

Oil Market Review in Japan No. 22/2022

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the August 25 - August 31 week moved within a range of \$89.55 per barrel and \$97.01/bbl.

On September 1, the key contract turned down due to deep concerns about recession in China, which would strengthen behavior restrictions caused by the new outbreaks of the coronavirus. The FRB (Federal Reserve Board) and the ECB (European Central Bank) would raise interest rate actively. Concerns about recession was another factor for decline in oil price. The October contract closed at \$86.61/bbl down \$2.94/bbl from the previous trading day.

On September 2, the key contract rebounded slightly for the first time in four trading days due to significant position adjustment. Some of the market players expected an agreement on cooperative crude oil production cut by Member of OPEC (Organization of the Petroleum Exporting Countries) Plus before its Ministerial meeting scheduled for the next week. The October contract closed at \$86.87/bbl up \$0.26/bbl from the previous trading day.

On September 5, the market was closed due to Labor Day. The Member of OPEC Plus agreed on its cooperative crude oil production cut by 0.1 million bbl/d compared to the previous month for October 2022 by changing its policy of a slight increase in crude oil production in response to a recent bearish trend of crude oil price in the Joint Ministerial Committee (JMC) meeting held online.

On September 6, the key contract almost leveled off. Buying trend preceded in response to the agreement by Members of OPEC Plus on the previous day. However, the price turned down later. Most of the market players recognized a lack of effectiveness of the agreement due to a small amount of production cut. The market players were also concerned about recession due to the resumption of lockdown caused by active interest rate raising in the U.S. and Europe and the new outbreaks of the coronavirus all over China. The October contract closed at \$86.88/bbl up \$0.01/bbl from the previous trading day.

On September 7, the key contract turned down significantly for the first time in three trading days, hitting the record low since January 2022, due to enhanced concerns about recession. The FRB (Federal Reserve Board) and the ECB (European Central Bank) raised interest rate actively. Moreover, China's Trade Statistics showed slump more than the market expectations for August 2022. The October contract closed at \$81.94/bbl down \$4.94/bbl from the previous trading day.

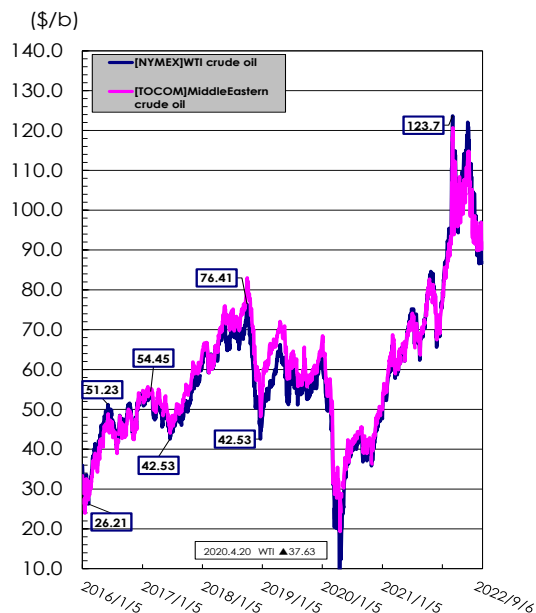
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged from \$97.40/bbl to \$102.90/bbl on August 25 - August 31 week. It closed at \$94.30/bbl on September 1, at \$93.80/bbl on September 2, at \$94.70/bbl on September 5, at \$95.50/bbl on September 6, at \$91.90/bbl on September 7.

On the foreign exchange market in the August 25 - August 31 week, the dollar moved within a range of 136.76 yen and 138.63 yen. It changed hands at 139.53 yen in late trading on September 1, at 140.09 yen on September 2 at 140.35 yen on September 5, at 140.27 yen on September 6, at 143.12 yen on September 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 7, the average crude oil import CIF price for Japan in the mid-August period stood at 94,437 yen/kl (kiloliter), down 3,552 yen/kl from the previous 10-day period. In dollars, the price was \$112.36/bbl, down \$1.29/bbl. The average exchange rate was 133.63 yen to the dollar.

Japan's average retail price on September 5 gained by 1.1 yen/l from a week earlier for gasoline and gained by 1.1 yen/l for diesel oil and gained by 8 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in four weeks. Diesel oil price increased for the first time in four weeks. Kerosene price increased for the first time in four weeks. The national average gasoline price was 169.6 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy for the next was 36.5yen/l.

