

Oil Market Review in Japan No. 44/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the February 7-13 week moved within a firm range between \$52.41 per barrel and \$53.90/bbl.

On February 14, the March contract rose for the third straight day as a monthly IEA (International Energy Agency) report said that OPEC (Organization of the Petroleum Exporting Countries) and Canada reduced oil production in January. However, the rise was restricted by a report that U.S. retail sales in December declined substantially. The key contract closed at \$54.41/bbl, up \$0.51/bbl from the previous market day.

On February 15, the March contract extended its winning streak to four days and rose above \$55/bbl on smooth progress in OPEC's oil production cut and a report that production had partially halted for two weeks at the major Saudi Arabian offshore oilfield of Safaniya. A Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by three from a week earlier to 857 had little impact on the market. The key contract gained \$1.18/bbl to \$55.59/bbl.

On February 18, the market was closed for the George Washington birthday holiday.

On February 19 after a three-day weekend, the key contract increased for the fifth straight trading day on an OPEC production cut, concerns about oil supply shortages due to U.S. sanctions on Iran and Venezuela, and Iranian Foreign Minister Mohammad Javad Zarif's reported warning about the risk of a war with Israel at a Munich security meeting, while uncertainties remained about U.S.-China trade talks. The March contract rose by \$0.50/bbl to \$56.09/bbl.

On February 20, the key contract went up to a three-month high on growing hopes on the OPEC-led production cut and optimism about U.S.-trade trade talks, extending its winning streak to six days. A weekly EIA (Energy Information Administration) inventory report was delayed for one day because of the George Washington birthday holiday. The March contract closed its final trading day at \$56.92/bbl, up \$0.83/bbl.

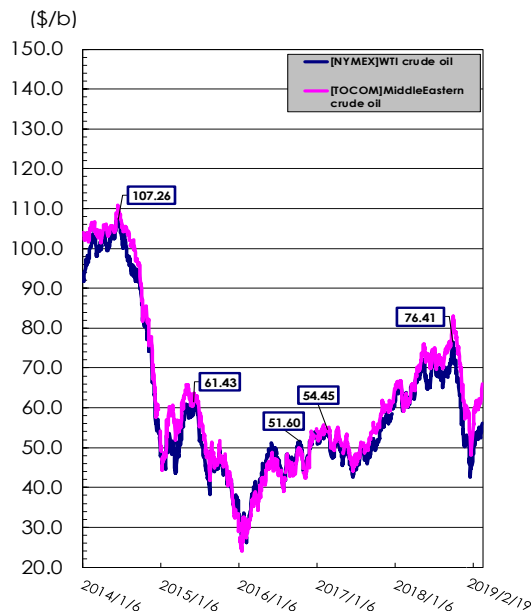
The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market moved in a range between \$61.40/bbl and \$63.40/bbl in the February 7-13 week. It closed at \$64.80/bbl on February 14, at \$65.20/bbl on February 15, at \$66.70/bbl on February 18, at \$66.50/bbl on February 19 and at \$66.50/bbl on February 20.

On the foreign exchange market in the February 7-13 week, the dollar moved within a range between 109.84 and 110.55 yen. It changed hands at 110.98 yen in late trading on February 14, at 110.44 yen on February 15, at 110.54 yen on February 18, at 110.53 yen on February 19 and at 110.75 yen on February 20.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 20, the average crude oil import CIF price in the January 21-31 period stood at 42,161 yen/kl (kiloliter), down 115 yen/kl from the previous 10-day period. In dollars, the price was \$61.71/bbl, down \$0.34/bbl. The average exchange rate was 108.63 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 came to 43,119 yen/kl, down 7,971 yen/kl from the previous month. In dollars, the price was \$62.69/bbl, down \$9.10/bbl. The average exchange rate was 109.35 yen to the dollar.

Japan's average retail price on February 18 increased by 0.1 yen/l from a week earlier for gasoline and diesel oil and by 1 yen for kerosene on an 18-liter tank basis. The gasoline, and diesel and kerosene prices rose for the first time in two weeks. As crude oil cost rose in the third week of February, major Motouri companies raised their wholesale prices by 2.0-2.5 yen/l for gasoline, diesel oil and kerosene for the next week.

