

# Oil Market Review in Japan No. 09/2017

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract ranged between \$48.32 per barrel and \$49.80/bbl on the NYMEX (New York Mercantile Exchange) in the May 25-31 week, falling below \$50/bbl.

On June 1, buying came as a weekly U.S. EIA (Energy Information Administration) inventory report, announced one day behind the usual schedule due to the three-day Memorial Day weekend, stated that U.S. crude oil inventories posted a decline of 8.4 million barrels from a week earlier, far greater than a market-forecast fall of 2.5 million barrels, for the eighth straight week of fall. However, a less-than-forecast decrease in gasoline inventories and an increase in middle distillate inventories against a market forecast fall discouraged buying. Also affecting buying was a Reuters report that OPEC (Organization of the Petroleum Exporting Countries) oil production in May increased due mainly to a rise in Libyan and Nigerian output. Eventually, the July contract recorded a small gain of \$0.04/bbl to \$48.36/bbl.

On June 2, the key contract turned down as U.S. President Donald Trump's offer to withdraw the United States from the Paris Climate Accord was taken as a boost for shale oil production expansion. Also encouraging selling was a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by 11 from a week earlier to 733 for the 20th straight weekly rise. The July contract closed at \$47.66/bbl, down \$0.70/bbl.

On June 5, the key contract declined further as market participants grew concerned about intensifying confrontation within OPEC on a report that four Arab countries such as Saudi Arabia and Egypt severed diplomatic relations with pro-Iran Qatar for the reason that Qatar was supporting radicals. The July contract closed \$0.26/bbl lower at \$47.40/bbl.

On June 6, the key contract rallied for the first time in three market days on buybacks attributable to technical factors, as well as the dollar's depreciation against the euro that made crude oil futures prices relatively lower. Another support for buying was Kuwaiti Oil Minister Essam al-Marzouq's remark that Qatar would continue to participate in a coordinated OPEC production cut. He was mediating between Qatar and the four Arab countries. The July contract closed \$0.79/bbl higher at \$48.19/bbl.

On June 7, the key contract turned down with a sharp decline as a weekly EIA inventory report said crude oil and petroleum product inventories increased faster than forecast in the market. The July contract closed \$2.47/bbl lower at \$45.72/bbl.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged between \$49.90/bbl and \$53.10/bbl in the previous week, hovering around \$50/bbl. It ended at \$49.90/bbl on June 1, at \$48.70/bbl on June 2, at \$49.10/bbl on June 5, at \$48.10/bbl on June 6 and at \$48.30/bbl on June 7.

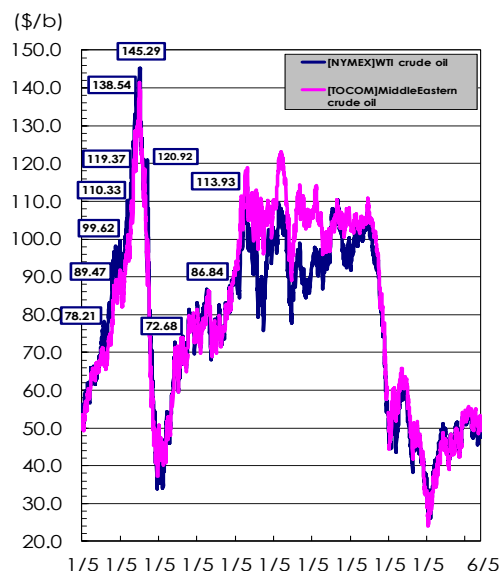
On the foreign exchange market in the previous week, the dollar ranged between 110.96 and 111.79 yen. It changed hands at 110.97 yen in late trading on June 1, at 111.63 yen on June 2, at 110.49 yen on June 5, at 110.18 yen on June 6 and at 109.53 yen on June 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 7, the average crude oil import CIF price in the May 11-20 period stood at 37,902 yen/kl (kiloliter), up 538 yen/kl from the previous 10-day period. In dollars, the price was \$54.07/bbl, down \$0.12/bbl. The average exchange rate was 111.44 yen to the dollar.

