

Oil Market Review in Japan No. 46/2016

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

On the NYMEX (New York Mercantile Exchange) between February 16 and 22, the key WTI (West Texas Intermediate) crude oil futures contract moved within a narrow, firm range between \$53.36 per barrel and \$54.06/bbl on a coordinated oil production cut by OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries and expected U.S. supply growth.

On February 23, the April contract rallied as a weekly U.S. crude oil inventory increase in a report by the EIA (Energy Information Administration) slipped far below a market-forecast level of 3.5 million barrels to 800,000 barrels, with gasoline and middle distillate inventories posting declines. Crude oil inventories thus expanded for the seventh straight week. The key contract closed at \$54.45/bbl, up \$0.86/bbl from the previous day.

On February 24, the key contract turned down on profit taking after a rise on the previous day and on an afternoon Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by five from a week earlier to 602. The April contract closed at \$53.99/bbl, down \$0.46/bbl.

On February 27, the key contract posted a small rally as speculation that OPEC was cutting oil production in February faster than in January was coupled with Russian Energy Minister Alexander Novak's remark indicating Russia's accelerated oil production cut. The rally was capped by a private research institute's report that crude oil inventories at the WTI delivery point of Cushing increased. The April contract ended \$0.06/bbl higher at \$54.05/bbl.

On February 28, the key WTI futures contract turned down on lingering concern on oversupply in the United States. The drop narrowed on mixed afternoon reports on an executive order under preparation on biofuel deregulation. The April contract closed \$0.04/bbl lower at \$54.01/bbl.

On March 1, the key WTI futures contract fell further on a gasoline price drop and the dollar's appreciation. The April contract closed \$0.18/bbl lower at \$53.83/bbl.

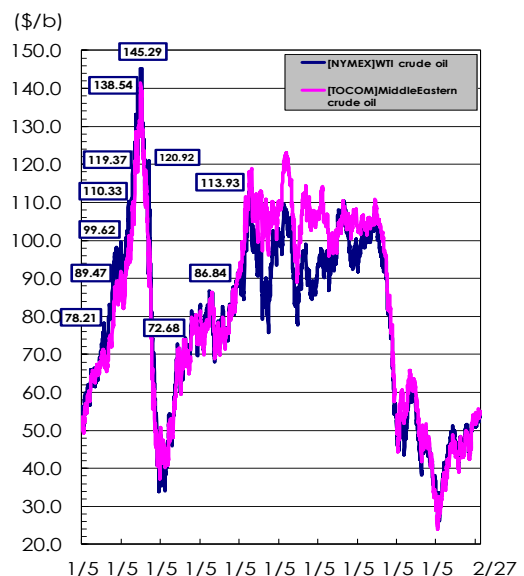
The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market in the previous week moved within a firmer, narrow range between \$54.00/bbl and \$55.00/bbl. It ended at \$54.40/bbl on February 23, at \$54.90/bbl on February 24, at \$54.90/bbl on February 27, at \$54.90/bbl on February 28 and at \$55.90/bbl on March 1.

On the foreign exchange market in the previous week, the dollar remained in a narrow range between 112.88 yen and 114.11 yen. It changed hands at 113.37 yen in late trading on February 23, at 112.86 yen on February 24, at 112.18 yen on February 27, at 112.56 yen on February 28 and at 113.17 yen on March 1.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the first week of March were lowered by up to 1.0 yen/l (liter) by some Motouri and raised by up to 3.0 yen/l by others. Crude oil procurement cost rose slightly despite the dollar's appreciation as crude oil prices rose.

Japan's average retail price on February 27 stood at 130.8 yen/l for gasoline, up 0.2 yen/l from a week earlier, at 110.2 yen/l for diesel oil, up 0.1 yen/l, and at 78.0 yen/l for kerosene (heating oil), unchanged. The gasoline and diesel prices rose for the first time in five weeks. The kerosene price leveled off for the first time in two weeks. In the fourth week of February when crude oil cost rose slightly, Motouri companies raised wholesale prices of petroleum products by 1.0-2.0 yen/l.

