

Oil Market Review in Japan No. 37/2022

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 8 - December 14 week moved within a range of \$71.02 per barrel and \$77.28/bbl.

On December 15, the key contract turned down for the first time in four trading days due to strengthened concerns about recession. Market players expected a continuation of active interest rate hike, although the US FRB (Federal Reserve Board) decided to raise interest rate by 0.5% (scale down of a range of interest rate). In addition, other factors for oil price decline were decisions on interest rate hike by ECB (European Central Bank) and Bank of England, the decline in the US stock market, the ongoing appreciation of the US dollar in the foreign exchange market, the bearish trend in China's economic indicators and the announcement of a partial operation resumption of "Keystone Pipeline". However, the previous day, IEA (International Energy Agency) made an upward revision of the world oil demand for 2023, supporting the oil price level. The January contract closed at \$76.11/bbl down \$1.17/bbl from the previous trading day.

On December 16, the key contract turned down further due to continuous strengthened concerns about recession caused by the US FRB and ECB decisions on interest rate hike. The January contract closed at \$74.29/bbl down \$1.82/bbl from the previous trading day.

On December 19, the key contract rebounded for the first time in three trading days due to bull trend for bargain hunting at the last weekend. Moreover, the market players also expected oil demand recovery because of additional deregulation measures against the coronavirus by the Chinese Government. The January contract closed at \$75.19/bbl up \$0.90/bbl from the previous trading day.

On December 20, the key contract rose further due to a strengthened sense of undervalued crude oil futures price by the depreciation of the US dollar against major currencies including the Japanese yen in the foreign exchange market and due to the announcement of crude oil purchase for an increase in SPR (Strategic petroleum reserve) by the US Government at the weekend. However, oil price rise was restricted by the following two factors. First, Keystone Pipeline's overall resumption plan was submitted to the US Government. Second, market players expected slowdown of oil demand in the Christmas season due to coming of cold wave to the US Great Lakes areas. The January contract closed at \$76.09/bbl up \$0.90/bbl from the previous trading day.

On December 21, the key contract rose for the third straight trading days. The market players recognized a robust oil demand in the US. The US domestic inventory as of the last weekend announced on this day increased for crude oil from the previous weekend more than the market expectations. In addition, Saudi Arabia's Energy Minister Abdul Aziz told that Members of OPEC (Organization for Petroleum Exporting Countries) Plus decision on maintaining large-scale cooperative crude oil production cut was appropriate. This statement was another factor for oil price hike. The February contract, which replaced the January contract as the key front month contract, closed at \$78.29/bbl up \$2.06/bbl from the previous trading day.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged from \$72.80/bbl to \$76.40/bbl on December 8 - December 14 week. It closed at \$78.20/bbl on December 15, at \$77.50/bbl on December 16, at \$75.50/bbl on December 19, at \$76.50/bbl on December 20, at \$77.10/bbl on December 21.

On the foreign exchange market in the December 8 - December 14 week, the dollar moved within a range of 135.49 yen and 137.83 yen. It changed hands at 135.48 yen in late trading on December 15, at 137.73 yen on December 16, at 136.22 yen on December 19, at 134.54 yen on December 20, at 131.78 yen on December 21.

Japan's average retail price on December 19 decreased by 0.1 yen/l from a week earlier for gasoline and decreased by 0.1 yen/l for diesel oil and decreased by 3 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the first time in four weeks. Diesel oil price decreased for the first time in four weeks. Kerosene price decreased for the first time in four weeks. The national average gasoline price was 168.1 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy for the next week was 15.6 yen/l.

