

Oil Market Review in Japan No. 16/2020

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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 October 8-October 14 week moved within a range between \$39.43 per barrel and \$41.19/bbl.

On October 15, the November contract turned down slightly due to concerns over diminishing oil demand in the future, caused by new outbreaks of the coronavirus in the U.K, France, Spain and on forth. According to one-day delayed announcement by the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic crude oil inventory decreased by 3.8 million bbl and the gasoline inventory decreased by 1.6 million bbl from the previous week. The November contract closed at \$40.96/bbl down \$0.08/bbl from the previous day.

On October 16 the key contract turned down further slightly due to concerns over new outbreaks of the coronavirus in the U.S. and Europe. The OPEC (Organization of the Petroleum Exporting Countries) plus Countries forecast that the world would face oversupply of oil in 2021 at the JTC (Joint Technical Committee) on October 15. The November contract finished \$0.08/bbl lower at \$40.88/bbl.

On October 19, the key contract turned down further slightly for the third straight trading day due to concerns over new outbreaks of the coronavirus, although the Saudi Arabia's Energy Minister Abdul-Aziz hinted the OPEC plus Countries' continuation of the current cooperative crude oil production cut in 2021 by saying "Necessary measures will be taken to adapt changes in the oil market." The November contract finished \$0.05/bbl lower at \$40.83/bbl.

On October 20, the key contract rebounded for the first time in four trading days by the expectations for the U.S. economic recovery. The Speaker of the U.S. House of Representatives Pelosi, the Democratic Party, made optimistic remarks on the U.S. additional economic measures. However, the price rise was restricted by concerns over new outbreaks of the coronavirus and expectations for easing cooperative crude oil production cut by the OPEC plus Countries from 2021. The November contract gained \$0.63bbl to \$41.46/bbl.

On October 21, the key contract turned down significantly due to deepened concern over diminishing oil product demand in the future. According to the U.S. EIA Weekly Report, crude oil inventory decreased by 1 million bbl on October 16 from the previous week. On the other hand, gasoline inventory increased by 1 million bbl against the market expectations. The December contract, which replaced the November contract as the key front-month contract, lost \$1.67bbl to \$40.03/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between \$41.20/bbl and \$42.30/bbl in the October 8- October 14 week. It closed at \$42.30/bbl on October 15, at \$41.90/bbl on October 16, at \$41.90/bbl on October 19, at \$41.90/bbl on October 20, at \$42.00/bbl on October 21.

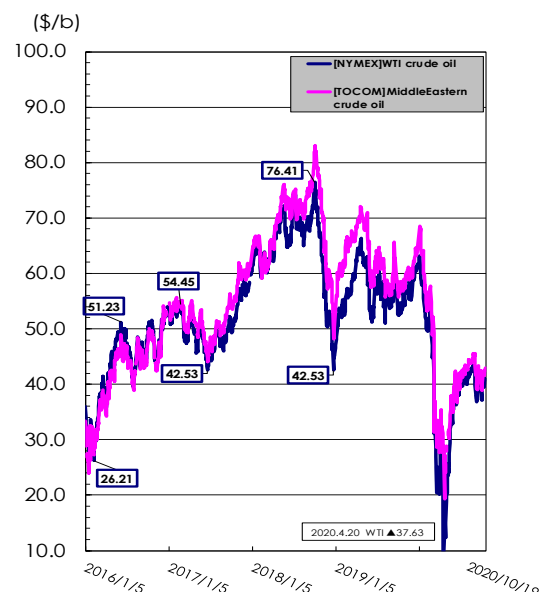
On the foreign exchange market in the October 8- October 14 week, the dollar moved within a range between 105.36 and 106.07 yen. It changed hands at 105.26 yen in late trading on October 15, at 105.36 yen on October 16, at 105.40 yen on October 19 at 105.59 yen on October 20, at 105.41 yen on October 21.

According to preliminary 10-day trade statistics released by the Ministry of Finance on October 19, the average crude oil import CIF price for Japan in the late September period stood at 30,810 yen/kl (kiloliter), down 196 yen/kl from the previous 10-day period. In dollars, the price was \$46.28/bbl, down \$0.23/bbl. The average exchange rate was 105.86yen to the dollar.

According to preliminary 10-day trade statistics released by the Ministry of Finance October 19, the average crude oil import CIF price for Japan in September stood at 30,788 yen/kl (kiloliter), up 1,809 yen/kl from the previous month. In dollars, the price was \$46.20/bbl, up \$2.78/bbl. The average exchange rate was 105.95 yen to the dollar.

