

January 14, 2020

## Japan's Growing Appetite for US and Russian Crudes

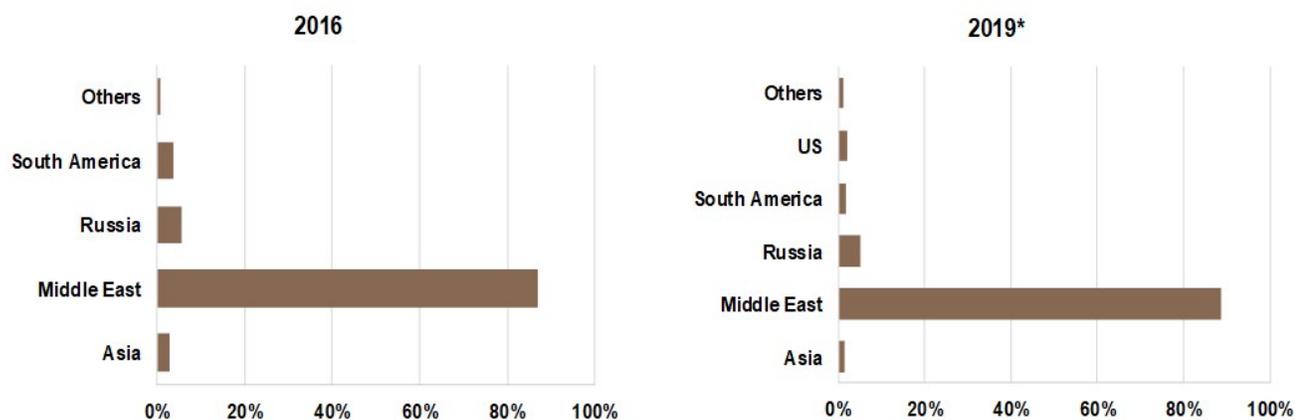
Stratas Advisors

*This report and more are available to subscribers of our [Global Refining and Products Service](#). Not a subscriber? [Create an account](#).*

Japanese refineries historically relied on Middle Eastern, South American and Asian crudes. However, this has changed notably in recent years, with Russian and US crudes making significant inroads into Japan's refining industry. Middle Eastern crudes remain a crucial part of the refinery crude slate, accounting for more than 85% of total crude oil processed in Japanese refineries between 2018 and 2019. The importance of Asian and South American crudes however had waned. One of the key reasons for the decrease in imports of Asian crudes has been dwindling production in the region.

Japan mainly imports crude oil from Australia, Indonesia, Malaysia, Vietnam and Brunei. Indonesia has become one of the key crude oil exporters to Japan. Decreasing crude oil production and import requirements from Indonesia have significantly curtailed crude oil exports to the region, including Japan. Japan's crude oil imports from Asia have dropped from 2.8% of total imports in 2016 to 1.4% in 2019. Asian crudes' share in crude the slate processed by Japanese refineries is expected to decline further in the long term unless the region is unable to reverse its declining crude oil production. Similarly, the share of South America crudes has dropped from 3.8% in 2016 to 1.7% in 2019. Currently, Mexico's Maya and Ecuador's Napo crudes are two main grades processed in Japanese refineries.

