

Oil Market Review in Japan No. 10/2020

September 11, 2020, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
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 August 20-August 26 week moved within a range between \$42.34 per barrel and \$43.39/bbl.

On August 27, the September contract turned down for the first time in four trading days in response to high price until the previous trading days, although Hurricane "Laura" weakened the power and became tropical depression after landing in Louisiana State. Crude oil production facilities with the total production capacity of over 1.5 million barrels per day (bpd) and oil refineries with the total capacity of over 2 million bpd in the Gulf of Mexico stopped their operations temporary due to the negative impacts from the Hurricane. The October contract closed at \$43.04/bbl down \$0.35/bbl from the previous day.

On August 28, the key contract turned down slightly due to position adjustment at the weekend. The impacts from the Hurricane was more limited than expected. The Hurricane had little impact on crude oil price. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by three units from a week earlier to 180 units, decreasing for the first time in two weeks. The October contract finished \$0.07/bbl lower at \$42.97/bbl.

On August 31, the key contract turned down for the third straight trading day. The market performed well in the morning by the announcement of Abu Dhabi National Oil Company (ADNOC) that the company would reduce crude oil shipments to Asian countries by 30% in October 2020. However, selling was gradually dominant due to concerns over diminishing oil demand. The October contract lost \$0.36bbl to \$42.61/bbl.

On September 1, the key contract expanded for the first in four trading day by the expectation of increasing oil demand in response to improvements of the U.S. and China's manufacturing condition index. The price was also supported by the expectation of decreasing weekly oil inventory in the U.S. to be announced on the following day and good performance in the U.S. stock market. The October contract gained \$0.15/bbl to \$42.76/bbl.

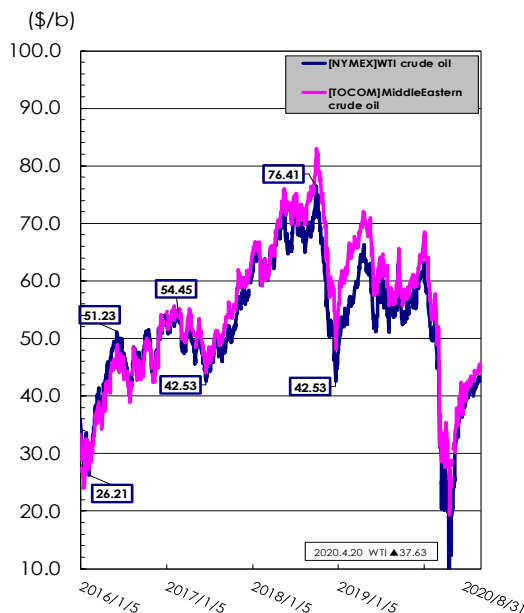
On September 2 the key contract turned down significantly. The U.S. Energy Information Administration (EIA) Weekly Report said that the U.S. crude oil inventory decreased by 9.7 million bbl in the last weekend compared to the previous weekend, which was more than the market expectation of the decrease by 3.7 million bbl and decreasing for the sixth straight week. However, the view that the decrease in crude oil inventory was only due to the impacts from the Hurricane and the announcement of the increase in crude oil production in August 2020 by the Organization of Petroleum Exporting Countries (OPEC) caused the significant price decrease. The October contract lost \$1.25/bbl to \$41.51/bbl.

The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged between \$43.70/bbl and \$44.90/bbl in the August 20-August 26 week. It closed at \$44.70/bbl on August 27, at \$44.60/bbl on August 28, at \$44.60/bbl on August 31, at \$45.10/bbl on September 1, at \$45.30/bbl on September 2.

On the foreign exchange market in the August 20-August 26 week, the dollar moved within a range between 105.70 and 106.46 yen. It changed hands at 105.93 yen in late trading on August 27, at 106.66 yen on August 28, at 105.36 yen on August 31, at 105.89 yen on September 1, at 106.02 yen on September 2.

According to preliminary 10-day trade statistics released by the Ministry of finance on August 28, the average crude oil import CIF price for Japan in the early August period stood at 27,919 yen/kl (kiloliter), up 4,283 yen/kl from the previous 10-day period. In dollars, the price was \$41.57/bbl, up \$6.53/bbl. The average exchange rate was 106.77 yen to the dollar. Japan's average retail price on August 31 lost by 0.1 yen/l from a week earlier for gasoline, lost by 0.1 yen/l for diesel oil, and lost by 1 yen for kerosene on an 18-liter tank basis. The gasoline and diesel oil prices decreased for the third straight week. Kerosene price decreased for the first time in 16th week. As crude oil cost increased for the fifth week of August. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the next week.

