

# Oil Market Review in Japan No. 14/2017

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[https://eneken.ieej.or.jp/en/weekly\\_oil/index.php](https://eneken.ieej.or.jp/en/weekly_oil/index.php)

## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the June 29-July 5 week posted a sharp downturn following a three-day winning streak, ranging between \$44.93 per barrel and \$47.07/bbl.

On July 6, the August contract rallied on faster-than-forecast declines in U.S. crude oil and gasoline inventories announced by the EIA (Energy Information Administration) one day behind usual schedule due to Independence Day, as well as the dollar's depreciation against the euro that made dollar-denominated crude oil futures price lower. The EIA reported that crude oil inventories logged a drop of 6.3 million barrels from a week earlier, against a market-forecast fall of 2.3 million barrels, while gasoline inventories showed a decrease of 3.7 million barrels against a market-forecast fall of 2.6 million barrels. The contract closed at \$45.52/bbl, up \$0.39/bbl from the previous day.

On July 7, the key contract turned down as concern about U.S. oil oversupply resurged on U.S. oil production's weekly increase of 90,000 barrels per day to 9.34 million bpd announced by the EIA on the previous day, as well as a Baker Hughes report that the number of operating U.S. oil-drilling rigs rose by seven from a week earlier to 763 after the first fall in 24 weeks. The August contract closed at \$44.23/bbl, down \$1.29/bbl.

On July 10, the key contract rebounded on the dollar's depreciation against the euro. The August contract closed \$0.17/bbl higher at \$44.40/bbl.

On July 11, selling outpaced buying at the opening in response to a downward revision to a crude oil price outlook by a major financial firm. However, the key contract rose as buying grew later on the EIA's downward revision of a short-term U.S. oil production outlook, the dollar's depreciation against the euro and speculation that the Organization of the Petroleum Exporting Countries and non-OPEC oil producing countries could consider production quotas for Libya and Nigeria, which are exempt from their present coordinated production cut, at a meeting of their Joint Ministerial Monitoring Committee on July 24. The August contract closed \$0.64/bbl higher at \$45.04/bbl.

On July 12, the key contract rose for the third straight market day as the EIA reported that U.S. crude oil and gasoline inventories declined from a week earlier faster than forecast in the market. The August contract closed \$0.45/bbl higher at \$45.49/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$46.30/bbl and \$48.40/bbl in the June 29-July 5 week, firming from the previous week. It closed at \$47.00/bbl on July 6, at \$46.30/bbl on July 7, at \$45.60/bbl on July 10, at \$45.90/bbl on July 11 and at \$46.80/bbl on July 12.

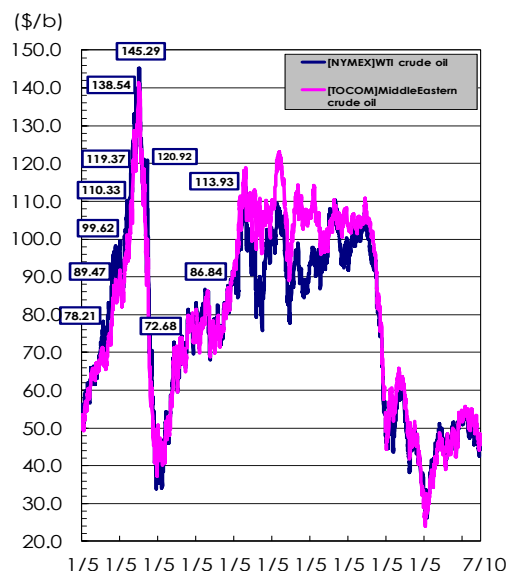
On the foreign exchange market in the June 29-July 5 week, the dollar moved within a firmer range between 112.00 and 113.21 yen. It changed hands at 113.04 yen in late trading on July 6, at 113.28 yen on July 7, at 114.17 yen on July 10, at 114.22 yen on July 11 and at 113.72 yen on July 12.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 7, the average crude oil import CIF price in the June 11-20 period stood at 36,786 yen/kl (kiloliter), up 53 yen/kl from the previous 10-day period. In dollars, the price was \$52.77/bbl, up \$0.52/bbl. The average exchange rate was 110.82 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the third week of July were raised by 0.5-1.0 yen/l (liter). Crude oil cost rose as crude oil price hikes coincided with the yen's depreciation.

