

Oil Market Review in Japan No. 22/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the November 19- November 25 week moved within a range of \$41.74 per barrel and \$45.71/bbl.

On November 26, the market was closed due to Thanksgiving Day.

On November 27, the key contract turned down slightly. Expectations for new corona vaccine and anticipated postponement of easing the OPEC (Organization of Petroleum Exporting Countries) plus Countries' cooperative crude oil production cut at the next meeting supported the high price, while profit-taking sales and selling due to high price caution restricted further price rise. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 10 units from a week earlier to 241 units, increasing for the first time in two weeks. The January contract finished \$0.18/bbl lower at \$45.53/bbl.

On November 30, the key contract turned down slightly due to uncertainty about the future decision-making on the OPEC plus Countries' cooperative crude oil production cut. The OPEC plus Countries held its General Assembly on the web, and they left a final decision on its cooperative crude oil production cut from January 2021 to its Joint Ministerial Meeting with non-OPEC Plus members on December 1. The sense of overvalued crude oil futures caused by appreciation of the U.S. dollar and depreciation of the Euro was also one of the factors decreasing crude oil price. The January contract lost \$0.19/bbl to \$45.34/bbl.

On December 1, the key contract turned down for the third straight trading day. The OPEC plus Countries failed to consolidate opinions on its cooperative crude oil production cut from January 2021 and postponed the Joint Ministerial Meeting from December 1 to December 3. The January contract lost \$0.79bbl to \$44.55/bbl.

On December 2, the key contract rebounded for the first time in four trading days by expectations for the vaccine spread after the UK Government's approval of Pfizer's new corona vaccine. On the other hand, factors pushing down prices were the OPEC plus Countries' difficult talks on the cooperative crude oil production cut, and the decrease in the U.S. domestic crude oil inventory by 0.7 million bbl (barrels) from the previous week, which was less than the market expectation, according the U.S. EIA (Energy Information Administration) Weekly Report. The January contract gained \$0.73bbl to \$45.28/bbl.

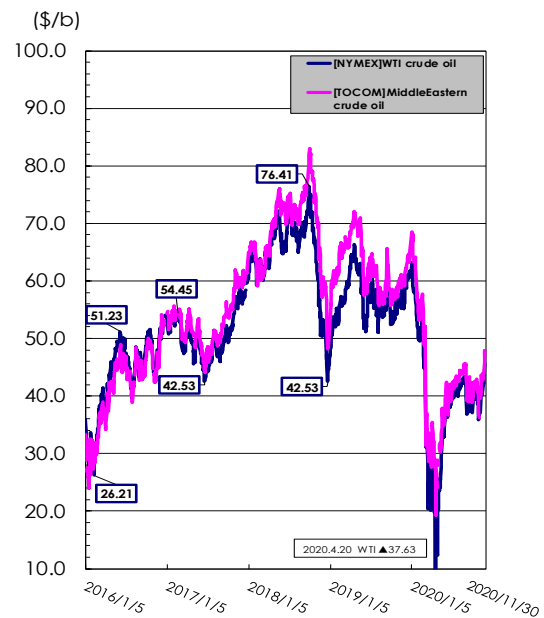
The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market ranged between \$43.90/bbl and \$47.60/bbl in the November 19- November 25 week. It closed at \$48.50/bbl on November 26, at \$47.40/bbl on November 27, at \$46.50/bbl on November 30, at \$47.30/bbl on December 1, at \$47.30/bbl on December 2.

On the foreign exchange market in the November 19- November 25 week, the dollar moved within a range of 103.87 yen and 104.58 yen. It changed hands at 104.34 yen in late trading on November 26, at 104.15 yen on November 27, at 103.89 yen on November 30, at 104.26 yen on December 1, at 104.35 yen on December 2.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 27, the average crude oil import CIF price for Japan in the early November period stood at 28,289 yen/kl (kiloliter), down 827 yen/kl from the previous 10-day period. In dollars, the price was \$42.85/bbl, down \$1.01/bbl. The average exchange rate was 104.96 yen to the dollar.

Japan's average retail price on November 30 gained by 0.3 yen/l from a week earlier for gasoline and gained by 0.3 yen/l for diesel oil and gained by 2 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the second straight week. Diesel oil price increased for the second straight week. Kerosene price increased for the second straight week. As crude oil cost increased significantly for the fifth week of November, Motouri companies increased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the next week.