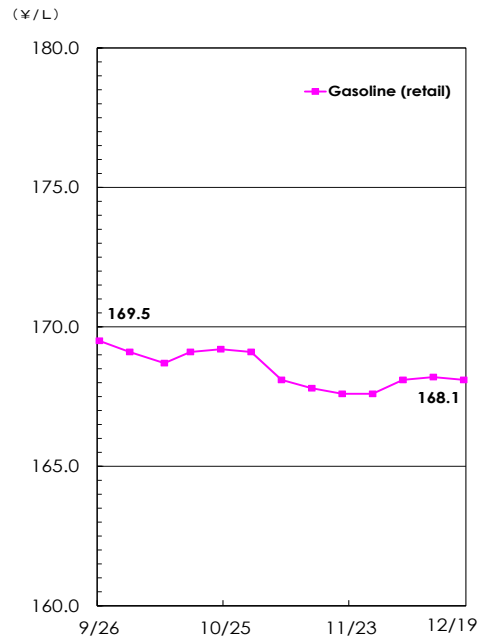
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/11 ~ 12/17	3,175	▲ 74	▼ -
	Topper capacity utilization rate (%)	"	85.7	▲ 2.0	▲ -
	Crude oil inventories (1,000 kl)	12/17	11,021	▼ -657	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/19	75.34	▲ 3.27	▲ 6.4
	WTI crude oil (NYMEX) (\$/bbl)	12/19	75.19	▲ 2.02	▲ 7.0
	Crude oil import CIF price (\$/bbl)	Late Nov	99.34	▼ -1.08	▲ 17.22
	① Crude oil import CIF price (yen/kl)	"	89,526	▼ -3,788	▲ 30,664
	② Yen-dollar exchange rate (yen/dollar)	"	143.29	▲ 4.44	▼ -29.34
	TTS exchange rate (yen/dollar)	12/19	137.22	▲ 0.54	▼ -22.60



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/11 ~ 12/17	934 ▼ -13	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	844 ▲ 15	▲ -	
	Exports	"	86 ▲ 9	▲ -	
	Inventories	12/17	1,850 ▲ 5	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/13 ~ 12/19	74.0 ▼ -0.9	▲ 5.3	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/13 ~ 12/19	79.0 ➡ 0.0	▲ 15.8
		(TOCOM/Chubu)	12/19	74.6 ➡ 0.0	▲ 7.1
	Retail prices [weekly trend] (published by ANRE)	12/19	168.1 ▼ -0.1	▲ 3.0	

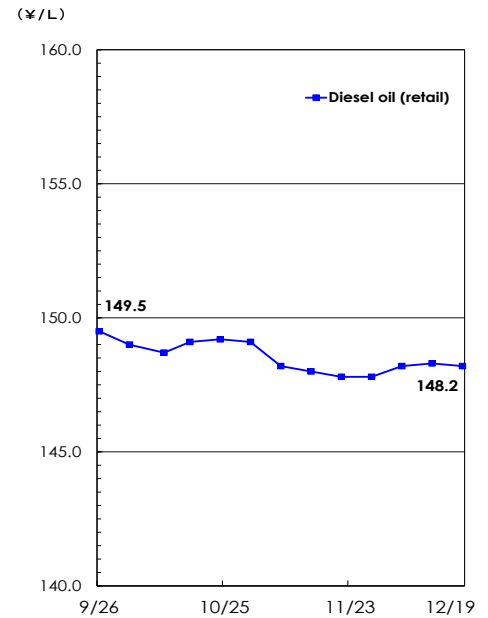
*Gyoten and futures prices are before tax



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

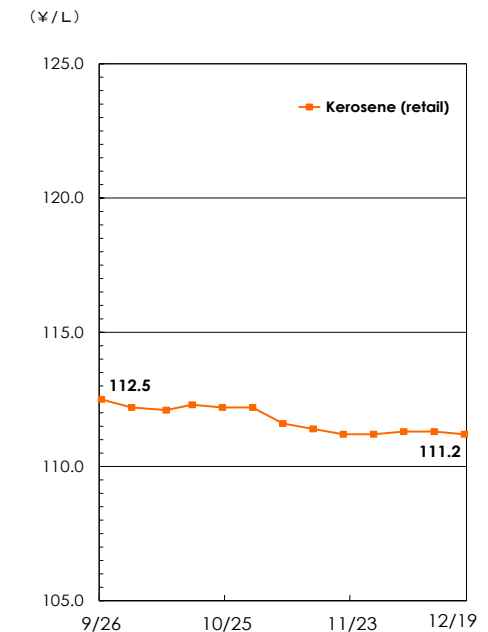
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/11 ~ 12/17	755 ▼ -108	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	634 ▼ -52	▲ -	
	Exports	"	66 ▼ -146	▼ -	
	Inventories	12/17	1,544 ▲ 55	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/13 ~ 12/19	75.7 ▼ -0.9	▲ 5.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/13 ~ 12/19	77.2 ▼ -0.6	▲ 4.4
		(TOCOM/Chubu)	12/19	-	-
	Retail prices [weekly trend] (published by ANRE)	12/19	148.2 ▼ -0.1	▲ 3.1	

