

Oil Market Review in Japan No. 43/2017

February 23, 2018, Friday Released at 14:00 every Friday

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

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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 February 1-7 week moved within a weaker range between \$61.79 per barrel and \$65.80/bbl.

On February 8, the March contract dropped for the fifth straight trading day as concerns on a U.S. oil glut grew on the previous day's weekly EIA (Energy Information Administration) report including U.S. oil production's rise beyond 10 million barrels per day and increases in crude oil and petroleum product inventories. The key contract fell by \$0.64/bbl from the previous day to \$61.15/bbl, the lowest since \$60.37/bbl on January 2.

On February 9, the March contract extended its losing streak to six trading days and fell below \$60/bbl for the first time in one and a half months as lingering concerns about oil oversupply were coupled with investors' risk-off attitude growing amid a global stock market decline. Downward pressure on crude oil futures also came from a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by 26 from a week earlier to 791 and from Iranian Oil Minister Bijan Namdar Zanganeh's reported remark that Iran would increase oil production to 4.7 million bpd. The key contract lost \$1.95/bbl to \$59.20/bbl.

On February 12, the key contract staged a small rally for the first time in seven trading days as investors grew ambitious to invest in risk assets on the strength of a sharp U.S. stock market upsurge. Also supporting crude oil futures were the dollar's further depreciation and an oil production cut in Venezuela. However, concerns about oversupply were still lingering. The March contract gained \$0.09/bbl to \$59.29/bbl.

On February 13, the key contract fell back as a monthly IEA (International Energy Agency) oil market report said that U.S. and other non-OPEC (Organization of the Petroleum Exporting Countries) oil production growth would surpass demand growth this year. The March contract fell by \$0.10/bbl to \$59.19/bbl.

On February 14, the key contract rose back beyond \$60/bbl for the first time in four trading days as concerns about U.S. oil oversupply receded on a weekly EIA report including a slower-than-expected rise in U.S. crude oil inventories. Also supporting crude oil futures was Saudi Arabian Energy Minister Khalid al-Falih's remark denying an early end to a coordinated oil production by OPEC and non-OPEC oil producing countries. The March contract gained \$1.41/bbl to \$60.60/bbl.

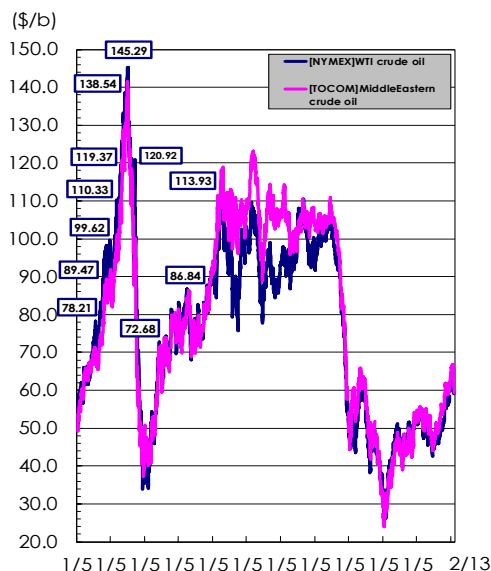
The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market moved in a range between \$64.10/bbl and \$66.90/bbl in the February 1-7 week. It closed at \$62.40/bbl on February 8, at \$61.40/bbl on February 9, at \$59.90/bbl on February 13 and at \$59.60/bbl on February 14.

On the foreign exchange market in the February 1-7 week, the dollar moved within a range between 109.03 and 109.90 yen. It changed hands at 109.38 yen in late trading on February 8, at 108.88 yen on February 9, at 108.73 yen on February 13 and at 107.85 yen on February 14.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of February were cut by 2.5 yen/l for gasoline, by 1.5 yen/l for diesel oil and by 1.0-1.5 yen/l for kerosene (heating oil). Crude oil acquisition cost fell as the yen slightly appreciated against the dollar, with crude oil prices falling.

Japan's average retail price on February 13 remained unchanged from a week earlier for gasoline, fell by 0.1 yen/l for diesel oil and rose by 0.2 yen/l for kerosene. The gasoline price remained unchanged for the second straight week. The diesel price dropped for the first time in 31 weeks. The kerosene price increased for the 21st consecutive week on an 18-liter tank basis. While crude oil cost fell in the second week of February, all Motouri companies lowered their wholesale prices by 1.0 yen/l for gasoline and by 0.5 yen/l for diesel oil and kerosene.

