

Oil Market Review in Japan No. 31/2020

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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-28 February 3 week moved within a range of \$52.20 per barrel and \$55.69/bbl.

On February 4, the March contract rose further for the fourth straight trading day, renewing the highest price in almost a year for the third trading day. The market welcomed relaxation of supply and demand in positive response to confirmation for the cooperative crude oil production cut at the OPEC (Organization of the Petroleum Exporting Countries) plus Countries Ministerial Monitoring Committee on the previous day and the announcement of the decrease in the U.S. domestic crude oil inventory. The March contract closed at \$56.23/bbl up \$0.54/bbl from the previous day.

On February 5, the key contract rose further for the fifth straight trading day in response to the Saudi Aramco's announcement of raising adjustment for crude oil prices for the U.S. and Europe for March 2021 and expectations for the U.S. Biden administration's additional economic package. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by four units from a week earlier to 299 units, increasing for the 11th straight week. The March contract finished \$0.62/bbl higher at \$56.85/bbl.

On February 8, the February contract rose further for the sixth straight trading day in response to continuation of the OPEC plus Countries cooperative crude oil production cut and expectations for the U.S. Biden administration's additional economic package. The U.S. President Biden mentioned in a TV interview that Iran should return to the nuclear agreement at first as the condition of Iran's return to the nuclear agreement. The market expected that relaxation of sanction against Iran would require more time than expected before. The March contract gained \$1.12/bbl to \$57.97/bbl from the previous weekend.

On February 9, the key contract rose further for the seventh straight trading day in response to expectation for early establishment of the U.S. Biden administration's additional economic packages including expansion of cash disbursement and unemployment benefits to individuals, and expectation for early convergence of corona scourge on the background of the recent decrease in the number of newly infected people in the US and progress in vaccination. The March contract gained \$0.39/bbl to \$58.36/bbl from the previous day.

On February 10, the key contract rose further for the eighth straight trading day in positive response to the announcement of unexpected decrease in the U.S. domestic crude oil inventory in the U.S. EIA's (Energy Information Administration) Weekly Report. The March contract gained \$0.32/bbl to \$58.68/bbl.

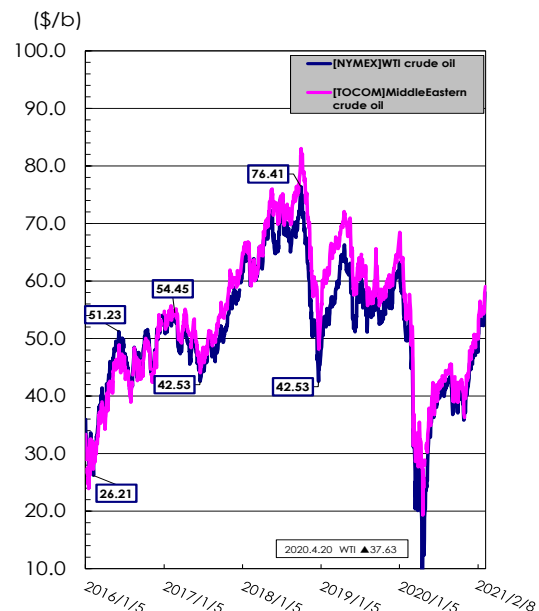
The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market ranged between \$54.70/bbl and \$57.10/bbl in the January 28-February 3 week. It closed at \$58.30/bbl on February 4, at \$58.60/bbl on February 5, at \$59.40/bbl on February 8, at \$60.80/bbl on February 9, at \$60.40/bbl on February 10.

On the foreign exchange market in the January 28-February 3 week, the dollar moved within a range of 104.27 yen and 105.01 yen. It changed hands at 105.02 yen in late trading on February 4, at 105.54 yen on February 5, at 105.54 yen on February 8, at 105.18 yen on February 9, at 104.62 yen on February 10.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 5, the average crude oil import CIF price for Japan in the mid-January period stood at 32,753 yen/kl (kiloliter), up 1,584 yen/kl from the previous 10-day period. In dollars, the price was \$50.33/bbl, up \$2.47/bbl. The average exchange rate was 103.44 yen to the dollar.

Japan's average retail price on February 8 gained by 0.3 yen/l from a week earlier for gasoline and gained by 0.4 yen/l for diesel oil and gained by 5 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the 11th straight week. Diesel oil price increased for the 11th straight week. Kerosene price increased for the 11th straight week. As crude oil cost increased significantly for the second week of February, Motouri companies increased their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for the next week.

