

# Oil Market Review in Japan No. 12/2018

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[https://eneken.iej.or.jp/en/weekly\\_oil/index.php](https://eneken.iej.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 June 14-20 week moved within a range between \$65.06 per barrel and \$66.89/bbl.

On June 21, the key contract turned down with a slight fall 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 as speculations grew about a possible agreement at these meetings to ease a joint oil production cut by these oil producing countries. However, the fall was limited by a report that a private survey company expected a decline in crude oil inventories at the WTI delivery point of Cushing and by the dollar's depreciation against the euro that made crude oil futures prices relatively lower. The August contract, which replaced the July contract as the key contract on the day, closed at \$65.54/bbl, down \$0.17/bbl from the previous day.

On June 22, OPEC at its 174th general meeting in Vienna agreed to ease the cartel's excessive oil production cut by increasing production effectively. As the effective production increase was limited to 600,000-700,000 barrels per day within an earlier-expected range, with the specific production increase or its country-by-country breakdown left unclarified, however, the key contract rallied with a steep gain. Baker Hughes reported that the number of operating U.S. oil-drilling rigs fell by one from a week earlier to 862 for the first weekly decrease in five weeks. The August contract gained \$3.04/bbl to \$68.58/bbl.

On June 25, the key contract turned down as a joint ministerial meeting of OPEC and non-OPEC oil producing countries on June 23 produced an agreement to expand their effective oil production increase from an estimated OPEC level fixed at the cartel's meeting on June 22. However, the increase remained unclarified. Also contributing to the downturn was a U.S. stock market plunge that led market players to shy away from buying high-risk products. The August contract lost \$0.50/bbl to \$68.08/bbl.

On June 26, the August contract rallied with a sharp gain as the U.S. government notified other governments of its plan to ban oil imports from Iran on its resumption of economic sanctions on the country and as concerns grew about a possible fall in oil supply from Libya plagued with an escalating civil war and from Canada where an outage hit an oil sand production facility. The key contract increased by \$2.45/bbl to \$70.53/bbl, closing above \$70/bbl for the first time in about one month.

On June 27, the August contract rose further as the EIA (Energy Information Administration) reported a faster-than-expected weekly decline in U.S. crude oil inventories. The key contract gained \$2.23/bbl to \$72.76/bbl.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market moved in a range between \$70.80/bbl and \$74.30/bbl in the June 14-20 week. It closed at \$71.50/bbl on June 21, at \$71.30/bbl on June 22, at \$71.90/bbl on June 25, at \$72.50/bbl on June 26 and at \$74.60/bbl on June 27.

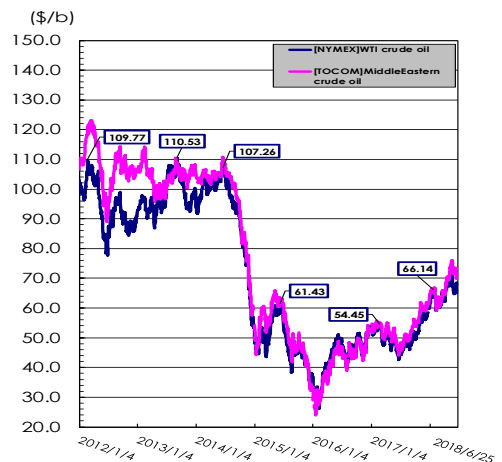
On the foreign exchange market in the June 14-20 week, the dollar moved within a range between 110.09 and 110.68 yen. It changed hands at 110.43 yen in late trading on June 21, at 110.05 yen on June 22, at 109.69 yen on June 25, at 109.57 yen on June 26 and at 109.89 yen on June 27.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 28, the average crude oil import CIF price in the June 1-10 period stood at 51,493 yen/kl (kiloliter), up 2,206 yen/kl from the previous 10-day period. In dollars, the price was \$74.33/bbl, up \$2.89/bbl. The average exchange rate was 110.12 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the first week of July were cut by 0.5-1.0 yen/liter for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost fell as crude oil price drops coincided with the yen's appreciation against the dollar.

Japan's average retail price on June 25 dropped by 0.1 yen/l from a week earlier for gasoline and diesel oil and remained unchanged for kerosene on an 18-liter tank basis. The gasoline price fell for the first time in two weeks. The diesel price posted the first drop in 12 weeks. The kerosene price ceased rising for the first time in 10 weeks (on an 18-liter tank basis). While crude oil cost decreased slightly in the fourth week of June, some Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene, with others cutting their prices by 0.5 yen/l.

