

Oil Market Review in Japan No. 24/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 3–December 9 week moved within a range of \$45.42 per barrel and \$46.26/bbl.

On December 10, the January contract rebounded further for the first time in four trading days by rising expectations for convergence of corona scourge after the Food and Drug Administration (FDA) issued emergency use authorization for Pfizer-BioNTech new corona vaccine. The January contract closed at \$46.78/bbl up \$1.26/bbl from the previous day, marking the highest level as the end price of the key front month contract for the first time in nine months.

On December 11, the key contract turned down due to rekindling concerns about the economic downturn. Mr. Andrew Cuomo, Governor of New York, announced prohibition on indoor dining in New York City restaurants in response to new outbreaks of coronavirus. In addition, the market saw profit-taking sale caused by high price on the previous trading day. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 12 units from a week earlier to 258 units, increasing for the third straight week. The January contract finished \$0.21/bbl lower at \$46.57/bbl.

On December 14, the key contract rebounded by rising expectations for convergence of corona scourge with the start of vaccination against coronavirus in the U.S. and increased tension caused by explosion of a Singapore-registered tanker in port of Jeddah, Saudi Arabia. Saudi Arabia insisted that the incident was acts of terrorism by Yemen's anti-government group, Houthi, which is allegedly close to Iran. The January contract gained \$0.42/bbl to \$46.99/bbl.

On December 15, the key contract rose further by expectations for early convergence of corona scourge with scheduled approval of the U.S. Moderna's new corona vaccine within the week, following the start of vaccination of Pfizer-BioNTech new corona vaccine on the previous day and early formulation of the U.S. additional economic measures by the Congress. On this day, the International Energy Agency (IEA) made downward revision on the world oil products forecast for 2020–2021, mainly on jet fuel, which, however, didn't have much effect on crude oil price. The January contract gained \$0.63/bbl to \$47.62/bbl.

On December 16, the key contract rose further for the third straight trading day. On this day, the U.S. EIA (Energy Information Administration) Weekly Report announcement that the U.S. domestic crude oil inventory decreased by 3.10 million bbl (barrels) from the previous week, more than the market expectations. However, the price rise was restricted by the weak economic indicators, according to the announcement on that morning. The January contract gained \$0.20/bbl to \$47.82/bbl.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged between \$47.00/bbl and \$48.20/bbl in the December 3–December 9 week. It closed at \$48.60/bbl on December 10, at \$49.80/bbl on December 11, at \$50.10/bbl on December 14, at \$50.00/bbl on December 15, at \$50.60/bbl on December 16.

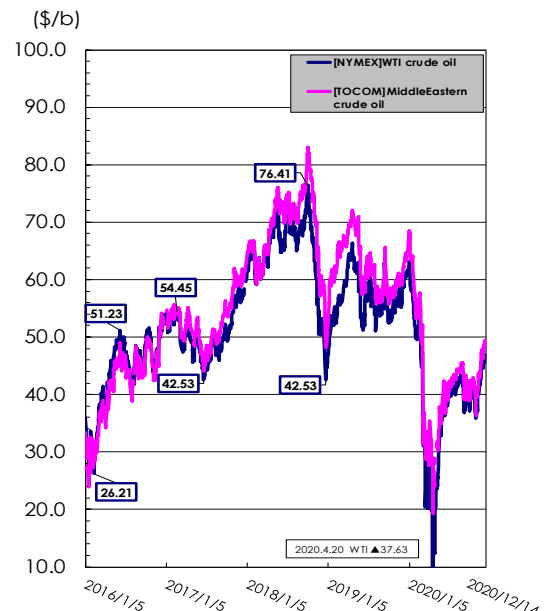
On the foreign exchange market in the December 3–December 9 week, the dollar moved within a range of 103.83 yen and 104.49 yen. It changed hands at 104.28 yen in late trading on December 10, at 104.01 yen on December 11, at 104.04 yen on December 14, at 104.12 yen on December 15, at 103.73 yen on December 16.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 16, the average crude oil import CIF price for Japan in the late November period stood at 27,617 yen/kl (kiloliter), down 77 yen/kl from the previous 10-day period. In dollars, the price was \$41.97/bbl, down \$0.18/bbl. The average exchange rate was 104.60 yen to the dollar.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 16, the average crude oil import CIF price for Japan in November stood at 27,834 yen/kl (kiloliter), down 1,703 yen/kl from the previous month. In dollars, the price was \$42.27/bbl, down \$2.24/bbl. The average exchange rate was 104.68 yen to the dollar.

