

Oil Market Review in Japan No. 44/2017

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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 February 8-14 week moved within a weaker range between \$59.19 per barrel and \$61.15/bbl.

On February 15, the March contract opened lower amid concerns over an oil glut in the United States after the previous day's weekly EIA (Energy Information Administration) report including a U.S. crude oil inventory increase. However, buybacks came on the dollar's depreciation and *Saudi Arabian Energy Minister* Khalid al-Falih's remark vowing to continue a coordinated oil production cut by OPEC and non-OPEC oil producing countries. The March contract gained \$0.74/bbl from the previous day to \$61.34/bbl. On February 16, the March contract extended its winning streak to three days on the dollar's depreciation, investors' growing risk appetite amid a U.S. and European stock market recovery and buying for position adjustment before a three-day weekend. Also supporting the rise was United Arab Emirates Minister of Energy and Industry Suhail al-Mazrouei's remark indicating that Saudi Arabia and Russia were considering a long-term cooperation framework for OPEC and non-OPEC oil producing countries. However, the rise was capped by a Baker Hughes report that the number of operating U.S. oil -drilling rigs increased by seven from a week earlier to 798. The key contract rose by \$0.34/bbl to \$61.68/bbl.

On February 20 after a three-day weekend, the key contract rose for the fourth straight trading day as concerns about a U.S. oil glut receded on a reported restriction on oil transportation from Canada to the United States through the TransCanada Pipeline after an accident in January, as well as a weekly decline of 2.1 million barrels in crude oil inventories at the WTI delivery point of Cushing. al-Mazrouei's remark on the previous trading day and the dollar's depreciation also supported crude oil futures. The March contract gained \$0.22/bbl to \$61.90/bbl. On February 21, the key contract fell back for the first time in five trading days as imminent weekly U.S. government and private sector oil reports were expected to include growth in U.S. crude oil inventories and production. The dollar's appreciation against the euro also exerted downward pressure on crude oil futures. The April contract, which replaced the March contract as the front-month crude oil futures contract on the day, fell by \$0.11/bbl to \$61.68/bbl.

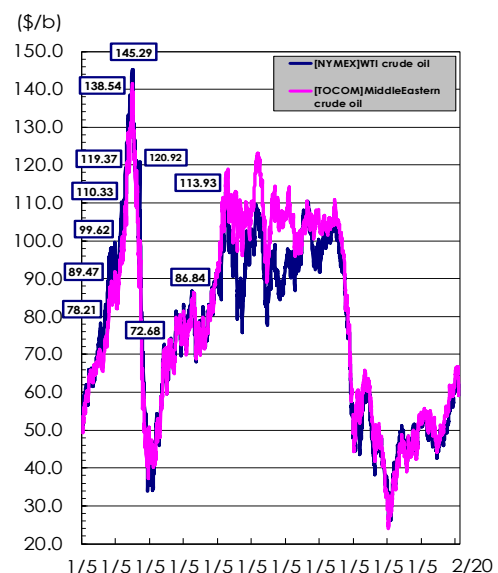
The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market moved in a range between \$59.60/bbl and \$62.40/bbl in the February 8-14 week. It closed at \$61.80/bbl on February 15, at \$61.40/bbl on February 16, at \$62.00/bbl on February 19, at \$62.20/bbl on February 20 and at \$61.50 on February 21. On the foreign exchange market in the February 8-14 week, the dollar moved within a weaker range between 107.85 and 109.38 yen. It changed hands at 106.86 yen in late trading on February 15, at 106.29 yen on February 16, at 106.30 yen on February 19, at 106.80 yen on February 20 and at 107.54 yen on February 21.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 19, the average crude oil import CIF price in the January 21-31 period stood at 45,852 yen/kl (kiloliter), up 58 yen/kl from the previous 10-day period. In dollars, the price was \$65.33/bbl, up \$0.84/bbl. The average exchange rate was 111.57 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in January stood at 45,648 yen/kl, up 1,486 yen/kl from the previous month. In dollars, the price was \$64.53/bbl, up \$2.08/bbl. The average exchange rate was 112.46 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of February were cut by 1.0-1.5 yen/l for gasoline and diesel oil and by 0.5-1.0 yen/l for kerosene (heating oil). Crude oil acquisition cost fell as the yen appreciated against the dollar, with crude oil prices falling.