Wholesale prices of gasoline that major Motouri (petroleum products wholesalers) applied to the second week of June were lowered by 1.0 yen/l (liter) by some Motouri and raised by 0.5 yen/l by others. Middle distillate prices were left unchanged by some and lowered by 1.0 yen/l by others. Crude oil cost declined as crude oil price drops were coupled with the yen's slight depreciation.

Japan's average retail price on June 5 stood at 131.7 yen/l for gasoline, unchanged from a week earlier, at 110.8 yen/l for diesel oil, unchanged, and at 76.8 yen/l for kerosene (heating oil), down 0.1 yen/l. The gasoline and diesel prices discontinued rising for the first time in seven weeks. The kerosene price dropped for the seventh straight week. As crude oil cost slightly rose in the first week of June, wholesale prices of petroleum products were left unchanged by some Motouri companies and raised by up to 1.5 yen/l by others.

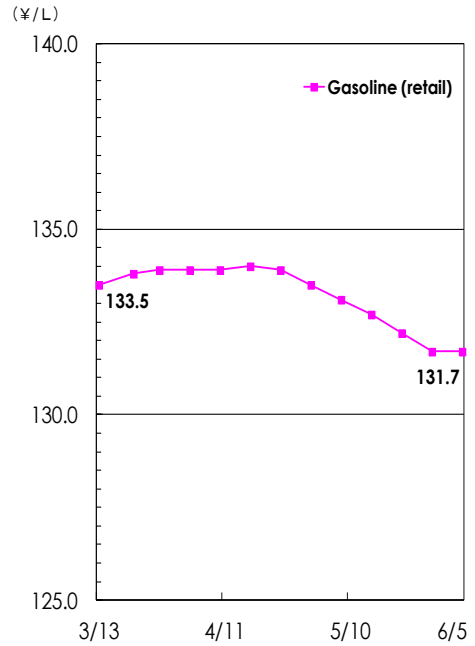
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	5/28 ~ 6/3	3,060	▼ -109	▼ -	
	Topper capacity utilization rate (%)	"	78.1	▼ -2.8	▲ -	
	Crude oil inventories (1,000 kl)	6/3	13,731	▲ 1,030	▼ -	
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/5	49.46	▼ -1.72	▲ 3.3	
	WTI crude oil (NYMEX) (\$/bbl)	6/5	47.40	▼ -2.26	▼ -2.3	
	Crude oil import CIF price (\$/bbl)	Mid May	54.07	▼ -0.12	▲ 13.39	
	① Crude oil import CIF price (yen/kl)	"	37,902	▲ 538	▲ 10,028	
	② Yen-dollar exchange rate (yen/dollar)	"	111.44	▼ -1.83	▼ -2.52	
	TTS exchange rate (yen/dollar)	6/5	111.49	▲ 0.85	▼ -3.94	



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/28 ~ 6/3	1,119	▲ 77	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	934	▼ -80	▼ —	
	Exports	"	97	▲ 76	▲ —	
	Inventories	6/3	1,984	▲ 88	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/30 ~ 6/5	49.7	▲ 1.2	▲ 4.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/30 ~ 6/5	49.8	▼ -0.7	▲ 3.7
		(TOCOM/ Chubu)	6/5	48.3	▼ -0.9	▲ 3.8
	Retail prices [weekly trend] (published by ANRE)	6/5	131.7	➡ 0.0	▲ 9.2	

