

# Oil Market Review in Japan No. 11/2020

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the August 27-September 2 week moved within a range between \$41.51 per barrel and \$43.04/bbl.

On September 3, the October contract turned down slightly to concerns over decreasing oil demand. The U.S. driving season will come to an end soon. Many oil refineries will stop their operations due to regular maintenance. The U.S. stock market crash also had a negative impact on the crude oil price. The October contract closed at \$41.37/bbl down \$0.14/bbl from the previous day.

On September 4 the key contract turned down further for the third straight trading day, below 40\$/bbl for the first time in three months due to deepening concerns over decreasing oil demand in the future. The Russian Energy Minister Novak announced that the world oil demand in 2020 would decrease by 9 to 10 million barrels per day (bpd) due to outbreak of the new coronavirus. The U.S. Energy Information Administration (EIA) announced that gasoline demand in the U.S. decreased by 4.1% in the week ending August 28 compared to the previous week. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by one unit from a week earlier to 181 units, increasing for the first time in two weeks. The October contract finished \$1.60/bbl lower at \$39.77/bbl.

On September 7, the market was closed for the Labor Day.

On September 8, the key contract turned down with a heavy loss for the fourth straight trading day due to concerns over decreasing oil demand in the future. Saudi Aramco announced that the company would reduce crude oil price bound for Asian countries in October 2020. The U.S. stock prices decreased significantly by concerns over new outbreak of the coronavirus. The October contract lost \$3.01/bbl to \$36.76/bbl.

On September 9, the key contract expanded for the first time in four trading days, supported by rebound of the U.S. stock market prices and sense of undervalued crude oil futures prices with appreciation of the U.S. dollar. The U.S. EIA will announce its weekly inventory report on the following day, September 10, due to three consecutive holidays. The October contract gained \$1.29/bbl to \$38.05/bbl.

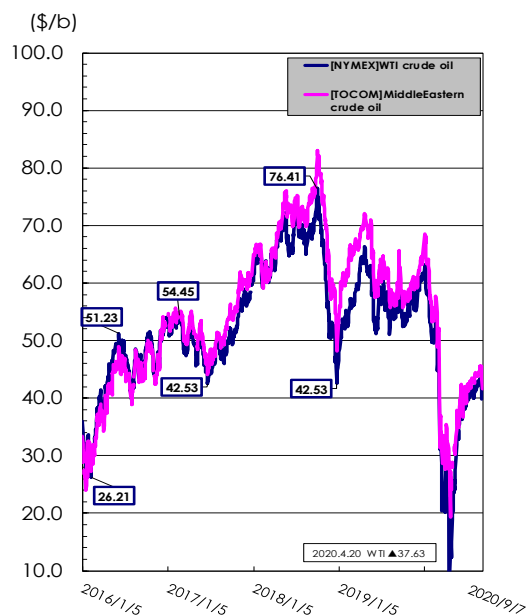
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged between \$44.60/bbl and \$45.30/bbl in the August 27-September 2 week. It closed at \$43.60/bbl on September 3, at \$43.10/bbl on September 4, at \$41.60/bbl on September 7, at \$41.20/bbl on September 8, at \$38.90/bbl on September 9.

On the foreign exchange market in the August 27-September 2 week, the dollar moved within a range between 105.36 and 106.66 yen. It changed hands at 106.24 yen in late trading on September 3, at 106.16 yen on September 4, at 106.36 yen on September 7, at 106.31 yen on September 8, at 105.99 yen on September 9.

According to preliminary 10-day trade statistics released by the Ministry of finance on September 7, the average crude oil import CIF price for Japan in the mid-August period stood at 28,594 yen/kl (kiloliter), up 675 yen/kl from the previous 10-day period. In dollars, the price was \$43.10/bbl, up \$1.53/bbl. The average exchange rate was 105.48yen to the dollar.

