Oil Market Review in Japan No. 44/2019

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Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
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**Overview**

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the February 6-12 week moved within a range between $49.57 per barrel and $51.17/bbl.

On February 13, the March contract rose for the third straight day on hopes of additional joint production cuts by OPEC (Organization of the Petroleum Exporting Countries) and some non-OPEC oil-producing countries. However, the rise was restricted by a monthly IEA (International Energy Agency) report that revised downward an oil demand projection for 2020 and forecast that oil demand in the first quarter of 2020 would decline year on year for the first time in more than 10 years. The key contract closed at $51.42/bbl, up $0.25/bbl from the previous day.

On February 14, the March contract extended its winning streak to four days as excessive concern on the new coronavirus epidemic’s impact on the global economy receded on U.S. Energy Secretary Dan Brouillette’s remark that the epidemic’s effects on the energy market would be very limited. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 678 for the second straight weekly rise. The key contract gained $0.63/bbl to $52.05/bbl.

On February 17, the market was closed for the President’s Day (George Washington’s birthday) holiday. On February 18, the key contract remained unchanged as dip buying after a three-day weekend and position-adjusting purchases came amid lingering concern about global economic stagnation that could be caused by the expansion of the new coronavirus epidemic. The March contract finished unchanged at $52.05/bbl.

On February 19, the key contract rose as excessive concern about the new coronavirus epidemic’s adverse effects on the global economy faded away. A weekly EIA (Energy Information Administration) oil inventory report was delayed until the next day because of the President’s Day holiday. The March contract gained $1.24/bbl to $53.29/bbl.

The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market ranged between $53.90/bbl and $56.00/bbl in the February 6-12 week. It closed at $55.10/bbl on February 13, at $55.50/bbl on February 14, at $55.70/bbl on February 17, at $55.70/bbl on February 18 and at $56.70/bbl on February 19.

On the foreign exchange market in the February 6-12 week, the dollar moved within a range between 109.67 and 109.92 yen. It changed hands at 109.91 yen in late trading on February 13, at 109.89 yen on February 14, at 109.80 yen on February 17, at 109.86 yen on February 18 and at 109.94 yen on February 19.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 19, the average crude oil import CIF price for Japan in the January 21-31 period stood at 48,729 yen/kl (kiloliter), up 58 yen/kl from the previous 10-day period. In dollars, the price was $70.82/bbl, down $0.13/bbl. The average exchange rate was 109.39 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 for Japan in January stood at 48,317 yen/kl, up 2,322 yen/kl from the previous month. In dollars, the price was $70.27/bbl, up $3.15/bbl. The average exchange rate was 109.31 yen to the dollar.

Japan’s average retail price on February 17 fell by 1.5 yen/l from a week earlier for gasoline, by 1.5 yen/l for diesel oil and by 18 yen/l for kerosene on an 18-liter tank basis. The gasoline price dropped for the fourth straight week. The diesel oil and kerosene prices declined for the third straight week. As crude oil cost rose in the third week of February, Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.
### Gasoline

<table>
<thead>
<tr>
<th>Category</th>
<th>This Week</th>
<th>From a Week Earlier</th>
<th>From a Year Earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2/9 ~ 2/15</td>
<td>887</td>
<td>▼ -91</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>878</td>
<td>▼ -79</td>
<td>▲ -</td>
</tr>
<tr>
<td>Exports</td>
<td>112</td>
<td>▲ 65</td>
<td>▼ -</td>
</tr>
<tr>
<td>Inventories</td>
<td>2/15</td>
<td>1,683</td>
<td>▼ -102</td>
</tr>
</tbody>
</table>

**Gyoten (spot) [4-district average lorry rack price] (RIM)**
2/11 ~ 2/17 | 53.8 | ▼ -1.1 | ▼ -3.1 |

**Futures [front-month contract/closing price]**
2/11 ~ 2/17 | 52.3 | ▲ 1.0 | ▼ -2.8 |

**Retail prices [weekly trend] (published by ANRE)**
2/17 | 148.5 | ▼ -1.5 | ▲ 5.5 |

*Gyoten and futures prices are before tax*

### Diesel oil

<table>
<thead>
<tr>
<th>Category</th>
<th>This Week</th>
<th>From a Week Earlier</th>
<th>From a Year Earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2/9 ~ 2/15</td>
<td>718</td>
<td>▼ -32</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>582</td>
<td>▼ -66</td>
<td>▼ -</td>
</tr>
<tr>
<td>Exports</td>
<td>195</td>
<td>▲ 78</td>
<td>▼ -</td>
</tr>
<tr>
<td>Inventories</td>
<td>2/15</td>
<td>1,614</td>
<td>▼ -59</td>
</tr>
</tbody>
</table>