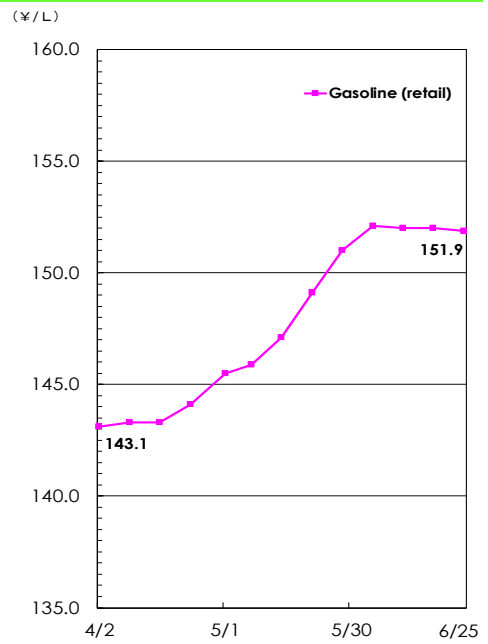
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	6/17 ~ 6/23	2,761	▼ -43	▼ -
	Topper capacity utilization rate (%)	"	70.5	▼ -1.1	▼ -
	Crude oil inventories (1,000 kl)	6/23	12,819	▲ 31	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/25	70.42	▲ 0.59	▲ 25.1
	WTI crude oil (NYMEX) (\$/bbl)	6/25	68.08	▲ 2.23	▲ 24.7
	Crude oil import CIF price (\$/bbl)	Early Jun	74.33	▲ 2.89	▲ 22.20
	① Crude oil import CIF price (yen/kl)	"	51,493	▲ 2,206	▲ 15,135
	② Yen-dollar exchange rate (yen/dollar)	"	110.12	▼ -0.44	▲ 0.76
	TTS exchange rate (yen/dollar)	6/25	110.69	▲ 0.88	▲ 1.59



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/17 ~ 6/23	884	▲ 47	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	926	▲ 74	▼ —	
	Exports	"	26	▲ 26	▼ —	
	Inventories	6/23	1,675	▼ -68	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/19 ~ 6/25	67.4	▼ -0.1	▲ 18.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/19 ~ 6/25	62.4	▼ -1.2	▲ 16.5
		(TOCOM/ Chubu)	6/25	63.0	▼ -0.5	▲ 16.1
	Retail prices [weekly trend] (published by ANRE)	6/25	151.9	▼ -0.1	▲ 21.3	

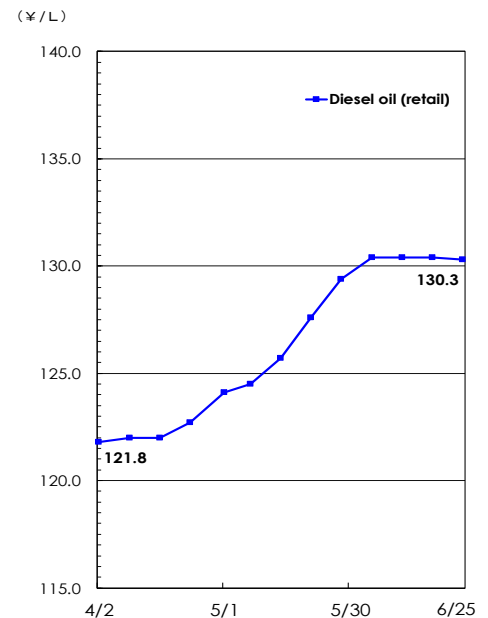
\*Gyoten and futures prices are before tax



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

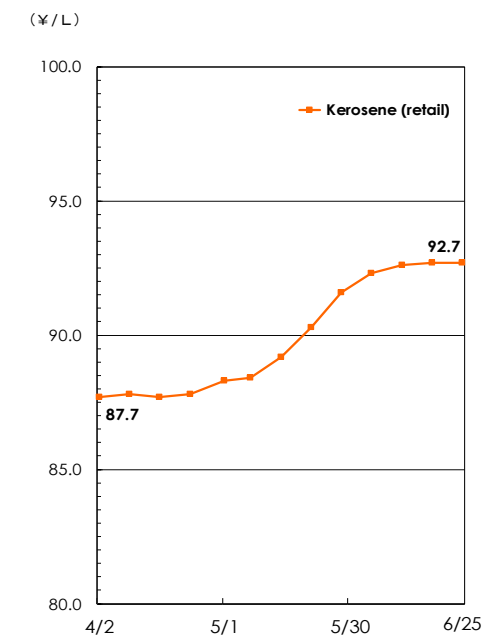
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/17 ~ 6/23	725	▲ 14	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	618	▲ 10	▼ —	
	Exports	"	174	▲ 77	▲ —	
	Inventories	6/23	1,494	▼ -68	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/19 ~ 6/25	68.7	▼ -0.3	▲ 21.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/19 ~ 6/25	67.3	▼ -1.2	▲ 19.3
		(TOCOM/ Chubu)	6/25	—	—	—
	Retail prices [weekly trend] (published by ANRE)	6/25	130.3	▼ -0.1	▲ 20.4	