Japan's average retail price on September 7 gained by 0.3 yen/l from a week earlier for gasoline and diesel oil, and gained by 3 yen for kerosene on an 18-liter tank basis. The gasoline, diesel oil, and also kerosene prices increased for the first time in four weeks. Crude oil cost decreased for the first week of September, Motouri companies decreased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

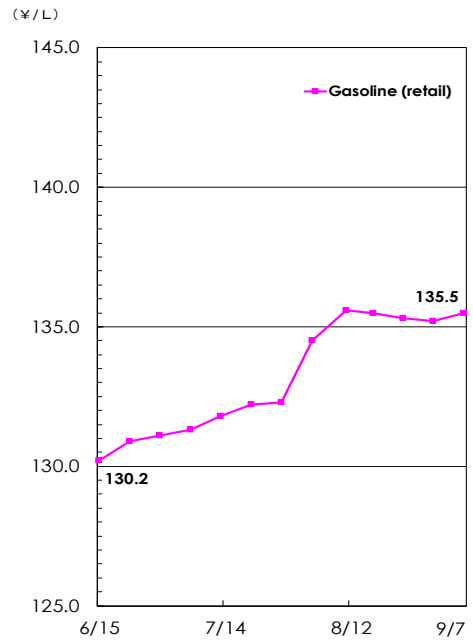
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	8/30 ~ 9/5	2,465	▼ -146	▼ -
	Topper capacity utilization rate (%)	"	63.0	▼ -3.7	▼ -
	Crude oil inventories (1,000 kl)	9/5	13,602	▲ 555	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/7	41.58	▼ -4.01	▼ -17.6
	WTI crude oil (NYMEX) (\$/bbl)	9/8	36.76	▼ -5.85	▼ -21.1
	Crude oil import CIF price (\$/bbl)	Mid Aug	43.10	▲ 1.53	▼ -24.29
	① Crude oil import CIF price (yen/kl)	"	28,594	▲ 675	▼ -16,834
	② Yen-dollar exchange rate (yen/dollar)	"	105.48	▲ 1.29	▲ 1.69
	TTS exchange rate (yen/dollar)	9/7	107.36	▼ -1.00	▲ 0.59



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/30 ~ 9/5	889	▼ -38	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	974	▲ 105	▲ -	
	Exports	"	0	▼ -12	▼ -	
	Inventories	9/5	1,751	▼ -85	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/1 ~ 9/7	46.0	▲ 1.5	▼ -10.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/1 ~ 9/7	41.3	▲ 0.3	▼ -10.4
		(TOCOM/ Chubu)	9/7	42.0	▼ -0.4	▼ -12.0
	Retail prices [weekly trend] (published by ANRE)	9/7	135.5	▲ 0.3	▼ -7.5	

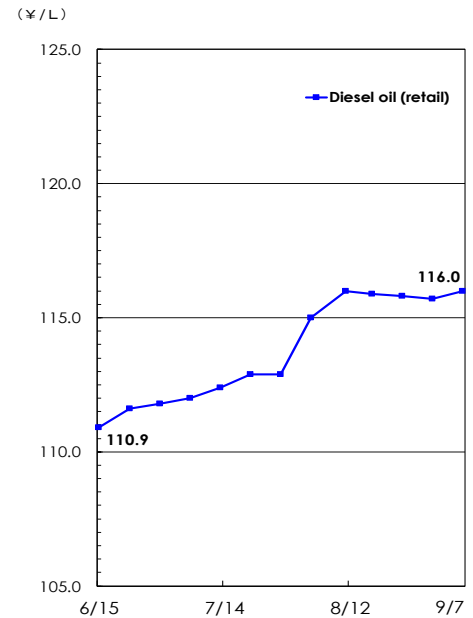
\*Gyoten and futures prices are before tax



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

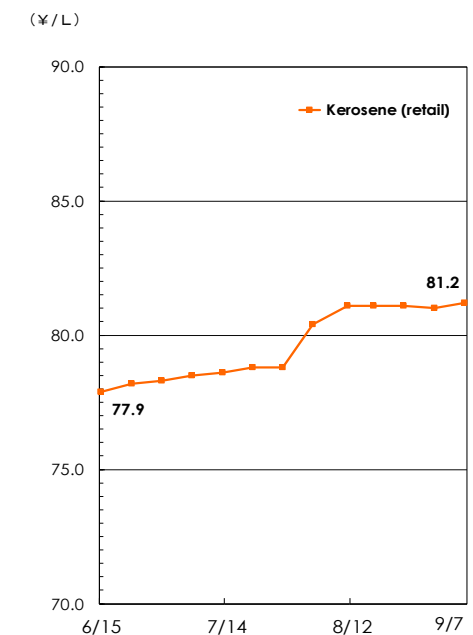
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/30 ~ 9/5	594	▼ -45	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	616	▼ -28	▲ -	
	Exports	"	144	▲ 102	▼ -	
	Inventories	9/5	1,653	▼ -166	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/1 ~ 9/7	48.4	▲ 1.4	▼ -9.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/1 ~ 9/7	48.3	▼ -0.6	▼ -11.0
		(TOCOM/ Chubu)	9/7	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/7	116.0	▲ 0.3	▼ -8.4	