Japan's average retail price on December 14 gained by 0.5 yen/l from a week earlier for gasoline and gained by 0.5 yen/l for diesel oil and gained by 6 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the fourth straight week. Diesel oil price increased for the fourth straight week. Kerosene price increased for the fourth straight week. As crude oil cost increased for the second week of December, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

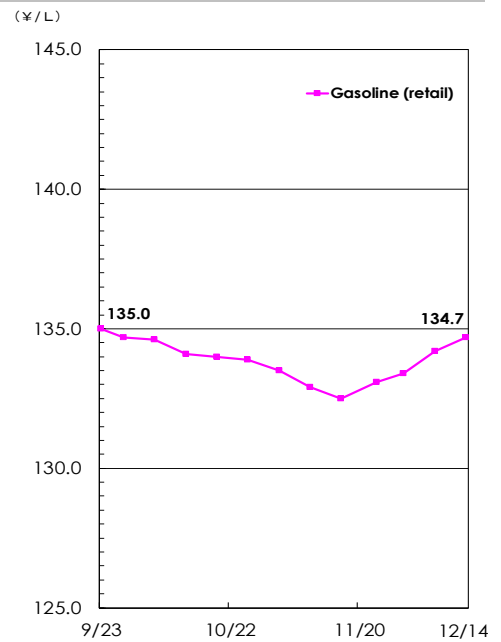
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/6 ~ 12/12	3,080	▲ 186	▼ —
	Topper capacity utilization rate (%)	"	80.0	▲ 4.8	▼ —
	Crude oil inventories (1,000 kl)	12/12	10,906	▼ -502	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/14	49.40	▲ 1.31	▼ -14.0
	WTI crude oil (NYMEX) (\$/bbl)	12/14	46.99	▲ 1.23	▼ -13.2
	Crude oil import CIF price (\$/bbl)	Late Nov	41.97	▼ -0.18	▼ -22.96
	① Crude oil import CIF price (yen/kl)	"	27,617	▼ -77	▼ -16,811
	② Yen-dollar exchange rate (yen/dollar)	"	104.60	▼ -0.13	▲ 4.18
	TTS exchange rate (yen/dollar)	12/14	105.04	▲ 0.04	▲ 5.39



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/6 ~ 12/12	826 ▼ -90	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	832 ▼ -79	▼ -	
	Exports	"	16 ▲ 16	▼ -	
	Inventories	12/12	1,976 ▼ -22	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/8 ~ 12/14	45.8 ▲ 0.2	▼ -14.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/8 ~ 12/14	43.0 ▲ 0.5	▼ -14.3
		(TOCOM/ Chubu)	12/14	45.0 ➡ 0.0	▼ -15.0
	Retail prices [weekly trend] (published by ANRE)	12/14	134.7 ▲ 0.5	▼ -13.2	

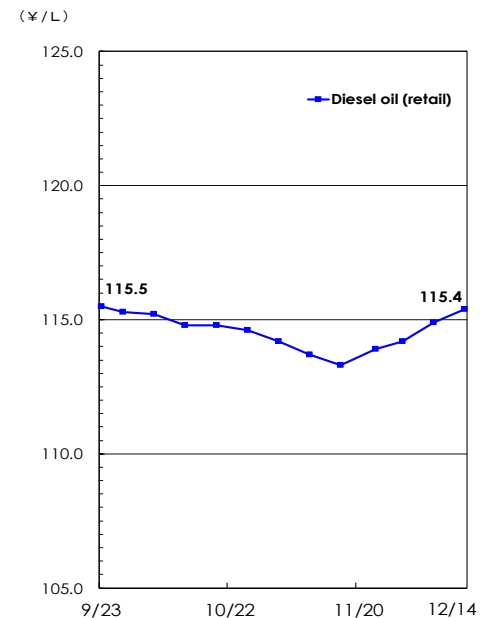
*Gyoten and futures prices are before tax



