

Oil Market Review in Japan No. 16/2017

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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 July 13-19 week moved within a firmer range between \$46.02 per barrel and \$47.12/bbl.

On July 20, the August contract fell back on concerns about downside risk and profit taking after it hit a 1.5-month high on the previous day. The contract closed at \$46.79/bbl, down \$0.33/bbl from the previous day.

On July 21, the key contract dropped further on a forecast increase in July OPEC (Organization of the Petroleum Exporting Countries) production and skepticism on a new oil production reduction measure before the July 24 meeting of the Joint Ministerial Monitoring Committee of OPEC and non-OPEC oil producing countries. A Baker Hughes report that the number of operating U.S. oil-drilling rigs fell by one from a week earlier to 764 for the first drop in three weeks had little impact on the market. The September contract, which replaced the August contract as the key front-month contract on the day, finished \$1.15/bbl lower at \$45.77/bbl.

On July 24, the key contract rebounded for the first time in three market days on encouraging results of the meeting of the Joint Ministerial Monitoring Committee of OPEC and non-OPEC oil producing countries in St. Petersburg, Russia. At the meeting, Saudi Arabia vowed to reduce its crude oil exports in August by about 1 million tons per day from a year earlier to 6.6 million bpd, while Nigeria, exempted from the coordinated oil production cut by OPEC and non-OPEC oil producing countries, offered to voluntarily set its production quota after output reaches 1.8 million bpd. The meeting produced an agreement to consider extending the coordinated production cut further as necessary. The September contract closed \$0.57/bbl higher at \$46.34/bbl.

On July 25, the key contract rose further as concerns about oversupply continued to recede, with the dollar's depreciation against the euro making crude oil futures prices relatively lower. A forecast crude oil inventory decline also supported the rise before private and government sector inventory reports in the evening of the day and the next day. The September contract closed \$1.55/bbl higher at \$47.89/bbl.

On July 26, the key contract rose for the third straight day as crude oil and gasoline inventories in a weekly report by the EIA (Energy Information Administration) declined faster than forecast in the market. The September contract closed \$0.86/bbl higher at \$48.75/bbl.

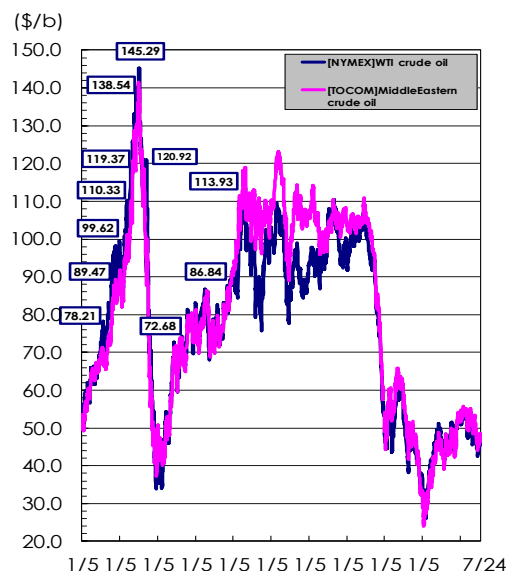
The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged between \$46.20/bbl and \$47.30/bbl in the July 13-19 week. It closed at \$48.10/bbl on July 20, at \$47.90/bbl on July 21, at \$46.70/bbl on July 24, at \$47.50/bbl on July 25 and at \$49.00/bbl on July 26.

On the foreign exchange market in the July 13-19 week, the dollar moved within a slightly weaker range between 111.98 and 113.53 yen. It changed hands at 111.91 yen in late trading on July 20, at 112.05 yen on July 21, at 110.88 yen on July 24, at 111.34 yen on July 25 and at 111.92 yen on July 26.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the first week of August were left unchanged by some Motouri and lowered by 0.5 yen/l by others. Crude oil acquisition cost rose slightly despite the yen's appreciation as crude oil prices increased.

Japan's average retail price on July 24 stood at 131.1 yen/l for gasoline, up 0.2 yen/l from a week earlier, at 110.0 yen/l for diesel oil, unchanged, and at 76.1 yen/l for kerosene (heating oil), down 0.1 yen/l. The gasoline price rose for the third straight month. The diesel price leveled off for the first time in two weeks. The kerosene price fell for the first time in three weeks. While crude oil cost rose slightly in the fourth week of July, wholesale prices of petroleum products were left unchanged.

