

Oil Market Review in Japan No. 36/2021

December 24, 2021, Friday Released every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

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https://eneken.ieej.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 December 2-December 8 week moved within a range of \$66.26 per barrel and \$72.36/bbl.

On December 9, the key contract turned down for the first time in four trading days and the January contract closed at \$70.94/bbl down \$1.42/bbl from the previous trading day. Some of the European countries reinforced behavior restriction in response to the new outbreaks of the Omicron variant. Market players were concerned about diminishing crude oil demand. On December 8, the U.K. Government announced the reinforcement of measures on behavior restrictions in response to the new outbreaks of the Omicron variant in England. In addition, behavior restrictions were also reportedly reinforced for the time being in Denmark and some regions in China. The crude oil futures price rose by over 9% this week by the expectation that the Omicron variant would be unlikely to result in severe conditions. However, on December 9, the market saw profit-taking sales due to concerns about the slowdown of economic activities by some governments reinforcement of behavior restrictions and restraining crude oil demand.

On December 10, the key contract rebounded by prevailing buying trend in response to a sense of undervalued crude oil futures price caused by the depreciation of the U.S. dollar and the January contract closed at \$71.67/bbl up \$0.73/bbl from the previous day. U.S. oil-drilling rigs increased by four units from a week earlier to 471 units.

On December 13, the key contract turned down slightly due to strengthening concerns over the Omicron variant of the new coronavirus and the January contract closed at \$71.29/bbl, down \$0.38/bbl from the previous day.

On December 14, the key contract turned down further due to uncertainty about energy demand and supply worldwide in the future and the January contract closed at \$70.73/bbl down \$0.56/bbl from the previous day. The IEA (International Energy Agency) made a downward revision of the worldwide oil demand forecast by 0.1 million bbl/d for both 2021 and 2022 in its Monthly Report released in December 2021. The reason for the downward revision of the worldwide oil demand forecast was that the expected sluggish jet fuel demand due to many governments' reinforcement of behavior restrictions such as travel restrictions in response to the new outbreaks of the Omicron variant. The selling trend prevailed due to a sense of oil oversupply again in the market. The key contract fell to \$69.51/bbl temporarily.

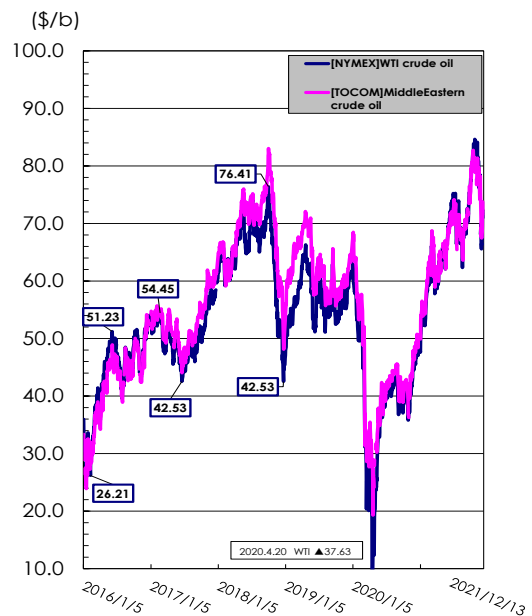
On December 15, the key contract rebounded for the first time in three trading days. The January contract closed at \$70.87/bbl up \$0.14/bbl from the previous day. The FRB (Federal Reserve Board) decided to accelerate tapering (reduction of quantitative easing) in the FOMC (Federal Open Market Committee) held on December 15. The FRB's decision was what most of the market players had expected and buying trend prevailed in the crude oil futures market with the U.S. stock prices rising after the announcement of the decision. In addition, the price level was also supported by oil demand and supply situation. According to the U.S. EIA (Energy Information Administration) Weekly Report released on December 15, the U.S. domestic crude oil inventory decreased from the previous week more than the market expectation, which made the market players recognize a sense of tightening demand and supply for the time being.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged from \$68.80/bbl to \$74.00/bbl on December 2-December 8 week. It closed at \$75.20/bbl on December 9, at \$72.80/bbl on December 10, at \$74.90/bbl on December 13, at \$72.90/bbl on December 14, at \$71.60/bbl on December 15.

On the foreign exchange market in the December 2- December 8 week, the dollar moved within a range of 112.98 yen and 113.57 yen. It changed hands at 113.82 yen in late trading on December 9, at 113.47 yen on December 10, at 113.56 yen on December 13, at 113.68 yen on December 14, at 113.80 yen on December 15.

