

Oil Market Review in Japan No. 09/2020

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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 NYMEX (New York Mercantile Exchange) in the August 6-August 19 week moved within a range between \$41.22 per barrel and \$42.93/bbl.

On August 20, the September contract turned down by increase in the number of new unemployment insurance applications in the U.S. and deterioration of manufacturing industry business condition index by the Federal Reserve Bank of Philadelphia, although the OPEC Plus Countries confirmed the continuation of cooperative crude oil production cut and additional production cut for non-compliant member countries on August 19. The September contract closed at \$42.58/bbl down \$0.35/bbl from the previous day.

On August 21, the key contract turned down further due to sense of overvalued oil futures price caused by appreciation of the U.S. dollar, difficulties in negotiation on additional economic measures between the U.S. administration and the Congress, the announcement of ceasefire of a civil war by the Libyan National Transitional Council and so forth. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 11 units from a week earlier to 183 units, reflecting sense of rebound of crude oil production. The October contract, which replaced the September contract as the key front-month contract, finished \$0.48/bbl lower at \$42.34/bbl.

On August 24, the key contract expanded for the first time on three trading days due to concerns on the influence on operations of offshore crude oil production facilities and coastal refineries by two developing tropical depressions which had been approaching the Gulf of Mexico. The October contract gained \$0.28bbl to \$42.62/bbl.

On August 25, the key contract expanded further due to concerns on temporary reduction of crude oil production, momentary recording the highest price for the first time in five months. One of the tropical depressions became Hurricane "Laura", which brought about temporary suspension of operations in the large scale oil facilities in the Gulf of Mexico coastal area. The October contract gained \$0.73/bbl to \$43.35/bbl.

On August 26 the key contract slightly rose due to temporary suspension of operations in many offshore crude oil production facilities and coastal refineries in the Gulf of Mexico, caused by approaching Hurricane "Laura" and announcement of decrease in crude oil and gasoline inventory at the previous weekend by the U.S. Energy Information Administration (EIA) Weekly Report. The October contract gained \$0.04/bbl to \$43.39/bbl.

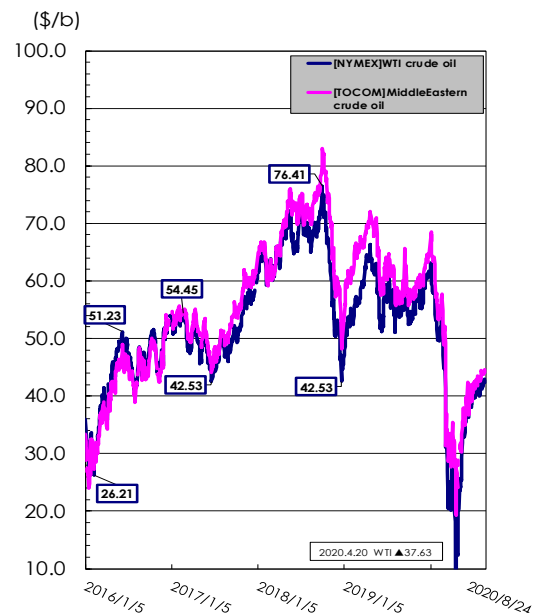
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged between \$43.60/bbl and \$44.30/bbl in the August 6-August 19 week. It closed at \$43.70/bbl on August 20, at \$44.00/bbl on August 21, at \$43.70/bbl on August 24, at \$44.20/bbl on August 25, at \$44.90/bbl on August 26.

On the foreign exchange market in the August 6-August 19 week, the dollar moved within a range between 105.19 and 106.98 yen. It changed hands at 106.09 yen in late trading on August 20, at 105.70 yen on August 21, at 105.80 yen on August 24, at 106.01 yen on August 25, at 106.46 yen on August 26.

According to preliminary 10-day trade statistics released by the Ministry of finance on August 19, the average crude oil import CIF price for Japan in the late July period stood at 23,636 yen/kl (kiloliter), up 1,822 yen/kl from the previous 10-day period. In dollars, the price was \$35.04/bbl, up \$2.76/bbl. The average exchange rate was 107.23 yen to the dollar, and the average crude oil import CIF price for Japan in July stood at 22,055 yen/kl (kiloliter), up 5,517 yen/kl from the previous month. In dollars, the price was \$32.70/bbl, up \$8.30/bbl. The average exchange rate was 107.22 yen to the dollar.

