

Oil Market Review in Japan No. 38/2021

January 14, 2022, 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 16-December 22 week moved within a range of \$68.23 per barrel and \$72.76/bbl.

On December 23, the key contract rose further due to the announcement of the U.S. EIA (Energy Information Administration) Weekly Report that the U.S. domestic crude oil inventory decreased more than the market expectation for the previous week. The price rise was also supported by the price hike in the U.S. stock market. The February contract closed at \$73.79/bbl up \$1.03/bbl from the previous trading day. From December 24 to December 26, the market closed for the Christmas Holidays. On December 27, the key contract rose for the fourth straight trading day due to receding excessive alertness for the "Omicron" variant of the new coronavirus. Market players did not assume much influence by the "Omicron" variant. The February contract closed at \$75.57/bbl up \$1.78/bbl from the previous day. On December 28, the key contract rose for the fifth straight trading day. Market players didn't assume much influence on the economic recovery by the "Omicron" variant of the new coronavirus. In addition, the price rise was also supported by doubt about capacity for an increase in crude oil production by some of the oil-producing countries, because Libya and Nigeria exercised force majeure on their crude oil export. The February contract closed at \$75.98/bbl, up \$0.41/bbl from the previous day. On December 29, the key contract rose for the sixth straight trading day due to a decrease in the U.S. domestic crude oil inventory for the fifth straight week according to the announcement by the U.S. EIA weekly Report. The February contract closed at \$76.56/bbl up \$0.58/bbl from the previous day, reaching the highest level for the first time in about one month. The price rise was also supported by the depreciation of the U.S. dollar against the Euro. On December 30, the key contract rose for the seventh straight trading day and the February contract closed at \$76.99/bbl up \$0.43/bbl from the previous day. The buying trend continuously prevailed by the expectation for a growing oil demand in response to the announcement of the decrease in the U.S. domestic crude oil inventory. On December 31, the key contract turned down for the first time in eight trading days by profit-taking sale and position-adjustment sale in the background of the alertness for the outbreak of the "Omicron" variant of the new coronavirus. The February contract closed at \$75.21/bbl down \$1.78/bbl from the previous day. Most of the market players expected that Member of OPEC (Organization for the Petroleum Exporting Countries) Plus would maintain its easing of a decrease in crude oil production by 0.4 million b/d for February 2022 in the Ministerial Meeting scheduled for January 4.

On January 3, the key contract rebounded. The February contract closed at \$76.08/bbl up \$0.87/bbl from the previous day. Market players took a wait-and-see attitude before the Ministerial Meeting for Member of OPEC Plus. Later, buying trend prevailed by the expectation for a growing oil demand and the announcement that Libya would decrease its crude oil production by 0.2 million b/d for about a week because of the maintenance of pipelines. On January 4, the key contract rose further and the February contract closed at \$76.99/bbl up \$0.91/bbl from the previous day. Concerns about excessive crude oil supply receded. The Member of OPEC Plus confirmed its framework for easing a decrease in crude oil production by 0.4 million b/d for February 2022, as expected by the market. On January 5, the key contract rose for the third straight trading day in response to a decrease in the U.S. domestic crude oil inventory for the sixth straight week, although less than the market expectation, according to the U.S. EIA Weekly Report. The price rise was also supported by the depreciation of the U.S. dollar against the Euro. The February contract closed at \$77.85/bbl up \$0.86/bbl from the previous day.

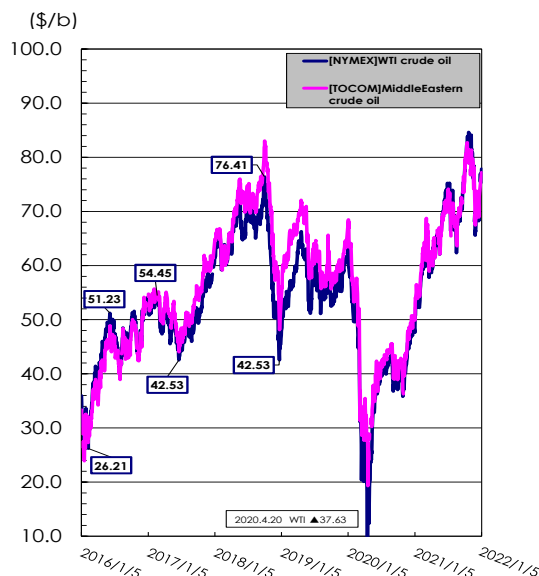
The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged from \$70.20/bbl to \$73.40/bbl on December 16-December 22 week. It closed at \$74.20/bbl on December 23, at \$75.20/bbl on December 24, at \$74.30/bbl on December 27, at \$77.00/bbl on December 28, at \$76.90/bbl on January 4, at \$78.30/bbl on January 5.