\*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	6/17 ~ 6/23	79	▼ -28	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	99	▲ 7	▼ —	
	Exports	"	0	➡ 0	➡ —	
	Inventories	6/23	1,521	▼ -21	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/19 ~ 6/25	67.7	▼ -0.1	▲ 22.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/19 ~ 6/25	65.8	▼ -1.3	▲ 21.9
		(TOCOM/ Chubu)	6/25	66.0	➡ 0.0	▲ 22.2
	Retail prices [weekly trend] (published by ANRE)	6/25	92.7	➡ 0.0	▲ 16.4	



## Relevant Information

### 1 Overseas crude oil prices

On June 27, the most frequently traded WTI crude futures contract on NYMEX rose sharply to the highest level since November 6, 2014, as the EIA reported that U.S. crude oil inventories posted a weekly fall of 9.9 million barrels, far faster than a market-forecast drop of 2.6 million barrels. Also contributing to the sharp gain were growing concerns about potential oil supply disruptions following the United States' request for a ban on oil imports from Iran, a civil war in Libya and an outage at a Canadian oil sand facility. The August contract finished at \$72.76/bbl, up \$2.23/bbl from the previous day. The September contract gained \$1.98/bbl to \$71.26/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 25 fell by 4.6 cents per gallon from a week earlier to \$2.833/gal (82.7 yen/l). The average diesel oil price decreased by 2.8 cents/gal to \$3.216/gal (93.9 yen/l). The gasoline and diesel prices decreased for the fourth 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 toppler capacity in the June 17-23 week stood at 890,000 bpd, up 99,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 43,000 kl from the previous week to 2,761,000 kl. From a year earlier, it declined by 373,000 kl. The toppler capacity utilization rate stood at 70.5%, down 1.1 points from the previous week and down 9.5 points from a year earlier.

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

Output was up 5.6% for gasoline, up 40.0% for jet fuel, down 26.5% for kerosene, up 1.9% for diesel oil, up 21.5% for Fuel Oil A and down 17.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 31,000 kl, up 26,000 kl from the previous week. Diesel oil exports aggregated 174,000 kl, up 77,000 kl.

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

Gasoline shipments increased by 8.7% from the previous week to 926,000 kl for the first rise in two weeks, remaining below 1 million kl for 13 weeks on end.

Shipments totaled 64,000 kl for jet fuel (down 12.6% from the previous week), 99,000 kl for kerosene (up 8.1%),

618,000 kl for diesel oil (up 1.8%), 181,000 kl for Fuel Oil A (down 3.1%) and 209,000 kl for Fuel Oil C (up 30.1%).

(Unit: 1,000 kl)

	This week (6/17 ~ 6/23)	Previous week (6/10 ~ 6/16)	From a week earlier
Gasoline	926	852	▲ 74 (9%)
Jet fuel	64	74	▼ -10 (-14%)
Kerosene (heating Oil)	99	92	▲ 7 (8%)
Diesel oil	618	608	▲ 10 (2%)
Fuel oil A	181	187	▼ -6 (-3%)
Fuel Oil C	209	161	▲ 48 (30%)
<b>Total</b>	<b>2,097</b>	<b>1,974</b>	<b>▲ 123 (6%)</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 23 increased from a week earlier for Fuel Oil A and decreased 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 1,675,000 kl, down 68,000 kl from a week earlier and down 175,000 kl from a year earlier.

Kerosene inventories totaled 1,521,000 kl, down 21,000 kl from a week earlier and up 1,000 kl from a year earlier.

Diesel oil inventories totaled 1,494,000 kl, down 68,000 kl from a week earlier and up 31,000 kl from a year earlier.

