

Oil Market Review in Japan No. 39/2021

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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 23-January 5 week moved within a range of \$73.79 per barrel and \$77.85/bbl.

On January 6, the key contract rose further for the fourth straight trading day due to rising tensions caused by intervention by Russia and other friendly countries against anti-government riots triggered by fuel price hikes in Kazakhstan and concerns about a decline in oil production following the shutdown of shipping facilities in Libya. The February contract closed at \$79.46/bbl up \$1.61/bbl from the previous trading day.

On January 7, the key contract turned down for the first time in five trading days. In Kazakhstan, things were getting better, although a decrease in crude oil production was expected in some of the U.S. Chevron-owned oil fields. Bearish trend in the U.S. stock market was also one of the factors pushing down the price. The February contract closed at \$78.90/bbl down \$0.56/bbl from the previous day.

On January 10, the key contract turned down further. Oil shipment facilities in Libya reportedly resumed its operation. Bearish trend in the U.S. stock market influenced much on crude oil price. The February contract closed at \$78.23/bbl, down \$0.67/bbl from the previous day.

On January 11, the key contract rebounded significantly, reaching the highest level for the first time since November 11, 2021 and exceeding the \$80/bbl level as the ending price. The February contract closed at \$81.22/bbl up \$2.99/bbl from the previous day. On this day, Dr. Powell, the President of the FRB (Federal Reserve Board) made a statement that influence of the "Omicron" Variant would be temporary, which was welcomed by market players. Buying trend prevailed and a sense of undervalued crude oil futures price was strengthened by the depreciation of the U.S. dollar.

On January 12, the key contract rose further. The February contract closed at \$82.64/bbl up \$1.42/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic crude oil inventory decreased significantly, which was more than the market expectation, decreasing for the seventh straight week. Market players saw a robust oil demand. The price rise was also supported by the depreciation of the U.S. dollar against the Euro in foreign exchange market.

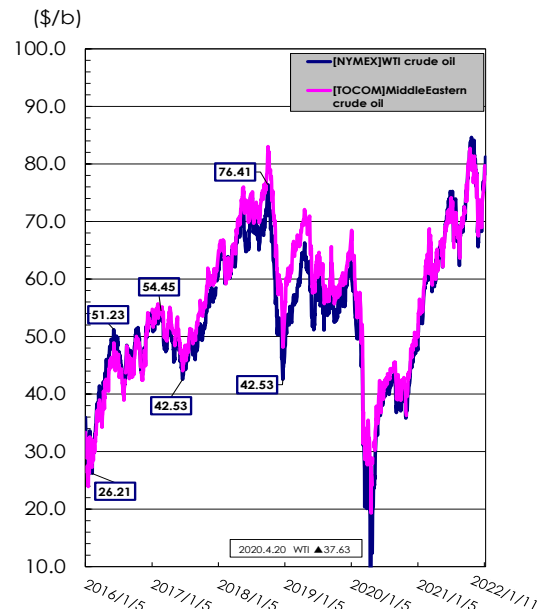
The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged from \$74.20/bbl to \$78.30/bbl on December 23-January 5 week. It closed at \$78.30/bbl on January 6, at \$81.10/bbl on January 7, at \$79.50/bbl on January 11, at \$81.60/bbl on January 12.

On the foreign exchange market in the December 23-January 5 week, the dollar moved within a range of 114.23 yen and 116.21 yen. It changed hands at 116.05 yen in late trading on January 6, at 115.98 yen on January 7, at 115.34 yen on January 11, at 115.34 yen on January 12.

According to preliminary 10-day trade statistics released by the Ministry of Finance on January 11, the average crude oil import CIF price for Japan in mid-December period stood at 59,485 yen/kl (kiloliter), up 139 yen/kl from the previous 10-day period. In dollars, the price was \$83.27/bbl, down \$0.97/bbl. The average exchange rate was 113.57 yen to the dollar.

Japan's average retail price on January 11 gained by 1.8 yen/l from a week earlier for gasoline and gained by 1.8 yen/l for diesel oil and gained by 23 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in eight weeks. Diesel oil price increased for the first time in eight weeks. Kerosene price increased for the first time in five weeks. Crude oil cost increased for the week of January 4-January 10, 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 (January 13-January 19).