Japan's average retail price on August 24 lost by 0.2 yen/l from a week earlier for gasoline, lost by 0.1 yen/l for diesel oil, and levelled off for kerosene on an 18-liter tank basis. The gasoline and diesel oil prices decreased for the second straight week. Kerosene price levelled off for the second straight week. As crude oil cost slightly decreased for the fourth week of August. Motouri companies maintained their wholesale prices gasoline, diesel oil and kerosene for the next week.

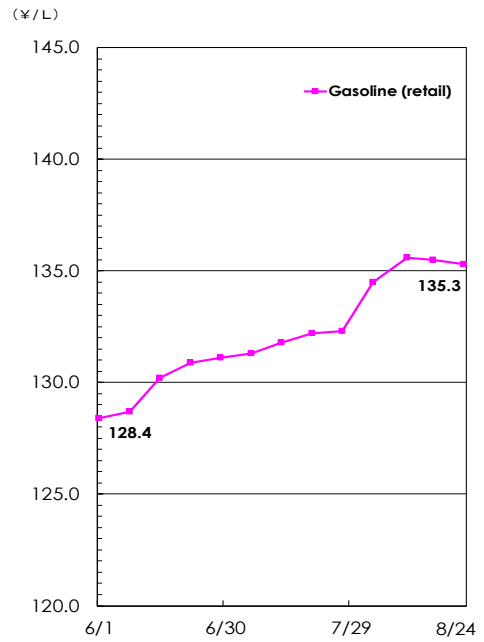
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	8/16 ~ 8/22	2,762	▼ -51	▼ -
	Topper capacity utilization rate (%)	"	70.5	▼ -1.3	▼ -
	Crude oil inventories (1,000 kl)	8/22	13,095	▲ 85	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/24	44.22	▲ 0.38	▼ -12.0
	WTI crude oil (NYMEX) (\$/bbl)	8/24	42.62	▼ -0.27	▼ -11.0
	Crude oil import CIF price (\$/bbl)	Late Jul	35.04	▲ 2.76	▼ -32.28
	①Crude oil import CIF price (yen/kl)	"	23,636	▲ 1,822	▼ -22,095
	②Yen-dollar exchange rate (yen/dollar)	"	107.23	▲ 0.20	▲ 0.76
	TTS exchange rate (yen/dollar)	8/24	106.80	▲ 0.75	▼ -0.72



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/16 ~ 8/22	891	▼ -48	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	857	▼ -13	▼ -	
	Exports	"	38	▲ 13	▼ -	
	Inventories	8/22	1,789	▼ -4	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/18 ~ 8/24	44.3	▲ 0.5	▼ -11.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/18 ~ 8/24	39.7	▼ -0.9	▼ -11.8
		(TOCOM/ Chubu)	8/24	41.5	▼ -0.3	▼ -12.0
	Retail prices [weekly trend] (published by ANRE)	8/24	135.3	▼ -0.2	▼ -8.2	

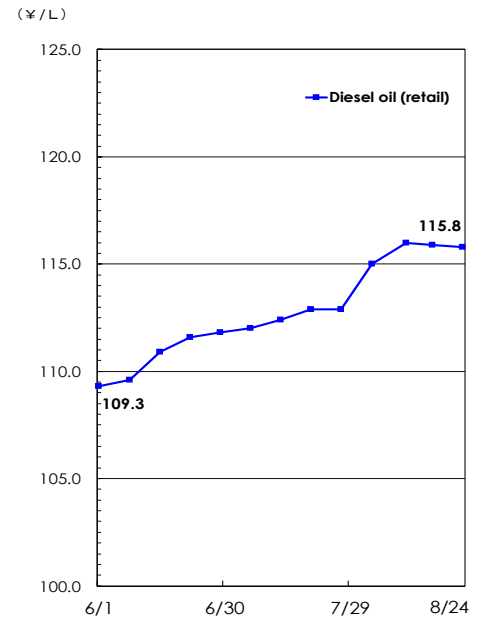
*Gyoten and futures prices are before tax