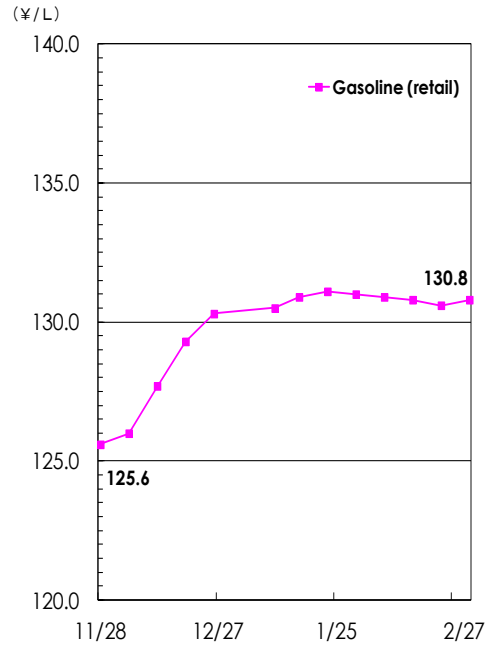
Crude oil			This week		From a week earlier		From a year earlier
Supply/Demand	Crude oil runs (1,000 kt)	2/19 ~ 2/25	3,914	▼ -46	▲ -		
	Topper capacity utilization rate (%)	"	92.8	▼ -1.1	▲ -		
	Crude oil inventories (1,000 kt)	2/25	13,032	▲ 736	▼ -		
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/27	55.05	▲ 0.37	▲ 23.4		
	WTI crude oil (NYMEX) (\$/bbl)	2/27	54.05	▼ -0.01	▲ 20.3		
	Crude oil import CIF price (\$/bbl)	Early Feb	54.70	▼ -0.17	▲ 24.27		
	①Crude oil import CIF price (yen/kt)	"	39,186	▼ -592	▲ 16,707		
	②Yen-dollar exchange rate (yen/dollar)	"	113.90	▲ 1.36	▲ 3.53		
	TTS exchange rate (yen/dollar)	2/27	113.18	▲ 0.70	▲ 1.44		



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/19 ~ 2/25	984	▼ -92	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	975	▲ 151	▼ -	
	Exports	"	161	▲ 28	▲ -	
	Inventories	2/25	1,711	▼ -153	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/21 ~ 2/27	50.9	▲ 3.0	▲ 19.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/21 ~ 2/27	53.1	▲ 2.6	▲ 17.3
		(TOCOM/ Chubu)	2/27	53.5	▲ 3.0	▲ 18.5
Retail prices [weekly trend] (published by ANRE)	2/27	130.8	▲ 0.2	▲ 18.3		

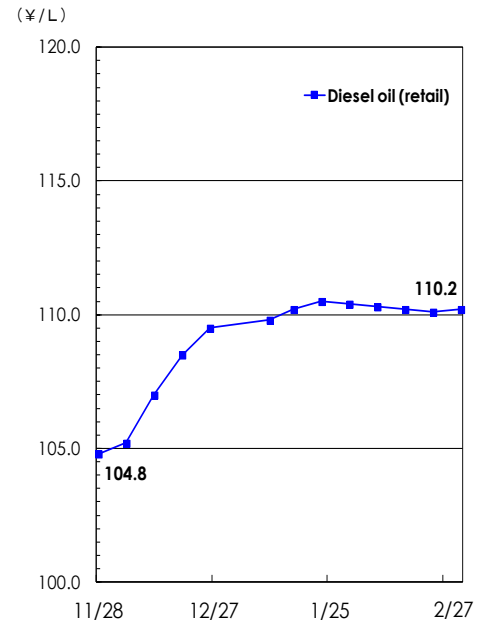
*Gyoten and futures prices are before tax



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

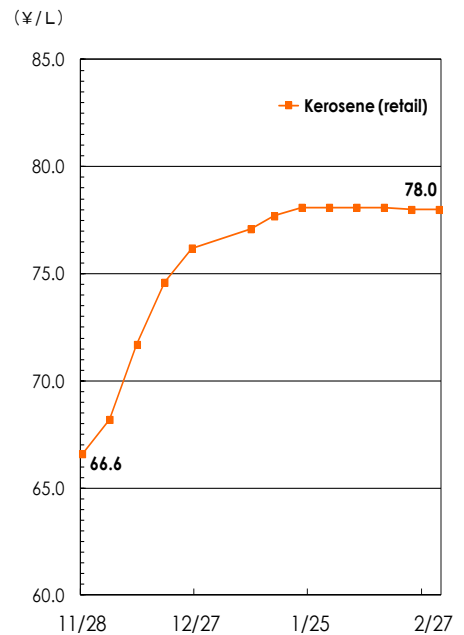
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/19 ~ 2/25	814	▼ -67	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	702	▲ 88	▼ -	
	Exports	"	167	▼ -39	▼ -	
	Inventories	2/25	1,608	▼ -56	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/21 ~ 2/27	49.6	▲ 1.6	▲ 17.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/21 ~ 2/27	46.0	➡ 0.0	▲ 9.5
		(TOCOM/ Chubu)	2/27	-	-	-
Retail prices [weekly trend] (published by ANRE)	2/27	110.2	▲ 0.1	▲ 12.5		