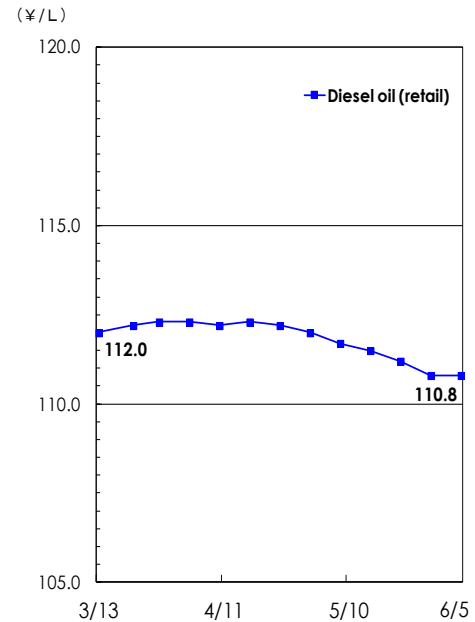
\*Gyoten and futures prices are before tax



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

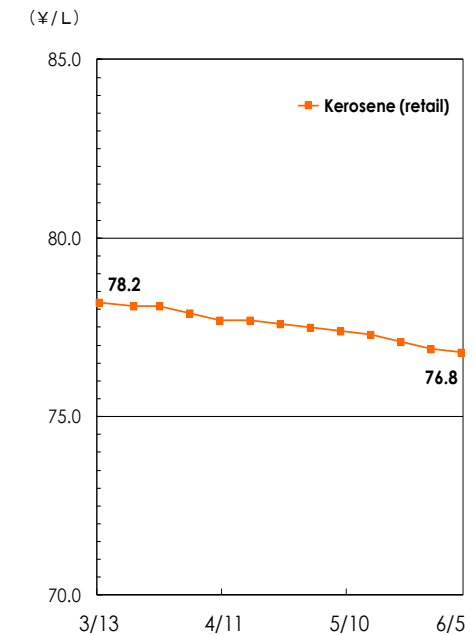
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/28 ~ 6/3	735	▼ -4	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	550	▼ -94	▼ —	
	Exports	"	189	▲ 51	▼ —	
	Inventories	6/3	1,578	▼ -3	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/30 ~ 6/5	48.4	▲ 0.7	▲ 5.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/30 ~ 6/5	48.0	➡ 0.0	▲ 6.4
		(TOCOM/ Chubu)	6/5	—	—	—
	Retail prices [weekly trend] (published by ANRE)	6/5	110.8	➡ 0.0	▲ 8.0	

\*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	5/28 ~ 6/3	165	▼ -62	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	130	▼ -30	▼ —	
	Exports	"	0	➡ 0	➡ —	
	Inventories	6/3	1,350	▲ 36	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/30 ~ 6/5	47.5	▲ 0.4	▲ 6.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/30 ~ 6/5	45.6	▼ -1.6	▲ 4.1
		(TOCOM/ Chubu)	6/5	45.5	▼ -2.0	▲ 5.8
	Retail prices [weekly trend] (published by ANRE)	6/5	76.8	▼ -0.1	▲ 13.3	



## Relevant Information

### 1 Overseas crude oil prices

On June 7, the most frequently traded WTI futures contract on the NYMEX took a steep downturn as selling dominated the market on the EIA inventory report that crude oil inventories recorded an increase of 3.3 million barrels from a week earlier against a market-forecast decrease of 3.5 million barrels for the first rise in nine weeks, with gasoline and middle distillate inventories posting unexpectedly large increases. Adding fuel to concerns about oil oversupply was the EIA's announcement on the previous day of a short-term outlook that revised upward U.S. oil production projections in 2017 and 2018. Serial bombings in Iran on June 7 failed to influence oil futures trading. The July contract finished \$2.47/bbl lower at \$45.72/bbl. The August contract lost \$2.36/bbl to \$45.98/bbl.

According to the EIA (Energy Information Administration), the average U.S. retail price of gasoline as of June 5 rose by 0.8 cents per gallon from a week earlier to \$2.414/gal (71.0 yen/l). The average diesel oil price fell by 0.7 cents/gal to \$2.564/gal (75.4 yen/l). The gasoline price rose for the third straight week, while the diesel price fell for the first time in two weeks.

