

Oil Market Review in Japan No. 47/2016

March 17, 2017, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
https://enen.ieej.or.jp/en/weekly_oil/index.php

Overview

On the NYMEX (New York Mercantile Exchange) between February 23 and March 1, the key WTI (West Texas Intermediate) crude oil futures contract moved within a narrow, firm range between \$53.83 per barrel and \$54.45/bbl as market participants continued to pay attention to 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 March 2, the April contract fell for the third straight day as market players were concerned about oil oversupply in the United States, with the dollar's appreciation against other major currencies making dollar-denominated oil prices relatively higher. The key contract closed at \$52.61/bbl, down \$1.22/bbl from the previous day. On March 3, the April contract rallied for the first time in four market days as buybacks came from market players viewing the previous day's three-week low as a reasonable level for buying and the dollar's depreciation made oil prices relatively lower. However, the rally was capped as an afternoon report said that the number of operating U.S. oil-drilling rigs increased by seven from a week ago to 609. The key contract finished \$0.72/bbl higher at \$53.33/bbl.

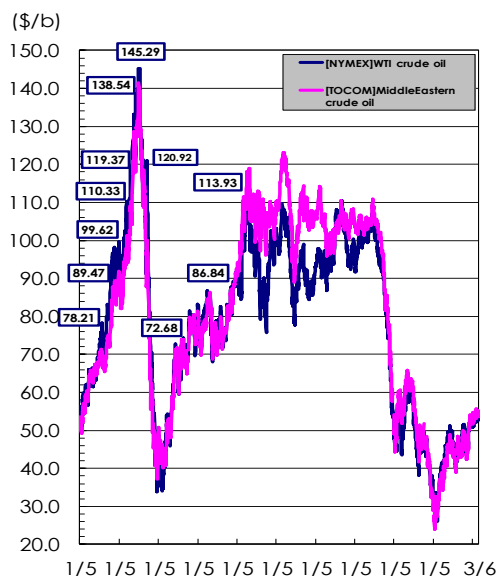
On March 6, the key WTI futures contract fell slightly on lingering concern about high-level U.S. crude oil inventories and the rising number of operating U.S. oil-drilling rigs, despite a Goldman Sachs report that global crude oil demand growth would absorb excessive inventories. The April contract closed \$0.13/bbl lower at \$53.20/bbl. On March 7, the key WTI futures contract rose temporarily in the morning as the IEA (International Energy Agency) pointed to the possibility of the oil supply-demand balance tightening from 2020 and Russian Energy Minister reportedly said Russia would achieve its oil production cut target by the end of April. In the afternoon, however, it turned down on a monthly EIA (Energy Information Administration) report revising U.S. oil production projections upward for 2017 and 2018 and a forecast of a nine-week consecutive increase in U.S. crude oil inventories. The April contract eventually closed \$0.06/bbl lower at \$53.14/bbl. On March 8, the key WTI futures contract posted a substantial decline to a three-month low on concern over oversupply as the EIA reported that U.S. crude oil inventories expanded for the ninth straight month. The April contract lost \$2.86/bbl to \$50.28/bbl.

The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market in the previous week moved within a firmer range between \$54.40/bbl and \$55.90/bbl. It ended at \$54.70/bbl on March 2, at \$53.70/bbl on March 3, at \$53.90/bbl on March 6, at \$54.10/bbl on March 7 and at \$53.90/bbl on March 8. On the foreign exchange market in the previous week, the dollar remained in a narrow range between 112.18 yen and 113.37 yen. It changed hands at 114.00 yen in late trading on March 2, at 114.23 yen on March 3, at 113.78 yen on March 6, at 114.98 yen on March 7 and at 113.91 yen on March 8. According to preliminary 10-day trade statistics released by the Ministry of Finance on February 27, the average crude oil import CIF price in the February 1-10 period stood at 39,186 yen/kl (kiloliter), up 592 yen/kl from the previous 10-day period. In dollars, the price was \$54.70/bbl, down \$0.17/bbl. The average exchange rate was 113.90 yen to the dollar. According to those released by the ministry on March 8, the average crude oil import CIF price in the February 11-20 period stood at 39,705 yen/kl, up 519 yen/kl from the previous 10-day period. In dollars, the price was \$55.77/bbl, up \$1.07/bbl. The average exchange rate was 113.19 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the second week of March were lowered by up to 1.0 yen/l (liter) by some Motouri and raised by up to 2.0 yen/l by others. Crude oil procurement cost rose slightly on the yen's depreciation, despite a slight fall in crude oil prices.

