

Oil Market Review in Japan No. 20/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the November 5 - November 11 week moved within a range of \$37.14 per barrel and \$41.45/bbl.

On November 12, the November contract turned down for the first time in four trading days according to the one-day delayed weekly announcement of the U.S. EIA (Energy Information Administration). The gasoline inventory decreased by 2.3 million bbl and the middle distillate inventory decreased significantly by 5.4 million bbl from the previous week, respectively. On the other hand, crude oil inventory increased by 4.3 million bbl from the previous week, which was against the market expectation of the decrease in crude oil inventory by 900,000 bbl. In addition, the IEA (International Energy Agency) Weekly Report announced that progress in new corona vaccine development would not contribute to the increase in energy demand until the latter half of 2021. This was also one of the factors causing price decline. The December contract closed at \$41.12/bbl down \$0.33/bbl from the previous day.

On November 13 the key contract turned down further due to concerns over diminishing oil demand in the future in response to the flow of the day before. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 10 units from a week earlier to 236 units, increasing for the eighth straight week. The December contract finished \$0.99/bbl lower at \$40.13/bbl.

On November 16, the key contract rebounded significantly by expectations for economic recovery. Following the announcement by Pfizer, a major US pharmaceutical company, in the previous week, Moderna, a biopharmaceutical giant, also announced its high vaccine efficacy in clinical trials. The price rise was supported by the announcement that the OPEC (Organization for Petroleum Exporting Countries) plus Countries' would postpone its planned cooperative crude oil production cut by 2 million b/d from January 2021 for another three months. The December contract finished \$1.21/bbl higher at \$41.34/bbl.

On November 17, the key contract rose further slightly by expectation for global economic recovery to be brought about by the progress of the development of the new corona vaccines, maintaining the OPEC plus Countries' current cooperative crude oil production cut of 7.7 million bbl/d, and sense of undervalued crude oil futures prices caused by depreciation of the U.S. dollar and appreciation of the Euro in the foreign exchange market. The December contract gained \$0.09bbl to \$41.43/bbl.

On November 18, the key contract rose for the third straight trading days. The market expected postponement of easing the cooperative crude oil production cut by the JMMC (The Joint Ministerial Monitoring Committee) of the OPEC plus Countries from January 2021 and the recent development of new corona vaccines. However, the price rise was restricted due to the announcement of the more-than-expected increase in gasoline inventory by the U.S. IEA Weekly Report. The December contract gained \$0.39bbl to \$41.82/bbl.

The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged between \$39.50/bbl and \$43.80/bbl in the November 5- November 11 week. It closed at \$43.50/bbl on November 12, at \$42.90/bbl on November 13, at \$43.20/bbl on November 16, at \$44.30/bbl on November 17, at \$43.70/bbl on November 18.

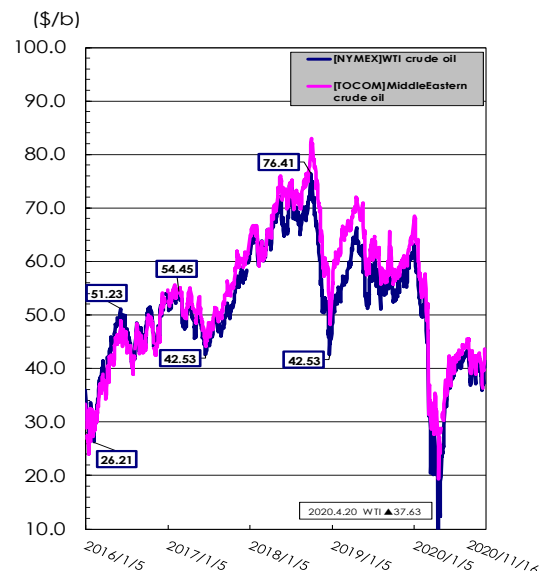
On the foreign exchange market in the November 5- November 11 week, the dollar moved within a range of 103.35 yen and 105.21 yen. It changed hands at 105.42 yen in late trading on November 12, at 104.99 yen on November 13, at 104.69 yen on November 16, at 104.48 yen on November 17, at 104.09 yen on November 18.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 18, the average crude oil import CIF price for Japan in the late October period stood at 29,116 yen/kl (kiloliter), down 152 yen/kl from the previous 10-day period. In dollars, the price was \$43.86/bbl, down \$0.19/bbl. The average exchange rate was 105.53 yen to the dollar.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 18, the average crude oil import CIF price for Japan in October stood at 29,537 yen/kl (kiloliter), down 1,251 yen/kl from the previous month. In dollars, the price was \$44.51/bbl, down \$1.69/bbl. The average exchange rate was 105.51 yen to the dollar.

