

# Oil Market Review in Japan No. 10/2018

**June 22, 2018, Friday** Released at 14:00 every Friday

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

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan  
[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 NYMEX (New York Mercantile Exchange) in the May 31-June 6 week moved within a weaker range between \$64.73 per barrel and \$67.04/bbl.

On June 7, the July contract rebounded with a steep gain on concerns about a decline in crude oil supply from Venezuela plagued with economic deterioration and U.S. economic sanctions and from Iran affected by the resumption of U.S. economic sanctions. A report from Venezuela said that its oil supply was delayed due to decreasing port functions. The key contract closed at \$65.95/bbl, up \$1.22/bbl from the previous day.

On June 8, the key contract turned down as market players grew concerned about a U.S. oil supply increase on a Baker Hughes report that the number of operating U.S. oil-drilling rigs rose by one from a week earlier to 862, the highest since March 2015, and on a June 6 EIA (Energy Information Administration) report that U.S. oil production in the final week of May hit a record 10.80 million barrels per day. Another factor behind the decline was a report that China's crude oil imports in May decreased by 400,000 bpd from the previous month to 9.2 million bpd. The July contract lost \$0.21/bbl to \$65.74/bbl.

On June 11, selling outpaced buying in the early morning on a reported increase in Saudi Arabian and Russian oil production. As the increase was later interpreted as covering a fall in oil supply from Venezuela and Iran and falling short of easing the supply-demand balance, however, position-adjusting buybacks led the July contract to rally. The key contract gained \$0.36/bbl to \$66.10/bbl.

On June 12, the July contract rose further on short covering even amid a wait-and-see mood before an OPEC (Organization of the Petroleum Exporting Countries) meeting and a joint conference of OPEC and non-OPEC oil producing countries on June 22. The key contract gained \$0.26/bbl to \$66.36/bbl.

On June 13, the July contract rose for the third straight day on a weekly EIA report that U.S. crude oil and petroleum products inventories posted weekly drops. However, the gain was restricted by concerns about the possible relaxation of a coordinated production cut by OPEC and non-OPEC oil producing countries at their meetings set for June 22. The key contract rose by \$0.28/bbl to \$66.64/bbl.

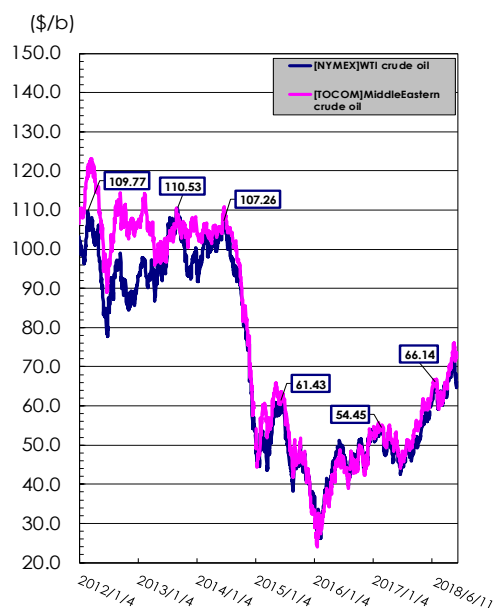
The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market moved in a range between \$73.20/bbl and \$75.20/bbl in the May 31-June 6 week. It closed at \$73.60/bbl on June 7, at \$74.70/bbl on June 8, at \$74.20/bbl on June 11, at \$74.50/bbl on June 12 and at \$73.30/bbl on June 13.

On the foreign exchange market in the May 31-June 6 week, the dollar moved within a range between 108.70 and 109.92 yen. It changed hands at 110.16 yen in late trading on June 7, at 109.87 yen on June 8, at 109.41 yen on June 11, at 110.36 yen on June 12 and at 110.48 yen on June 13.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of June were left unchanged for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose slightly despite weaker crude oil prices as the yen depreciated against the dollar.

Japan's average retail price on June 11 fell by 0.1 yen/l from a week earlier for gasoline, remained unchanged for diesel oil and rose by 5 yen for kerosene on an 18-liter tank basis. The gasoline price dropped for the first time in 10 weeks. The diesel price leveled off for the first time in eight weeks. The kerosene price increased for the eighth straight week (on an 18-liter tank basis). As crude oil cost decreased sharply in the second week of June, Motouri companies cut their wholesale prices by 1.0-1.5 yen/l (liter) for gasoline, diesel oil and kerosene.

