

# Oil Market Review in Japan No. 11/2018

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the June 7-13 week moved within a range between \$65.74 per barrel and \$66.64/bbl.

On June 14, the July contract rose for the fourth straight day on position adjustment buying amid a wait-and-see mood before an OPEC (Organization of the Petroleum Exporting Countries) meeting on June 22 and a joint meeting of OPEC and non-OPEC oil producing countries on June 23. Market players grew secure as Saudi Arabian Energy Minister Khalid al-Falih reportedly predicted an adequate, moderate agreement at the OPEC meeting. The key contract closed at \$66.89/bbl, up \$0.25/bbl from the previous day.

On June 15, the key contract turned down with a steep drop as Reuters quoted Russian Energy Minister Alexander Novak as saying that OPEC and non-OPEC oil producing countries could gradually increase oil production from July. Novak made the remark after his talks with his Saudi Arabian counterpart al-Falih. Baker Hughes reported that the number of operating U.S. oil-drilling rigs rose by one from a week earlier to 863 for the fourth straight weekly increase. The July contract lost \$1.83/bbl to \$65.06/bbl.

On June 18, the key contract rebounded on position adjustment buying as well as the dollar's depreciation against the euro making crude futures prices relatively lower. On June 16, meanwhile, Russian Energy Minister Novak said OPEC and non-OPEC oil producing countries would consider increasing their oil production quotas by 1.5 million barrels per day in the July-September quarter. The July contract gained \$0.79/bbl to \$65.85/bbl.

On June 19, the July contract turned down as market participants grew concerned about the future course of the world economy amid a U.S.-China trade war in the wake of the United States' decision to levy additional tariffs on Chinese products on the previous day. Also contributing to the downturn were speculations about the relaxation of a coordinated oil production restriction through the June 22 OPEC meeting and the June 23 joint meeting of OPEC and non-OPEC oil producing countries. The key contract lost \$0.78/bbl to \$65.07/bbl.

On June 20, the July contract rallied on a weekly EIA (Energy Information Administration) report that U.S. crude oil inventories posted a faster weekly decline than forecast in the market, as well as media reports that weekend OPEC-related meetings would have difficult negotiations on the relaxation of the coordinated oil production restriction. The key contract rose by \$1.15/bbl to \$66.22/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market moved in a range between \$73.30/bbl and \$74.70/bbl in the June 7-13 week. It closed at \$74.30/bbl on June 14, at \$73.50/bbl on June 15, at \$70.80/bbl on June 18, at \$71.90/bbl on June 19 and at \$72.80/bbl on June 20.

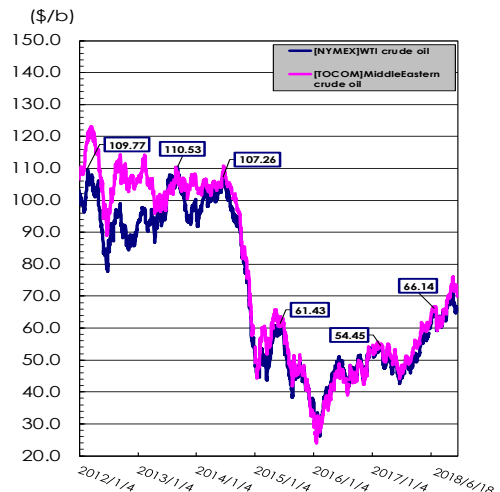
On the foreign exchange market in the June 7-13 week, the dollar moved within a range between 109.41 and 110.48 yen. It changed hands at 110.33 yen in late trading on June 14, at 110.68 yen on June 15, at 110.57 yen on June 18, at 110.15 yen on June 19 and at 110.09 yen on June 20.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 18, the average crude oil import CIF price in the May 21-31 period stood at 49,287 yen/kl (kiloliter), up 276 yen/kl from the previous 10-day period. In dollars, the price was \$71.44/bbl, up \$0.23/bbl. The average exchange rate was 109.68 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 May stood at 48,455 yen/kl, up 4,256 yen/kl from the previous month. In dollars, the price was \$70.61/bbl, up \$4.47/bbl. The average exchange rate was 109.10 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fourth week of June were left unchanged by some Motouri and lowered by 0.5 yen/l (liter) by others for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell slightly as crude oil price drops were partially offset by the yen's depreciation against the dollar.

