

Oil Market Review in Japan No. 3/2022

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Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the March 31-April 6 week moved within a range of \$96.23 per barrel and \$103.28/bbl.

On April 7, the key contract turned down for the third straight trading day. Market players expected the U.S. to tighten monetary policy because the Governor of FRB (Federal Reserve Board) of St. Louis mentioned a significant raise in interest rate. The market players also expected relaxation of oil demand and supply due to cooperative release of SPR (Strategic Petroleum reserve) by major oil-consuming countries and the new outbreaks of the coronavirus in China. However, the price level was supported by the uncertain situation in Ukraine. The May contract closed at \$96.03/bbl down \$0.20/bbl from the previous trading day.

On April 8, the key contract rebounded for the first time in four trading days due to buy-back and positioning adjustment in response to a decrease in crude oil futures price until the previous trading day. The price was also supported by strengthening economic sanctions against Russia as to the situation in Ukraine and a bullish trend in the U.S. stock market. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 13 units from a week earlier to 546 units, increasing for the third straight week. The May contract closed at \$98.26/bbl up \$2.23/bbl from the previous day.

On April 11, the key contract turned down due to relaxation of a sense of tight demand and supply. The market had several factors for declining oil price, such as the new outbreaks of the coronavirus in China, the release of SPR by major oil-consuming countries, raised interest rate by the U.S., and so forth amid the expected prolongation of conflicts of Ukraine recently. The May contract closed at \$94.29/bbl down \$3.97/bbl from the previous trading day, below the \$100/bbl level for the fourth straight trading day and the lowest level for the first time in about one month and a half.

On April 12, the key contract rebounded significantly, reaching \$100/bbl level for the first time in five trading days due to the recurrence of a sense of tight demand and supply. The European countries, which would strengthen economic sanction against Russia, requested OPEC (Organization of the Petroleum Exporting Countries) to produce more crude oil at the meeting between the EU (European Union) and OPEC on the previous day. However, the OPEC Secretary-General Barkindo mentioned that OPEC would not be able to produce crude oil more to compensate for a large amount of crude oil supply shortage as of now. This was also one of the factors to worsen concerns about a sense of tight demand and supply. In addition, another factor for rising crude oil price was a partial lifting of lockdown of Shanghai caused by the new outbreaks of the coronavirus. The May contract closed at \$100.60/bbl up \$6.31/bbl from the previous day.

On April 13, the key contract rose further due to the recurrence of concerns about a decrease in crude oil supply from Russia. The IEA (International Energy Agency) expected that crude oil supply from Russia would be decreased by 3 million bbl/d from May 2022 in its weekly report. Furthermore, one of the High-ranked Russian Government officials mentioned that talks on ceasefire would be tough. The U.S. domestic crude oil inventory increased the previous weekend against the market expectations. However, there was no big impact on crude oil futures price. The May contract closed at \$104.25/bbl up \$3.65/bbl from the previous trading day.

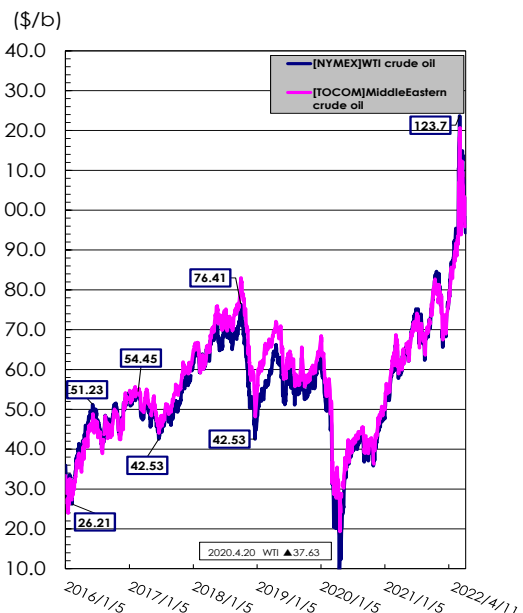
The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market ranged from \$101.10/bbl to \$106.60/bbl on March 31-April 6 week. It closed at \$99.40/bbl on April 7, at \$97.90/bbl on April 8, at \$97.20/bbl on April 11, at \$98.60/bbl on April 12, at \$102.60/bbl on April 13.

On the foreign exchange market in the March 31-April 6 week, the dollar moved within a range of 122.20 yen and 123.90 yen. It changed hands at 123.66 yen in late trading on April 7, at 123.79 yen on April 8, at 124.63 yen on April 11, at 125.56 yen on April 12, at 125.62 yen on April 13.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 7, the average crude oil import CIF price for Japan in the mid-March period stood at 66,641 yen/kl (kiloliter), up 1,469 yen/kl from the previous 10-day period. In dollars, the price was \$91.85/bbl, up \$1.92/bbl. The average exchange rate was 115.34 yen to the dollar.