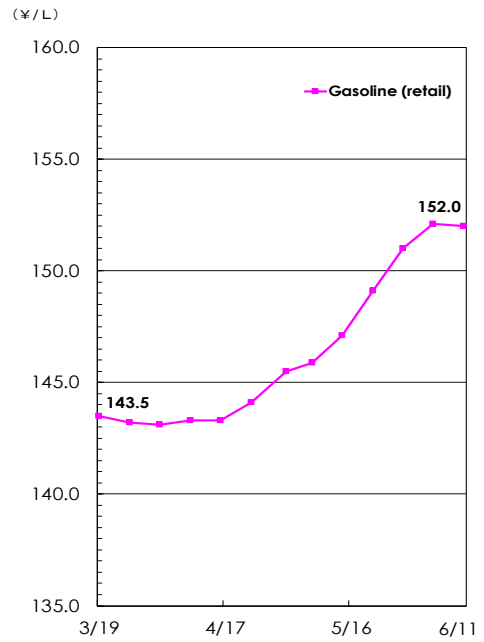
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	6/3 ~ 6/9	2,915	▼ -73	▼ -
	Topper capacity utilization rate (%)	"	74.4	▼ -1.9	▼ -
	Crude oil inventories (1,000 kl)	6/9	13,741	▲ 106	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/11	73.61	▲ 0.62	▲ 26.1
	WTI crude oil (NYMEX) (\$/bbl)	6/11	66.10	▲ 1.35	▲ 20.0
	Crude oil import CIF price (\$/bbl)	Mid May	71.21	▲ 2.68	▲ 17.26
	①Crude oil import CIF price (yen/kl)	"	49,011	▲ 2,424	▲ 11,169
	②Yen-dollar exchange rate (yen/dollar)	"	109.41	▼ -1.32	▲ 2.11
	TTS exchange rate (yen/dollar)	6/11	110.41	▲ 0.25	▲ 0.82



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/3 ~ 6/9	833	▼ -60	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	876	▲ 71	▼ -	
	Exports	"	52	▲ 52	▲ -	
	Inventories	6/9	1,758	▼ -96	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/5 ~ 6/11	67.5	▼ -0.9	▲ 18.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	6/5 ~ 6/11	63.8	▼ -0.2	▲ 16.3
		(TOCOM/Chubu)	6/11	64.0	▼ -0.5	▲ 17.4
	Retail prices [weekly trend] (published by ANRE)	6/11	152.0	▼ -0.1	▲ 20.4	

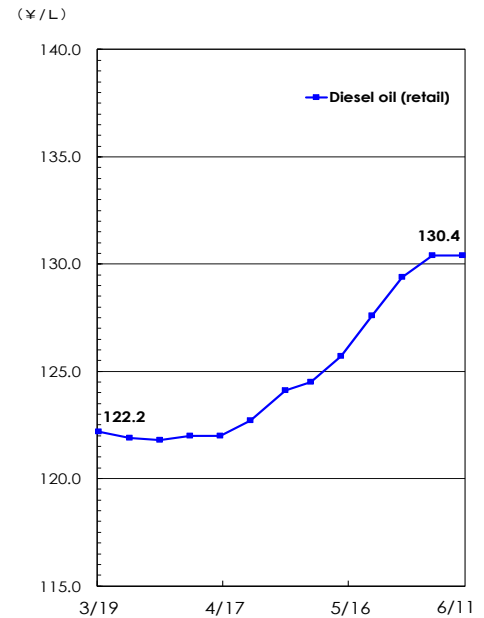
\*Gyoten and futures prices are before tax



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

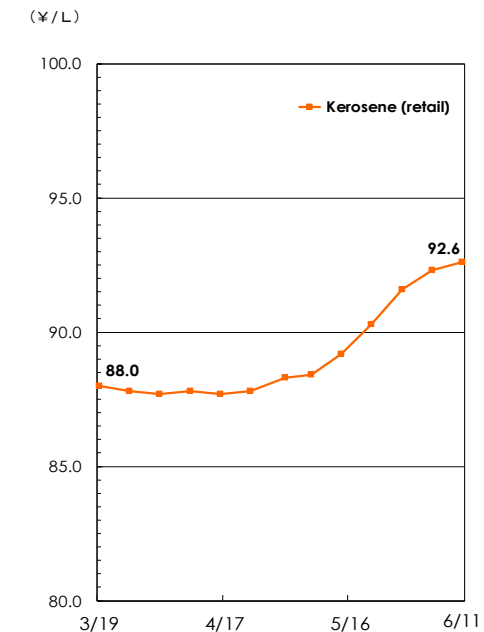
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/3 ~ 6/9	697	▼ -22	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	611	▼ -6	▲ -	
	Exports	"	0	▼ -94	▼ -	
	Inventories	6/9	1,556	▲ 86	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/5 ~ 6/11	69.1	▼ -0.6	▲ 21.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	6/5 ~ 6/11	68.8	▲ 0.9	▲ 20.8
		(TOCOM/Chubu)	6/11	-	-	-
	Retail prices [weekly trend] (published by ANRE)	6/11	130.4	➡ 0.0	▲ 19.8	

