

Oil Market Review in Japan No. 26/2020

January 15, 2021, Friday Released every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
https://enen.iej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 17-December 23 week moved within a range of \$47.02 per barrel and \$49.10/bbl.

On December 24, the January contract rose further due to investors sentiment welcoming an agreement on trade between UK and EU. The market also saw profit-taking sale before Holidays. The February contract closed at \$48.23/bbl up \$0.11/bbl from the previous day.

On December 25, the market was closed due to the Christmas Holiday.

On December 28, the key contract turned down due to the end of investors sentiment welcoming the start of vaccination of coronavirus in Europe and the U.S. additional economic measures. Uncertainty about the future development of the OPEC (Organization of the Petroleum Exporting Countries) plus Countries cooperative crude oil production cut was also one of the factors decreasing the oil price. The February contract finished \$0.61/bbl lower at \$47.62/bbl.

On December 29, the key contract rebounded due to sense of undervalued crude oil futures price caused by depreciation of the U.S. dollar and appreciation of the Euro in the foreign exchange market amid much-interested OPEC plus Countries meeting to be held on January 4 2021. The February contract gained \$0.38/bbl to \$48.00/bbl.

On December 30, the key contract rose further due to the U.S. EIA's (Energy Information Administration) announcement of decrease in the U.S. domestic crude oil and gasoline inventories. The February contract gained \$0.40/bbl to \$48.40/bbl. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by three units from a week earlier to 267 units, increasing for the sixth straight week.

On December 31, the key contract rose further by increase in the U.S. stock market prices amid light trading before the New Year's Holiday. However, the price rise was restricted by sense of overvalued crude oil price caused by appreciation of the U.S. dollar and depreciation of the Euro. The February contract gained \$0.12/bbl to \$48.52/bbl.

On January 1, the market was closed due to the New Year's Holiday.

On January 4, the key contract turned down for the first time in four trading days due to uncertainty about the future development of the OPEC plus Countries consultation on its cooperative crude oil production cut and increased risk aversion by the investors. The February contract lost \$0.90/bbl to \$47.62/bbl.

On January 5, the key contract rebounded significantly. The OPEC plus Countries agreed to increase their crude oil production just slightly in the framework of the cooperative crude oil production cut from February 2021 in its JMMC (Joint Ministerial Monitoring Committee). In addition, Saudi Arabia's Energy Minister Abdullah Aziz announced that Saudi Arabia would decrease its crude oil production by 1 million bbl/d additionally for February and March 2021 on voluntary basis. Moreover, the price raise was supported by awareness of geopolitical risk due to the Iranian Islamic Revolutionary Guard Corps seizure of a Korean-registered tanker in the Persian Gulf. The February contract gained \$2.31/bbl to \$49.93/bbl.

On January 6, the key contract rose further due to the announcement of crude oil production cut by Saudi Arabia on the previous day and the EIA's report of decreasing the U.S. domestic crude oil and gasoline inventories, reaching again \$50/bbl level on the front month end price basis since February 2020. The February contract gained \$0.70/bbl to \$50.63/bbl.

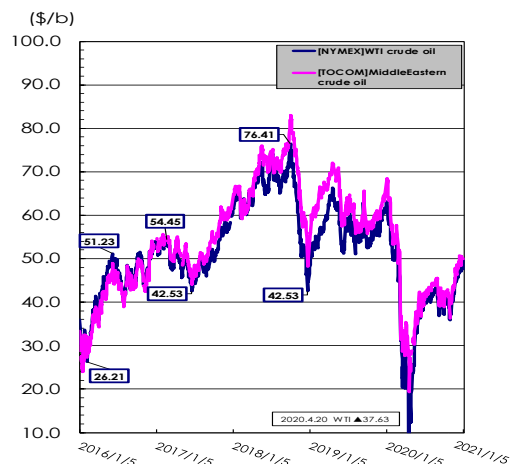
The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged between \$49.20/bbl and \$51.60/bbl in the December 17-December 23 week. It closed at \$51.20/bbl on December 24, at \$50.70/bbl on December 25, at \$50.70/bbl on December 28, at \$52.30/bbl on January 4, at \$50.10/bbl on January 5, at \$53.20/bbl on January 6.