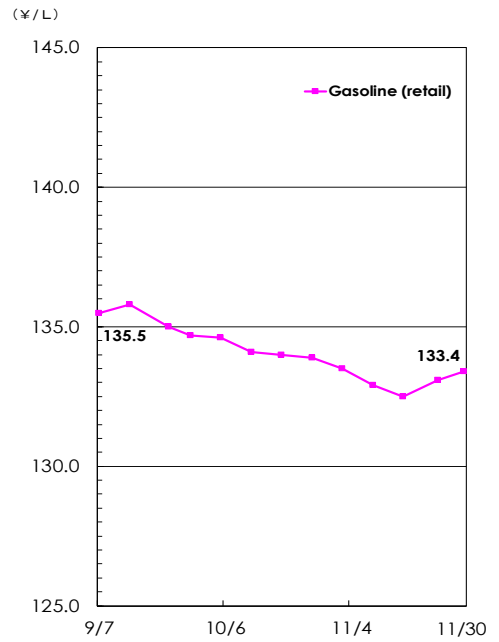
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	11/22 ~ 11/28	2,840	➡ 0	▼ -
	Topper capacity utilization rate (%)	"	73.8	➡ 0.0	▼ -
	Crude oil inventories (1,000 kl)	11/28	11,578	▲ 655	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/30	46.73	▲ 1.16	▼ -12.5
	WTI crude oil (NYMEX) (\$/bbl)	11/30	45.34	▲ 2.28	▼ -10.6
	Crude oil import CIF price (\$/bbl)	Early Nov	42.85	▼ -1.01	▼ -22.08
	① Crude oil import CIF price (yen/kl)	"	28,289	▼ -827	▼ -16,139
	② Yen-dollar exchange rate (yen/dollar)	"	104.96	▲ 0.57	▲ 3.82
	TTS exchange rate (yen/dollar)	11/30	104.89	▲ 0.69	▲ 5.79



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/22 ~ 11/28	970 ▲ 176	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	778 ▲ 4	▼ —	
	Exports	"	94 ▲ 52	▼ —	
	Inventories	11/28	1,993 ▲ 98	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/24 ~ 11/30	43.1 ➡ 0.0	▼ -16.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/24 ~ 11/30	42.0 ▲ 1.7	▼ -13.8
		(TOCOM/ Chubu)	11/30	44.0 ▲ 1.3	▼ -13.5
	Retail prices [weekly trend] (published by ANRE)	11/30	133.4 ▲ 0.3	▼ -13.9	

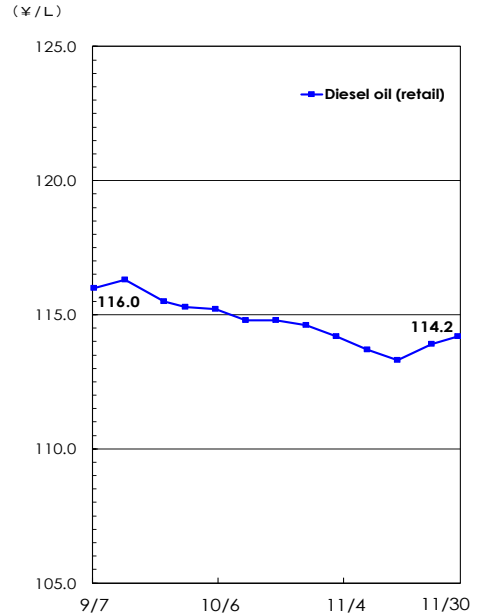
*Gyoten and futures prices are before tax



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

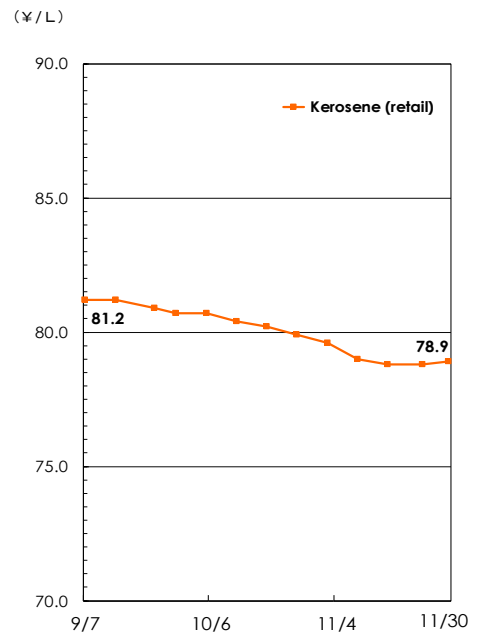
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/22 ~ 11/28	606 ▼ -29	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	551 ▼ -66	▼ —	
	Exports	"	28 ▲ 8	▼ —	
	Inventories	11/28	1,622 ▲ 26	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/24 ~ 11/30	45.9 ▲ 0.4	▼ -16.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/24 ~ 11/30	48.8 ▲ 1.7	▼ -15.6
		(TOCOM/ Chubu)	11/30	—	—
	Retail prices [weekly trend] (published by ANRE)	11/30	114.2 ▲ 0.3	▼ -13.6	

