

# Oil Market Review in Japan No. 27/2020

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 24-January 6 week moved within a range of \$47.62 per barrel and \$50.63/bbl.

On January 7, the February contract rose further for the third straight trading day due to sense of tightening supply and demand caused by Saudi Arabia's announcement of its voluntary crude oil production cut by 1 million bbl/d on January 5. The price rise was also supported by expectations for the upcoming U.S. President Biden's large scale economic measures and bull trend of the U.S. stock market. The February contract closed at \$50.83/bbl up \$0.20/bbl from the previous day.

On January 8, the key contract rose further for the fourth straight trading day due to retreating sense of supply and demand easing by the Saudi Arabia's announcement. The February contract finished \$1.41/bbl higher at \$52.24/bbl.

On January 11, the key contract rose slightly by continuous expectation for Saudi Arabia's voluntary crude oil production cut and the U.S. Administration's additional economic measures after the predominant selling trend in the morning caused by concerns over new outbreak of the coronavirus. The February contract gained \$0.01/bbl to \$52.65/bbl.

On January 12, the key contract rose further for the sixth straight trading day by recent sense of tightening supply and demand and an optimistic economic outlook. The February contract gained \$0.96bbl to \$53.21/bbl.

On January 13, the key contract turned down for the first time in seven trading days due to profit-taking selling after the high price level until the previous trading day. According to the U.S. EIA's (Energy Information Administration) Weekly Report, the U.S. crude oil inventory decreased more than the market expectation from the previous week, but the gasoline inventory increased significantly. The February contract lost \$0.30/bbl to \$52.91/bbl.

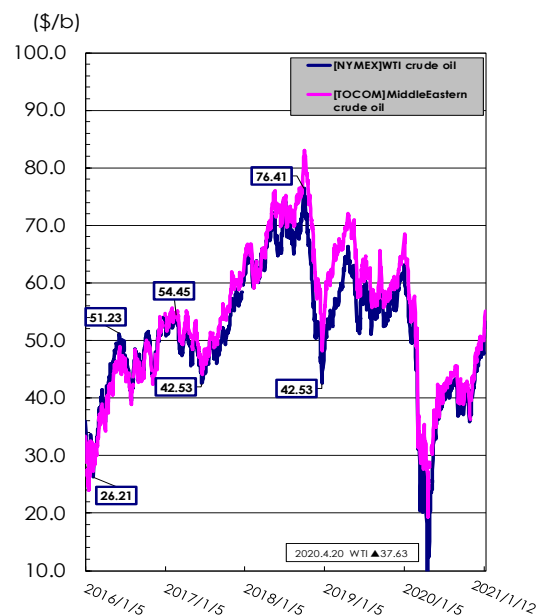
The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged between \$50.10/bbl and \$53.20/bbl in the December 24-January 6 week. It closed at \$54.40/bbl on January 7, at \$54.60/bbl on January 8, at \$55.40/bbl on January 12, at \$56.90/bbl on January 13. The market was closed on January 11.

On the foreign exchange market in the December 24-January 6 week, the dollar moved within a range of 102.68 yen and 103.82 yen. It changed hands at 102.99 yen in late trading on January 7, at 103.85 yen on January 8, at 104.23 yen on January 12, at 103.68 yen on December 13. The market was closed on January 11.

According to preliminary 10-day trade statistics released by the Ministry of Finance on January 8, the average crude oil import CIF price for Japan in the mid-December period stood at 28,973 yen/kl (kiloliter), up 83 yen/kl from the previous 10-day period. In dollars, the price was \$44.21/bbl, up \$0.16/bbl. The average exchange rate was 104.18 yen to the dollar.

Japan's average retail price on January 12 gained by 0.4 yen/l from a week earlier for gasoline and gained by 0.4 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 seventh straight week. Diesel oil price increased for the seventh straight week. Kerosene price increased for the seventh straight week. As crude oil cost increased slightly for the second week of January, Motouri companies increased their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene for the next week.