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

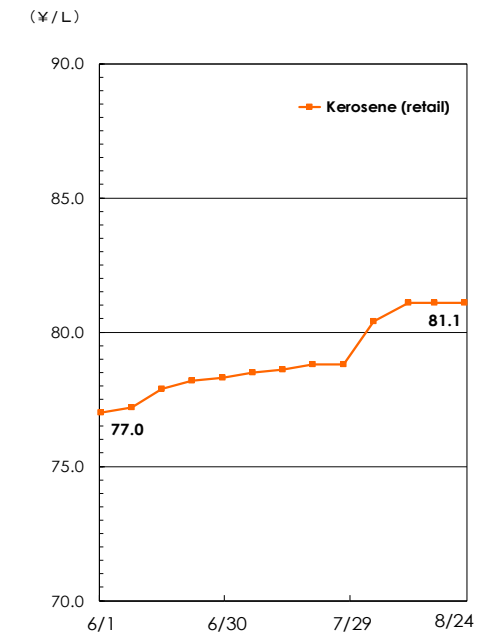
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/16 ~ 8/22	578	▲ 6	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	541	▲ 191	▼ -	
	Exports	"	5	▲ 1	▼ -	
	Inventories	8/22	1,867	▲ 32	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/18 ~ 8/24	46.9	▲ 0.2	▼ -11.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/18 ~ 8/24	48.5	▲ 0.1	▼ -11.5
		(TOCOM/ Chubu)	8/24	-	-	-
	Retail prices [weekly trend] (published by ANRE)	8/24	115.8	▼ -0.1	▼ -9.0	

*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	8/16 ~ 8/22	250	▲ 62	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	56	▲ 26	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	8/22	2,392	▲ 194	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/18 ~ 8/24	46.9	▲ 0.1	▼ -10.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/18 ~ 8/24	42.1	▼ -1.4	▼ -13.0
		(TOCOM/ Chubu)	8/24	44.5	▼ -0.4	▼ -11.5
	Retail prices [weekly trend] (published by ANRE)	8/24	81.1	➡ 0.0	▼ -9.1	



Relevant Information

1 Overseas crude oil prices

On August 26, WTI crude oil futures price on NYMEX rose slightly for the following reasons. Many offshore crude oil production facilities and coastal refineries in the Gulf of Mexico suspended their operations temporary due to the approach of a large-scale Hurricane "Laura". Moreover, according to the announcement by the U.S. EIA Weekly Report on that day, the U.S. crude oil inventory at the previous weekend decreased by 4.7 million barrels (bbl), exceeding the market expectation of drawdown of 3.7 million bbl and resulting in the drawdown for the fifth straight week. The U.S. gasoline inventory also decreased by 4.6 million bbl, exceeding the market expectation. However, the price rise was restricted by deep concern over demand recovery due to concerns of new outbreaks of the coronavirus. The October contract gained \$0.04/bbl to \$43.39/bbl from the previous day. The November contract gained \$0.04/bbl to \$43.69/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 24 increased by 1.6 cents per gallon from a week earlier to \$2.182/gal (61.5yen/l). The average diesel oil price decreased by 0.1 cents/gal to \$2.426/gal (68.4yen/l). The gasoline price increased for the first time in three weeks. The diesel price decreased 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 August 16-August 22 week in 2020 stood at 351,000 barrels per day, down 84,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 51,000 kl from the previous week to 2,762,000 kl. From a year earlier, it decreased by 647,000 kl. The topper capacity utilization rate stood at 70.5%, down 1.3 points from the previous week and down 16.6 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and Fuel Oil A and increased for other petroleum products. Output was down 5.1% for gasoline, down 10.2% for jet fuel, up 32.9 % for kerosene, up 1.1% for diesel oil, down 0.1 % for Fuel Oil A and up 49.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, unchanged from the previous week. Diesel oil exports aggregated 5,000kl, up 1,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and increased for other petroleum products. From a year earlier, shipments expanded for jet fuel and declined for other petroleum products. Gasoline shipments decreased by 1.6% from the previous week to 857,000 kl for the first time in two weeks, Shipments totaled 84,000 kl for jet fuel (up 8.5% from the previous week), 56,000 kl for kerosene (up 84.8%), 541,000 kl for diesel oil (up 54.3%), 173,000 kl for Fuel Oil A (up 35.5%) and 133,000 kl for Fuel Oil C (up 35.8%).

(Unit: 1,000 kl)

	This week (8/16 ~ 8/22)	Previous week (8/9 ~ 8/15)	From a week earlier
Gasoline	857	870	▼ -13 (-1%)
Jet fuel	84	78	▲ 6 (8%)
Kerosene (heating Oil)	56	30	▲ 26 (87%)
Diesel oil	541	350	▲ 191 (55%)
Fuel oil A	173	128	▲ 45 (35%)
Fuel Oil C	133	98	▲ 35 (36%)
Total	1,844	1,554	▲ 290 (19%)

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 August 22 decreased from a week earlier for gasoline and Fuel Oil A and increased for other petroleum products.

From a year earlier, inventories shrank for jet fuel and expanded for other petroleum products.

Gasoline inventories totaled 1,789,000 kl, down 4,000 kl from a week earlier and up 294,000 kl from a year earlier.

Kerosene inventories totaled 2,392,000 kl, up 194,000 kl from a week earlier and up 134,000 kl from a year earlier.

