A	742	746	▼ -4 (-1%)
Fuel Oil C	2,006	2,047	▼ -41 (-2%)
Total	9,315	9,264	▲ 51 (0.6%)

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

During September 21-September 27, crude oil cost in yen increased from a week earlier with the increase in crude oil price and the slight depreciation of the yen to the US dollar.

For the next week of September 30-October 6, 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 21-September 27 week increased for all oil products in all trading except for the leveled off gasoline futures compared to the period of September 14-September 20.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the September 21-September 27) increased by 1.0 yen/l from a week earlier (September 14-September 20 week) for gasoline, increased by 1.0 yen/l for kerosene and increased by 1.0 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.3 yen/l for gasoline, increased by 1.4 yen/l for kerosene and increased by 0.7 yen/l for diesel oil for the September 21-September 27 week from a week earlier.

The key average futures price leveled off for gasoline, increased by 0.7 yen/l for kerosene and increased by 1.7 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (9/21 ~ 9/27)	Previous week (9/14 ~ 9/20)	From a week earlier
Spot Prices	Regular	67.9	66.9	▲ 1.0
	Kerosene	68.5	67.5	▲ 1.0
	Diesel oil	69.0	68.0	▲ 1.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (9/21 ~ 9/27)	Previous week (9/14 ~ 9/20)	From a week earlier
Futures Price	Regular	66.0	66.0	▶ 0.0
	Kerosene	65.9	65.2	▲ 0.7
	Diesel oil	70.1	68.4	▲ 1.7

Above prices are before tax.

Reference (September 21 - September 27 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.0	▶ 0.0	▲ 0.5
Kerosene	▲ 1.0	▲ 0.7	▲ 0.8
Diesel oil	▲ 1.0	▲ 1.7	▲ 1.4
Fuel Oil A	▲ 1.0		

(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 September 27 increased by 0.3 yen from a week earlier to 158.7 yen/l for gasoline, increased by 0.3 yen to 138.7 yen/l for diesel oil and increased by 4 yen to 1,765 yen for kerosene on an 18-liter tank basis (increased by 0.3 yen/l to 98.1 yen/l) from a week earlier. The gasoline price increased for the fourth straight week. Diesel oil price increased for the fourth straight week. Kerosene price increased for the fourth straight week.

Gasoline prices increased in 38 prefectures, leveled off in five prefectures and decreased in four prefectures. The lowest gasoline price among the prefectures was 152.8 yen/l in Miyagi (up 0.2 yen/l from a week earlier). The second lowest was 153.1 yen/l in Saitama (up 0.6 yen/l from a week earlier). The highest price was 168.8 yen/l in Nagasaki (up 0.4 yen/l from a week earlier). Aichi logged the largest price gain of 1.8 yen/l to 156.9 yen/l. The price leveled off in Oita and other four prefectures. Chiba and Hyogo logged the largest price fall of 0.4 yen/l to 155.1 yen/l and 155.3 yen/l, respectively.

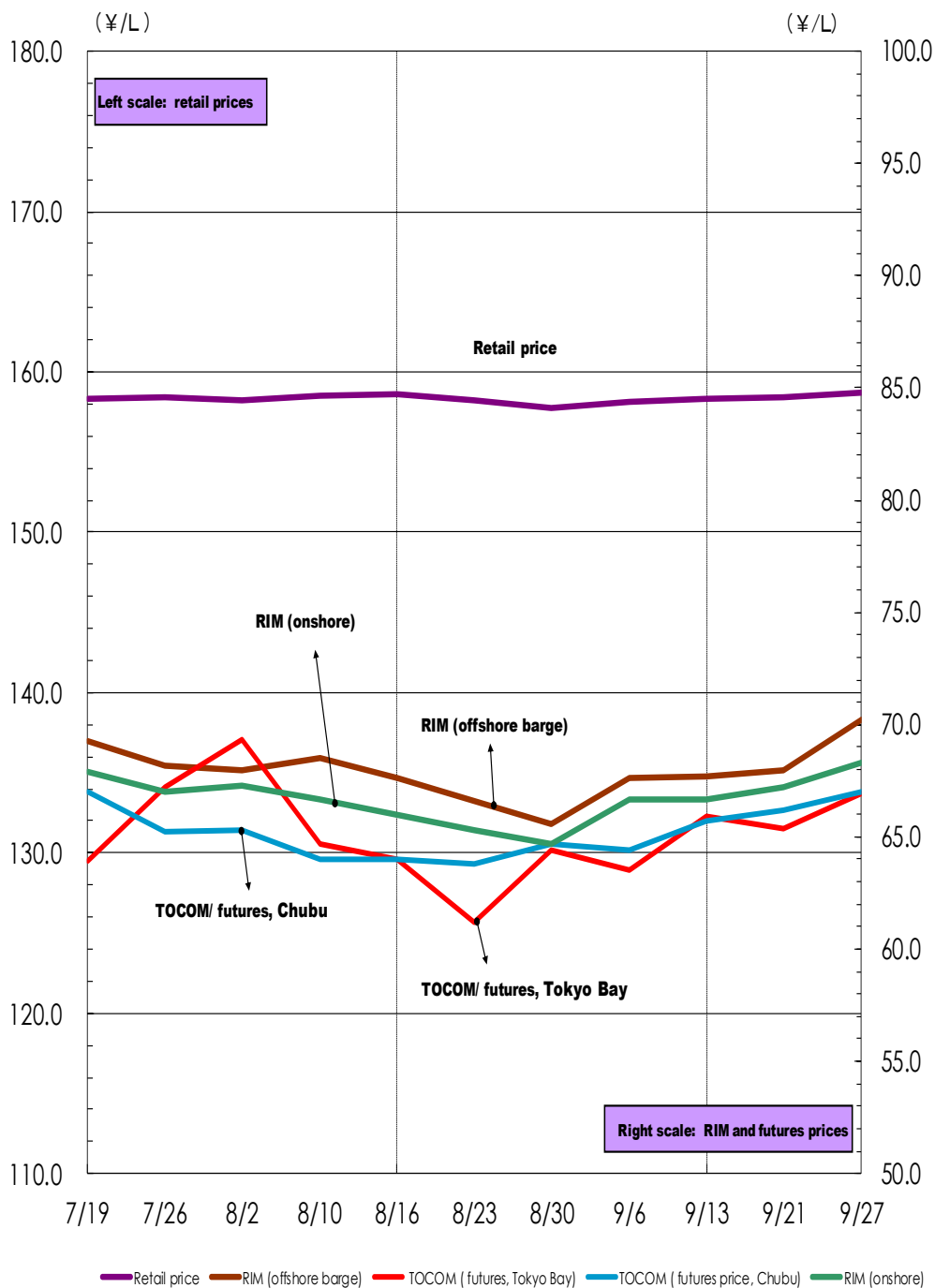
Crude oil cost in yen increased for the period from September 21-September 27 with the increase in crude oil price and the depreciation yen to the US dollar. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the period from September 30-October 6. Retail gasoline price on the next price survey day (October 4) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (9/27)	Previous week (9/21)	From a week earlier	Latest high
Retail Price	Regular	158.7	158.4	▲ 0.3	08/8/4 185.1
	Kerosene	98.1	97.8	▲ 0.3	08/8/11 132.1
	Diesel oil	138.7	138.4	▲ 0.3	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

(2021/7/19 ~ 2021/9/27)



(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. 26 for 2021) will be announced on October 15.

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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).