Japan's average retail price on March 6 stood at 132.0 yen/l for gasoline, up 1.2 yen/l from a week earlier, at 111.0 yen/l for diesel oil, up 0.8 yen/l, and at 78.1 yen/l for kerosene (heating oil), up 0.1 yen/l. The gasoline and diesel prices rose for the second straight week. The kerosene price increased for the first time in six weeks. In the first week of March when crude oil cost rose slightly, some Motouri companies lowered wholesale prices of petroleum products by up to 1.0 yen/l and others raised these prices by up to 3.0 yen/l.

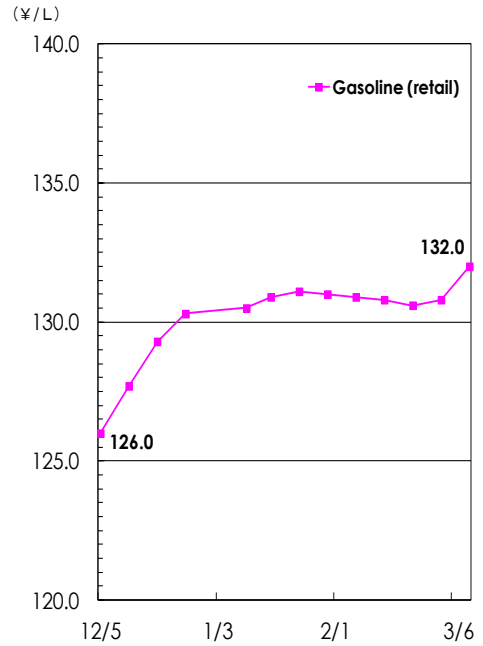
Crude oil		This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	2/26 ~ 3/4	3,872	▼ -42	▲ -
	Topper capacity utilization rate (%)	"	91.8	▼ -1.0	▲ -
	Crude oil inventories (1,000 kl)	3/4	12,584	▼ -448	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/6	54.21	▼ -0.84	▲ 18.4
	WTI crude oil (NYMEX) (\$/bbl)	3/6	53.20	▼ -0.85	▲ 15.3
	Crude oil import CIF price (\$/bbl)	Mid Feb	55.77	▲ 1.07	▲ 25.34
	① Crude oil import CIF price (yen/kl)	"	39,705	▲ 519	▲ 17,226
	② Yen-dollar exchange rate (yen/dollar)	"	113.19	▲ 0.71	▲ 4.24
	TTS exchange rate (yen/dollar)	3/6	114.78	▼ -1.60	▼ -0.08



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/26 ~ 3/4	1,115	▲ 132	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	977	▲ 2	▲ —	
	Exports	"	133	▼ -28	▼ —	
	Inventories	3/4	1,716	▲ 5	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/28 ~ 3/6	53.7	▲ 2.8	▲ 20.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/28 ~ 3/6	53.2	▲ 0.1	▲ 17.8
		(TOCOM/ Chubu)	3/6	53.2	▼ -0.3	▲ 17.8
	Retail prices [weekly trend] (published by ANRE)	3/6	132.0	▲ 1.2	▲ 20.0	