\*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	6/3 ~ 6/9	70	▼ -22	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	62	▼ -24	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	6/9	1,527	▲ 9	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/5 ~ 6/11	67.9	▼ -1.1	▲ 21.4	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	6/5 ~ 6/11	66.7	▲ 0.8	▲ 22.8
		(TOCOM/Chubu)	6/11	66.5	➡ 0.0	▲ 22.5
	Retail prices [weekly trend] (published by ANRE)	6/11	92.6	▲ 0.3	▲ 15.9	



## Relevant Information

### 1 Overseas crude oil prices

On June 13, the most frequently traded WTI crude futures contract on NYMEX rose for the third straight day on a weekly EIA report that U.S. crude oil inventories posted a weekly drop of 4.1 million barrels, faster than a market-forecast decrease of 2.7 million barrels, while gasoline and middle distillate inventories recorded respective declines of 2.3 million barrels and 2.1 million barrels against market-forecast increases. However, the gain was restricted by concerns about the possible relaxation of a coordinated production cut by OPEC and non-OPEC oil producing countries at their meetings set for June 22. The dollar's depreciation against the euro supported the rise by making oil prices relatively lower. The U.S. Federal Reserve decided to raise interest rates, leading the dollar to be bought back. However, this development's impact on the crude oil futures market was limited. The July contract finished at \$66.64/bbl, up \$0.28/bbl from the previous day. The August contract gained \$0.24/bbl to \$66.52/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 11 fell by 2.9 cents per gallon from a week earlier to \$2.911/gal (84.8 yen/l). The average diesel oil price decreased by 1.9 cents/gal to \$3.266/gal (95.1 yen/l). The gasoline and diesel prices 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 June 3-9 week stood at 685,000 bpd, up 5,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 73,000 kl from the previous week to 2,915,000 kl. From a year earlier, it declined by 218,000 kl. The topper capacity utilization rate stood at 74.4%, down 1.9 points from the previous week and down 5.6 points from a year earlier.

Output increased from the previous week for Fuel Oil A and C and decreased for other petroleum products.

Output was down 6.8% for gasoline, down 11.7% for jet fuel, down 23.6% for kerosene, down 3.1% for diesel oil, up 0.0% for Fuel Oil A and up 4.8% for Fuel Oil C. Fuel Oil C imports in the week totaled 83,000 kl, up 14,000 kl from the previous week. Diesel oil exports aggregated less than 500 kl, down 94,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for kerosene and diesel oil and dropped for others.

Gasoline shipments increased by 8.8% from the previous week to 876,000 kl for the first rise in two weeks, remaining below 1 million kl for 11 weeks on end.

Shipments totaled 111,000 kl for jet fuel (down 4.9%

from the previous week), 62,000 kl for kerosene (down 28.5%), 611,000 kl for diesel oil (down 1.0%), 176,000 kl for Fuel Oil A (up 21.9%) and 157,000 kl for Fuel Oil C (down 20.6%).

(Unit: 1,000 kl)

	This week (6/3 ~ 6/9)	Previous week (5/27 ~ 6/2)	From a week earlier
Gasoline	876	805	▲ 71 (9%)
Jet fuel	111	117	▼ -6 (-5%)
Kerosene (heating Oil)	62	86	▼ -24 (-28%)
Diesel oil	611	617	▼ -6 (-1%)
Fuel oil A	176	145	▲ 31 (21%)
Fuel Oil C	157	198	▼ -41 (-21%)
<b>Total</b>	<b>1,993</b>	<b>1,968</b>	<b>▲ 25 (1%)</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 June 9 decreased from a week earlier for gasoline and Fuel Oil A and increased for other petroleum products. From a year earlier, inventories increased for kerosene, diesel oil and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,758,000 kl, down 96,000 kl from a week earlier and down 225,000 kl from a year earlier.

Kerosene inventories totaled 1,527,000 kl, up 9,000 kl from a week earlier and up 110,000 kl from a year earlier.

Diesel oil inventories totaled 1,556,000 kl, up 86,000 kl from a week earlier and up 127,000 kl from a year earlier.