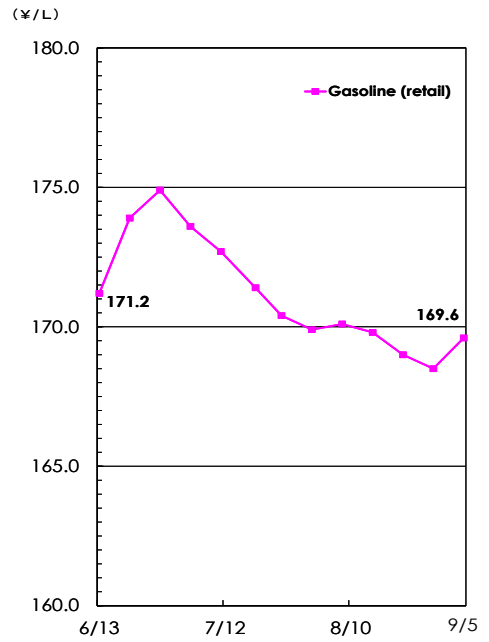
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/28 ~ 9/3	3,211	▼ -71	▲ -
	Topper capacity utilization rate (%)	"	83.4	▼ -1.9	▲ -
	Crude oil inventories (1,000 kl)	9/3	10,031	▲ 657	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/5	90.62	▼ -4.58	▲ 21.6
	WTI crude oil (NYMEX) (\$/bbl)	9/6	86.88	▼ -10.13	▲ 18.5
	Crude oil import CIF price (\$/bbl)	Mid Aug	112.36	▼ -1.29	▲ 38.58
	① Crude oil import CIF price (yen/kl)	"	94,437	▼ -3,552	▲ 43,440
	② Yen-dollar exchange rate (yen/dollar)	"	133.63	▲ 3.46	▼ -23.74
	TTS exchange rate (yen/dollar)	9/5	141.35	▼ -2.01	▼ -30.52



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/28 ~ 9/3	888	▼ -22	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	838	▲ 95	▲ -	
	Exports	"	80	▲ 44	▲ -	
	Inventories	9/3	1,493	▼ -31	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/30 ~ 9/5	78.8	▼ -0.3	▲ 12.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/30 ~ 9/5	80.0	➡ 0.0	▲ 16.0
		(TOCOM/ Chubu)	9/5	77.5	▲ 1.5	▲ 13.1
	Retail prices [weekly trend] (published by ANRE)	9/5	169.6	▲ 1.1	▲ 11.5	

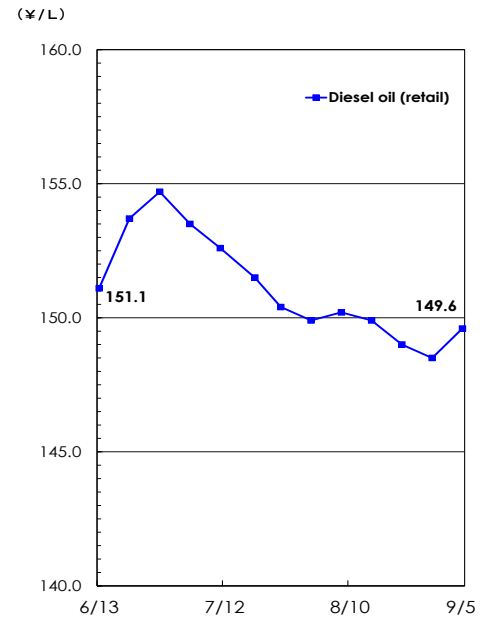
*Gyoten and futures prices are before tax



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

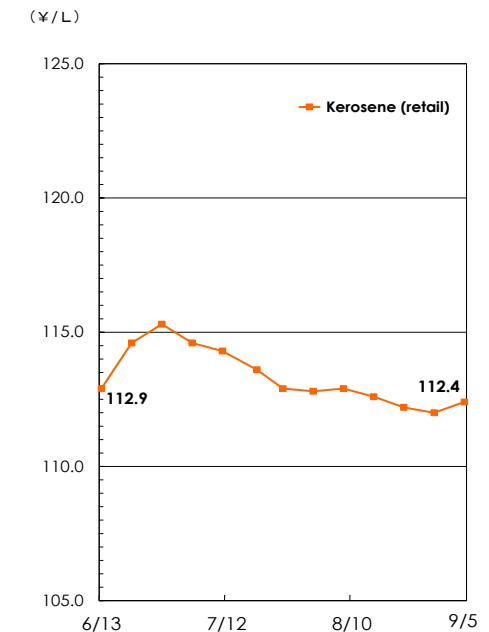
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/28 ~ 9/3	867	▲ 65	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	619	▼ -24	▼ -	
	Exports	"	285	▲ 99	▲ -	
	Inventories	9/3	1,440	▼ -37	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/30 ~ 9/5	77.0	▲ 2.6	▲ 9.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/30 ~ 9/5	80.3	▲ 1.1	▲ 14.2
		(TOCOM/ Chubu)	9/5	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/5	149.6	▲ 1.1	▲ 11.5	