Japan's average retail price on April 11 lost by 0.1 yen/l from a week earlier for gasoline and lost by 0.1 yen/l for diesel oil and gained by 1.0 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the first time in two weeks. Diesel oil price decreased for the first time in two weeks. Kerosene price increased for the first time in fourth week. The national average gasoline price was 174.0 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy was 20.3 yen/l.

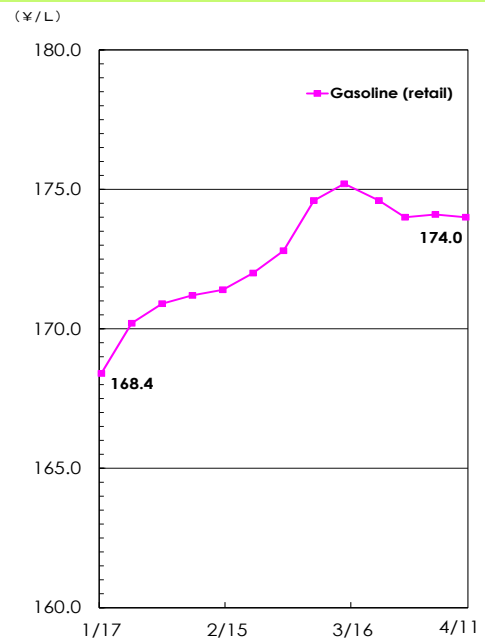
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	4/3 ~ 4/9	2,864	▼ -57	▲ —
	Topper capacity utilization rate (%)	"	74.4	▼ -1.5	▲ —
	Crude oil inventories (1,000 kl)	4/9	10,096	▼ -17	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/11	96.20	▼ -3.42	▲ 36.3
	WTI crude oil (NYMEX) (\$/bbl)	4/11	94.29	▼ -8.99	▲ 34.6
	Crude oil import CIF price (\$/bbl)	Mid Mar	91.85	▲ 1.92	▲ 30.20
	①Crude oil import CIF price (yen/kl)	"	66,641	▲ 1,469	▲ 25,116
	②Yen-dollar exchange rate (yen/dollar)	"	115.34	▼ -0.12	▼ -8.26
	TTS exchange rate (yen/dollar)	4/11	125.63	▼ -2.21	▼ -14.88



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/3 ~ 4/9	815	▼ -142	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	748	▼ -89	▼ -	
	Exports	"	68	▼ -41	▲ -	
	Inventories	4/9	1,528	➡ 0	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/5 ~ 4/11	80.4	➡ 0.0	▲ 20.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/5 ~ 4/11	76.0	▲ 1.3	▲ 20.0
		(TOCOM/ Chubu)	4/11	80.2	▲ 0.2	▲ 22.7
	Retail prices [weekly trend] (published by ANRE)	4/11	174.0	▼ -0.1	▲ 23.6	

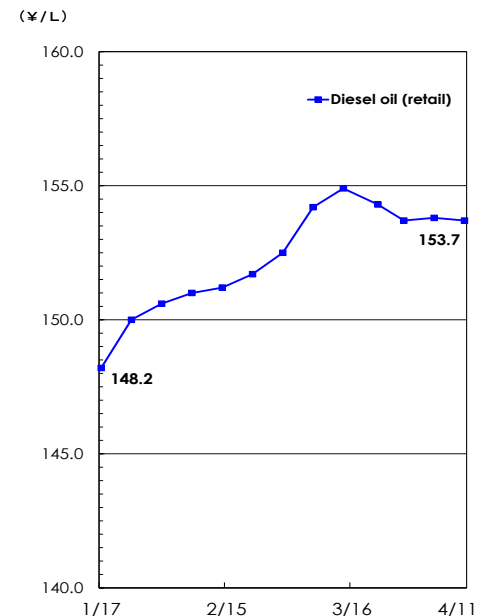
*Gyoten and futures prices are before tax