Japan's average retail price on June 18 remained unchanged from a week earlier for gasoline and diesel oil and rose by 1.0 yen/l for kerosene on an 18-liter tank basis. The diesel price leveled off for the second straight week, while the kerosene price rose for the ninth consecutive week on an 18-liter tank basis. While crude oil cost increased slightly in the third week of June, Motouri companies kept their wholesale prices unchanged 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)	6/10 ~ 6/16	2,803	▼ -112	▼ -
	Topper capacity utilization rate (%)	"	71.6	▼ -2.8	▼ -
	Crude oil inventories (1,000 kl)	6/16	12,788	▼ -952	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/18	69.83	▼ -3.78	▲ 23.8
	WTI crude oil (NYMEX) (\$/bbl)	6/18	65.85	▼ -0.25	▲ 21.7
	Crude oil import CIF price (\$/bbl)	Late May	71.44	▲ 0.23	▲ 17.49
	① Crude oil import CIF price (yen/kl)	"	49,287	▲ 276	▲ 11,445
	② Yen-dollar exchange rate (yen/dollar)	"	109.68	▼ -0.27	▲ 1.84
	TTS exchange rate (yen/dollar)	6/18	111.57	▼ -1.16	▲ 0.46

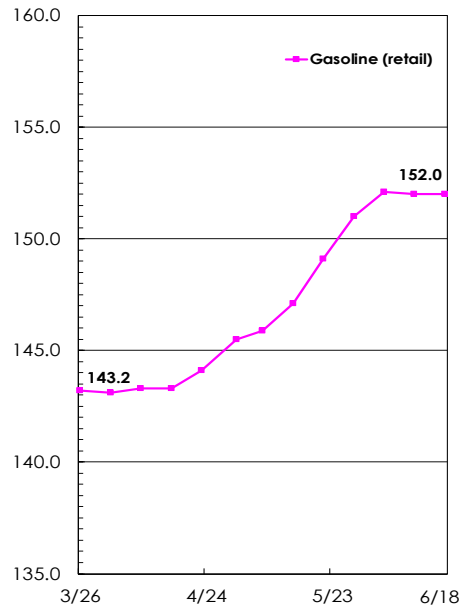


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/10 ~ 6/16	837	▲ 4	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	852	▼ -24	▼ -	
	Exports	"	0	▼ -52	▼ -	
	Inventories	6/16	1,743	▼ -15	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/12 ~ 6/18	67.5	➡ 0.0	▲ 19.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/12 ~ 6/18	63.6	▼ -0.2	▲ 17.1
		(TOCOM/ Chubu)	6/18	63.5	▼ -0.5	▲ 17.0
	Retail prices [weekly trend] (published by ANRE)	6/18	152.0	➡ 0.0	▲ 21.0	

\*Gyoten and futures prices are before tax

(¥/L)

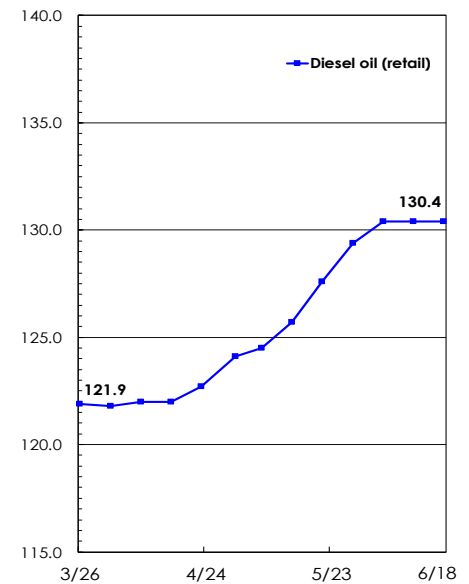


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/10 ~ 6/16	711	▲ 14	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	608	▼ -3	▲ -	
	Exports	"	97	▲ 97	▼ -	
	Inventories	6/16	1,562	▲ 6	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/12 ~ 6/18	69.0	▼ -0.1	▲ 22.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/12 ~ 6/18	68.5	▼ -0.3	▲ 20.5
		(TOCOM/ Chubu)	6/18	-	-	-
	Retail prices [weekly trend] (published by ANRE)	6/18	130.4	➡ 0.0	▲ 20.2	