*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	8/28 ~ 9/3	191	▲ 69	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	121	▲ 31	▼ -	
	Exports	"	24	▲ 24	▼ -	
	Inventories	9/3	1,951	▲ 46	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/30 ~ 9/5	77.2	▲ 2.5	▲ 10.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/30 ~ 9/5	78.7	➡ 0.0	▲ 16.5
		(TOCOM/ Chubu)	9/5	75.5	▲ 1.0	▲ 9.6
	Retail prices [weekly trend] (published by ANRE)	9/5	112.4	▲ 0.4	▲ 14.7	



Relevant Information

1 Overseas crude oil prices

On the crude oil futures market for this week, enhanced concerns about the worldwide recession were one of the factors for price decline and the expectations for a cooperative crude oil production cut by Members of OPEC Plus was one of the factors for price hike. The Member of OPEC Plus agreed on its cooperative crude oil production cut by 0.1 million bbl/d compared to the previous month for October 2022 on September 5. However, bearish trend prevailed later and the crude oil futures price hit the record low for the first time in eight months. WTI end price, fluctuated from \$86.61/bbl on September 1 to \$81.94/bbl on September 7.

The U.S. EIA (Energy Information Administration) would announce the U.S. domestic inventory for crude oil and oil products as of September 2 on September 8 due to three consecutive holidays. According to the market expectations, the U.S. domestic inventory would decrease by 3.3 million bbl for crude oil from the previous week, would decrease by 1.7 million bbl for gasoline and would increase by 0.5 million bbl for the middle distillates.

According to the EIA, the average U.S. retail price of gasoline as of September 5 decreased by 8.1 cents per gallon from a week earlier to \$3.746/gal (139.7 yen/l), decreasing for the 12th straight week. The average U.S. retail price of diesel oil decreased by 3.1 cents per gallon from a week earlier to \$5.084/gal (189.6 yen/l), decreasing for the first time in two weeks.

Baker Hughes reported on September 2 that the number of operating U.S. oil-drilling rigs decreased by nine units from a week earlier to 596 units, decreasing for the first time in two weeks.

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 August 28-September 3 week in 2022 stood at 57,000 barrels per day, increasing by 21,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 71,000 kl from the previous week to 3,211,000 kl. From a year earlier, it increased by 211,000 kl. The top capacity utilization rate stood at 83.4%, down 1.9 points from the previous week and up 5.4 points from a year earlier.

Production decreased from the previous week for gasoline and jet fuel and increased for other petroleum products. Output was down 2.4% for gasoline, down 27.8% for jet fuel, up 56.8% for kerosene, up 8.1% for diesel oil, up 9.8% for Fuel Oil A, and up 5.4% for Fuel Oil C. Fuel Oil C imports in the week totaled 101,000 kl, up 101,000 kl from the previous week. Diesel oil exports aggregated 285,000 kl, up 99,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene, and Fuel Oil A and decreased for other oil products. From a year earlier, shipments declined for kerosene and diesel oil and expanded for other petroleum products. Gasoline shipments increased by 12.8% from the previous week to 838,000 kl, increasing for the first time in four weeks. Shipments totaled 53,000 kl for jet fuel

(down 7.5% from the previous week), 121,000 kl for kerosene (up 33.7% from the previous week), 619,000 kl for diesel oil (down 3.8% from the previous week), 194,000 kl for Fuel Oil A (up 18.6% from the previous week), and 231,000 kl for Fuel Oil C (down 19.5% from the previous week).