**Gyoten (spot) [4-district average lorry rack price] (RIM)**
2/11 ~ 2/17 | 58.0 | ▼ -2.4 | ▼ -2.4 |

**Futures [front-month contract/closing price]**
2/11 ~ 2/17 | 61.9 | ▼ -0.5 | ▼ -0.5 |

**Retail prices [weekly trend] (published by ANRE)**
2/17 | 128.9 | ▼ -1.5 | ▲ 4.7 |

*Gyoten and futures prices are before tax*

### Kerosene

<table>
<thead>
<tr>
<th>Category</th>
<th>This Week</th>
<th>From a Week Earlier</th>
<th>From a Year Earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2/9 ~ 2/15</td>
<td>302</td>
<td>▲ 26</td>
</tr>
<tr>
<td>Imports</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Shipments</td>
<td>404</td>
<td>▼ -10</td>
<td>▼ -</td>
</tr>
<tr>
<td>Exports</td>
<td>0</td>
<td>▼ 0</td>
<td>▼</td>
</tr>
<tr>
<td>Inventories</td>
<td>2/15</td>
<td>1,799</td>
<td>▼ -102</td>
</tr>
</tbody>
</table>

**Gyoten (spot) [4-district average lorry rack price] (RIM)**
2/11 ~ 2/17 | 57.3 | ▼ -1.3 | ▼ -2.7 |

**Futures [front-month contract/closing price]**
2/11 ~ 2/17 | 54.6 | ▲ 1.2 | ▼ -4.8 |

**Retail prices [weekly trend] (published by ANRE)**
2/17 | 93.1 | ▼ -1.0 | ▲ 4.4 |

*Gyoten and futures prices are before tax*
**Relevant Information**

1. **Overseas crude oil prices**

On February 19, the most frequently traded oil futures contract on NYMEX rose further as excessive concern about the new coronavirus epidemic’s adverse effects on the global economy faded away on reports that a daily increase in the number of people infected with the new coronavirus and a rise in the number of deaths caused by the coronavirus were held down. European and U.S. stock prices soared, indicating that investors restored their risk appetite to some extent. The weekly EIA oil inventory report due out the next day was forecast to include a weekly increase of 2.5 million barrels in U.S. crude oil inventories, a rise in gasoline inventories and a decline in middle distillates inventories. The March contract gained $1.24/bbl to $53.29/bbl. The April contract rose by $1.20/bbl to $53.49/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 17 increased by 0.9 cents per gallon from a week earlier to $2.428/gal (71.0 yen/l). The average diesel oil price fell by 2.0 cents/gal to $2.890/gal (84.5 yen/l). The gasoline price rose for the first time in six weeks. The diesel price dropped for the sixth 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 February 9-15 week stood at 242,000 barrels per day, up 55,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 39,000 kl from the previous week to 3,188,000 kl. From a year earlier, it decreased by 394,000 kl. The topper capacity utilization rate stood at 81.4%, down 1.0 points from the previous week and down 10.1 points from a year earlier.

Production increased from the previous week for kerosene and decreased for other petroleum products. Output was down 9.3% for gasoline, down 33.3% for jet fuel, up 9.5% for kerosene, down 6.8% for diesel oil, down 7.0% for Fuel Oil A and down 16.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 36,000 kl, up 36,000 kl from the previous week. Diesel oil exports aggregated 195,000 kl, up 78,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for all petroleum products. From a year earlier, shipments expanded for gasoline and declined for other petroleum products. Gasoline shipments decreased by 8.3% from the previous week to 878,000 kl for the first fall in two weeks, remaining below 1 million kl for 26 weeks on end. Shipments totaled 17,000 kl for jet fuel (down 89.2% from the previous week), 404,000 kl for kerosene (down 2.6%), 582,000 kl for diesel oil (down 10.1%), 203,000 kl for Fuel Oil A (down 25.7%) and 86,000 kl for Fuel Oil C (down 42.8%).

<table>
<thead>
<tr>
<th>(Unit: 1,000 kl)</th>
<th>This week [2/9 ~ 2/15]</th>
<th>Previous week [2/2 ~ 2/8]</th>
<th>From a week earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>878</td>
<td>957</td>
<td>▼ -79 (-8%)</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>17</td>
<td>157</td>
<td>▼ -140 (-89%)</td>
</tr>
<tr>
<td>Kerosene (heating Oil)</td>
<td>404</td>
<td>414</td>
<td>▼ -10 (-2%)</td>
</tr>
<tr>
<td>Diesel oil</td>
<td>582</td>
<td>648</td>
<td>▼ -66 (-10%)</td>
</tr>
<tr>
<td>Fuel oil A</td>
<td>203</td>
<td>274</td>
<td>▼ -71 (-26%)</td>
</tr>
<tr>
<td>Fuel Oil C</td>
<td>86</td>
<td>151</td>
<td>▼ -65 (-43%)</td>
</tr>
<tr>
<td>Total</td>
<td>2,170</td>
<td>2,601</td>
<td>▼ -431 (-17%)</td>
</tr>
</tbody>
</table>

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 15 increased from a week earlier for jet fuel and decreased for other petroleum products. From a year earlier, inventories expanded for jet fuel and kerosene and shrank for other petroleum products.