Japan's average retail price on October 19 lost by 0.1 yen/l from a week earlier for gasoline and leveled off for diesel oil and lost by 5.0yen/l for kerosene on an 18-liter tank basis. The gasoline prices decreased for the fifth straight week. Diesel oil stopped decreasing for the first time in five weeks. Kerosene price decreased for the second straight week. As crude oil cost leveled off for the third week of October, Motouri companies maintained their wholesale prices 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)	10/11 ~ 10/17	2,461	▼ -24	▼ -
	Topper capacity utilization rate (%)	"	62.9	▼ -0.6	▼ -
	Crude oil inventories (1,000 kl)	10/17	13,160	▲ 29	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	10/19	42.90	▲ 1.15	▼ -14.7
	WTI crude oil (NYMEX) (\$/bbl)	10/19	40.83	▲ 1.40	▼ -12.5
	Crude oil import CIF price (\$/bbl)	Late Sep	46.28	▼ -0.23	▼ -18.02
	①Crude oil import CIF price (yen/kl)	"	30,810	▼ -196	▼ -12,320
	②Yen-dollar exchange rate (yen/dollar)	"	105.86	▲ 0.14	▲ 0.78
	TTS exchange rate (yen/dollar)	10/19	106.40	▲ 0.26	▲ 3.12

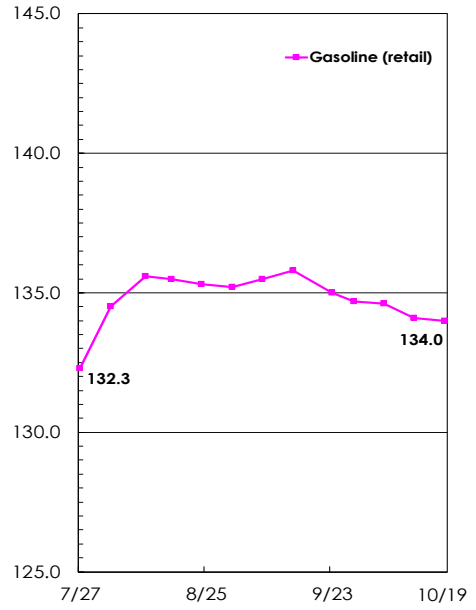


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/11 ~ 10/17	811	▼ -24	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	780	▲ 51	▲ -	
	Exports	"	51	▼ -2	▼ -	
	Inventories	10/17	1,868	▼ -19	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/13 ~ 10/19	43.0	▲ 0.4	▼ -13.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/13 ~ 10/19	39.2	▼ -0.3	▼ -15.8
		(TOCOM/ Chubu)	10/19	41.3	▲ 0.2	▼ -14.7
	Retail prices [weekly trend] (published by ANRE)	10/19	134.0	▼ -0.1	▼ -12.8	

*Gyoten and futures prices are before tax

(¥/L)

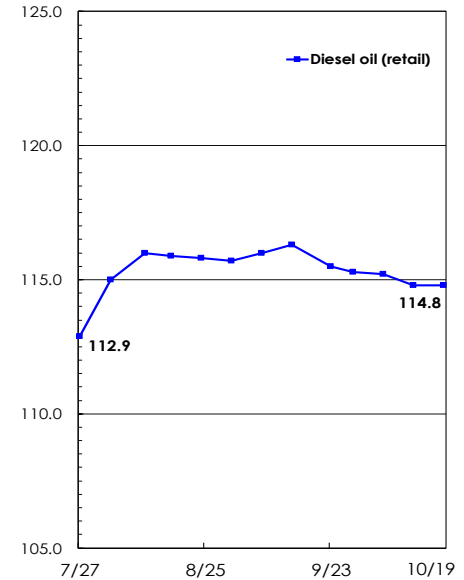


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/11 ~ 10/17	584	▼ -44	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	589	▲ 49	▲ -	
	Exports	"	0	▼ -10	▼ -	
	Inventories	10/17	1,575	▼ -4	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/13 ~ 10/19	45.5	▲ 0.3	▼ -13.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/13 ~ 10/19	47.0	▼ -0.5	▼ -14.3
		(TOCOM/ Chubu)	10/19	-	-	-
	Retail prices [weekly trend] (published by ANRE)	10/19	114.8	➡ 0.0	▼ -12.5	

