

Oil Market Review in Japan No. 21/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the November 12- November 18 week moved within a range of \$40.13 per barrel and \$41.82/bbl.

On November 19, the November contract turned down slightly for the first time in four trading days due to concerns over diminishing oil demand caused by recent new outbreaks of the coronavirus and profit-taking sale with recent increase in crude oil price. The price level was supported by the expected postponement of easing the cooperative crude oil production cut after January 2021 by the OPEC (Organization for Petroleum Exporting Countries) plus Countries. The December contract closed at \$41.74/bbl down \$0.08/bbl from the previous day.

On November 20, the key contract rebounded by expectation for early convergence of corona scourge. Pfizer, a major US pharmaceutical company applied for emergency use permission of its new corona vaccine from the U.S. FDA. In addition, the market expected that the OPEC plus Countries would postpone easing the cooperative crude oil production cut at the Meeting next time on December 1. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by five units from a week earlier to 231 units, decreasing for the first time in nine weeks. The December contract finished \$0.41/bbl higher at \$42.15/bbl.

On November 23, the key contract rose further by deepened expectation for early convergence of corona scourge. AstraZeneca, a major UK pharmaceutical company, announced its 70% vaccine efficacy in clinical trials, following the Pfizer's announcement in the previous week. The January contract, which replaced the December contract as the key front-month contract, gained \$0.64/bbl to \$43.06/bbl.

On November 24, the key contract rose further due to deepened expectations for practical use of new corona vaccines, welcoming the U.S. President Donald Trump's acceptance of handing over to the next Biden's Administration, and expectations for the U.S. economic recovery as the result of Dow Jones Industrial Average topped \$30,000. The January contract gained \$1.85bbl to \$44.91/bbl.

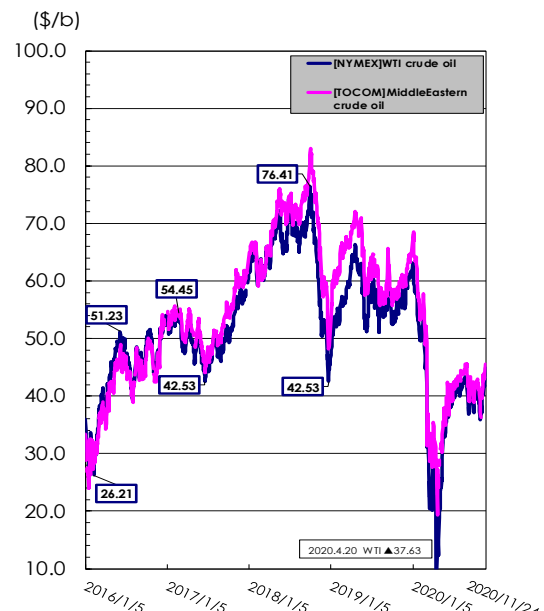
On November 25, the key contract rose further based on steady flow until the previous trading day. In addition, the U.S. EIA (Energy Information Administration) Weekly Report announced that the U.S. domestic crude oil inventory decreased by 0.8 million bbl (barrels) from the previous week, contrary to the market expectation of the increase by 0.13 million bbl. The January contract gained \$0.80bbl to \$45.71/bbl.

The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market ranged between \$42.90/bbl and \$44.30/bbl in the November 12- November 18 week. It closed at \$43.90/bbl on November 19, at \$44.00/bbl on November 20, at \$46.20/bbl on November 24, at \$47.60/bbl on November 25.

On the foreign exchange market in the November 12- November 18 week, the dollar moved within a range of 104.09 yen and 105.42 yen. It changed hands at 103.87 yen in late trading on November 19, at 103.88 yen on November 20, at 104.58 yen on November 24, at 104.49 yen on November 25.

Japan's average retail price on November 24 gained by 0.6 yen/l from a week earlier for gasoline and gained by 0.6 yen/l for diesel oil and gained by 1 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in ten weeks. Diesel oil price increased for the first time in ten weeks. Kerosene price increased for the first time in ten weeks. As crude oil cost increased slightly for the fourth week of November, Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the next week.

