

Oil Market Review in Japan No. 23/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the November 26- December 2 week moved within a range of \$44.55 per barrel and \$45.53/bbl.

On December 3, the January contract rose further. The oil price declined temporary due to the OPEC(Organization of the Petroleum Exporting Countries) plus Countries decision at its Ministerial Meeting to reduce the current cooperative crude oil production cut level by 0.5 million bbl/d (barrel/day) to 7.2 million bbl/d from 2021 and to revise the production cut level every month. However, the market welcomed compromise over the U.S. administration's additional economic measures by the Republican and the Democratic Parties. The January contract closed at \$45.64/bbl up \$0.36/bbl from the previous day.

On December 4, the key contract rose further for the third straight trading day. The market welcomed the decision of maintaining the large-scale OPEC plus Countries cooperative crude oil production cut on the previous day and the speed of easing its cooperative crude oil production cut was even slowed down, which was coupled with expectations for early establishment of the U.S. additional economic Measures. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by five units from a week earlier to 246 units, increasing for the second straight week. The January contract finished \$0.62/bbl higher at \$46.26/bbl.

On December 7, the key contract turned down for the first time in four trading days due to concerns over new outbreak of the coronavirus in the U.S. and intensifying the U.S. - China conflict by the U.S. sanctions on strengthening restrictions on the Chinese Government officials travel to the U.S. as sanctions over China's repression to Hong Kong's pro-democracy politicians and activists. The January contract lost \$0.50/bbl to \$45.76/bbl.

On December 8, the key contract turned down slightly. Buying prevailed temporary in the market due to hopeful development toward the coronavirus convergence with the start of vaccination in the UK. However, Price drop was caused by deepened concerns over new outbreak of the coronavirus as the result of the announcements by California and New York State Authorities to strengthen restrictions on people's behavior. Moreover, the additional price drop factor was the announcement that the OPEC crude oil production reached 25.21 million b/d by mainly increased crude oil production in Libya, the highest level during the past six months. The January contract lost \$0.16bbl to \$45.60/bbl.

On December 9, the key contract turned down slightly by the U.S. EIA (Energy Information Administration) Weekly Report announcement that the U.S. domestic crude oil inventory increased significantly by 15.20 million bbl (barrels). However, the price was supported by expectations for the development of new corona vaccine and the U.S. additional economic measures. The January contract lost \$0.08bbl to \$45.52/bbl.

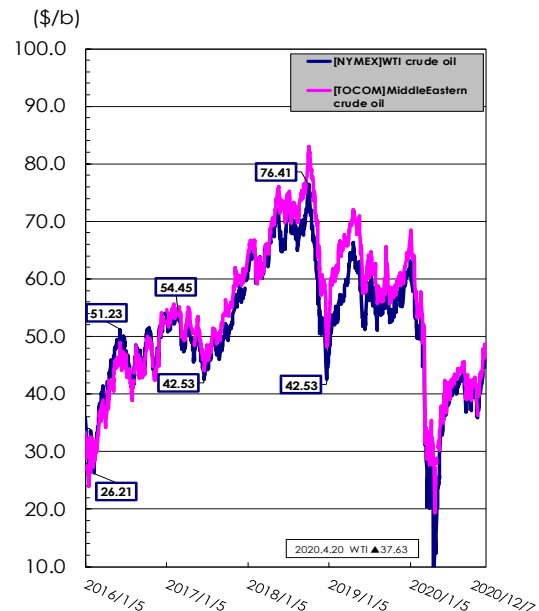
The Asian benchmark crude oil of Dubai for January delivery on the Tokyo market ranged between \$46.50/bbl and \$48.50/bbl in the November 26- December 2 week. It closed at \$47.30/bbl on December 3, at \$47.10/bbl on December 4, at \$47.00/bbl on December 7, at \$47.00/bbl on December 8, at \$48.20/bbl on December 9.

On the foreign exchange market in the November 26- December 2 week, the dollar moved within a range of 103.89 yen and 104.35 yen. It changed hands at 104.49 yen in late trading on December 3, at 103.83 yen on December 4, at 104.08 yen on December 7, at 104.09 yen on December 8, at 104.16 yen on December 9.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 7, the average crude oil import CIF price for Japan in the mid-November period stood at 27,694 yen/kl (kiloliter), down 595 yen/kl from the previous 10-day period. In dollars, the price was \$42.15/bbl, down \$0.70/bbl. The average exchange rate was 104.47 yen to the dollar.