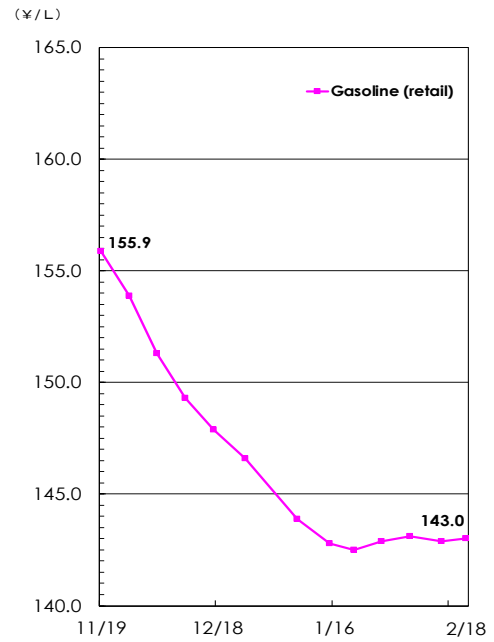
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	2/10 ~ 2/16	3,582	▲ 21	▼ -
	Topper capacity utilization rate (%)	"	91.5	▲ 0.6	▼ -
	Crude oil inventories (1,000 kl)	2/16	12,325	▲ 524	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/18	66.13	▲ 4.57	▲ 3.9
	WTI crude oil (NYMEX) (\$/bbl)	2/19	56.09	▲ 3.68	▼ -5.8
	Crude oil import CIF price (\$/bbl)	Late Jan	61.71	▼ -0.34	▼ -2.87
	① Crude oil import CIF price (yen/kl)	"	42,161	▼ -115	▼ -3,520
	② Yen-dollar exchange rate (yen/dollar)	"	108.63	▼ -0.31	▲ 3.83
	TTS exchange rate (yen/dollar)	2/18	111.54	▲ 0.01	▼ -4.24



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	2/10 ~ 2/16	1,039 ▲ 64	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	827 ▼ -88	▼ —	
	Exports	"	180 ▲ 158	▲ —	
	Inventories	2/16	1,737 ▲ 32	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/12 ~ 2/18	56.9 ▲ 0.4	▼ -2.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/12 ~ 2/18	55.1 ▲ 2.0	▼ -0.2
		(TOCOM/ Chubu)	2/18	57.8 ▲ 2.3	▲ 1.3
	Retail prices [weekly trend] (published by ANRE)	2/18	143.0 ▲ 0.1	▼ -1.7	

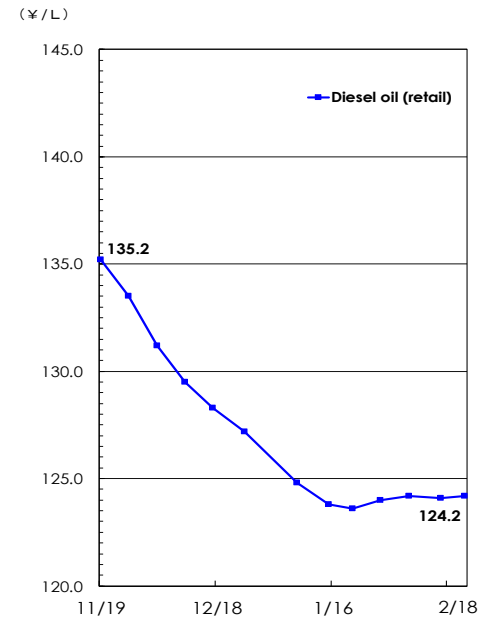
*Gyoten and futures prices are before tax



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

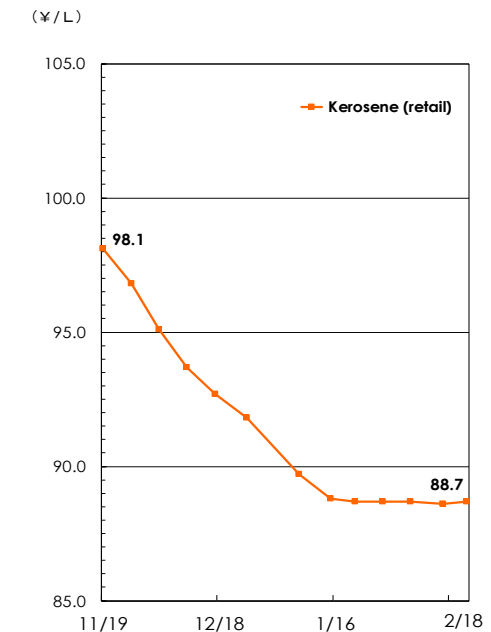
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	2/10 ~ 2/16	817 ▼ -60	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	595 ▼ -102	▼ —	
	Exports	"	151 ▼ -90	▼ —	
	Inventories	2/16	1,620 ▲ 71	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/12 ~ 2/18	60.4 ▲ 0.4	▼ -0.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/12 ~ 2/18	62.4 ▲ 0.2	▲ 2.4
		(TOCOM/ Chubu)	2/18	—	—
	Retail prices [weekly trend] (published by ANRE)	2/18	124.2 ▲ 0.1	▲ 1.3	