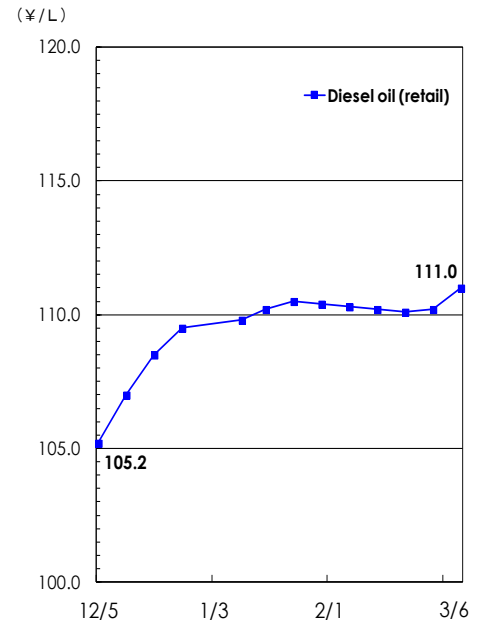
*Gyoten and futures prices are before tax



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

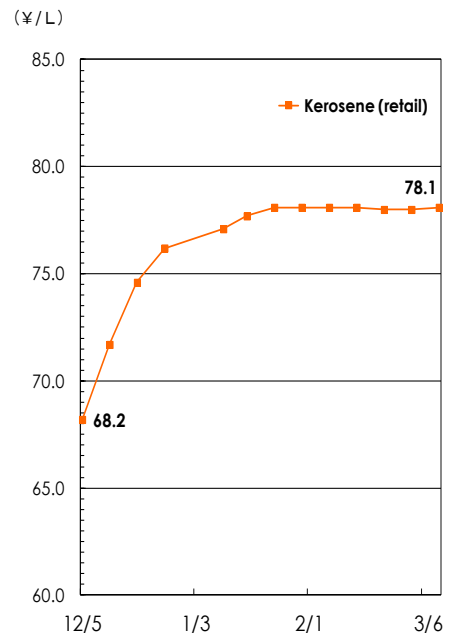
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/26 ~ 3/4	788	▼ -26	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	737	▲ 35	▲ —	
	Exports	"	167	➡ 0	▲ —	
	Inventories	3/4	1,492	▼ -116	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/28 ~ 3/6	51.4	▲ 1.8	▲ 18.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/28 ~ 3/6	46.0	➡ 0.0	▲ 10.0
		(TOCOM/ Chubu)	3/6	—	—	—
	Retail prices [weekly trend] (published by ANRE)	3/6	111.0	▲ 0.8	▲ 13.9	

*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	2/26 ~ 3/4	398	▼ -176	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	456	▼ -137	▼ —	
	Exports	"	20	➡ 0	▲ —	
	Inventories	3/4	1,340	▼ -78	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/28 ~ 3/6	51.1	➡ 0.0	▲ 15.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/28 ~ 3/6	49.0	▼ -0.2	▲ 16.1
		(TOCOM/ Chubu)	3/6	48.5	▼ -0.5	▲ 15.7
	Retail prices [weekly trend] (published by ANRE)	3/6	78.1	▲ 0.1	▲ 17.0	



Relevant Information

1 Overseas crude oil prices

On March 8, the most frequently traded WTI futures contract on the NYMEX declined substantially as weekly crude oil inventory reports led market players to grow concerned on oil oversupply in the United States. On the evening of the previous day, the API (American Petroleum Institute) reported a weekly U.S. inventory increase of 11.60 million barrels, greater than a market forecast increase of 1.9 million barrels. The EIA's weekly report released on March 8 stated that crude oil inventories posted a weekly expansion of 8.2 million barrels, against the market forecast, to the highest level since the inventory survey started in 1982, expanding for the ninth straight month. The dollar's appreciation against other major foreign currencies made oil futures prices relatively higher, inviting selling on the crude oil futures market. The April contract closed at \$50.28/bbl, down \$2.86/bbl from the previous day. The May contract finished at \$50.83/bbl, down \$2.81/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 6 increased by 2.7 cents per gallon from a week earlier to \$2.341/gal (70.9 yen/l). The average diesel oil price went up by 0.2 cents/gal to \$2.579/gal (78.1 yen/l). The gasoline price rose for the second straight week. The diesel price increased for the fourth 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 26-March 4 week stood at 87,000 barrels per day, up 87,000 bpd from the previous week (total capacity stood at 3,790,000 bpd).