On the foreign exchange market in the December 17-December 23 week, the dollar moved within a range of 103.26 yen and 103.65 yen. It changed hands at 103.63 yen in late trading on December 24, at 103.48 yen on December 25, at 103.62 yen on December 28, at 103.82 yen on December 29, at 103.50 yen on December 30, at 103.08 yen on January 4, at 103.15 yen on January 5, and at 102.68 yen on January 6.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 25, the average crude oil import CIF price for Japan in the early December period stood at 28,890 yen/kl (kiloliter), up 1,273 yen/kl from the previous 10-day period. In dollars, the price was \$44.05/bbl, up \$2.08/bbl. The average exchange rate was 104.28 yen to the dollar.

Japan's average retail price on January 4 gained by 0.7 yen/l from a week earlier for gasoline and gained by 0.6 yen/l for diesel oil and gained by 8 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the sixth straight week. Diesel oil price increased for the sixth straight week. Kerosene price increased for the sixth straight week. As crude oil cost increased slightly for the first week of January, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

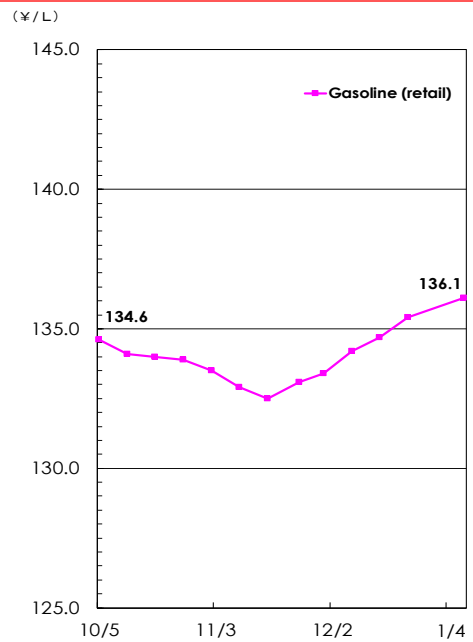
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/27 ~ 1/2	3,000	▼ -103	▼ -
	Topper capacity utilization rate (%)	"	78.0	▼ -2.6	▼ -
	Crude oil inventories (1,000 kl)	1/2	10,785	▲ 286	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/5	49.90	▼ -0.65	▼ -18.6
	WTI crude oil (NYMEX) (\$/bbl)	1/4	47.62	→ 0.00	▼ -15.7
	Crude oil import CIF price (\$/bbl)	Early Dec	44.05	▲ 2.08	▼ -23.19
	① Crude oil import CIF price (yen/kl)	"	28,890	▲ 1,273	▼ -17,186
	② Yen-dollar exchange rate (yen/dollar)	"	104.28	▲ 0.32	▲ 4.66
	TTS exchange rate (yen/dollar)	1/4	104.08	▲ 0.54	▲ 5.03



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

Gasoline			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	12/27 ~ 1/2	896	▼ -91	▼ -
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	837	▼ -38	▼ -
	Exports	"	115	▲ 5	▲ -
	Inventories	1/2	1,948	▼ -56	▲ -
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/22 ~ 1/4	46.8	▲ 0.2	▼ -15.2
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 12/22 ~ 1/4	44.1	▲ 0.3	▼ -15.2
		(TOCOM/Chubu) 12/25	45.0	▼ -1.5	▼ -15.0
	Retail prices [weekly trend]	(published by ANRE) 1/4	136.1	▲ 0.7	▼ -14.0