Japan's average retail price on November 16 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 4 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the ninth straight week. Diesel oil price decreased for the fourth straight week. Kerosene price decreased for the sixth straight week. As crude oil cost increased for the third week of November, Motouri companies increased their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for the next week.

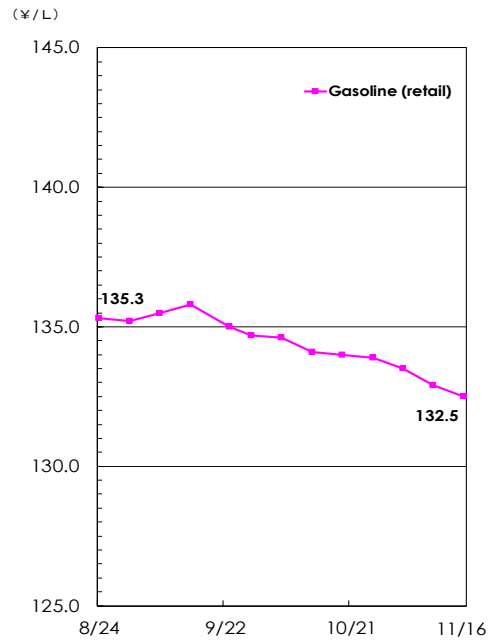
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	11/8 ~ 11/14	2,757	▲ 124	▼ —
	Topper capacity utilization rate (%)	"	71.7	▲ 3.3	▼ —
	Crude oil inventories (1,000 kl)	11/14	11,997	▼ -418	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/16	42.80	▲ 2.40	▼ -18.3
	WTI crude oil (NYMEX) (\$/bbl)	11/16	41.34	▲ 1.05	▼ -15.7
	Crude oil import CIF price (\$/bbl)	Late Oct	43.86	▼ -0.19	▼ -21.23
	① Crude oil import CIF price (yen/kl)	"	29,116	▼ -152	▼ -15,018
	② Yen-dollar exchange rate (yen/dollar)	"	105.53	▲ 0.09	▲ 2.27
	TTS exchange rate (yen/dollar)	11/16	105.69	▼ -1.34	▲ 4.13



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/8 ~ 11/14	836	▼ -11	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	790	▼ -2	▼ -	
	Exports	"	64	▲ 35	▼ -	
	Inventories	11/14	1,918	▼ -18	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/10 ~ 11/16	41.9	▲ 1.1	▼ -17.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/10 ~ 11/16	39.7	▲ 1.9	▼ -15.8
		(TOCOM/ Chubu)	11/16	42.2	▲ 1.5	▼ -15.3
	Retail prices [weekly trend] (published by ANRE)	11/16	132.5	▼ -0.4	▼ -14.4	

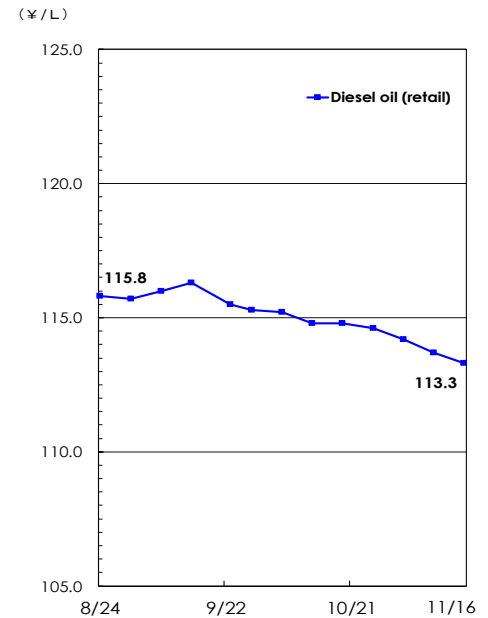
*Gyoten and futures prices are before tax



