

Oil Market Review in Japan No. 30/2020

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https://eneken.ieej.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 January 21-January 27 week moved within a range of \$52.27 per barrel and \$53.13/bbl.

On January 28, the March contract turned down due to concerns over economic stagnation caused by new outbreaks of the coronavirus, delays in vaccination of the coronavirus all over the world, and Chinese official drive to limit people's travel over the Lunar New Year period. The March contract closed at \$52.34/bbl down \$0.51/bbl from the previous day.

On January 29, the key contract turned down further due to concerns over economic stagnation caused by new outbreaks of the coronavirus. The market saw bear trend in crude oil futures trading as a result of investors' risk-aversion attitude in response to slump in the U.S. stock market after the prevailing buying trend in the morning. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by six units from a week earlier to 295 units, increasing for the 10th straight week. The March contract finished \$0.14/bbl lower at \$52.20/bbl.

On February 1, the February contract rebounded for the first time in three trading days by expectations for improvement in supply and demand. The market expected the increase in heating oil demand due to cold wave hitting the northeastern U.S. and the decrease in the U.S. domestic crude oil inventory. There was the report that the increase in crude oil production by OPEC (the Organization of the Petroleum Exporting Countries) in January 2021 was only 0.16 million bbl/d, which was less than the market expectation. The March contract gained \$1.35/bbl to \$53.55/bbl from the previous weekend.

On February 2, the key contract rose significantly, reaching the highest level since late January 2020. The U.S. Biden submitted additional economic package of 1.9 trillion U.S. dollar to the Congress. The market expected the increase in heating oil demand due to heavy snowfall in northeastern U.S. In addition, Saudi Arabia will cut its crude oil production in February and March 2021 voluntarily. The March contract gained \$1.21/bbl to \$54.76/bbl.

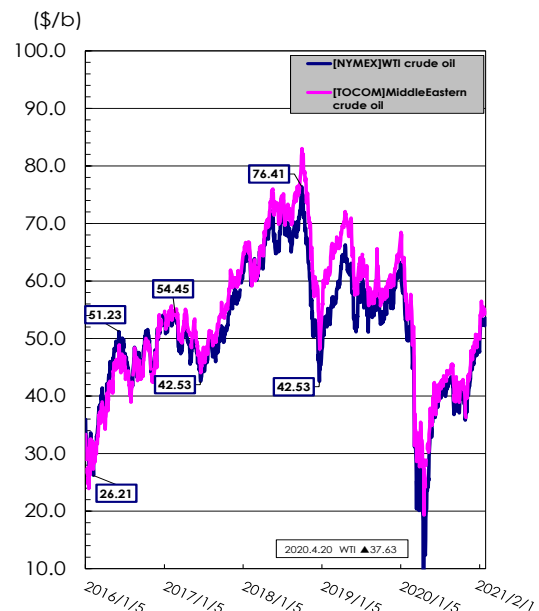
On February 3, the key contract rose for the third straight trading day in response to confirmation for continuation of the current cooperative crude oil production cut framework by the OPEC plus Countries and the announcement of the decrease in the U.S. domestic crude oil inventory by 1 million bbl from the previous week by the U.S. EIA (Energy Information Administration). The March contract gained \$0.93/bbl to \$55.69/bbl.

The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market ranged between \$55.00/bbl and \$55.80/bbl in the January 21-January 27 week. It closed at \$54.70/bbl on January 28, at \$54.70/bbl on January 29, at \$54.80/bbl on February 1, at \$56.30/bbl on February 2, at \$57.10/bbl on February 3.

On the foreign exchange market in the January 21-January 27 week, the dollar moved within a range of 103.53 yen and 103.84 yen. It changed hands at 104.27 yen in late trading on January 28, at 104.48 yen on January 29, at 104.69 yen on February 1, at 104.89 yen on February 2, at 105.01 yen on February 3.