On the foreign exchange market in the December 16-December 22 week, the dollar moved within a range of 113.62 yen and 114.21 yen. It changed hands at 114.23 yen in late trading on December 23, at 114.50 yen on December 24, at 114.42 yen on December 27, at 114.95 yen on December 28, at 114.89 yen on December 29, at 115.02 yen on December 30, at 115.44 yen on January 4, at 116.21 yen on January 5.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 24, the average crude oil import CIF price for Japan in early December period stood at 59,346 yen/kl (kiloliter), down 156 yen/kl from the previous 10-day period. In dollars, the price was \$82.30/bbl, down \$0.84/bbl. The average exchange rate was 114.65 yen to the dollar.

Japan's average retail price on January 4 lost by 0.4 yen/l from a week earlier for gasoline and lost by 0.5 yen/l for diesel oil and lost by 4 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the seventh straight week. Diesel oil price decreased for the seventh straight week. Kerosene price decreased for the fourth straight week. Crude oil cost increased for the week of December 21-January 3, Motouri companies increased their wholesale prices by 5.0 yen/l from a week earlier for gasoline, diesel oil and kerosene for the upcoming next two weeks (January 6-January 12).

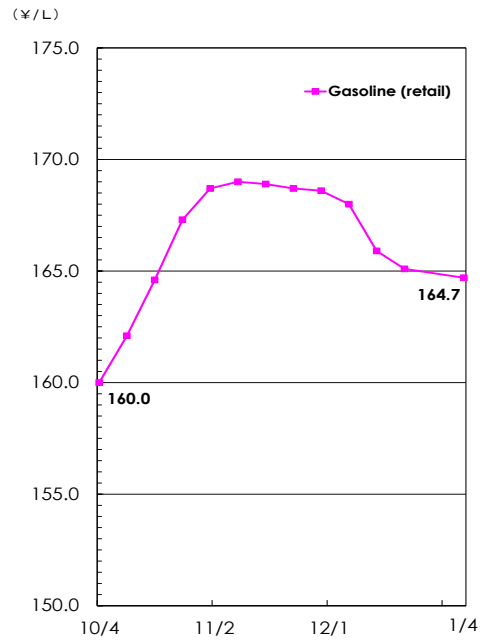
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	12/26 ~ 1/1	3,242	▼ -127	▲ -
	Topper capacity utilization rate (%)	"	84.2	▼ -3.3	▲ -
	Crude oil inventories (1,000 kl)	1/1	9,219	▲ 619	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/5	77.20	▲ 3.81	▲ 27.3
	WTI crude oil (NYMEX) (\$/bbl)	1/3	76.08	▲ 0.51	▲ 28.5
	Crude oil import CIF price (\$/bbl)	Early Dec	82.30	▼ -0.84	▲ 37.78
	① Crude oil import CIF price (yen/kl)	"	59,346	▼ -156	▲ 30,183
	② Yen-dollar exchange rate (yen/dollar)	"	114.65	▼ -0.85	▼ -10.52
	TTS exchange rate (yen/dollar)	1/4	116.44	▼ -1.02	▼ -12.36



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

Gasoline			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	12/26 ~ 1/1	965	▼ -25	▲ —
	Imports	"	n.a.	n.a.	n.a.
	Shipments	"	867	▲ 38	▲ —
	Exports	"	81	▼ -80	▼ —
	Inventories	1/1	1,611	▲ 18	▼ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/21 ~ 1/3	69.4	▲ 0.7	▲ 22.6
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 12/21 ~ 1/3	64.9	▲ 1.7	▲ 20.8
		(TOCOM/ Chubu) 12/24	69.8	▲ 2.3	▲ 24.8
	Retail prices [weekly trend]	(published by ANRE) 1/4	164.7	▼ -0.4	▲ 28.6