### 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 May 28-June 3 week came to 620,000 bpd (barrels per day), down 3,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week fell by 109,000 kl from the previous week to 3,060,000 kl. From a year earlier, it fell by 172,000 kl. The topper capacity utilization rate stood at 78.1%, down 2.8 points from a week earlier and up 2.0 points from a year earlier.

Output increased from the previous week for gasoline and jet fuel, while decreasing for other petroleum products. Output was up 7.4% for gasoline, up 13.1% for jet fuel, down 27.3% for kerosene, down 0.5% for diesel oil, down 1.4% for Fuel Oil A and down 21.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 83,000 kl, up 79,000 kl from the previous week. Diesel oil exports aggregated 189,000 kl, up 51,000 kl.

Shipments (sales volume) in the week increased from the previous week only for Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments decreased for all petroleum products. Gasoline shipments decreased by 7.9% from the previous week to 934,000 kl. They decreased week on week for the first time in three weeks and year on year for the second straight week, slipping below 1 million kl for the first time in two weeks.

Shipments totaled 86,000 kl for jet fuel (down 47.2% from the previous week), 130,000 kl for kerosene (down 18.8%), 550,000 kl for diesel oil (down 14.6%), 170,000 kl for Fuel Oil A (down 17.8%) and 186,000 kl for Fuel Oil C (up 15.7%).

(Unit: 1,000 kl)

	This week (5/28 ~ 6/3)	Previous week (5/21 ~ 5/27)	From a week earlier
Gasoline	934	1,014	▼ -80 (-8%)
Jet fuel	86	164	▼ -78 (-48%)
Kerosene (heating Oil)	130	160	▼ -30 (-19%)
Diesel oil	550	644	▼ -94 (-15%)
Fuel oil A	170	207	▼ -37 (-18%)
Fuel Oil C	186	161	▲ 25 (16%)
<b>Total</b>	<b>2,056</b>	<b>2,350</b>	<b>▼ -294 (-13%)</b>

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 June 3 decreased from a week earlier for jet fuel and diesel oil and increased for other petroleum products. From a year earlier, inventories increased for gasoline, jet fuel and diesel oil and decreased for others.

Gasoline inventories totaled 1,984,000 kl, up 88,000 kl from a week earlier and up 155,000 kl from a year earlier.

Kerosene inventories totaled 1,350,000 kl, up 36,000 kl from a week earlier and down 263,000 kl from a year earlier.

Diesel oil inventories totaled 1,578,000 kl, down 3,000 kl from a week earlier and up 133,000 kl from a year earlier.

Fuel Oil A inventories totaled 817,000 kl, down 16,000 kl from a week earlier and down 5,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,076,000 kl, up 4,000 kl from a week earlier and down 18,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/3)	Previous week (5/27)	From a week earlier
Gasoline	1,984	1,896	▲ 88 (5%)
Jet fuel	1,017	1,086	▼ -69 (-6%)
Kerosene (heating Oil)	1,350	1,314	▲ 36 (3%)
Diesel oil	1,578	1,581	▼ -3 (-0%)
Fuel oil A	817	801	▲ 16 (2%)
Fuel Oil C	2,076	2,072	▲ 4 (0%)
<b>Total</b>	<b>8,822</b>	<b>8,750</b>	<b>▲ 72 (0.8%)</b>

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

Between May 30 and June 5, crude oil cost apparently increased slightly, although crude oil price hikes were partially offset by the yen's appreciation.

Onshore cargo spot prices firmed to a 102-104 yen/l range for gasoline, weakened slightly to a 47-49 yen/l range for diesel oil and remained almost unchanged in a 47-48 yen/l range for kerosene. Offshore barge spot prices firmed to a 105-106 yen/l range for gasoline and weakened slightly to a 47-49 yen/l range for diesel oil and to a 45-47 yen/l range for kerosene. The key futures price ranged between 102 and 105 yen/l for gasoline, unchanged from the previous week, between 48 and 49 yen/l for diesel oil, unchanged, and between 44 and 47 yen/l for kerosene, weaker. Wholesale gasoline prices were raised by 0.1 yen/l by some Motouri companies and raised by 0.5 yen/l by others. Wholesale kerosene and diesel prices were left unchanged by some Motouri companies and lowered by 1.0 yen/l by others.