*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	2/10 ~ 2/16	425 ▲ 13	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	493 ▼ -19	▼ —	
	Exports	"	0 ▼ -20	▼ —	
	Inventories	2/16	1,733 ▼ -68	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/12 ~ 2/18	60.0 ▲ 0.2	▼ -4.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/12 ~ 2/18	59.4 ▲ 0.3	▼ -3.0
		(TOCOM/ Chubu)	2/18	60.5 ▲ 1.5	▼ -3.5
	Retail prices [weekly trend] (published by ANRE)	2/18	88.7 ▲ 0.1	▲ 0.5	



Relevant Information

1 Overseas crude oil prices

On February 20, the most frequently traded crude oil futures contract on NYMEX rose for the sixth straight trading day to a three-month high as hopes on the OPEC-plus coordinated production cut grew in response to Saudi Arabian Energy Minister Khalid al-Falih's remark that he wished to attain a supply-demand equilibrium by April. Optimism about U.S.-China trade talks and position adjustment buying on the final trading day for the March contract also contributed to the rise. A weekly EIA inventory report was delayed until the next day because of the George Washington birthday holiday. The March contract gained \$0.83/bbl to \$56.92/bbl, the highest price for the most frequently trade contract since November 12. The April contract rose by \$0.71/bbl to \$57.16/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 18 rose by 4.1 cents per gallon from a week earlier to \$2.317/gal (68.2 yen/l). The average diesel oil price increased by 4.0 cents/gal. to \$3.006/gal (88.5 yen/l). The gasoline price increased for the second straight week, while the diesel price went up for the first time in two weeks.

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 10-16 week stood at 128,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week increased by 21,000 kl from the previous week to 3,582,000 kl. From a year earlier, it decreased by 97,000 kl. The topper capacity utilization rate stood at 91.5%, up 0.6 points from the previous week and down 2.4 points from a year earlier.

Production increased from the previous week for gasoline and kerosene and decreased for other petroleum products. Output was up 6.6% for gasoline, down 18.9% for jet fuel, up 3.2% for kerosene, down 6.9% for diesel oil, down 6.6% for Fuel Oil A and down 3.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 2,000 kl, up 1,000 kl from the previous week. Diesel oil exports aggregated 151,000 kl, down 90,000 kl.

Shipments (excluding imports) in the week increased from the previous week for Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments rose for jet fuel and declined for others. Gasoline shipments decreased by 9.6% from the previous week to 827,000 kl for the first rise in three weeks, remaining below 1 million kl for seven months on end. Shipments totaled 77,000 kl for jet fuel (down 31.8% from the previous week), 493,000 kl for kerosene (down 3.5%),

595,000 kl for diesel oil (down 14.6%), 266,000 kl for Fuel Oil A (down 7.9%) and 279,000 kl for Fuel Oil C (up 19.5%).

(Unit: 1,000 kl)

	This week (2/10 ~ 2/16)	Previous week (2/3 ~ 2/9)	From a week earlier
Gasoline	827	915	▼ -88 (-10%)
Jet fuel	77	113	▼ -36 (-32%)
Kerosene (heating Oil)	493	512	▼ -19 (-4%)
Diesel oil	595	697	▼ -102 (-15%)
Fuel oil A	266	289	▼ -23 (-8%)
Fuel Oil C	279	234	▲ 45 (19%)
Total	2,537	2,760	▼ -223 (-8%)

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 16 increased from a week earlier for gasoline, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories decreased for jet fuel and increased for others.

Gasoline inventories totaled 1,737,000 kl, up 32,000 kl from a week earlier and up 101,000 kl from a year earlier.

Kerosene inventories totaled 1,733,000 kl, down 68,000 kl from a week earlier and up 479,000 kl from a year earlier.