Fuel Oil A inventories totaled 775,000 kl, down 1,000 kl from a week earlier and down 37,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,173,000 kl, up 68,000 kl from a week earlier and up 48,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/9)	Previous week (6/2)	From a week earlier
Gasoline	1,758	1,854	▼ -96 (-5%)
Jet fuel	1,041	1,001	▲ 40 (4%)
Kerosene (heating Oil)	1,527	1,518	▲ 9 (1%)
Diesel oil	1,556	1,470	▲ 86 (6%)
Fuel oil A	775	776	▼ -1 (-0%)
Fuel Oil C	2,173	2,105	▲ 68 (3%)
<b>Total</b>	<b>8,830</b>	<b>8,724</b>	<b>▲ 106 (1.2%)</b>

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

In the June 5-11 week, crude oil cost apparently posted a slight rise from the previous week on the yen's depreciation against the dollar, although crude oil prices declined moderately.

Onshore cargo spot prices between June 5 and 6 fell and leveled off in a 121-123 yen/l range for gasoline, in a 69-70 yen/l range for diesel oil and in a 67-69 yen/l range for kerosene.

Offshore barge spot prices in the week wildly fluctuated and fell in a 122-124 yen/l range for gasoline, dropped slowly in a 69-71 yen/l range for diesel oil and fluctuated and rose in a 66-68 yen/l range for kerosene.

The key futures price in the week fluctuated and fell in a 117-119 yen/l range for gasoline, leveled off and dropped in a 68-70 yen/l range for diesel oil and rose in a 66-68 yen/l range for kerosene.

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

Among spot petroleum products prices, onshore cargo, offshore barge and futures prices for gasoline declined. For kerosene and diesel oil, onshore cargo prices declined, though with offshore barge and futures prices rising.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the June 5-11 week) that influences Motouri's wholesale prices applied to the third week of June (June 14-20) fell by 0.9 yen/l from the previous week for gasoline, by 1.1 yen/l for kerosene and by 0.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.3 yen/l for gasoline and rose by 0.4 yen/l for kerosene and by 0.3 yen/l for diesel oil. The key futures price fell by 0.2 yen/l for gasoline and rose by 0.8 yen/l for kerosene and by 0.9 yen/l for diesel oil. Crude oil cost increased slightly on the yen's depreciation against the dollar, although crude oil prices decreased a little.

For the third week of June, Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and 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 (6/5 ~ 6/11)	Previous week (5/29 ~ 6/4)	From a week earlier
Spot Prices	Regular	67.5	68.4	▼ -0.9
	Kerosene	67.9	69.0	▼ -1.1
	Diesel oil	69.1	69.7	▼ -0.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (6/5 ~ 6/11)	Previous week (5/29 ~ 6/4)	From a week earlier
Futures Price	Regular	63.8	64.0	▼ -0.2
	Kerosene	66.7	65.9	▲ 0.8
	Diesel oil	68.8	67.9	▲ 0.9

Above prices are before tax.

Reference (June 5 - June 11 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▼ -0.9	▼ -0.2	▼ -0.5	
Kerosene	▼ -1.1	▲ 0.8	▼ -0.2	
Diesel oil	▼ -0.6	▲ 0.9	▲ 0.2	
Fuel Oil A	▼ -0.6			

(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 June 11 went down by 0.1 yen/l from a week earlier to 152.0 yen/l for gasoline, remained unchanged at 130.4 yen/l for diesel oil and rose by 0.3 yen/l to 92.6 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 5 yen to 1,667 yen). The gasoline price dropped for the first time in 10 weeks. The diesel price stopped a rise for the first time in eight weeks. The kerosene price rose for the eighth straight week. Gasoline prices increased in 23 of Japan's 47 prefectures, leveled off in five (Nagasaki, Yamanashi, Shiga, Iwate and Chiba) and dropped in 19. The lowest gasoline price among the prefectures was 144.7 yen/l in Tokushima Prefecture (up 0.2 yen/l from a week earlier). The second lowest was 147.9 yen/l in Saitama (down 0.1 yen/l). The highest price was 160.9 yen/l in Nagasaki (unchanged). Posting the largest price hike of 0.6 yen/l was Okayama (149.0 yen/l). Logging the largest fall of 1.1 yen/l was Gunma (151.0 yen/l).

As crude oil cost fell substantially last week, Motouri companies lowered their wholesale prices by 1.0-1.5 yen/l for gasoline, diesel oil and kerosene. Retail gasoline prices fell for the first time in 10 weeks.