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

While crude oil cost rose slightly, onshore cargo spot prices for all petroleum products and offshore barge spot prices for gasoline increased. Offshore barge spot prices for diesel oil and kerosene decreased along with futures prices. Weekly gasoline sales volume decreased for the first time in three weeks, slipping below 1 million kl for the first time in two weeks.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for May 30-June 5) that influences Motouri's wholesale prices applied to the second week of June (June 8-14) rose by 1.2 yen/l for gasoline, by 0.7 yen/l for diesel oil and by 0.4 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay rose by 1.3 yen/l for gasoline and fell by 0.7 yen/l for diesel oil and kerosene. The key futures price decreased by 0.7 yen/l for gasoline, leveled off for diesel oil and fell by 1.6 yen/l for kerosene. As crude oil price drops were coupled with the yen's slight appreciation, crude oil cost decreased.

Wholesale prices of petroleum products for the second week of June were cut by 1.0 yen/l by some Motouri companies and raised by 0.5 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 costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (5/30 ~ 6/5)	Previous week (5/23 ~ 5/29)	From a week earlier
Spot Prices	Regular	49.7	48.5	▲ 1.2
	Kerosene	47.5	47.1	▲ 0.4
	Diesel oil	48.4	47.7	▲ 0.7

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (5/30 ~ 6/5)	Previous week (5/23 ~ 5/29)	From a week earlier
Futures Price	Regular	49.8	50.5	▼ -0.7
	Kerosene	45.6	47.2	▼ -1.6
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (May 30 - June 5 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 1.2	▼ -0.7	▲ 0.3	
Kerosene	▲ 0.4	▼ -1.6	▼ -0.6	
Diesel oil	▲ 0.7	➡ 0.0	▲ 0.3	
Fuel Oil A	▲ 0.3			

(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 June 5 remained unchanged from the previous week at 131.7 yen/l for gasoline and at 110.8 yen/l for diesel oil and fell by 0.1 yen/l to 76.8 yen/l for kerosene. The gasoline and diesel prices stopped their decline for the first time in seven weeks. The kerosene price dropped for the seventh straight week.

Gasoline prices increased in 18 prefectures, remained unchanged in seven and fell in 22. The lowest gasoline price among the prefectures was 125.9 yen/l in Okayama Prefecture (unchanged from a week earlier). The second lowest was 126.9 yen/l in Tokushima (down 0.3 yen/l). The highest price was 140.3 yen/l in Nagasaki (unchanged). Posting the largest price hike of 1.7 yen/l was Kanagawa (130.1 yen/l). Logging the largest drop of 0.8 yen/l were Kyoto (132.8 yen/l) and Nagano (134.3 yen/l). Gasoline prices remained unchanged in seven prefectures -- Nagasaki, Kagoshima, Kochi, Shiga, Miyazaki, Iwate and Okayama.