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

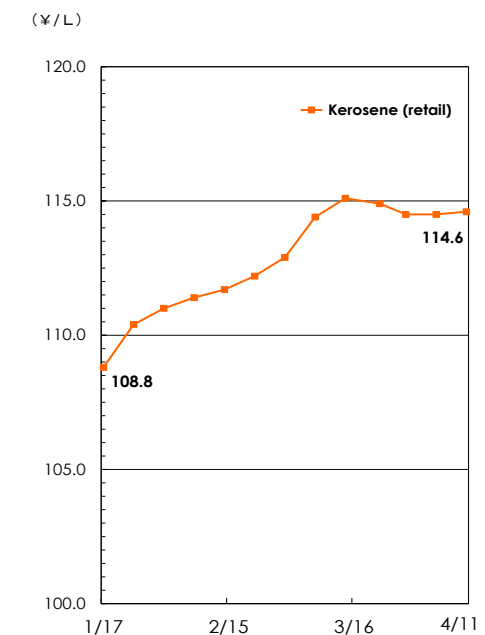
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	4/3 ~ 4/9	688	▼ -36	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	613	▲ 18	▲ -	
	Exports	"	48	▼ -174	▲ -	
	Inventories	4/9	1,195	▲ 28	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/5 ~ 4/11	81.0	▼ -0.1	▲ 19.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/5 ~ 4/11	91.9	▲ 0.6	▲ 29.8
		(TOCOM/ Chubu)	4/11	-	-	-
	Retail prices [weekly trend] (published by ANRE)	4/11	153.7	▼ -0.1	▲ 23.2	

*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	4/3 ~ 4/9	226	▲ 27	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	179	▼ -107	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	4/9	1,074	▲ 48	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/5 ~ 4/11	80.5	▲ 0.2	▲ 19.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	4/5 ~ 4/11	80.5	▲ 2.4	▲ 25.0
		(TOCOM/ Chubu)	4/11	80.0	➡ 0.0	▲ 22.5
	Retail prices [weekly trend] (published by ANRE)	4/11	114.6	▲ 0.1	▲ 22.9	



Relevant Information

1 Overseas crude oil prices

On April 13, WTI crude oil futures price on NYMEX rose further. The IEA (International Energy Agency) expected that crude oil supply from Russia would be decreased by 1.5 million bbl/d in April and by 3 million bbl/d in May 2022 in its weekly report. The IEA also expected that the market would not face a severe oil supply shortage because of a decrease in oil demand by the lockdown of Shanghai due to the new outbreaks of the coronavirus and the release of a large amount of SPR by the U.S. However, the market players were concerned about a decrease in crude oil supply from Russia again. Furthermore, one of the High-ranked Russian Government officials mentioned that talks on ceasefire would be tough. This was another factor in raising crude oil price. On this day, according to the announcement of the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic inventory as of April 8 increased by 8.4 million bbl for crude oil from the previous week much more than the market expectations of an increase by 0.9 million bbl. However, inventory for oil products showed a contrast with that for crude oil. The U.S. domestic inventory decreased by 3.6 million bbl for gasoline and decreased by 2.9 million bbl for the middle distillates from the previous week. There was no big impact on crude oil futures price. The May contract closed at \$104.25/bbl up \$3.65/bbl from the previous trading day. The June contract closed at \$103.79/bbl down \$3.64/bbl from the previous trading day.

According to the EIA, the average U.S. retail price of gasoline as of April 11 decreased by 7.9 cents per gallon from a week earlier to \$4.091/gal (135.6 yen/l). The average diesel oil price decreased by 7.1 cents per gallon to \$5.073/gal (168.2 yen/l). The gasoline price decreased for the fourth straight week. Diesel oil price decreased 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 top capacity in the April 3-April 9 week in 2022 stood at 401,000 barrels per day, increasing by 68,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 57,000 kl from the previous week to 2,864,000 kl. From a year earlier, it increased by 145,000 kl. The top capacity utilization rate stood at 74.4%, down 1.5 points from the previous week and up 3.7 points from a year earlier.

Production increased from the previous week for kerosene and Fuel Oil A and decreased for other petroleum products. Output was down 14.8% for gasoline, down 17.3% for jet fuel, up 13.4% for kerosene, down 5.0% for diesel oil, up 6.1% for Fuel Oil A, and down 24.1% 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 48,000 kl, down 174,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene and decreased for other oil products. From a year earlier, shipments expanded for kerosene and diesel oil and declined for other petroleum products. Gasoline shipments decreased by 10.7% from the previous week to 748,000 kl, decreasing for the first time in four weeks. Shipments totaled 58,000 kl for jet fuel (down 42.2% from the previous

week), 179,000 kl for kerosene (down 37.5% from the previous week), 613,000 kl for diesel oil (up 3.1% from the previous week), 162,000 kl for Fuel Oil A (down 26.1% from the previous week), and 105,000 kl for Fuel Oil C (down 52.9% from the previous week).