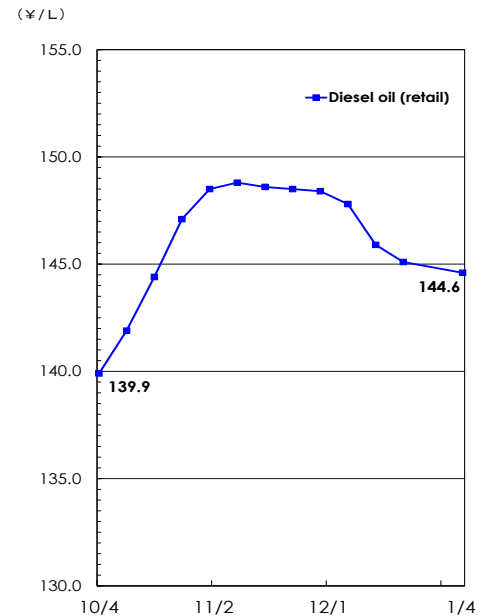
*Gyoten and futures prices are before tax



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

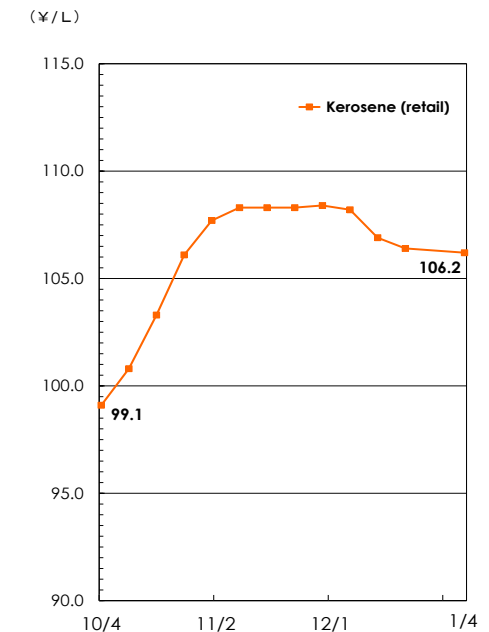
Diesel oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	12/26 ~ 1/1	688	▼ -76	▲ —
	Imports	"	n.a.	n.a.	n.a.
	Shipments	"	395	▼ -213	▲ —
	Exports	"	247	▲ 103	▲ —
	Inventories	1/1	1,430	▲ 46	▼ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/21 ~ 1/3	70.4	▲ 0.2	▲ 21.1
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 12/21 ~ 1/3	71.9	▼ -0.9	▲ 21.0
		(TOCOM/ Chubu) 12/24	—	—	—
	Retail prices [weekly trend]	(published by ANRE) 1/4	144.6	▼ -0.5	▲ 28.0

*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	12/26 ~ 1/1	347	▲ 16	▼ —
	Imports	"	n.a.	n.a.	n.a.
	Shipments	"	466	▼ -25	▼ —
	Exports	"	0	→ 0	▼ —
	Inventories	1/1	2,232	▼ -119	▼ —
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/21 ~ 1/3	69.4	→ 0.0	▲ 19.9
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 12/21 ~ 1/3	68.9	▲ 0.8	▲ 21.5
		(TOCOM/ Chubu) 12/24	70.7	▲ 2.2	▲ 21.2
	Retail prices [weekly trend]	(published by ANRE) 1/4	106.2	▼ -0.2	▲ 25.7



Relevant Information

1 Overseas crude oil prices

On December 29, WTI crude oil futures price on NYMEX rose for the sixth straight trading day in the background of a decrease in the U.S. domestic crude oil and oil products inventory. The February contract closed at \$76.56/bbl up \$0.58/bbl from the previous day. The March contract closed at \$76.18/bbl up \$0.58/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on the morning of December 29, the U.S. domestic crude oil inventory decreased by 3.6 million bbl from the previous week, which was more than the market expectation of a decrease by 3.1 million bbl, decreasing for the fifth straight week. The U.S. domestic inventory also decreased by 1.5 million bbl for gasoline (an increase by 0.5 million bbl by the market expectation) and also decreased by 1.7 million bbl (an increase by 0.2 million bbl by the market expectation) for the middle distillates.

