

# Oil Market Review in Japan No. 18/2020

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the October 22-October 28 week moved within a range between \$37.39 per barrel and \$40.64/bbl.

On November 29, the December contract turned down significantly due to concerns over new outbreaks of the coronavirus. France and Germany restricted peoples' movement again. In addition, Hurricane "Zeta", approaching the Gulf of Mexico, was downgraded and influence on oil related facilities would be limited. This was one of the factors causing price decline. The December contract closed at \$36.17/bbl down \$1.22/bbl from the previous day.

On October 30 the key contract turned down for the third straight trading day due to concerns over outbreaks of the coronavirus in Europe and the United States. In addition, the OPEC (Organization of the Petroleum Exporting Countries) announced that its crude oil production in October 2020 increased by 0.21 million bbl/d from the previous month to 24.59 million bbl/d, the increase for the second straight month. This was one of the factors causing price decline. The December contract finished \$0.38/bbl lower at \$35.79/bbl.

On November 2, the key contract rebounded for the first time in four trading days. The market saw picking up the low price and repurchase of position adjustment in prevailing wait-and-see mood due to the U.S. Presidential Election on the following day. The December contract finished \$1.02/bbl higher at \$36.81/bbl.

On November 3, the key contract rose further by buying due to high stock price in the U.S. market and a sense of undervalued crude oil futures price driven by depreciation of the U.S. dollar and appreciation of the Euro. It was reported that the Russian Energy Minister Novak had talks with the Executive Director of the Russian national oil company on extension of the OPEC Plus Countries' cooperative crude oil production cut during the first quarter of 2021. It was also reported that Nigeria insisted on postponement of easing the OPEC Plus Countries' cooperative crude oil production cut from January 2021. The December contract gained \$0.85bbl to \$37.66/bbl.

On November 4, the key contract rose further by the announcement of the U.S. EIA (Energy Information Administration) that the U.S. crude oil inventory up to October 31 decreased more than the market expectations by 8 million bbl from the previous week. The U.S. Presidential Election in the process of counting votes didn't seem to have major impact on the price. The December contract gained \$1.49bbl to \$39.15/bbl.

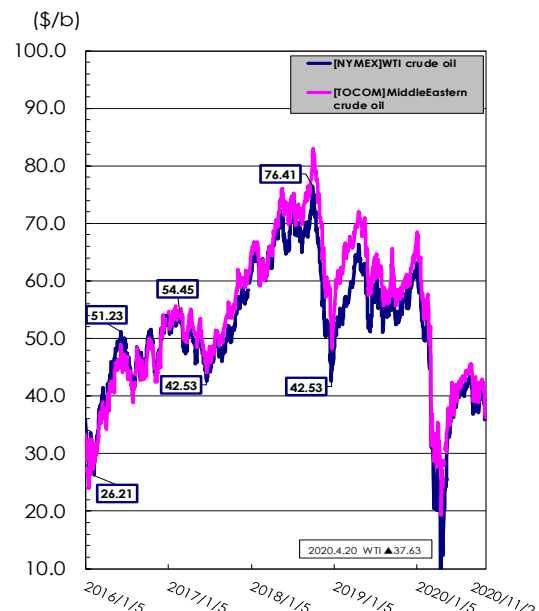
The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between \$39.80/bbl and \$41.40/bbl in the October 22- October 28 week. It closed at \$38.50/bbl on October 29, at \$36.80/bbl on October 30, at \$36.40/bbl on November 2, at \$40.30/bbl on November 4.

On the foreign exchange market in the October 22- October 28 week, the dollar moved within a range between 104.45 and 104.81. It changed hands at 104.60 yen in late trading on October 29, at 104.80 yen on October 30, at 104.76 yen on November 2, at 104.55 yen on November 4.

According to preliminary 10-day trade statistics released by the Ministry of Finance on October 29, the average crude oil import CIF price for Japan in the early October period stood at 30,247 yen/kl (kiloliter), down 563 yen/kl from the previous 10-day period. In dollars, the price was \$45.64/bbl, down \$0.64/bbl. The average exchange rate was 105.37 yen to the dollar.

Japan's average retail price on November 2 lost by 0.4 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 price decreased for the seventh straight week. Diesel oil decreased for the second straight week. Kerosene price decreased for the fourth straight week. As crude oil cost decreased for the first week of November, Motouri companies decreased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the next week.