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	1/2 ~ 1/8	3,232	▼ -10	▲ -
	Topper capacity utilization rate (%)	"	84.0	▼ -0.2	▲ -
	Crude oil inventories (1,000 kl)	1/8	8,958	▼ -262	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/11	78.46	▲ 1.26	▲ 23.3
	WTI crude oil (NYMEX) (\$/bbl)	1/10	78.23	▲ 2.15	▲ 26.0
	Crude oil import CIF price (\$/bbl)	Mid Dec	83.27	▲ 0.97	▲ 38.75
	① Crude oil import CIF price (yen/kl)	"	59,485	▲ 139	▲ 30,322
	② Yen-dollar exchange rate (yen/dollar)	"	113.57	▲ 1.08	▼ -9.44
	TTS exchange rate (yen/dollar)	1/11	116.34	▲ 0.10	▼ -11.11

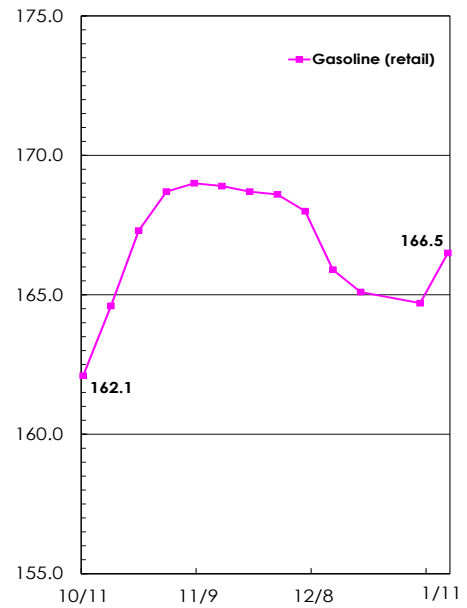


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/2 ~ 1/8	935	▼ -30	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	858	▼ -9	▲ -	
	Exports	"	128	▲ 47	▲ -	
	Inventories	1/8	1,560	▼ -51	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/4 ~ 1/10	74.1	▲ 4.7	▲ 25.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/4 ~ 1/10	71.5	▲ 6.6	▲ 26.3
		(TOCOM/ Chubu)	1/7	74.5	▲ 4.7	▲ 25.7
	Retail prices [weekly trend] (published by ANRE)	1/11	166.5	▲ 1.8	▲ 30.0	

*Gyoten and futures prices are before tax

(¥/L)

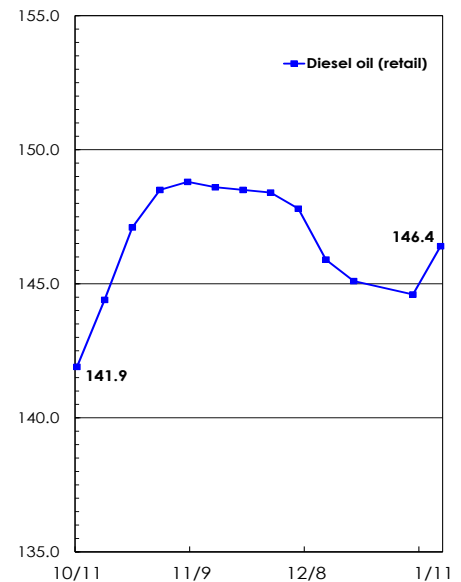


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/2 ~ 1/8	686	▼ -3	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	419	▲ 24	▼ -	
	Exports	"	107	▼ -139	▲ -	
	Inventories	1/8	1,589	▲ 159	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/4 ~ 1/10	75.5	▲ 5.1	▲ 24.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/4 ~ 1/10	75.3	▲ 3.4	▲ 23.2
		(TOCOM/ Chubu)	1/7	-	-	-
	Retail prices [weekly trend] (published by ANRE)	1/11	146.4	▲ 1.8	▲ 29.4	