*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	2/19 ~ 2/25	574	▲ 88	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	593	▲ 36	▼ -	
	Exports	"	20	▲ 20	▲ -	
	Inventories	2/25	1,418	▼ -38	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/21 ~ 2/27	51.1	▲ 1.0	▲ 15.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/21 ~ 2/27	49.2	▼ -1.0	▲ 16.9
		(TOCOM/ Chubu)	2/27	49.0	▼ -1.3	▲ 18.0
Retail prices [weekly trend] (published by ANRE)	2/27	78.0	➡ 0.0	▲ 16.7		



Relevant Information

1 Overseas crude oil prices

On March 1, the most frequently traded WTI futures contract on the NYMEX rose before turning down on growing selling pressure as the EIA's weekly inventory report included a smaller-than-expected decline in gasoline inventories, despite a crude oil inventory increase of 1.5 million barrels below a market-forecast rise of 3.1 million barrels. As the dollar appreciated later on growing speculation of early interest rate hikes following President Donald Trump's policy address to Congress, selling outpaced buying. The April contract closed at \$53.83/bbl, down \$0.18/bbl from the previous day. The May contract closed at \$54.28/bbl, down \$0.15/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 27 decreased by 1.2 cents per gallon from a week earlier to \$2.314/gal (69.1 yen/l). The average diesel oil price went up by 0.5 cents/gal to \$2.577/gal (77.0 yen/l). The gasoline price rose for the first time in two weeks. The diesel price rose for the third 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 topper capacity during the February 19-25 week stood at zero, unchanged from the previous week (total capacity stood at 3,790,000 barrels per day).

Crude oil throughput in the week fell by 46,000 kl (kiloliters) from the previous week to 3,914,000 kl. From a year earlier, it increased by 148,000 kl. The topper capacity utilization rate stood at 92.8%, down 1.1 percentage points from the previous week and up 6.4 points from a year earlier.

Output increased from the previous week only for kerosene while decreasing for other petroleum products. Output was down 8.6% for gasoline, down 14.2% for jet fuel, up 18.0% for kerosene, down 7.6% for diesel oil, down 15.0% for Fuel Oil A and down 4.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 86,000 kl, down 6,000 kl from the previous week. Diesel oil exports aggregated 167,000 kl, down 39,000 kl.

Shipments (sales volume) in the week increased from the previous week for gasoline, kerosene and diesel oil and decreased for other petroleum products. From a year earlier, shipments decreased for all petroleum products. While retail gasoline prices rose for the first time in five weeks on a crude oil cost hike caused by the yen's depreciation, gasoline shipments in the week increased by 18.4% from the previous week to 975,000 kl. They increased week on week for the first time in two weeks and decreased year on year for the fourth consecutive week, remaining below 1 million kl for the fourth straight week.

Shipments totaled 63,000 kl for jet fuel (down 18.4% from the previous week), 593,000 kl for kerosene (up 6.3%), 702,000 kl for diesel oil (up 14.3%), 285,000 kl for Fuel Oil A (down 11.1%) and 293,000 kl for Fuel Oil C (down 18.4%).

(Unit: 1,000 kl)

	This week (2/19 ~ 2/25)	Previous week (2/12 ~ 2/18)	From a week earlier
Gasoline	975	824	▲ 151 (18%)
Jet fuel	63	78	▼ -15 (-19%)
Kerosene (heating Oil)	593	557	▲ 36 (6%)
Diesel oil	702	614	▲ 88 (14%)
Fuel oil A	285	320	▼ -35 (-11%)
Fuel Oil C	293	360	▼ -67 (-19%)
Total	2,911	2,753	▲ 158 (6%)

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 February 25 increased from a week earlier only for Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for all petroleum products.

Gasoline inventories totaled 1,711,000 kl, down 153,000 kl from a week earlier and up 17,000 kl from a year earlier.

Kerosene inventories totaled 1,418,000 kl, down 38,000 kl from a week earlier and up 115,000 kl from a year earlier.

Diesel oil inventories totaled 1,608,000 kl, down 56,000 kl from a week earlier and up 74,000 kl from a year earlier.

