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Impacts of East Japan Great Earthquake on Oil Supply and Demand (As of March 22)

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The fuel oil shortage in the Tohoku region and the Tokyo metropolitan area caused by the East Japan Great Earthquake has been gradually improving thanks to stepped-up measures to secure stable supply of fuel oil implemented by oil companies and the government. The fuel-oil shortage is expected to be solved if progress is made in efforts to restore crude capacity in quake-hit areas, raise the operating rates of refineries in western Japan, provide additional supply of goods by reducing oil-stockpile days in the private sector, increase product imports and restore product distribution networks. However, further efforts are needed to secure a sufficient distribution network reaching all parts of quake-hit areas in the Tohoku region.

Although the East Japan Great Earthquake has caused a shortage of fuel in affected areas in the Tohoku region and the Tokyo metropolitan area, the shortage is expected to be gradually eased as efforts are being made to restore production capacity and the distribution network for petroleum products.

The following three measures are being implemented to secure supply of petroleum products.

1. With regard to crude capacity, three refineries (TonenGeneral Kawasaki, Kyokuto Chiba, JX Negishi) have resumed operations, restoring a crude capacity of about 780,000 bbl/day. As a result, the refineries have secured the same level of crude capacity as that immediately before the earthquake (about 3.9 million bbls/day). Meanwhile, refineries in western Japan have raised their operating rates from about 80% to more than 95% and are further increasing their capacity utilization rates.
2. On March 21, the government allowed the oil industry to release 22 days' worth of oil totaling around 9.24 kiloliters from stockpiles, making it possible to supply additional petroleum products to the market. The move followed a similar decision made on March 14, in which the government allowed the industry to

release three days' worth of oil, bringing the total amount of oil released from the private stockpiles to 25 days worth of oil (the mandatory stockpile days have been reduced to 45 days from 70 days).

3. New petroleum products worth a total of 1.1 million kiloliters of oil have been secured as the Petroleum Association Japan is to import more than 450,000 kiloliters of oil products and cancel exports of around 650,000 kiloliters of oil products as emergency measures.

Although the bad conditions of roads caused by the earthquake pose a big problem for the distribution system in the Tohoku region, the situation has been gradually improving. For one thing, a delivery route for railway (tank freight) has been established and oil companies have added 300 tank trucks to their fleet, making a total of 700 tank trucks available. For another, shipments to quake-hit areas have resumed, as it has become possible for oil tankers to berth at Shiogama port, and oil tank facilities (ExxonMobil, Idemitsu Kosan) in Shiogama, the major main supply center in the Tohoku region, have restored function.

As for prices, it is reported that ExxonMobil, Idemitsu Kosan, Showa Shell Sekiyu and JX Nippon Oil & Energy have decided to keep the wholesale prices to their affiliated distributors unchanged from the previous week.

As described above, Japan has sufficient capacity to supply oil products in terms of macro level, and if people do not resort to hoarding goods, the shortage of oil products in the Tokyo metropolitan area will be eliminated. However, in the Tohoku region, it is necessary to re-establish a supply system as the delivery system is not sufficient to distribute goods to all parts of the quake-hit areas.

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