

Oil Market Review in Japan No. 47/2019

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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 week to March 4 moved within a range between \$44.76 per barrel and \$47.18/bbl.

On March 5, the April contract fell further as concern about a global recession resurged on the expansion of the new coronavirus pandemic. OPEC (Organization of the Petroleum Exporting Countries) at its meeting agreed to cut OPEC-plus oil production by an additional 1.5 billion barrels per day, leading market participants to pay attention to an OPEC-plus group meeting scheduled for the next day. The key contract closed at \$45.90/bbl, down \$0.88/bbl from the previous day.

On March 6, the key contract took a plunge to a 43-month low as Saudi Arabia indicated a plan to increase oil production after the OPEC-plus group meeting broke up on Russia's opposition to the additional production cut proposal, indicating the termination of the group's joint production cuts at the end of April. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by four from a week earlier to 682. The April contract finished \$4.62/bbl lower at \$41.28/bbl, the lowest since August 2016.

On March 9, the key contract suffered a steep decline of 24% to the lowest level since February 2016 as selling grew dominant on concern about major oil-producing countries' price-cutting race after the OPEC-plus meeting breakup. The drop was the steepest since the start of the Persian Gulf War in 1991. The IEA (International Energy Agency) revised its global oil demand projection downward by about 0.9 million to 99.9 million barrels per day for 2020 due to the expanding new coronavirus pandemic, predicting the first annual decline in 11 years. The April contract lost \$10.15/bbl to \$31.13/bbl.

On March 10, the key contract rallied for the first time in five trading days as dip buying came, with market participants welcoming U.S. President Donald Trump's economic stimulus plan. On the day, Saudi Aramco announced that it would expand its oil production from 9.7 million bpd at present to 12.3 million bpd from April. Russia also announced a production increase from April, but its Energy Minister Alexander Novak said that Russia would not exclude cooperation with OPEC. The April contract gained \$3.23/bbl to \$34.36/bbl.

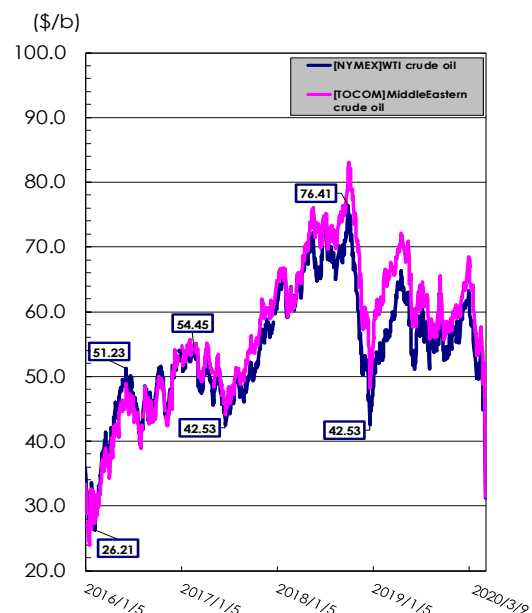
On March 11, the key contract turned down as the United Arab Emirates announced a plan to expand oil production from April in response to the OPEC-plus meeting breakup. A weekly EIA (Energy Information Administration) oil inventory report included a substantial weekly increase in U.S. crude oil inventories and a faster-than-forecast decrease in gasoline inventories, exerting little impact on the market. The April contract lost \$1.38/bbl to \$32.98/bbl.

The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market ranged between \$48.50/bbl and \$51.60/bbl in the week to March 4. It closed at \$51.30/bbl on March 5, at \$49.00/bbl on March 6, at \$31.30/bbl on March 9, at \$34.70/bbl on March 10 and at \$35.80/bbl on March 11.

On the foreign exchange market in the week to March 4, the dollar moved within a range between 107.36 and 110.32 yen. It changed hands at 107.53 yen in late trading on March 5, at 106.25 yen on March 6, at 102.01 yen on March 9, at 103.28 yen on March 10 and at 104.88 yen on March 11.