Japan's average retail price on July 10 stood at 130.4 yen/l for gasoline, up 0.1 yen/l from a week earlier, at 109.7 yen/l for diesel oil, unchanged, and at 76.2 yen/l for kerosene (heating oil), unchanged. The gasoline price rose for the first time in 12 weeks. The diesel price ceased to fall for the first time in five weeks. The kerosene price ceased to decline for the first time in 12 weeks. While crude oil cost declined in the second week of July, wholesale prices of petroleum products were raised by 0.5 yen/l by some Motouri companies and by 1.0 yen/l by others.

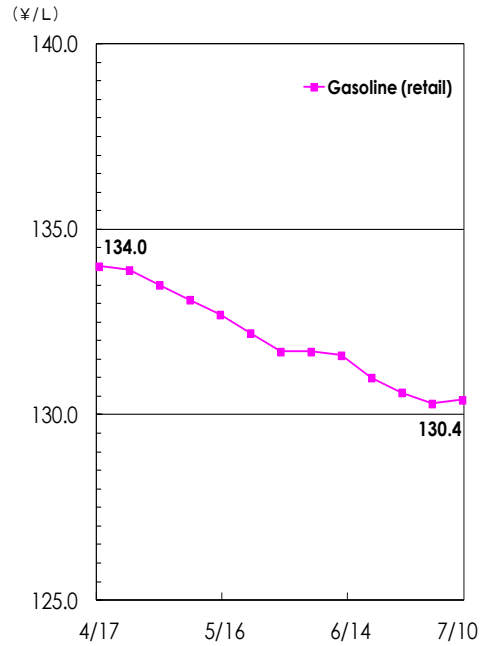
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/2 ~ 7/8	3,402	▲ 118	▼ -
	Topper capacity utilization rate (%)	"	86.9	▲ 3.0	▲ -
	Crude oil inventories (1,000 kl)	7/8	13,699	▲ 710	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/10	45.78	▼ -2.32	▲ 2.2
	WTI crude oil (NYMEX) (\$/bbl)	7/10	44.40	▼ -2.67	▼ -0.4
	Crude oil import CIF price (\$/bbl)	Mid Jun	52.77	▲ 0.52	▲ 7.49
	① Crude oil import CIF price (yen/kl)	"	36,786	▲ 53	▲ 5,900
	② Yen-dollar exchange rate (yen/dollar)	"	110.82	▲ 0.95	▼ -2.38
	TTS exchange rate (yen/dollar)	7/10	115.17	▼ -1.95	▼ -13.36



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/2 ~ 7/8	970	▼ -9	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	988	▲ 72	▼ -	
	Exports	"	31	▼ -61	▲ -	
	Inventories	7/8	1,772	▼ -49	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/4 ~ 7/10	50.1	▲ 0.8	▲ 9.4	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/4 ~ 7/10	49.4	▲ 1.4	▲ 8.7
		(TOCOM/Chubu)	7/10	48.9	▲ 0.4	▲ 9.8
	Retail prices [weekly trend] (published by ANRE)	7/10	130.4	▲ 0.1	▲ 6.9	