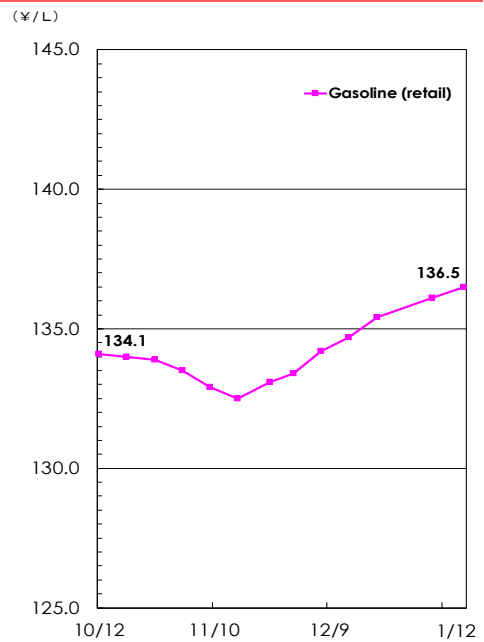
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	1/3 ~ 1/9	3,041	▲ 41	▼ -
	Topper capacity utilization rate (%)	"	79.0	▲ 1.0	▼ -
	Crude oil inventories (1,000 kl)	1/9	10,748	▼ -37	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/12	55.13	▲ 5.23	▼ -8.2
	WTI crude oil (NYMEX) (\$/bbl)	1/11	52.25	▲ 4.63	▼ -5.8
	Crude oil import CIF price (\$/bbl)	Mid Dec	44.21	▲ 0.16	▼ -23.03
	① Crude oil import CIF price (yen/kl)	"	28,973	▲ 83	▼ -17,103
	② Yen-dollar exchange rate (yen/dollar)	"	104.18	▲ 0.10	▲ 4.76
	TTS exchange rate (yen/dollar)	1/12	105.23	▼ -1.15	▲ 5.93



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/3 ~ 1/9	895	▼ -1	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	757	▼ -80	▼ -	
	Exports	"	50	▼ -64	▲ -	
	Inventories	1/9	2,035	▲ 87	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/5 ~ 1/11	48.4	▲ 1.6	▼ -16.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/5 ~ 1/11	45.2	▲ 1.1	▼ -14.7
		(TOCOM/ Chubu)	1/8	48.8	▲ 3.8	▼ -12.6
	Retail prices [weekly trend] (published by ANRE)	1/12	136.5	▲ 0.4	▼ -14.6	

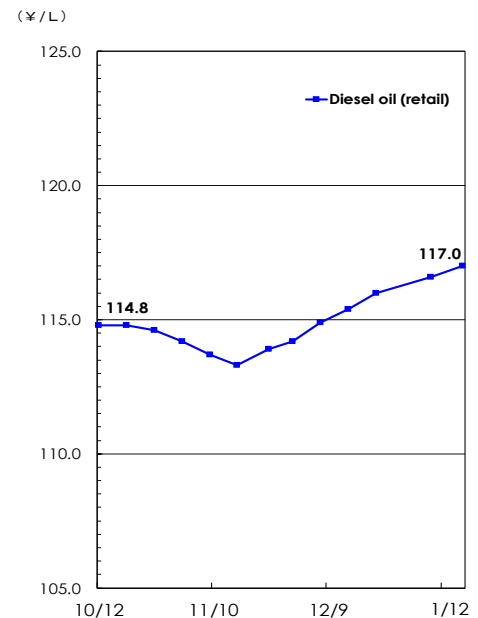
\*Gyoten and futures prices are before tax



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

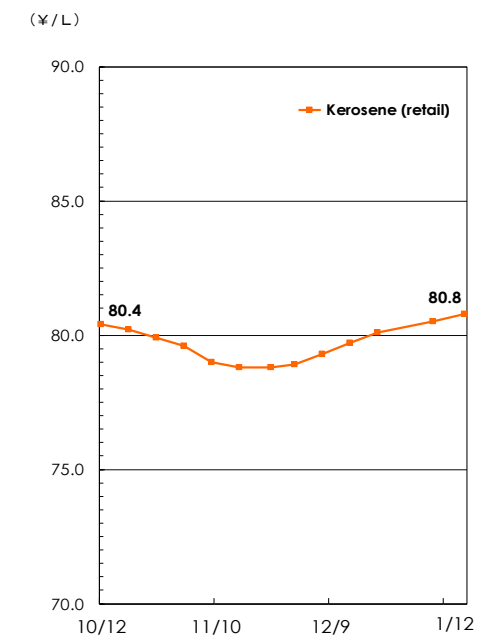
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/3 ~ 1/9	627	▲ 89	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	442	▲ 188	▼ -	
	Exports	"	47	▲ 22	▼ -	
	Inventories	1/9	1,854	▲ 138	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/5 ~ 1/11	50.9	▲ 1.6	▼ -16.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/5 ~ 1/11	52.1	▲ 1.2	▼ -16.4
		(TOCOM/ Chubu)	1/8	-	-	-
	Retail prices [weekly trend] (published by ANRE)	1/12	117.0	▲ 0.4	▼ -14.3	