(Unit: 1,000 kl)

	This week (4/3 ~ 4/9)	Previous week (3/27 ~ 4/2)	From a week earlier
Gasoline	748	837	▼ -89 (-11%)
Jet fuel	58	100	▼ -42 (-42%)
Kerosene (heating Oil)	179	286	▼ -107 (-37%)
Diesel oil	613	595	▲ 18 (3%)
Fuel oil A	162	219	▼ -57 (-26%)
Fuel Oil C	105	224	▼ -119 (-53%)
Total	1,865	2,261	▼ -396 (-18%)

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 April 9 increased for kerosene, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories declined for all petroleum products.

Gasoline inventories totaled 1,528,000 kl, down 0 kl from a week earlier and down 261,000 kl from a year earlier.

Kerosene inventories totaled 1,074,000 kl, up 48,000 kl from a week earlier and down 392,000 kl from a year earlier.

Diesel oil inventories totaled 1,195,000 kl, up 28,000 kl from a week earlier and down 323,000 kl from a year earlier.

Fuel Oil A inventories totaled 673,000 kl, up 38,000 kl from a week earlier and down 81,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,463,000 kl, down 21,000 kl from a week earlier and down 381,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/9)	Previous week (4/2)	From a week earlier
Gasoline	1,528	1,528	➡ 0 (0%)
Jet fuel	691	726	▼ -35 (-5%)
Kerosene (heating Oil)	1,074	1,026	▲ 48 (5%)
Diesel oil	1,195	1,167	▲ 28 (2%)
Fuel oil A	673	635	▲ 38 (6%)
Fuel Oil C	1,463	1,484	▼ -21 (-1%)
Total	6,624	6,566	▲ 58 (0.9%)

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

During April 5-April 11, crude oil cost in yen decreased by 3.0 yen/l from a week earlier with a decrease in crude oil price and the depreciation of the yen to the US dollar.

For the next week of April 14-April 20, Motouri companies decreased their real wholesale prices by 2.6 yen/l for gasoline, kerosene, and diesel oil from a week earlier, because subsidy of 20.3 yen/l from this week was added to an increase in cost of 17.7 yen/l including the previous week's subsidy of 20.7 yen/l.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

Spot petroleum products prices in the April 5-April 11 week increased for all oil products in all trading except for a decrease in offshore kerosene and onshore diesel oil, and a leveled off in gasoline futures compared to the period of March 29- April 4.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the April 5-April 11) leveled off from a week earlier (March 29-April 4) for gasoline, increased by 0.2 yen/l for kerosene and decreased by 0.1 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.6 yen/l for gasoline, decreased by 0.5 yen/l for kerosene and increased by 0.6 yen/l for diesel oil for April 5-April 11 week from a week earlier.

The key average futures price increased by 1.3 yen/l for gasoline, increased by 2.4 yen/l for kerosene and increased by 0.6 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		This week (4/5 ~ 4/11)	Previous week (3/29 ~ 4/4)	From a week earlier
Spot Prices	Regular	80.4	80.4	➡ 0.0
	Kerosene	80.5	80.3	▲ 0.2
	Diesel oil	81.0	81.1	▼ -0.1

(TOCOM) [Front-month contract/closing price] [Average]		This week (4/5 ~ 4/11)	Previous week (3/29 ~ 4/4)	From a week earlier
Futures Price	Regular	76.0	74.7	▲ 1.3
	Kerosene	80.5	78.1	▲ 2.4
	Diesel oil	91.9	91.3	▲ 0.6

Above prices are before tax.

Reference (April 5 - April 11 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	➡ 0.0	▲ 1.3	▲ 0.6
Kerosene	▲ 0.2	▲ 2.4	▲ 1.3
Diesel oil	▼ -0.1	▲ 0.6	▲ 0.3
Fuel Oil A	▲ 0.4		

(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 April 11 decreased by 0.1 yen from a week earlier to 174.0 yen/l for gasoline, decreased by 0.1 yen to 153.7 yen/l for diesel oil and increased by 1.0 yen/l to 2,062 yen for kerosene on an 18-liter tank basis (increased by 0.1 yen/l to 114.6 yen/l) from a week earlier. The gasoline price decreased for the first time in two weeks. Diesel oil price decreased for the first time in two weeks. Kerosene price increased for the first time in four weeks.

Gasoline prices increased in 12 prefectures, leveled off in six prefectures and decreased in 29 prefectures. The lowest gasoline price among the prefectures was 168.1 yen/l in Miyagi. The second lowest was 169.3 yen/l in Tokushima. The highest price was 182.9 yen/l in Kagoshima. Ehime logged the largest price gain of 0.7 yen/l. The price leveled off in Kouchi and five other prefectures. Miyagi logged the largest price fall of 0.9 yen/l.