\*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	8/30 ~ 9/5	166	▼ -50	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	87	▲ 55	▲ -	
	Exports	"	24	→ 0	▼ -	
	Inventories	9/5	2,607	▲ 55	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/1 ~ 9/7	48.1	▲ 1.2	▼ -10.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/1 ~ 9/7	42.8	▼ -0.1	▼ -13.2
		(TOCOM/ Chubu)	9/7	43.5	▼ -2.0	▼ -12.5
	Retail prices [weekly trend] (published by ANRE)	9/7	81.2	▲ 0.2	▼ -8.7	



## Relevant Information

### 1 Overseas crude oil prices

On September 9, WTI crude oil futures price on NYMEX expanded for the first time in four trading days. Buy back trend prevailed in the market through sense of undervalued crude oil futures prices, supported by stock price rebound and appreciation of the U.S. dollar. However, the market had still deep concerns over new outbreak of the coronavirus in some states in the U.S., India and the U.K. The U.S. EIA will announce its weekly oil inventory report on the following day, September 10, due to three consecutive holidays. The U.S. EIA Short-Term Energy Outlook released on that day made upward revision on the forecasts of the world oil demand and WTI price in 2020. The October contract gained \$1.29/bbl to \$38.05/bbl from the previous day. The November contract gained \$1.22/bbl to \$38.41/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of September 7 decreased by 1.1 cents per gallon from a week earlier to \$2.211/gal (62.6yen/l). The average diesel oil price decreased by 0.6 cents/gal to \$2.435/gal (69.0yen/l). The gasoline price decreased for the first time in four weeks. The diesel price decreased 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 August 30 - September 5 week in 2020 stood at 726,000 barrels per day, up 358,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 146,000 kl from the previous week to 2,465,000 kl. From a year earlier, it decreased by 990,000 kl. The topper capacity utilization rate stood at 63.0%, down 3.7 points from the previous week and down 25.2 points from a year earlier.

Production decreased from the previous week for all petroleum products. Output was down 4.1% for gasoline, down 39.9% for jet fuel, down 23.2% for kerosene, down 7.0% for diesel oil, down 13.9% for Fuel Oil A and down 15.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 0kl, down 5,000kl from the previous week. Diesel oil exports aggregated 144,000kl, up 102,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and kerosene, and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline, kerosene and diesel oil and declined for other petroleum products. Gasoline shipments increased by 12.1% from the previous week to 974,000 kl, increasing for the second straight week. Shipments totaled 81,000 kl for jet fuel (down 13.5% from the previous week), 87,000 kl for kerosene (up 168.0%), 616,000 kl for diesel oil (down 4.3%), 146,000 kl for Fuel Oil A (down 0.3%) and 142,000 kl for Fuel Oil C (down 5.6%).

(Unit: 1,000 kl)

	This week (8/30 ~ 9/5)	Previous week (8/23 ~ 8/29)	From a week earlier
Gasoline	974	869	▲ 105 (12%)
Jet fuel	81	94	▼ -13 (-14%)
Kerosene (heating Oil)	87	32	▲ 55 (172%)
Diesel oil	616	644	▼ -28 (-4%)
Fuel oil A	146	147	▼ -1 (-1%)
Fuel Oil C	142	151	▼ -9 (-6%)
Total	2,046	1,937	▲ 109 (6%)

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 September 5 increased from a week earlier for kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel and diesel oil, and expanded for other petroleum products.

Gasoline inventories totaled 1,751,000 kl, down 85,000 kl from a week earlier and up 94,000 kl from a year earlier.

Kerosene inventories totaled 2,607,000 kl, up 55,000 kl from a week earlier and up 226,000 kl from a year earlier.

Diesel oil inventories totaled 1,653,000 kl, down 166,000 kl from a week earlier and down 46,000 kl from a year earlier.