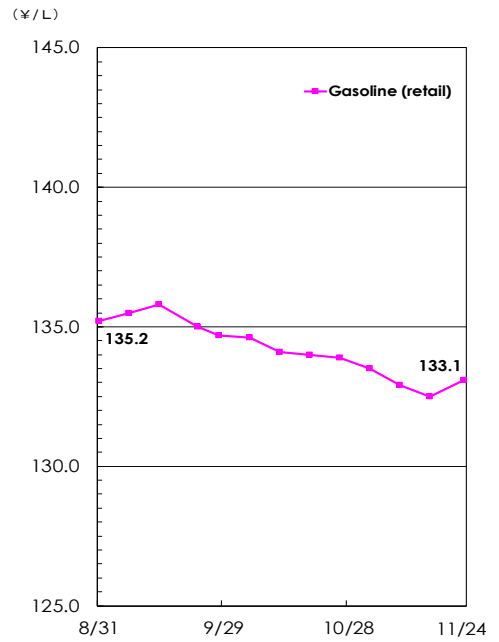
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	11/15 ~ 11/21	2,840	▲ 82	▼ -
	Topper capacity utilization rate (%)	"	73.8	▲ 2.1	▼ -
	Crude oil inventories (1,000 kl)	11/21	10,923	▼ -1,074	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/24	45.57	▲ 2.77	▼ -14.9
	WTI crude oil (NYMEX) (\$/bbl)	11/23	43.06	▲ 1.72	▼ -15.0
	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)	11/24	105.58	▲ 0.11	▲ 4.23



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/15 ~ 11/21	794 ▼ -42	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	774 ▼ -16	▼ -	
	Exports	"	42 ▼ -22	▼ -	
	Inventories	11/21	1,895 ▼ -23	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/17 ~ 11/23	43.1 ▲ 1.2	▼ -15.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/17 ~ 11/23	40.3 ▲ 0.6	▼ -14.6
		(TOCOM/ Chubu)	11/20	42.7 ▲ 0.5	▼ -14.3
	Retail prices [weekly trend] (published by ANRE)	11/24	133.1 ▲ 0.6	▼ -14.0	

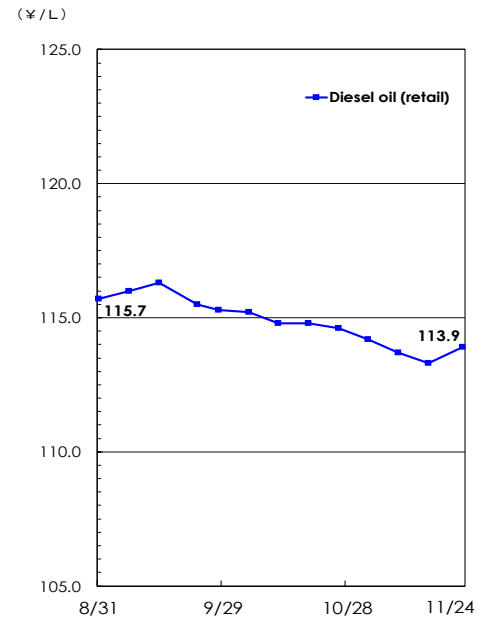
*Gyoten and futures prices are before tax



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

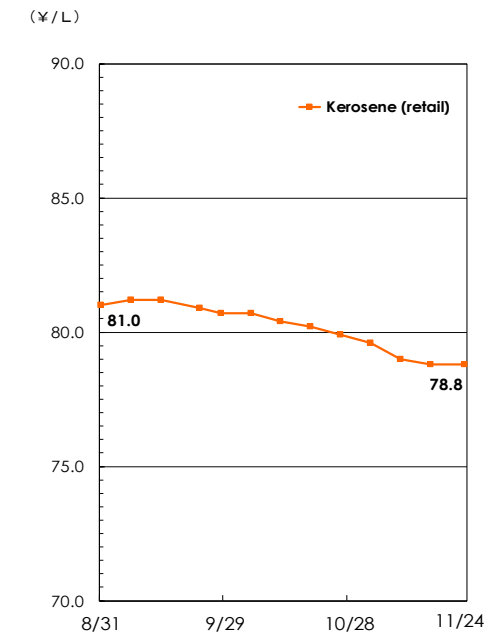
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/15 ~ 11/21	636 ▲ 52	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	617 ▲ 28	▼ -	
	Exports	"	21 ▲ 16	▼ -	
	Inventories	11/21	1,596 ▼ -2	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/17 ~ 11/23	45.5 ▲ 1.7	▼ -16.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/17 ~ 11/23	47.1 ▼ -0.2	▼ -16.6
		(TOCOM/ Chubu)	11/20	-	-
	Retail prices [weekly trend] (published by ANRE)	11/24	113.9 ▲ 0.6	▼ -13.8	