Japan's average retail price on February 1 gained by 0.4 yen/l from a week earlier for gasoline and gained by 0.3 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 10th straight week. Diesel oil price increased for the 10th straight week. Kerosene price increased for the 10th straight week. Although crude oil cost almost leveled off for the first week of February, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

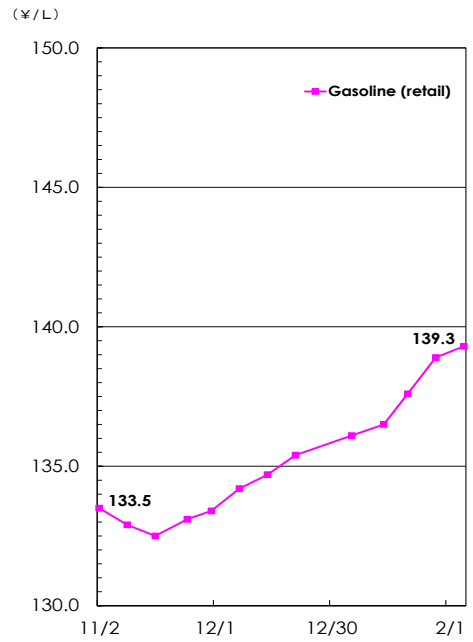
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	1/24 ~ 1/30	2,963	▼ -147	▼ -
	Topper capacity utilization rate (%)	"	77.0	▼ -3.8	▼ -
	Crude oil inventories (1,000 kl)	1/30	10,186	▼ -799	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/1	54.48	▲ 0.03	▼ -0.2
	WTI crude oil (NYMEX) (\$/bbl)	2/1	53.55	▲ 0.78	▲ 3.4
	Crude oil import CIF price (\$/bbl)	Early Jan	47.86	▲ 2.90	▼ -22.47
	① Crude oil import CIF price (yen/kl)	"	31,169	▲ 1,791	▼ -17,185
	② Yen-dollar exchange rate (yen/dollar)	"	103.55	▲ 0.35	▲ 5.76
	TTS exchange rate (yen/dollar)	2/1	105.69	▼ -0.85	▲ 3.83



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/24 ~ 1/30	813	▼ -26	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	639	▼ -116	▼ -	
	Exports	"	117	▲ 9	▲ -	
	Inventories	1/30	2,119	▲ 58	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/26 ~ 2/1	49.4	➡ 0.0	▼ -10.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/26 ~ 2/1	47.1	▲ 0.3	▼ -6.2
		(TOCOM/ Chubu)	2/1	49.7	➡ 0.0	▼ -4.8
	Retail prices [weekly trend] (published by ANRE)	2/1	139.3	▲ 0.4	▼ -11.9	

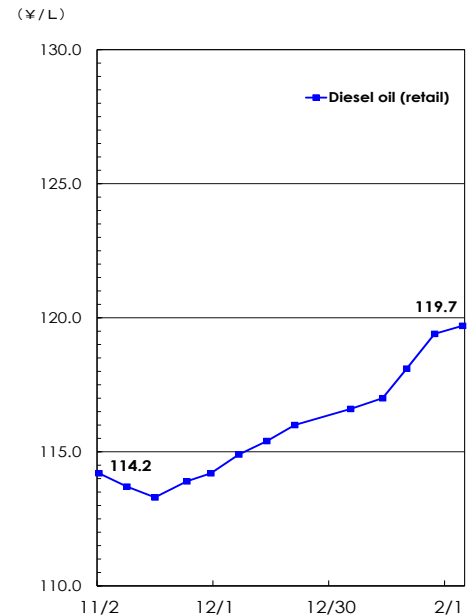
*Gyoten and futures prices are before tax



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

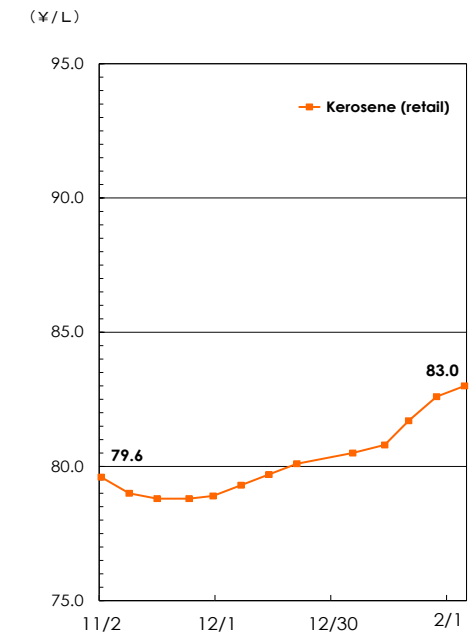
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/24 ~ 1/30	669	▲ 16	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	576	▼ -100	▲ -	
	Exports	"	182	▲ 89	▲ -	
	Inventories	1/30	1,618	▼ -89	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/26 ~ 2/1	52.4	▲ 0.2	▼ -11.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/26 ~ 2/1	53.1	▼ -0.1	▼ -10.9
		(TOCOM/ Chubu)	2/1	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/1	119.7	▲ 0.3	▼ -11.7	