Japan's average retail price on December 7 gained by 0.8 yen/l from a week earlier for gasoline and gained by 0.7 yen/l for diesel oil and gained by 7 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the third straight week. As crude oil cost increased for the first week of December, Motouri companies increased their wholesale prices by 0.5 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)	11/29 ~ 12/5	2,895	▲ 55	▼ -
	Topper capacity utilization rate (%)	"	75.2	▲ 1.4	▼ -
	Crude oil inventories (1,000 kl)	12/5	11,408	▼ -170	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/7	48.09	▲ 1.36	▼ -14.0
	WTI crude oil (NYMEX) (\$/bbl)	12/7	45.76	▲ 0.42	▼ -13.3
	Crude oil import CIF price (\$/bbl)	Mid Nov	42.15	▼ -0.70	▼ -22.78
	①Crude oil import CIF price (yen/kl)	"	27,694	▼ -595	▼ -16,734
	②Yen-dollar exchange rate (yen/dollar)	"	104.47	▲ 0.49	▲ 4.31
	TTS exchange rate (yen/dollar)	12/7	105.08	▼ -0.19	▲ 4.52

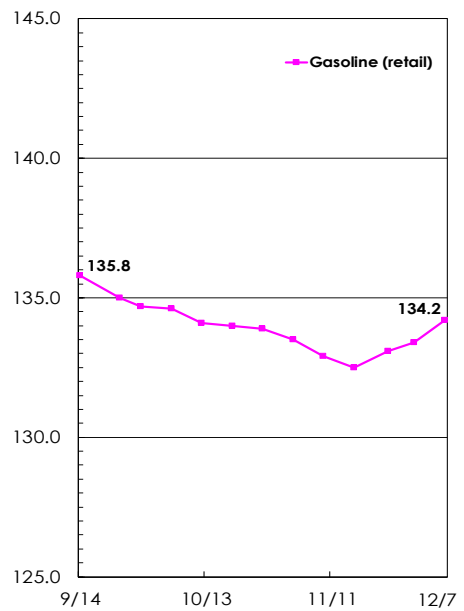


(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/29 ~ 12/5	916 ▼ -54	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	911 ▲ 133	▲ -	
	Exports	"	0 ▼ -94	▼ -	
	Inventories	12/5	1,998 ▲ 5	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/1 ~ 12/7	45.6 ▲ 2.5	▼ -14.5	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/1 ~ 12/7	42.5 ▲ 0.5	▼ -13.6
		(TOCOM/Chubu)	12/7	45.0 ▲ 1.0	▼ -14.5
	Retail prices [weekly trend] (published by ANRE)	12/7	134.2 ▲ 0.8	▼ -13.4	

*Gyoten and futures prices are before tax

(¥/L)

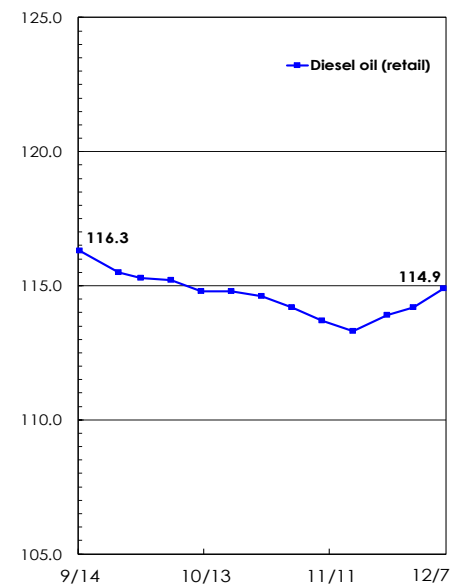


(Unit: 1,000 kl, yen/l)

Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/29 ~ 12/5	649 ▲ 43	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	648 ▲ 97	▼ -	
	Exports	"	26 ▼ -2	▼ -	
	Inventories	12/5	1,598 ▼ -24	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/1 ~ 12/7	48.1 ▲ 2.2	▼ -15.0	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/1 ~ 12/7	49.1 ▲ 0.3	▼ -15.9
		(TOCOM/Chubu)	12/7	-	-
	Retail prices [weekly trend] (published by ANRE)	12/7	114.9 ▲ 0.7	▼ -13.2	