Crude oil throughput in the week fell by 42,000 kl (kiloliters) from the previous week to 3,872,000 kl. From a year earlier, it increased by 68,000 kl. The topper capacity utilization rate stood at 91.8%, down 1.0 percentage points from the previous week and up 4.5 points from a year earlier.

Output decreased from the previous week for kerosene and diesel oil while increasing for other petroleum products. Output was up 13.4% for gasoline, up 1.2% for jet fuel, down 30.7% for kerosene, down 3.2% for diesel oil, up 21.6% for Fuel Oil A and up 3.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 9,000 kl, down 77,000 kl from the previous week. Diesel oil exports aggregated 167,000 kl, remaining unchanged.

Shipments (sales volume) in the week decreased from the previous week for kerosene and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments decreased for kerosene and Fuel Oil C and increased for others. While retail gasoline prices rose for the second straight week on crude oil price hikes, gasoline shipments in the week increased by 0.2% from the previous week to 977,000 kl. They increased week on week for the second straight week and expanded year on year for the first time in five weeks, remaining below 1 million kl for

the fifth straight week.

Shipments totaled 68,000 kl for jet fuel (up 6.8% from the previous week), 456,000 kl for kerosene (down 23.1%), 737,000 kl for diesel oil (up 5.1%), 312,000 kl for Fuel Oil A (down 9.6%) and 270,000 kl for Fuel Oil C (down 8.1%).

(Unit: 1,000 kl)

	This week (2/26 ~ 3/4)	Previous week (2/19 ~ 2/25)	From a week earlier
Gasoline	977	975	▲ 2 (0%)
Jet fuel	68	63	▲ 5 (8%)
Kerosene (heating Oil)	456	593	▼ -137 (-23%)
Diesel oil	737	702	▲ 35 (5%)
Fuel oil A	312	285	▲ 27 (9%)
Fuel Oil C	270	293	▼ -23 (-8%)
Total	2,820	2,911	▼ -91 (-3%)

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 March 4 increased from a week earlier for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories increased for gasoline, kerosene and Fuel Oil A and decreased for other petroleum products.

Gasoline inventories totaled 1,716,000 kl, up 5,000 kl from a week earlier and up 39,000 kl from a year earlier.

Kerosene inventories totaled 1,340,000 kl, down 78,000 kl from a week earlier and up 134,000 kl from a year earlier.

Diesel oil inventories totaled 1,492,000 kl, down 116,000 kl from a week earlier and down 5,000 kl from a year earlier.

Fuel Oil A inventories totaled 760,000 kl, up 21,000 kl from a week earlier and up 73,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,930,000 kl, down 57,000 kl from a week earlier and down 142,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/4)	Previous week (2/25)	From a week earlier
Gasoline	1,716	1,711	▲ 5 (0%)
Jet fuel	868	875	▼ -7 (-1%)
Kerosene (heating Oil)	1,340	1,418	▼ -78 (-6%)
Diesel oil	1,492	1,608	▼ -116 (-7%)
Fuel oil A	760	739	▲ 21 (3%)
Fuel Oil C	1,930	1,987	▼ -57 (-3%)
Total	8,106	8,338	▼ -232 (-2.8%)

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

Between February 28 and March 6, crude oil cost apparently rose slightly as crude oil price drops were more than offset by the yen's depreciation.