*Gyoten and futures prices are before tax

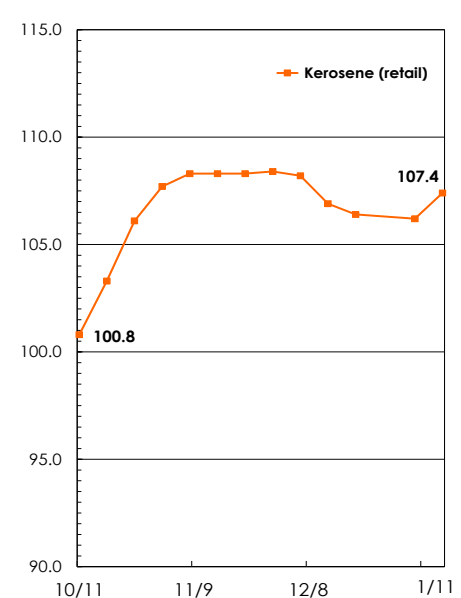
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/2 ~ 1/8	458	▲ 111	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	502	▲ 36	▲ -	
	Exports	"	49	▲ 49	▲ -	
	Inventories	1/8	2,138	▼ -94	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/4 ~ 1/10	74.3	▲ 4.9	▲ 23.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/4 ~ 1/10	74.8	▲ 5.9	▲ 25.6
		(TOCOM/ Chubu)	1/7	76.5	▲ 5.8	▲ 25.0
	Retail prices [weekly trend] (published by ANRE)	1/11	107.4	▲ 1.2	▲ 26.6	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On January 12, WTI crude oil futures price on NYMEX rose further, welcoming a decrease in the U.S. domestic crude oil inventory from the previous week. The February contract closed at \$82.64/bbl up \$1.42/bbl from the previous day. The March contract closed at \$82.02/bbl up \$1.35/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on the morning of January 7, the U.S. domestic crude oil inventory decreased by 4.6 million bbl from the previous week, which was more than the market expectation of a decrease by 1.9 million bbl, decreasing for the seventh straight week. On the other hand, the U.S. domestic inventory increased by 5.0 million bbl for gasoline (an increase by 2.4 million bbl by the market expectation) and also increased by 2.5 million bbl (an increase by 1.8 million bbl by the market expectation) for the middle distillates.

According to the EIA, the average U.S. retail price of gasoline as of January 10 increased by 1.4 cents per gallon from a week earlier to \$3.295/gal (101.7 yen/l). The average diesel oil price increased by 4.42 cents per gallon to \$3.657/gal (112.9 yen/l). The gasoline price increased for the second straight week. Diesel oil price increased for the first time in eight 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 January 2-January 8 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 10,000 kl from the previous week to 3,232,000 kl. From a year earlier, it increased by 191,000 kl. The topper capacity utilization rate stood at 84.0%, down 0.2 points from the previous week and up 5.0 points from a year earlier.

Production increased from the previous week for kerosene, Fuel Oil A, and Fuel Oil C and decreased for other petroleum products. Output was down 3.1% for gasoline, down 31.4% for jet fuel, up 31.9% for kerosene, down 0.4% for diesel oil, up 2.4% for Fuel Oil A, and up 14.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 82,000 kl, up 42,000 kl from the previous week. Diesel oil exports aggregated 107,000 kl, down 139,000 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 declined for diesel oil and Fuel Oil C and expanded for other petroleum products. Gasoline shipments decreased by 1.0% from the previous week to 858,000 kl, decreasing for the first time in two weeks. Shipments totaled 115,000 kl for jet fuel (up 168.1% from the previous

week), 502,000 kl for kerosene (up 7.7% from the previous week), 419,000 kl for diesel oil (up 6.0% from the previous week), 225,000 kl for Fuel Oil A (up 36.1% from the previous week), and 243,000 kl for Fuel Oil C (up 109.3% from the previous week).

(Unit: 1,000 kl)

	This week (1/2 ~ 1/8)	Previous week (12/26 ~ 1/1)	From a week earlier
Gasoline	858	867	▼ -9 (-1%)
Jet fuel	115	43	▲ 72 (167%)
Kerosene (heating Oil)	502	466	▲ 36 (8%)
Diesel oil	419	395	▲ 24 (6%)
Fuel oil A	225	165	▲ 60 (36%)
Fuel Oil C	243	116	▲ 127 (109%)
Total	2,362	2,052	▲ 310 (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 January 8 increased for diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for jet fuel and Fuel Oil A and declined for other petroleum products.