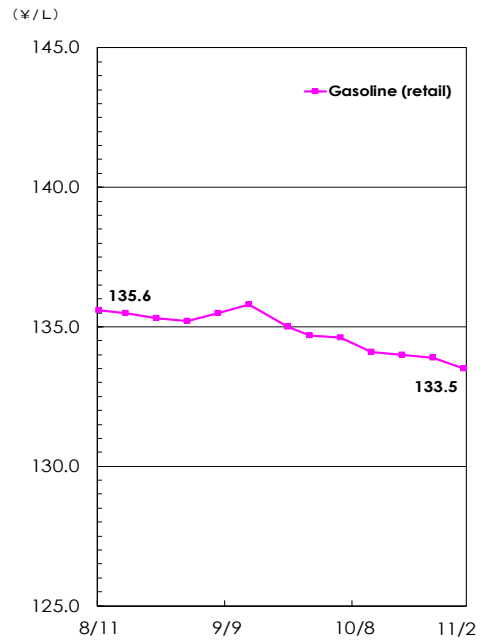
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	10/25 ~ 10/31	2,643	▲ 107	▼ —
	Topper capacity utilization rate (%)	"	68.7	▲ 2.8	▼ —
	Crude oil inventories (1,000 kl)	10/31	12,804	▲ 22	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/2	36.26	▼ -4.44	▼ -23.4
	WTI crude oil (NYMEX) (\$/bbl)	11/2	36.81	▼ -1.75	▼ -19.7
	Crude oil import CIF price (\$/bbl)	Early Oct	45.64	▼ -0.64	▼ -19.45
	① Crude oil import CIF price (yen/kl)	"	30,247	▼ -563	▼ -13,887
	② Yen-dollar exchange rate (yen/dollar)	"	105.37	▲ 0.49	▲ 2.43
	TTS exchange rate (yen/dollar)	11/2	105.76	▼ -0.06	▲ 4.03



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/25 ~ 10/31	831 ▲ 55	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	744 ▼ -67	▲ —	
	Exports	"	10 ▲ 10	▼ —	
	Inventories	10/31	1,911 ▲ 78	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/27 ~ 11/2	42.3 ▼ -0.8	▼ -15.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/27 ~ 11/2	37.3 ▼ -2.0	▼ -17.1
		(TOCOM/ Chubu)	11/2	39.2 ▼ -1.6	▼ -16.3
	Retail prices [weekly trend] (published by ANRE)	11/2	133.5 ▼ -0.4	▼ -13.2	

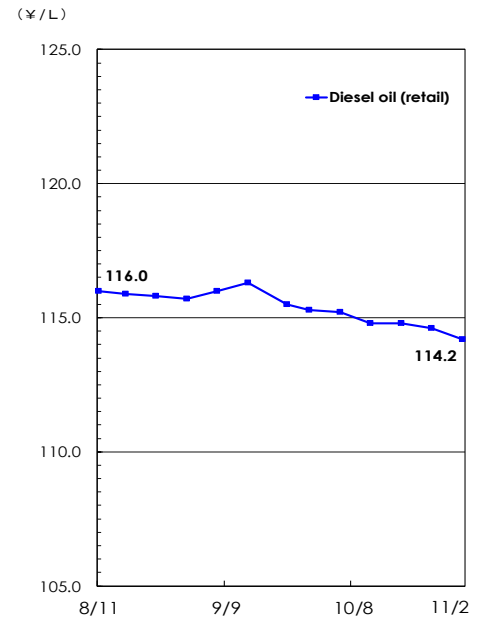
\*Gyoten and futures prices are before tax



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

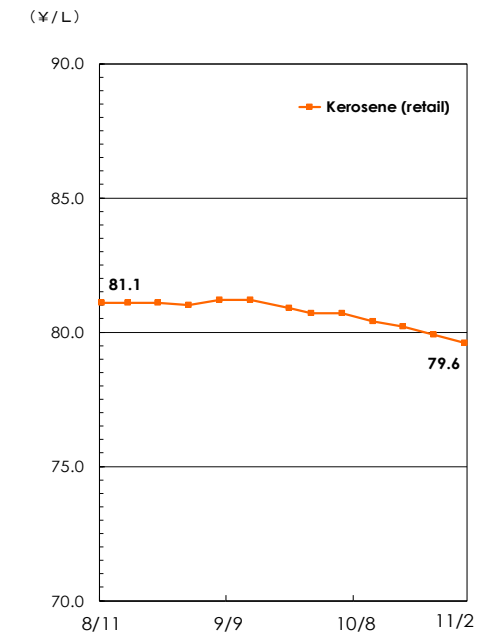
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/25 ~ 10/31	593 ▼ -29	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	505 ▼ -105	▼ —	
	Exports	"	53 ▲ 47	▼ —	
	Inventories	10/31	1,616 ▲ 35	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/27 ~ 11/2	44.7 ▼ -0.9	▼ -16.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/27 ~ 11/2	45.2 ▼ -1.5	▼ -16.6
		(TOCOM/ Chubu)	11/2	—	—
	Retail prices [weekly trend] (published by ANRE)	11/2	114.2 ▼ -0.4	▼ -13.1	

