

Oil Market Review in Japan No. 26/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 23-September 29 week moved within a range of \$73.30 per barrel and \$75.45/bbl.

On September 30, the November contract rebounded for the first time in three trading days. Selling trend preceded in the morning trading hours due to the announcement of the increase in the U.S. domestic crude oil inventory on the previous day. However, buying trend prevailed by the expectation for China's growing oil demand caused by the announcement that the Chinese Premier had instructed State Oil Companies to secure the necessary volume of crude oil imports. The November contract closed at \$75.03/bbl up \$0.20/bbl from the previous day.

On October 1, the November contract rose further by a sense of the recent tightening oil demand and supply. The market players expected a delay in increasing crude oil production by some of the Members of OPEC (Organization of the Petroleum Exporting Countries) Plus and a forecast of a robust oil demand before its JMM (Joint Ministerial Meeting) scheduled for October 4. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by seven units from a week earlier to 428 units. The November contract closed at \$75.88/bbl up \$0.85/bbl from the previous day.

On October 4, the key contract rose further due to the accelerating buying trend caused by postponing a decision on the significant increase in crude oil production by major oil-producing countries. The November contract closed at \$77.62/bbl up \$1.74/bbl from the previous day. On this day, the Member of OPEC Plus decided to maintain its current framework of increasing crude oil production by 0.4 million bbl/d by each month in its JMM held online. The market players saw a clearer picture of progress in economic recovery worldwide and tightening energy demand and supply. It was also announced in advance that some of the major oil-producing countries had considered the enlargement of the increase in crude oil production. The key contract fluctuated slightly in the \$75/bbl level in the morning trading hours. Later, selling trend prevailed after the announcement of the Members of OPEC Plus intention to maintain its current crude oil production framework. The key contract reached \$78.38/bbl temporary.

On October 5, the key contract rose further due to buying caused by the postponement of decision on the significant increase in crude oil production by major oil-producing countries. The November contract gained \$1.31/bbl to \$78.93/bbl from the previous day. It temporarily reached \$79.48/bbl, reaching the highest level for the first time in about seven years.

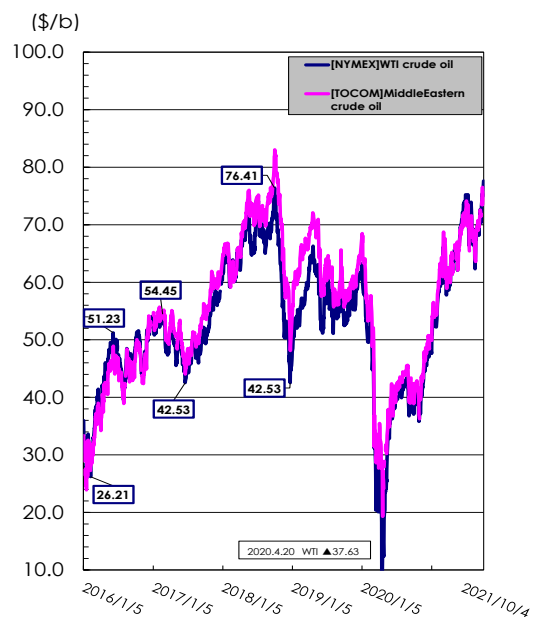
On October 6, the key contract turned down for the first time in five trading days. The rising crude oil futures price in response to a sense of the recent tightening oil supply ceased on this day. The November contract lost \$1.50/bbl to \$77.43/bbl from the previous day.

The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market ranged from \$74.80/bbl to \$77.70/bbl in the September 23-September 29 week. It closed at \$76.00/bbl on September 30, at \$75.80/bbl on October 1, at \$76.40/bbl on October 4, at \$79.00/bbl on October 5, at \$80.70/bbl on October 6.

On the foreign exchange market in the September 23-September 29 week, the dollar moved within a range of 110.41 yen and 111.65 yen. It changed hands at 111.92 yen in late trading on September 30, at 111.43 yen on October 1, at 110.99 yen on October 4, at 110.91 yen on October 5, at 111.63 yen on October 6.