*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	1/24 ~ 1/30	425	▼ -17	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	478	▲ 80	▲ -	
	Exports	"	0	▼ -74	➡ -	
	Inventories	1/30	2,062	▼ -53	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/26 ~ 2/1	52.1	➡ 0.0	▼ -10.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/26 ~ 2/1	49.9	▼ -0.5	▼ -6.1
		(TOCOM/ Chubu)	2/1	51.0	➡ 0.0	▼ -7.5
	Retail prices [weekly trend] (published by ANRE)	2/1	83.0	▲ 0.4	▼ -11.7	



Relevant Information

1 Overseas crude oil prices

On February 3, WTI crude oil futures price on NYMEX rose for the third straight trading day, reaching the \$55/bbl level, the highest one since January 2020 in response to confirmation for continuation of the current cooperative crude oil production cut framework by the OPEC plus Countries and expectation for the U.S. Biden administration's additional economic package. According to the U.S. EIA Weekly Report, the U.S. domestic inventory decreased by 1 million bbl from the previous week for crude oil but increased by 4.5 million bbl for gasoline. However, the crude oil inventory (excluding Strategic Petroleum Reserve: SPR) decreased to 480 million bbl, the same level of March 2020. The OPEC plus Countries confirmed the continuation of the current cooperative crude oil production cut framework at the Joint Ministerial Monitoring Committee (JMMC), which raised the market expectations for continuing crude oil production cut for the time being, including voluntary crude oil production cut by Saudi Arabia. In addition, other factors supporting price rise were expectation for the U.S. Biden administration's additional economic package and robust indicators in the U.S. Employee Statistics and Non-Manufacturing Index. The March contract gained \$0.93/bbl to \$55.69/bbl from the previous day. The April contract gained \$0.92/bbl to \$55.54/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of February 1 increased by 1.7 cents per gallon from a week earlier to \$2.409/gal (67.2 yen/l). The average diesel oil price increased by 2.2 cents/gal to \$2.738/gal (76.4 yen/l). The gasoline price increased for the 10th straight week. Diesel oil price increased for the 13th 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 24-January 30 week in 2021 stood at 310,000 barrels per day, up 153,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 147,000 kl from the previous week to 2,963,000 kl. From a year earlier, it decreased by 384,000 kl. The topper capacity utilization rate stood at 77.0%, down 3.8 points from the previous week and down 8.5 points from a year earlier.

Production increased from the previous week for diesel and decreased for other petroleum products. Output was down 3.0% for gasoline, down 36.0% for jet fuel, down 3.9% for kerosene, up 2.5% for diesel oil, down 17.6% for Fuel Oil A and down 17.0% for Fuel Oil C. Fuel Oil C imports in the week totaled 80,000 kl, up 80,000 kl from the previous week. Diesel oil exports aggregated 182,000 kl, up 89,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel, kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments declined for gasoline and jet fuel, and expanded for other petroleum products. Gasoline shipments decreased by 15.3% from the previous week to 639,000 kl, decreasing for the second straight week. Shipments totaled 51,000 kl for jet fuel (up 42.5% from the previous week), 478,000 kl for kerosene (up 20.3%), 576,000 kl for diesel oil (down 14.8%), 242,000 kl for Fuel Oil A (down 10.9%) and 251,000 kl for Fuel Oil C (up 32.2%).

(Unit: 1,000 kl)

	This week (1/24 ~ 1/30)	Previous week (1/17 ~ 1/23)	From a week earlier
Gasoline	639	755	▼ -116 (-15%)
Jet fuel	51	36	▲ 15 (42%)
Kerosene (heating Oil)	478	398	▲ 80 (20%)
Diesel oil	576	676	▼ -100 (-15%)
Fuel oil A	242	271	▼ -29 (-11%)
Fuel Oil C	251	190	▲ 61 (32%)
Total	2,237	2,326	▼ -89 (-4%)

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

Gasoline inventories totaled 2,119,000 kl, up 58,000 kl from a week earlier and up 308,000 kl from a year earlier.

Kerosene inventories totaled 2,062,000 kl, down 53,000 kl from a week earlier and up 22,000 kl from a year earlier.