\*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	1/3 ~ 1/9	418	▼ -70	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	496	▼ -14	▼ -	
	Exports	"	24	➡ 0	▲ -	
	Inventories	1/9	2,266	▼ -102	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/5 ~ 1/11	50.8	▲ 1.3	▼ -15.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/5 ~ 1/11	49.2	▲ 1.8	▼ -14.5
		(TOCOM/ Chubu)	1/8	51.5	▲ 2.0	▼ -13.9
	Retail prices [weekly trend] (published by ANRE)	1/12	80.8	▲ 0.3	▼ -13.5	



## Relevant Information

### 1 Overseas crude oil prices

On January 13, WTI crude oil futures price on NYMEX turned down for the first time in seven trading days due to profit-taking selling after the high level of price until the previous trading day. According to the U.S. EIA's Weekly Report, the U.S. crude oil inventory decreased by 3.2 million bbl, which was more than the market expectation of the decrease by 2.3 million bbl from the previous week, but the gasoline inventory increased significantly. The trend of appreciation of the U.S. dollar and depreciation of the Euro in the foreign exchange market caused sense of overvalued crude oil futures. The new outbreak of the mutant coronavirus was also one of the factors for price drop. The February contract lost \$0.30/bbl to \$52.91/bbl from the previous day. The March contract lost \$0.28/bbl to \$52.96/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of January 11 increased by 6.8 cents per gallon from a week earlier to \$2.317/gal (64.1yen/l). The average diesel oil price increased by 3.0 cents/gal to \$2.670/gal (73.9yen/l). The gasoline price increased for the seventh straight week. Diesel oil price increased for the 10th 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 January 3-January 9 week in 2021 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 increased by 41,000 kl from the previous week to 3,041,000 kl from the previous week. From a year earlier, it decreased by 466,000 kl. The topper capacity utilization rate stood at 79.0%, up 1.0 points from the previous week and down 10.6 points from a year earlier.

Production decreased from the previous week for gasoline and kerosene and increased for other petroleum products. Output was down 0.2% for gasoline, up 89.0% for jet fuel, down 14.3 % for kerosene, up 16.6% for diesel oil, up 14.7% for Fuel Oil A and up 7.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 28,000 kl, up 12,000 kl from the previous week. Diesel oil exports aggregated 47,000 kl, up 22,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and kerosene and increased for other petroleum products. From a year earlier, shipments expanded for Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 9.5% from the previous week to 757,000 kl, decreasing for the second straight week. Shipments totaled 80,000 kl for jet fuel (up 78.2% from the previous week), 496,000 kl for kerosene (down 2.9%), 442,000 kl for diesel oil (up 73.6%), 224,000 kl for Fuel Oil A (down 67.9%) and 252,000 kl for Fuel Oil C (up 148.2%).

(Unit: 1,000 kl)

	This week (1/3 ~ 1/9)	Previous week (12/27 ~ 1/2)	From a week earlier
Gasoline	757	837	▼ -80 (-10%)
Jet fuel	80	45	▲ 35 (78%)
Kerosene (heating Oil)	496	510	▼ -14 (-3%)
Diesel oil	442	254	▲ 188 (74%)
Fuel oil A	224	133	▲ 91 (68%)
Fuel Oil C	252	101	▲ 151 (150%)
<b>Total</b>	<b>2,251</b>	<b>1,880</b>	<b>▲ 371 (20%)</b>

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

Gasoline inventories totaled 2,035,000 kl, up 87,000 kl from a week earlier and up 337,000 kl from a year earlier.

Kerosene inventories totaled 2,266,000 kl, down 102,000 kl from a week earlier and up 37,000 kl from a year earlier.

Diesel oil inventories totaled 1,854,000 kl, up 138,000 kl from a week earlier and up 136,000 kl from a year earlier.

