

# Oil Market Review in Japan No. 15/2020

**October 23, 2020, Friday** Released at 14:00 every Friday

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

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the October 1- October 7 week moved within a range between \$37.05 per barrel and \$40.67/bbl.

On October 8, the November contract rebounded by sense of tightened supply and demand. The market has concerns over temporary shutdown of operation in the U.S. offshore oil production facilities due to Hurricane "Delta", approaching the Gulf of Mexico. It was also announced that Saudi Arabia was considering calling off easing cooperative crude oil production cut by the OPEC (Organization of the Petroleum Exporting Countries) plus Countries from the beginning of 2021. The November contract closed at \$41.19/bbl up \$1.24/bbl from the previous day.

On October 9 the key contract turned down by ceased oil workers' strike at offshore crude oil production facilities of Norway with settlement reached over labor negotiations. The price rise was restricted by the OPEC's announcement that the world oil demand would reach its peak in the latter half of 2030s. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by four units from a week earlier to 193 units, increasing for the third straight week. The November contract finished \$0.59/bbl lower at \$40.60/bbl.

On October 12, the key contract turned down significantly due to sense of oversupply. The Hurricane "Delta" passed through the Gulf of Mexico and operation restarted in both offshore crude oil production facilities and coastal oil refineries. In addition, the Libya's National Oil Company (NOC) lifted the Force Majeure on Sharara Oil Field and would restart crude oil shipment. The November contract finished \$1.17/bbl lower at \$39.43/bbl.

On October 13, the key contract rebounded by China's smooth economic recovery, indicating robust results in its trade statistics such as the growth in crude oil import. However, the price rise was restricted by the IEA's (International Energy Agency) long-term outlook which announced that recovery of energy demand would be delayed until 2025. The November contract gained \$0.77/bbl to \$40.20/bbl.

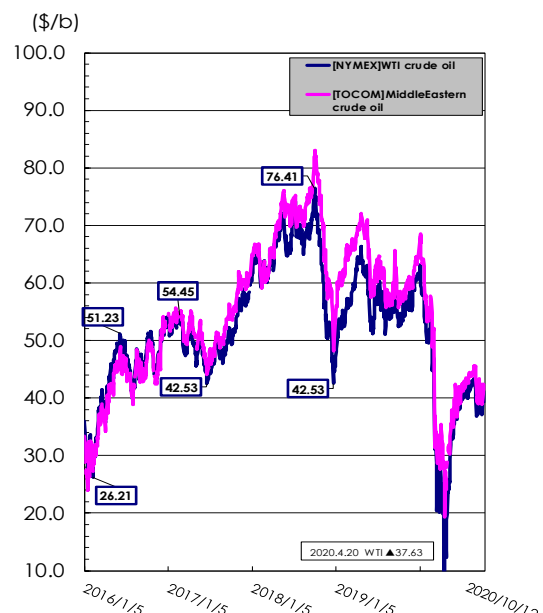
On October 14, the key contract rose further due to sense of tightened supply and demand. The market expected drawdown of the U.S. domestic crude oil inventory in the U.S. EIA (Energy Information Administration) Weekly Report to be announced in the following day. In addition, the OPEC plus Countries were expected to maintain their current cooperative oil production cut level. The November contract gained \$0.84/bbl to \$41.04/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between \$38.70/bbl and \$42.50/bbl in the October 1- October 7 week. It closed at \$41.30/bbl on October 8, at \$42.30/bbl on October 9, at \$41.60/bbl on October 12, at \$41.20/bbl on October 13, at \$41.20/bbl on October 14.

On the foreign exchange market in the October 1- October 7 week, the dollar moved within a range between 105.55 and 105.68 yen. It changed hands at 106.07 yen in late trading on October 8, at 105.98 yen on October 9, at 105.66 yen on October 12, at 105.36 yen on October 13, at 105.43 yen on October 14.