	(Unit: 1,000 kl)		
	This week (8/28 ~ 9/3)	Previous week (8/21 ~ 8/27)	From a week earlier
Gasoline	838	743	▲ 95 (13%)
Jet fuel	53	57	▼ -4 (-7%)
Kerosene (heating Oil)	121	90	▲ 31 (34%)
Diesel oil	619	643	▼ -24 (-4%)
Fuel oil A	194	164	▲ 30 (18%)
Fuel Oil C	231	287	▼ -56 (-20%)
Total	2,056	1,984	▲ 72 (4%)

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 September 3 increased for kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for jet fuel and decreased for all petroleum products.

Gasoline inventories totaled 1,493,000 kl, down 31,000 kl from a week earlier and down 127,000 kl from a year earlier.

Kerosene inventories totaled 1,951,000kl, up 46,000 kl from a week earlier and down 187,000 kl from a year earlier.

Diesel oil inventories totaled 1,440,000 kl, down 37,000 kl from a week earlier and down 144,000 kl from a year earlier.

Fuel Oil A inventories totaled 679,000 kl, down 15,000 kl from a week earlier and down 67,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,785,000 kl, up 111,000 kl from a week earlier and down 134,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (9/3)	Previous week (8/27)	From a week earlier
Gasoline	1,493	1,524	▼ -31 (-2%)
Jet fuel	840	843	▼ -3 (-0%)
Kerosene (heating Oil)	1,951	1,905	▲ 46 (2%)
Diesel oil	1,440	1,477	▼ -37 (-3%)
Fuel oil A	679	694	▼ -15 (-2%)
Fuel Oil C	1,785	1,674	▲ 111 (7%)
Total	8,188	8,117	▲ 71 (0.9%)

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

During August 30 – September 5, crude oil cost in yen decreased by 1 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 September 8 – September 14, Motouri companies decreased their real wholesale prices by 0.4 yen/l for gasoline, kerosene, and diesel oil from a week earlier, because subsidy of 36.5yen/l (38.0 yen/l in calculation. The half of an increase above 35 yuen/l is covered by the subsidy) from this week was added to an increase in cost of 36.1 yen/l including the previous week's subsidy of 37.1 yen/l.

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

Spot petroleum products prices in the August 30 – September 5 week increased for all oil products in all trading except for the decreased onshore and offshore gasoline and the leveled off gasoline futures and kerosene futures, compared to the period of August 23 – August 29.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the August 30 – September 5) decreased by 0.3 yen/l from the previous week for gasoline, increased by 2.5yen/l for kerosene and increased by 2.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.1 yen/l for gasoline, increased by 2.7 yen/l for kerosene and increased by 1.2 yen/l for diesel oil on August 30 – September 5 week from the previous week.

The key average futures price leveled off for gasoline, leveled off for kerosene and increased by 1.1 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (8/30 ~ 9/5)	Previous week (8/23 ~ 8/29)	From a week earlier
Spot Prices	Regular	78.8	79.1	▼ -0.3
	Kerosene	77.2	74.7	▲ 2.5
	Diesel oil	77.0	74.4	▲ 2.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (8/30 ~ 9/5)	Previous week (8/23 ~ 8/29)	From a week earlier
Futures Price	Regular	80.0	80.0	➡ 0.0
	Kerosene	78.7	78.7	➡ 0.0
	Diesel oil	80.3	79.2	▲ 1.1

Above prices are before tax.

Reference (August 30 - September 5 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.3	➡ 0.0	▼ -0.2
Kerosene	▲ 2.5	➡ 0.0	▲ 1.3
Diesel oil	▲ 2.6	▲ 1.1	▲ 1.9
Fuel Oil A	▲ 3.2		

(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 September 5 increased by 1.1 yen from a week earlier to 169.6 yen/l for gasoline, increased by 1.1 yen to 149.6 yen/l for diesel oil and increased by 8 yen/l to 2,024 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 112.4 yen/l) from a week earlier. The gasoline price increased for the first time in four weeks. Diesel oil price increased for the first time in four weeks. Kerosene price increased for the first time in four weeks.