Diesel oil inventories totaled 1,618,000 kl, down 89,000 kl from a week earlier and down 49,000 kl from a year earlier.

Fuel Oil A inventories totaled 725,000 kl, down 8,000 kl from a week earlier and down 23,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,838,000 kl, down 29,000 kl from a week earlier and down 90,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/30)	Previous week (1/23)	From a week earlier
Gasoline	2,119	2,061	▲ 58 (3%)
Jet fuel	672	726	▼ -54 (-7%)
Kerosene (heating Oil)	2,062	2,115	▼ -53 (-3%)
Diesel oil	1,618	1,707	▼ -89 (-5%)
Fuel oil A	725	733	▼ -8 (-1%)
Fuel Oil C	1,838	1,867	▼ -29 (-2%)
Total	9,034	9,209	▼ -175 (-1.9%)

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

During the January 26-February 1 week, crude oil cost in yen almost leveled off from the previous week with the slight decrease in crude oil price and 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, reflecting the increase in crude oil adjustment fees for January 2021 by the National Oil Company.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

All Spot petroleum products prices in the January 26-February 1 week increased for all oil products in all trading compared to the period of January 19-January 25 except for decreased offshore spot gasoline prices and offshore spot/futures diesel oil, and leveled off onshore gasoline and kerosene.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the January 26-February 1 week) leveled off from the previous week (January 19-January 25) for gasoline leveled off for kerosene and increased for diesel oil. For the latest period of January 26-February 1, price increased significantly in a 102-104 yen/l range for gasoline; and increased significantly in a 51-53 yen/l range for kerosene; and increased significantly after the slight decrease in a 51-53 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.3 yen/l for gasoline, decreased by 0.1 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil for the January 26-February 1 week from the previous week. Offshore cargo spot prices during the week (January 26-February 1) increased after the slight decrease in a 105 yen/l range for gasoline and increased after the slight decrease in a 50-51 yen/l range for kerosene and increased in a 54 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.3 yen/l for gasoline, decreased by 0.5 yen/l for kerosene and decreased by 0.1 yen/l for diesel oil from the previous week. The key futures price during the period of January 26-February 1 increased in a 100-101 yen/l range for gasoline, increased slightly in a 49-50 yen/l for kerosene and increased after the slight decrease in a 52-53 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (1/26 ~ 2/1)	Previous week (1/19 ~ 1/25)	From a week earlier
Spot Prices	Regular	49.4	49.4	➡ 0.0
	Kerosene	52.1	52.1	➡ 0.0
	Diesel oil	52.4	52.2	▲ 0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (1/26 ~ 2/1)	Previous week (1/19 ~ 1/25)	From a week earlier
Futures Price	Regular	47.1	46.8	▲ 0.3
	Kerosene	49.9	50.4	▼ -0.5
	Diesel oil	53.1	53.2	▼ -0.1

Above prices are before tax.

Reference (January 26 - February 1 actual data)				(Unit: yen/l)		
Products	Spot	Futures	Average			
Gasoline	➡ 0.0	▲ 0.3	▲ 0.2			
Kerosene	➡ 0.0	▼ -0.5	▼ -0.3			
Diesel oil	▲ 0.2	▼ -0.1	▲ 0.1			
Fuel Oil A	▲ 0.1					

(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 February 1 increased by 0.4 yen/l from a week earlier to 139.3 yen/l for gasoline, increased by 0.3 yen/l to 119.7 yen/l for diesel oil and increased by 7 yen to 1,494 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 83.0 yen/l) from the previous week. The gasoline price increased for the 10th straight week. Diesel oil price increased for the 10th straight week. Kerosene price increased for the 10th straight week.

Gasoline prices increased in 39 prefectures, leveled off in five prefectures and decreased in three prefectures. The lowest gasoline price among the prefectures was 132.0 yen/l in Tokushima (up 0.5 yen/l from a week earlier). The second lowest was 133.4 yen/l in Miyagi (up 0.1 yen/l). The highest price was 147.9 yen/l in Kagoshima (down 0.1 yen/l). Kochi logged the largest price gain of 2.5 yen/l to 144.5 yen/l. The price leveled off in Tokyo and four prefectures. Tochigi and Hokkaido logged the largest price fall of 0.2 yen/l to 137.7 yen/l and to 139.1 yen/l, respectively.