Japan's average retail price on March 9 fell by 1.2 yen/l from a week earlier for gasoline, by 1.1 yen/l for diesel oil and by 14 yen for kerosene on an 18-liter tank basis. The gasoline price dropped for the seventh straight week. The diesel oil and kerosene prices declined for the sixth straight week. As crude oil cost plunged in the first week of March, Motouri companies cut their wholesale prices by 4.0-4.5 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)	3/1 ~ 3/7	3,285	▲ 65	▼ —
	Topper capacity utilization rate (%)	"	83.9	▲ 1.7	▼ —
	Crude oil inventories (1,000 kl)	3/7	11,299	▲ 544	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/9	31.38	▼ -19.47	▼ -34.6
	WTI crude oil (NYMEX) (\$/bbl)	3/9	31.13	▼ -15.62	▼ -25.7
	Crude oil import CIF price (\$/bbl)	Mid Feb	70.50	▼ -1.21	▲ 8.24
	① Crude oil import CIF price (yen/kl)	"	48,389	▼ -1,093	▲ 5,455
	② Yen-dollar exchange rate (yen/dollar)	"	109.13	▲ 0.57	▲ 0.51
	TTS exchange rate (yen/dollar)	3/9	103.01	▲ 5.65	▲ 8.94

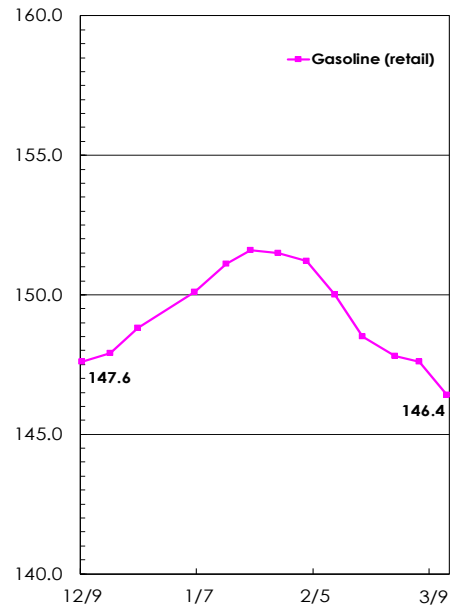


(Unit: 1,000 kl, yen/l)

Gasoline			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	3/1 ~ 3/7	945	▲ 6	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	850	▲ 17	▼ -	
	Exports	"	139	▲ 60	▲ -	
	Inventories	3/7	1,679	▼ -44	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/3 ~ 3/9	51.5	▼ -3.9	▼ -8.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 3/3 ~ 3/9	45.2	▼ -4.7	▼ -11.4	
		(TOCOM/Chubu) 3/9	50.5	▲ 1.0	▼ -9.0	
	Retail prices [weekly trend]	(published by ANRE) 3/9	146.4	▼ -1.2	▲ 1.3	

*Gyoten and futures prices are before tax

(¥/L)

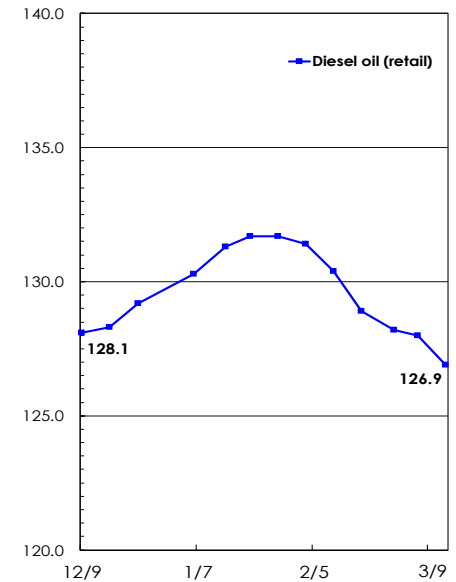


(Unit: 1,000 kl, yen/l)

Diesel oil			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	3/1 ~ 3/7	697	▼ -70	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	627	▲ 45	▼ -	
	Exports	"	104	▼ -198	▼ -	
	Inventories	3/7	1,307	▼ -34	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/3 ~ 3/9	56.2	▼ -2.8	▼ -7.2	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 3/3 ~ 3/9	56.9	▼ -2.7	▼ -7.9	
		(TOCOM/Chubu) 3/9	-	-	-	
	Retail prices [weekly trend]	(published by ANRE) 3/9	126.9	▼ -1.1	▲ 0.9	

*Gyoten and futures prices are before tax

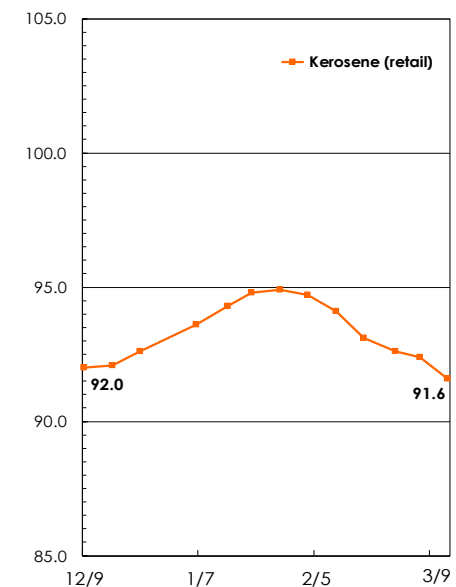
(¥/L)