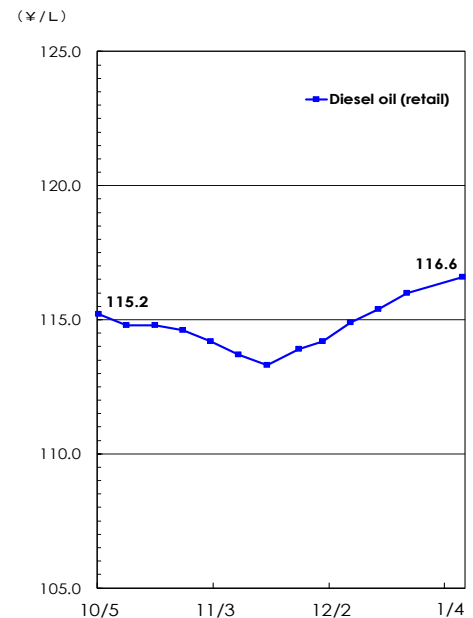
*Gyoten and futures prices are before tax



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

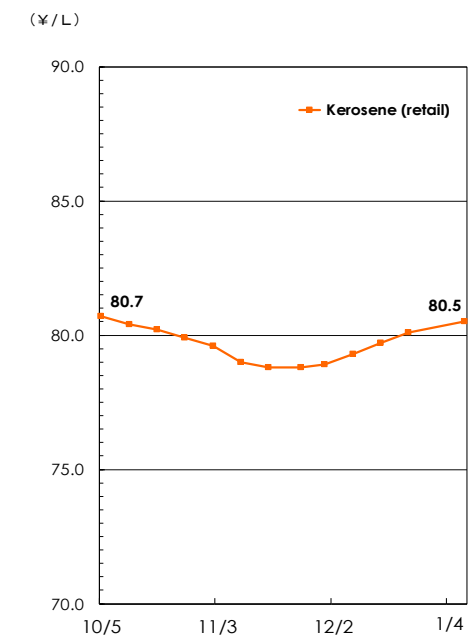
Diesel oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Production	12/27 ~ 1/2	537	▼ -202	▼ -
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	254	▼ -456	▼ -
	Exports	"	25	▼ -98	▼ -
	Inventories	1/2	1,716	▲ 258	▲ -
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/22 ~ 1/4	49.3	▲ 0.2	▼ -16.2
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 12/22 ~ 1/4	50.9	▲ 0.5	▼ -15.4
		(TOCOM/Chubu) 12/25	-	-	-
	Retail prices [weekly trend]	(published by ANRE) 1/4	116.6	▲ 0.6	▼ -13.7

*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	12/27 ~ 1/2	487	▲ 61	▼ -
	Imports	"	n.d.	n.d.	n.d.
	Shipments	"	510	▼ -82	▲ -
	Exports	"	24	▼ -99	▼ -
	Inventories	1/2	2,368	▼ -47	▼ -
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 12/22 ~ 1/4	49.5	▲ 0.9	▼ -15.8
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay) 12/22 ~ 1/4	47.4	▲ 0.3	▼ -16.1
		(TOCOM/Chubu) 12/25	49.5	▲ 1.0	▼ -15.5
	Retail prices [weekly trend]	(published by ANRE) 1/4	80.5	▲ 0.4	▼ -13.1