*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	12/11 ~ 12/17	337 ▼ -49	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	256 ▼ -245	▼ -	
	Exports	"	0 ▼ -84	➡ -	
	Inventories	12/17	2,574 ▲ 81	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/13 ~ 12/19	77.0 ▼ -0.7	▲ 7.6	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/13 ~ 12/19	79.5 ➡ 0.0	▲ 11.4
		(TOCOM/Chubu)	12/19	78.5 ➡ 0.0	▲ 10.0
	Retail prices [weekly trend] (published by ANRE)	12/19	111.2 ▼ -0.1	▲ 4.8	



Relevant Information

1 Overseas crude oil prices

On the crude oil futures market for this week (from December 15 to December 21), WTI end price turned down to \$74.29/bbl due to concerns about decreasing oil demand in the future caused by China's weak economic indicators toward December 16. However, WTI end price rebounded and rose for the third straight trading days from December 19 due to China's additional behavioral deregulation against the coronavirus and the announcement of an increase in the US SPR. WTI end price moved from \$76.11/bbl on December 15 to \$78.29/bbl on December 21.

According to the U.S. EIA Weekly Report announced on December 21 the U.S. domestic inventory as of December 16 decreased by 5.9 million bbl for crude oil, which was against the market expectations of a decrease by 1.7 million bbl. This was one of the factors for oil price hike on this day.

According to the EIA, the average U.S. retail price of gasoline as of December 19 decreased by 11.9 cents per gallon from a week earlier to \$3.120/gal (113.0 yen/l), decreasing for the sixth straight week. The average U.S. retail price of diesel oil decreased by 15.8 cents per gallon from a week earlier to \$4.596/gal (166.4 yen/l), decreasing for the sixth straight week.

Baker Hughes reported on December 16 that the number of operating U.S. oil-drilling rigs decreased by five units from a week earlier to 620 units, decreasing 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 toppler capacity in the December 11 - December 17 week in 2022 stood at 68,000 barrels per day, decreasing by 44,000 bpd from the previous week (total capacity remained at 3,331,000 bpd).

Crude oil throughput in the week increased by 74,000 kl from the previous week to 3,175,000 kl. From a year earlier, it decreased by 56,000 kl. The toppler capacity utilization rate stood at 85.7%, up 2.0 points from the previous week and up 1.7 points from a year earlier.

Production increased from the previous week for jet fuel and Fuel Oil C and decreased for other petroleum products. Output was down 1.4% for gasoline, up 91.7% for jet fuel, down 12.6% for kerosene, down 12.5% for diesel oil, down 2.0% for Fuel Oil A, and up 18.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 71,000 kl, up 43,000 kl from the previous week. Diesel oil exports aggregated 66,000 kl, down 146,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and decreased for other oil products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil A and declined for other oil products. Gasoline shipments increased by 1.8% from the previous week to 844,000 kl, increasing for the third straight week. Shipments totaled 49,000 kl for jet fuel down 61.9% from the previous

week), 256,000 kl for kerosene (down 48.9% from the previous week), 634,000 kl for diesel oil (down 7.7% from the previous week), 242,000 kl for Fuel Oil A (down 3.1% from the previous week), and 193,000 kl for Fuel Oil C (down 24.5% from the previous week).

(Unit: 1,000 kl)

	This week (12/11 ~ 12/17)	Previous week (12/4 ~ 12/10)	From a week earlier
Gasoline	844	829	▲ 15 (2%)
Jet fuel	49	130	▼ -81 (-62%)
Kerosene (heating Oil)	256	501	▼ -245 (-49%)
Diesel oil	634	686	▼ -52 (-8%)
Fuel oil A	242	249	▼ -7 (-3%)
Fuel Oil C	193	256	▼ -63 (-25%)
Total	2,218	2,651	▼ -433 (-16%)

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 17 decreased for Fuel Oil A and increased for other petroleum products. From a year earlier, inventories increased for all petroleum products.