*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	11/22 ~ 11/28	354 ▼ -57	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	263 ▲ 22	▼ —	
	Exports	"	30 ▼ -43	▼ —	
	Inventories	11/28	2,924 ▲ 61	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/24 ~ 11/30	45.0 ▼ -0.1	▼ -17.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/24 ~ 11/30	45.4 ▲ 2.5	▼ -15.2
		(TOCOM/ Chubu)	11/30	46.7 ▲ 2.6	▼ -15.3
	Retail prices [weekly trend] (published by ANRE)	11/30	78.9 ▲ 0.1	▼ -12.9	



Relevant Information

1 Overseas crude oil prices

On December 2, WTI crude oil futures price on NYMEX rebounded for the first time in four trading days by expectations for the vaccine spread after the UK Government's approval of Pfizer's new corona vaccine. The market also saw buying through picking up the low-price oil in response to the recent decrease in the crude oil price. On the other hand, factors pushing down prices were the OPEC plus Countries' difficult talks on the cooperative crude oil production cut, and the decrease in the U.S. domestic crude oil inventory by 0.7 million bbl (barrels) from the previous week, which was less than the market expectation (decreasing by 2.4 million bbl from the previous week), according to the U.S. EIA (Energy Information Administration) Weekly Report. The January contract gained \$0.73/bbl to \$45.28bbl from the previous day. The February contract gained \$0.71/bbl to \$45.44bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of November 30 increased by 1.8 cents per gallon from a week earlier to \$2.120/gal (58.7yen/l). The average diesel oil price increased by 4.0 cents/gal to \$2.502/gal (69.2yen/l). The gasoline price increased for the first time in two weeks. Diesel oil price increased for the fourth 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 toppler capacity in the November 22 - November 28 week in 2020 stood at 359,000 barrels per day, unchanged from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week was 2,840,000 kl, unchanged from the previous week and it decreased by 706,000 kl from a year earlier. The toppler capacity utilization rate stood at 73.8%, unchanged from the previous week and down 16.7 points from a year earlier.

Production increased from the previous week for gasoline and jet fuel and decreased for other petroleum products. Output was up 22.2% for gasoline, up 38.5% for jet fuel, down 13.9% for kerosene, down 4.6% for diesel oil, down 2.6% for Fuel Oil A and down 21.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 2,000kl, down 3,000 kl from the previous week. Diesel oil exports aggregated 28,000kl, up 8,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene and Fuel Oil A and decreased 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 increased by 0.4% from the previous week to 778,000 kl, increasing for the first time in three weeks. Shipments totaled 62,000 kl for jet fuel (down 56.9% from the previous week), 263,000 kl for kerosene (up 9.3%), 551,000 kl for diesel oil (down 10.6%), 213,000 kl for Fuel Oil A (up 5.1%) and 108,000 kl for Fuel Oil C (down 32.6%).

(Unit: 1,000 kl)

	This week (11/22 ~ 11/28)	Previous week (11/15 ~ 11/21)	From a week earlier
Gasoline	778	774	▲ 4 (1%)
Jet fuel	62	145	▼ -83 (-57%)
Kerosene (heating Oil)	263	241	▲ 22 (9%)
Diesel oil	551	617	▼ -66 (-11%)
Fuel oil A	213	203	▲ 10 (5%)
Fuel Oil C	108	161	▼ -53 (-33%)
Total	1,975	2,141	▼ -166 (-8%)

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 28 decreased from a week earlier for Fuel Oil A and Fuel Oil C and increased 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 1,993,000 kl, up 98,000 kl from a week earlier and up 478,000 kl from a year earlier.