Gasoline inventories totaled 1,683,000 kl, down 102,000 kl from a week earlier and down 55,000 kl from a year earlier.

Kerosene inventories totaled 1,799,000 kl, down 102,000 kl from a week earlier and up 66,000 kl from a year earlier.

Diesel oil inventories totaled 1,614,000 kl, down 59,000 kl from a week earlier and down 6,000 kl from a year earlier.

Fuel Oil A inventories totaled 728,000 kl, down 8,000 kl from a week earlier and down 89,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,905,000 kl, down 17,000 kl from a week earlier and down 74,000 kl from a year earlier.

<table>
<thead>
<tr>
<th>(Unit: 1,000 kl)</th>
<th>This week [2/15]</th>
<th>Previous week [2/8]</th>
<th>From a week earlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>1,683</td>
<td>1,785</td>
<td>▼ -102 (-6%)</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>849</td>
<td>820</td>
<td>▲ 29 (4%)</td>
</tr>
<tr>
<td>Kerosene (heating Oil)</td>
<td>1,799</td>
<td>1,901</td>
<td>▼ -102 (-5%)</td>
</tr>
<tr>
<td>Diesel oil</td>
<td>1,614</td>
<td>1,673</td>
<td>▼ -59 (-4%)</td>
</tr>
<tr>
<td>Fuel oil A</td>
<td>728</td>
<td>736</td>
<td>▼ -8 (-1%)</td>
</tr>
<tr>
<td>Fuel Oil C</td>
<td>1,905</td>
<td>1,922</td>
<td>▼ -17 (-1%)</td>
</tr>
<tr>
<td>Total</td>
<td>8,578</td>
<td>8,837</td>
<td>▼ -259 (-2.9%)</td>
</tr>
</tbody>
</table>
### 3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the February 11-17 week, crude oil cost rose as crude oil price hikes coincided with the yen’s depreciation against the dollar. Onshore cargo spot prices during the week rose in a 107-109 yen/l range for gasoline, fell slightly in a 57-59 yen/l range for diesel oil and almost leveled off in a 57-58 yen/l range for kerosene.

Offshore barge spot prices during the week rose in a 109-111 yen/l range for gasoline, almost leveled off in a 59-60 yen/l range for diesel oil and shot up in a 55-57 yen/l range for kerosene.

The key futures price during the week soared in a 104-108 yen/l range for gasoline, rose in a 61-63 yen/l range for diesel oil and increased in a 53-56 yen/l range for kerosene.

For the next week, Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline, kerosene and diesel oil.

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

Spot petroleum products prices in the February 11-17 week fell from their respective averages in the February 4-10 week, excluding gasoline and kerosene futures prices.

The latest onshore cargo spot price (the average onshore rack price for four districts – Chiba, Kawasaki, Chukyo and Hanshin - for the February 11-17 week) fell by 1.1 yen/l from the previous week for gasoline, by 1.3 yen/l for kerosene and by 2.4 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.7 yen/l for gasoline, by 0.1 yen/l for kerosene and by 3.1 yen/l for diesel oil.

The key futures price rose by 1.0 yen/l for gasoline and by 1.2 yen/l for kerosene and dropped by 0.5 yen/l for diesel oil.

For the fourth week of February, Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene.

### 4 Retail prices of petroleum products in Japan

The average retail service station price as of February 17 decreased by 1.5 yen/l from a week earlier to 148.5 yen/l for gasoline, by 1.5 yen/l to 128.9 yen/l for diesel oil and by 18 yen to 1,675 yen for kerosene on an 18-liter tank basis (or by 1.0 yen/l to 93.1 yen/l). The gasoline price fell for the fourth straight week. The diesel oil and kerosene prices dropped for the third straight week.

Gasoline prices increased in none of Japan’s 47 prefectures, leveled off in one and decreased in 46. The lowest gasoline price among the prefectures was 142.8 yen/l in Saitama (down 2.2 yen/l from a week earlier). The second lowest was 143.1 yen/l in Ishikawa (down 1.9 yen/l).

The highest price was 161.2 yen/l in Nagasaki (down 1.6 yen/l). The average gasoline price leveled off in Kochi. Kagawa posted the largest price fall of 3.6 yen/l to 147.2 yen/l.

As crude oil cost plunged last week, Motouri companies cut their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost rose this week as crude oil price hikes coincided with the yen’s slight depreciation against the dollar. Motouri companies raised their wholesale prices by 0.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices on the next price survey day (February 25) are expected to slightly fall from a week earlier as retailers failed to pass earlier wholesale price cuts on to retail prices fully.
Gasoline price trend
(2019/12/2 ~ 2020/2/17)

(Note)① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
② RIM (onshore) is the average of four districts.
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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.

③ [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.

④ [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).

⑤ [Future 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).