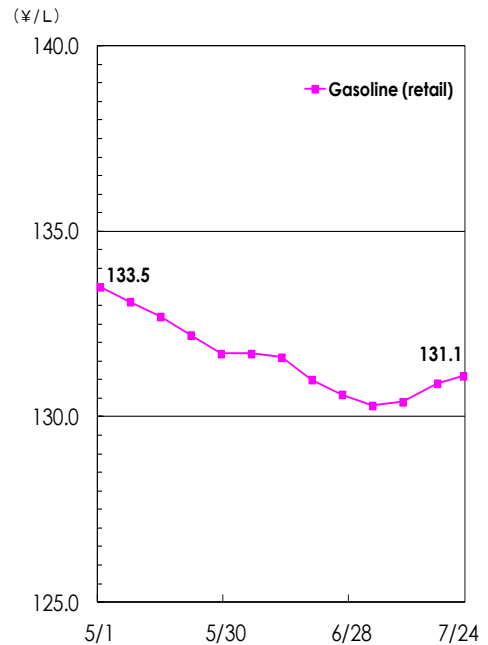
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/16 ~ 7/22	3,559	▲ 99	▼ -
	Topper capacity utilization rate (%)	"	90.9	▲ 2.5	▲ -
	Crude oil inventories (1,000 kl)	7/22	13,618	▲ 85	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/24	47.25	→ 0.00	▲ 5.0
	WTI crude oil (NYMEX) (\$/bbl)	7/24	46.34	▲ 0.32	▲ 3.2
	Crude oil import CIF price (\$/bbl)	Late Jun	51.84	▼ -0.93	▲ 6.56
	①Crude oil import CIF price (yen/kl)	"	35,907	▼ -879	▲ 5,021
	②Yen-dollar exchange rate (yen/dollar)	"	110.13	▲ 0.69	▼ -1.69
	TTS exchange rate (yen/dollar)	7/24	111.88	▲ 1.55	▼ -4.38



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/16 ~ 7/22	1,093	▲ 56	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	1,019	▲ 38	▼ -	
	Exports	"	78	▼ -21	▲ -	
	Inventories	7/22	1,724	▼ -4	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/18 ~ 7/24	49.7	▼ -0.3	▲ 9.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/18 ~ 7/24	49.3	▼ -0.7	▲ 8.1
		(TOCOM/ Chubu)	7/24	49.8	▼ -0.6	▲ 9.6
	Retail prices [weekly trend] (published by ANRE)	7/24	131.1	▲ 0.2	▲ 8.9	

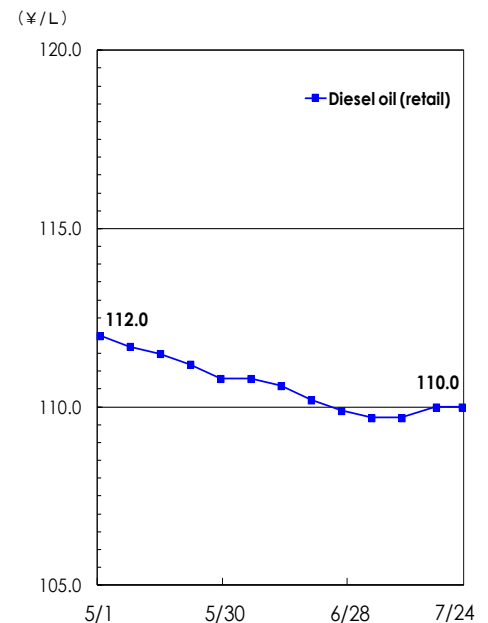
*Gyoten and futures prices are before tax



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

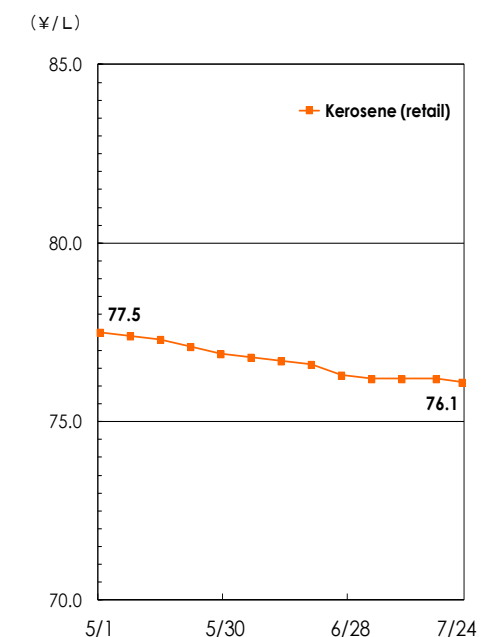
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/16 ~ 7/22	846	▼ -18	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	670	▼ -56	▲ -	
	Exports	"	198	▼ -9	▼ -	
	Inventories	7/22	1,422	▼ -22	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/18 ~ 7/24	48.0	▼ -0.2	▲ 9.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/18 ~ 7/24	48.0	▶ 0.0	▲ 10.2
		(TOCOM/ Chubu)	7/24	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/24	110.0	▶ 0.0	▲ 7.6	