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

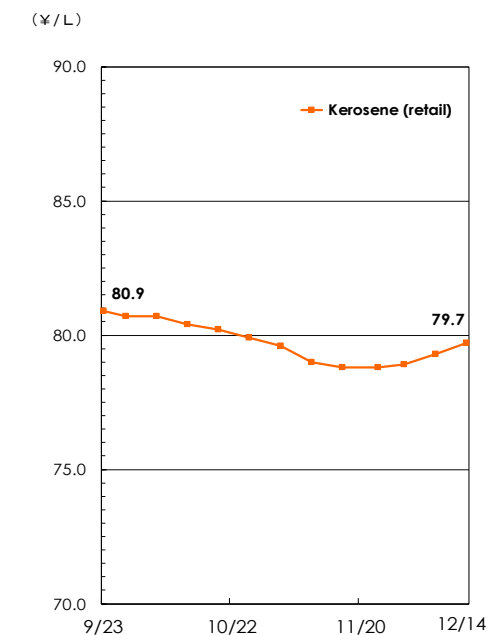
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/6 ~ 12/12	650 ▲ 1	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	620 ▼ -28	▼ -	
	Exports	"	52 ▲ 26	▼ -	
	Inventories	12/12	1,577 ▼ -21	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/8 ~ 12/14	48.5 ▲ 0.4	▼ -14.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/8 ~ 12/14	49.7 ▲ 0.6	▼ -15.3
		(TOCOM/ Chubu)	12/14	-	-
	Retail prices [weekly trend] (published by ANRE)	12/14	115.4 ▲ 0.5	▼ -12.9	

*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	12/6 ~ 12/12	454 ▲ 83	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	477 ▲ 109	▼ -	
	Exports	"	0 ➡ 0	➡ -	
	Inventories	12/12	2,903 ▼ -24	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/8 ~ 12/14	47.6 ▲ 0.2	▼ -15.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/8 ~ 12/14	46.2 ▲ 0.7	▼ -15.6
		(TOCOM/ Chubu)	12/14	47.5 ➡ 0.0	▼ -16.6
	Retail prices [weekly trend] (published by ANRE)	12/14	79.7 ▲ 0.4	▼ -12.4	



Relevant Information

1 Overseas crude oil prices

On December 16, WTI crude oil futures price on NYMEX rose further for the third straight trading day by the U.S. EIA Weekly Report announcement that the U.S. domestic crude oil inventory decreased significantly by 3.10 million bbl, more than the market expectation of the decrease in crude oil inventory by 1.90 million bbl, and that gasoline and middle distillates inventories also increased less than the market expectation. However, the price rise was restricted by the increase in crude oil inventory according to the American Petroleum Institute's (API) preliminary announcement on the previous evening and by concerns over weak consumption trend due to new outbreaks of corona virus with the announcement in this morning that the U.S. retail sales in November 2020 decreased by 1.1% from the previous month. The January contract gained \$0.20/bbl to \$47.82/bbl from the previous day. The February contract gained \$0.22/bbl to \$48.00/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of December 14 increased by 0.2 cents per gallon from a week earlier to \$2.158/gal (59.8yen/l). The average diesel oil price increased by 3.3 cents/gal to \$2.559/gal (70.9yen/l). The gasoline price increased for the third straight week. Diesel oil price increased for the sixth 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 December 6 –December 12 week in 2020 stood at 249,000 barrels per day, down 109,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 186,000 kl to 3,080,000 kl from the previous week. From a year earlier, it decreased by 388,000 kl. The topper capacity utilization rate stood at 80.0%, up 4.8 points from the previous week and down 8.6 points from a year earlier.

Production increased from the previous week for kerosene and diesel oil and decreased for other petroleum products. Output was down 9.9% for gasoline, down 12.9% for jet fuel, up 22.3% for kerosene, up 0.2% for diesel oil, down 18.1% for Fuel Oil A and down 25.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kl, up 4,000 kl from the previous week. Diesel oil exports aggregated 52,000 kl, up 26,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, diesel oil and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments expanded for jet fuel and declined for other petroleum products. Gasoline shipments decreased by 8.7% from the previous week to 832,000 kl, decreasing for the first time in three weeks. Shipments totaled 134,000 kl for jet fuel (up 31.8% from the previous week), 477,000 kl for kerosene (up 29.6%), 620,000 kl for diesel oil (down 4.3%), 223,000 kl for Fuel Oil A (up 5.4%) and 103,000 kl for Fuel Oil C (down 20.7%).

(Unit: 1,000 kl)

	This week (12/6 ~ 12/12)	Previous week (11/29 ~ 12/5)	From a week earlier
Gasoline	832	911	▼ -79 (-9%)
Jet fuel	134	102	▲ 32 (31%)
Kerosene (heating Oil)	477	368	▲ 109 (30%)
Diesel oil	620	648	▼ -28 (-4%)
Fuel oil A	223	212	▲ 11 (5%)
Fuel Oil C	103	130	▼ -27 (-21%)
Total	2,389	2,371	▲ 18 (1%)

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 12 increased from a week earlier for Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel and expanded for other petroleum products.