On January 5, WTI crude oil futures price on NYMEX rose for the third straight trading day in the background of a decrease in the U.S. domestic crude oil inventory. The February contract closed at \$77.85/bbl up \$0.86/bbl from the previous day. The March contract closed at \$77.47/bbl up \$0.73/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on the morning of January 5, the U.S. domestic crude oil inventory decreased by 2.1 million bbl from the previous week, which was less than the market expectation of a decrease by 3.3 million bbl, decreasing for the sixth straight week. The U.S. domestic inventory also increased by 10.1 million bbl for gasoline (an increase by 1.8 million bbl by the market expectation) and also increased by 4.40million bbl (an increase by 1.5 million bbl by the market expectation) for the middle distillates.

According to the EIA, the average U.S. retail price of gasoline as of December 27 decreased by 2.0 cents per gallon from a week earlier to \$3.275/gal (99.7 yen/l). The average diesel oil price decreased by 1.1 cents per gallon to \$3.615/gal (110.1 yen/l). The gasoline price decreased for the seventh straight week. Diesel oil price decreased for the sixth straight week.

The average U.S. retail price of gasoline as of January 3 increased by 0.6 cents per gallon from a week earlier to \$3.281/gal (110.4 yen/l). The average diesel oil price decreased by 0.2 cents per gallon to \$3.613/gal (110.6 yen/l). The gasoline price decreased for the first time in eight weeks. Diesel oil price decreased for the seventh 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 26, 2021-January 1 week in 2022 stood at 35,000 barrels per day, unchanged from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 127,000 kl from the previous week to 3,242,000 kl. From a year earlier, it increased by 242,000 kl. The topper capacity utilization rate stood at 84.2%, down 3.3 points from the previous week and up 6.2 points from a year earlier.

Production increased from the previous week for kerosene and decreased for other petroleum products. Output was down 2.6% for gasoline, down 17.3% for jet fuel, up 4.8% for kerosene, down 9.9% for diesel oil, down 22.0% for Fuel Oil A, and down 37.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 41,000 kl, up 16,000 kl from the previous week. Diesel oil exports aggregated 247,000 kl, up 103,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and jet fuel and decreased for other products. From a year earlier, shipments declined for jet fuel and kerosene and expanded for other petroleum products. Gasoline shipments increased by 4.5% from the previous week to 867,000 kl, increasing for the first time in two weeks. Shipments totaled 43,000 kl for jet fuel (up 58.4% from the previous week),

466,000 kl for kerosene (down 5.1% from the previous week), 395,000 kl for diesel oil (down 34.9% from the previous week), 165,000 kl for Fuel Oil A (down 37.3% from the previous week), and 116,000 kl for Fuel Oil C (down 55.4% from the previous week).

(Unit: 1,000 kl)

	This week (12/26 ~ 1/1)	Previous week (12/19 ~ 12/25)	From a week earlier
Gasoline	867	829	▲ 38 (5%)
Jet fuel	43	27	▲ 16 (59%)
Kerosene (heating Oil)	466	491	▼ -25 (-5%)
Diesel oil	395	608	▼ -213 (-35%)
Fuel oil A	165	263	▼ -98 (-37%)
Fuel Oil C	116	260	▼ -144 (-55%)
Total	2,052	2,478	▼ -426 (-17%)

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 January 1 decreased for kerosene and increased for other petroleum products. From a year earlier, inventories expanded for jet fuel and declined for other petroleum products.

Gasoline inventories totaled 1,611,000 kl, up 18,000 kl from a week earlier and down 337,000 kl from a year earlier.

Kerosene inventories totaled 2,232,000 kl, down 119,000 kl from a week earlier and down 136,000 kl from a year earlier.