*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	7/16 ~ 7/22	140	▲ 1	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	72	▶ 0	▼ -	
	Exports	"	0	▼ -3	▶ -	
	Inventories	7/22	1,737	▲ 68	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/18 ~ 7/24	47.5	▲ 0.1	▲ 10.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/18 ~ 7/24	48.0	▼ -0.2	▲ 10.0
		(TOCOM/ Chubu)	7/24	47.4	▼ -0.6	▲ 9.0
	Retail prices [weekly trend] (published by ANRE)	7/24	76.1	▼ -0.1	▲ 12.2	



Relevant Information

1 Overseas crude oil prices

On July 26, the most frequently traded WTI futures contract on the NYMEX rose for the third straight market day as the EIA reported that crude oil, gasoline and middle distillate inventories in the United States decreased from a week earlier, faster than forecast in the market earlier. Crude oil inventories logged a decline of 7.2 million barrels, far faster than a market-forecast fall of 2.6 million barrels. Gasoline inventories fell by 1 million barrels and middle distillate inventories by 1.9 million barrels. Nigeria's voluntary production restriction and Venezuela's growing political unrest contributed to easing concerns about oversupply. The September contract posted a rise of \$0.86/bbl to \$48.75/bbl, the highest in two months since May 30. The October contract gained \$0.83/bbl to \$48.85/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 24 rose by 3.4 cents per gallon from a week earlier to \$2.312/gal (68.2 yen/l). The average diesel oil price rose by 1.6 cents/gal to \$2.507/gal (74.0 yen/l). The gasoline price rose for the first time in two weeks, while 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 July 16-22 week came to 211,000 bpd (barrels per day), down 113,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week rose by 99,000 kl from the previous week to 3,559,000 kl. From a year earlier, it decreased by 25,000 kl. The topper capacity utilization rate stood at 90.9%, up 2.5 points from a week earlier and up 6.5 points from a year earlier.

Output decreased from the previous week for diesel oil and Fuel Oil A while increasing for other petroleum products. Output was up 5.4% for gasoline, up 1.2% for jet fuel, up 1.0% for kerosene, down 2.1% for diesel oil, down 13.9% for Fuel Oil A and up 3.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, down 22,000 kl from the previous week. Diesel oil exports aggregated 198,000 kl, down 9,000 kl

Shipments (sales volume) in the week increased from the previous week for gasoline and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments increased for diesel oil and Fuel Oil A and decreased for others. Gasoline shipments increased by 3.8% from the previous week to 1,019,000 kl. They increased week on week for the first time in two weeks and fell year on year for the fifth straight week, exceeding 1 million kl for the first time in eight weeks.

Shipments totaled 64,000 kl for jet fuel (down 40.8%

from the previous week), 72,000 kl for kerosene (down 0.6%), 670,000 kl for diesel oil (down 7.6%), 204,000 kl for Fuel Oil A (down 1.5%) and 308,000 kl for Fuel Oil C (up 33.1%).

(Unit: 1,000 kl)

	This week (7/16 ~ 7/22)	Previous week (7/9 ~ 7/15)	From a week earlier
Gasoline	1,019	981	▲ 38 (4%)
Jet fuel	64	108	▼ -44 (-41%)
Kerosene (heating Oil)	72	72	→ 0 (0%)
Diesel oil	670	726	▼ -56 (-8%)
Fuel oil A	204	207	▼ -3 (-1%)
Fuel Oil C	308	231	▲ 77 (33%)
Total	2,337	2,325	▲ 12 (1%)

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

Gasoline inventories totaled 1,724,000 kl, down 4,000 kl from a week earlier and down 26,000 kl from a year earlier.

Kerosene inventories totaled 1,737,000 kl, up 68,000 kl from a week earlier and down 356,000 kl from a year earlier.

Diesel oil inventories totaled 1,422,000 kl, down 22,000 kl from a week earlier and down 80,000 kl from a year earlier.