Fuel Oil A inventories totaled 712,000 kl, down 19,000 kl from a week earlier and up 4,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,921,000 kl, up 27,000 kl from a week earlier and up 63,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/5)	Previous week (8/29)	From a week earlier
Gasoline	1,751	1,836	▼ -85 (-5%)
Jet fuel	777	789	▼ -12 (-2%)
Kerosene (heating Oil)	2,607	2,552	▲ 55 (2%)
Diesel oil	1,653	1,819	▼ -166 (-9%)
Fuel oil A	712	731	▼ -19 (-3%)
Fuel Oil C	1,921	1,894	▲ 27 (1%)
Total	9,421	9,621	▼ -200 (-2.1%)

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

During the September 1- September 7 week, crude oil cost in yen decreased as crude oil price decreased from the previous week, with levelled off exchange rate of the yen to the US dollar.

For the next week, Motouri companies decreased their wholesale prices by 1.0 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 September 1- September 7 week increased, except for kerosene futures and diesel oil futures prices, compared to their respective average prices in the period of August 25 - 31 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the September 1- September 7 week) increased by 1.5 yen/l from the previous week (August 25-August 31) for gasoline, increased by 1.2 yen/l for kerosene and increased by 1.4 yen/l for diesel oil. For the latest period of September 1- September 7, price decreased to the almost previous level after the increase in a 99-100 yen/l range for gasoline; and decreased slightly after the increase in a 47-48 yen/l range for kerosene; and decreased after the significant increase in a 47-49 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.3 yen/l for gasoline, increased by 0.7 yen/l for kerosene and increased by 1.1 yen/l for diesel oil for the September 1- September 7 week from the previous week.

Offshore cargo spot prices during the week decreased slightly after the significant increase in a 100-101 yen/l range for gasoline and decreased significantly after the slight increase in a 42-43 yen/l range for kerosene and levelled off after the increase in a 49-50 yen/l range for diesel oil in the period of September 1-September 7.

The key average futures price increased by 0.3 yen/l for gasoline, decreased by 0.1 yen/l for kerosene and decreased by 0.6 yen/l for diesel oil from the previous week. The key futures price during the period of September 1- September 7 decreased significantly after the increase in a 93-96 yen/l range for gasoline, decreased significantly in a 41-43 yen/l for kerosene and decreased significantly after the increase in a 47-49 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]	(Unit: yen/l)		
	This week (9/1 ~ 9/7)	Previous week (8/25 ~ 8/31)	From a week earlier
Regular	46.0	44.5	▲ 1.5
Kerosene	48.1	46.9	▲ 1.2
Diesel oil	48.4	47.0	▲ 1.4

(TOCOM) [Front-month contract/closing price] [Average]	(Unit: yen/l)		
	This week (9/1 ~ 9/7)	Previous week (8/25 ~ 8/31)	From a week earlier
Regular	41.3	41.0	▲ 0.3
Kerosene	42.8	42.9	▼ -0.1
Diesel oil	48.3	48.9	▼ -0.6

Above prices are before tax.

Reference (September 1-September 7 actual data) (Unit: yen/l)

Products	Spot	Futures	Average
Gasoline	▲ 1.5	▲ 0.3	▲ 0.9
Kerosene	▲ 1.2	▼ -0.1	▲ 0.6
Diesel oil	▲ 1.4	▼ -0.6	▲ 0.4
Fuel Oil A	▲ 1.3		

(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 September 7 increased by 0.3 yen/l from a week earlier to 135.5 yen/l for gasoline, increased by 0.3 yen/l to 116.0 yen/l for diesel oil and increased by 3 yen to 1,461 yen for kerosene on an 18-liter tank basis (or increased by 0.2 yen/l to 81.2 yen/l) from the previous week (August 31). The gasoline, diesel oil and kerosene prices gained for the first time in four weeks.

Gasoline prices increased in 35 prefectures, leveled off in one prefecture and decreased in 11 prefectures. The lowest gasoline price among the prefectures was 127.6 yen/l in Tokushima (down 0.9 yen/l from a week earlier). The second lowest was 129.5 yen/l in Saitama (down 0.3 yen/l). The highest price was 145.7 yen/l in Nagasaki (up 1.0 yen/l). Aichi logged the largest price gain of 3.3 yen/l to 135.1 yen/l. The price leveled off in Akita. Shiga logged the largest price fall of 1.7 yen/l to 131.4 yen/l.