Japan's average retail price on October 4 gained by 1.3 yen/l from a week earlier for gasoline and gained by 1.2 yen/l for diesel oil and gained by 18 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the fifth straight week. As crude oil cost increased for the first week of October, Motouri companies increased their wholesale prices by 2.0 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

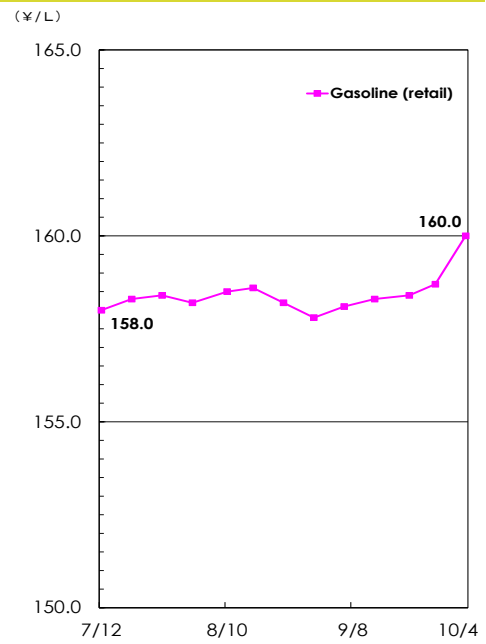
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/26 ~ 10/2	2,726	▼ -70	▲ -
	Topper capacity utilization rate (%)	"	70.8	▼ -1.9	▲ -
	Crude oil inventories (1,000 kl)	10/2	9,354	▲ 238	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/4	75.57	▲ 0.68	▲ 35.7
	WTI crude oil (NYMEX) (\$/bbl)	10/4	77.62	▲ 2.17	▲ 38.4
	Crude oil import CIF price (\$/bbl)	Early Sep	73.94	▲ 0.63	▲ 27.69
	①Crude oil import CIF price (yen/kl)	"	51,059	▲ 269	▲ 20,234
	②Yen-dollar exchange rate (yen/dollar)	"	109.79	▲ 0.35	▼ -3.84
	TTS exchange rate (yen/dollar)	10/4	111.99	▼ -0.24	▼ -5.40



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/26 ~ 10/2	840 ▼ -31	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	786 ▼ -24	▼ -	
	Exports	"	141 ▲ 82	▲ -	
	Inventories	10/2	1,605 ▼ -87	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/28 ~ 10/4	69.5 ▲ 1.6	▲ 26.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/28 ~ 10/4	69.4 ▲ 3.4	▲ 30.5
		(TOCOM/ Chubu)	10/4	70.0 ▲ 3.0	▲ 30.0
	Retail prices [weekly trend] (published by ANRE)	10/4	160.0 ▲ 1.3	▲ 25.4	

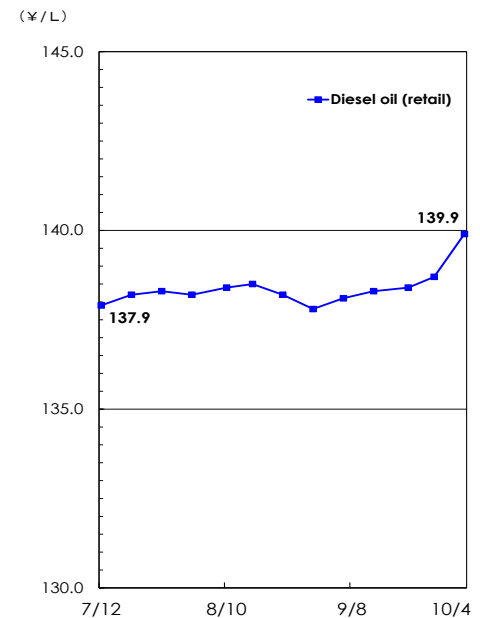
*Gyoten and futures prices are before tax