Gasoline inventories totaled 1,850,000 kl, up 5,000 kl from a week earlier and up 257,000 kl from a year earlier.

Kerosene inventories totaled 2,574,000 kl, up 81,000 kl from a week earlier and up 63,000 kl from a year earlier.

Diesel oil inventories totaled 1,544,000 kl, up 55,000 kl from a week earlier and up 173,000 kl from a year earlier.

Fuel Oil A inventories totaled 760,000 kl, down 15,000 kl from a week earlier and up 21,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,861,000 kl, up 40,000 kl from a week earlier and up 106,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/17)	Previous week (12/10)	From a week earlier
Gasoline	1,850	1,845	▲ 5 (0%)
Jet fuel	869	801	▲ 68 (8%)
Kerosene (heating Oil)	2,574	2,493	▲ 81 (3%)
Diesel oil	1,544	1,489	▲ 55 (4%)
Fuel oil A	760	775	▼ -15 (-2%)
Fuel Oil C	1,861	1,821	▲ 40 (2%)
Total	9,458	9,224	▲ 234 (2.5%)

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

During December 13 – December 19, crude oil cost in yen increased by 2.0 yen/l from a week earlier with an increase in crude oil price and a slight appreciation of the yen to the US dollar.

For the next week of December 22– December 28, Motouri companies increased their real wholesale prices for gasoline, kerosene, and diesel oil by 0.1 yen/l from a week earlier, because a subsidy of 15.6 yen/l from this week was added to an increase in cost of 15.7 yen/l including the previous week's subsidy of 13.7 yen/l.

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

Spot petroleum products prices in the December 13– December 19 week decreased for all oil products in all trading except for the leveled off gasoline and kerosene futures prices compared to the period of December 6– December 12.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for December 13– December 19) decreased by 0.9 yen/l from the previous week for gasoline and decreased by 0.7 yen/l for kerosene and decreased by 0.9 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.2 yen/l for gasoline, decreased by 0.4 yen/l for kerosene and decreased by 1.3 yen/l for diesel oil on December 13– December 19 week from the previous week.

The key average futures price and leveled off for gasoline and kerosene and decreased by 0.6 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/13 ~ 12/19)	Previous week (12/6 ~ 12/12)	From a week earlier
Spot Prices	Regular	74.0	74.9	▼ -0.9
	Kerosene	77.0	77.7	▼ -0.7
	Diesel oil	75.7	76.6	▼ -0.9

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/13 ~ 12/19)	Previous week (12/6 ~ 12/12)	From a week earlier
Futures Price	Regular	79.0	79.0	➡ 0.0
	Kerosene	79.5	79.5	➡ 0.0
	Diesel oil	77.2	77.8	▼ -0.6

Above prices are before tax.

Reference (December 13 - December 19 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.9	➡ 0.0	▼ -0.5
Kerosene	▼ -0.7	➡ 0.0	▼ -0.3
Diesel oil	▼ -0.9	▼ -0.6	▼ -0.7
Fuel Oil A	▼ -1.0		

(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 19 decreased by 0.1 yen/l from a week earlier to 168.1 yen/l for gasoline, decreased by 0.1 yen/l to 148.2 yen/l for diesel oil and increased by 3 yen/l to 2,001 yen for kerosene on an 18-liter tank basis (decreased by 0.1 yen/l to 111.2 yen/l) from a week earlier. The gasoline price decreased for the first time in four weeks. Diesel oil price decreased for the first time in four weeks. Kerosene price decreased for the first time in four weeks.