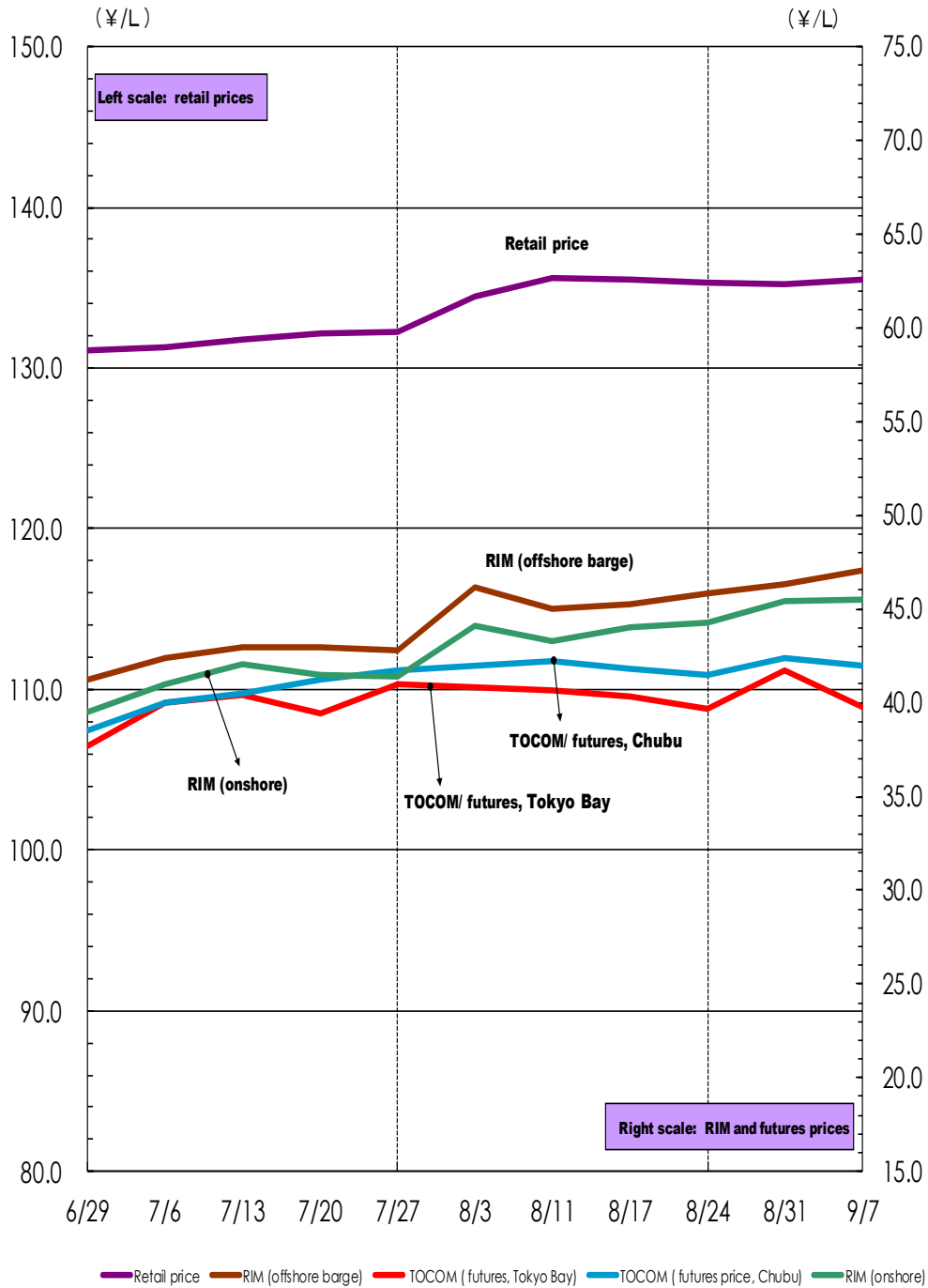
As crude oil cost in yen decreased for the period from September 1 to September 7 with the decrease in crude oil price and the levelled off exchange rate of the yen to the U.S. dollar. Motouri companies decreased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the period from September 10 to September 16. Retail gasoline price on the next price survey day (September 14) are expected to increase slightly from a week earlier due to passing on rising wholesale prices of the previous week.

Retail Price	(Unit: yen/l)			
	(Published by ANRE)[Weekly trend]	This week (9/7)	Previous week (8/31)	From a week earlier
Regular		135.5	135.2	▲ 0.3
Kerosene		81.2	81.0	▲ 0.2
Diesel oil		116.0	115.7	▲ 0.3
				Latest high
				08/8/4 185.1
				08/8/11 132.1
				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

(2020/6/29 ~ 2020/9/7)



(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. 12 for 2020) will be announced at 14:00 on October 2.

## On use of this report

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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).