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

Kerosene			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	3/1 ~ 3/7	345	▼ -3	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	431	▲ 45	▲ -	
	Exports	"	49	▲ 49	▲ -	
	Inventories	3/7	1,427	▼ -135	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/3 ~ 3/9	55.1	▼ -3.0	▼ -7.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 3/3 ~ 3/9	47.2	▼ -4.8	▼ -14.9	
		(TOCOM/Chubu) 3/9	51.0	▼ -2.0	▼ -12.0	
	Retail prices [weekly trend]	(published by ANRE) 3/9	91.6	▼ -0.8	▲ 2.0	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On March 11, the most frequently traded oil futures contract on NYMEX turned down on growing concern about oversupply as the UAE released a plan to raise oil production from April in the wake of similar Saudi Arabian and Russian plans announced earlier following the OPEC-plus meeting breakup. On the previous day, the IEA revised down its global oil demand projection for 2020. The EIA oil inventory report showed mixed results, exerting little impact on the market. U.S. crude oil inventories on March 6 posted a weekly increase of 7.7 million barrels, far faster than a market-forecast rise of 2.3 million barrels, while gasoline and middle distillate inventories logged their respective faster-than-forecast falls of 5 million barrels and 6.4 million barrels. The April contract lost \$1.38/bbl to \$32.98/bbl. The May contract declined by \$1.34/bbl to \$33.39/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 9 decreased by 4.8 cents per gallon from a week earlier to \$2.375/gal (69.5 yen/l). The average diesel oil price fell by 3.7 cents/gal to \$2.814/gal (81.7 yen/l). The gasoline price fell for the second straight week. The diesel price dropped for the ninth 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 March 1-7 week stood at 280,000 barrels per day, down 90,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 65,000 kl from the previous week to 3,285,000 kl. From a year earlier, it decreased by 261,000 kl. The toppler capacity utilization rate stood at 83.9%, up 1.7 points from the previous week and down 6.6 points from a year earlier.

Production increased from the previous week for gasoline and decreased for other petroleum products. Output was up 0.6% for gasoline, down 13.2% for jet fuel, down 1.0% for kerosene, down 9.1% for diesel oil, down 5.5% for Fuel Oil A and down 6.8% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, down 4,000 kl from the previous week. Diesel oil exports aggregated 104,000 kl, down 198,000 kl.

Shipments (excluding imports) in the week increased from the previous week for all petroleum products. From a year earlier, shipments expanded for jet fuel, kerosene and Fuel Oil A and declined for other petroleum products. Gasoline shipments increased by 2.1% from the previous week to 850,000 kl for the first rise in four weeks, remaining below 1 million kl for 29 weeks on end. Shipments totaled 76,000 kl for jet fuel (up 692.6% from the previous week), 431,000 kl for kerosene (up 11.7%), 627,000 kl for diesel oil (up 7.6%), 252,000 kl for Fuel Oil A (up 20.7%) and 123,000 kl for Fuel Oil C (up 15.9%).

(Unit: 1,000 kl)

	This week (3/1 ~ 3/7)	Previous week (2/23 ~ 2/29)	From a week earlier
Gasoline	850	833	▲ 17 (2%)
Jet fuel	76	10	▲ 66 (660%)
Kerosene (heating Oil)	431	386	▲ 45 (12%)
Diesel oil	627	582	▲ 45 (8%)
Fuel oil A	252	209	▲ 43 (21%)
Fuel Oil C	123	106	▲ 17 (16%)
Total	2,359	2,126	▲ 233 (11%)

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 March 7 increased from a week earlier for Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline and shrank for other petroleum products.

Gasoline inventories totaled 1,679,000 kl, down 44,000 kl from a week earlier and up 41,000 kl from a year earlier.

Kerosene inventories totaled 1,427,000 kl, down 135,000 kl from a week earlier and down 71,000 kl from a year earlier.

Diesel oil inventories totaled 1,307,000 kl, down 34,000 kl from a week earlier and down 224,000 kl from a year earlier.