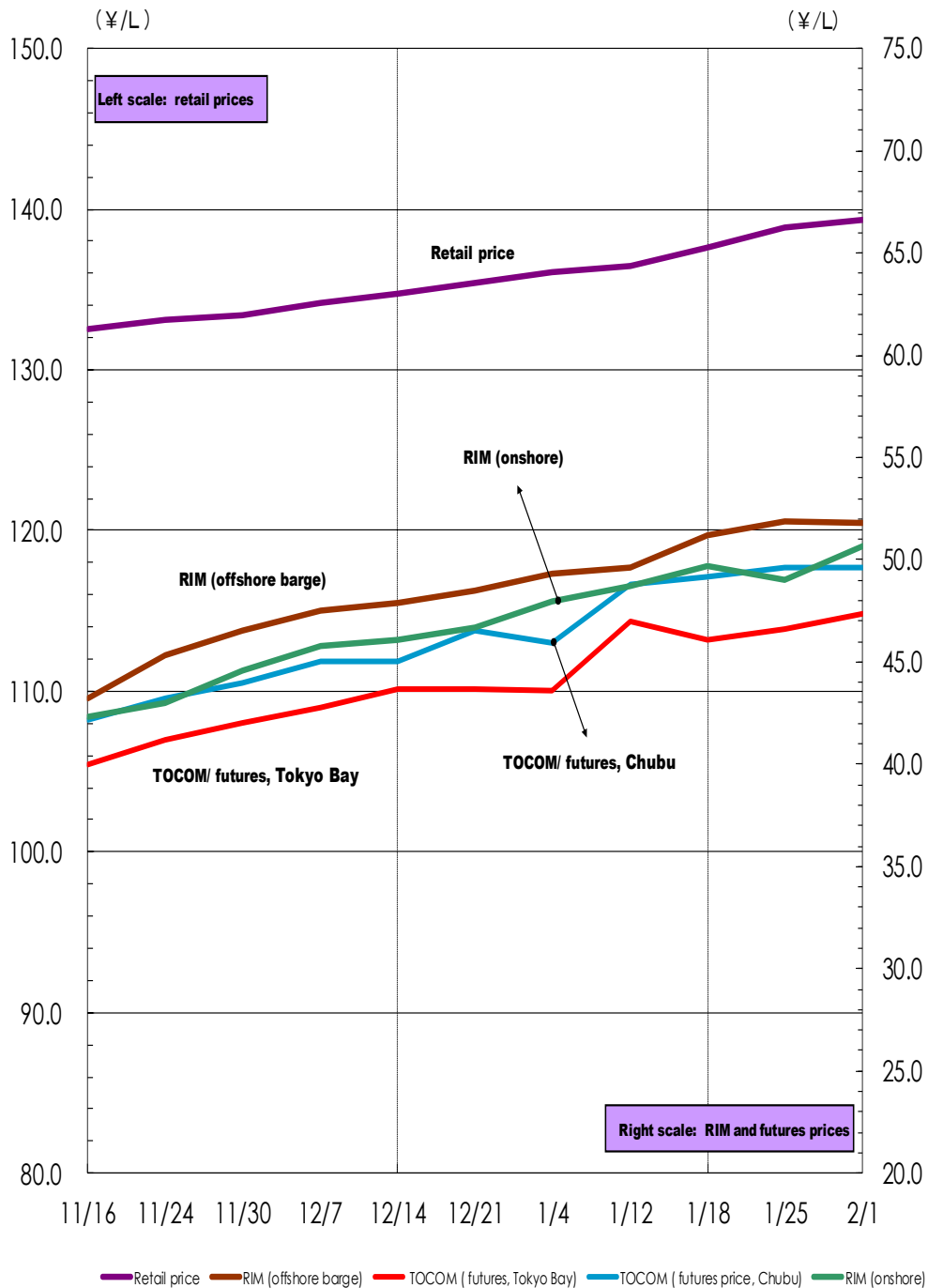
Crude oil cost in yen almost leveled off for the period from January 26-February 1 with the slight decrease in crude oil price and depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from February 4 to February 10. Retail gasoline price on the next price survey day (February 8) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/1)	Previous week (1/25)	From a week earlier	Latest high
Retail Price	Regular	139.3	138.9	▲ 0.4	08/8/4 185.1
	Kerosene	83.0	82.6	▲ 0.4	08/8/11 132.1
	Diesel oil	119.7	119.4	▲ 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

(2020/11/16 ~ 2021/2/1)



(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. 31 for 2020) will be announced at 14:00 on February 19.

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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).