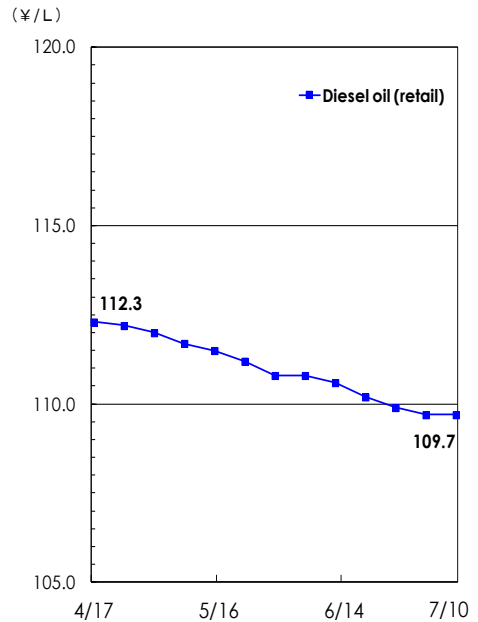
\*Gyoten and futures prices are before tax



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

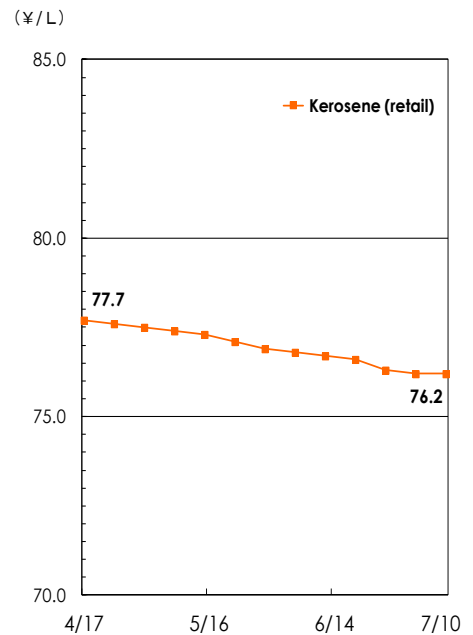
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/2 ~ 7/8	869	▲ 75	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	714	▲ 109	▲ -	
	Exports	"	148	▲ 1	▲ -	
	Inventories	7/8	1,513	▲ 8	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/4 ~ 7/10	48.3	▲ 0.9	▲ 8.0	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/4 ~ 7/10	48.0	➡ 0.0	▲ 9.3
		(TOCOM/Chubu)	7/10	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/10	109.7	➡ 0.0	▲ 6.4	

\*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	7/2 ~ 7/8	143	▼ -25	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	89	▼ -47	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	7/8	1,606	▲ 54	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/4 ~ 7/10	47.5	▲ 1.1	▲ 8.4	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	7/4 ~ 7/10	47.3	▲ 1.5	▲ 9.1
		(TOCOM/Chubu)	7/10	47.3	▲ 0.8	▲ 9.5
	Retail prices [weekly trend] (published by ANRE)	7/10	76.2	➡ 0.0	▲ 12.0	



## Relevant Information

### 1 Overseas crude oil prices

On July 12, the most frequently traded WTI futures contract on the NYMEX rebounded as the EIA reported U.S. crude oil inventories logged a drop of 7.6 million barrels from a week earlier, the largest fall in 10 months, against a market-forecast of 2.9 million barrels. Gasoline inventories also posted a decline of 1.6 million barrels against a market-forecast increase of 1.1 million barrels. However, the contract narrowed its gain on weak U.S. gasoline demand even in the summer driving season and a monthly OPEC report that predicted that the oil market would remain in oversupply in 2018 due to increasing U.S. shale oil production. The August contract posted a rise of \$0.45/bbl to \$45.49/bbl. The September contract gained \$0.43/bbl to \$45.66/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 10 rose by 3.7 cents per gallon from a week earlier to \$2.297/gal (69.8 yen/l). The average diesel oil price rose by 0.9 cents/gal to \$2.481/gal (75.4 yen/l). The gasoline price rose for the first time in five weeks, while the diesel price increased for the second 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 July 2-8 week came to 390,000 bpd (barrels per day), unchanged from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week rose by 118,000 kl from the previous week to 3,402,000 kl. From a year earlier, it decreased by 79,000 kl. The topper capacity utilization rate stood at 86.9%, up 3.0 points from a week earlier and up 5.0 points from a year earlier.