Fuel Oil A inventories totaled 775,000 kl, down 27,000 kl from a week earlier and up 28,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,023,000 kl, down 108,000 kl from a week earlier and up 154,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/22)	Previous week (7/15)	From a week earlier
Gasoline	1,724	1,728	▼ -4 (-0%)
Jet fuel	1,208	1,170	▲ 38 (3%)
Kerosene (heating Oil)	1,737	1,669	▲ 68 (4%)
Diesel oil	1,422	1,444	▼ -22 (-2%)
Fuel oil A	775	802	▼ -27 (-3%)
Fuel Oil C	2,023	2,131	▼ -108 (-5%)
Total	8,889	8,944	▼ -55 (-0.6%)

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

Between July 18 and 24, crude oil cost apparently posted a small increase despite the yen's slight appreciation as crude oil prices rose.

Onshore cargo spot prices slightly weakened in a 103-104 yen/l range for gasoline and in a 47-49 yen/l range for diesel oil and firmed to a 47-49 yen/l range for kerosene.

Offshore barge spot prices weakened to a 103-106 yen/l range for gasoline, slightly weakened to a 48-50 yen/l range for diesel oil and fell to a 47-48 yen/l range for kerosene.

The key futures price weakened to a 101-104 yen/l for gasoline, levelled off within a 48-49 yen/l range for diesel oil and slackened to a 46-49 yen/l range for kerosene. Some Motouri companies left their wholesale petroleum products prices unchanged, while others lowered their prices by 0.5 yen/l.

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

While crude oil cost decreased, spot petroleum products prices, excluding slightly higher onshore barge prices for kerosene and leveling-off diesel futures prices, declined generally. Weekly gasoline shipment volume (excluding imports) increased from the previous week for the first time in two weeks, surpassing 1 million kl for the first time in eight weeks. From a year earlier, however, gasoline shipment volume declined for the fifth straight week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 18-24 week) that influences Motouri's wholesale prices applied to the first week of August (July 27-August 2) fell by 0.3 yen/l for gasoline and by 0.2 yen/l for diesel oil and rose by 0.1 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay fell by 0.5 yen/l for gasoline, by 0.8 yen/l for diesel oil and by 0.3 yen/l for kerosene. The key futures price decreased by 0.7 yen/l for gasoline, leveled off for diesel oil and fell by 0.2 yen/l for kerosene. Crude oil cost increased slightly although the yen's appreciation partially offset crude oil price hikes.

Some Motouri companies kept wholesale prices of petroleum products unchanged for the first week of August, while others lowered their prices by 0.5 yen/l. Motouri 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 (7/18 ~ 7/24)	Previous week (7/11 ~ 7/14)	From a week earlier
Spot Prices	Regular	49.7	50.0	▼ -0.3
	Kerosene	47.5	47.4	▲ 0.1
	Diesel oil	48.0	48.2	▼ -0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/18 ~ 7/24)	Previous week (7/11 ~ 7/14)	From a week earlier
Futures Price	Regular	49.3	50.0	▼ -0.7
	Kerosene	48.0	48.2	▼ -0.2
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (July 18 - July 24 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.3	▼ -0.7	▼ -0.5	
Kerosene	▲ 0.1	▼ -0.2	➡ 0.0	
Diesel oil	▼ -0.2	➡ 0.0	▼ -0.1	
Fuel Oil A	▼ -0.2			

(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 24 increased by 0.2 yen/l from a week earlier to 131.1 yen/l for gasoline, remained unchanged at 110.0 yen/l for diesel oil and fell by 0.1 yen/l to 76.1 yen/l for kerosene. The gasoline price rose for the third straight week. The diesel oil price leveled off for the first time in two weeks. The kerosene price dropped for the first time in three weeks.

Gasoline prices increased in 30 prefectures, remained unchanged in five and fell in 12. The lowest gasoline price among the prefectures was 125.4 yen/l in Okayama Prefecture (down 1.6 yen/l from a week earlier). The second lowest was 127.0 yen/l in Shiga (unchanged) and Saitama (up 0.1 yen). The highest price was 139.7 yen/l in Okinawa (down 0.3 yen/l). Posting the largest price hike of 1.9 yen/l was Ishikawa (129.5 yen/l). Logging the largest drop of 1.6 yen/l was Okayama (125.4 yen/l). The average gasoline price remained unchanged in Kochi, Kagawa, Tochigi, Hiroshima and Shiga.