\*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	10/25 ~ 10/31	257 ▲ 51	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	170 ▼ -55	▼ —	
	Exports	"	82 ▲ 37	▲ —	
	Inventories	10/31	2,897 ▲ 5	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	10/27 ~ 11/2	44.5 ▼ -0.9	▼ -15.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	10/27 ~ 11/2	40.5 ▼ -1.8	▼ -17.5
		(TOCOM/ Chubu)	11/2	41.5 ▼ -2.1	▼ -18.5
	Retail prices [weekly trend] (published by ANRE)	11/2	79.6 ▼ -0.3	▼ -12.1	



## Relevant Information

### 1 Overseas crude oil prices

On November 4, WTI crude oil futures price on NYMEX, rose further for the third straight trading day. According to the U.S. EIA Weekly Report, the U.S. domestic crude oil inventory up to October 31 decreased by 8 million bbl from the previous week, against the market expectations of the increase by 0.9 million bbl. Moreover, it was reported that Russia was considering expansion of the OPEC Plus Countries cooperative production cut from January 2020. There was an observation that U.S. oil companies would be able to escape from abolition of tax incentives with the expectation of the Democratic Party's failure to get the majority in the U.S. Senate in the Parliamentary Election, still in the -vote-counting processes of U.S. Presidential Election. These are also factors causing price hike. The December contract gained \$1.49/bbl to \$39.15/bbl from the previous day, high price for the first time in a week. The January contract gained \$1.48/bbl to \$39.47/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of November 2 decreased by 3.1 cents per gallon from a week earlier to \$2.112/gal (58.9yen/l). The average diesel oil price decreased by 1.3 cents/gal to \$2.372/gal (66.2yen/l). The gasoline decreased for the fourth straight week. Diesel oil price decreased for the third 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 topper capacity in the October 25-October 31 week in 2020 stood at 620,000 barrels per day, down 62,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 107,000 kl from the previous week to 2,643,000 kl. From a year earlier, it decreased by 612,000 kl. The topper capacity utilization rate stood at 68.7%, up 2.8 points from the previous week and down 14.4 points from a year earlier.

Production decreased from the previous week for jet fuel and diesel oil and increased for other petroleum products. Output was up 7.0% for gasoline, down 9.3% for jet fuel, up 24.6% for kerosene, down 4.7% for diesel oil, up 5.9% for Fuel Oil A and up 0.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, unchanged from the previous week. Diesel oil exports aggregated 53,000 kl, up 47,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline and Fuel Oil A and declined for other petroleum products. Gasoline shipments decreased by 8.2% from the previous week to 744,000 kl, decreasing for the first time in three weeks. Shipments totaled 57,000 kl for jet fuel (down 28.5% from the previous week), 170,000 kl for kerosene (down 24.5%), 505,000 kl for diesel oil (down 17.3%), 205,000 kl for Fuel Oil A (up 4.2%) and 189,000 kl for Fuel Oil C (down 5.2%).

(Unit: 1,000 kl)

	This week (10/25 ~ 10/31)	Previous week (10/18 ~ 10/24)	From a week earlier
Gasoline	744	811	▼ -67 (-8%)
Jet fuel	57	80	▼ -23 (-29%)
Kerosene (heating Oil)	170	225	▼ -55 (-24%)
Diesel oil	505	610	▼ -105 (-17%)
Fuel oil A	205	197	▲ 8 (4%)
Fuel Oil C	189	199	▼ -10 (-5%)
<b>Total</b>	<b>1,870</b>	<b>2,122</b>	<b>▼ -252 (-12%)</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 31 increased from a week earlier for all petroleum products. From a year earlier, inventories shrank for Fuel Oil C, and expanded for other petroleum products.

Gasoline inventories totaled 1,911,000 kl, up 78,000 kl from a week earlier and up 392,000 kl from a year earlier.

Kerosene inventories totaled 2,897,000 kl, up 5,000 kl from a week earlier and up 80,000 kl from a year earlier.

Diesel oil inventories totaled 1,616,000 kl, up 35,000 kl from a week earlier and up 256,000 kl from a year earlier.