Fuel Oil A inventories totaled 707,000 kl, down 1,000 kl from a week earlier and down 91,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,843,000 kl, up 38,000 kl from a week earlier and down 136,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/7)	Previous week (2/29)	From a week earlier
Gasoline	1,679	1,723	▼ -44 (-3%)
Jet fuel	752	790	▼ -38 (-5%)
Kerosene (heating Oil)	1,427	1,562	▼ -135 (-9%)
Diesel oil	1,307	1,341	▼ -34 (-3%)
Fuel oil A	707	708	▼ -1 (-0%)
Fuel Oil C	1,843	1,805	▲ 38 (2%)
Total	7,715	7,929	▼ -214 (-2.7%)

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

During the March 3-9 week, crude oil cost plunged as sharp crude oil price drops coincided with the yen's appreciation against the dollar.

Onshore cargo spot prices during the week plunged in a 102-107 yen/l range for gasoline, in a 54-59 yen/l range for diesel oil and in a 53-57 yen/l range for kerosene.

Offshore barge spot prices during the week nose-dived in a 104-109 yen/l range for gasoline, in a 54-61 yen/l range for diesel oil and in a 40-54 yen/l range for kerosene.

The key futures price during the week spiraled down in an 87-103 yen/l range for gasoline, in a 52-60 yen/l range for diesel oil and in a 35-52 yen/l range for kerosene.

For the next week, Motouri companies reduced their wholesale prices by 4.0-4.5 yen/l for gasoline, kerosene and diesel oil.

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

All spot petroleum products prices in all markets in the March 3-9 week declined sharply from their respective averages in the week to March 2.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the March 3-9 week) fell by 3.9 yen/l from the previous week for gasoline, by 3.0 yen/l for kerosene and by 2.8 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 4.0 yen/l for gasoline, by 4.8 yen/l for kerosene and by 3.2 yen/l for diesel oil.

The key futures price fell by 4.7 yen/l for gasoline, by 4.8 yen/l for kerosene and by 2.7 yen/l for diesel oil.

For the third week of March, Motouri companies cut their wholesale prices by 4.0-4.5 yen/l for gasoline, diesel oil and kerosene.

(RIM) [4-district average lorry rack price]	This week (3/3 ~ 3/9)	Previous week (2/25 ~ 3/2)	(Unit: yen/l) From a week earlier
Regular	51.5	55.4	▼ -3.9
Kerosene	55.1	58.1	▼ -3.0
Diesel oil	56.2	59.0	▼ -2.8

(TOCOM) [Front-month contract/closing price] [Average]	This week (3/3 ~ 3/9)	Previous week (2/25 ~ 3/2)	(Unit: yen/l) From a week earlier
Regular	45.2	49.9	▼ -4.7
Kerosene	47.2	52.0	▼ -4.8
Diesel oil	56.9	59.6	▼ -2.7

Above prices are before tax.

Reference (March 3 - March 9 actual data)

Products	Spot	Futures	Average
Gasoline	▼ -3.9	▼ -4.7	▼ -4.3
Kerosene	▼ -3.0	▼ -4.8	▼ -3.9
Diesel oil	▼ -2.8	▼ -2.7	▼ -2.7
Fuel Oil A	▼ -2.6		

(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 March 9 decreased by 1.2 yen/l from a week earlier to 146.4 yen/l for gasoline, by 1.1 yen/l to 126.9 yen/l for diesel oil and by 14 yen to 1,649 yen for kerosene on an 18-liter tank basis (or by 0.8 yen/l to 91.6 yen/l). The gasoline price fell for the seventh straight week. The diesel oil and kerosene prices dropped for the sixth straight week.

Gasoline prices increased in one of Japan's 47 prefectures and decreased in the remaining 46. The lowest gasoline price among the prefectures was 140.8 yen/l in Saitama (down 0.9 yen/l from a week earlier). The second lowest was 141.5 yen/l in Iwate (down 1.5 yen/l). The highest price was 159.0 yen/l in Nagasaki (down 1.5 yen/l). Kumamoto was the only prefecture to post a gasoline price increase (up 0.1 yen/l). Tottori logged the largest price fall of 4.5 yen/l to 142.4 yen/l.