*Gyoten and futures prices are before tax

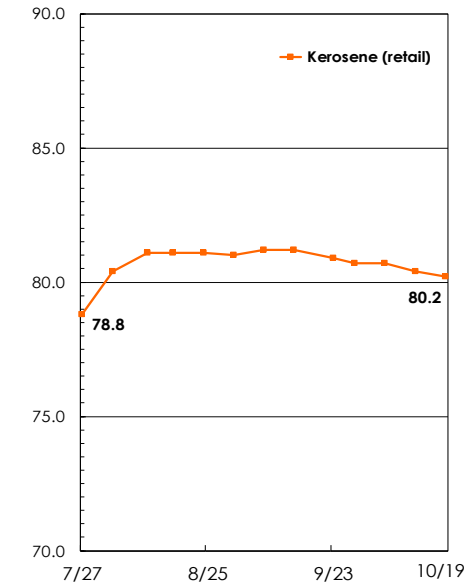
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	10/11 ~ 10/17	202	▲ 3	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	188	▲ 16	▲ -	
	Exports	"	32	▲ 7	▲ -	
	Inventories	10/17	2,955	▼ -18	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/13 ~ 10/19	45.2	▲ 0.2	▼ -13.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/13 ~ 10/19	42.4	▼ -0.2	▼ -14.8
		(TOCOM/ Chubu)	10/19	44.3	▲ 0.3	▼ -13.9
	Retail prices [weekly trend] (published by ANRE)	10/19	80.2	▼ -0.2	▼ -11.6	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On October 21, WTI crude oil futures price on NYMEX turned down further due to deepened concern over diminishing oil product demand in the future. According to the U.S. EIA Weekly Report announced on that day, crude oil inventory decreased by 1 million bbl on October 16 from the previous week, as expected by the market. On the other hand, gasoline inventory increased by 1 million bbl against the market expectations. In addition, new outbreaks of the coronavirus in the U.S. and Europe, and unforeseeable developments in the cooperative crude oil production cut by the OPEC plus Countries from 2021 accelerated sale of WTI crude oil futures. The price temporary fell to \$39.78/bbl, falling below the \$40/bbl mark. The December contract lost \$1.67/bbl to \$40.03/bbl from the previous day. The January contract lost \$1.66/bbl to \$40.31/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of October 19 decreased by 1.7 cents per gallon from a week earlier to \$2.150/gal (60.4yen/l). The average diesel oil price decreased by 0.7 cents/gal to \$2.388/gal (67.0yen/l). The gasoline decreased for the second straight week. Diesel oil 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 October 11 - October 17 week in 2020 stood at 855,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 24,000 kl from the previous week to 2,461,000 kl. From a year earlier, it decreased by 526,000 kl. The topper capacity utilization rate stood at 62.9%, down 0.6 points from the previous week and down 13.4 points from a year earlier.

Production increased from the previous week for kerosene, Fuel Oil A and Fuel oil C and decreased for other petroleum products. Output was down 2.8% for gasoline, down 5.7% for jet fuel, up 1.3% for kerosene, down 7.0% for diesel oil, up 5.7% for Fuel Oil A and up 18.8% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000kl, down 15,000kl from the previous week. Diesel oil exports aggregated 0kl, down 10,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for Fuel Oil A and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments declined for Fuel Oil A and Fuel Oil C and increased for other petroleum products. Gasoline shipments increased by 7.0% from the previous week to 780,000 kl, increasing for the first time in three weeks. Shipments totaled 82,000 kl for jet fuel (up 49.5% from the previous week), 188,000 kl for kerosene (up

9.1%), 589,000 kl for diesel oil (up 9.0%), 146,000 kl for Fuel Oil A (down 10.8%) and 118,000 kl for Fuel Oil C (down 0.9%).

(Unit: 1,000 kl)

	This week (10/11 ~ 10/17)	Previous week (10/4 ~ 10/10)	From a week earlier
Gasoline	780	729	▲ 51 (7%)
Jet fuel	82	55	▲ 27 (49%)
Kerosene (heating Oil)	188	172	▲ 16 (9%)
Diesel oil	589	540	▲ 49 (9%)
Fuel oil A	146	163	▼ -17 (-10%)
Fuel Oil C	118	119	▼ -1 (-1%)
Total	1,903	1,778	▲ 125 (7%)

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 17 increased from a week earlier for Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel and Fuel Oil C, and expanded for other petroleum products.

Gasoline inventories totaled 1,868,000 kl, down 19,000 kl from a week earlier and up 248,000 kl from a year earlier.

Kerosene inventories totaled 2,955,000 kl, down 18,000 kl from a week earlier and up 202,000 kl from a year earlier.