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

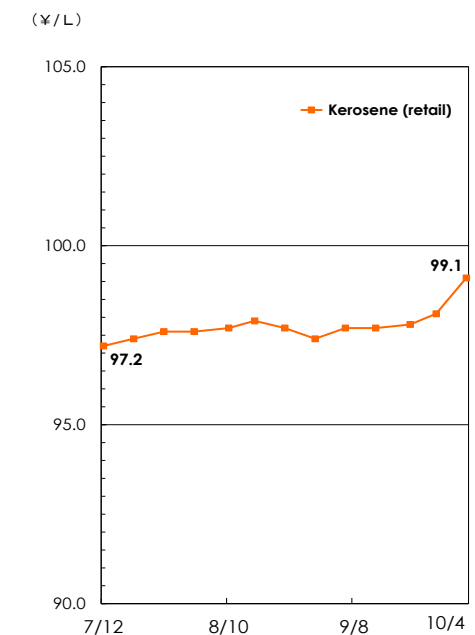
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	9/26 ~ 10/2	740 ▲ 78	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	598 ▲ 99	▼ -	
	Exports	"	150 ▲ 3	▲ -	
	Inventories	10/2	1,540 ▼ -7	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/28 ~ 10/4	71.2 ▲ 2.2	▲ 25.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/28 ~ 10/4	71.8 ▲ 1.7	▲ 24.9
		(TOCOM/ Chubu)	10/4	-	-
	Retail prices [weekly trend] (published by ANRE)	10/4	139.9 ▲ 1.2	▲ 24.7	

*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	9/26 ~ 10/2	207 ▼ -4	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	153 ▲ 50	▲ -	
	Exports	"	0 → 0	▼ -	
	Inventories	10/2	2,539 ▲ 53	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/28 ~ 10/4	70.4 ▲ 1.9	▲ 24.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/28 ~ 10/4	68.0 ▲ 2.1	▲ 26.0
		(TOCOM/ Chubu)	10/4	68.5 ▲ 2.0	▲ 26.5
	Retail prices [weekly trend] (published by ANRE)	10/4	99.1 ▲ 1.0	▲ 18.4	



Relevant Information

1 Overseas crude oil prices

On October 6, WTI crude oil futures price on NYMEX turned down for the first time in five trading days. According to the U.S. EIA (Energy Information Administration) Report announced on this day, the U.S. domestic inventory increased by 2.35 million bbl for crude oil from the previous week, which was against the market expectation of the leveled off inventory, and increased for gasoline, which was also against the market expectation of the slight decrease. Since the U.S. domestic crude oil production also increased, the market players had a rising expectation for the progress of resumption of oil facilities which were damaged by the Hurricanes in summer and weakening expectation for tightening oil demand and supply. The November contract lost \$1.50/bbl to \$77.43/bbl from the previous day. The December contract lost \$1.51/bbl to \$77.06/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of October 4 increased by 1.5 cents per gallon from a week earlier to \$3.190/gal (94.3 yen/l). The average diesel oil price increased by 7.1 cents per gallon to \$3.477/gal (102.7 yen/l). The gasoline price increased for the first time in two weeks. Diesel oil price increased for the third 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 26-October 2 week in 2021 stood at 323,000 barrels per day, increasing by 8,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 70,000 kl from the previous week to 2,726,000 kl. From a year earlier, it increased by 144,000 kl. The topper capacity utilization rate stood at 70.8%, down 1.9 points from the previous week and up 4.9 points from a year earlier.

Production increased from the previous week for jet fuel and diesel oil and decreased for other petroleum products. Output was down 3.5% for gasoline, up 25.7% for jet fuel, down 1.8% for kerosene, up 11.8% for diesel oil, down 12.5% for Fuel Oil A, and down 5.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 5,000 kl from the previous week. Diesel oil exports aggregated 150,000 kl, up 3,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel, kerosene and diesel oil and decreased for other products. From a year earlier, shipments expanded for kerosene and declined for all petroleum products. Gasoline shipments decreased by 3.0% from the previous week to 786,000 kl, decreasing for the first time in three weeks. Shipments totaled 65,000 kl for jet fuel (up 98.0% from the previous week), 153,000 kl for kerosene (down 49.7% from the previous week), 598,000 kl for diesel oil (up 19.7% from the previous week),

139,000 kl for Fuel Oil A (down 28.5% from the previous week), and 61,000 kl for Fuel Oil C (down 49.3% from the previous week).

(Unit: 1,000 kl)

	This week (9/26 ~ 10/2)	Previous week (9/19 ~ 9/25)	From a week earlier
Gasoline	786	810	▼ -24 (-3%)
Jet fuel	65	33	▲ 32 (97%)
Kerosene (heating Oil)	153	103	▲ 50 (49%)
Diesel oil	598	499	▲ 99 (20%)
Fuel oil A	139	194	▼ -55 (-28%)
Fuel Oil C	61	121	▼ -60 (-50%)
Total	1,802	1,760	▲ 42 (2%)

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 October 2 increased from a week earlier for jet fuel and kerosene and decreased for other petroleum products. From a year earlier, inventories expanded for jet fuel, diesel oil and Fuel Oil C and declined for other petroleum products.