Fuel Oil A inventories totaled 779,000 kl, up 20,000 kl from a week earlier and up 43,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,786,000 kl, up 13,000 kl from a week earlier and down 202,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (10/31)	Previous week (10/24)	From a week earlier
Gasoline	1,911	1,833	▲ 78 (4%)
Jet fuel	869	835	▲ 34 (4%)
Kerosene (heating Oil)	2,897	2,892	▲ 5 (0%)
Diesel oil	1,616	1,581	▲ 35 (2%)
Fuel oil A	779	759	▲ 20 (3%)
Fuel Oil C	1,786	1,773	▲ 13 (1%)
<b>Total</b>	<b>9,858</b>	<b>9,673</b>	<b>▲ 185 (1.9%)</b>

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

During the October 27- November 2 week, crude oil cost in yen decreased significantly from the previous week, with the significant decrease in crude oil price and slight appreciation of exchange rate of the yen to the US dollar.

For the next week, Motouri companies decreased their wholesale prices by 2.0 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 onshore and offshore spot petroleum products prices in the October 27- November 2 week decreased from the previous week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the October 27- November 2 week) decreased by 0.8 yen/l from the previous week (October 20- October 26) for gasoline, decreased by 0.9 yen/l for kerosene and decreased by 0.9 yen/l for diesel oil. For the latest period of October 27- November 2, price decreased significantly in a 94-96 yen/l range for gasoline; and decreased significantly in a 43-45 yen/l range for kerosene; and decreased in a 43-45 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.0 yen/l for gasoline, decreased by 0.7 yen/l for kerosene and decreased by 0.8 yen/l for diesel oil for the October 27- November 2 week from the previous week. Offshore cargo spot prices during the week (October 27- November 2) decreased in a 97-98 yen/l range for gasoline and decreased significantly in a 41-43 yen/l range for kerosene and decreased in a 45-47 yen/l range for diesel oil from the previous week.

The key average futures price decreased by 2.0 yen/l for gasoline, decreased by 1.8 yen/l for kerosene and decreased by 1.5 yen/l for diesel oil from the previous week. The key futures price during the period of October 27- November 2 decreased significantly in a 89-92 yen/l range for gasoline, decreased significantly in a 38-41 yen/l for kerosene and decreased in a 44-46 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (10/27 ~ 11/2)	Previous week (10/20 ~ 10/26)	From a week earlier
Spot Prices			
Regular	42.3	43.1	▼ -0.8
Kerosene	44.5	45.4	▼ -0.9
Diesel oil	44.7	45.6	▼ -0.9

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (10/27 ~ 11/2)	Previous week (10/20 ~ 10/26)	From a week earlier
Futures Price			
Regular	37.3	39.3	▼ -2.0
Kerosene	40.5	42.3	▼ -1.8
Diesel oil	45.2	46.7	▼ -1.5

Above prices are before tax.

Reference (October 27 - November 2 actual data)

		(Unit: yen/l)		
Products	Spot	Futures	Average	
Gasoline	▼ -0.8	▼ -2.0	▼ -1.4	
Kerosene	▼ -0.9	▼ -1.8	▼ -1.4	
Diesel oil	▼ -0.9	▼ -1.5	▼ -1.2	
Fuel Oil A	▼ -0.9			

(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 November 2 decreased by 0.4 yen/l from a week earlier to 133.5 yen/l for gasoline, decreased by 0.4 yen/l to 114.2 yen/l for diesel oil and decreased by 5 yen to 1,433 yen for kerosene on an 18-liter tank basis (decreased by 0.3 yen/l to 79.6 yen/l) from the previous week. The gasoline price lost for the seventh straight week. Diesel oil price decreased for the second straight week. Kerosene price decreased for the fourth straight week.

Gasoline prices increased in five prefectures, leveled off in four prefectures and decreased in 38 prefectures. The lowest gasoline price among the prefectures was 126.4 yen/l in Shiga (down 0.8 yen/l from a week earlier). The second lowest was 126.9 yen/l in Tokushima (down 0.1 yen/l). The highest price was 143.6 yen/l in Oita (down 0.1 yen/l). Mie logged the largest price gain of 0.4 yen/l to 133.0 yen/l. The price leveled off in Kyoto and three other prefectures. Okinawa logged the largest price fall of 2.0 yen/l to 139.8 yen/l.