Japan's average retail price on December 13 lost by 2.1 yen/l from a week earlier for gasoline and lost by 1.9 yen/l for diesel oil and lost by 22 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the fifth straight week. Diesel oil price decreased for the fifth straight week. Kerosene price decreased for the second straight week. Crude oil cost decreased for the week of December 7-December 13, Motouri companies increased their wholesale prices by 2.5 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

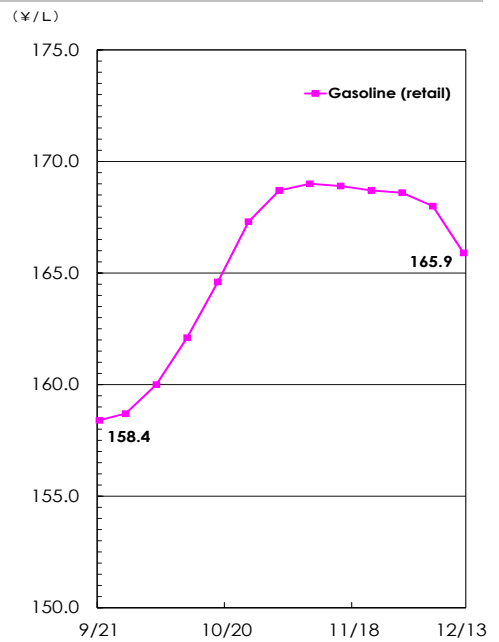
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	12/5 ~ 12/11	3,204	▲ 102	▲ —
	Topper capacity utilization rate (%)	"	83.3	▲ 2.7	▲ —
	Crude oil inventories (1,000 kl)	12/11	9,572	▲ 325	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/13	73.51	▲ 4.52	▲ 24.1
	WTI crude oil (NYMEX) (\$/bbl)	12/13	71.29	▲ 1.80	▲ 24.3
	Crude oil import CIF price (\$/bbl)	Mid Nov	82.23	▲ 1.31	▲ 39.92
	①Crude oil import CIF price (yen/kl)	"	58,949	▲ 891	▲ 31,092
	②Yen-dollar exchange rate (yen/dollar)	"	113.97	▲ 0.10	▼ -9.29
	TTS exchange rate (yen/dollar)	12/13	114.56	▼ -0.48	▼ -9.52



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/5 ~ 12/11	909 ▼ -3	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	804 ▼ -35	▼ -	
	Exports	"	115 ▲ 115	▲ -	
	Inventories	12/11	1,552 ▼ -10	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/7 ~ 12/13	67.7 ▼ -2.8	▲ 21.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/7 ~ 12/13	61.1 ▼ -0.6	▲ 18.1
		(TOCOM/ Chubu)	12/13	68.2 ▲ 1.2	▲ 23.2
	Retail prices [weekly trend] (published by ANRE)	12/13	165.9 ▼ -2.1	▲ 31.2	

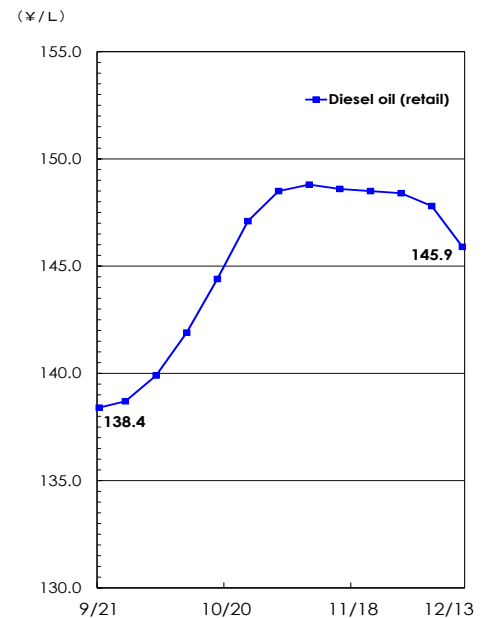
*Gyoten and futures prices are before tax