Diesel oil inventories totaled 1,575,000 kl, down 4,000 kl from a week earlier and up 212,000 kl from a year earlier.

Fuel Oil A inventories totaled 753,000 kl, up 8,000 kl from a week earlier and up 30,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,795,000 kl, down 19,000 kl from a week earlier and down 149,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/17)	Previous week (10/10)	From a week earlier
Gasoline	1,868	1,887	▼ -19 (-1%)
Jet fuel	824	843	▼ -19 (-2%)
Kerosene (heating Oil)	2,955	2,973	▼ -18 (-1%)
Diesel oil	1,575	1,579	▼ -4 (-0%)
Fuel oil A	753	745	▲ 8 (1%)
Fuel Oil C	1,795	1,814	▼ -19 (-1%)
Total	9,770	9,841	▼ -71 (-0.7%)

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

During the October 13-October 19 week, crude oil cost in yen almost leveled off from the previous week, with the slight decrease in crude oil price and slight appreciation of exchange rate of the yen to the US dollar.

For the next week, Motouri companies maintained their wholesale 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 onshore and offshore spot petroleum products prices in the October 13- October 19 week increased from the previous week except for the decreased all of futures oil product prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the October 13- October 19 week) increased by 0.4 yen/l from the previous week (October 6- October 12) for gasoline, increased by 0.2 yen/l for kerosene and increased by 0.3 yen/l for diesel oil. For the latest period of October 13- October 19, price increased slightly in a 96 yen/l range for gasoline; and increased slightly in a 45 yen/l range for kerosene; and increased in a 45 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.4 yen/l for gasoline, increased by 0.4 yen/l for kerosene and increased by 0.6 yen/l for diesel oil for the October 13- October 19 week from the previous week. Offshore cargo spot prices during the week (October 13- October 19) increased in a 97-98 yen/l range for gasoline and increased slightly in a 43 yen/l range for kerosene and increased in a 46-47 yen/l range for diesel oil from the previous week.

The key average futures price decreased by 0.3 yen/l for gasoline, decreased by 0.2 yen/l for kerosene and decreased by 0.5 yen/l for diesel oil from the previous week. The key futures price during the period of October 13- October 19 increased in a 92-93 yen/l range for gasoline, increased slightly in a 42 yen/l range for kerosene and increased in a 46-47 yen/l range for diesel oil.

	(Unit: yen/l)		
	This week (10/13 ~ 10/19)	Previous week (10/6 ~ 10/12)	From a week earlier
Regular	43.0	42.6	▲ 0.4
Kerosene	45.2	45.0	▲ 0.2
Diesel oil	45.5	45.2	▲ 0.3

	(Unit: yen/l)		
	This week (10/13 ~ 10/19)	Previous week (10/6 ~ 10/12)	From a week earlier
Regular	39.2	39.5	▼ -0.3
Kerosene	42.4	42.6	▼ -0.2
Diesel oil	47.0	47.5	▼ -0.5

Above prices are before tax.

Reference (October 13 - October 19 actual data)

Products	(Unit: yen/l)		
	Spot	Futures	Average
Gasoline	▲ 0.4	▼ -0.3	➡ 0.0
Kerosene	▲ 0.2	▼ -0.2	➡ 0.0
Diesel oil	▲ 0.3	▼ -0.5	▼ -0.1
Fuel Oil A	▲ 0.2		

(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 19 decreased by 0.1 yen/l from a week earlier to 134.0 yen/l for gasoline, leveled off at 114.8 yen/l for diesel oil and decreased by 5 yen to 1,443 yen for kerosene on an 18-liter tank basis (decreased by 0.2 yen/l to 80.2 yen/l) from the previous week. The gasoline price lost for the fifth straight week. Diesel oil price stopped decreasing for the first time in five weeks. Kerosene price decreased for the second straight week.

Gasoline prices increased in 12 prefectures, leveled off in seven prefectures and decreased in 28 prefectures. The lowest gasoline price among the prefectures was 127.5 yen/l in Tokushima (up 0.5 yen/l from a week earlier) and in Miyagi (up 0.2 yen/l from a week earlier). The highest price was 144.2 yen/l in Nagasaki (up 0.5 yen/l). Aichi logged the largest price gain of 1.6 yen/l to 134.0 yen/l. The price leveled off in Kagoshima and six other prefectures. Okinawa logged the largest price fall of 1.4 yen/l to 140.6 yen/l.