Diesel oil inventories totaled 1,620,000 kl, up 71,000 kl from a week earlier and up 379,000 kl from a year earlier.

Fuel Oil A inventories totaled 818,000 kl, up 23,000 kl from a week earlier and up 135,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,979,000 kl, down 76,000 kl from a week earlier and up 104,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/16)	Previous week (2/9)	From a week earlier
Gasoline	1,737	1,705	▲ 32 (2%)
Jet fuel	720	753	▼ -33 (-4%)
Kerosene (heating Oil)	1,733	1,801	▼ -68 (-4%)
Diesel oil	1,620	1,549	▲ 71 (5%)
Fuel oil A	818	795	▲ 23 (3%)
Fuel Oil C	1,979	2,055	▼ -76 (-4%)
Total	8,607	8,658	▼ -51 (-0.6%)

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

In the February 12-18 week, crude oil cost might have risen sharply from the previous week as steep crude oil price hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices during the February 12-18 week rose in a 110-112 yen/l range for gasoline, rose and fell slightly in a 59-61 yen/l range for diesel oil and increased and leveled off in a 59-60 yen/l range for kerosene.

Offshore barge spot prices during the week soared in a 111-114 yen/l range for gasoline, rose sharply in a 62-64 yen/l range for diesel oil and increased in a 59-61 yen/l range for kerosene.

The key futures price during the week increased sharply in a 107-110 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and soared in a 58-61 yen/l range for kerosene.

For the next week, major Motouri companies raised their wholesale prices by 2.0-2.5 yen/l for gasoline, diesel oil and kerosene.

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

Spot prices this week increased from the previous week's averages for all petroleum products in all markets.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the February 12-18 week) that influences Motouri's wholesale prices applied to the fourth week of February (February 21-27) rose by 0.4 yen/l for gasoline, by 0.2 yen/l for kerosene and by 0.4 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.9 yen/l for gasoline, by 0.3 yen/l for kerosene and by 0.5 yen/l for diesel oil.

The key futures price rose by 2.0 yen/l for gasoline, by 0.3 yen/l for kerosene and by 0.2 yen/l for diesel oil.

For the fourth week of February, major Motouri companies raised their wholesale prices by 2.0-2.5 yen 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 (2/12 ~ 2/18)	Previous week (2/5 ~ 2/11)	From a week earlier
Spot Prices	Regular	56.9	56.5	▲ 0.4
	Kerosene	60.0	59.8	▲ 0.2
	Diesel oil	60.4	60.0	▲ 0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/12 ~ 2/18)	Previous week (2/5 ~ 2/11)	From a week earlier
Futures Price	Regular	55.1	53.1	▲ 2.0
	Kerosene	59.4	59.1	▲ 0.3
	Diesel oil	62.4	62.2	▲ 0.2

Above prices are before tax.

Reference (February12 - February18 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 0.4	▲ 2.0	▲ 1.2	
Kerosene	▲ 0.2	▲ 0.3	▲ 0.2	
Diesel oil	▲ 0.4	▲ 0.2	▲ 0.3	
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 February 18 increased by 0.1 yen/l from a week earlier to 143.0 yen/l for gasoline, by 0.1 yen/l to 124.2 yen/l for diesel oil and by 1 yen to 1,596 yen for kerosene on an 18-liter tank basis (or by 0.1 yen/l to 88.7 yen/l). The gasoline, diesel and kerosene prices rose for the first time in two weeks. Gasoline prices increased in 28 of Japan's 47 prefectures, remained unchanged in five and decreased in 14. The lowest gasoline price among the prefectures was 136.9 yen/l in Tokushima Prefecture (up 0.1 yen/l from a week earlier). The second lowest was 137.4 yen/l in Saitama Prefecture (up 0.1 yen/l). The highest price was 155.0 yen/l in Nagasaki (unchanged). Logging the sharpest price rise of 1.1 yen/l was Aichi (140.5 yen/l). Among the five prefectures where gasoline prices leveled off was Nagasaki. Posting the steepest decline of 3.0 yen/l was Kochi (149.2 yen/l).

While crude oil cost fell last week, major Motouri companies raised their wholesale prices by 0.5-1.0 yen for gasoline, diesel oil and kerosene for this week.