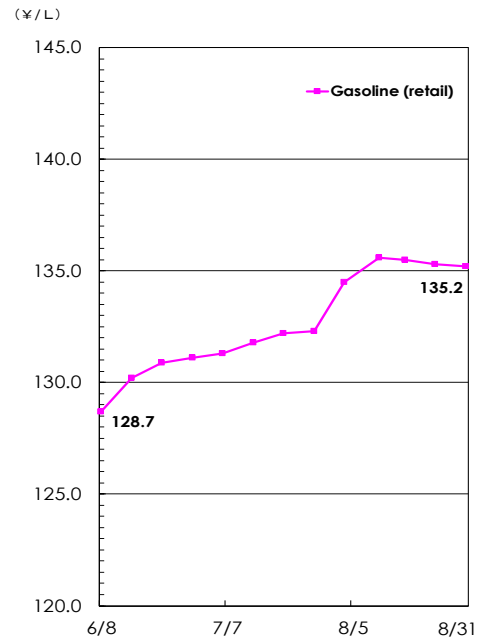
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/23 ~ 8/29	2,612	▼ -151	▼ -
	Topper capacity utilization rate (%)	"	66.7	▼ -3.8	▼ -
	Crude oil inventories (1,000 kl)	8/29	13,047	▼ -48	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/31	45.59	▲ 1.37	▼ -11.1
	WTI crude oil (NYMEX) (\$/bbl)	8/31	42.61	▼ -0.01	▼ -11.3
	Crude oil import CIF price (\$/bbl)	Early Aug	41.57	▲ 6.53	▼ -25.82
	① Crude oil import CIF price (yen/kl)	"	27,919	▲ 4,283	▼ -17,509
	② Yen-dollar exchange rate (yen/dollar)	"	106.77	▲ 0.46	▲ 0.40
	TTS exchange rate (yen/dollar)	8/31	106.36	▲ 0.44	▲ 0.78



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/23 ~ 8/29	928	▲ 37	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	869	▲ 12	▲ -	
	Exports	"	12	▼ -26	▼ -	
	Inventories	8/29	1,836	▲ 47	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/25 ~ 8/31	44.5	▲ 0.2	▼ -12.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/25 ~ 8/31	41.0	▲ 1.3	▼ -10.3
		(TOCOM/ Chubu)	8/31	42.4	▲ 0.9	▼ -11.1
	Retail prices [weekly trend] (published by ANRE)	8/31	135.2	▼ -0.1	▼ -8.0	

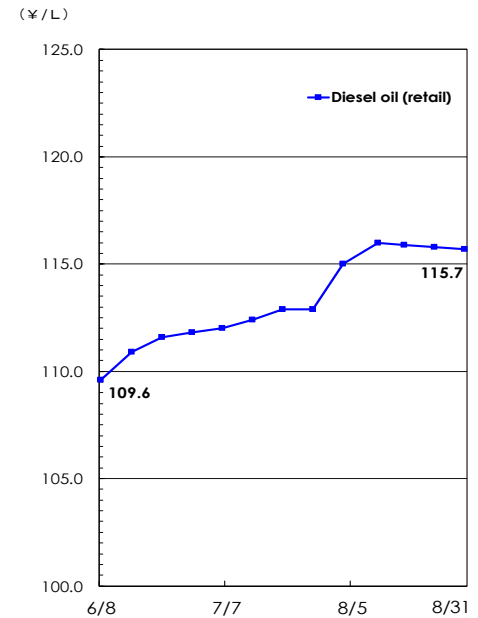
*Gyoten and futures prices are before tax



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

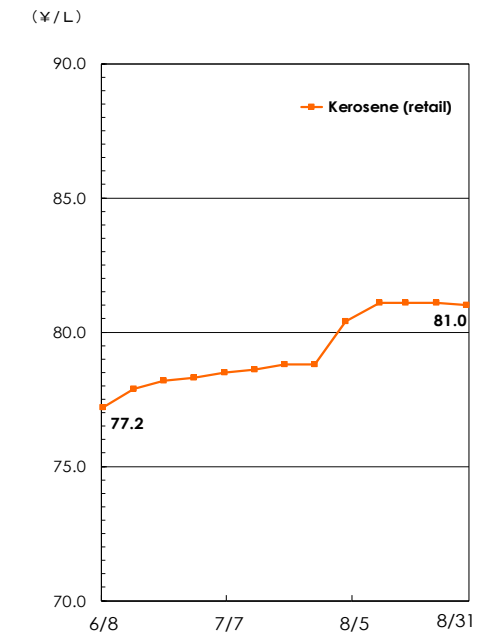
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/23 ~ 8/29	639	▲ 61	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	644	▲ 103	▲ -	
	Exports	"	42	▲ 37	▼ -	
	Inventories	8/29	1,819	▼ -48	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/25 ~ 8/31	47.0	▲ 0.1	▼ -11.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/25 ~ 8/31	48.9	▲ 0.4	▼ -10.7
		(TOCOM/ Chubu)	8/31	-	-	-
	Retail prices [weekly trend] (published by ANRE)	8/31	115.7	▼ -0.1	▼ -8.9	