*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	11/15 ~ 11/21	411 ▲ 139	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	241 ▼ -153	▼ -	
	Exports	"	73 ▲ 48	▲ -	
	Inventories	11/21	2,863 ▲ 98	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/17 ~ 11/23	45.1 ▲ 1.4	▼ -16.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/17 ~ 11/23	42.9 ▲ 0.4	▼ -16.4
		(TOCOM/ Chubu)	11/20	44.1 ▼ -0.4	▼ -16.1
	Retail prices [weekly trend] (published by ANRE)	11/24	78.8 ➡ 0.0	▼ -13.0	



Relevant Information

1 Overseas crude oil prices

On November 25, WTI crude oil futures price on NYMEX rose further by expectations for oil demand recovery. The market expected postponement of easing the cooperative crude oil production cut after January 2021 by the OPEC plus Countries, and the progress of the development of the new corona vaccines. In addition, the U.S. EIA (Energy Information Administration) Weekly Report announced that the U.S. domestic crude oil inventory decreased by 800,000 bbl (barrels) from the previous week, contrary to the market expectation of the increase by 130,000 bbl. The January contract gained \$0.80/bbl to \$45.71/bbl from the previous day. The February contract gained \$0.08/bbl to \$45.91/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of November 23 decreased by 0.9 cents per gallon from a week earlier to \$2.102/gal (58.2yen/l). The average diesel oil price increased by 2.1 cents/gal to \$2.462/gal (68.1yen/l). The gasoline price decreased for the first time in two weeks. Diesel oil price increased 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 November 15 - November 21 week in 2020 stood at 359,000 barrels per day, down 25,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 82,000 kl from the previous week to 2,840,000 kl. From a year earlier, it decreased by 514,000 kl. The topper capacity utilization rate stood at 73.8%, up 2.1 points from the previous week and down 11.9 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and Fuel Oil A and increased for other petroleum products. Output was down 5.0% for gasoline, down 25.4% for jet fuel, up 50.9% for kerosene, up 8.9% for diesel oil, down 11.1% for Fuel Oil A and up 2.4% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000kl, unchanged from the previous week. Diesel oil exports aggregated 21,000kl, up 16,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, kerosene and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments expanded for jet fuel and Fuel Oil A and declined for other petroleum products. Gasoline shipments decreased by 1.9% from the previous week to 774,000 kl, decreasing for the second straight week. Shipments totaled 145,000 kl for jet fuel (up 169.7% from the previous week), 241,000 kl for kerosene (down 38.9%), 617,000 kl for diesel oil (up 4.8%), 203,000 kl for Fuel Oil A (up 6.7%) and 161,000 kl for Fuel Oil C (down 2.1%).

(Unit: 1,000 kl)

	This week (11/15 ~ 11/21)	Previous week (11/8 ~ 11/14)	From a week earlier
Gasoline	774	790	▼ -16 (-2%)
Jet fuel	145	54	▲ 91 (169%)
Kerosene (heating Oil)	241	394	▼ -153 (-39%)
Diesel oil	617	589	▲ 28 (5%)
Fuel oil A	203	190	▲ 13 (7%)
Fuel Oil C	161	164	▼ -3 (-2%)
Total	2,141	2,181	▼ -40 (-2%)

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 21 increased from a week earlier for kerosene, Fuel Oil A and Fuel Oil C 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 1,895,000 kl, down 23,000 kl from a week earlier and up 413,000 kl from a year earlier.

Kerosene inventories totaled 2,863,000 kl, up 98,000 kl from a week earlier and up 27,000 kl from a year earlier.

Diesel oil inventories totaled 1,596,000 kl, down 2,000 kl from a week earlier and up 32,000 kl from a year earlier.