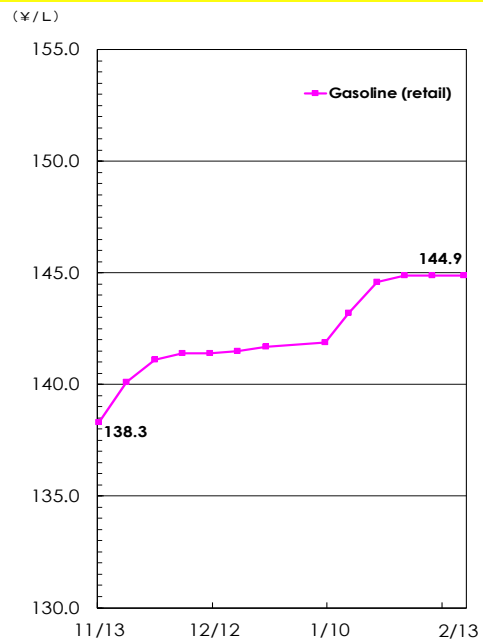
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kt)	2/4 ~ 2/10	3,642	▲ 123	▼ -
	Topper capacity utilization rate (%)	"	93.0	▲ 3.2	▼ -
	Crude oil inventories (1,000 kt)	2/10	12,927	▼ -441	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/13	59.40	▼ -5.27	▲ 4.6
	WTI crude oil (NYMEX) (\$/bbl)	2/12	59.29	▼ -4.86	▲ 6.4
	Crude oil import CIF price (\$/bbl)	Mid Jan	64.49	▲ 1.16	▲ 11.13
	①Crude oil import CIF price (yen/kt)	"	45,794	▲ 748	▲ 6,707
	②Yen-dollar exchange rate (yen/dollar)	"	112.88	▲ 0.19	▲ 3.57
	TTS exchange rate (yen/dollar)	2/13	109.73	▲ 1.17	▲ 5.23



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/4 ~ 2/10	991	▼ -58	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	940	▲ 6	▼ -	
	Exports	"	59	▼ -52	▲ -	
	Inventories	2/10	1,722	▼ -7	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/6 ~ 2/12	61.1	▼ -1.0	▲ 13.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/6 ~ 2/12	57.7	▼ -1.9	▲ 8.2
		(TOCOM/ Chubu)	2/9	56.9	▼ -4.1	▲ 7.0
	Retail prices [weekly trend] (published by ANRE)	2/13	144.9	➡ 0.0	▲ 14.1	

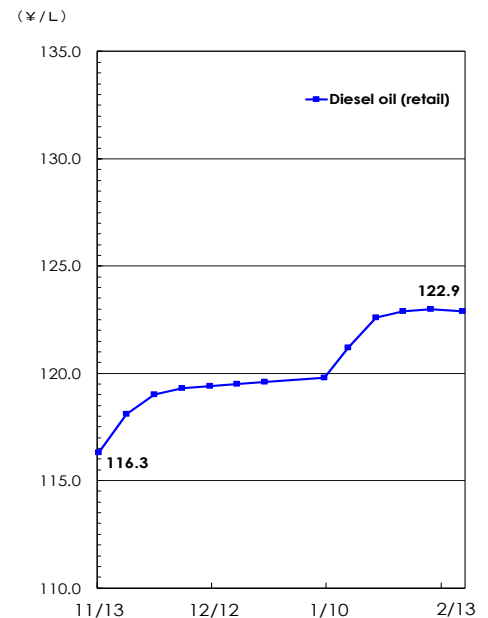
*Gyoten and futures prices are before tax



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

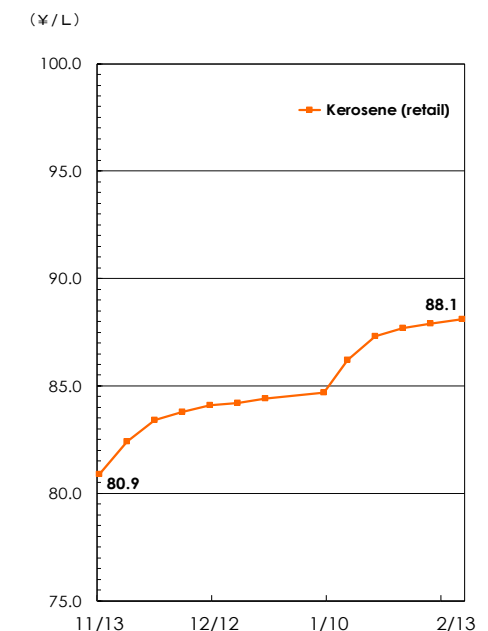
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/4 ~ 2/10	750	▲ 4	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	634	▼ -56	▲ -	
	Exports	"	262	▼ -22	▲ -	
	Inventories	2/10	1,317	▼ -146	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/6 ~ 2/12	61.9	▼ -0.2	▲ 13.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/6 ~ 2/12	60.0	➡ 0.0	▲ 14.0
		(TOCOM/ Chubu)	2/9	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/13	122.9	▼ -0.1	▲ 12.7	