*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	8/23 ~ 8/29	216	▼ -34	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	32	▼ -24	▼ -	
	Exports	"	24	▲ 24	▼ -	
	Inventories	8/29	2,552	▲ 160	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/25 ~ 8/31	46.9	▶ 0.0	▼ -11.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/25 ~ 8/31	42.9	▲ 0.8	▼ -12.6
		(TOCOM/ Chubu)	8/31	45.5	▲ 1.0	▼ -10.5
	Retail prices [weekly trend] (published by ANRE)	8/31	81.0	▼ -0.1	▼ -9.1	



Relevant Information

1 Overseas crude oil prices

On September 2, WTI crude oil futures price on NYMEX turned down significantly. The market started with dominant buying trend by the announcement of the U.S. Energy Information Administration (EIA) Weekly Report that the U.S. crude oil inventory decreased by 9.7 million bbl in the last weekend compared to the previous weekend, which was more than the market expectation of decreasing by 3.7 million bbl and decreasing for the sixth straight week. However, the view that decreasing crude oil inventory was only due to the impacts from the Hurricane, the decrease in drawdown of gasoline from the previous week, the announcement of the increase in crude oil production in August 2020 by the Organization of Petroleum Exporting Countries (OPEC), and sense of overvalued crude oil futures prices due the ongoing appreciation of the U.S. dollar resulted in dominant buying trend and significant decrease in price. The October contract lost \$1.25/bbl to \$41.51/bbl from the previous day. The November contract lost \$1.23/bbl to \$41.85/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 31 increased by 4.0 cents per gallon from a week earlier to \$2.222/gal (62.4yen/l). The average diesel oil price increased by 1.5 cents/gal to \$2.441/gal (68.5yen/l). The gasoline price increased for the second straight week. The diesel price increased for the first time in three 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 August 23-August 29 week in 2020 stood at 368,000 barrels per day, up 17,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 151,000 kl from the previous week to 2,612,000 kl. From a year earlier, it decreased by 1,056,000 kl. The topper capacity utilization rate stood at 66.7%, down 3.8 points from the previous week and down 27.0 points from a year earlier.

Production decreased from the previous week for kerosene and Fuel Oil C and increased for other petroleum products. Output was up 4.1% for gasoline, up 36.7% for jet fuel, down 13.4 % for kerosene, up 10.5% for diesel oil, up 9.1 % for Fuel Oil A and down 3.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000kl, up 5,000kl from the previous week. Diesel oil exports aggregated 42,000kl, up 37,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for kerosene and Fuel Oil A and increased for other petroleum products. From a year earlier, shipments declined for kerosene and Fuel Oil A and expanded for other petroleum products. Gasoline shipments increased by 1.4% from the previous week to 869,000 kl, increasing for the first time in two weeks. Shipments totaled 94,000 kl for jet fuel (up 10.8% from the previous week), 32,000 kl for kerosene (down 42.4%),

644,000 kl for diesel oil (up 19.0%), 147,000 kl for Fuel Oil A (down 15.4%) and 151,000 kl for Fuel Oil C (up 13.3%).

(Unit: 1,000 kl)

	This week (8/23 ~ 8/29)	Previous week (8/16 ~ 8/22)	From a week earlier	
Gasoline	869	857	▲ 12	(1%)
Jet fuel	94	84	▲ 10	(12%)
Kerosene (heating Oil)	32	56	▼ -24	(-43%)
Diesel oil	644	541	▲ 103	(19%)
Fuel oil A	147	173	▼ -26	(-15%)
Fuel Oil C	151	133	▲ 18	(14%)
Total	1,937	1,844	▲ 93	(5%)

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 August 29 decreased from a week earlier for kerosene and increased for other petroleum products. From a year earlier, inventories shrank for jet fuel and expanded for other petroleum products.

Gasoline inventories totaled 1,836,000 kl, up 47,000 kl from a week earlier and up 285,000 kl from a year earlier.

Kerosene inventories totaled 2,552,000 kl, up 160,000 kl from a week earlier and up 202,000 kl from a year earlier.