Fuel Oil A inventories totaled 790,000 kl, up 4,000 kl from a week earlier and up 56,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,864,000 kl, up 10,000 kl from a week earlier and down 215,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/21)	Previous week (11/14)	From a week earlier
Gasoline	1,895	1,918	▼ -23 (-1%)
Jet fuel	806	884	▼ -78 (-9%)
Kerosene (heating Oil)	2,863	2,765	▲ 98 (4%)
Diesel oil	1,596	1,598	▼ -2 (-0%)
Fuel oil A	790	786	▲ 4 (1%)
Fuel Oil C	1,864	1,854	▲ 10 (1%)
Total	9,814	9,805	▲ 9 (0.1%)

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

During the November 17-November 23 week, crude oil cost in yen increased slightly from the previous week, with the increase in crude oil price, partly offset by appreciation of exchange rate of the yen to the US dollar. For the next week,

Motouri companies maintained their wholesale prices 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 17-November 23 week increased from the previous week except for diesel oil futures trading.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the November 17-November 23 week) increased by 1.2 yen/l from the previous week (November 10-November 16) for gasoline, increased by 1.4 yen/l for kerosene and increased by 1.7 yen/l for diesel oil. For the latest period of November 17-November 23, price decreased slightly after the significant increase in a 96-97 yen/l range for gasoline; and decreased slightly after the significant increase in a 44-45 yen/l range for kerosene; and decreased slightly after the significant increase in a 44-46 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 2.0 yen/l for gasoline, increased by 1.3 yen/l for kerosene and increased by 2.0 yen/l for diesel oil for the November 17-November 23 week from the previous week. Offshore cargo spot prices during the week (November 17-November 23) increased sharply in a 97-99 yen/l range for gasoline and decreased significantly in a 42-43 yen/l range for kerosene and increased significantly in a 45-47 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 0.4 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil from the previous week. The key futures price during the period of November 17-November 23 decreased in a 93-94 yen/l range for gasoline, increased after the decrease in a 42-43 yen/l range for kerosene and increased after the decrease in a 46-47 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (11/17 ~ 11/23)	Previous week (11/10 ~ 11/16)	From a week earlier
Spot Prices	Regular	43.1	41.9	▲ 1.2
	Kerosene	45.1	43.7	▲ 1.4
	Diesel oil	45.5	43.8	▲ 1.7

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/17 ~ 11/23)	Previous week (11/10 ~ 11/16)	From a week earlier
Futures Price	Regular	40.3	39.7	▲ 0.6
	Kerosene	42.9	42.5	▲ 0.4
	Diesel oil	47.1	47.3	▼ -0.2

Above prices are before tax.

Reference (November 17 - November 23 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.2	▲ 0.6	▲ 0.9
Kerosene	▲ 1.4	▲ 0.4	▲ 0.9
Diesel oil	▲ 1.7	▼ -0.2	▲ 0.7
Fuel Oil A	▲ 1.8		

(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 24 increased by 0.6 yen/l from a week earlier to 133.1 yen/l for gasoline, increased by 0.6 yen/l to 113.9 yen/l for diesel oil and increased by 1 yen to 1,419 yen for kerosene on an 18-liter tank basis (unchanged at 78.8 yen/l) from the previous week. The gasoline price increased for the first time in ten weeks. Diesel oil price increased for the first time in ten weeks. Kerosene price increased for the first time in ten weeks.

Gasoline prices increased in 35 prefectures, leveled off in two prefectures and decreased in 10 prefectures. The lowest gasoline price among the prefectures was 125.1 yen/l in Miyagi (unchanged from a week earlier). The second lowest was 126.6 yen/l in Tokushima (down 0.1 yen/l). The highest price was 143.1yen/l in Oita (up 0.1 yen/l). Yamaguchi logged the largest price gain of 2.2 yen/l to 129.3 yen/l. The price leveled off in Nagasaki and Miyagi. Okinawa logged the largest price fall of 0.3 yen/l to 138.9 yen/l.