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

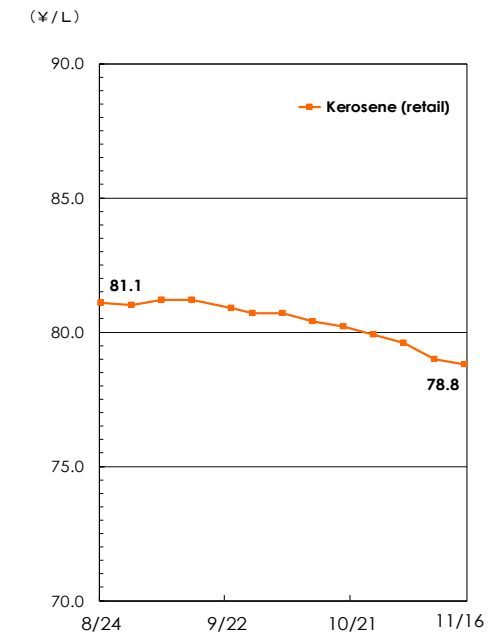
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/8 ~ 11/14	584	▼ -4	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	589	▼ -7	▼ -	
	Exports	"	5	▲ 5	▼ -	
	Inventories	11/14	1,598	▼ -10	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/10 ~ 11/16	43.8	▲ 0.8	▼ -17.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/10 ~ 11/16	47.3	▲ 1.1	▼ -16.2
		(TOCOM/ Chubu)	11/16	-	-	-
	Retail prices [weekly trend] (published by ANRE)	11/16	113.3	▼ -0.4	▼ -14.2	

*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	11/8 ~ 11/14	272	▼ -13	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	394	▲ 147	▲ -	
	Exports	"	25	➡ 0	▼ -	
	Inventories	11/14	2,765	▼ -146	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/10 ~ 11/16	43.7	▲ 0.9	▼ -17.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/10 ~ 11/16	42.5	▲ 1.6	▼ -17.2
		(TOCOM/ Chubu)	11/16	44.5	▲ 1.8	▼ -17.8
	Retail prices [weekly trend] (published by ANRE)	11/16	78.8	▼ -0.2	▼ -12.9	



Relevant Information

1 Overseas crude oil prices

On November 18, WTI crude oil futures price on NYMEX rose for the third straight trading days. The market expected postponement of easing the cooperative crude oil production cut from January 2021 by the JMMC (The Joint Ministerial Monitoring Committee) of the OPEC plus Countries on November 17, and the recent progress in the development of the new corona vaccines. However, the price rise was restricted by the announcement of the U.S. domestic inventory by the U.S. EIA Weekly Report. From the previous week, crude oil inventory increased by 0.8 million bbl, which was less than the market expectation of the increase by 1.7 million bbl, while gasoline inventory increased by 2.6 million bbl, which was much more than the market expectation of increase by 0.1 million bbl. The December contract gained \$0.39/bbl to \$41.82/bbl from the previous day. The January contract gained \$0.36/bbl to \$42.01/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of November 16 increased by 1.5 cents per gallon from a week earlier to \$2.111/gal (58.9yen/l). The average diesel oil price increased by 5.8 cents/gal to \$2.441/gal (68.1yen/l). The gasoline price increased for the first time in six weeks. Diesel oil price increased for the second 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 top capacity in the November 8 - November 14 week in 2020 stood at 383,000 barrels per day, down 89,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 124,000 kl from the previous week to 2,757,000 kl. From a year earlier, it decreased by 592,000 kl. The top capacity utilization rate stood at 71.7%, up 3.3 points from the previous week and down 13.8 points from a year earlier.

Production increased from the previous week for jet fuel and Fuel Oil A and decreased for other petroleum products. Output was down 1.3% for gasoline, up 22.9% for jet fuel, down 4.7% for kerosene, down 0.6% for diesel oil, up 1.8% for Fuel Oil A and down 9.4% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000kl, unchanged from the previous week. Diesel oil exports aggregated 5,000kl, up 5,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for kerosene, Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 0.3% from the previous week to 790,000 kl, decreasing for the first time in two weeks. Shipments totaled 54,000 kl for jet fuel (down 15.9% from the previous week), 394,000 kl for kerosene (up 59.6%), 589,000 kl for diesel oil (down 1.2%), 190,000 kl for Fuel Oil A (down 14.2%) and 164,000 kl for Fuel Oil C (up 6.0%).

(Unit: 1,000 kl)

	This week (11/8 ~ 11/14)	Previous week (11/1 ~ 11/7)	From a week earlier
Gasoline	790	792	▼ -2 (-0%)
Jet fuel	54	64	▼ -10 (-16%)
Kerosene (heating Oil)	394	247	▲ 147 (60%)
Diesel oil	589	596	▼ -7 (-1%)
Fuel oil A	190	221	▼ -31 (-14%)
Fuel Oil C	164	155	▲ 9 (6%)
Total	2,181	2,075	▲ 106 (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 November 14 increased from a week earlier for jet fuel, Fuel Oil A and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories shrank for kerosene and Fuel Oil C, and expanded for other petroleum products.