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

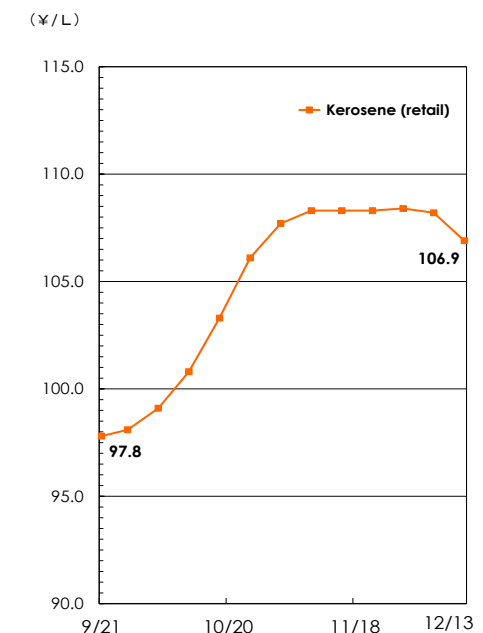
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/5 ~ 12/11	803 ▲ 81	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	643 ▲ 33	▲ -	
	Exports	"	172 ▲ 118	▲ -	
	Inventories	12/11	1,390 ▼ -13	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/7 ~ 12/13	68.8 ▼ -4.3	▲ 20.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/7 ~ 12/13	73.6 ▼ -2.1	▲ 23.9
		(TOCOM/ Chubu)	12/13	-	-
	Retail prices [weekly trend] (published by ANRE)	12/13	145.9 ▼ -1.9	▲ 30.5	

*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	12/5 ~ 12/11	302 ▼ -18	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	424 ▲ 84	▼ -	
	Exports	"	0 ▼ -24	➡ -	
	Inventories	12/11	2,650 ▼ -122	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/7 ~ 12/13	68.4 ▼ -3.7	▲ 20.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/7 ~ 12/13	68.5 ▲ 1.7	▲ 22.3
		(TOCOM/ Chubu)	12/13	70.5 ▲ 2.5	▲ 23.0
	Retail prices [weekly trend] (published by ANRE)	12/13	106.9 ▼ -1.3	▲ 27.2	



Relevant Information

1 Overseas crude oil prices

On December 15, WTI crude oil futures price on NYMEX rebounded for the first time in three trading days supported by the expectation of tightening demand and supply in response to a decrease in the U.S. domestic crude oil inventory from the previous week. The January contract closed at \$70.87/bbl up \$0.14/bbl from the previous day. The February contract closed at \$70.66/bbl up \$0.14/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on the morning of December 15, the U.S. domestic crude oil inventory decreased by 4.6 million bbl from the previous week, which was more than the market expectation. The U.S. domestic inventory decreased by 0.7 million bbl for gasoline and by 2.9 million bbl for the middle distillates. The market players confirmed a robust oil demand and the market saw the buying trend again. The FRB (Federal Reserve Board) decided to accelerate the reduction of quantitative easing such as purchasing the U.S. Treasuries and advance the end time of the quantitative easing in March 2022 in the FOMC (Federal Open Market Committee) held on December 15. According to the expectation of some of the participants in the FOMC on the policy interest rate, the FRB would lift the de facto zero-interest rate policy and raise the interest rate three times in 2022. The uncertainty about interest rates faded out and the market players risk aversion had gradually abated. These factors strengthened the motivation for buying crude oil futures.

According to the EIA, the average U.S. retail price of gasoline as of December 13 decreased by 2.6 cents per gallon from a week earlier to \$3.315/gal (100.2 yen/l). The average diesel oil price decreased by 2.5 cents per gallon to \$3.649/gal (110.3 yen/l). The gasoline price decreased for the fifth straight week. Diesel oil price decreased 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 December 5 -December 11 week in 2021 stood at 35,000 barrels per day, decreasing by 137,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 102,000 kl from the previous week to 3,204,000 kl. From a year earlier, it increased by 124,000 kl. The topper capacity utilization rate stood at 83.3%, up 2.7 points from the previous week and up 3.3 points from a year earlier.

Production increased from the previous week for jet fuel, diesel oil and Fuel Oil C and decreased for other petroleum products. Output was down 0.4% for gasoline, up 23.0% for jet fuel, down 5.6% for kerosene, up 11.2% for diesel oil, down 3.4% for Fuel Oil A, and up 8.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 35,000 kl, unchanged from the previous week. Diesel oil exports aggregated 172,000 kl, up 118,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and increased for other products. From a year earlier, shipments expanded for diesel oil, Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 4.1% from the previous week to 804,000 kl, decreasing for the first time in two weeks. Shipments totaled 118,000 kl for jet fuel (up 682.6% from the previous week), 424,000 kl for kerosene (up 24.8% from the

previous week), 643,000 kl for diesel oil (up 5.4% from the previous week), 245,000 kl for Fuel Oil A (up 22.0% from the previous week), and 210,000 kl for Fuel Oil C (up 78.7% from the previous week).