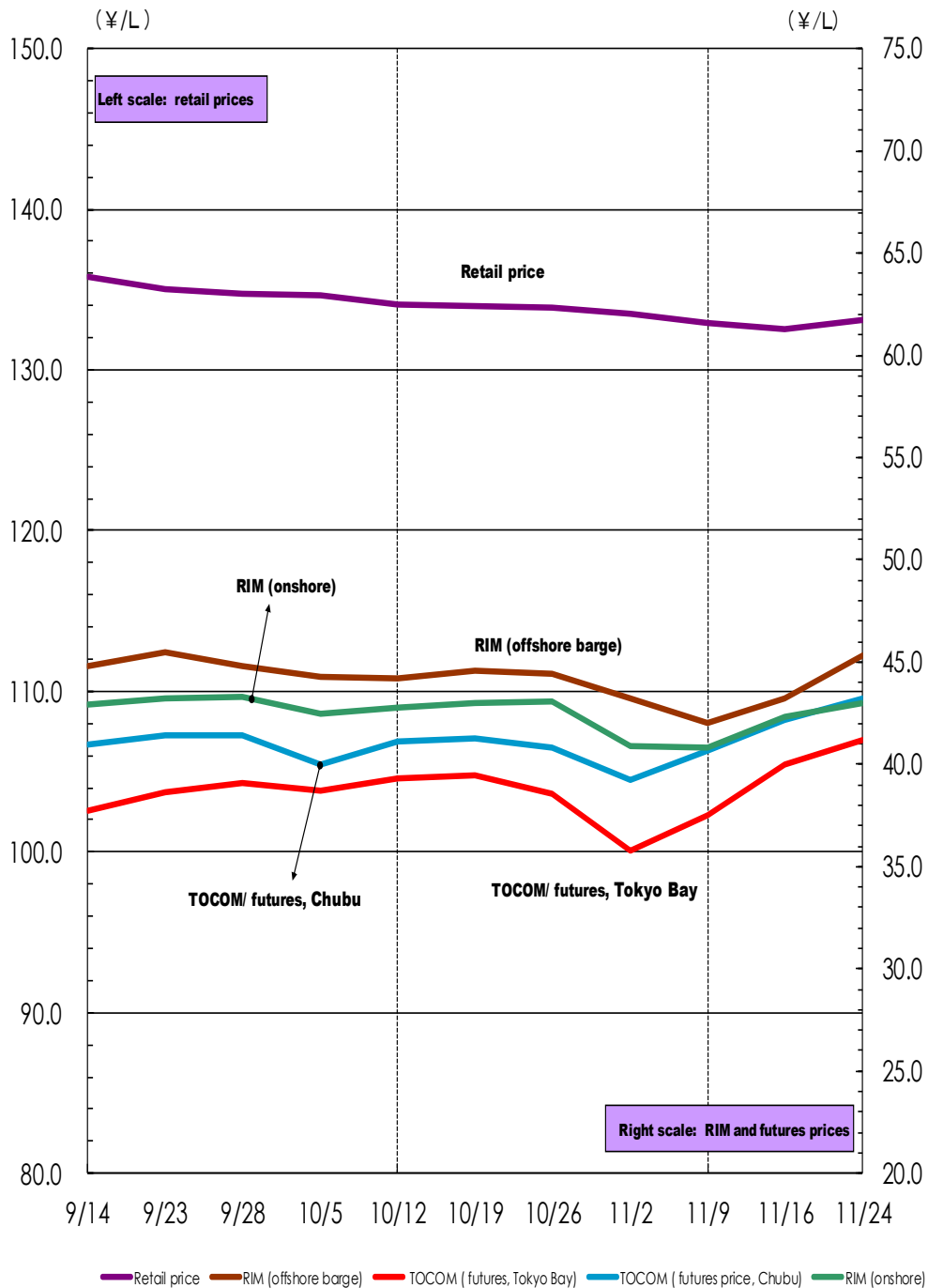
Crude oil cost in yen increased slightly for the period from November 17-November 23 with the increase in crude oil price, partly offset by appreciation of exchange rate of the yen to the US dollar. Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the period from November 26 to December 2. Retail gasoline price on the next price survey day (November 30) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/24)	Previous week (11/16)	From a week earlier	Latest high
Retail Price	Regular	133.1	132.5	▲ 0.6	08/8/4 185.1
	Kerosene	78.8	78.8	▶ 0.0	08/8/11 132.1
	Diesel oil	113.9	113.3	▲ 0.6	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

(2020/9/14 ~ 2020/11/24)



(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. 22 for 2020) will be announced at 14:00 on December 11.

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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).