Fuel Oil A inventories totaled 748,000 kl, down 22,000 kl from a week earlier and up 9,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,930,000 kl, down 27,000 kl from a week earlier and up 29,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/9)	Previous week (1/2)	From a week earlier
Gasoline	2,035	1,948	▲ 87 (4%)
Jet fuel	806	764	▲ 42 (5%)
Kerosene (heating Oil)	2,266	2,368	▼ -102 (-4%)
Diesel oil	1,854	1,716	▲ 138 (8%)
Fuel oil A	748	770	▼ -22 (-3%)
Fuel Oil C	1,930	1,957	▼ -27 (-1%)
<b>Total</b>	<b>9,639</b>	<b>9,523</b>	<b>▲ 116 (1.2%)</b>

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

During the January 5 -January 11 week, crude oil cost in yen increased significantly from the previous week with the significant increase in crude oil price and slight appreciation of the yen to the US dollar .

For the next week, Motouri companies increased their wholesale prices by 1.5-2.0 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 January 5-January 11 week increased for all oil products in all trading compared to the period of December 22-January 4.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the January 5-January 11 week) increased by 1.6 yen/l from the previous week (December 22-January 4) for gasoline, increased by 1.3 yen/l for kerosene and increased by 1.6 yen/l for diesel oil. For the latest period of January 5-January 11, price increased in a 101-102 yen/l range for gasoline; and increased in a 50 yen/l range for kerosene; and decreased slightly after the increase in a 50-51 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.1 yen/l for gasoline, increased by 3.4 yen/l for kerosene and increased by 0.6 yen/l for diesel oil for the January 5-January 11 week from the previous week. Offshore cargo spot prices during the week (January 5 -January 11) increased in a 103 yen/l range for gasoline and increased significantly after the decrease in a 48-50 yen/l range for kerosene and increased in a 51-52 yen/l range for diesel oil from the previous week.

The key average futures price increased by 1.1 yen/l for gasoline, increased by 1.8 yen/l for kerosene and increased by 1.2 yen/l for diesel oil from the previous week. The key futures price during the period of January 5-January 11 increased significantly in a 97-100 yen/l range for gasoline, increased significantly in a 47-50 yen/l range for kerosene and increased significantly in a 50-53 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (1/5 ~ 1/11)	Previous week (12/22 ~ 1/4)	From a week earlier
Regular		48.4	46.8	▲ 1.6
Kerosene		50.8	49.5	▲ 1.3
Diesel oil		50.9	49.3	▲ 1.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (1/5 ~ 1/11)	Previous week (12/22 ~ 1/4)	From a week earlier
Regular		45.2	44.1	▲ 1.1
Kerosene		49.2	47.4	▲ 1.8
Diesel oil		52.1	50.9	▲ 1.2

Above prices are before tax.

Reference (January 5 - January 11 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.6	▲ 1.1	▲ 1.3
Kerosene	▲ 1.3	▲ 1.8	▲ 1.5
Diesel oil	▲ 1.6	▲ 1.2	▲ 1.4
Fuel Oil A	▲ 0.9		

(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 12 increased by 0.4 yen/l from a week earlier to 136.5 yen/l for gasoline, increased by 0.4 yen/l to 117.0 yen/l for diesel oil and increased by 6 yen to 1,455 yen for kerosene on an 18-liter tank basis (increased by 0.3 yen/l to 80.8 yen/l) from the previous week. The gasoline price increased for the seventh straight week. Diesel oil price increased for the seventh straight week. Kerosene price increased for the seventh straight week.

Gasoline prices increased in 36 prefectures, leveled off in two prefectures and decreased in nine prefectures. The lowest gasoline price among the prefectures was 130.1 yen/l in Tokushima (up 1.8 yen/l from a week earlier). The second lowest was 130.7 yen/l in Miyagi (up 0.3 yen/l). The highest price was 145.9 yen/l in Kagoshima (down 0.1 yen/l). Aichi logged the largest price gain of 2.6 yen/l to 136.5 yen/l. The price leveled off in Tokyo and Fukushima. Nagano logged the largest price fall of 1.5 yen/l to 143.1 yen/l.