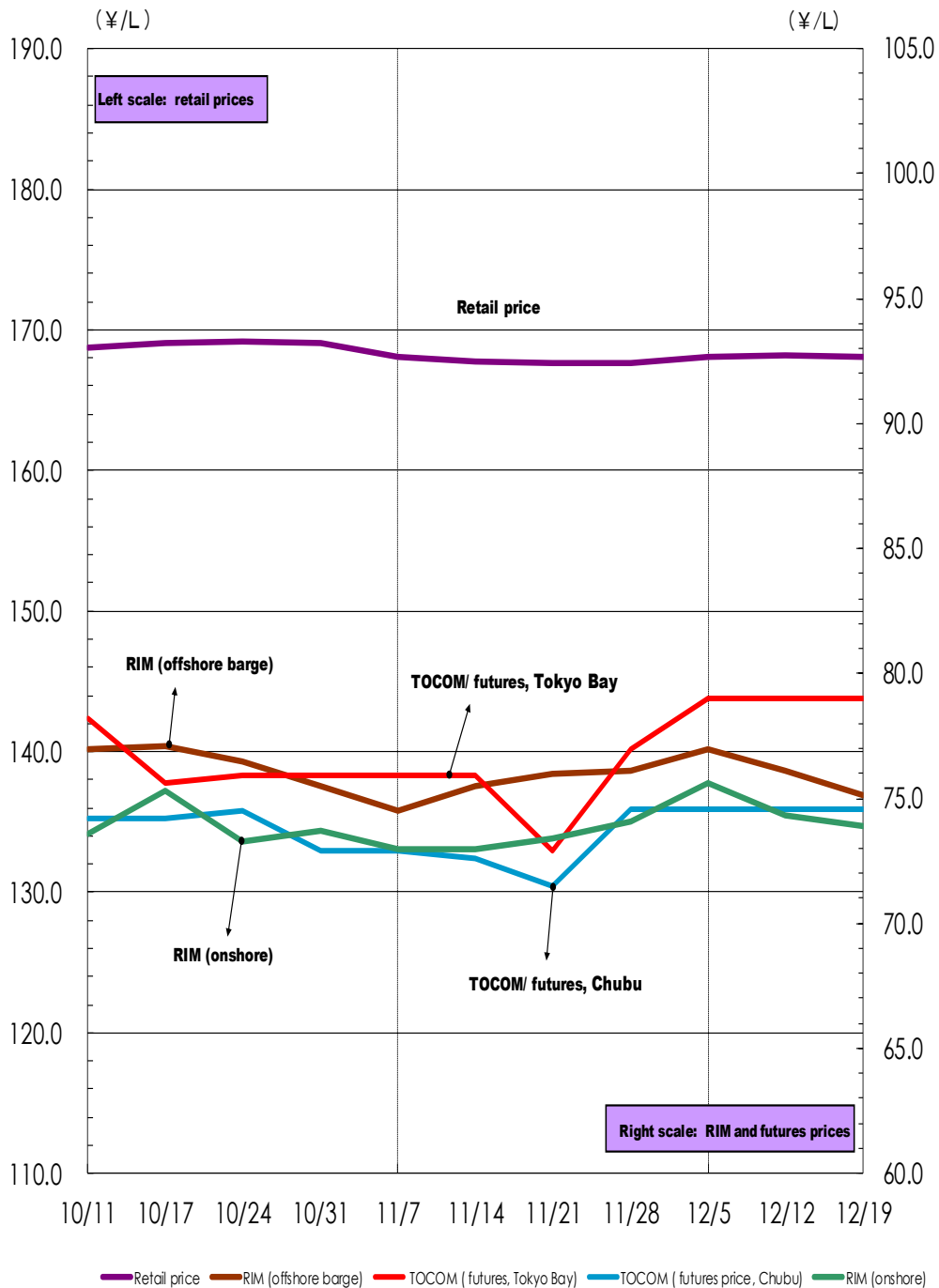
Gasoline prices increased in 17 prefectures, leveled off in four prefectures, and decreased in 26 prefectures. The lowest gasoline price among the prefectures was 160.5 yen/l in Tokushima. The second lowest was 160.8 yen/l in Miyagi. The highest price was 182.4 yen/l in Nagasaki. Wakayama logged a price hike of 0.6 yen/l from the previous week. The price leveled off in Ehime and three other prefectures. Saga logged the largest price fall of 1.2 yen/l. Retail gasoline price on the next price survey day December 26 is expected to move modestly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/19)	Previous week (12/12)	From a week earlier	Latest high
Retail Price	Regular	168.1	168.2	▼ -0.1	08/8/4 185.1
	Kerosene	111.2	111.3	▼ -0.1	08/8/11 132.1
	Diesel oil	148.2	148.3	▼ -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

(2022/10/11 ~ 2022/12/19)



(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. 38 for 2022) will be announced on January 13.

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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).