(Unit: 1,000 kl)

	This week (12/5 ~ 12/11)	Previous week (11/28 ~ 12/4)	From a week earlier
Gasoline	804	839	▼ -35 (-4%)
Jet fuel	118	15	▲ 103 (687%)
Kerosene (heating Oil)	424	340	▲ 84 (25%)
Diesel oil	643	610	▲ 33 (5%)
Fuel oil A	245	201	▲ 44 (22%)
Fuel Oil C	210	117	▲ 93 (79%)
Total	2,444	2,122	▲ 322 (15%)

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 December 11 increased for Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for jet fuel and declined for other petroleum products.

Gasoline inventories totaled 1,552,000 kl, down 10,000 kl from a week earlier and down 425,000 kl from a year earlier.

Kerosene inventories totaled 2,650,000 kl, down 122,000 kl from a week earlier and down 253,000 kl from a year earlier.

Diesel oil inventories totaled 1,390,000 kl, down 13,000 kl from a week earlier and down 187,000 kl from a year earlier.

Fuel Oil A inventories totaled 750,000 kl, down 16,000 kl from a week earlier and down 51,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,745,000 kl, up 33,000 kl from a week earlier and down 233,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/11)	Previous week (12/4)	From a week earlier
Gasoline	1,552	1,562	▼ -10 (-1%)
Jet fuel	792	831	▼ -39 (-5%)
Kerosene (heating Oil)	2,650	2,772	▼ -122 (-4%)
Diesel oil	1,390	1,403	▼ -13 (-1%)
Fuel oil A	750	766	▼ -16 (-2%)
Fuel Oil C	1,745	1,712	▲ 33 (2%)
Total	8,879	9,046	▼ -167 (-1.8%)

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

During December 7-December 13, crude oil cost in yen increased from a week earlier with an increase in crude oil price and the depreciation of the yen to the US dollar.

For the next week of December 16-December 22, Motouri companies increased their wholesale prices by 2.5 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 December 7-December 13 week decreased for all oil products in all trading except for the increased kerosene futures price compared to the period of November 30-December 6.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the December 7-December 13) decreased by 2.8 yen/l from a week earlier (November 30-December 6) for gasoline, decreased by 3.7 yen/l for kerosene and decreased by 4.3 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 3.3 yen/l for gasoline, decreased by 2.9 yen/l for kerosene and decreased by 4.4 yen/l for diesel oil for the December 7-December 13 week from a week earlier.

The key average futures price decreased by 0.6 yen/l for gasoline, increased by 1.7 yen/l for kerosene and decreased by 2.1 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/7 ~ 12/13)	Previous week (11/30 ~ 12/6)	From a week earlier
Spot Prices	Regular	67.7	70.5	▼ -2.8
	Kerosene	68.4	72.1	▼ -3.7
	Diesel oil	68.8	73.1	▼ -4.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/7 ~ 12/13)	Previous week (11/30 ~ 12/6)	From a week earlier
Futures Price	Regular	61.1	61.7	▼ -0.6
	Kerosene	68.5	66.8	▲ 1.7
	Diesel oil	73.6	75.7	▼ -2.1

Above prices are before tax.

Reference (December 7 - December 13 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -2.8	▼ -0.6	▼ -1.7
Kerosene	▼ -3.7	▲ 1.7	▼ -1.0
Diesel oil	▼ -4.3	▼ -2.1	▼ -3.2
Fuel Oil A	▼ -4.6		

(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 December 13 decreased by 2.1 yen from a week earlier to 165.9 yen/l for gasoline, decreased by 1.9 yen to 145.9 yen/l for diesel oil and decreased by 22 yen/l to 1,925 yen for kerosene on an 18-liter tank basis (decreased by 1.3 yen/l to 106.9 yen/l) from a week earlier. The gasoline price decreased for the fifth straight week. Diesel oil price decreased for the fifth straight week. Kerosene price decreased for the second straight week.

Gasoline prices increased in two prefectures, leveled off in one prefecture and decreased in 44 prefectures. The lowest gasoline price among the prefectures was 159.4 yen/l in Iwate. The second lowest was 159.5 yen/l in Saitama. The highest price was 176.9 yen/l in Nagasaki. Nagasaki logged the largest price gain of 0.2 yen/l. The price leveled off in Oita. Shimane logged the largest price fall of 4.9 yen/l.