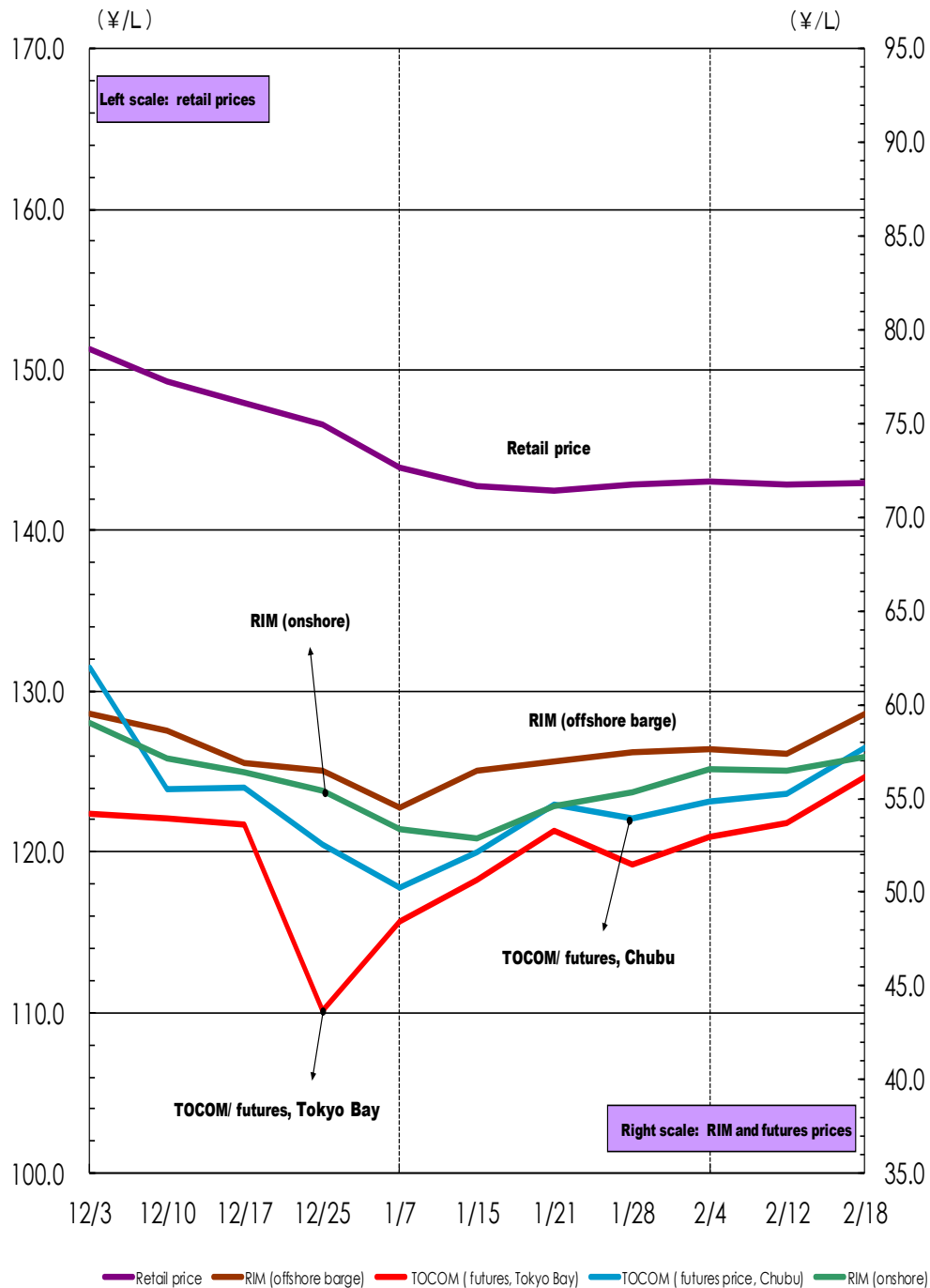
Crude oil cost soared this week as steep crude oil price hikes coincided with the yen's depreciation against the dollar. Motouri raised their wholesale prices for next week by 2.0-2.5 yen/l for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to rise next week (as of February 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/18)	Previous week (2/12)	From a week earlier	Latest high
Retail Price	Regular	143.0	142.9	▲ 0.1	08/8/4 185.1
	Kerosene	88.7	88.6	▲ 0.1	08/8/11 132.1
	Diesel oil	124.2	124.1	▲ 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

(2018/12/3 ~ 2019/2/18)



(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 (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 45 for 2018) will be announced at 14:00 on March 8.

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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).