*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	2/4 ~ 2/10	464	▲ 27	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	621	▼ -42	▲ -	
	Exports	"	0	▼ -35	➡ -	
	Inventories	2/10	1,275	▼ -157	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/6 ~ 2/12	65.0	▼ -0.1	▲ 14.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/6 ~ 2/12	64.4	▼ -0.7	▲ 15.6
		(TOCOM/ Chubu)	2/9	64.8	▼ -0.5	▲ 15.3
	Retail prices [weekly trend] (published by ANRE)	2/13	88.1	▲ 0.2	▲ 10.0	



Relevant Information

1 Overseas crude oil prices

On February 14, selling outpaced buying in crude oil futures trading on NYMEX due to the dollar's appreciation, before the most frequently traded WTI crude futures contract rallied above \$60/bbl for the first time in four days as concerns on U.S. oil oversupply faded away on U.S. crude oil inventory reports amid the stock market's recovery or bottoming out. The weekly EIA report said that while U.S. crude oil inventories increased by 1.8 million barrels from a week earlier for the third straight month of rise, the increase was far slower than 2.8 million barrels as forecast earlier in the market. A private sector research firm reported that inventories at the WTI delivery point of Cushing declined by as much as 3.6 billion barrels. Also supporting crude oil futures were the dollar's downturn against the euro and *Saudi Arabian Energy Minister* Falih's reported denial of an early end to the coordinated oil production cut by OPEC and non-OPEC oil producing countries. The March contract gained \$1.41/bbl to \$60.60/bbl. The April contract rose by \$1.48/bbl to \$60.51/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 12 dropped by 3.0 cents per gallon from a week earlier to \$2.607/gal (75.5 yen/l). The average diesel oil price decreased by 2.3 cents/gal to \$3.063/gal (88.7 yen/l). The gasoline price fell for the first time in eight weeks. The diesel price declined for the first time in three 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 in the February 4-10 week stood at 184,000 bpd, down 34,000 bpd from the previous week (total capacity stood at 3,519,000 bpd). Crude oil throughput in the week increased by 123,000 kl from the previous week to 3,642,000 kl. From a year earlier, it fell by 417,000 kl. The topper capacity utilization rate stood at 93.0%, up 3.2 points from the previous week and down 3.2 points from a year earlier.

Output increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. Output was down 5.6% for gasoline, down 32.0% for jet fuel, up 6.1% for kerosene, up 0.6% for diesel oil, down 15.7% for Fuel Oil A and down 11.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 112,000 kl, up 68,000 kl from the previous week. Diesel oil exports aggregated 262,000 kl, down 22,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and jet fuel and decreased for other petroleum products. From a year earlier, shipments increased for jet fuel, kerosene and diesel oil while decreasing for others. Gasoline shipments increased by 0.7% from the previous week to 940,000 kl. They increased week on week for the second straight week and dropped year on year for the first time in two weeks, remaining below 1 million kl for six weeks on end. Shipments totaled 121,000 kl for jet fuel (up 90.8% from the previous week), 621,000 kl for kerosene (down 6.3%), 634,000 kl for diesel oil

(down 8.2%), 285,000 kl for Fuel Oil A (up 23.2%) and 276,000 kl for Fuel Oil C (down 27.1%).

(Unit: 1,000 kl)

	This week (2/4 ~ 2/10)	Previous week (1/28 ~ 2/3)	From a week earlier
Gasoline	940	934	▲ 6 (1%)
Jet fuel	121	63	▲ 58 (92%)
Kerosene (heating Oil)	621	663	▼ -42 (-6%)
Diesel oil	634	690	▼ -56 (-8%)
Fuel oil A	285	371	▼ -86 (-23%)
Fuel Oil C	276	379	▼ -103 (-27%)
Total	2,877	3,100	▼ -223 (-7%)

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

Gasoline inventories totaled 1,722,000 kl, down 7,000 kl from a week earlier and down 23,000 kl from a year earlier.

Kerosene inventories totaled 1,275,000 kl, down 157,000 kl from a week earlier and down 253,000 kl from a year earlier.

Diesel oil inventories totaled 1,317,000 kl, down 146,000 kl from a week earlier and down 285,000 kl from a year earlier.