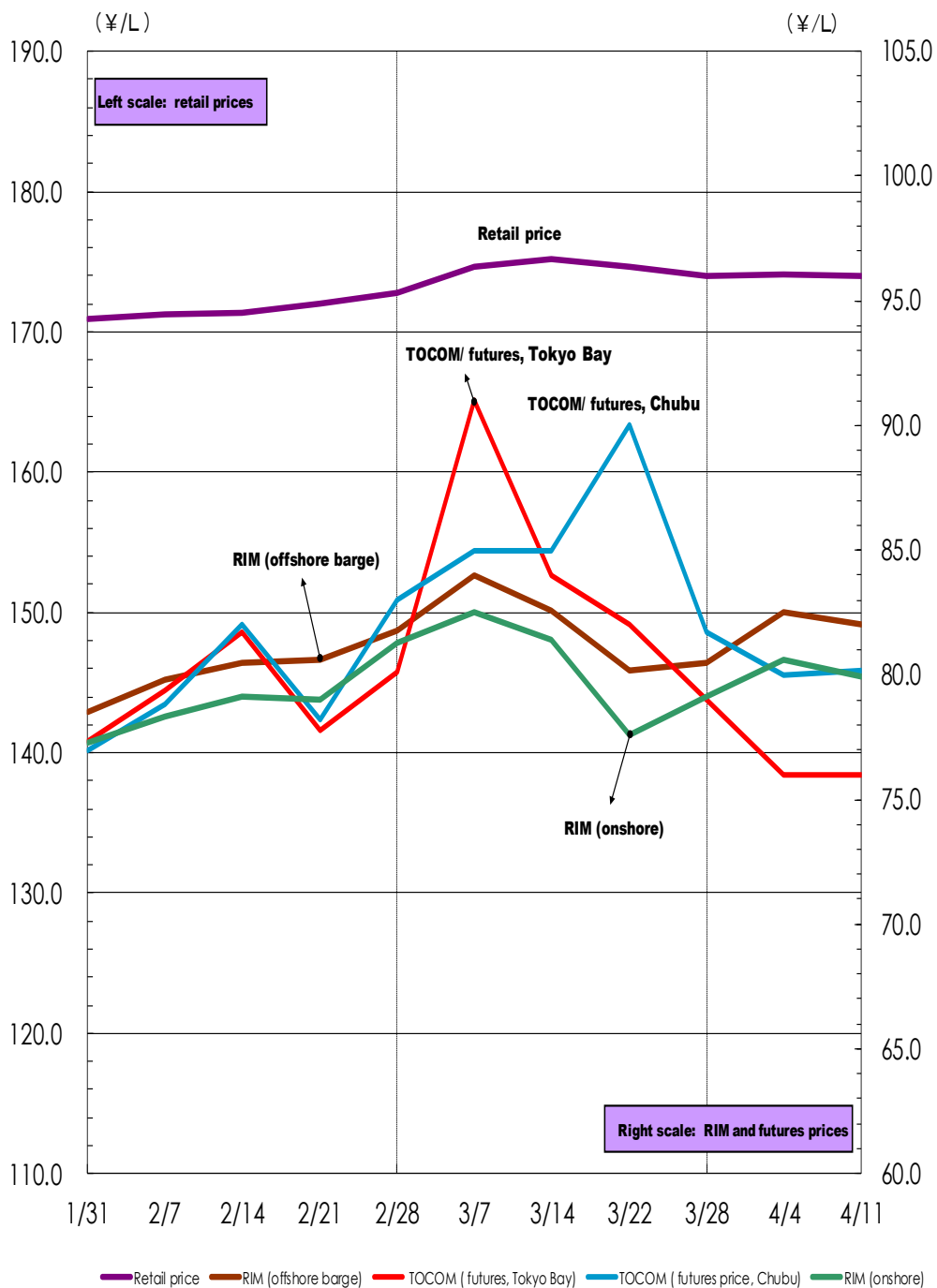
Retail gasoline price on the next price survey day (April 18) is expected to decrease from a week earlier.

(Published by ANRE)[Weekly trend]		This week (4/11)	Previous week (4/4)	From a week earlier	Latest high
Retail Price	Regular	174.0	174.1	▼ -0.1	08/8/4 185.1
	Kerosene	114.6	114.5	▲ 0.1	08/8/11 132.1
	Diesel oil	153.7	153.8	▼ -0.1	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

(2022/1/31 ~ 2022/4/11)



(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. 4 for 2022) will be announced on April 29.

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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).