Onshore cargo spot prices in the week moved between 107 and 108 yen/l for gasoline, between 51 and 52 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 108 and 109 yen/l for gasoline, between 50 and 54 yen/l for diesel oil and between 49 and 52 yen/l for kerosene. The key futures price ranged between 106 and 108 yen/l for gasoline, between 46 and 47 yen/l for diesel oil and between 48 and 50 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 2.0 yen/l.

On March 9, TonenGeneral Sekiyu said that it would lower its onshore spot direct price by 1.0 yen/l for kerosene and raise the price by 1.0 yen/l for gasoline and diesel oil and by 0.5 yen/l for fuel oil for shipments from March 11.

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 five weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for February 28-March 6) that influences Motouri's wholesale prices applied to the second week of March (March 9-15) rose by 2.8 yen/l for gasoline and by 1.8 yen/l for diesel oil and leveled off for kerosene. The average offshore barge spot price in Tokyo Bay went up by 0.8 yen/l for gasoline and by 2.5 yen/l for diesel oil and dropped by 1.2 yen/l for kerosene. The key futures price rose by 0.1 yen/l for gasoline, fell by 0.2 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 second week of March were lowered by up to 1.0 yen/l by some Motouri and raised by up to 2.0 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 (2/28 ~ 3/6)	Previous week (2/21 ~ 2/27)	From a week earlier
Spot Prices	Regular	53.7	50.9	▲ 2.8
	Kerosene	51.1	51.1	➡ 0.0
	Diesel oil	51.4	49.6	▲ 1.8

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/28 ~ 3/6)	Previous week (2/21 ~ 2/27)	From a week earlier
Futures Price	Regular	53.2	53.1	▲ 0.1
	Kerosene	49.0	49.2	▼ -0.2
	Diesel oil	46.0	46.0	➡ 0.0

Above prices are before tax.

Reference (February 28 - March 6 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 2.8	▲ 0.1	▲ 1.5
Kerosene	➡ 0.0	▼ -0.2	▼ -0.1
Diesel oil	▲ 1.8	➡ 0.0	▲ 0.9
Fuel Oil A	▲ 0.8		

(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 March 6 rose by 1.2 yen/l from a week earlier to 132.0 yen/l for gasoline, by 0.8 yen/l to 111.0 yen/l for diesel oil and by 0.1 yen/l to 78.1 yen/l for kerosene. Both the gasoline and diesel prices increased for the second straight week. The kerosene price rose for the first time in six weeks.

Gasoline prices rose in 46 prefectures and remained unchanged in one. No prefecture posted a decline. The lowest gasoline price among the prefectures was 126.5 yen/l in Saitama Prefecture (up 0.9 yen/l from a week earlier). The second lowest was 128.8 yen/l in Ibaraki (up 2.2 yen/l) and Chiba (up 1.4 yen/l). The highest price was 140.9 yen/l in Nagasaki (up 1.7 yen/l). Posting the largest price hike of 3.3 yen/l was Miyagi (133.5 yen/l). No prefecture recorded any fall. The gasoline price remained unchanged in Kochi (132.6 yen/l).