Fuel Oil A inventories totaled 753,000 kl, up 6,000 kl from a week earlier and down 21,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,132,000 kl, down 66,000 kl from a week earlier and up 14,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/23)	Previous week (6/16)	From a week earlier
Gasoline	1,675	1,743	▼ -68 (-4%)
Jet fuel	947	983	▼ -36 (-4%)
Kerosene (heating Oil)	1,521	1,542	▼ -21 (-1%)
Diesel oil	1,494	1,562	▼ -68 (-4%)
Fuel oil A	753	747	▲ 6 (1%)
Fuel Oil C	2,132	2,198	▼ -66 (-3%)
<b>Total</b>	<b>8,522</b>	<b>8,775</b>	<b>▼ -253 (-2.9%)</b>

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

In the June 19-25 week, crude oil cost apparently posted a sharp fall from the previous week as crude oil price drops coincided with the yen's appreciation against the dollar.

Onshore cargo spot prices between June 19 and 25 fell slightly in a 121-122 yen/l range for gasoline, in a 68-70 yen/l range for diesel oil and in a 67-68 yen/l range for kerosene.

Offshore barge spot prices in the week leveled off in a 122-123 yen/l range for gasoline, fell slightly and leveled off in a 68-69 yen/l range for diesel oil, and fluctuated and fell slightly in a 66-67 yen/l range for kerosene.

The key futures price in the week fluctuated wildly and fell in a 115-118 yen/l range for gasoline, dropped slightly in a 67-68 yen/l range for diesel oil, and fluctuated and leveled off in a 65-67 yen/l range for kerosene. Motouri companies cut their wholesale prices by 0.5-1.0 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, offshore barge spot prices for gasoline rose slightly, while other prices posted various drops.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the June 19-25 week) that influences Motouri's wholesale prices applied to the first week of July (June 28-July 4) fell by 0.1 yen/l for gasoline and kerosene and by 0.3 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.3 yen/l for gasoline, dropped by 1.1 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil. The key futures price fell by 1.2 yen/l for gasoline, by 1.3 yen/l for kerosene and by 1.2 yen/l for diesel oil. Crude oil cost decreased as crude oil price drops were coupled with the yen's appreciation against the dollar.

For the first week of July, Motouri companies lowered their wholesale prices by 0.5-1.0 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 (6/19 ~ 6/25)	Previous week (6/12 ~ 6/18)	From a week earlier
Spot Prices	Regular	67.4	67.5	▼ -0.1
	Kerosene	67.7	67.8	▼ -0.1
	Diesel oil	68.7	69.0	▼ -0.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (6/19 ~ 6/25)	Previous week (6/12 ~ 6/18)	From a week earlier
Futures Price	Regular	62.4	63.6	▼ -1.2
	Kerosene	65.8	67.1	▼ -1.3
	Diesel oil	67.3	68.5	▼ -1.2

Above prices are before tax.

Reference (June 19 - June 25 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.1	▼ -1.2	▼ -0.7
Kerosene	▼ -0.1	▼ -1.3	▼ -0.7
Diesel oil	▼ -0.3	▼ -1.2	▼ -0.8
Fuel Oil A	▼ -0.4		

(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 25 dropped by 0.1 yen/l to 151.9 yen/l for gasoline and to 130.3 yen/l for diesel oil and remained unchanged at 92.7 yen/l for kerosene (on an 18-liter tank basis, the kerosene price also leveled off at 1,668 yen). The gasoline price fell for the first time in two weeks. The diesel price posted the first drop in 12 weeks. The kerosene price ceased rising for the first time in 10 weeks. Gasoline prices increased in 14 of Japan's 47 prefectures, leveled off in 11 and dropped in 22. The lowest gasoline price among the prefectures was 144.6 yen/l in Tokushima Prefecture (down 0.1 yen/l from a week earlier). The second lowest was 148.0 yen/l in Saitama (up 0.2 yen/l). The highest price was 160.7 yen/l in Nagasaki (down 0.2 yen/l). Posting the largest price hike of 0.6 yen/l were Kagoshima (157.9 yen/l) and Aichi (150.3 yen/l). Logging the largest fall of 0.8 yen/l was Tokyo (151.7 yen/l).

While crude oil cost fell slightly last week, some Motouri companies left their wholesale prices unchanged for gasoline, diesel oil and kerosene, with the others cutting their prices by 0.5 yen/l.