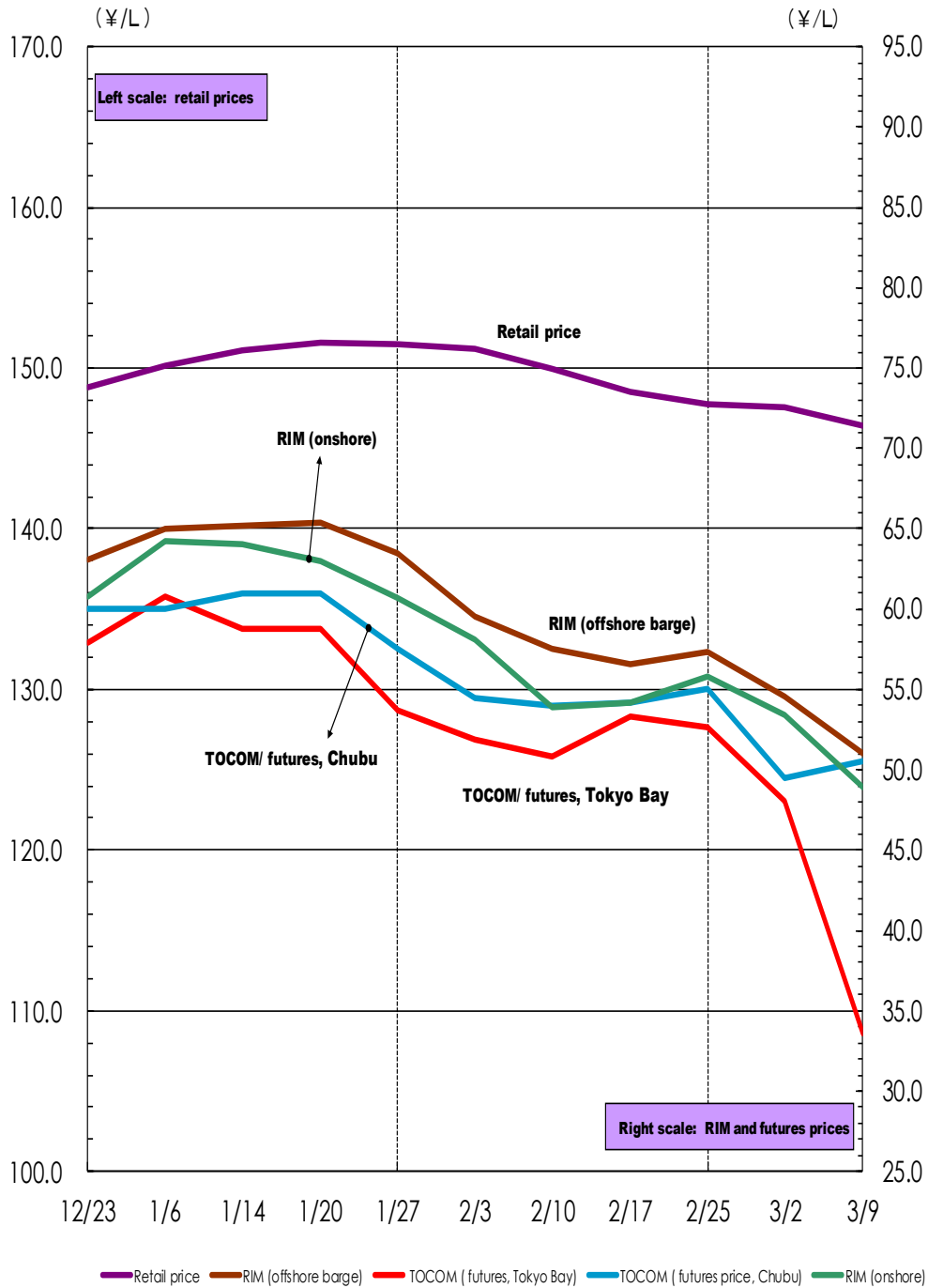
As crude oil cost dropped last week, Motouri companies cut their wholesale prices by 4.0 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost plunged this week as sharp crude oil price falls coincided with the yen's appreciation. Motouri companies reduced their wholesale prices by 4.0-4.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices on the next price survey day (March 16) are expected to decline from a week earlier.

(Published by ANRE)[Weekly trend]	This week (3/9)	Previous week (3/2)	From a week earlier	Latest high
Regular	146.4	147.6	▼ -1.2	08/8/4 185.1
Kerosene	91.6	92.4	▼ -0.8	08/8/11 132.1
Diesel oil	126.9	128.0	▼ -1.1	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

(2019/12/23 ~ 2020/3/9)



(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. 48 for 2019) will be announced at 14:00 on March 27.

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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).