Japan's average retail price on February 19 dropped by 0.2 yen/l from a week earlier for gasoline, remained unchanged for diesel oil and rose by 0.1 yen/l for kerosene. The gasoline price fell for the first time in 22 weeks, while the kerosene price increased for the 22nd consecutive week on an 18-liter tank basis. As crude oil cost declined in the third week of February, all Motouri companies lowered their wholesale prices by 2.5 yen/l for gasoline, by 1.5 yen for diesel oil and by 1.0-1.5 yen for kerosene.

Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	2/11 ~ 2/17	3,679	▲ 37	▼ -
	Topper capacity utilization rate (%)	"	93.9	▲ 0.9	➡ -
	Crude oil inventories (1,000 kl)	2/17	12,395	▼ -533	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/19	62.21	▲ 2.81	▲ 7.5
	WTI crude oil (NYMEX) (\$/bbl)	2/20	61.90	▲ 2.61	▲ 7.8
	Crude oil import CIF price (\$/bbl)	Late Jan	65.33	▲ 0.84	▲ 11.97
	① Crude oil import CIF price (yen/kl)	"	45,852	▲ 58	▲ 6,765
	② Yen-dollar exchange rate (yen/dollar)	"	111.57	▲ 1.31	▲ 4.88
	TTS exchange rate (yen/dollar)	2/19	107.30	▲ 2.43	▲ 6.58

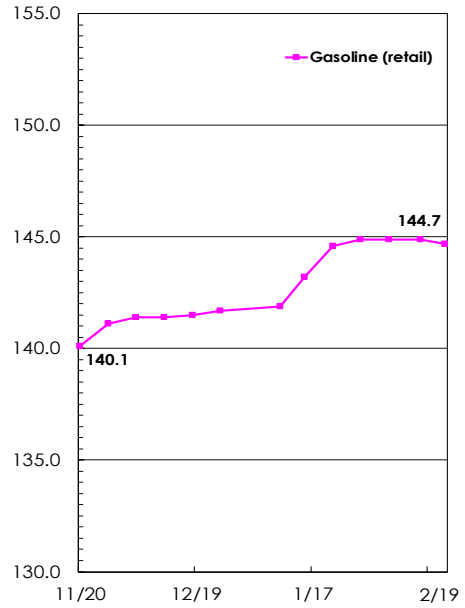


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/11 ~ 2/17	928	▼ -63	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	929	▼ -11	▲ -	
	Exports	"	85	▲ 26	▼ -	
	Inventories	2/17	1,636	▼ -86	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/13 ~ 2/19	59.3	▼ -1.8	▲ 11.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/13 ~ 2/19	55.3	▼ -2.4	▲ 4.8
		(TOCOM/ Chubu)	2/19	56.5	▼ -0.4	▲ 6.0
	Retail prices [weekly trend] (published by ANRE)	2/19	144.7	▼ -0.2	▲ 14.1	

*Gyoten and futures prices are before tax

(¥/L)

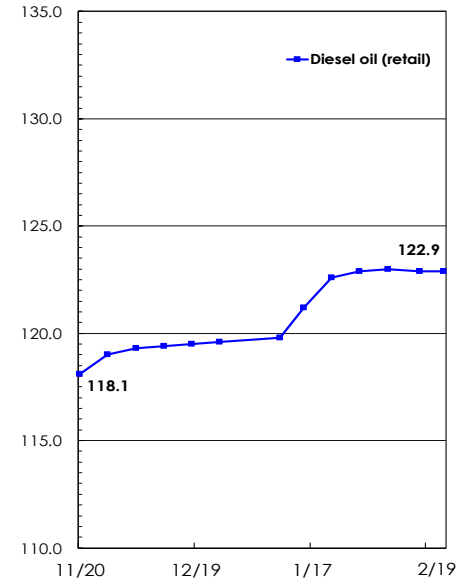


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/11 ~ 2/17	786	▲ 36	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	660	▲ 26	▲ -	
	Exports	"	203	▼ -60	▼ -	
	Inventories	2/17	1,241	▼ -76	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/13 ~ 2/19	60.7	▼ -1.2	▲ 12.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/13 ~ 2/19	60.0	➡ 0.0	▲ 14.0
		(TOCOM/ Chubu)	2/19	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/19	122.9	➡ 0.0	▲ 12.8	