Fuel Oil A inventories totaled 739,000 kl, down 8,000 kl from a week earlier and up 44,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,987,000 kl, up 80,000 kl from a week earlier and up 39,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/25)	Previous week (2/18)	From a week earlier
Gasoline	1,711	1,864	▼ -153 (-8%)
Jet fuel	875	915	▼ -40 (-4%)
Kerosene (heating Oil)	1,418	1,456	▼ -38 (-3%)
Diesel oil	1,608	1,664	▼ -56 (-3%)
Fuel oil A	739	747	▼ -8 (-1%)
Fuel Oil C	1,987	1,907	▲ 80 (4%)
Total	8,338	8,553	▼ -215 (-2.5%)

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

Between February 21 and 27, crude oil cost apparently rose slightly, although crude oil price hikes were partially offset by the yen's appreciation.

Onshore cargo spot prices in the week moved between 104 and 106 yen/l for gasoline, between 49 and 51 yen/l for diesel oil and between 50 and 52 yen/l for kerosene, rising from the previous week. Offshore barge spot prices moved between 107 and 109 yen/l for gasoline, between 49 and 50 yen/l for diesel oil and between 49 and 53 yen/l for kerosene. The key futures price ranged between 105 and 108 yen/l for gasoline, between 46 and 47 yen/l for diesel oil and between 48 and 51 yen/l for kerosene, leveling off or rising slightly. Some Motouri companies lowered wholesale petroleum products prices by up to 1.0 yen/l while others raised them by up to 3.0 yen/l.

On March 2, TonenGeneral Sekiyu said that it would leave its onshore spot direct price unchanged for kerosene and raise prices by 1.5 yen/l for other petroleum products for shipments from March 4.

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

While crude oil cost rose slightly, spot petroleum products prices firmed due to wholesale price hikes. Weekly gasoline sales volume remained below 1 million kl for four weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for February 21-27) that influences Motouri's wholesale prices applied to the first week of March (March 2-8)) rose by 3.0 yen/l for gasoline, by 1.0 yen/l for kerosene and by 1.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay went up by 2.5 yen/l for gasoline and by 0.6 yen/l for kerosene and fell by 0.1 yen/l for diesel oil. The key futures price rose by 2.6 yen/l for gasoline, fell by 1.0 yen/l for kerosene and levelled off for diesel oil. Crude oil cost rose, although the yen's appreciation partially offset crude oil price hikes.

Wholesale prices of petroleum products for the first week of March were lowered by up to 1.0 yen/l by some Motouri and raised by up to 3.0 yen/l by others. Motouri companies based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (2/21 ~ 2/27)	Previous week (2/14 ~ 2/20)	From a week earlier
Spot Prices	Regular	50.9	47.9	▲ 3.0
	Kerosene	51.1	50.1	▲ 1.0
	Diesel oil	49.6	48.0	▲ 1.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/21 ~ 2/27)	Previous week (2/14 ~ 2/20)	From a week earlier
Futures Price	Regular	53.1	50.5	▲ 2.6
	Kerosene	49.2	50.2	▼ -1.0
	Diesel oil	46.0	46.0	➡ 0.0

Above prices are before tax.

Reference (February 21 - February 27 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 3.0	▲ 2.6	▲ 2.8
Kerosene	▲ 1.0	▼ -1.0	➡ 0.0
Diesel oil	▲ 1.6	➡ 0.0	▲ 0.8
Fuel Oil A	▲ 0.6		

(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 February 27 rose by 0.2 yen/l from a week earlier to 130.8 yen/l for gasoline and by 0.1 yen/l to 110.2 yen/l for diesel oil and remained unchanged at 78.0 yen/l for kerosene. Both the gasoline and diesel prices increased for the first time in five weeks. The kerosene price leveled off for the first time in two weeks.

Gasoline prices rose in 27 prefectures, remained unchanged in seven and decreased in 13. The lowest gasoline price among the prefectures was 125.6 yen/l in Saitama Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 126.6 yen/l in Ibaraki (unchanged). The highest price was 139.2 yen/l in Nagasaki (unchanged). Posting the largest price hike of 1.8 yen/l was Tokushima (127.9 yen/l). Recording the largest price drop of 0.9 yen/l was Fukushima (130.5 yen/l). The gasoline price remained unchanged in Nagasaki, Kochi, Wakayama, Yamagata, Yamaguchi, Hokkaido and Ibaraki.