Fuel Oil A inventories totaled 685,000 kl, up 3,000 kl from a week earlier and down 64,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,936,000 kl, up 28,000 kl from a week earlier and down 19,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/10)	Previous week (2/3)	From a week earlier
Gasoline	1,722	1,729	▼ -7 (-0%)
Jet fuel	737	796	▼ -59 (-7%)
Kerosene (heating Oil)	1,275	1,432	▼ -157 (-11%)
Diesel oil	1,317	1,463	▼ -146 (-10%)
Fuel oil A	685	682	▲ 3 (0%)
Fuel Oil C	1,936	1,908	▲ 28 (1%)
Total	7,672	8,010	▼ -338 (-4.2%)

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

In the February 6-12 week, crude oil cost apparently decreased as crude oil price drops were combined with the yen's slight appreciation against the dollar.

Onshore cargo spot prices between February 6 and 12 fell in a 114-116 yen/l range for gasoline, in a 61-63 yen/l range for diesel oil and in a 64-66 yen/l range for kerosene.

Offshore barge spot prices in the week slightly fell in a 119-121 yen/l range for gasoline, leveled off in a 65-66 yen/l range for diesel oil and slightly decreased in a 71-73 yen/l range for kerosene.

The key futures price in the week sharply fell in a 110-113 yen/l range for gasoline, leveled off in a 60-61 yen/l range for diesel oil and plunged after a rise in a 63-66 yen/l range for kerosene

Motouri companies cut their wholesale prices by 2.5 yen/l for gasoline, by 0.5 yen/l for diesel oil and by 1.0-1.5 yen/l for kerosene.

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

Spot petroleum product prices were mixed. Offshore barge spot prices for kerosene and diesel oil rose and diesel oil futures leveled off. Other spot petroleum product prices decreased.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the February 6-12 week) that influences Motouri's wholesale prices applied to the third week of February (February 15-21) fell by 1.0 yen/l from the previous week for gasoline, by 0.1 yen for kerosene and by 0.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.2 yen/l for gasoline and rose by 1.0 yen/l for kerosene and by 0.2 yen/l for diesel oil. The key futures price fell by 1.9 yen/l for gasoline and by 0.7 yen/l for kerosene and leveled off for diesel oil. Crude oil cost decreased as the yen's slight appreciation against the dollar coincided with crude oil price drops.

For the third week of February, all Motouri companies lowered their wholesale prices by 2.5 yen/l for gasoline, by 1.5 yen/l for diesel oil and by 1.0-1.5 yen/l for kerosene. 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 cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (2/6 ~ 2/12)	Previous week (1/30 ~ 2/5)	From a week earlier
Spot Prices	Regular	61.1	62.1 ▼ -1.0
	Kerosene	65.0	65.1 ▼ -0.1
	Diesel oil	61.9	62.1 ▼ -0.2

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (2/6 ~ 2/12)	Previous week (1/30 ~ 2/5)	From a week earlier
Futures Price	Regular	57.7	59.6 ▼ -1.9
	Kerosene	64.4	65.1 ▼ -0.7
	Diesel oil	60.0	60.0 → 0.0

Above prices are before tax.

Reference (February 6 - February 12 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -1.0	▼ -1.9	▼ -1.5	
Kerosene	▼ -0.1	▼ -0.7	▼ -0.4	
Diesel oil	▼ -0.2	→ 0.0	▼ -0.1	
Fuel Oil A	▼ -0.1			

(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 13 leveled off from a week earlier to 144.9 yen/l for gasoline, fell by 0.1 yen/l to 122.9 yen/l for diesel oil and rose by 0.2 yen/l to 88.1 yen/l for kerosene. The gasoline price leveled off for the second straight week. The diesel price decreased for the first time in 31 weeks. The kerosene price rose for the 21st consecutive week on an 18-liter tank basis. Gasoline prices increased in 14 of Japan's 47 prefectures, remained unchanged in 17 and decreased in 16. The lowest gasoline price among the prefectures was 139.7 yen/l in Tokushima Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 140.6 yen/l in Saitama (up 0.2 yen/l). The highest price was 152.8 yen/l in Okinawa (up 0.4 yen/l). Posting the largest price hike of 0.4 yen/l were Okinawa (152.8 yen/l), Miyazaki (146.2 yen/l), Mie (144.4 yen/l), Hyogo (144.0 yen/l) and Chiba (141.0 yen/l).