Relevant Information

1 Overseas crude oil prices

On January 6, WTI crude oil futures price on NYMEX rose significantly, reaching again \$50/bbl level on the front month end price basis since February 2020. The EIA announced in its Weekly Report that the U.S. domestic inventory decreased by 8 million bbl for crude oil (against the market expectation of the decrease by 2.1 million bbl) and decreased by 2.1 million bbl for gasoline from the previous week, both of which were more than the market expectations. On the previous day, the OPEC plus Countries significantly reduce the volume of crude oil production cut more than the previous expectation of 0.5 million bbl/d by agreeing to the level of its cooperative crude oil production cut to 7.125 million bbl/d for February and at 7.05 million bbl/d for March 2021 from 7.2 million bbl/d for January 2021 through admitting easing the production cut level by Russia and Kazakhstan at its JMMC meeting on the web. Moreover, Saudi Arabia's Energy Minister Abdullah Aziz announced that Saudi Arabia would decrease its crude oil production by 1 million bbl/d additionally for February and March 2021 on voluntary basis. The market expected tightening demand and supply in the crude oil by these facts. The price rise was also supported by favorable developments in the U.S. stock market. The February contract gained \$0.70/bbl to \$50.63/bbl from the previous day. The March contract gained \$0.68/bbl to \$50.69/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of December 28 increased by 1.9 cents per gallon from a week earlier to \$2.243/gal (61.9yen/l). The average diesel oil price increased by 1.6 cents/gal to \$2.635/gal (72.6yen/l). The average U.S. retail price of gasoline as of January 4 increased by 0.6 cents per gallon from a week earlier to \$2.249/gal (61.8yen/l). The average diesel oil price increased by 0.5 cents/gal to \$2.640/gal (72.5yen/l). The gasoline price increased for the sixth straight week. Diesel oil price increased for the ninth 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 27-January 2 week stood at 136,000 barrels per day, unchanged from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week-decreased by 103,000 kl from the previous week to 3,000,000 kl from the previous week. From a year earlier, it decreased by 569,000 kl. The topper capacity utilization rate stood at 78.0%, down 2.6 points from the previous week and down 13.1 points from a year earlier.

Production increased from the previous week for kerosene and decreased for other petroleum products. Output was down 9.2% for gasoline, down 21.5% for jet fuel, up 14.3% for kerosene, down 27.3% for diesel oil, down 44.5% for Fuel Oil A and down 32.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 16,000 kl, up 12,000 kl from the previous week. Diesel oil exports aggregated 25,000 kl, down 98,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for all petroleum products. From a year earlier, shipments expanded for kerosene, Fuel Oil A, Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 4.4% from the previous week to 837,000 kl, decreasing for the first time in two weeks. Shipments totaled 45,000 kl for jet fuel (down 24.7% from the previous week), 510,000 kl for kerosene (down 13.8%), 254,000 kl for diesel oil

(down 64.2%), 133,000 kl for Fuel Oil A (down 61.0%) and 101,000 kl for Fuel Oil C (down 62.2%).

(Unit: 1,000 kl)

	This week (12/27 ~ 1/2)	Previous week (12/20 ~ 12/26)	From a week earlier
Gasoline	837	875	▼ -38 (-4%)
Jet fuel	45	60	▼ -15 (-25%)
Kerosene (heating Oil)	510	592	▼ -82 (-14%)
Diesel oil	254	710	▼ -456 (-64%)
Fuel oil A	133	342	▼ -209 (-61%)
Fuel Oil C	101	269	▼ -168 (-62%)
Total	1,880	2,848	▼ -968 (-34%)

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 January 2 decreased from a week earlier for gasoline, jet fuel and kerosene and increased for other petroleum products. From a year earlier, inventories shrank for kerosene and expanded for other petroleum products.

Gasoline inventories totaled 1,948,000 kl, down 56,000 kl from a week earlier and up 290,000 kl from a year earlier.

Kerosene inventories totaled 2,368,000 kl, down 47,000 kl from a week earlier and down 53,000 kl from a year earlier.

Diesel oil inventories totaled 1,716,000 kl, up 258,000 kl from a week earlier and up 53,000 kl from a year earlier.