Gasoline inventories totaled 1,605,000 kl, down 87,000 kl from a week earlier and down 230,000 kl from a year earlier.

Kerosene inventories totaled 2,539,000 kl, up 53,000 kl from a week earlier and down 432,000 kl from a year earlier.

Diesel oil inventories totaled 1,540,000 kl, down 7,000 kl from a week earlier and up 39,000 kl from a year earlier.

Fuel Oil A inventories totaled 723,000 kl, down 19,000 kl from a week earlier and down 4,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,951,000 kl, down 55,000 kl from a week earlier and up 148,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/2)	Previous week (9/25)	From a week earlier
Gasoline	1,605	1,692	▼ -87 (-5%)
Jet fuel	859	842	▲ 17 (2%)
Kerosene (heating Oil)	2,539	2,486	▲ 53 (2%)
Diesel oil	1,540	1,547	▼ -7 (-0%)
Fuel oil A	723	742	▼ -19 (-3%)
Fuel Oil C	1,951	2,006	▼ -55 (-3%)
Total	9,217	9,315	▼ -98 (-1.1%)

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

During September 28-October 4, crude oil cost in yen increased from a week earlier with the increase in crude oil price and the depreciation of the yen to the US dollar.

For the next week of October 7-October 13, Motouri companies increased their wholesale prices by 2.0 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 28-October 4 week increased for all oil products in all trading compared to the period of September 21-September 27.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the September 28-October 4) increased by 1.6 yen/l from a week earlier (September 21-September 27) for gasoline, increased by 1.9 yen/l for kerosene and increased by 2.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.6 yen/l for gasoline, increased by 3.9 yen/l for kerosene and increased by 2.0 yen/l for diesel oil for the September 28-October 4 week from a week earlier.

The key average futures price increased by 3.4 yen/l for gasoline, increased by 2.1 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 (9/28 ~ 10/4)	Previous week (9/21 ~ 9/27)	From a week earlier
Spot Prices	Regular	69.5	67.9	▲ 1.6
	Kerosene	70.4	68.5	▲ 1.9
	Diesel oil	71.2	69.0	▲ 2.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (9/28 ~ 10/4)	Previous week (9/21 ~ 9/27)	From a week earlier
Futures Price	Regular	69.4	66.0	▲ 3.4
	Kerosene	68.0	65.9	▲ 2.1
	Diesel oil	71.8	70.1	▲ 1.7

Above prices are before tax.

Reference (September 28 - October 4 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.6	▲ 3.4	▲ 2.5
Kerosene	▲ 1.9	▲ 2.1	▲ 2.0
Diesel oil	▲ 2.2	▲ 1.7	▲ 1.9
Fuel Oil A	▲ 1.6		

(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 October 4 increased by 1.3 yen from a week earlier to 160.0 yen/l for gasoline, increased by 1.2 yen to 139.9 yen/l for diesel oil and increased by 18 yen to 1,783 yen for kerosene on an 18-liter tank basis (increased by 1.0 yen/l to 99.1 yen/l) from a week earlier. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the fifth straight week.

Gasoline prices increased in 43 prefectures, leveled off in two prefectures and decreased in two prefectures. The lowest gasoline price among the prefectures was 153.7 yen/l in Miyagi (up 0.9 yen/l from a week earlier). The second lowest was 154.7 yen/l in Saitama (up 1.6 yen/l from a week earlier). The highest price was 169.5 yen/l in Nagasaki (up 0.7 yen/l from a week earlier). Kouchi logged the largest price gain of 3.7 yen/l to 165.9 yen/l. The price leveled off in Aichi and Ehime. Tottori logged the largest price fall of 0.4 yen/l to 158.0 yen/l.