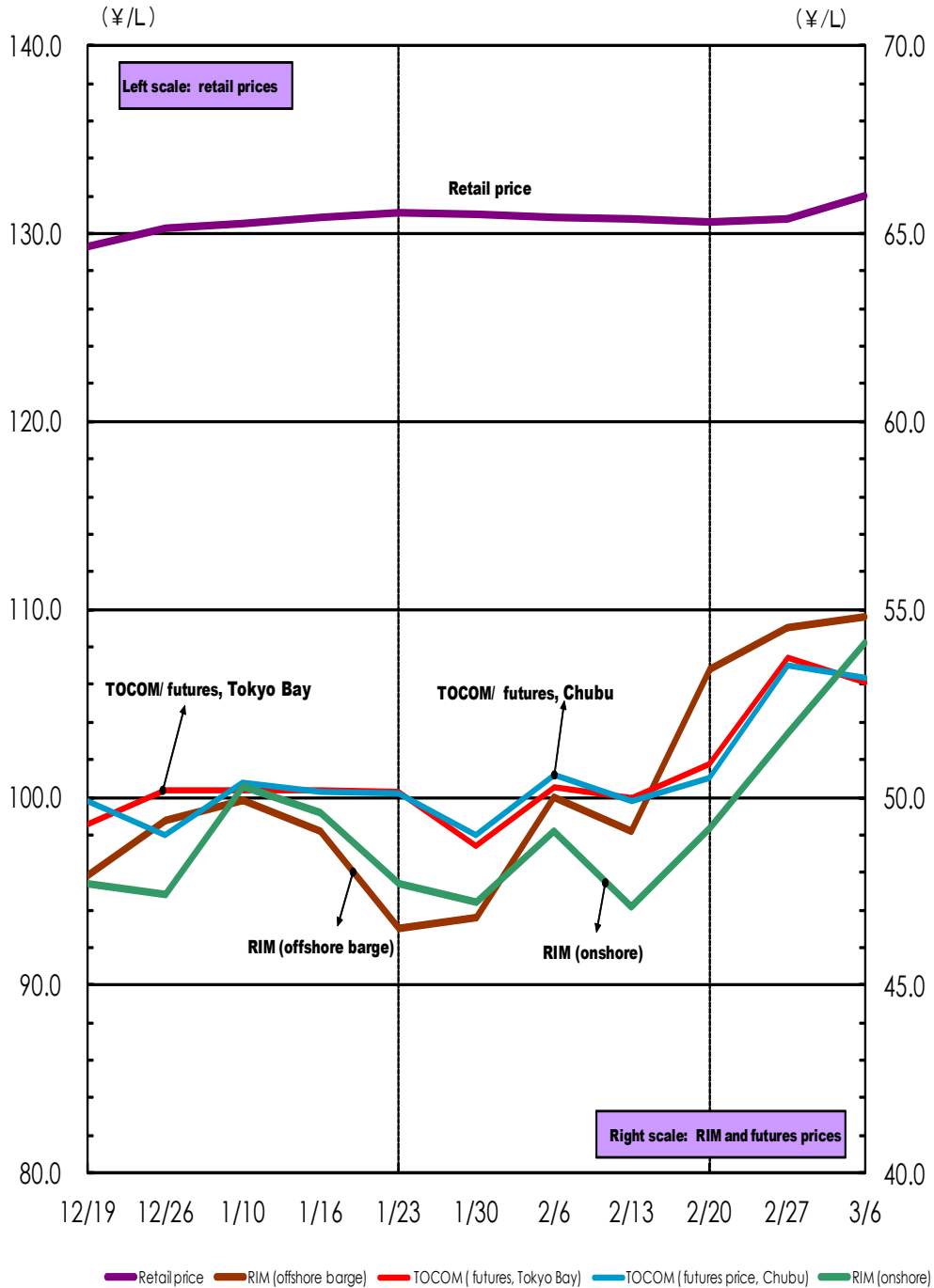
While crude oil cost increased slightly, the average retail gasoline price rose for the second straight week. Some Motouri companies lowered petroleum products prices by up to 1.0 yen/l while others raised them by up to 2.0 yen/l. While crude oil cost rose slightly as the yen depreciated, with crude oil prices leveling off, most Motouri companies raised wholesale prices of petroleum products. Given these trends, retail gasoline prices are likely to increase (as of March 13), with kerosene prices falling slightly due to some Motouri companies' wholesale price cut.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (3/6)	Previous week (2/27)	From a week earlier	Latest high
Retail Price	Regular	132.0	130.8	▲ 1.2	08/8/4 185.1
	Kerosene	78.1	78.0	▲ 0.1	08/8/11 132.1
	Diesel oil	111.0	110.2	▲ 0.8	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

(2016/12/19 ~ 2017/3/6)



(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. 48 for 2016) will be announced at 14:00 on March 24.

On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

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).