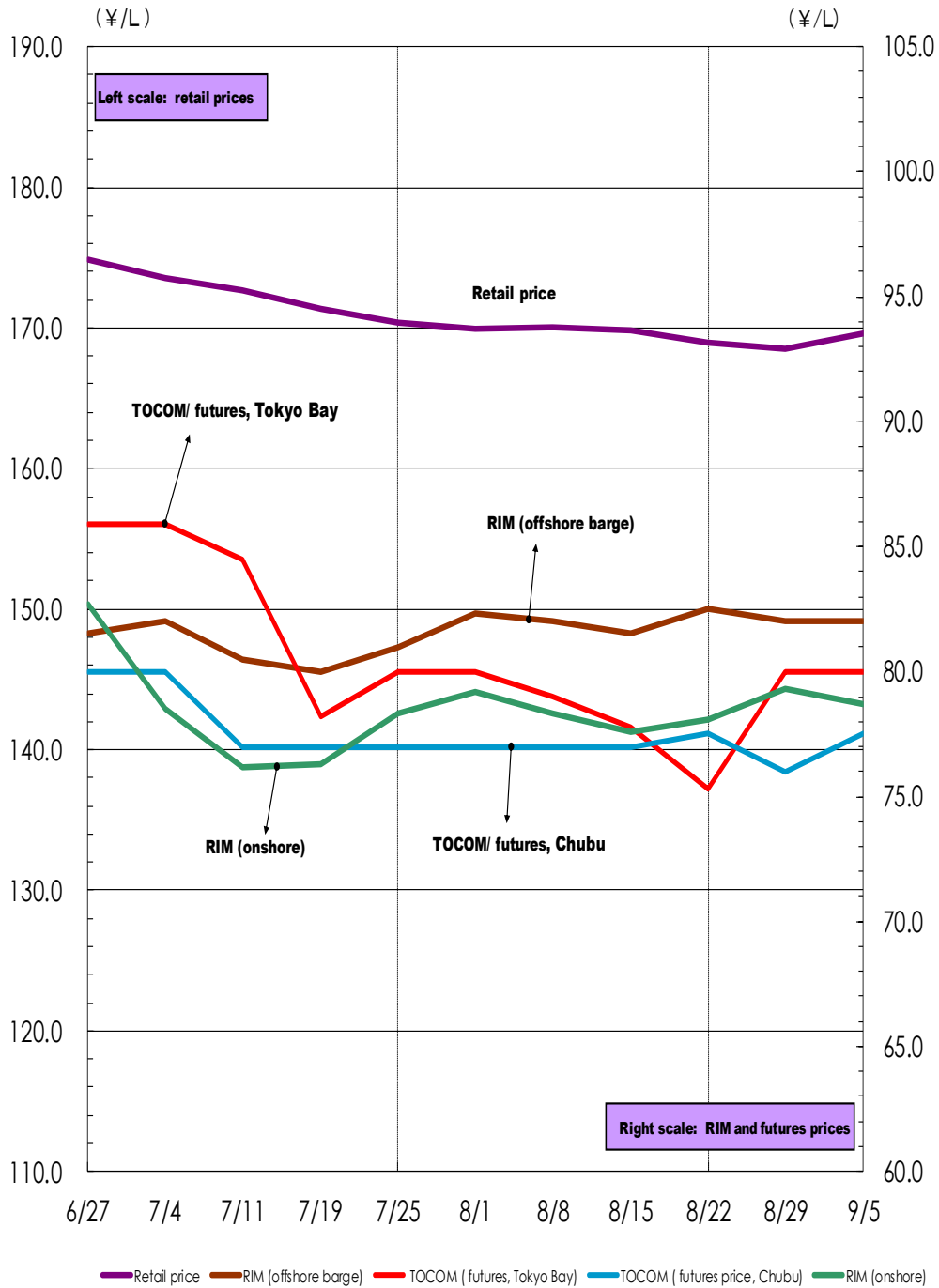
Gasoline prices increased in 39 prefectures, leveled off in four prefectures and decreased in four prefectures. The lowest gasoline price among the prefectures was 162.7 yen/l in Miyagi. The second lowest was 162.8 yen/l in Saitama. The highest price was 182.5 yen/l in Nagasaki. Miyagi logged the highest price hike of 3.2 yen/l from the previous week. The price leveled off in Oita and three other prefectures. Fukuoka logged the largest price fall of 1.1 yen/l. Retail gasoline price on the next price survey day (September 12) is expected to increase from a week earlier due to a delay in the price pass-through.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (9/5)	Previous week (8/29)	From a week earlier	Latest high
Retail Price	Regular	169.6	168.5	▲ 1.1	08/8/4 185.1
	Kerosene	112.4	112.0	▲ 0.4	08/8/11 132.1
	Diesel oil	149.6	148.5	▲ 1.1	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

(2022/6/27 ~ 2022/9/5)



(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. 23 for 2022) will be announced on September 23.

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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).