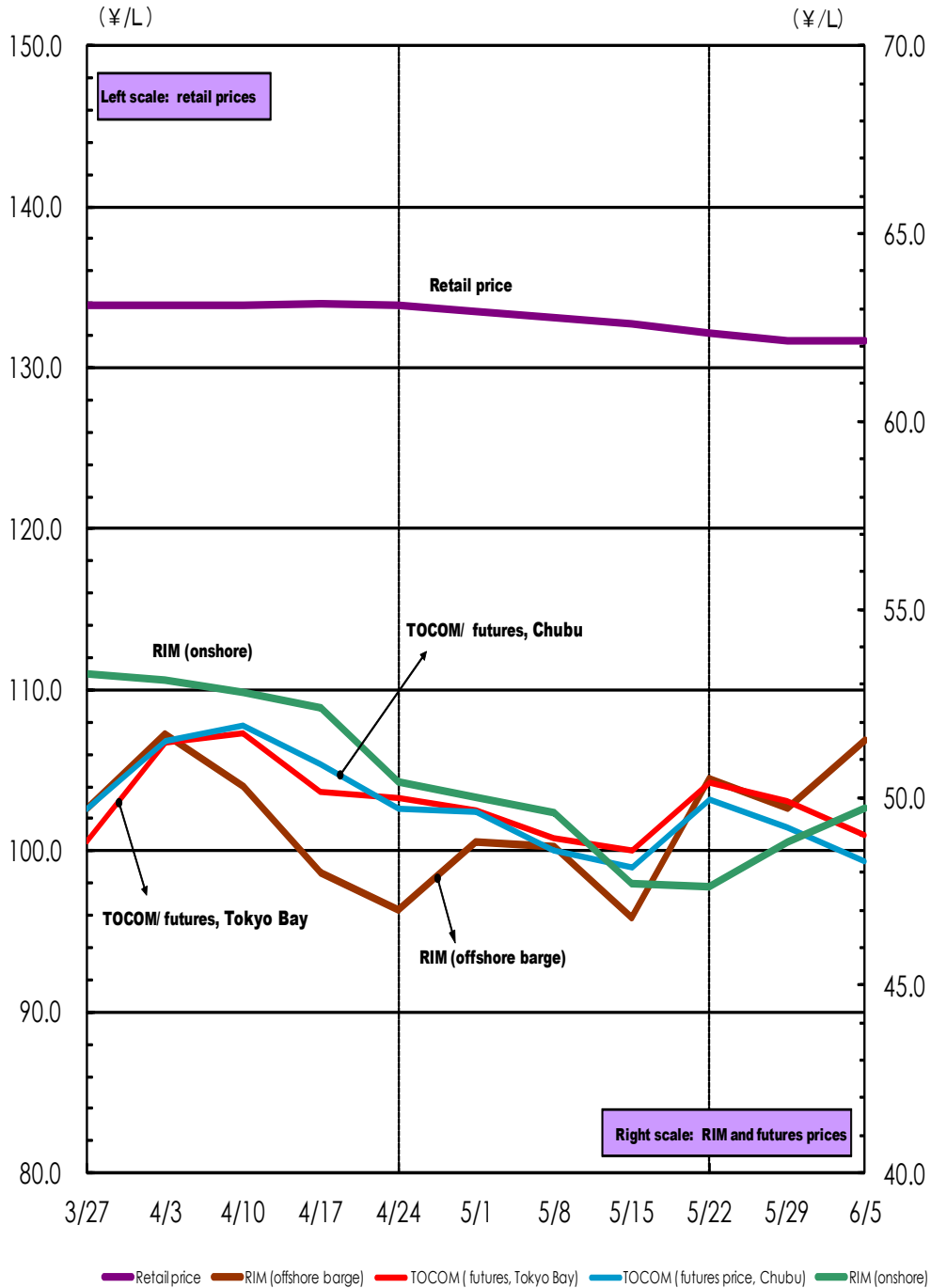
The average gasoline price stopped its decline for the first time in seven weeks, while crude oil cost rose slightly, with Motouri leaving wholesale gasoline prices unchanged or raising them by up to 1.5 yen/l. This week, crude oil cost decreased, as crude oil price drops were combined with the yen's appreciation. Wholesale petroleum product prices were cut by 1.0 yen by some Motouri and raised by 0.5 yen/l by others. Retail gasoline prices are likely to remain unchanged next week (as of June 12) as wholesale price hikes in the previous week fail to immediately be passed on to retail prices.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/5)	Previous week (5/29)	From a week earlier	Latest high
Retail Price	Regular	131.7	131.7	➡ 0.0	08/8/4 185.1
	Kerosene	76.8	76.9	▼ -0.1	08/8/11 132.1
	Diesel oil	110.8	110.8	➡ 0.0	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

(2017/3/27 ~ 2017/6/5)



(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. 10 for 2017) will be announced at 14:00 on June 23.

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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).