Gasoline inventories totaled 1,976,000 kl, down 22,000 kl from a week earlier and up 433,000 kl from a year earlier.

Kerosene inventories totaled 2,903,000 kl, down 24,000 kl from a week earlier and up 450,000 kl from a year earlier.

Diesel oil inventories totaled 1,577,000 kl, down 21,000 kl from a week earlier and up 135,000 kl from a year earlier.

Fuel Oil A inventories totaled 801,000 kl, down 1,000 kl from a week earlier and up 132,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,969,000 kl, up 70,000 kl from a week earlier and up 27,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/12)	Previous week (12/5)	From a week earlier
Gasoline	1,976	1,998	▼ -22 (-1%)
Jet fuel	717	783	▼ -66 (-8%)
Kerosene (heating Oil)	2,903	2,927	▼ -24 (-1%)
Diesel oil	1,577	1,598	▼ -21 (-1%)
Fuel oil A	801	802	▼ -1 (-0%)
Fuel Oil C	1,969	1,899	▲ 70 (4%)
Total	9,943	10,007	▼ -64 (-0.6%)

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

During the December 8–December 14 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 1.0 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 December 8–December 14 week increased for all oil products in all trading compared to average price from the period of December 1–December 7.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - - for the December 8–December 14 week) increased by 0.2 yen/l from the previous week (December 1–December 7) for gasoline, increased by 0.2 yen/l for kerosene and increased by 0.4 yen/l for diesel oil. For the latest period of December 8–December 14, price increased slightly in a 99 yen/l range for gasoline; and increased slightly in a 47 yen/l range for kerosene; and increased slightly in a 48 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.6 yen/l for gasoline, increased by 0.2 yen/l for kerosene and increased by 0.8 yen/l for diesel oil for the December 8–December 14 week from the previous week. Offshore cargo spot prices during the week (December 8–December 14) increased slightly in a 101 yen/l range for gasoline and bounced back after the decrease in a 45–46 yen/l range for kerosene and increased in a 49–50 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 0.7 yen/l for kerosene and increased by 0.6 yen/l for diesel oil from the previous week. The key futures price during the period of December 8–December 14 increased in a 96–97 yen/l range for gasoline, increased in a 45–46 yen/l for kerosene and increased significantly in a 49–50 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/8 ~ 12/14)	Previous week (12/1 ~ 12/7)	From a week earlier
Spot Prices	Regular	45.8	45.6	▲ 0.2
	Kerosene	47.6	47.4	▲ 0.2
	Diesel oil	48.5	48.1	▲ 0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/8 ~ 12/14)	Previous week (12/1 ~ 12/7)	From a week earlier
Futures Price	Regular	43.0	42.5	▲ 0.5
	Kerosene	46.2	45.5	▲ 0.7
	Diesel oil	49.7	49.1	▲ 0.6

Above prices are before tax.

Reference (December 8 - December 14 actual data)			
(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 0.5	▲ 0.3
Kerosene	▲ 0.2	▲ 0.7	▲ 0.4
Diesel oil	▲ 0.4	▲ 0.6	▲ 0.5
Fuel Oil A	▲ 0.5		

(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 14 increased by 0.5 yen/l from a week earlier to 134.7 yen/l for gasoline, increased by 0.5 yen/l to 115.4 yen/l for diesel oil and increased by 6 yen to 1,434 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 79.7 yen/l) from the previous week. The gasoline price increased for the fourth straight week. Diesel oil price increased for the fourth straight week. Kerosene price increased for the fourth straight week.

Gasoline prices increased in 38 prefectures, leveled off in five prefectures and decreased in four prefectures. The lowest gasoline price among the prefectures was 127.7 yen/l in Tokushima (up 1.3 yen/l from a week earlier). The second lowest was 128.5 yen/l in Miyagi (up 0.4 yen/l). The highest price was 143.4yen/l in Nagasaki (up 0.2 yen/l). Saitama logged the largest price gain of 2.2 yen/l to 130.2 yen/l. The price leveled off in Ehime and four other prefectures. Aichi logged the largest price fall of 0.7 yen/l to 134.3 yen/l.