\*Gyoten and futures prices are before tax

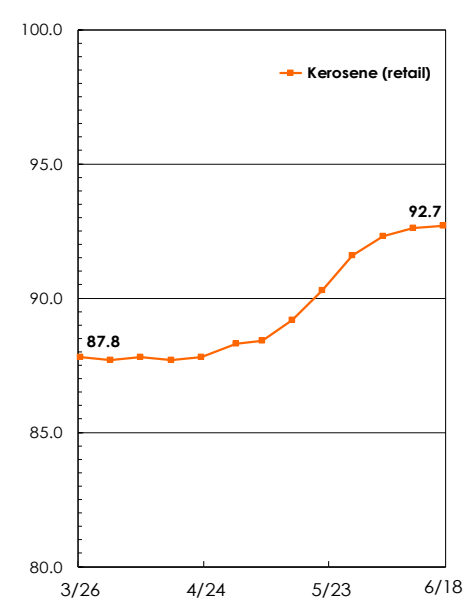
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/10 ~ 6/16	107	▲ 37	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	92	▲ 30	▲ -	
	Exports	"	0	➡ 0	▼ -	
	Inventories	6/16	1,542	▲ 15	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/12 ~ 6/18	67.8	▼ -0.1	▲ 22.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/12 ~ 6/18	67.1	▲ 0.4	▲ 22.8
		(TOCOM/ Chubu)	6/18	66.0	▼ -0.5	▲ 21.4
	Retail prices [weekly trend] (published by ANRE)	6/18	92.7	▲ 0.1	▲ 16.1	

(¥/L)



## Relevant Information

### 1 Overseas crude oil prices

On June 20, the most frequently traded WTI crude futures contract on NYMEX rebounded on the weekly EIA report that U.S. crude oil inventories posted a weekly decline of 5.9 million barrels, faster than a market-forecast fall of 1.9 million barrels, as well as media reports that Saudi Arabia had difficulties in coordinating with some other Persian Gulf countries on the possible relaxation of the production restriction toward weekend OPEC-related meetings. However, the EIA report said that gasoline and middle distillate inventories logged respective faster-than-forecast increases of 3.3 million barrels and 2.7 million barrels before the summer gasoline demand season, restricting the crude futures rise. The July contract finished at \$66.22/bbl, up \$1.15/bbl from the previous day. The August contract gained \$0.81/bbl to \$65.71/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 18 fell by 3.2 cents per gallon from a week earlier to \$2.879/gal (84.8 yen/l). The average diesel oil price decreased by 2.2 cents/gal to \$3.244/gal (95.5 yen/l). The gasoline and diesel prices decreased for the third 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 10-16 week stood at 791,000 bpd, up 106,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 112,000 kl from the previous week to 2,803,000 kl. From a year earlier, it declined by 281,000 kl. The topper capacity utilization rate stood at 71.6%, down 2.8 points from the previous week and down 7.2 points from a year earlier.

Output increased from the previous week for gasoline, kerosene and diesel oil and decreased for other petroleum products.

Output was up 0.5% for gasoline, down 5.1% for jet fuel, up 52.0% for kerosene, up 2.0% for diesel oil, down 14.2% for Fuel Oil A and down 3.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, down 78,000 kl from the previous week. Diesel oil exports aggregated 97,000 kl, up 97,000 kl.

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

Gasoline shipments decreased by 2.7% from the previous week to 852,000 kl for the first fall in two weeks, remaining below 1 million kl for 12 weeks on end.

Shipments totaled 74,000 kl for jet fuel (down 34.0% from the previous week), 92,000 kl for kerosene (up 49.4%), 608,000 kl for diesel oil (down 0.5%), 187,000 kl for Fuel Oil A (up 5.8%) and 161,000 kl for Fuel Oil C (up 2.4%).

(Unit: 1,000 kl)

	This week (6/10 ~ 6/16)	Previous week (6/3 ~ 6/9)	From a week earlier
Gasoline	852	876	▼ -24 (-3%)
Jet fuel	74	111	▼ -37 (-33%)
Kerosene (heating Oil)	92	62	▲ 30 (48%)
Diesel oil	608	611	▼ -3 (-0%)
Fuel oil A	187	176	▲ 11 (6%)
Fuel Oil C	161	157	▲ 4 (3%)
<b>Total</b>	<b>1,974</b>	<b>1,993</b>	<b>▼ -19 (-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 16 decreased from a week earlier for gasoline, jet fuel 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 1,743,000 kl, down 15,000 kl from a week earlier and down 148,000 kl from a year earlier.

Kerosene inventories totaled 1,542,000 kl, up 15,000 kl from a week earlier and up 62,000 kl from a year earlier.