Fuel Oil A inventories totaled 770,000 kl, up 2,000 kl from a week earlier and up 2,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,957,000 kl, up 49,000 kl from a week earlier and up 55,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/2)	Previous week (12/26)	From a week earlier
Gasoline	1,948	2,004	▼ -56 (-3%)
Jet fuel	764	767	▼ -3 (-0%)
Kerosene (heating Oil)	2,368	2,415	▼ -47 (-2%)
Diesel oil	1,716	1,458	▲ 258 (18%)
Fuel oil A	770	768	▲ 2 (0%)
Fuel Oil C	1,957	1,908	▲ 49 (3%)
Total	9,523	9,320	▲ 203 (2.2%)

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

During the December 22-January 4 week, crude oil cost in yen increased slightly from the previous week with the slight increase in crude oil price and slight depreciation 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 22-January 4 week increased for all oil products in all trading compared to the period of December 15-December 21 except for onshore spot gasoline and 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 December 22-January 4 week) increased by 0.2 yen/l from the previous week (December 15-December 21) for gasoline, increased by 0.9 yen/l for kerosene and increased by 0.2 yen/l for diesel oil. For the latest period of December 22-January 4, price increased slightly in a 100 yen/l range for gasoline; and increased in a 49 yen/l range for kerosene; and increased slightly in a 49 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.1 yen/l for gasoline, decreased by 0.6 yen/l for kerosene and increased by 0.1 yen/l for diesel oil for the December 22-January 4 week from the previous week. Offshore cargo spot prices during the week (December 22-January 4) leveled off in a 102 yen/l range for gasoline and decreased in a 46-47 yen/l range for kerosene and leveled off in a 51 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.3 yen/l for gasoline, increased by 0.3 yen/l for kerosene and increased by 0.5 yen/l for diesel oil from the previous week. The key futures price during the period of December 22-January 4 increased significantly after the fluctuation in a 97-98 yen/l range for gasoline, increased significantly after the fluctuation in a 47-48 yen/l range for kerosene and bounced back after the fluctuation in a 50-51 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/22 ~ 1/4)	Previous week (12/15 ~ 12/21)	From a week earlier
Spot Prices	Regular	46.8	46.6	▲ 0.2
	Kerosene	49.5	48.6	▲ 0.9
	Diesel oil	49.3	49.1	▲ 0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/22 ~ 1/4)	Previous week (12/15 ~ 12/21)	From a week earlier
Futures Price	Regular	44.1	43.8	▲ 0.3
	Kerosene	47.4	47.1	▲ 0.3
	Diesel oil	50.9	50.4	▲ 0.5

Above prices are before tax.

Reference (December 22 - January 4 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 0.3	▲ 0.3
Kerosene	▲ 0.9	▲ 0.3	▲ 0.6
Diesel oil	▲ 0.2	▲ 0.5	▲ 0.3
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 January 4 increased by 0.7 yen/l from a week earlier to 136.1 yen/l for gasoline, increased by 0.6 yen/l to 116.6 yen/l for diesel oil and increased by 8 yen to 1,449 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 80.5 yen/l) from the previous week. The gasoline price increased for the sixth straight week. Diesel oil price increased for the sixth straight week. Kerosene price increased for the sixth straight week.

Gasoline prices increased in 38 prefectures, leveled off in two prefectures and decreased in seven prefectures. The lowest gasoline price among the prefectures was 128.3 yen/l in Tokushima (down 1.0 yen/l from a week earlier). The second lowest was 130.4 yen/l in Miyagi (up 1.6 yen/l). The highest price was 146.0 yen/l in Kagoshima (up 1.2 yen/l). Saga logged the largest price gain of 3.3 yen/l to 141.0 yen/l. The price leveled off in Tochigi and Okayama. Aichi logged the largest price fall of 2.0 yen/l to 133.9 yen/l.