Output decreased from the previous week for gasoline, jet fuel and kerosene while increasing for other petroleum products. Output was down 0.9% for gasoline, down 16.8% for jet fuel, down 14.7% for kerosene, up 9.4% for diesel oil, up 28.3% for Fuel Oil A and up 9.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 19,000 kl, down 52,000 kl from the previous week. Diesel oil exports aggregated 148,000 kl, up 1,000 kl.

Shipments (sales volume) in the week decreased from the previous week for jet fuel and kerosene and increased for other petroleum products. From a year earlier, shipments increased only for diesel oil and decreased for others. Gasoline shipments increased by 7.9% from the previous week to 988,000 kl. They increased week on week for the first time in three weeks and fell year on year for the third straight week, remaining below 1 million kl for six weeks on end.

Shipments totaled 52,000 kl for jet fuel (down 46.1% from the previous week), 89,000 kl for kerosene (down 34.8%),

714,000 kl for diesel oil (up 17.9%), 194,000 kl for Fuel Oil A (up 16.8%) and 256,000 kl for Fuel Oil C (up 2.3%).

(Unit: 1,000 kl)

	This week (7/2 ~ 7/8)	Previous week (6/25 ~ 7/1)	From a week earlier
Gasoline	988	916	▲ 72 (8%)
Jet fuel	52	97	▼ -45 (-46%)
Kerosene (heating Oil)	89	136	▼ -47 (-35%)
Diesel oil	714	605	▲ 109 (18%)
Fuel oil A	194	166	▲ 28 (17%)
Fuel Oil C	256	251	▲ 5 (2%)
<b>Total</b>	<b>2,293</b>	<b>2,171</b>	<b>▲ 122 (6%)</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 July 8 decreased from a week earlier for gasoline and jet fuel and increased for other petroleum products. From a year earlier, inventories decreased for kerosene and diesel oil and increased for others.

Gasoline inventories totaled 1,772,000 kl, down 49,000 kl from a week earlier and up 39,000 kl from a year earlier.

Kerosene inventories totaled 1,606,000 kl, up 54,000 kl from a week earlier and down 352,000 kl from a year earlier.

Diesel oil inventories totaled 1,513,000 kl, up 8,000 kl from a week earlier and down 9,000 kl from a year earlier.

Fuel Oil A inventories totaled 796,000 kl, up 14,000 kl from a week earlier and up 27,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,107,000 kl, up 10,000 kl from a week earlier and up 104,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/8)	Previous week (7/1)	From a week earlier
Gasoline	1,772	1,821	▼ -49 (-3%)
Jet fuel	1,109	1,110	▼ -1 (-0%)
Kerosene (heating Oil)	1,606	1,552	▲ 54 (3%)
Diesel oil	1,513	1,505	▲ 8 (1%)
Fuel oil A	796	782	▲ 14 (2%)
Fuel Oil C	2,107	2,097	▲ 10 (0%)
<b>Total</b>	<b>8,903</b>	<b>8,867</b>	<b>▲ 36 (0.4%)</b>

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

Between July 4 and 10, crude oil cost apparently increased as crude oil price hikes were combined with the yen's depreciation.

Onshore cargo spot prices slightly firmed to a 103-105 yen/l range for gasoline, leveled off within a 48-49 yen/l range for diesel oil and slightly weakened to a 47-48 yen/l range for kerosene.

Offshore barge spot prices weakened to a 104-106 yen/l range for gasoline, leveled off within a 48-50 yen/l range for diesel oil and slightly weakened to a 47-49 yen/l range for kerosene.