Japan's average retail price on October 12 lost by 0.5 yen/l from a week earlier for gasoline and lost by 0.4 yen/l for diesel oil and lost by 5.0 yen/l for kerosene on an 18-liter tank basis. The gasoline and diesel oil prices decreased for the fourth straight week. Kerosene price decreased for the first time in two weeks. As crude oil cost increased for the second week of October, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

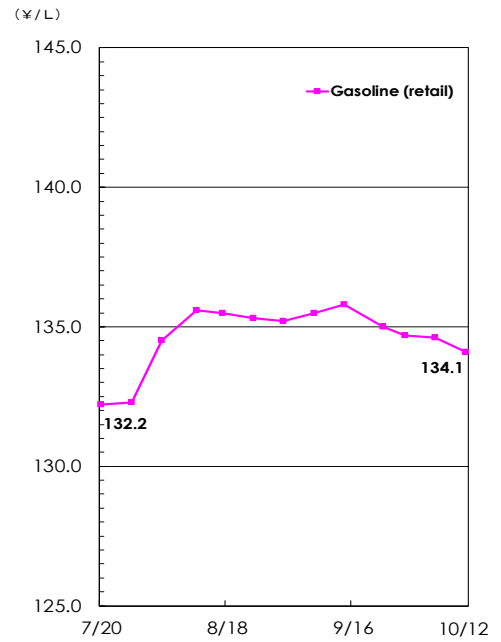
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	10/4 ~ 10/10	2,486	▼ -96	▼ -
	Topper capacity utilization rate (%)	"	63.5	▼ -2.4	▼ -
	Crude oil inventories (1,000 kl)	10/10	13,131	▼ -246	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/12	41.75	▲ 1.86	▼ -15.9
	WTI crude oil (NYMEX) (\$/bbl)	10/12	39.43	▲ 0.21	▼ -14.2
	Crude oil import CIF price (\$/bbl)	Mid Sep	46.51	▲ 0.77	▼ -17.79
	① Crude oil import CIF price (yen/kl)	"	31,006	▲ 507	▼ -12,124
	② Yen-dollar exchange rate (yen/dollar)	"	106.00	▲ 0.01	▲ 0.64
	TTS exchange rate (yen/dollar)	10/12	106.66	▼ -0.07	▲ 2.76



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/4 ~ 10/10	835	▼ -8	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	729	▼ -71	▼ -	
	Exports	"	53	▲ 53	▲ -	
	Inventories	10/10	1,887	▲ 53	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/6 ~ 10/12	42.6	▼ -0.4	▼ -13.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/6 ~ 10/12	39.5	▲ 0.6	▼ -14.9
		(TOCOM/ Chubu)	10/12	41.1	▲ 1.1	▼ -14.7
	Retail prices [weekly trend] (published by ANRE)	10/12	134.1	▼ -0.5	▼ -13.2	

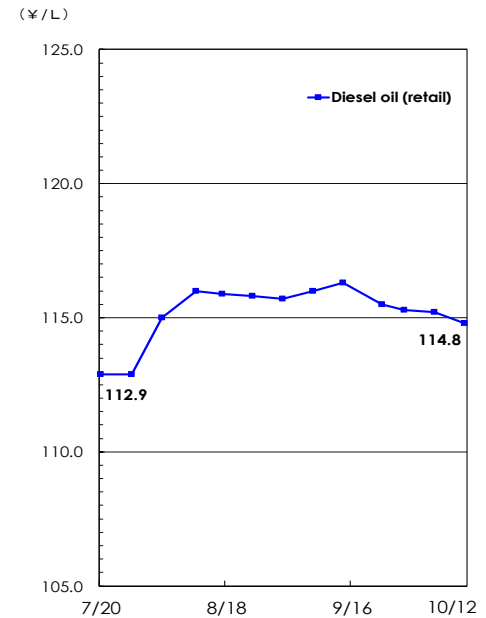
\*Gyoten and futures prices are before tax



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

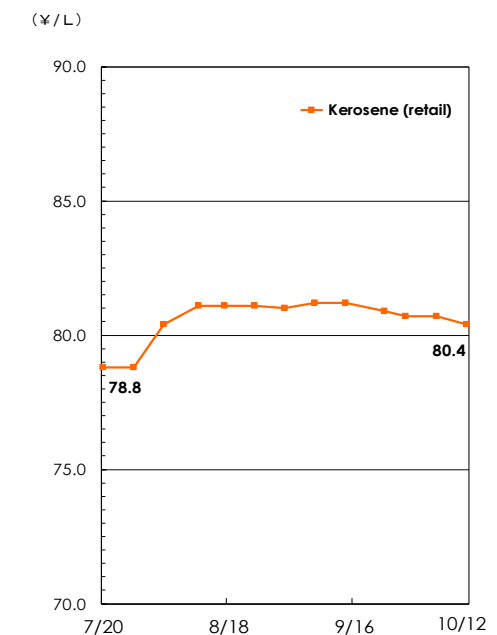
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/4 ~ 10/10	628	▼ -73	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	540	▼ -97	▼ -	
	Exports	"	10	▼ -37	▼ -	
	Inventories	10/10	1,579	▲ 78	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/6 ~ 10/12	45.2	▼ -0.5	▼ -14.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/6 ~ 10/12	47.5	▲ 0.6	▼ -13.9
		(TOCOM/ Chubu)	10/12	-	-	-
	Retail prices [weekly trend] (published by ANRE)	10/12	114.8	▼ -0.4	▼ -13.0	