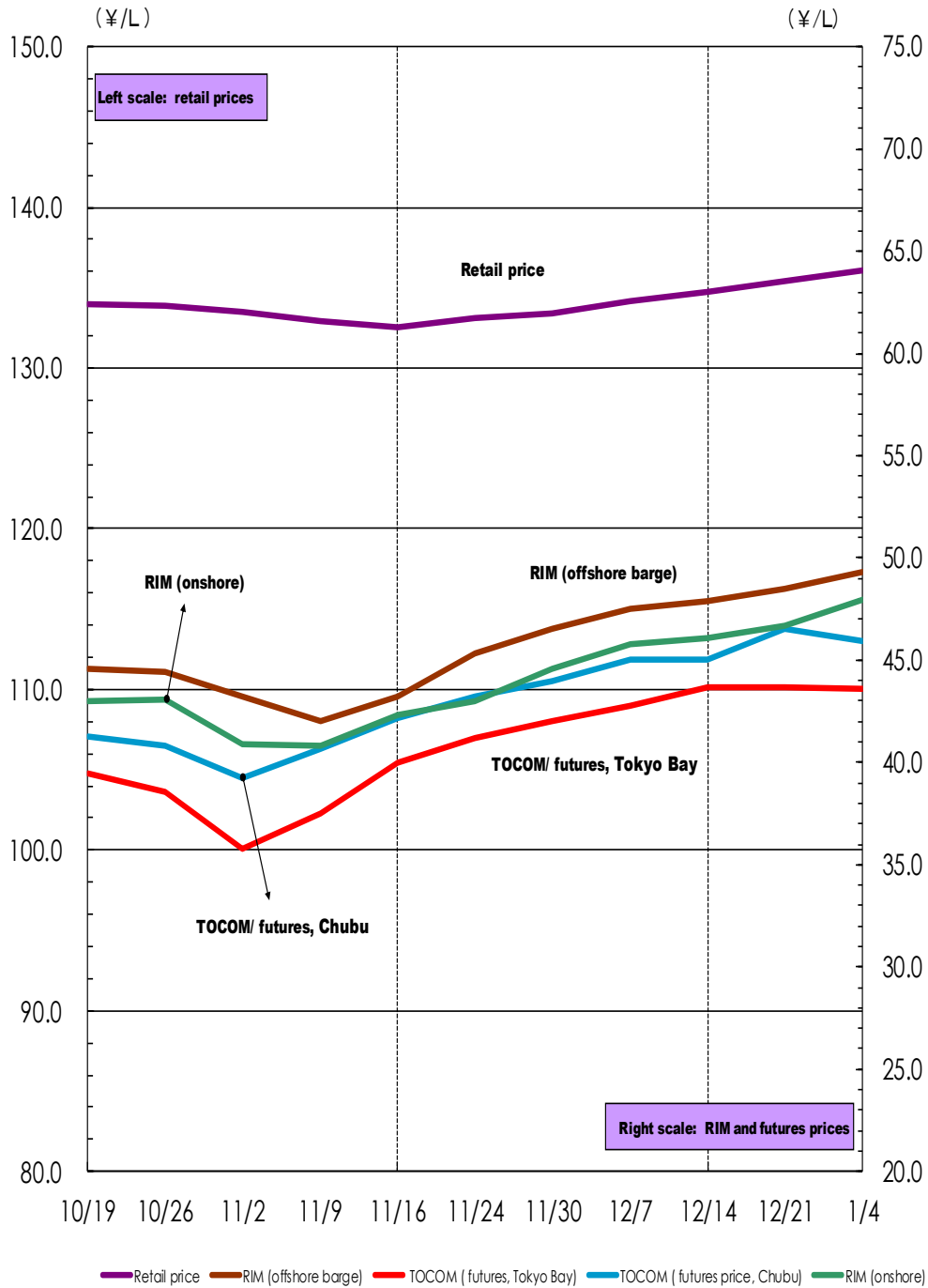
Crude oil cost in yen increased slightly for the period from December 22-January 4 with the slight increase in crude oil price and depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from January 7 to January 13. Retail gasoline price on the next price survey day (January 12) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (1/4)	Previous week (12/21)	From a week earlier	Latest high
Retail Price	Regular	136.1	135.4	▲ 0.7	08/8/4 185.1
	Kerosene	80.5	80.1	▲ 0.4	08/8/11 132.1
	Diesel oil	116.6	116.0	▲ 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

(2020/10/19 ~ 2021/1/4)



(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. 27 for 2020) will be announced at 14:00 on January 22.

On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

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).