*Gyoten and futures prices are before tax

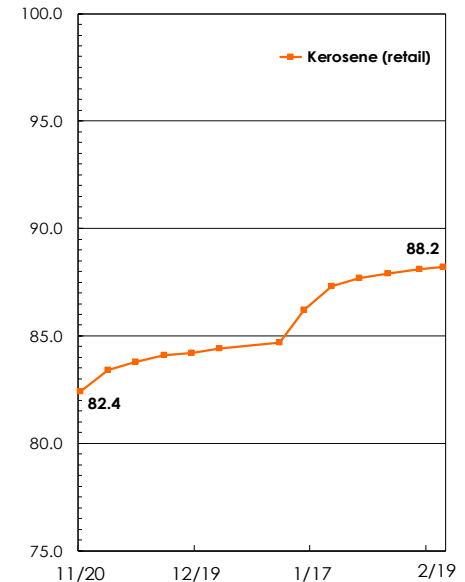
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/11 ~ 2/17	538	▲ 75	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	535	▼ -86	▼ -	
	Exports	"	25	▲ 25	▲ -	
	Inventories	2/17	1,254	▼ -21	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/13 ~ 2/19	64.3	▼ -0.7	▲ 14.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/13 ~ 2/19	62.4	▼ -2.0	▲ 12.2
		(TOCOM/ Chubu)	2/19	64.0	▼ -0.8	▲ 13.7
	Retail prices [weekly trend] (published by ANRE)	2/19	88.2	▲ 0.1	▲ 10.2	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On February 21, the most frequently traded WTI crude futures contract on the NYMEX dropped for the first time in five trading days as market players grew concerned over U.S. oil oversupply on a market-forecast weekly U.S. crude oil inventory increase of 1.8 million barrels and an expected U.S. crude oil production rise before the EIA released a weekly oil inventory report on the next day, one day behind usual schedule after a three-day weekend. The forecast crude oil inventory increase would be the fourth consecutive one. The crude oil futures fall was limited by the dollar's appreciation against the euro that made crude oil futures prices relatively lower, as well as investors' growing risk appetite amid a U.S. stock market recovery. The April contract, which replaced the March contract as the key front-month crude oil futures contract on the day, fell by \$0.11/bbl to \$61.68/bbl. The May contract dropped by \$0.04/bbl to \$61.52/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 19 dropped by 5.0 cents per gallon from a week earlier to \$2.557/gal (72.4 yen/l). The average diesel oil price decreased by 3.6 cents/gal to \$3.027/gal (85.7 yen/l). The gasoline and diesel prices fell 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 in the February 11-17 week stood at 120,000 bpd, down 64,000 bpd from the previous week (total capacity stood at 3,519,000 bpd). Crude oil throughput in the week increased by 37,000 kl from the previous week to 3,679,000 kl. From a year earlier, it fell by 281,000 kl. The topper capacity utilization rate stood at 93.9%, up 0.9 points from the previous week and unchanged from a year earlier.

Output increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. Output was down 6.4% for gasoline, down 21.4% for jet fuel, up 16.1% for kerosene, up 4.8% for diesel oil, down 0.6% for Fuel Oil A and down 0.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 24,000 kl, down 87,000 kl from the previous week. Diesel oil exports aggregated 203,000 kl, down 60,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, jet fuel and kerosene and increased for other petroleum products. From a year earlier, shipments increased for gasoline and diesel oil while decreasing for others. Gasoline shipments decreased by 1.2% from the previous week to 929,000 kl. They decreased week on week for the first time in three weeks and increased year on year for the first time in two weeks, remaining below 1 million kl for seven weeks on end. Shipments totaled 22,000 kl for jet fuel (down 82.0% from the previous week), 535,000 kl for kerosene (down

13.9%), 660,000 kl for diesel oil (up 4.1%), 287,000 kl for Fuel Oil A (up 0.9%) and 345,000 kl for Fuel Oil C (down 25.1%).

(Unit: 1,000 kl)

	This week (2/11 ~ 2/17)	Previous week (2/4 ~ 2/10)	From a week earlier
Gasoline	929	940	▼ -11 (-1%)
Jet fuel	22	121	▼ -99 (-82%)
Kerosene (heating Oil)	535	621	▼ -86 (-14%)
Diesel oil	660	634	▲ 26 (4%)
Fuel oil A	287	285	▲ 2 (1%)
Fuel Oil C	345	276	▲ 69 (25%)
Total	2,778	2,877	▼ -99 (-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 February 17 decreased from a week earlier for all petroleum products. From a year earlier, inventories also declined for all.

Gasoline inventories totaled 1,636,000 kl, down 86,000 kl from a week earlier and down 227,000 kl from a year earlier.

Kerosene inventories totaled 1,254,000 kl, down 21,000 kl from a week earlier and down 203,000 kl from a year earlier.