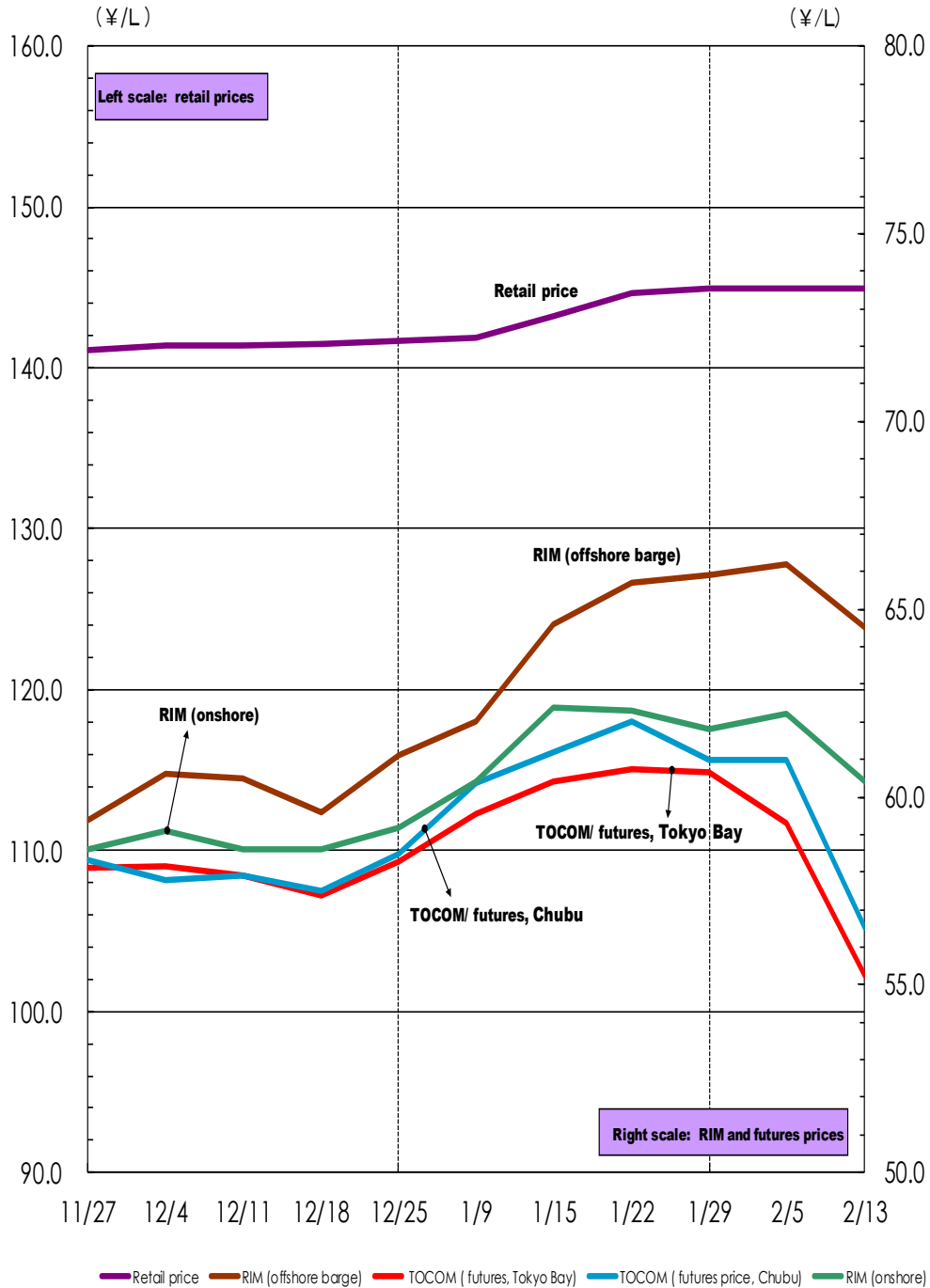
While crude oil cost decreased in the previous week, all Motouri companies cut their wholesale prices by 1.0 yen/l for gasoline and by 0.5 yen/l for diesel oil and kerosene. The average retail gasoline price remained unchanged for the second straight week. This week, crude oil cost decreased as the yen's slight appreciation against the dollar was combined with crude oil price drops. Retail gasoline prices are expected to decrease next week (as of February 19). Kerosene prices are also expected to fall slightly next week.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			Latest high
	This week (2/13)	Previous week (2/5)	From a week earlier		
Retail Price	Regular	144.9	144.9	→ 0.0	08/8/4 185.1
	Kerosene	88.1	87.9	▲ 0.2	08/8/11 132.1
	Diesel oil	122.9	123.0	▼ -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

(2017/11/27 ~ 2018/2/13)



(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. 44 for 2017) will be announced at 14:00 on March 2.

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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).