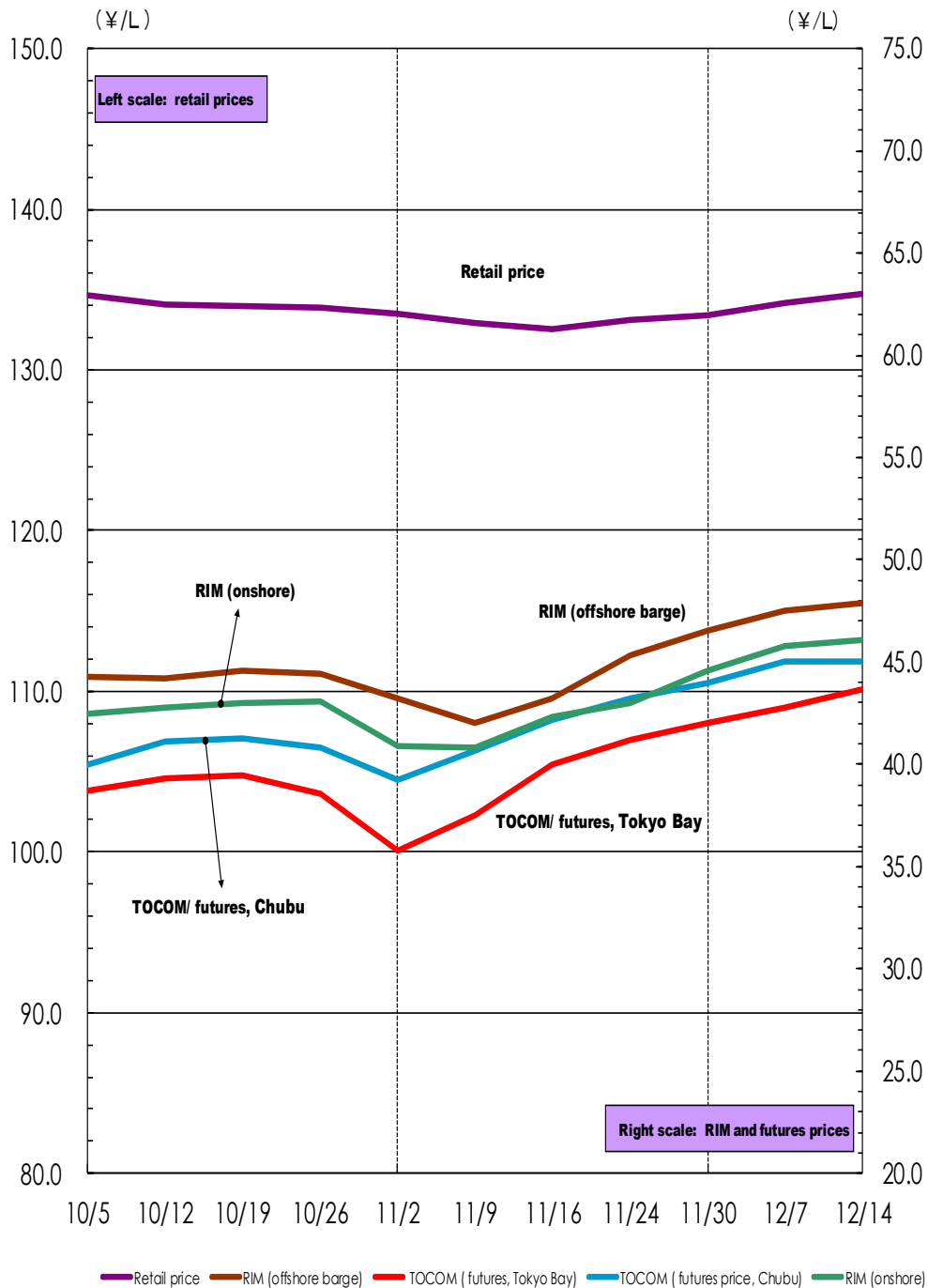
Crude oil cost in yen increased for the period from December 8–December 14 with the increase in crude oil price and almost leveled off exchange rate of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the period from December 17 to December 23. Retail gasoline price on the next price survey day (December 21) are expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/14)	Previous week (12/7)	From a week earlier	Latest high
Retail Price	Regular	134.7	134.2	▲ 0.5	08/8/4 185.1
	Kerosene	79.7	79.3	▲ 0.4	08/8/11 132.1
	Diesel oil	115.4	114.9	▲ 0.5	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. 25 for 2020) will be announced at 14:00 on January 8.

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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).