*Gyoten and futures prices are before tax

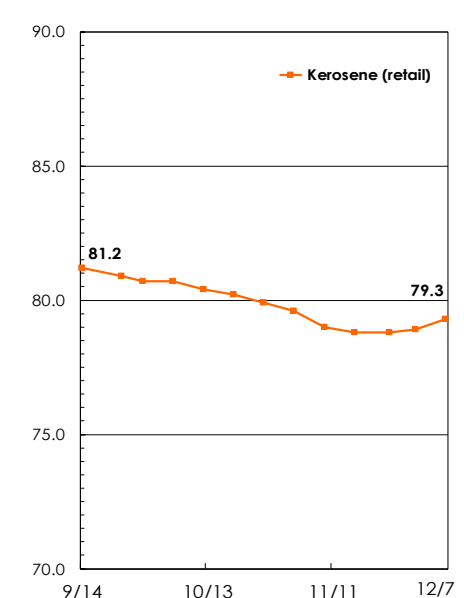
(¥/L)



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

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	11/29 ~ 12/5	371 ▲ 17	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	368 ▲ 105	▼ -	
	Exports	"	0 ▼ -30	▼ -	
	Inventories	12/5	2,927 ▲ 3	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/1 ~ 12/7	47.4 ▲ 2.4	▼ -15.8	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	12/1 ~ 12/7	45.5 ▲ 0.1	▼ -15.5
		(TOCOM/Chubu)	12/7	47.5 ▲ 0.8	▼ -16.1
	Retail prices [weekly trend] (published by ANRE)	12/7	79.3 ▲ 0.4	▼ -12.7	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On December 9, WTI crude oil futures price on NYMEX turned down slightly. The U.S. EIA Weekly Report announced that the U.S. domestic crude oil inventory increased significantly by 15.20 million bbl, more than the market expectation of the decrease crude oil inventory by 14.10 million bbl, and that gasoline and diesel oil inventories also increased more than the market expectation, which was reflected by new outbreak of coronavirus. However, the price was supported by expectations for the development of new corona vaccine and early establishment of the U.S. additional economic measures. The January contract lost \$0.08/bbl to \$45.52/bbl from the previous day. The February contract lost \$0.08/bbl to \$45.72/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of December 7 increased by 3.6 cents per gallon from a week earlier to \$2.156/gal (59.8yen/l). The average diesel oil price increased by 2.4 cents/gal to \$2.526/gal (70.0yen/l). The gasoline price increased for the second straight week. Diesel oil price increased for the fifth 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 29- December 5 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-increased by 55,000 kl from the previous week to 2,895,000 kl from the previous week. From a year earlier, it decreased by 641,000 kl. The top capacity utilization rate stood at 75.2%, up 1.4 points from the previous week and down 15.1 points from a year earlier.

Production decreased from the previous week for gasoline and increased for other petroleum products. Output was down 5.5% for gasoline, up 1.5% for jet fuel, up 4.8% for kerosene, up 7.1% for diesel oil, up 37.5% for Fuel Oil A and up 55.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 2,000 kl from the previous week. Diesel oil exports aggregated 26,000kl, down 2,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for Fuel Oil A and increased for other petroleum products. From a year earlier, shipments expanded for gasoline and Fuel Oil A and declined for other petroleum products. Gasoline shipments increased by 17.1% from the previous week to 911,000 kl, increasing for the second straight week. Shipments totaled 102,000 kl for jet fuel (up 62.9% from the previous week), 368,000 kl for kerosene (up 40.1%), 648,000 kl for diesel oil (up 17.5%), 212,000 kl for Fuel Oil A (down 0.5%) and 130,000 kl for Fuel Oil C (up 20.1%).

(Unit: 1,000 kl)

	This week (11/29 ~ 12/5)	Previous week (11/22 ~ 11/28)	From a week earlier
Gasoline	911	778	▲ 133 (17%)
Jet fuel	102	62	▲ 40 (65%)
Kerosene (heating Oil)	368	263	▲ 105 (40%)
Diesel oil	648	551	▲ 97 (18%)
Fuel oil A	212	213	▼ -1 (-0%)
Fuel Oil C	130	108	▲ 22 (20%)
Total	2,371	1,975	▲ 396 (20%)

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 December 5 decreased from a week earlier for jet fuel and diesel oil 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 1,998,000 kl, up 5,000 kl from a week earlier and up 517,000 kl from a year earlier.

Kerosene inventories totaled 2,927,000 kl, up 3,000 kl from a week earlier and up 305,000 kl from a year earlier.