Diesel oil inventories totaled 1,430,000 kl, up 46,000 kl from a week earlier and down 286,000 kl from a year earlier.

Fuel Oil A inventories totaled 769,000 kl, up 44,000 kl from a week earlier and down 1,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,822,000 kl, up 92,000 kl from a week earlier and down 135,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/1)	Previous week (12/25)	From a week earlier
Gasoline	1,611	1,593	▲ 18 (1%)
Jet fuel	901	887	▲ 14 (2%)
Kerosene (heating Oil)	2,232	2,351	▼ -119 (-5%)
Diesel oil	1,430	1,384	▲ 46 (3%)
Fuel oil A	769	725	▲ 44 (6%)
Fuel Oil C	1,822	1,730	▲ 92 (5%)
Total	8,765	8,670	▲ 95 (1.1%)

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

During December 21-January 3, 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 January 6-January 12,

Motouri companies increased their wholesale prices by 5.0 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 December 21-January 3 week increased for all oil products in all trading except for the leveled off kerosene and the decreased diesel oil futures prices compared to the period of December 14-December 20.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the December 21-January 3) increased by 0.7 yen/l from a week earlier (December 14-December 20) for gasoline, leveled off for kerosene and increased by 0.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.1 yen/l for gasoline, increased by 0.1 yen/l for kerosene and increased by 0.5 yen/l for diesel oil for the December 21-January 3 week from a week earlier.

The key average futures price increased by 1.7 yen/l for gasoline, increased by 0.8 yen/l for kerosene and decreased by 0.9 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price] (Unit: yen/l)

	This week (12/21 ~ 1/3)	Previous week (12/14 ~ 12/20)	From a week earlier
Regular	69.4	68.7	▲ 0.7
Kerosene	69.4	69.4	▬ 0.0
Diesel oil	70.4	70.2	▲ 0.2

(TOCOM) [Front-month contract/closing price] (Average) (Unit: yen/l)

	This week (12/21 ~ 1/3)	Previous week (12/14 ~ 12/20)	From a week earlier
Regular	64.9	63.2	▲ 1.7
Kerosene	68.9	68.1	▲ 0.8
Diesel oil	71.9	72.8	▼ -0.9

Above prices are before tax.

Reference (December 21 - January 3 actual data)

(Unit: yen/l)

Products	Spot	Futures	Average
Gasoline	▲ 0.7	▲ 1.7	▲ 1.2
Kerosene	▬ 0.0	▲ 0.8	▲ 0.4
Diesel oil	▲ 0.2	▼ -0.9	▼ -0.3
Fuel Oil A	▲ 0.3		

(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 January 4 decreased by 0.4 yen from a week earlier to 164.7 yen/l for gasoline, decreased by 0.5 yen to 144.6 yen/l for diesel oil and decreased by 4 yen/l to 1,911 yen for kerosene on an 18-liter tank basis (decreased by 0.2 yen/l to 106.2 yen/l) from a week earlier. The gasoline price decreased for the seventh straight week. Diesel oil price decreased for the seventh straight week. Kerosene price decreased for the fourth straight week.

Gasoline prices increased in nine prefectures, leveled off in two prefectures and decreased in 36 prefectures. The lowest gasoline price among the prefectures was 157.6 yen/l in Saitama. The second lowest was 158.4 yen/l in Iwate. The highest price was 175.4 yen/l in Nagasaki. Okinawa logged the largest price gain of 0.6 yen/l. The price leveled off in Nara and Yamaguchi. Tottori logged the largest price fall of 1.7 yen/l.

Crude oil cost in yen increased for the period from December 21- January 3 with a increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 5.0 yen/l for gasoline, diesel oil and kerosene for the period from January 6-January 12. Retail gasoline price on the next price survey day (January 11) is expected to increase from a week earlier.