\*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	10/4 ~ 10/10	199	▼ -31	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	172	▲ 90	▼ -	
	Exports	"	25	➡ 0	▲ -	
	Inventories	10/10	2,973	▲ 2	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/6 ~ 10/12	45.0	▼ -0.5	▼ -13.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/6 ~ 10/12	42.6	▲ 0.6	▼ -13.9
		(TOCOM/ Chubu)	10/12	44.0	▲ 2.0	▼ -14.2
	Retail prices [weekly trend] (published by ANRE)	10/12	80.4	▼ -0.3	▼ -11.7	



## Relevant Information

### 1 Overseas crude oil prices

On October 14, WTI crude oil futures price on NYMEX expanded further. The market had sense of tightened oil supply and demand. The market expected that the U.S. crude oil inventory would decrease from the previous week in the U.S. EIA Weekly Report to be announced in the following day, one day behind the schedule. The crude oil inventory in many developed countries surely decreased in the IEA Monthly Report announced in the previous day. In addition, Saudi and Russia's leaders were reported to reach an agreement on talks about continuation of cooperative crude oil production cut at the conference call on October 13. As a result, the market expected that the current cooperative crude oil production cut level would continue after January 2021. However, the price rise was restricted by concerns over new outbreaks of the coronavirus. The November contract gained \$0.84/bbl to \$41.04/bbl from the previous day. The December contract gained \$0.85/bbl to \$41.34/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of October 12 decreased by 0.5 cents per gallon from a week earlier to \$2.167/gal (61.0yen/l). The average diesel oil price increased by 0.8 cents/gal to \$2.395/gal (67.4yen/l). The gasoline decreased for the first time in three weeks. Diesel oil price increased for the first time in six 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 October 4 - October 10 week in 2020 stood at 855,000 barrels per day, up 176,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 96,000 kl from the previous week to 2,486,000 kl. From a year earlier, it decreased by 567,000 kl. The topper capacity utilization rate stood at 63.5%, down 2.4 points from the previous week and down 14.5 points from a year earlier.

Production increased from the previous week for jet fuel and decreased for other petroleum products. Output was down 0.9% for gasoline, up 33.9% for jet fuel, down 13.6% for kerosene, down 10.4% for diesel oil, down 12.5% for Fuel Oil A and down 35.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 20,000kl, up 15,000kl from the previous week. Diesel oil exports aggregated 10,000kl, down 37,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene and decreased for other petroleum products. From a year earlier, shipments expanded for Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 8.8% from the previous week to 729,000 kl, decreasing for the second straight week. Shipments totaled 55,000 kl for jet fuel (down 16.0% from the previous week), 172,000 kl for kerosene (up 109.9%), 540,000

kl for diesel oil (down 15.2%), 163,000 kl for Fuel Oil A (down 8.9%) and 119,000 kl for Fuel Oil C (down 34.3%).

(Unit: 1,000 kl)

	This week (10/4 ~ 10/10)	Previous week (9/27 ~ 10/3)	From a week earlier
Gasoline	729	800	▼ -71 (-9%)
Jet fuel	55	65	▼ -10 (-15%)
Kerosene (heating Oil)	172	82	▲ 90 (110%)
Diesel oil	540	637	▼ -97 (-15%)
Fuel oil A	163	179	▼ -16 (-9%)
Fuel Oil C	119	181	▼ -62 (-34%)
<b>Total</b>	<b>1,778</b>	<b>1,944</b>	<b>▼ -166 (-9%)</b>

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 October 10 increased from a week earlier for all petroleum products.

From a year earlier, inventories shrank for jet fuel and Fuel Oil C, and expanded for other petroleum products.

Gasoline inventories totaled 1,887,000 kl, up 53,000 kl from a week earlier and up 351,000 kl from a year earlier.

Kerosene inventories totaled 2,973,000 kl, up 2,000 kl from a week earlier and up 343,000 kl from a year earlier.

Diesel oil inventories totaled 1,579,000 kl, up 78,000 kl from a week earlier and up 202,000 kl from a year earlier.