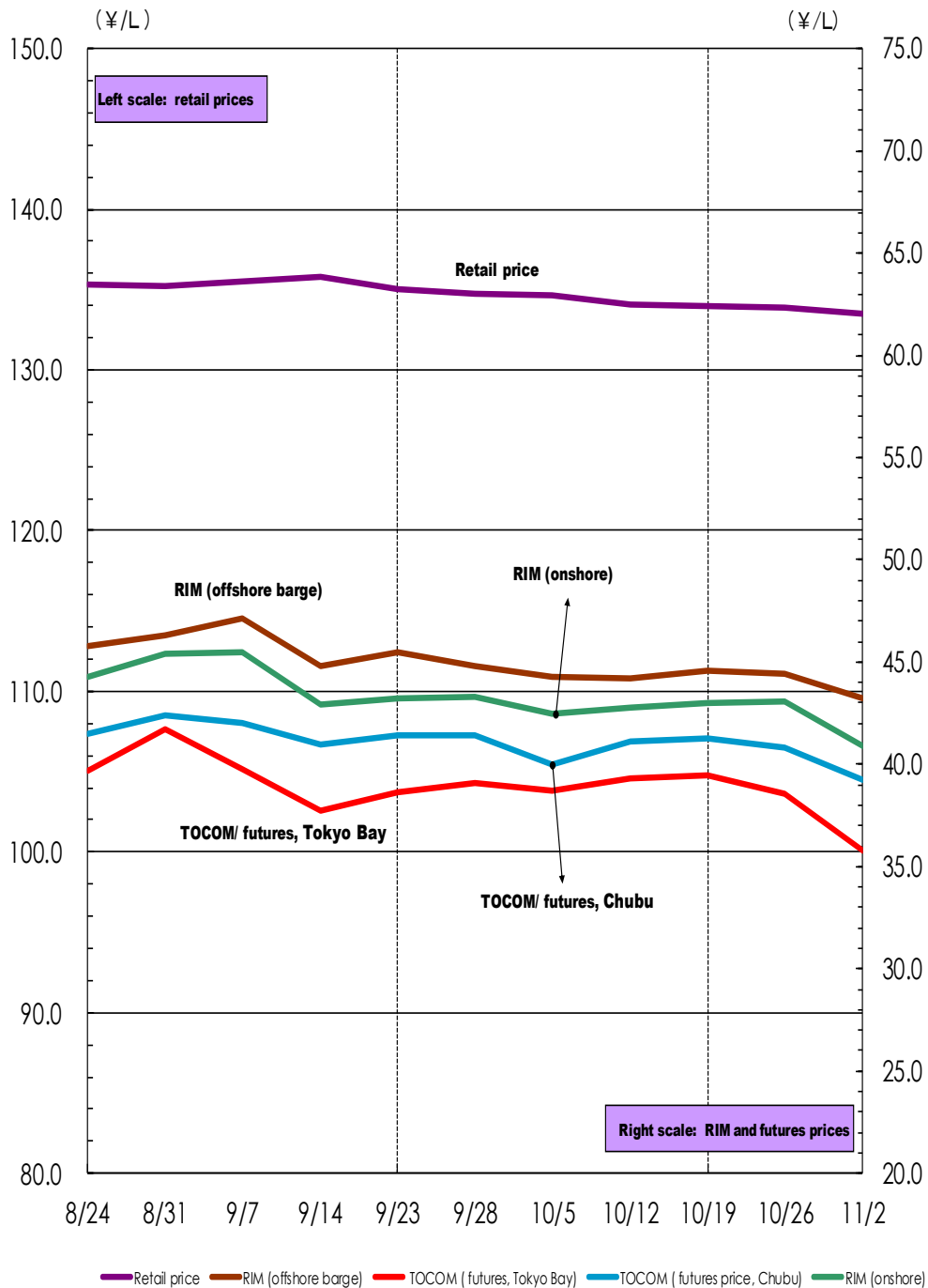
Crude oil cost in yen decreased for the period from October 27 to November 2 with the decrease in crude oil price and slight appreciation of exchange rate of the yen to the U.S. dollar. Motouri companies decreased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the period from November 5 to November 11. Retail gasoline price on the next price survey day (November 9) are expected to decrease from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (11/2)	Previous week (10/26)	From a week earlier	Latest high	
Retail Price					
Regular	133.5	133.9	▼ -0.4	08/8/4	185.1
Kerosene	79.6	79.9	▼ -0.3	08/8/11	132.1
Diesel oil	114.2	114.6	▼ -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

(2020/8/24 ~ 2020/11/2)



(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. 19 for 2020) will be announced at 14:00 on November 20.

## 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).