Diesel oil inventories totaled 1,819,000 kl, down 48,000 kl from a week earlier and up 140,000 kl from a year earlier.

Fuel Oil A inventories totaled 731,000 kl, up 32,000 kl from a week earlier and up 13,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,894,000 kl, up 7,000 kl from a week earlier and up 3,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/29)	Previous week (8/22)	From a week earlier	
Gasoline	1,836	1,789	▲ 47	(3%)
Jet fuel	789	779	▲ 10	(1%)
Kerosene (heating Oil)	2,552	2,392	▲ 160	(7%)
Diesel oil	1,819	1,867	▼ -48	(-3%)
Fuel oil A	731	699	▲ 32	(5%)
Fuel Oil C	1,894	1,887	▲ 7	(0%)
Total	9,621	9,413	▲ 208	(2.2%)

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

During the August 25 -August 31 week, crude oil cost in yen increased as crude oil price increased from the previous week, with slight depreciation of the yen to the US dollar.

For the next week, Motouri companies maintained increased their wholesale prices by 1.5 yen/l for gasoline, kerosene and diesel oil from the previous week.

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

All spot petroleum products prices in the August 25-August 31 week increased from their respective averages, except for levelled off onshore kerosene price, compared to their respective average prices in the period of August 18-August 24 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the August 25-August 31 week) increased by 0.2 yen/l from the previous week (August 18-August 24) for gasoline, levelled off for kerosene and increased by 0.1 yen/l for diesel oil. For the latest period of August 25-August 31, price increased after the level off in a 98-99 yen/l range for gasoline; and increased after the level off in a 46-47 yen/l range for kerosene; and increased after the level off in a 46-47 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.2 yen/l for gasoline, increased by 1.7 yen/l for kerosene and increased by 0.7 yen/l for diesel oil for the August 25-August 31 week from the previous week.

Offshore cargo spot prices during the week increased after the level off in a 99-100 yen/l range for gasoline and levelled off after the increase in a 40-43 yen/l range for kerosene and almost levelled off after the increase in a 48-49 yen/l range for diesel oil in the period of August 25 to August 31.

The key average futures price increased by 1.3 yen/l for gasoline, increased by 0.8 yen/l for kerosene and increased by 0.4 yen/l for diesel oil from the previous week.

The key futures price during the period of August 25 to August 31 increased in a 94-95 yen/l range for gasoline, almost levelled off after the increase in a 42 yen/l for kerosene and decreased after the increase in a 48-49 yen/l range for diesel oil.

(RIM)		(Unit: yen/l)		
[4-district average lorry rack price]	This week (8/25 ~ 8/31)	Previous week (8/18 ~ 8/24)	From a week earlier	
Regular	44.5	44.3	▲ 0.2	Spot Prices
Kerosene	46.9	46.9	▶ 0.0	
Diesel oil	47.0	46.9	▲ 0.1	

(TOCOM)		(Unit: yen/l)		
[Front-month contract/closing price] [Average]	This week (8/25 ~ 8/31)	Previous week (8/18 ~ 8/24)	From a week earlier	Futures Price
Regular	41.0	39.7	▲ 1.3	
Kerosene	42.9	42.1	▲ 0.8	
Diesel oil	48.9	48.5	▲ 0.4	

Above prices are before tax.

Reference (August 25 -August 31 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 1.3	▲ 0.8
Kerosene	▶ 0.0	▲ 0.8	▲ 0.4
Diesel oil	▲ 0.1	▲ 0.4	▲ 0.3
Fuel Oil A	▶ 0.0		

(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 August 31 decreased by 0.1 yen/l from a week earlier to 135.2 yen/l for gasoline, decreased by 0.1 yen/l to 115.7 yen/l for diesel oil and decreased by 1.0 yen to 1,458 yen for kerosene on an 18-liter tank basis (or decreased by 0.1 yen/l to 81.0 yen/l) from the previous week (August 24). The gasoline and diesel oil prices lost for the third straight week. Kerosene price decreased for the first time in 16 weeks.

Gasoline prices increased in 11 prefectures, leveled off in 12 prefectures and decreased in 24 prefectures. The lowest gasoline price among the prefectures was 128.5 yen/l in Tokushima (up 0.1 yen/l from a week earlier). The second lowest was 129.1 yen/l in Miyagi (down 0.3 yen/l). The highest price was 144.7 yen/l in Nagasaki (down 0.4 yen/l). Shiga logged the largest price gain of 1.7 yen/l to 133.1 yen/l. The price leveled off in Tokyo and other 11 prefectures. Ishikawa logged the largest price fall of 2.2 yen/l to 133.4 yen/l.