Diesel oil inventories totaled 1,241,000 kl, down 76,000 kl from a week earlier and down 423,000 kl from a year earlier.

Fuel Oil A inventories totaled 682,000 kl, down 3,000 kl from a week earlier and down 64,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,875,000 kl, down 61,000 kl from a week earlier and down 32,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/17)	Previous week (2/10)	From a week earlier
Gasoline	1,636	1,722	▼ -86 (-5%)
Jet fuel	724	737	▼ -13 (-2%)
Kerosene (heating Oil)	1,254	1,275	▼ -21 (-2%)
Diesel oil	1,241	1,317	▼ -76 (-6%)
Fuel oil A	682	685	▼ -3 (-0%)
Fuel Oil C	1,875	1,936	▼ -61 (-3%)
Total	7,412	7,672	▼ -260 (-3.4%)

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

In the February 13-19 week, crude oil cost apparently decreased as crude oil price drops were combined with the yen's appreciation against the dollar.

Onshore cargo spot prices between February 13 and 19 fell in a 112-115 yen/l range for gasoline, in a 60-62 yen/l range for diesel oil and in a 64-66 yen/l range for kerosene.

Offshore barge spot prices in the week rose in a 118-120 yen/l range for gasoline, fell in a 63-65 yen/l range for diesel oil and increased in a 71-74 yen/l range for kerosene.

The key futures price in the week slightly rose in a 108-110 yen/l range for gasoline, leveled off in a 60-61 yen/l range for diesel oil and increased in a 62-64 yen/l range for kerosene.

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

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

Spot petroleum product prices, excluding diesel oil futures that leveled off, declined.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the February 13-19 week) that influences Motouri's wholesale prices applied to the fourth week of February (February 22-28) fell by 1.8 yen/l from the previous week for gasoline, by 0.7 yen for kerosene and by 1.2 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.7 yen/l for gasoline, by 0.2 yen/l for kerosene and by 1.8 yen/l for diesel oil. The key futures price fell by 2.4 yen/l for gasoline and by 2.0 yen/l for kerosene and leveled off for diesel oil. Crude oil cost decreased as the yen's appreciation against the dollar coincided with crude oil price drops.

For the fourth week of February, Motouri companies lowered their wholesale prices by 1.0-1.5 yen/l for gasoline, by 1.0-1.5 yen/l for diesel oil and by 0.5-1.5 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 (2/13 ~ 2/19)	Previous week (2/6 ~ 2/12)	From a week earlier
Spot Prices	Regular	59.3	▼ -1.8
	Kerosene	64.3	▼ -0.7
	Diesel oil	60.7	▼ -1.2

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (2/13 ~ 2/19)	Previous week (2/6 ~ 2/12)	From a week earlier
Futures Price	Regular	55.3	▼ -2.4
	Kerosene	62.4	▼ -2.0
	Diesel oil	60.0	➡ 0.0

Above prices are before tax.

Reference (February 13 - February 19 actual data)			
Products	Spot	Futures	Average
Gasoline	▼ -1.8	▼ -2.4	▼ -2.1
Kerosene	▼ -0.7	▼ -2.0	▼ -1.3
Diesel oil	▼ -1.2	➡ 0.0	▼ -0.6
Fuel Oil A	▼ -1.2		

(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 February 19 decreased by 0.2 yen/l from a week earlier to 144.7 yen/l for gasoline, remained unchanged at 122.9 yen/l for diesel oil and rose by 0.1 yen/l to 88.2 yen/l for kerosene. The gasoline price dropped for the first time in 22 weeks. The kerosene price rose for the 22nd consecutive week on an 18-liter tank basis. Gasoline prices increased in six of Japan's 47 prefectures, remained unchanged in 11 and decreased in 30. The lowest gasoline price among the prefectures was 139.1 yen/l in Tokushima Prefecture (down 0.6 yen/l from a week earlier). The second lowest was 140.6 yen/l in Saitama (unchanged). The highest price was 153.6 yen/l in Okinawa (up 0.8 yen/l). Posting the largest price hike of 0.8 yen/l was Okinawa (153.6 yen/l). Logging the largest price drop of 0.9 yen/l was Yamaguchi (143.7 yen/l).