Gasoline inventories totaled 1,918,000 kl, down 18,000 kl from a week earlier and up 363,000 kl from a year earlier.

Kerosene inventories totaled 2,765,000 kl, down 14,600 kl from a week earlier and down 38,000 kl from a year earlier.

Diesel oil inventories totaled 1,598,000 kl, down 10,000 kl from a week earlier and up 81,000 kl from a year earlier.

Fuel Oil A inventories totaled 786,000 kl, up 13,000 kl from a week earlier and up 39,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,854,000 kl, up 5,000 kl from a week earlier and down 157,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/14)	Previous week (11/7)	From a week earlier
Gasoline	1,918	1,936	▼ -18 (-1%)
Jet fuel	884	859	▲ 25 (3%)
Kerosene (heating Oil)	2,765	2,911	▼ -146 (-5%)
Diesel oil	1,598	1,608	▼ -10 (-1%)
Fuel oil A	786	773	▲ 13 (2%)
Fuel Oil C	1,854	1,849	▲ 5 (0%)
Total	9,805	9,936	▼ -131 (-1.3%)

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

During the November 10-November 16 week, crude oil cost in yen increased significantly from the previous week, with the significant increase in crude oil price and depreciation of exchange rate of the yen to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 2.5 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 November 10-November 16 week increased 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 November 10-November 16 week) increased by 1.1 yen/l from the previous week (November 3-November 9) for gasoline, increased by 0.9 yen/l for kerosene and increased by 0.8 yen/l for diesel oil. For the latest period of November 10-November 16, price increased in a 94-96 yen/l range for gasoline; and increased in a 42-44 yen/l range for kerosene; and increased in a 42-43 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 0.1 yen/l for kerosene and increased by 0.4 yen/l for diesel oil for the November 10-November 16 week from the previous week. Offshore cargo spot prices during the week (November 10-November 16) increased in a 95-97 yen/l range for gasoline and decreased in a 41 yen/l range for kerosene and increased in a 44-45 yen/l range for diesel oil from the previous week.

The key average futures price increased by 1.9 yen/l for gasoline, increased by 1.6 yen/l for kerosene and increased by 1.1 yen/l for diesel oil from the previous week. The key futures price during the period of November 10-November 16 increased in a 92-93 yen/l range for gasoline, decreased after the significant increase in a 41-43 yen/l for kerosene and decreased after the increase in a 47-48 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (11/10 ~ 11/16)	Previous week (11/3 ~ 11/9)	From a week earlier
Spot Prices	Regular	41.9	40.8	▲ 1.1
	Kerosene	43.7	42.8	▲ 0.9
	Diesel oil	43.8	43.0	▲ 0.8

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/10 ~ 11/16)	Previous week (11/3 ~ 11/9)	From a week earlier
Futures Price	Regular	39.7	37.8	▲ 1.9
	Kerosene	42.5	40.9	▲ 1.6
	Diesel oil	47.3	46.2	▲ 1.1

Above prices are before tax.

Reference (November 10 - November 16 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.1	▲ 1.9	▲ 1.5
Kerosene	▲ 0.9	▲ 1.6	▲ 1.2
Diesel oil	▲ 0.8	▲ 1.1	▲ 1.0
Fuel Oil A	▲ 0.8		

(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 16 decreased by 0.4 yen/l from a week earlier to 132.5 yen/l for gasoline, decreased by 0.4 yen/l to 113.3 yen/l for diesel oil and decreased by 4 yen to 1,418 yen for kerosene on an 18-liter tank basis (decreased by 0.2 yen/l to 78.8 yen/l) from the previous week. The gasoline price lost for the ninth straight week. Diesel oil price decreased for the fourth straight week. Kerosene price decreased for the sixth straight week.

Gasoline prices increased in three prefectures, leveled off in six prefectures and decreased in 38 prefectures. The lowest gasoline price among the prefectures was 125.1 yen/l in Miyagi (down 0.7 yen/l from a week earlier). The second lowest was 126.3 yen/l in Shiga (down 0.2 yen/l). The highest price was 143.0 yen/l in Oita (down 0.1 yen/l). Aichi logged the largest price gain of 1.5 yen/l to 131.7 yen/l. The price leveled off in Yamagata and other five prefectures. Tokyo and Kochi logged the largest price fall of 1.5 yen/l to 132.4 yen/l and to yen/l to 138.0 yen/l, respectively.