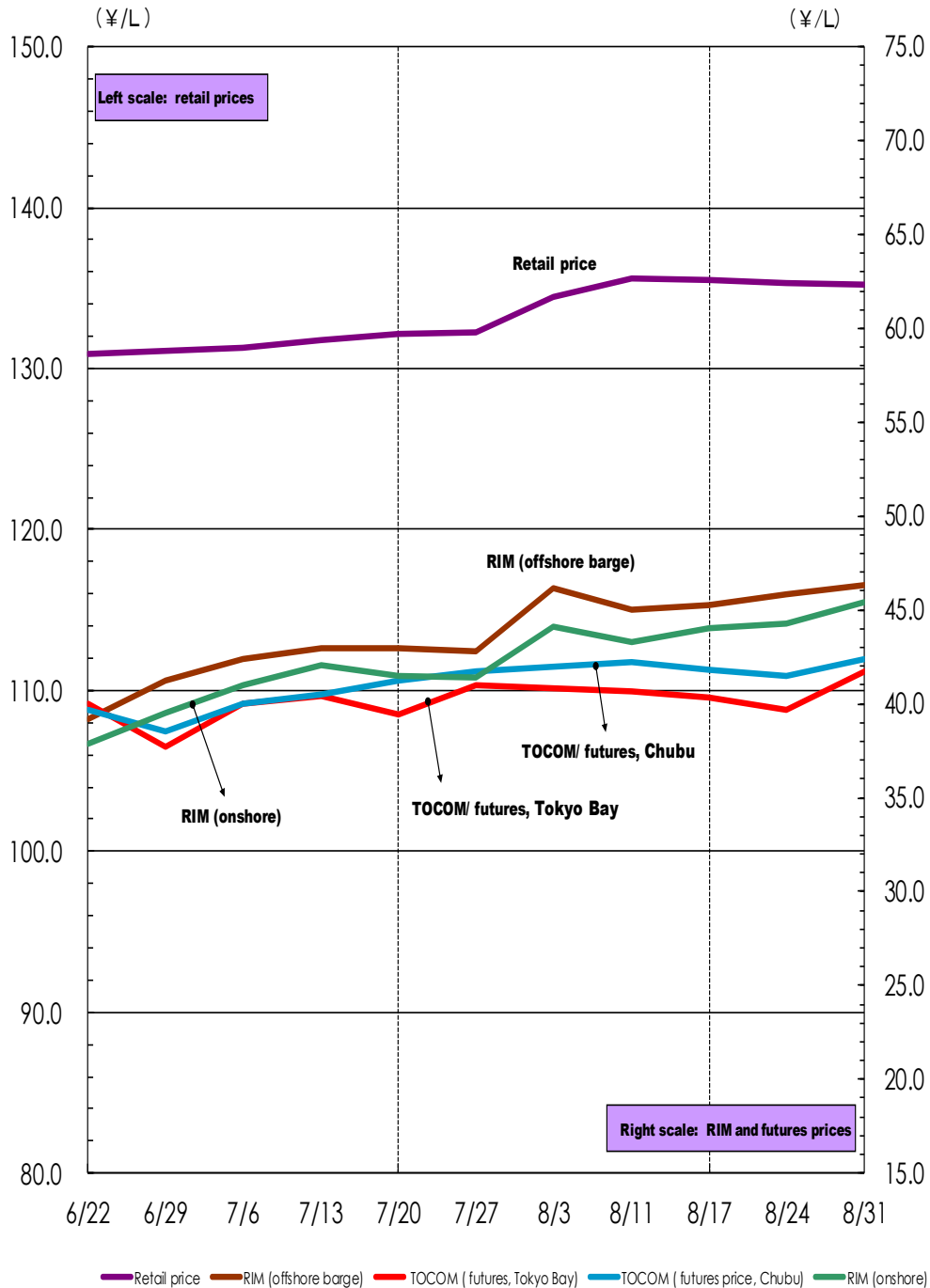
As crude oil cost in yen increased for the period from August 25 to August 31 with rise in crude oil price and slight depreciation of the yen to the U.S. dollar. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the period from September 3 to September 9. Retail gasoline price on the next price survey day (September 7) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (8/31)	Previous week (8/24)	From a week earlier	Latest high		
Retail Price	Regular	135.2	135.3	▼ -0.1	08/8/4	185.1
	Kerosene	81.0	81.1	▼ -0.1	08/8/11	132.1
	Diesel oil	115.7	115.8	▼ -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

(2020/6/22 ~ 2020/8/31)



(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. 11 for 2020) will be announced at 14:00 on September 18.

On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

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).