The key futures price fluctuated within a 102-104 yen/l for gasoline, levelled off within a 48-49 yen/l range for diesel oil and moved within a 46-48 yen/l range for kerosene. Wholesale gasoline, kerosene and diesel oil prices were raised by 0.5 yen/l by some Motouri companies and 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 increased, spot petroleum product prices, other than diesel oil futures that leveled off, increased. Weekly gasoline shipment volume (excluding imports) increased from a week earlier for the first time in three weeks and decreased from a year earlier for the third straight week, remaining below 1 million kl for six weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - - for the July 4-10 week) that influences Motouri's wholesale prices applied to the third week of July (July 13-19) rose by 0.8 yen/l for gasoline, by 0.9 yen/l for diesel oil and by 1.1 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay rose by 0.8 yen/l for gasoline, by 1.4 yen/l for diesel oil and by 1.9 yen/l for kerosene. The key futures price increased by 1.4 yen/l for gasoline, leveled off for diesel oil and rose by 1.5 yen/l for kerosene. As crude oil prices rose with the yen depreciating, crude oil cost increased.

Motouri companies raised wholesale prices of petroleum products for the third week of July by 0.5-1.0 yen/l. They 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 (7/4 ~ 7/10)	Previous week (6/27 ~ 7/3)	From a week earlier
Spot Prices	Regular	50.1	49.3	▲ 0.8
	Kerosene	47.5	46.4	▲ 1.1
	Diesel oil	48.3	47.4	▲ 0.9

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/4 ~ 7/10)	Previous week (6/27 ~ 7/3)	From a week earlier
Futures Price	Regular	49.4	48.0	▲ 1.4
	Kerosene	47.3	45.8	▲ 1.5
	Diesel oil	48.0	48.0	▶ 0.0

Above prices are before tax.

Reference (July 4 - July 10 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▲ 0.8	▲ 1.4	▲ 1.1		
Kerosene	▲ 1.1	▲ 1.5	▲ 1.3		
Diesel oil	▲ 0.9	▶ 0.0	▲ 0.5		
Fuel Oil A	▲ 0.9				

(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 July 10 increased by 0.1 yen/l from a week earlier to 130.4 yen/l for gasoline and remained unchanged at 109.7 yen/l for diesel oil and at 76.2 yen/l for kerosene. The gasoline price rose for the first time in 12 weeks. The diesel oil price ceased to fall for the first time in five weeks. The kerosene price ceased to decline for the first time in 12 weeks.

Gasoline prices increased in 21 prefectures, remained unchanged in 12 and fell in 14. The lowest gasoline price among the prefectures was 125.4 yen/l in Shiga Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 125.9 yen/l in Tokushima (up 1.4 yen/l) and Saitama (up 0.1 yen). The highest price was 140.0 yen/l in Okinawa (unchanged). Posting the largest price hike of 1.4 yen/l was Tokushima (125.9 yen/l). Logging the largest drop of 0.8 yen/l was Kanagawa (126.7 yen/l). The average gasoline price remained unchanged in Okinawa, Nagasaki, Kochi, Yamagata, Kyoto, Kagawa, Wakayama, Ibaraki, Toyama, Ishikawa, Tottori and Okayama.