Gasoline inventories totaled 1,560,000 kl, down 51,000 kl from a week earlier and down 475,000 kl from a year earlier.

Kerosene inventories totaled 2,138,000 kl, down 94,000 kl from a week earlier and down 127,000 kl from a year earlier.

Diesel oil inventories totaled 1,589,000 kl, up 159,000 kl from a week earlier and down 265,000 kl from a year earlier.

Fuel Oil A inventories totaled 759,000 kl, down 10,000 kl from a week earlier and up 10,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,834,000 kl, up 12,000 kl from a week earlier and down 96,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/8)	Previous week (1/1)	From a week earlier
Gasoline	1,560	1,611	▼ -51 (-3%)
Jet fuel	821	901	▼ -80 (-9%)
Kerosene (heating Oil)	2,138	2,232	▼ -94 (-4%)
Diesel oil	1,589	1,430	▲ 159 (11%)
Fuel oil A	759	769	▼ -10 (-1%)
Fuel Oil C	1,834	1,822	▲ 12 (1%)
Total	8,701	8,765	▼ -64 (-0.7%)

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

During January 4-January 10, 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 13-January 19,

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 January 4-January 10 week increased for all oil products in all trading compared to the period of December 21-January 3.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the January 4-January 10) increased by 4.7 yen/l from a week earlier (December 21-January 3) for gasoline, increased by 4.9 yen/l for kerosene and increased by 5.1 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 5.0 yen/l for gasoline, increased by 7.5 yen/l for kerosene and increased by 5.4 yen/l for diesel oil for the January 4-January 10 week from a week earlier.

The key average futures price increased by 6.6 yen/l for gasoline, increased by 5.9 yen/l for kerosene and increased by 3.4 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (1/4 ~ 1/10)	Previous week (12/21 ~ 1/3)	From a week earlier
Spot Prices	Regular	74.1	69.4	▲ 4.7
	Kerosene	74.3	69.4	▲ 4.9
	Diesel oil	75.5	70.4	▲ 5.1

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (1/4 ~ 1/10)	Previous week (12/21 ~ 1/3)	From a week earlier
Futures Price	Regular	71.5	64.9	▲ 6.6
	Kerosene	74.8	68.9	▲ 5.9
	Diesel oil	75.3	71.9	▲ 3.4

Above prices are before tax.

Reference (January 4 - January 10 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 4.7	▲ 6.6	▲ 5.6
Kerosene	▲ 4.9	▲ 5.9	▲ 5.4
Diesel oil	▲ 5.1	▲ 3.4	▲ 4.2
Fuel Oil A	▲ 4.9		

(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 11 increased by 1.8 yen from a week earlier to 166.5 yen/l for gasoline, increased by 1.8 yen to 146.4 yen/l for diesel oil and increased by 23 yen/l to 1,934 yen for kerosene on an 18-liter tank basis (increased by 1.2 yen/l to 107.4 yen/l) from a week earlier. The gasoline price increased for the first time in eight weeks. Diesel oil price increased for the first time in eight weeks. Kerosene price increased for the first time in five weeks.

Gasoline prices increased in 40 prefectures, leveled off in one prefecture and decreased in six prefectures. The lowest gasoline price among the prefectures was 160.5 yen/l in Saitama. The second lowest was 161.4 yen/l in Akita. The highest price was 175.3 yen/l in Nagasaki. Iwate logged the largest price gain of 5.2 yen/l. The price leveled off in Nara. Okinawa logged the largest price fall of 0.3 yen/l.