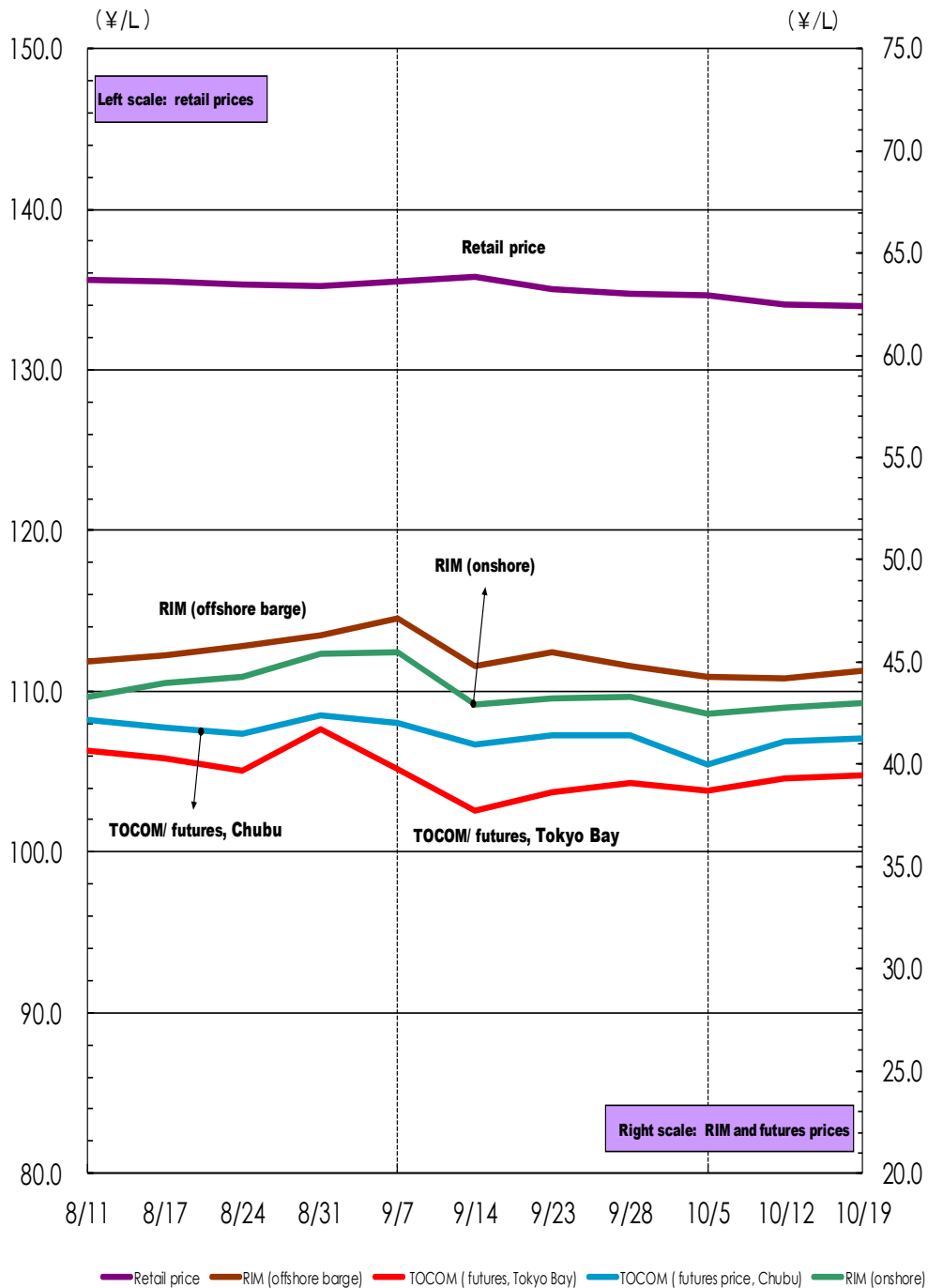
As crude oil cost in yen leveled off for the period from October 13 to October 19 with the slight increase in crude oil price and slight appreciation of exchange rate of the yen to the U.S. dollar. Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the period from October 22 to October 28. Retail gasoline price on the next price survey day (October 26) are expected to level off from a week earlier.

	(Unit: yen/l)			
	This week (10/19)	Previous week (10/12)	From a week earlier	Latest high
Regular	134.0	134.1	▼ -0.1	08/8/4 185.1
Kerosene	80.2	80.4	▼ -0.2	08/8/11 132.1
Diesel oil	114.8	114.8	➡ 0.0	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

(2020/8/11 ~ 2020/10/19)



(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. 17 for 2020) will be announced at 14:00 on November 6.

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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).