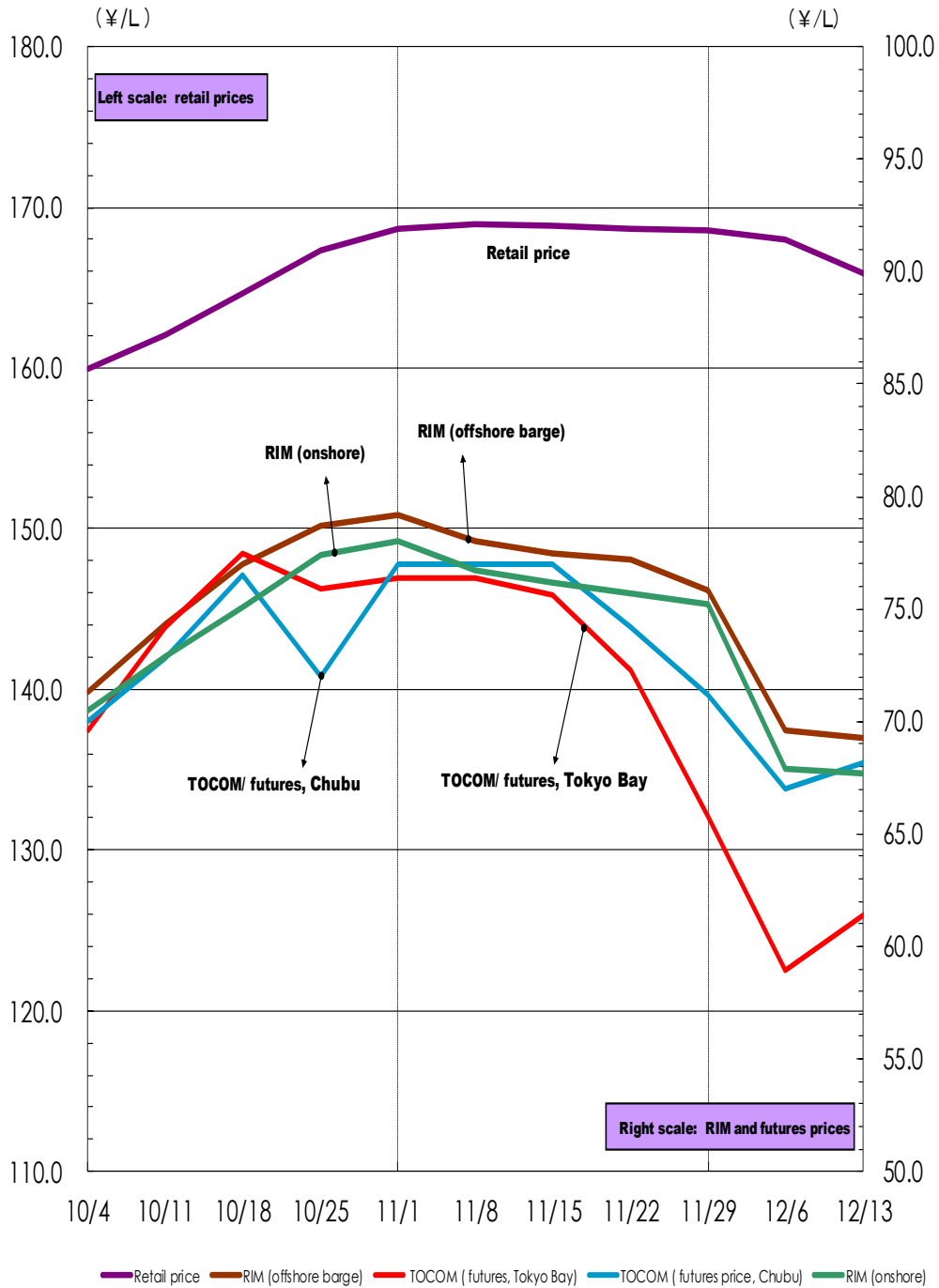
Crude oil cost in yen increased for the period from December 7- December 13 with an increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for the period from December 16-December 22. Retail gasoline price on the next price survey day (December 20) is expected to level off from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/13)	Previous week (12/6)	From a week earlier	Latest high
Retail Price	Regular	165.9	168.0	▼ -2.1	08/8/4 185.1
	Kerosene	106.9	108.2	▼ -1.3	08/8/11 132.1
	Diesel oil	145.9	147.8	▼ -1.9	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

(2021/10/4 ~ 2021/12/13)



(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. 37 for 2021) will be announced on January 7.

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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).