Fuel Oil A inventories totaled 745,000 kl, up 18,000 kl from a week earlier and up 35,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,814,000 kl, up 12,000 kl from a week earlier and down 103,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/10)	Previous week (10/3)	From a week earlier
Gasoline	1,887	1,834	▲ 53 (3%)
Jet fuel	843	824	▲ 19 (2%)
Kerosene (heating Oil)	2,973	2,971	▲ 2 (0%)
Diesel oil	1,579	1,501	▲ 78 (5%)
Fuel oil A	745	727	▲ 18 (2%)
Fuel Oil C	1,814	1,802	▲ 12 (1%)
<b>Total</b>	<b>9,841</b>	<b>9,659</b>	<b>▲ 182 (1.9%)</b>

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

During the October 6-October 12 week, crude oil cost in yen increased from the previous week, with the increase in crude oil price and slight depreciation of exchange rate of the yen to the US dollar. For the next week,

Motouri companies increased their wholesale prices by 0.5 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 October 6-October 12 week decreased from the previous week except for the increased all futures oil product prices and the leveled off offshore kerosene price.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the October 6- October 12 week) decreased by 0.4 yen/l from the previous week (September 29- October 5) for gasoline, decreased by 0.5 yen/l for kerosene and decreased by 0.5 yen/l for diesel oil. For the latest period of October 6- October 12, price increased slightly in a 96 yen/l range for gasoline; and decreased slightly in a 44-45 yen/l range for kerosene; and decreased slightly in a 45 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.5 yen/l for gasoline, leveled off for kerosene and decreased by 0.2 yen/l for diesel oil for the October 6- October 12 week from the previous week. Offshore cargo spot prices during the week (October 6- October 12) decreased slightly after fluctuation in a 97-98 yen/l range for gasoline and increased slightly in a 43 yen/l range for kerosene and increased slightly after the fluctuation in a 46-47 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.6 yen/l for gasoline, increased by 0.6 yen/l for kerosene and increased by 0.6 yen/l for diesel oil from the previous week. The key futures price during the period of October 6- October 12 decreased slightly in a 93 yen/l range for gasoline, increased slightly in a 42 yen/l for kerosene and decreased after the fluctuation in a 47 yen/l range for diesel oil.

(RIM)		(Unit: yen/l)		
[4-district average lorry rack price]		This week	Previous week	From a week earlier
		(10/6 ~ 10/12)	(9/29 ~ 10/5)	
Spot Prices	Regular	42.6	43.0	▼ -0.4
	Kerosene	45.0	45.5	▼ -0.5
	Diesel oil	45.2	45.7	▼ -0.5

(TOCOM)		(Unit: yen/l)		
[Front-month contract/closing price]		This week	Previous week	From a week earlier
[Average]		(10/6 ~ 10/12)	(9/29 ~ 10/5)	
Futures Price	Regular	39.5	38.9	▲ 0.6
	Kerosene	42.6	42.0	▲ 0.6
	Diesel oil	47.5	46.9	▲ 0.6

Above prices are before tax.

Reference (October 6 - October 12 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▼ -0.4	▲ 0.6	▲ 0.1	
Kerosene	▼ -0.5	▲ 0.6	→ 0.0	
Diesel oil	▼ -0.5	▲ 0.6	▲ 0.1	
Fuel Oil A	▼ -0.5			

(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 October 12 decreased by 0.5 yen/l from a week earlier to 134.1 yen/l for gasoline, decreased by 0.4 yen/l to 114.8 yen/l for diesel oil and decreased by 5 yen to 1,448 yen for kerosene on an 18-liter tank basis (decreased by 0.3 yen/l to 80.4 yen/l) from the previous week. The gasoline and diesel oil prices lost for the fourth straight week. Kerosene price decreased for the first time in two weeks.

Gasoline prices increased in four prefectures, leveled off in six prefectures and decreased in 37 prefectures. The lowest gasoline price among the prefectures was 127.0 yen/l in Tokushima (leveled off from a week earlier). The second lowest was 127.3 yen/l in Miyagi (down 0.3 yen/l). The highest price was 143.7 yen/l in Nagasaki (down 0.8 yen/l) and in Oita (leveled off). Okinawa logged the largest price gain of 0.7 yen/l to 142.0 yen/l. The price leveled off in Oita and five other prefectures. Yamaguchi and Gunma logged the largest price fall of 1.9 yen/l to 129.3 yen/l and 133.8 yen/l, respectively.