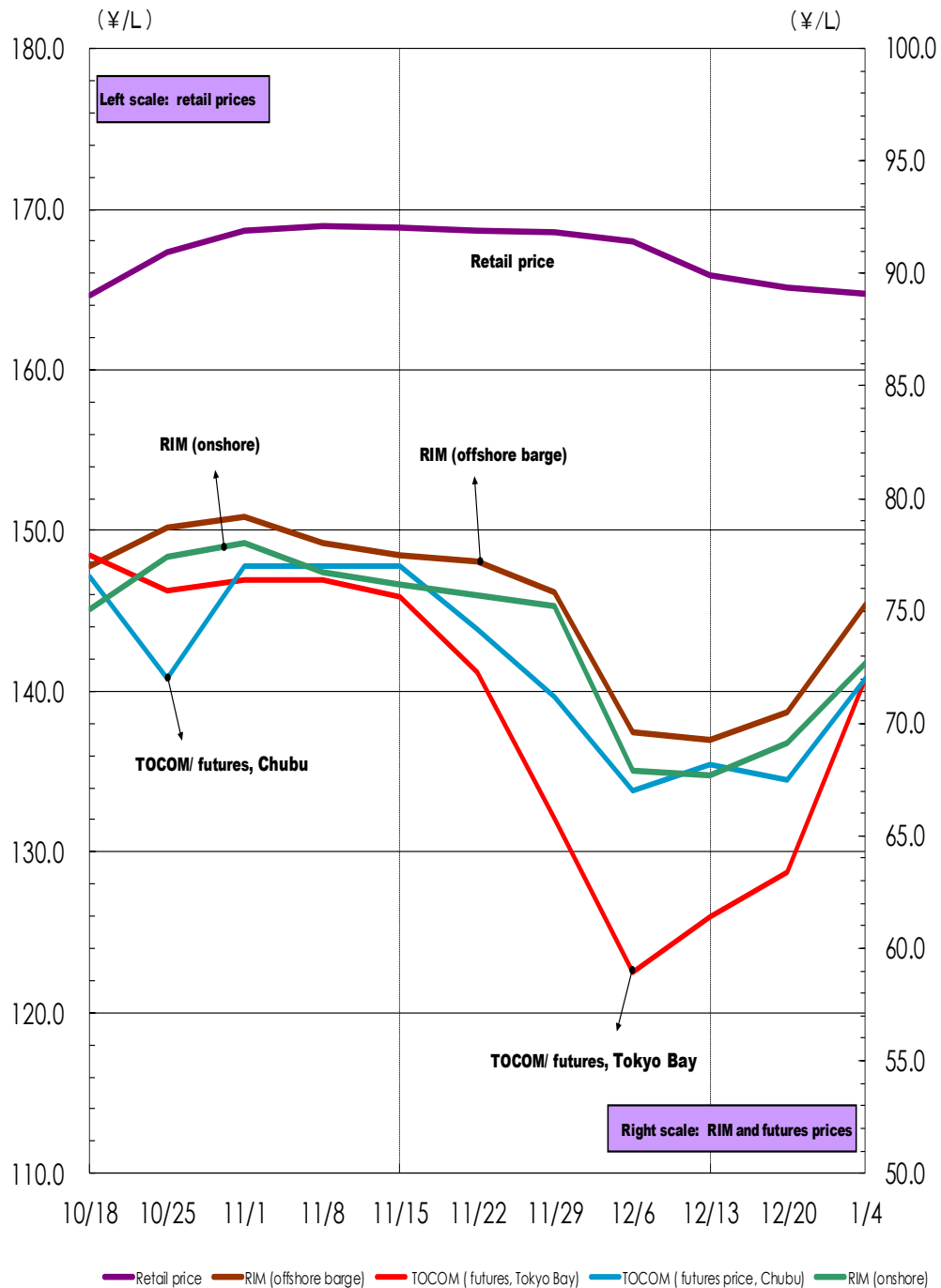
(Published by ANRE)[Weekly trend] (Unit: yen/l)

	This week (1/4)	Previous week (12/20)	From a week earlier	Latest high
Regular	164.7	165.1	▼ -0.4	08/8/4 185.1
Kerosene	106.2	106.4	▼ -0.2	08/8/11 132.1
Diesel oil	144.6	145.1	▼ -0.5	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

(2021/10/18 ~ 2022/1/4)



(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. 39 for 2021) will be announced on January 21.

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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).