Kerosene inventories totaled 2,924,000 kl, up 61,000 kl from a week earlier and up 164,000 kl from a year earlier.

Diesel oil inventories totaled 1,622,000 kl, up 26,000 kl from a week earlier and up 61,000 kl from a year earlier.

Fuel Oil A inventories totaled 779,000 kl, down 11,000 kl from a week earlier and up 67,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,840,000 kl, down 24,000 kl from a week earlier and down 207,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/28)	Previous week (11/21)	From a week earlier
Gasoline	1,993	1,895	▲ 98 (5%)
Jet fuel	810	806	▲ 4 (0%)
Kerosene (heating Oil)	2,924	2,863	▲ 61 (2%)
Diesel oil	1,622	1,596	▲ 26 (2%)
Fuel oil A	779	790	▼ -11 (-1%)
Fuel Oil C	1,840	1,864	▼ -24 (-1%)
Total	9,968	9,814	▲ 154 (1.6%)

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

During the November 24-November 30 week, crude oil cost in yen increased significantly from the previous week, with the significant 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 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 Spot petroleum products prices in the November 24-November 30 week increased from the previous week except for leveled-off onshore spot gasoline and decreased onshore spot kerosene trading.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the November 24-November 30 week) leveled off from the previous week (November 17-November 23) for gasoline, decreased by 0.1 yen/l for kerosene and increased by 0.4 yen/l for diesel oil. For the latest period of November 24-November 30, price increased significantly after the slight decrease in a 96-98 yen/l range for gasoline; and increased significantly after the slight decrease in a 44-46 yen/l range for kerosene; and increased significantly after the slight decrease in a 45-47 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 1.7 yen/l for kerosene and increased by 0.6 yen/l for diesel oil for the November 24-November 30 week from the previous week. Offshore cargo spot prices during the week (November 24-November 30) increased significantly after the decrease in a 98-100 yen/l range for gasoline and increased significantly in a 43-46 yen/l range for kerosene and increased significantly after the decrease in a 47-48 yen/l range for diesel oil from the previous week.

The key average futures price increased by 1.7 yen/l for gasoline, increased by 2.5 yen/l for kerosene and increased by 1.7 yen/l for diesel oil from the previous week. The key futures price during the period of November 24-November 30 decreased after the significant increase in a 95-96 yen/l range for gasoline, decreased after the significant increase in a 44-46 yen/l for kerosene and decreased after the significant increase in a 48-49 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (11/24 ~ 11/30)	Previous week (11/17 ~ 11/23)	From a week earlier
Spot Prices	Regular	43.1	43.1	➡ 0.0
	Kerosene	45.0	45.1	▼ -0.1
	Diesel oil	45.9	45.5	▲ 0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/24 ~ 11/30)	Previous week (11/17 ~ 11/23)	From a week earlier
Futures Price	Regular	42.0	40.3	▲ 1.7
	Kerosene	45.4	42.9	▲ 2.5
	Diesel oil	48.8	47.1	▲ 1.7

Above prices are before tax.

Reference (November 24 - November 30 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	➡ 0.0	▲ 1.7	▲ 0.9
Kerosene	▼ -0.1	▲ 2.5	▲ 1.2
Diesel oil	▲ 0.4	▲ 1.7	▲ 1.1
Fuel Oil A	▲ 0.4		

(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 30 increased by 0.3 yen/l from a week earlier to 133.4 yen/l for gasoline, increased by 0.3 yen/l to 114.2 yen/l for diesel oil and increased by 2 yen to 1,421 yen for kerosene on an 18-liter tank basis (increased by 0.1 yen/l to 78.9 yen/l) from the previous week. The gasoline price increased for the second straight week. Diesel oil price increased for the second straight week. Kerosene price increased for the second straight week.

Gasoline prices increased in 32 prefectures, leveled off in nine prefectures and decreased in six 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 (unchanged). The highest price was 143.1 yen/l in Oita (unchanged). Osaka logged the largest price gain of 1.5 yen/l to 135.3 yen/l. The price leveled off in Ishikawa and eight other prefectures. Aichi logged the largest price fall of 0.9 yen/l to 132.9 yen/l.