Diesel oil inventories totaled 1,867,000 kl, up 32,000 kl from a week earlier and up 162,000 kl from a year earlier.

Fuel Oil A inventories totaled 699,000 kl, down 29,000 kl from a week earlier and up 5,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,887,000 kl, up 48,000 kl from a week earlier and up 17,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/22)	Previous week (8/15)	From a week earlier
Gasoline	1,789	1,793	▼ -4 (-0%)
Jet fuel	779	738	▲ 41 (6%)
Kerosene (heating Oil)	2,392	2,198	▲ 194 (9%)
Diesel oil	1,867	1,835	▲ 32 (2%)
Fuel oil A	699	728	▼ -29 (-4%)
Fuel Oil C	1,887	1,839	▲ 48 (3%)
Total	9,413	9,131	▲ 282 (3.1%)

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

During the August 18 -August 24 week, crude oil cost in yen slightly decreased as crude oil price almost levelled off from the previous week, with slight appreciation of the yen to the US dollar.

For the next week, Motouri companies maintained their wholesale prices for gasoline, kerosene and diesel oil from the previous week.

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

All spot petroleum products prices in the August 18-August 24 week increased from their respective averages, except for decreased gasoline futures, offshore kerosene and kerosene futures prices and levelled off offshore diesel oil price, compared to their respective average prices in the period of August 11-August 17 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the August 18-August 24 week) increased by 0.5 yen/l from the previous week (August 11-August 17) for gasoline, increased by 0.1 yen/l for kerosene and increased by 0.2 yen/l for diesel oil. For the latest period of August 18-August 24, price almost levelled off after the increase in a 97-98 yen/l range for gasoline; and levelled off in a 46-47 yen/l range for kerosene; and levelled off in a 46-47 yen/l range for diesel oil.

The average offshore barge average spot price in Tokyo Bay increased by 0.4 yen/l for gasoline, decreased by 1.0 yen/l for kerosene and levelled off for diesel oil for the August 18-August 24 week from the previous week.

Offshore cargo spot prices during the week almost levelled off after the increase in a 99 yen/l range for gasoline and decreased in a 40-41 yen/l range for kerosene and levelled off in a 48 yen/l range for diesel oil in the period of August 18 to August 24.

The key average futures price decreased by 0.9 yen/l for gasoline, decreased by 1.4 yen/l for kerosene and increased by 0.1 yen/l for diesel oil from the previous week.

The key futures price during the period of August 18 – August 24 slightly decreased after fluctuation in a 93 yen/l range for gasoline, sharply increased after the decrease in a 41-42 yen/l range for kerosene and decreased after the level off in a 48 yen/l range for diesel oil.

	(RIM) [4-district average lorry rack price]		(Unit: yen/l)
	This week (8/18 ~ 8/24)	Previous week (8/11 ~ 8/17)	From a week earlier
Regular	44.3	43.8	▲ 0.5
Kerosene	46.9	46.8	▲ 0.1
Diesel oil	46.9	46.7	▲ 0.2

Spot Prices

	(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)
	This week (8/18 ~ 8/24)	Previous week (8/11 ~ 8/17)	From a week earlier
Regular	39.7	40.6	▼ -0.9
Kerosene	42.1	43.5	▼ -1.4
Diesel oil	48.5	48.4	▲ 0.1

Futures Price

Above prices are before tax.

Reference (August 18 -August 24 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 0.5	▼ -0.9	▼ -0.2	
Kerosene	▲ 0.1	▼ -1.4	▼ -0.7	
Diesel oil	▲ 0.2	▲ 0.1	▲ 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 August 24 decreased by 0.2 yen/l from a week earlier to 135.3 yen/l for gasoline, decreased by 0.1 yen/l to 115.8 yen/l for diesel oil and levelled off yen to 1,459 yen for kerosene on an 18-liter tank basis (unchanged to 81.1 yen/l) from the previous week (August 17). The gasoline and diesel oil prices lost for the second straight week. Kerosene price levelled off for the third straight week.

Gasoline prices increased in 14 prefectures, leveled off in four prefectures and decreased in 29 prefectures. The lowest gasoline price among the prefectures was 128.4 yen/l in Tokushima (levelled off from a week earlier). The second lowest was 129.4 yen/l in Miyagi (down 0.2 yen/l). The highest price was 145.1 yen/l in Nagasaki (up 0.4 yen/l). Okinawa logged the largest price gain of 1.0 yen/l to 141.2 yen/l. The price leveled off in Tokyo and other three prefectures. Fukui logged the largest price fall of 2.6 yen/l to 139.7 yen/l.