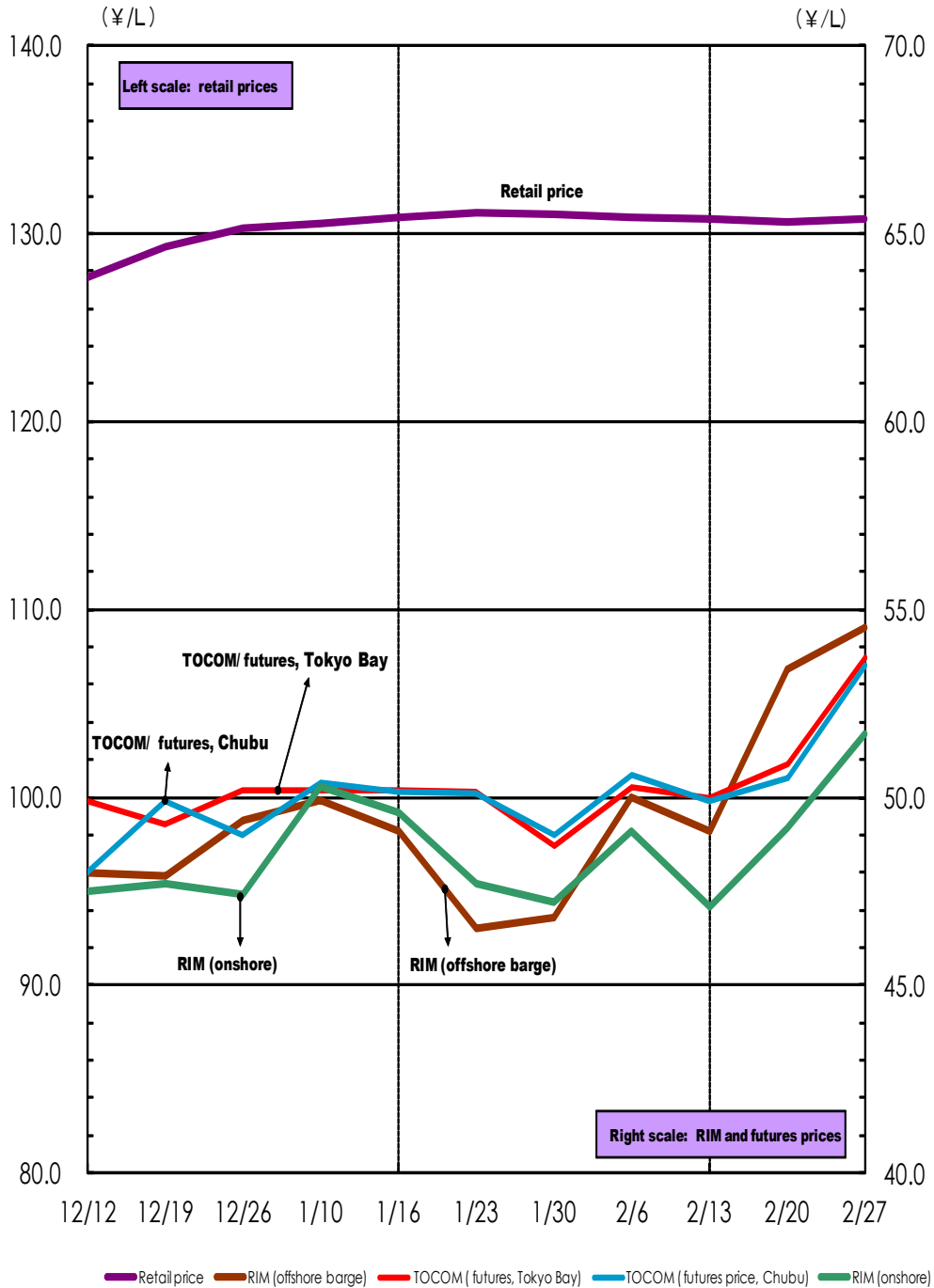
While crude oil cost rose slightly, the average retail gasoline price rose for the first time in five weeks. Some Motouri companies lowered petroleum products prices by up to 1.0 yen/l while others raised them by up to 3.0 yen/l. While crude oil cost rose slightly on crude oil price hikes despite the yen's slight appreciation, most Motouri companies raised wholesale prices of petroleum products. Given these trends, retail gasoline prices are likely to increase, with kerosene prices leveling off (as of March 6).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/27)	Previous week (2/20)	From a week earlier	Latest high
Retail Price	Regular	130.8	130.6	▲ 0.2	08/8/4 185.1
	Kerosene	78.0	78.0	➡ 0.0	08/8/11 132.1
	Diesel oil	110.2	110.1	▲ 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

(2016/12/12 ~ 2017/2/27)



(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 (<http://eneken.ieej.or.jp/en/>).
The next issue (No. 47 for 2016) will be announced at 14:00 on March 17.

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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).