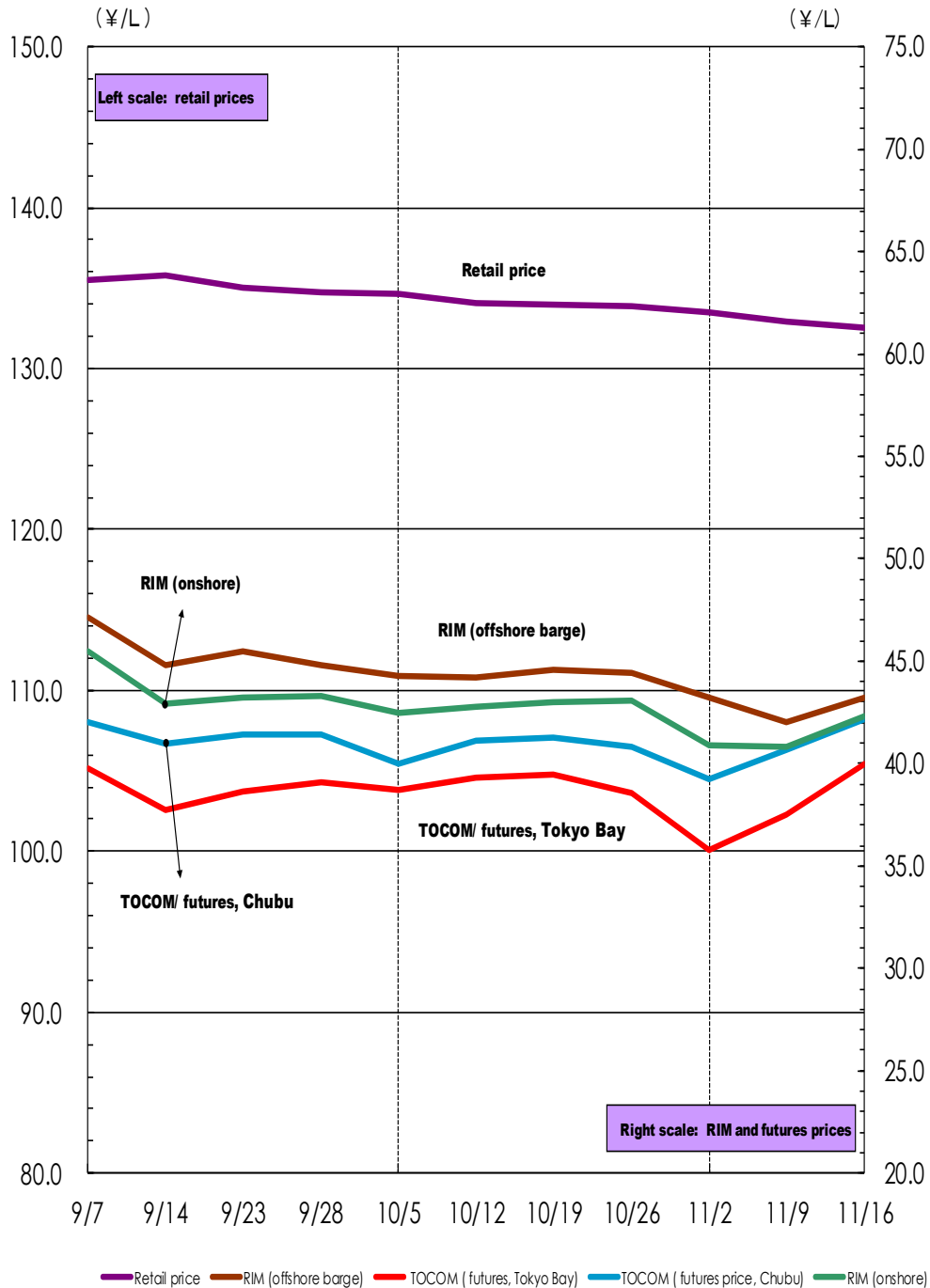
Crude oil cost in yen increased significantly for the period from November 10-November 16 with the large increase in crude oil futures price and depreciation of exchange rate of the yen to the U.S. dollar. Motouri companies increased their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for the period from November 19 to November 25. Retail gasoline price on the next price survey day (November 24) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/16)	Previous week (11/9)	From a week earlier	Latest high
Retail Price	Regular	132.5	132.9	▼ -0.4	08/8/4 185.1
	Kerosene	78.8	79.0	▼ -0.2	08/8/11 132.1
	Diesel oil	113.3	113.7	▼ -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

(2020/9/7 ~ 2020/11/16)



(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. 21 for 2020) will be announced at 14:00 on December 4.

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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).