Diesel oil inventories totaled 1,598,000 kl, down 24,000 kl from a week earlier and up 99,000 kl from a year earlier.

Fuel Oil A inventories totaled 802,000 kl, up 23,000 kl from a week earlier and up 95,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,899,000 kl, up 59,000 kl from a week earlier and down 155,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/5)	Previous week (11/28)	From a week earlier
Gasoline	1,998	1,993	▲ 5 (0%)
Jet fuel	783	810	▼ -27 (-3%)
Kerosene (heating Oil)	2,927	2,924	▲ 3 (0%)
Diesel oil	1,598	1,622	▼ -24 (-1%)
Fuel oil A	802	779	▲ 23 (3%)
Fuel Oil C	1,899	1,840	▲ 59 (3%)
Total	10,007	9,968	▲ 39 (0.4%)

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

During the December 1-December 7 week, crude oil cost in yen increased from the previous week, with the increase in crude oil price and almost leveled off exchange rate of the yen to the US dollar. For the next week,

Motouri companies increased their wholesale prices by 0.5 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 December 1-December 7 week increased for all oil products in all trading compared to the period of November 24- November 30.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the December 1-December 7 week) increased by 2.5 yen/l from the previous week (November 24-November 30) for gasoline, increased by 2.4 yen/l for kerosene and increased by 2.2 yen/l for diesel oil. For the latest period of December 1-December 7, price almost leveled off after the significant increase in a 98-99 yen/l range for gasoline; and decreased slightly after the significant increase in a 46-47 yen/l range for kerosene; and decreased slightly after the significant increase in a 47-48 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 1.6 yen/l for kerosene and increased by 1.8 yen/l for diesel oil for the December 1-December 7 week from the previous week. Offshore cargo spot prices during the week (December 1-December 7) increased significantly in a 100-101 yen/l range for gasoline and rebounded after the significant decrease in a 45-46 yen/l range for kerosene and increased in a 48-49 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.5 yen/l for gasoline, increased by 0.1 yen/l for kerosene and increased by 0.3 yen/l for diesel oil from the previous week. The key futures price during the period of December 1-December 7 increased after the slight decrease in a 95-96 yen/l range for gasoline, increased after the slight decrease in a 44-46 yen/l for kerosene and increased significantly after the slight decrease in a 48-49 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/1 ~ 12/7)	Previous week (11/24 ~ 11/30)	From a week earlier
Spot Prices	Regular	45.6	43.1	▲ 2.5
	Kerosene	47.4	45.0	▲ 2.4
	Diesel oil	48.1	45.9	▲ 2.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/1 ~ 12/7)	Previous week (11/24 ~ 11/30)	From a week earlier
Futures Price	Regular	42.5	42.0	▲ 0.5
	Kerosene	45.5	45.4	▲ 0.1
	Diesel oil	49.1	48.8	▲ 0.3

Above prices are before tax.

Reference (December 1 - December 7 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 2.5	▲ 0.5	▲ 1.5
Kerosene	▲ 2.4	▲ 0.1	▲ 1.3
Diesel oil	▲ 2.2	▲ 0.3	▲ 1.2
Fuel Oil A	▲ 2.0		

(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 December 7 increased by 0.8 yen/l from a week earlier to 134.2 yen/l for gasoline, increased by 0.7 yen/l to 114.9 yen/l for diesel oil and increased by 7 yen to 1,428 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 79.3 yen/l) from the previous week. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the third straight week.

Gasoline prices increased in 40 prefectures, leveled off in four prefectures and decreased in three prefectures. The lowest gasoline price among the prefectures was 126.4 yen/l in Tokushima (down 0.2 yen/l from a week earlier). The second lowest was 128.0 yen/l in Saitama (up 0.3 yen/l). The highest price was 143.2yen/l in Nagasaki (up 0.4 yen/l). Kagawa and Miyagi logged the largest price gain of 3.0 yen/l to 130.6 yen/l and to 128.1 yen/l, respectively. The price leveled off in Oita and three other prefectures. Osaka and Wakayama logged the largest price fall of 0.5 yen/l to 134.8 yen/l and to 132.2 yen/l, respectively.