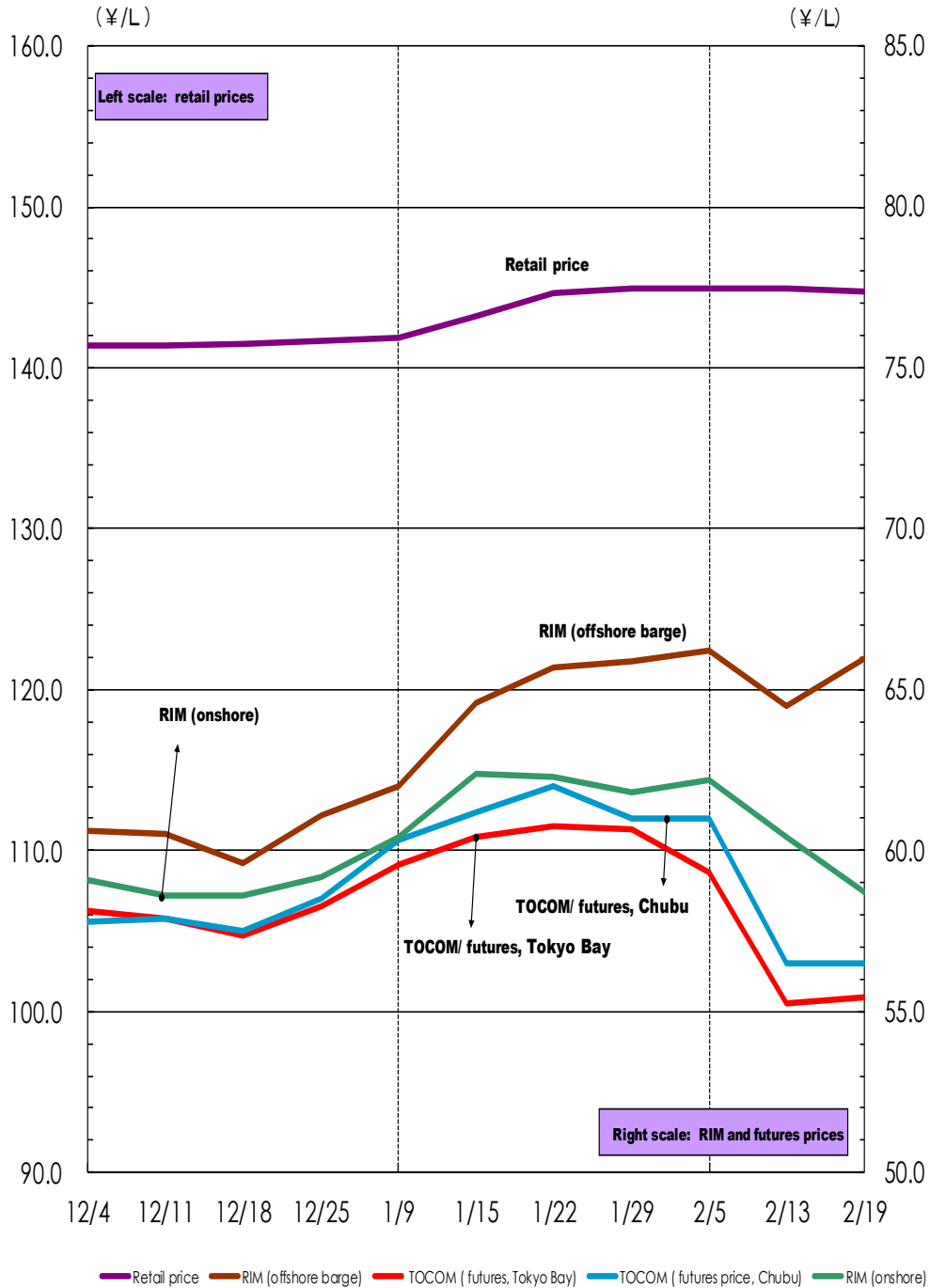
As crude oil cost decreased in the previous week, Motouri companies cut their wholesale prices by 2.5 yen/l for gasoline, by 1.5 yen/l for diesel oil and by 1.0-1.5 yen/l kerosene. The average retail gasoline price fell for the first time in 22 weeks. This week, crude oil cost decreased as the yen's appreciation against the dollar was combined with crude oil price drops. Retail gasoline and kerosene prices are expected to decrease next week (as of February 26).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (2/19)	Previous week (2/13)	From a week earlier	Latest high		
Retail Price	Regular	144.7	144.9	▼ -0.2	08/8/4	185.1
	Kerosene	88.2	88.1	▲ 0.1	08/8/11	132.1
	Diesel oil	122.9	122.9	➡ 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

(2017/12/4 ~ 2018/2/19)



(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. 45 for 2017) will be announced at 14:00 on March 9.

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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).