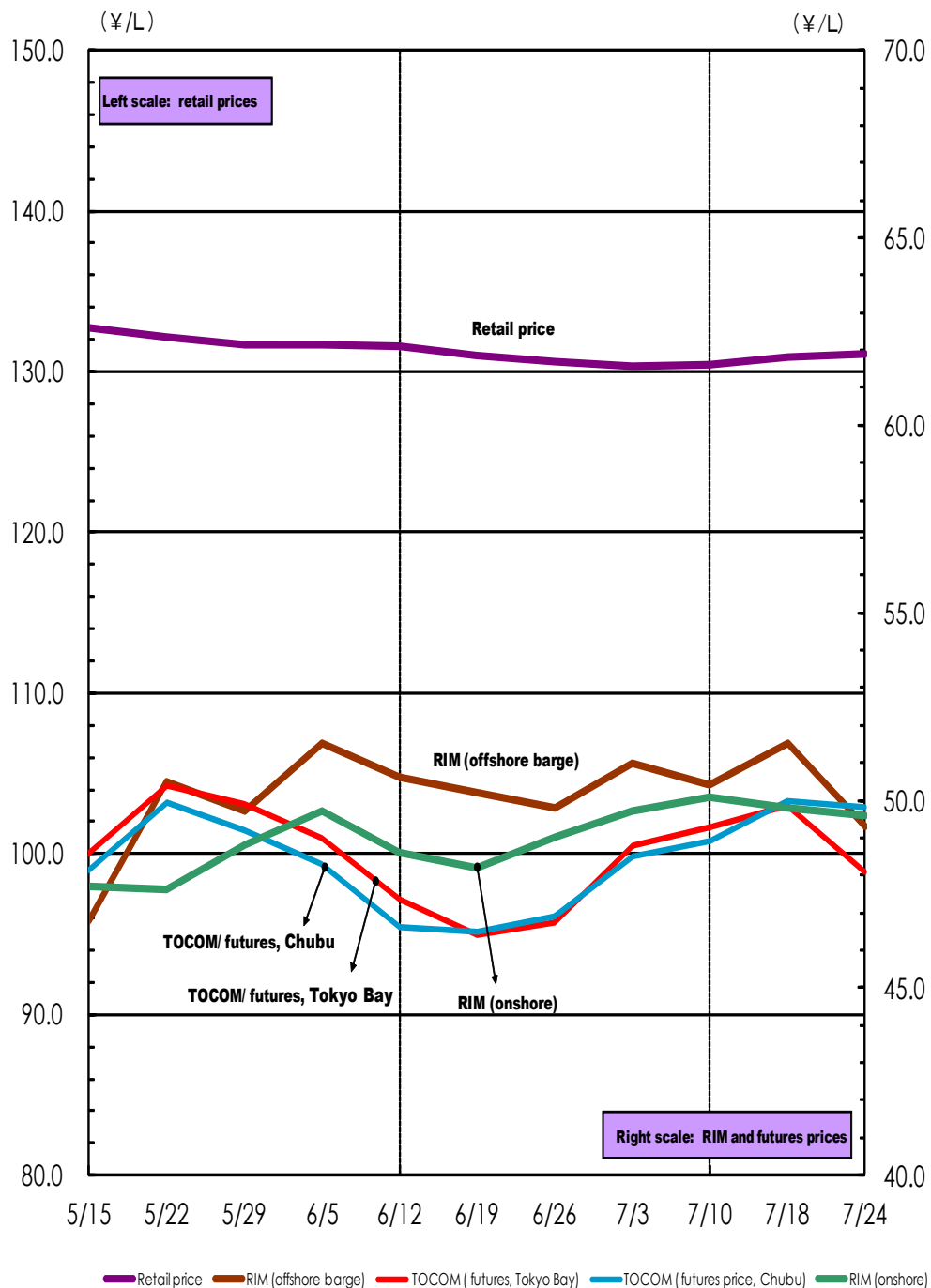
While crude oil cost fell slightly, all Motouri companies left their wholesale prices of petroleum products unchanged. As earlier wholesale price hikes were passed on to retail prices, however, retail gasoline prices rose for the third straight week. This week, crude oil cost increased slightly, although crude oil price hikes were partially offset by the yen's appreciation. Wholesale gasoline prices were left unchanged by some Motouri and cut by 0.5 yen/l by others. Retail gasoline prices are likely to level off next week (as of July 31) under the effect of earlier wholesale price hikes.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/24)	Previous week (7/18)	From a week earlier	Latest high
Retail Price	Regular	131.1	130.9	▲ 0.2	08/8/4 185.1
	Kerosene	76.1	76.2	▼ -0.1	08/8/11 132.1
	Diesel oil	110.0	110.0	➡ 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

(2017/5/15 ~ 2017/7/24)



(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. 17 for 2017) will be announced at 14:00 on August 11.

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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).