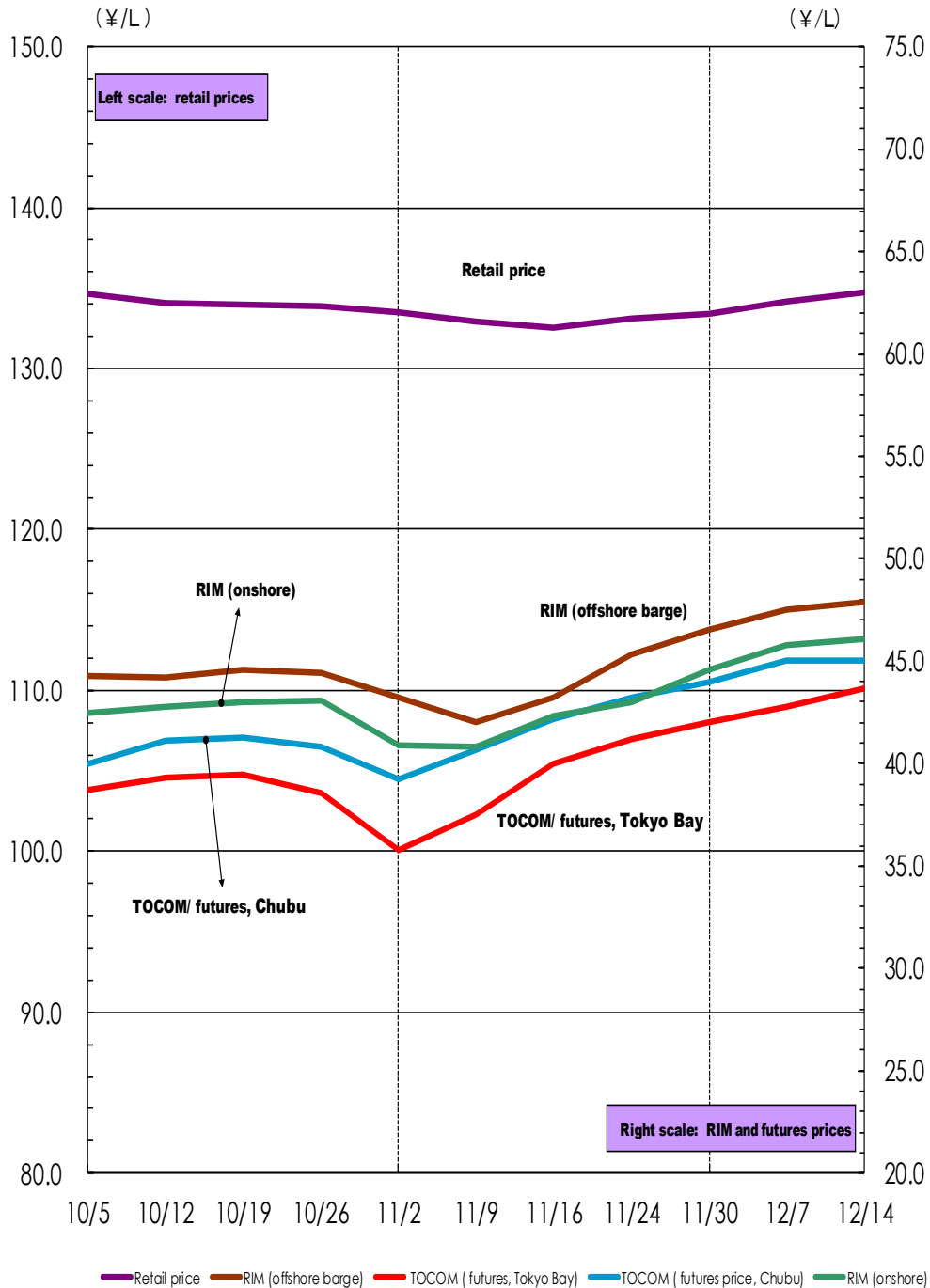
Crude oil cost in yen increased for the period from December 1-December 7 with the increase in crude oil price and almost leveled off exchange rate of the yen to the US dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from December 10 to December 16. Retail gasoline price on the next price survey day (December 14) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/7)	Previous week (11/30)	From a week earlier	Latest high
Retail Price	Regular	134.2	133.4	▲ 0.8	08/8/4 185.1
	Kerosene	79.3	78.9	▲ 0.4	08/8/11 132.1
	Diesel oil	114.9	114.2	▲ 0.7	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

(2020/10/5 ~ 2020/12/14)



(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. 24 for 2020) will be announced at 14:00 on December 25.

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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).