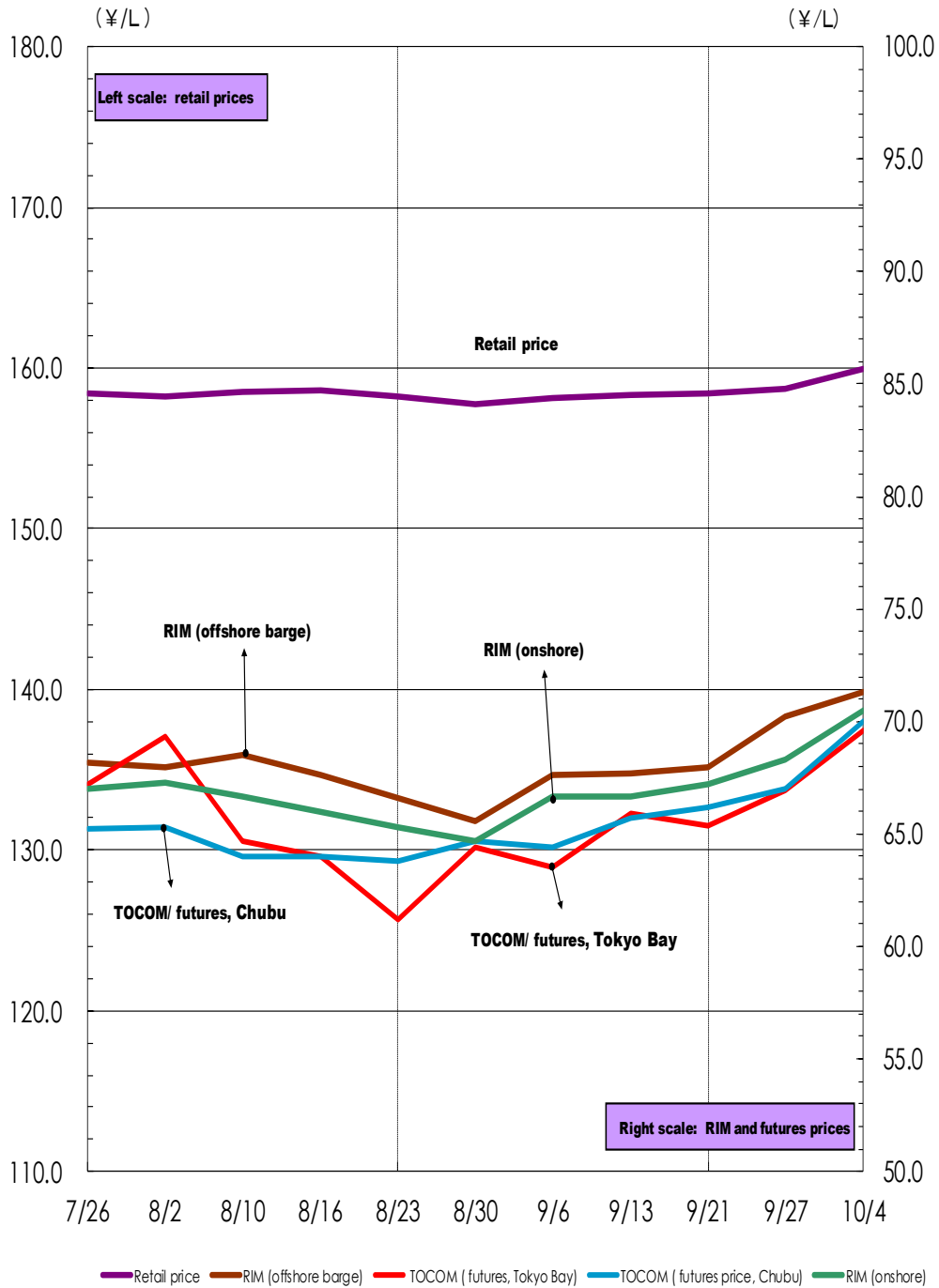
Crude oil cost in yen increased for the period from September 28-October 4 with the increase in crude oil price and the depreciation yen to the US dollar. Motouri companies increased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the period from October 7-October 13. Retail gasoline price on the next price survey day (October 11) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (10/4)	Previous week (9/27)	From a week earlier	Latest high
Retail Price	Regular	160.0	158.7	▲ 1.3	08/8/4 185.1
	Kerosene	99.1	98.1	▲ 1.0	08/8/11 132.1
	Diesel oil	139.9	138.7	▲ 1.2	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

(2021/7/26 ~ 2021/10/4)



(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. 27 for 2021) will be announced on October 22.

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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).