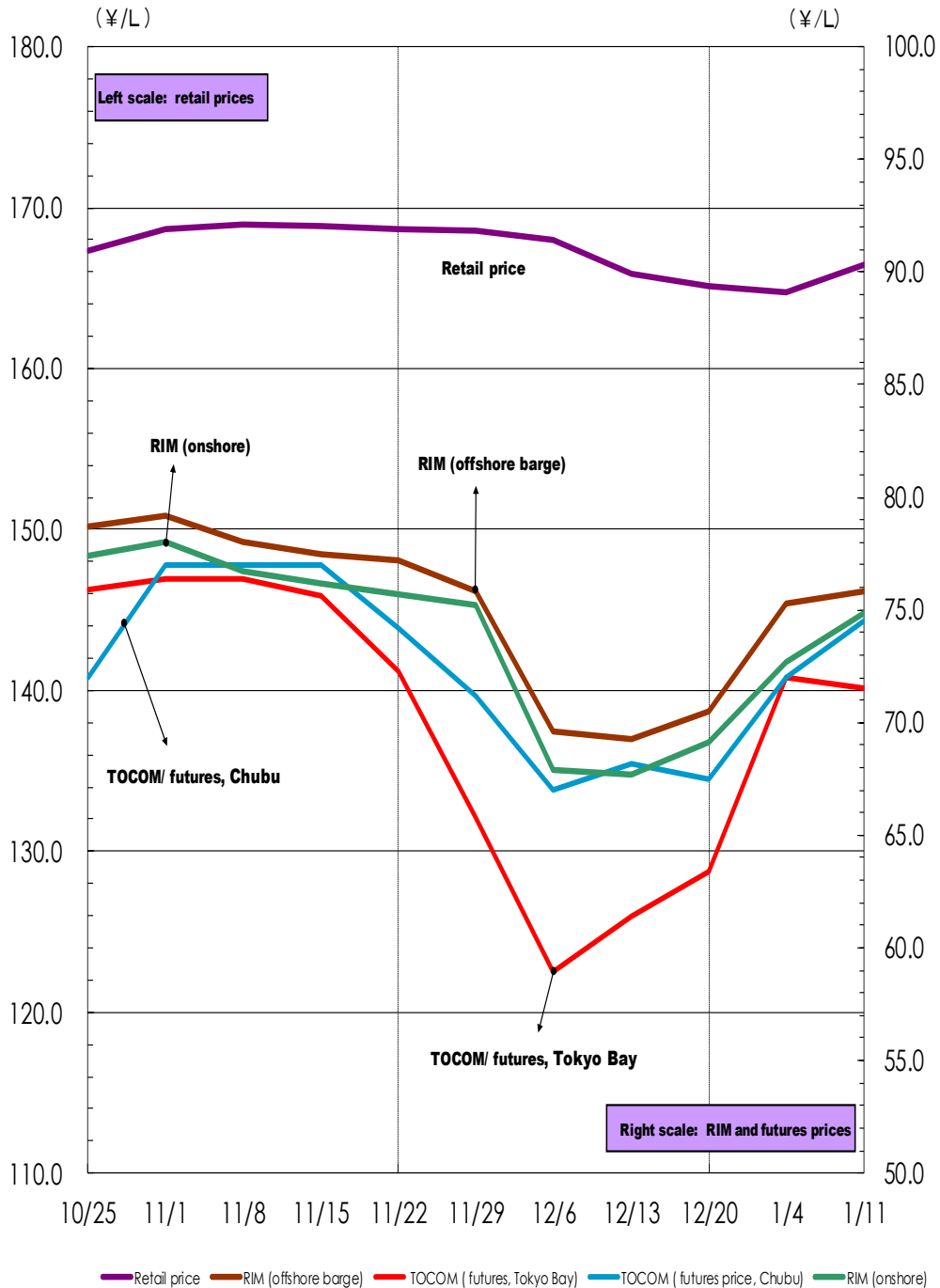
Crude oil cost in yen increased for the period from January 4-January 10 with an increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the period from January 13-January 19. Retail gasoline price on the next price survey day (January 17) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (1/11)	Previous week (1/4)	From a week earlier	Latest high
Retail Price	Regular	166.5	164.7	▲ 1.8	08/8/4 185.1
	Kerosene	107.4	106.2	▲ 1.2	08/8/11 132.1
	Diesel oil	146.4	144.6	▲ 1.8	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

(2021/10/25 ~ 2022/1/11)



(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. 40 for 2021) will be announced on January 28.

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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).