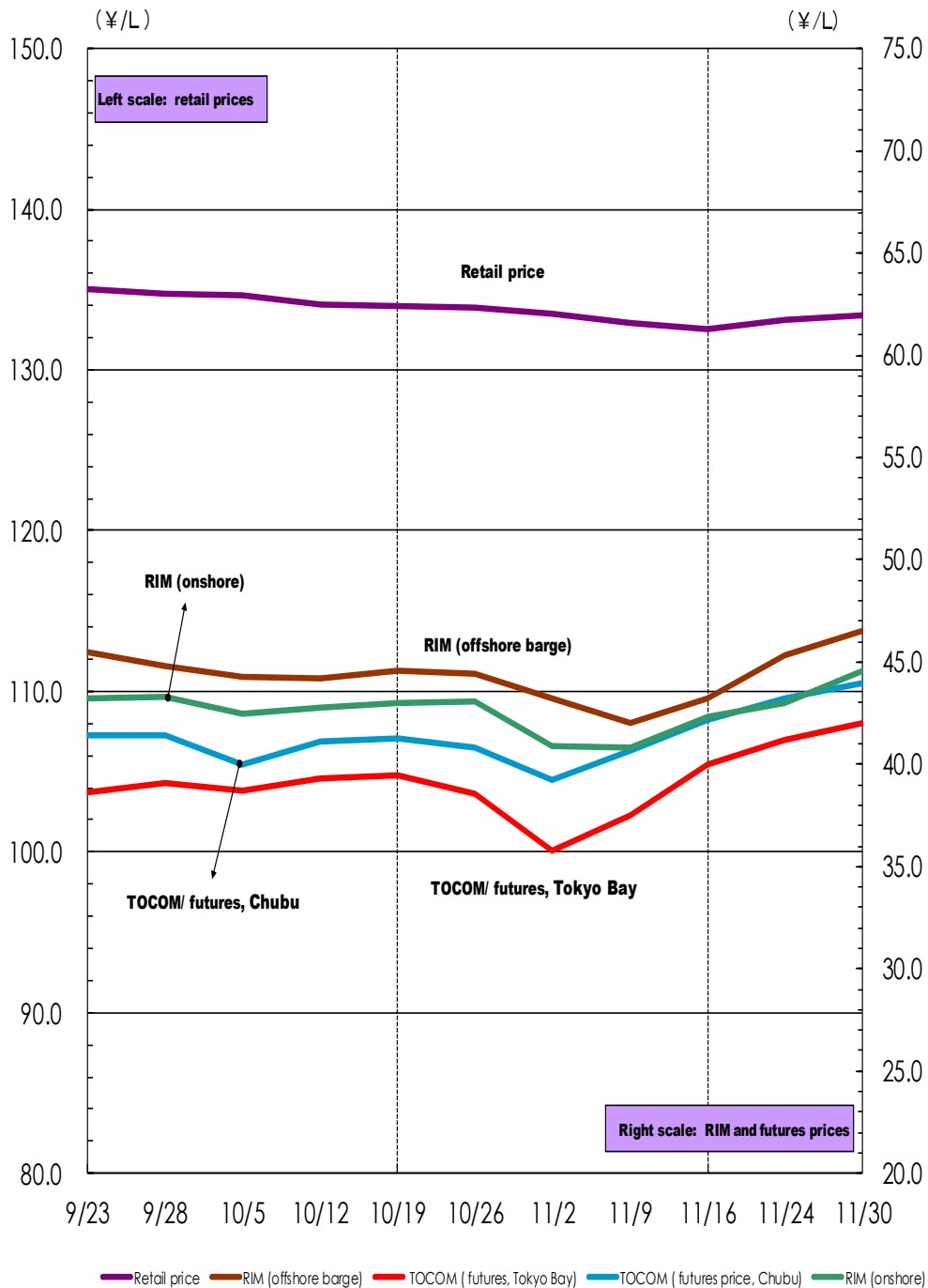
Crude oil cost in yen increased significantly for the period from November 24-November 30 with the significant increase in crude oil price and slight appreciation of exchange rate of the yen to the US dollar. Motouri companies increased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the period from December 3 to December 9. Retail gasoline price on the next price survey day (December 7) are expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/30)	Previous week (11/24)	From a week earlier	Latest high
Retail Price	Regular	133.4	133.1	▲ 0.3	08/8/4 185.1
	Kerosene	78.9	78.8	▲ 0.1	08/8/11 132.1
	Diesel oil	114.2	113.9	▲ 0.3	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

(2020/9/23 ~ 2020/11/30)



(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. 23 for 2020) will be announced at 14:00 on December 18.

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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).