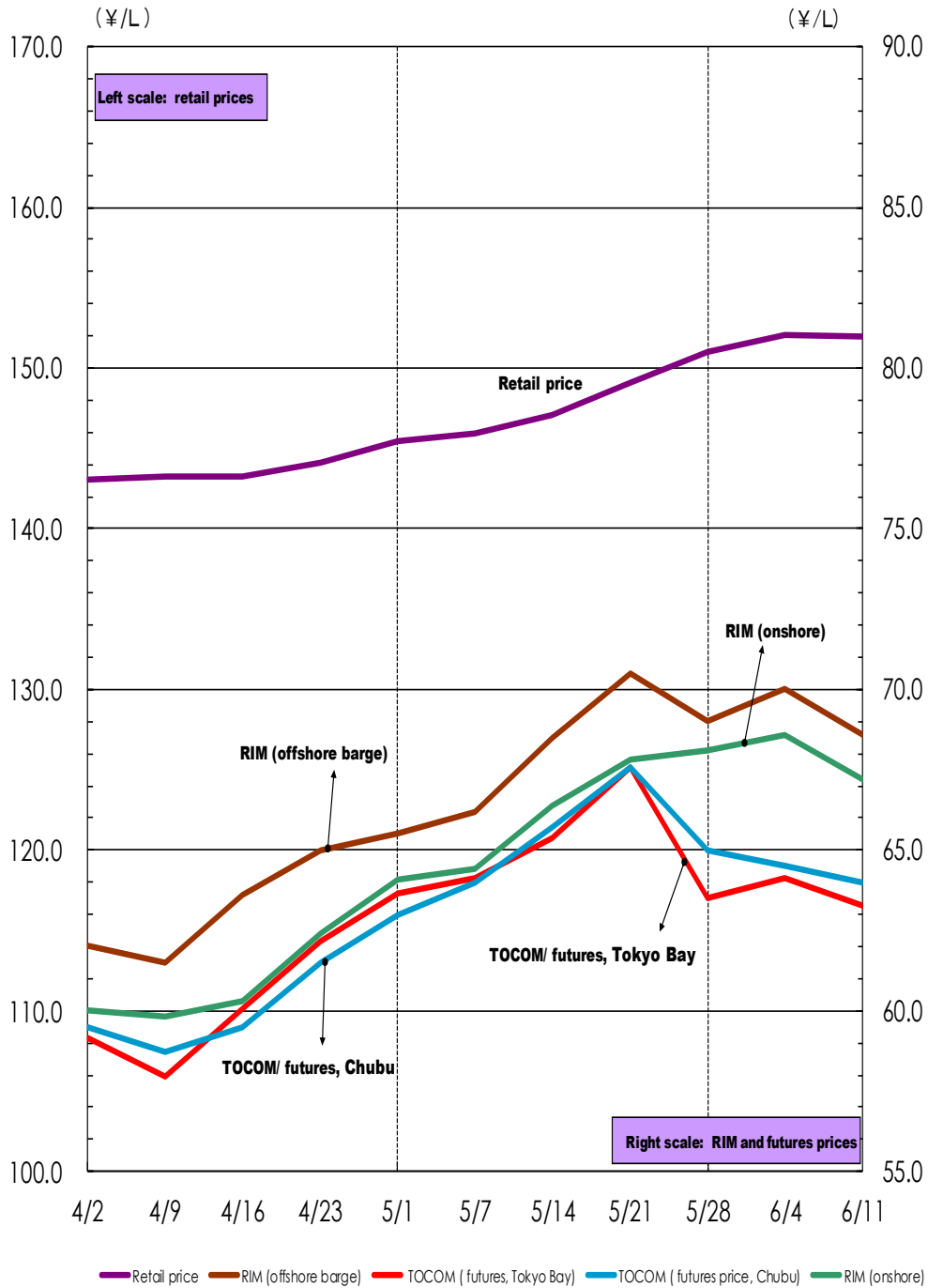
Crude oil cost rose slightly this week due to the yen's depreciation against the dollar, although crude oil prices fell moderately. Retail gasoline prices are expected to level off next week (as of June 11).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/11)	Previous week (6/4)	From a week earlier	Latest high
Retail Price	Regular	152.0	152.1	▼ -0.1	08/8/4 185.1
	Kerosene	92.6	92.3	▲ 0.3	08/8/11 132.1
	Diesel oil	130.4	130.4	➡ 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

(2018/4/2 ~ 2018/6/11)



(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. 11 for 2018) will be announced at 14:00 on June 29.

## On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

## 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).