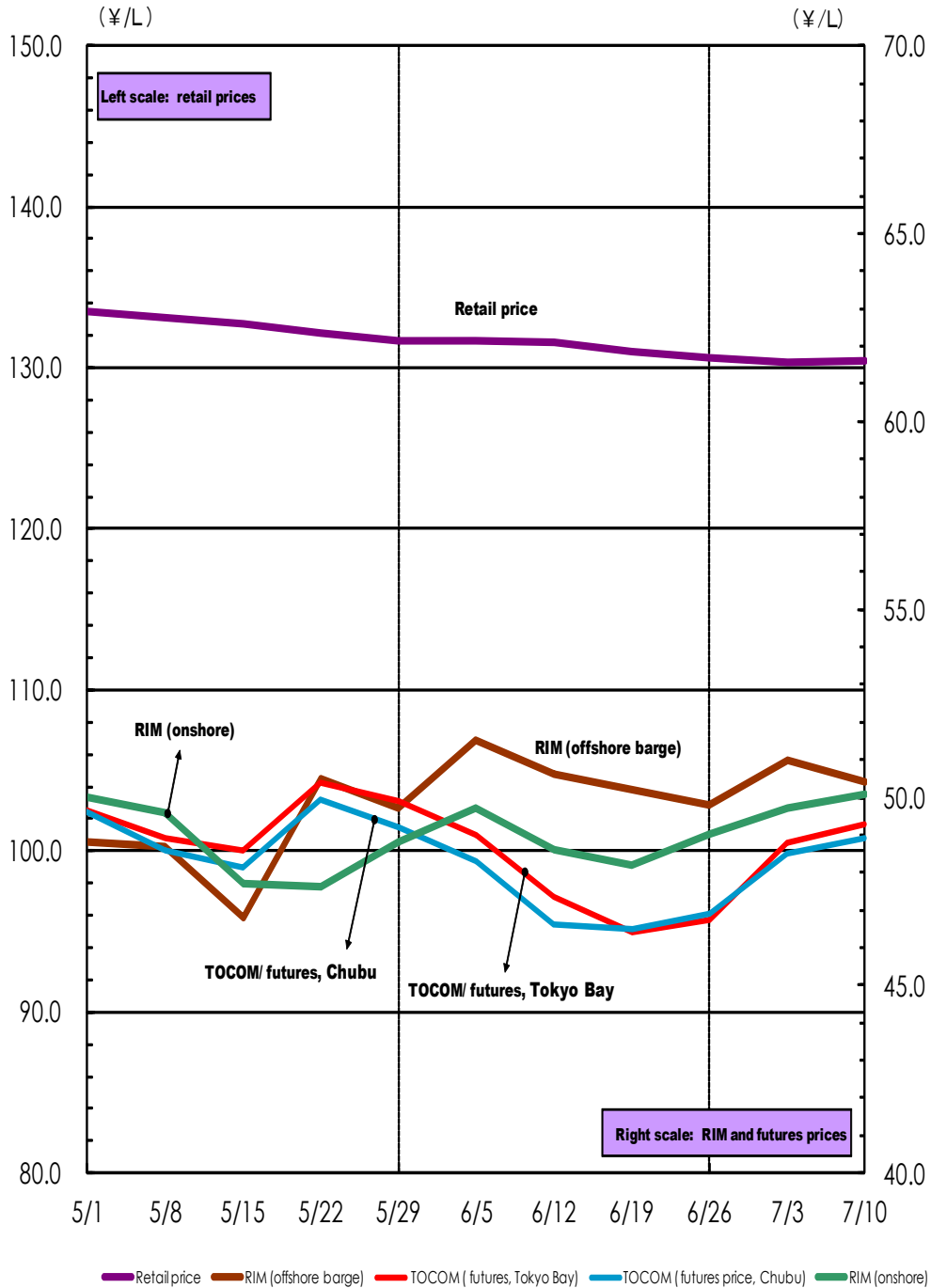
As crude oil cost rose, Motouri companies raised wholesale gasoline prices by 0.5-1.0 yen/l. Retail gasoline prices rose for the first time in 12 weeks. This week, crude oil cost increased as crude oil price hikes coincided with the yen's depreciation. Wholesale gasoline prices were raised by 0.5 yen/l by some Motouri and by 1.0 yen/l by others. Retail gasoline prices are likely to rise next week (as of July 18).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/10)	Previous week (7/3)	From a week earlier	Latest high
Retail Price	Regular	130.4	130.3	▲ 0.1	08/8/4 185.1
	Kerosene	76.2	76.2	▶ 0.0	08/8/11 132.1
	Diesel oil	109.7	109.7	▶ 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

(2017/5/1 ~ 2017/7/10)



(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.iej.or.jp/en/>).  
The next issue (No. 15 for 2017) will be announced at 14:00 on July 28.

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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).