Diesel oil inventories totaled 1,562,000 kl, up 6,000 kl from a week earlier and up 107,000 kl from a year earlier.

Fuel Oil A inventories totaled 747,000 kl, down 28,000 kl from a week earlier and down 55,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,198,000 kl, up 25,000 kl from a week earlier and up 129,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/16)	Previous week (6/9)	From a week earlier
Gasoline	1,743	1,758	▼ -15 (-1%)
Jet fuel	983	1,041	▼ -58 (-6%)
Kerosene (heating Oil)	1,542	1,527	▲ 15 (1%)
Diesel oil	1,562	1,556	▲ 6 (0%)
Fuel oil A	747	775	▼ -28 (-4%)
Fuel Oil C	2,198	2,173	▲ 25 (1%)
<b>Total</b>	<b>8,775</b>	<b>8,830</b>	<b>▼ -55 (-0.6%)</b>

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

In the June 12-18 week, crude oil cost apparently posted a slight fall from the previous week as crude oil price drops were partially offset by the yen's depreciation against the dollar.

Onshore cargo spot prices between June 12 and 18 rose slightly in a 121-122 yen/l range for gasoline, leveled off in a 68-70 yen/l range for diesel oil, and increased slightly and leveled off in a 67-68 yen/l range for kerosene.

Offshore barge spot prices in the week fell slightly and rose in a 121-123 yen/l range for gasoline, leveled off and dropped in a 68-70 yen/l range for diesel oil, and leveled off and plunged in a 66-69 yen/l range for kerosene.

The key futures price in the week rose and plunged in a 116-119 yen/l range for gasoline, leveled off in a 68-69 yen/l range for diesel oil, and leveled off and plunged in a 65-68 yen/l range for kerosene. Motouri companies kept their wholesale prices unchanged or cut them by 0.5 yen/l for gasoline, diesel oil and kerosene.

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

Among spot petroleum products prices, onshore cargo spot prices for gasoline leveled off while onshore cargo spot and futures prices for kerosene increased. Other spot prices fell slightly.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the June 12-18 week) that influences Motouri's wholesale prices applied to the fourth week of June (June 21-27) leveled off from the previous week for gasoline and fell by 0.1 yen/l for kerosene and diesel oil. The average offshore barge spot price in Tokyo Bay dropped by 0.6 yen/l for gasoline, rose by 0.5 yen/l for kerosene and decreased by 0.5 yen/l for diesel oil. The key futures price fell by 0.2 yen/l for gasoline, rose by 0.4 yen/l for kerosene and decreased by 0.3 yen/l for diesel oil. Crude oil cost decreased slightly as crude oil price drops were partially offset by the yen's depreciation against the dollar.

For the fourth week of June, Motouri companies kept their wholesale prices unchanged or cut them by 0.5 yen/l 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 (6/12 ~ 6/18)	Previous week (6/5 ~ 6/11)	From a week earlier
Spot Prices	Regular	67.5	67.5	➡ 0.0
	Kerosene	67.8	67.9	▼ -0.1
	Diesel oil	69.0	69.1	▼ -0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (6/12 ~ 6/18)	Previous week (6/5 ~ 6/11)	From a week earlier
Futures Price	Regular	63.6	63.8	▼ -0.2
	Kerosene	67.1	66.7	▲ 0.4
	Diesel oil	68.5	68.8	▼ -0.3

Above prices are before tax.

Reference (June 12 - June 18 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	➡ 0.0	▼ -0.2	▼ -0.1	
Kerosene	▼ -0.1	▲ 0.4	▲ 0.2	
Diesel oil	▼ -0.1	▼ -0.3	▼ -0.2	
Fuel Oil A	▼ -0.3			

(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 18 remained unchanged from a week earlier at 152.0 yen/l for gasoline and at 130.4 yen/l for diesel oil and rose by 0.1 yen/l to 92.7 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 1 yen to 1,668 yen). The diesel price leveled off for the second straight week. The kerosene price rose for the ninth straight week. Gasoline prices increased in 11 of Japan's 47 prefectures, leveled off in 12 and dropped in 24. The lowest gasoline price among the prefectures was 144.7 yen/l in Tokushima Prefecture (unchanged from a week earlier). The second lowest was 147.8 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 Ishikawa (150.1 yen/l). Logging the largest fall of 0.8 yen/l was Aomori (150.9 yen/l).

While crude oil cost rose slightly last week, Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene.