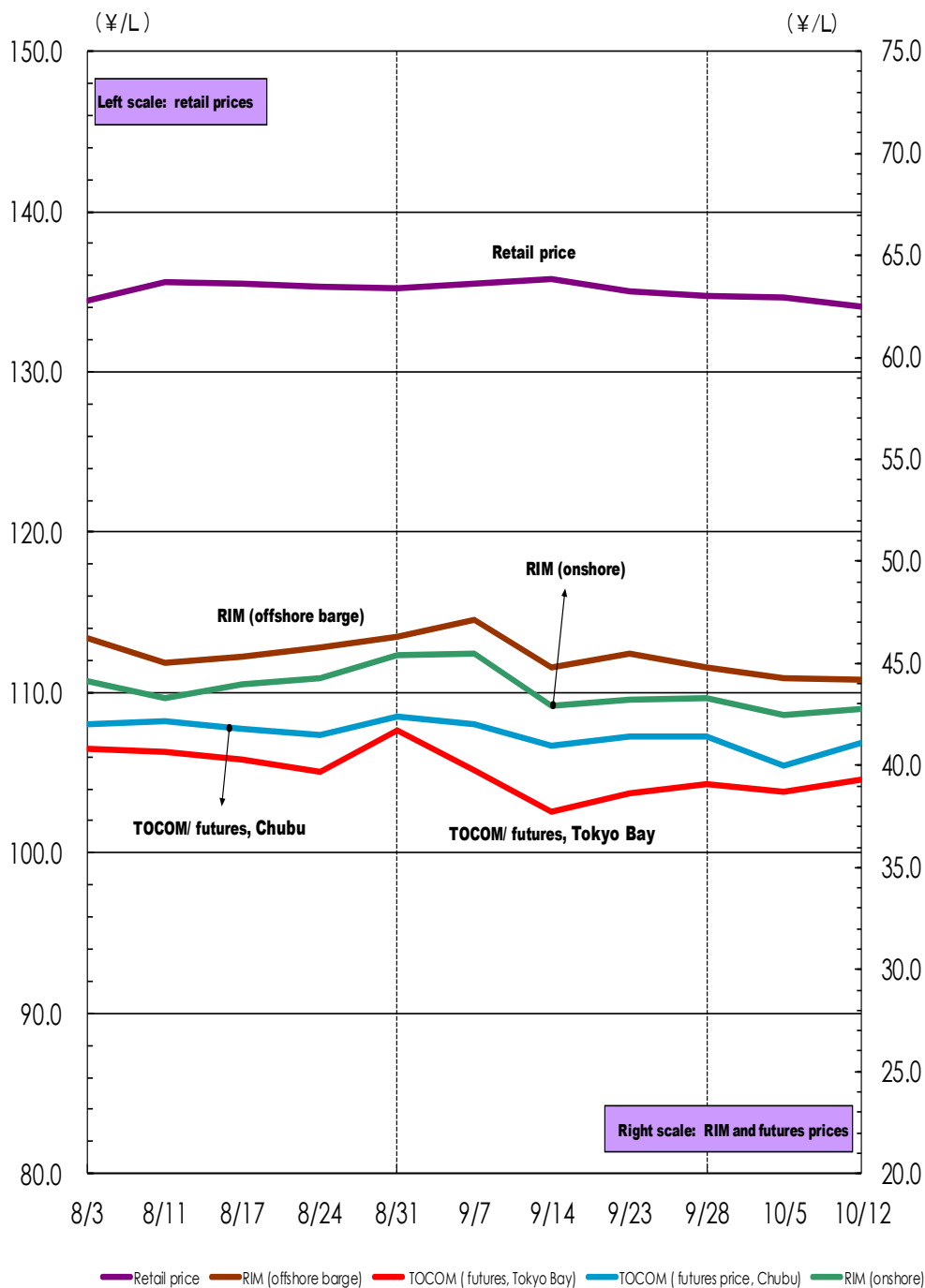
As crude oil cost in yen increased for the period from October 6 to October 12 with the increase in crude oil price and slight depreciation of exchange rate of the yen to the U.S. dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from October 15 to October 21. Retail gasoline price on the next price survey day (October 19) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week	Previous week	From a week earlier	Latest high
		(10/12)	(10/5)		
Retail Price	Regular	134.1	134.6	▼ -0.5	08/8/4 185.1
	Kerosene	80.4	80.7	▼ -0.3	08/8/11 132.1
	Diesel oil	114.8	115.2	▼ -0.4	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

(2020/8/3 ~ 2020/10/12)



(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. 16 for 2020) will be announced at 14:00 on October 30.

## 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).