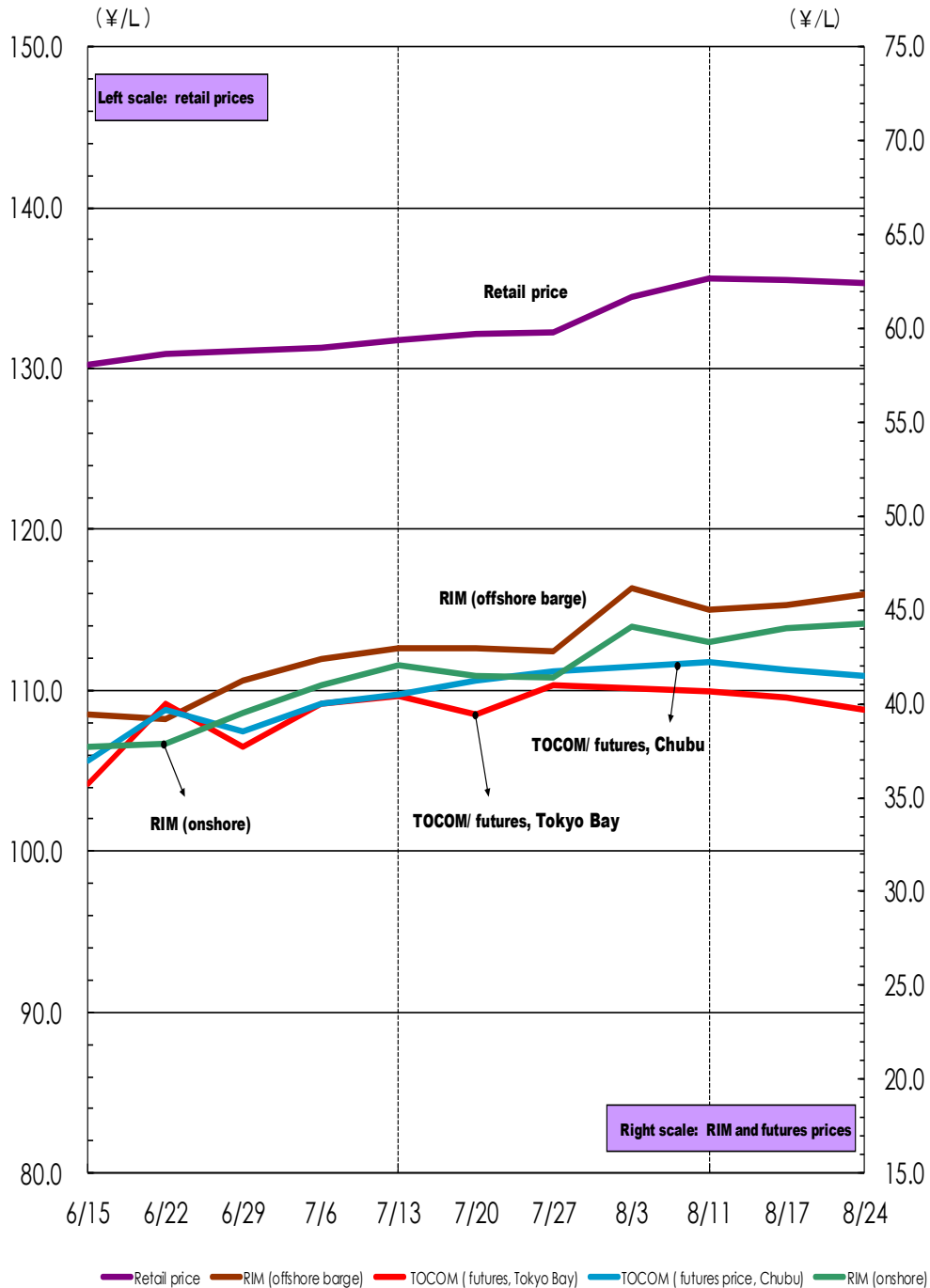
As crude oil cost in yen slightly decreased for the period from August 18 to August 24 with slight rise in crude oil price and appreciation of the yen to the U.S. dollar. Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the period from August 27-September 2. Retail gasoline price on the next price survey day (August 31) are expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/24)	Previous week (8/17)	From a week earlier	Latest high
Retail Price	Regular	135.3	135.5	▼ -0.2	08/8/4 185.1
	Kerosene	81.1	81.1	➡ 0.0	08/8/11 132.1
	Diesel oil	115.8	115.9	▼ -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

(2020/6/15 ~ 2020/8/24)



(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 (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 10 for 2020) will be announced at 14:00 on September 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).