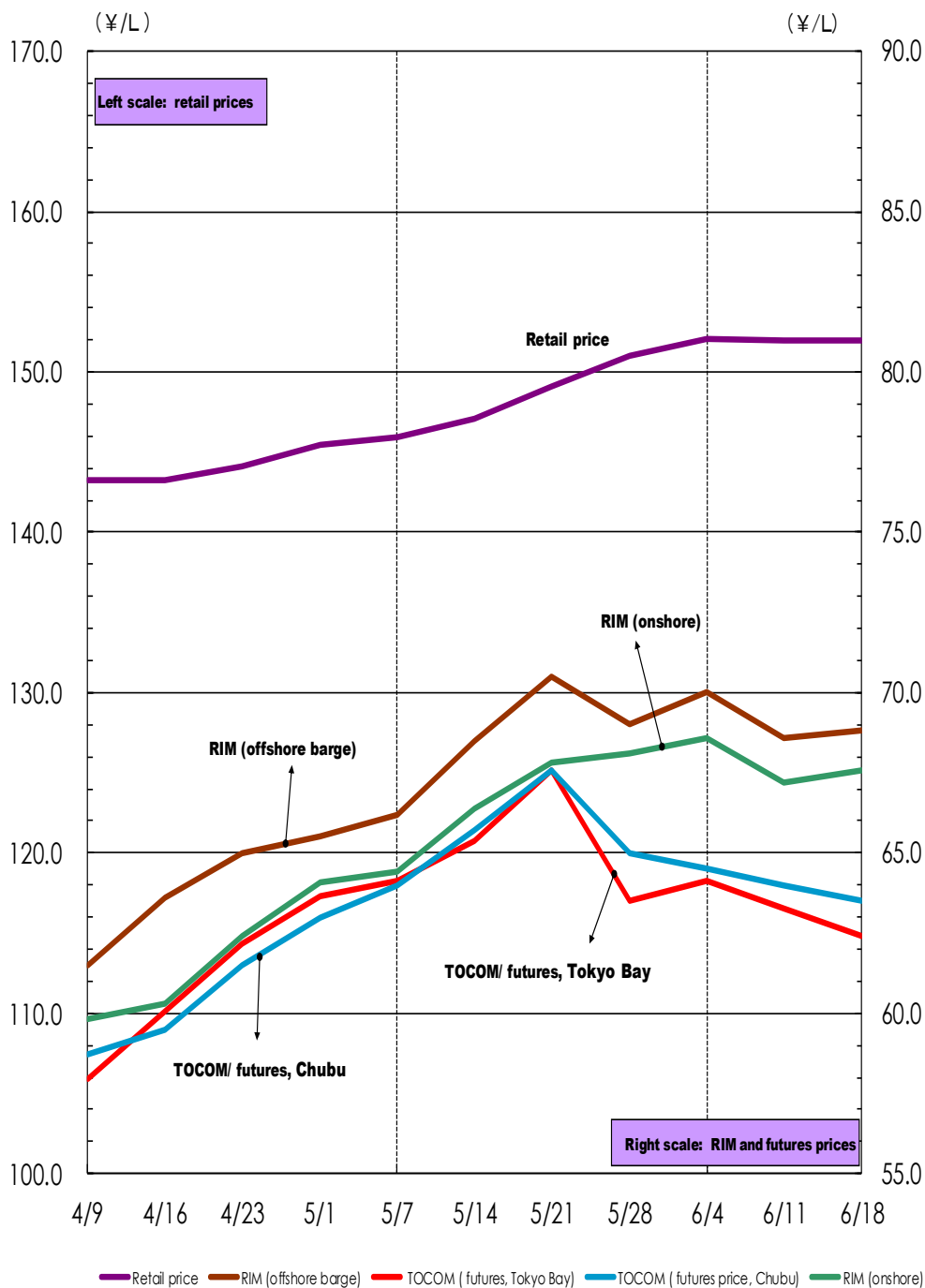
Crude oil cost fell slightly this week as crude oil price drops were partially offset by the yen's depreciation against the dollar. Retail gasoline prices are expected to fall slightly next week (as of June 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/18)	Previous week (6/11)	From a week earlier	Latest high
Retail Price	Regular	152.0	152.0	➡ 0.0	08/8/4 185.1
	Kerosene	92.7	92.6	▲ 0.1	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

(2018/4/9 ~ 2018/6/18)



(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. 12 for 2018) will be announced at 14:00 on July 6.

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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).