### Japan's Crude Oil Imports by Region (2016-2019)

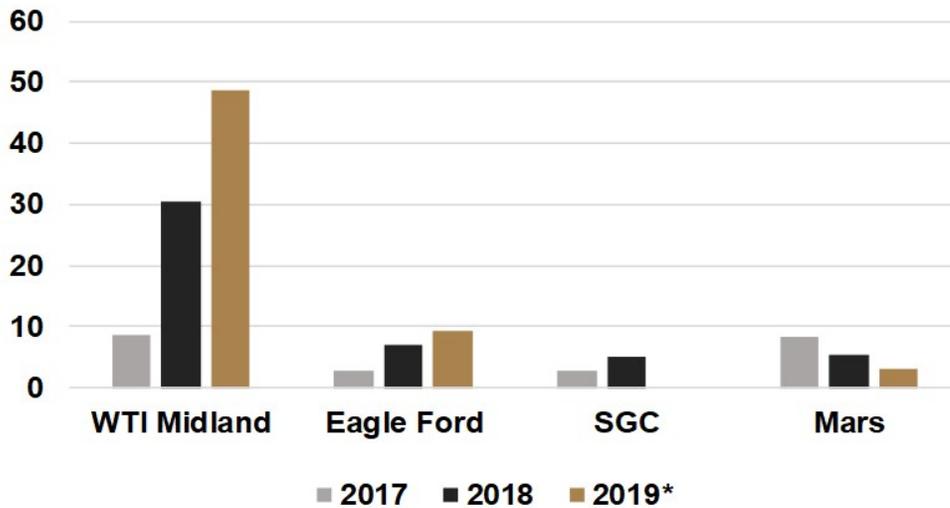


\* As of October 2019

Although Japan's crude imports from the US currently represent a small fraction of total imports, statistics indicate a growing appetite for US crudes among Japanese refineries. Japan imported about 61 Mbpd of US crudes as of the end of October 2019, increasing from 23 Mbpd in 2017. The WTI Midland grade accounted for 79% of total crude imports in 2019. WTI Midland is a sweet crude with an average gravity of 39.6 API and a typical sulphur content of 0.2%. Other major crude streams imported in 2019 were the Eagle Ford, Mars and Southern Grand Canyon (SGC).

**Japan's Crude Oil Imports from the US by Grade (2017-2019)**

**Unit: Mbpd**

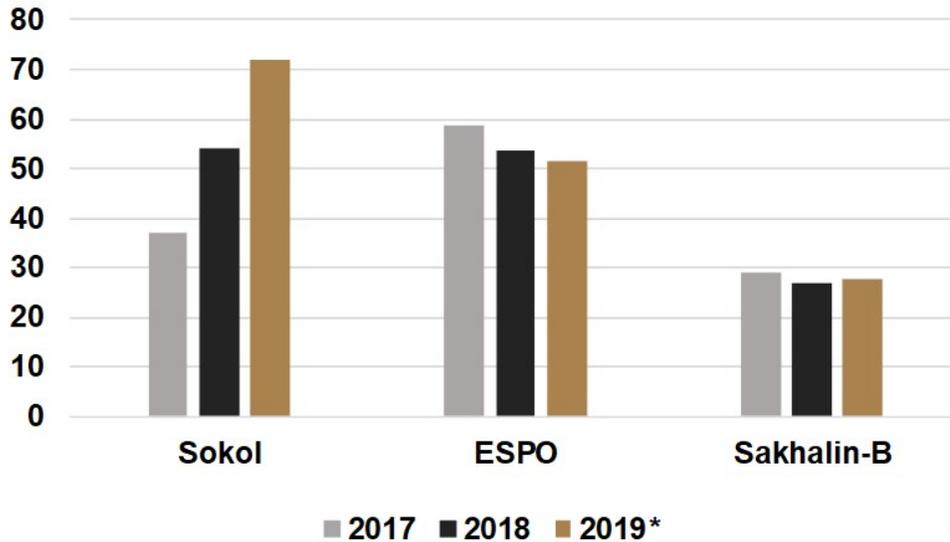


\* As of October 2019

Japan is a regular importer of Russian crudes given the proximity between the two countries. Japan imported about 151 Mbpd of crude from Russia in 2019, an increase from 125 Mbpd in 2017. Sokol tops Japan's crude oil imports from Russia, accounting for 47% of total crude oil imports in 2019 followed by ESPO crude. Russian crudes are increasingly replacing Japan's lost supplies from Asia and South America.

Japan's Crude Oil Imports from Russia by Grade (2017-2019)

Unit: Mbpd



\* As of October 2019

Although Middle Eastern crudes will continue to be a key part of crude slate processed in Japanese refineries, the currently heightened risk of Middle Eastern supply disruptions will prompt Japan to diversify reliable crude supply sources mainly from Russia and the US.

A growing appetite for US and Russian crudes from the Japanese refineries will boost production of light and middle distillates.

*This report and more are available to subscribers of our [Global Refining and Products Service](#). Not a subscriber? [Create an account](#).*