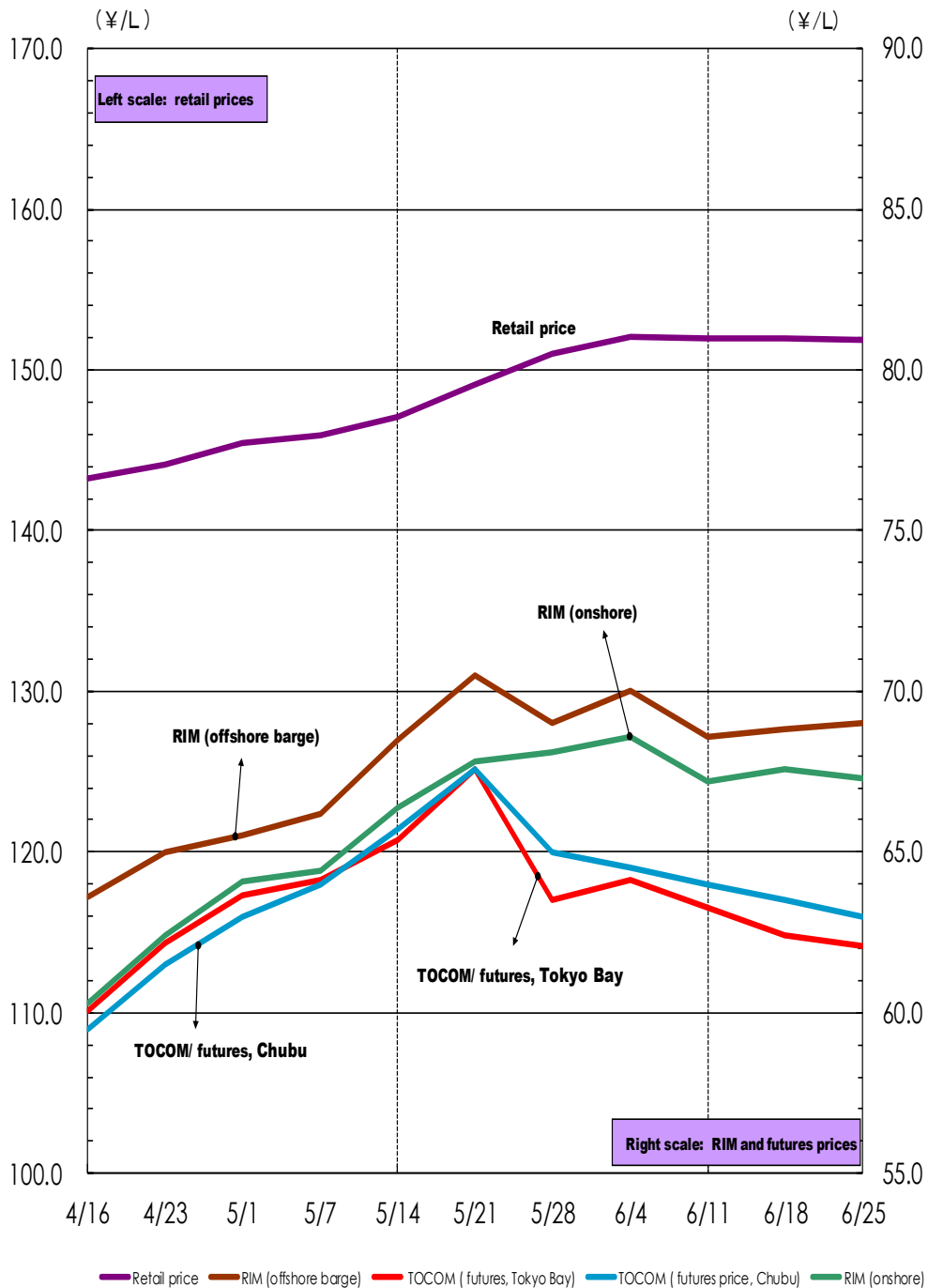
Crude oil cost fell this week as crude oil price drops coincided with the yen's appreciation against the dollar. Retail gasoline prices are expected to fall slightly next week (as of July 2).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/25)	Previous week (6/18)	From a week earlier	Latest high
Retail Price	Regular	151.9	152.0	▼ -0.1	08/8/4 185.1
	Kerosene	92.7	92.7	➡ 0.0	08/8/11 132.1
	Diesel oil	130.3	130.4	▼ -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

(2018/4/16 ~ 2018/6/25)



(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. 13 for 2018) will be announced at 14:00 on July 13.

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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).