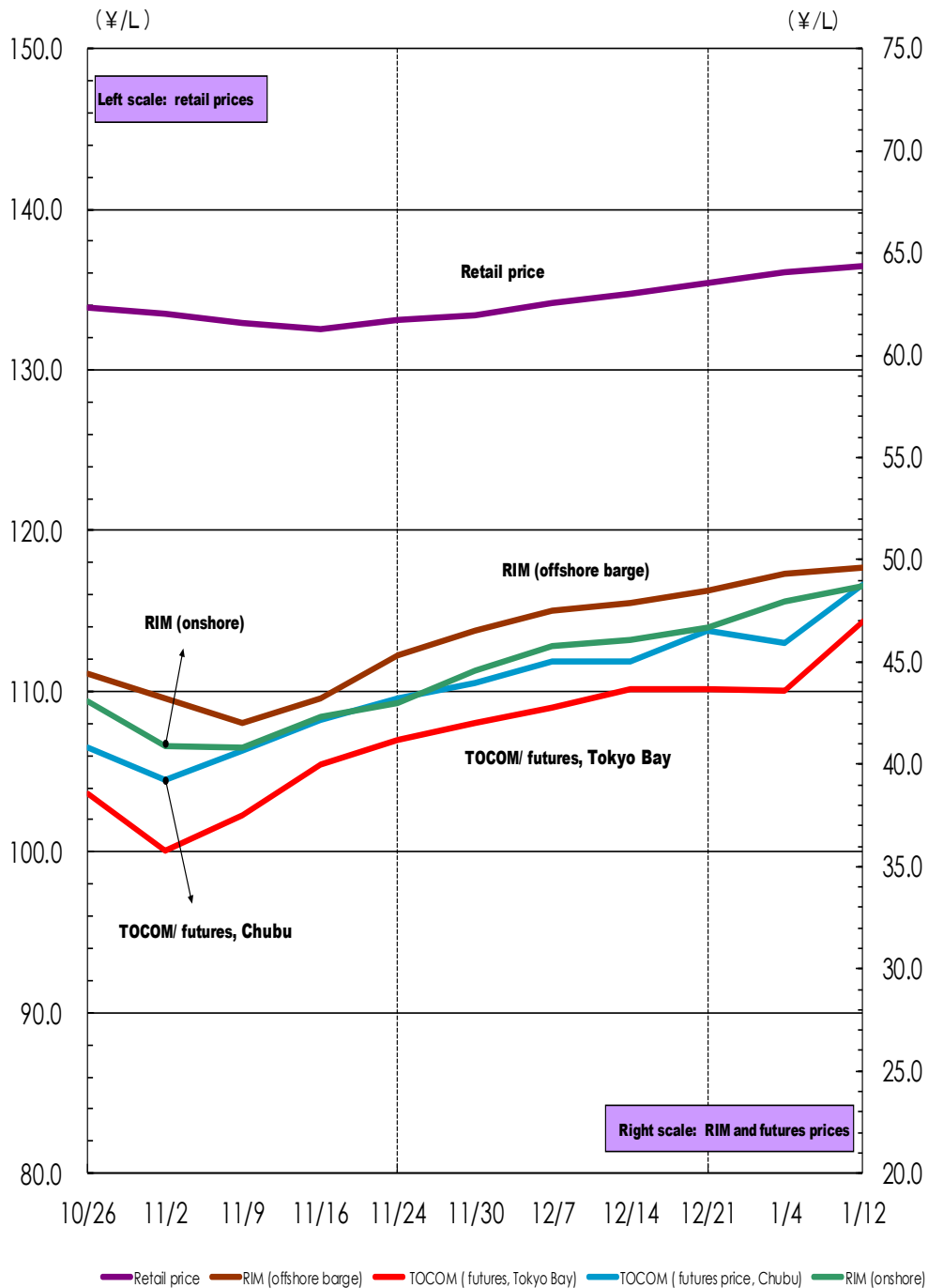
Crude oil cost in yen increased significantly for the period from January 5-January 11 with the significant increase in crude oil price and slight appreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene for the period from January 14 to January 20 Retail gasoline price on the next price survey day (January 18) are expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (1/12)	Previous week (1/4)	From a week earlier	Latest high
Regular		136.5	136.1	▲ 0.4	08/8/4 185.1
Kerosene		80.8	80.5	▲ 0.3	08/8/11 132.1
Diesel oil		117.0	116.6	▲ 0.4	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

(2020/10/26 ~ 2021/1/12)



(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. 28 for 2020) will be announced at 14:00 on January 29.

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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).