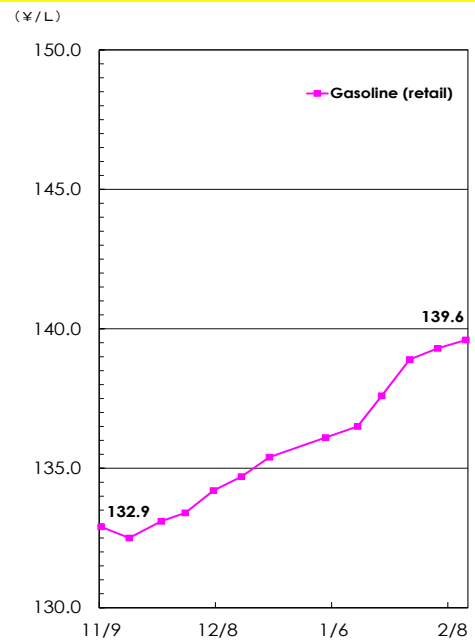
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	1/31 ~ 2/6	2,942	▼ -21	▼ -
	Topper capacity utilization rate (%)	"	76.5	▼ -0.5	▼ -
	Crude oil inventories (1,000 kl)	2/6	11,120	▲ 933	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/8	59.06	▲ 4.58	▲ 5.7
	WTI crude oil (NYMEX) (\$/bbl)	2/8	57.97	▲ 4.42	▲ 8.4
	Crude oil import CIF price (\$/bbl)	Mid Jan	50.33	▲ 2.47	▼ -20.00
	①Crude oil import CIF price (yen/kl)	"	32,753	▲ 1,584	▼ -15,601
	②Yen-dollar exchange rate (yen/dollar)	"	103.44	▲ 0.11	▲ 5.87
	TTS exchange rate (yen/dollar)	2/8	106.54	▼ -0.85	▲ 4.13



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/31 ~ 2/6	878	▲ 64	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	887	▲ 248	▼ -	
	Exports	"	103	▼ -14	▲ -	
	Inventories	2/6	2,007	▼ -112	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/2 ~ 2/8	51.2	▲ 1.8	▼ -3.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/2 ~ 2/8	49.7	▲ 2.6	▼ -1.6
		(TOCOM/ Chubu)	2/8	51.6	▲ 1.9	▼ -2.4
	Retail prices [weekly trend] (published by ANRE)	2/8	139.6	▲ 0.3	▼ -10.4	

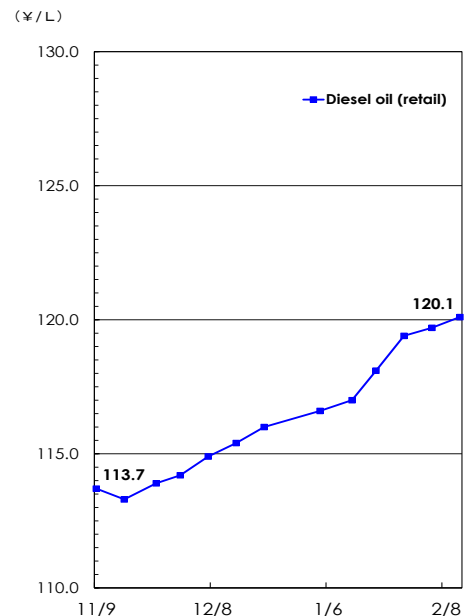
*Gyoten and futures prices are before tax



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

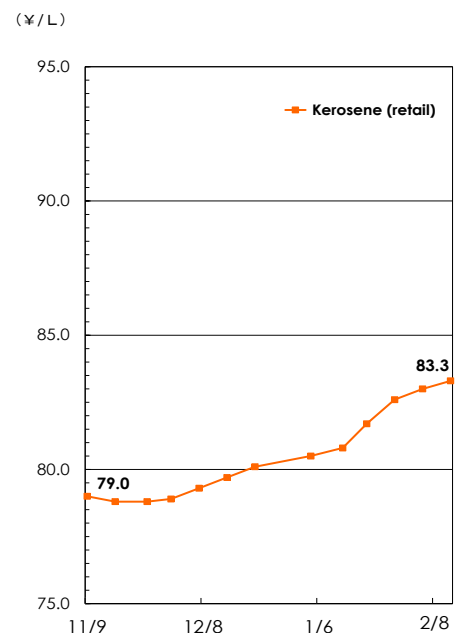
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/31 ~ 2/6	657	▼ -12	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	661	▲ 85	▲ -	
	Exports	"	25	▼ -157	▼ -	
	Inventories	2/6	1,588	▼ -30	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/2 ~ 2/8	53.6	▲ 1.2	▼ -6.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/2 ~ 2/8	55.5	▲ 2.4	▼ -6.9
		(TOCOM/ Chubu)	2/8	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/8	120.1	▲ 0.4	▼ -10.3	

*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	1/31 ~ 2/6	332	▼ -93	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	514	▲ 36	▲ -	
	Exports	"	20	▲ 20	▲ -	
	Inventories	2/6	1,860	▼ -202	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/2 ~ 2/8	53.5	▲ 1.4	▼ -5.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/2 ~ 2/8	52.2	▲ 2.3	▼ -1.2
		(TOCOM/ Chubu)	2/8	54.0	▲ 3.0	▼ -3.0
	Retail prices [weekly trend] (published by ANRE)	2/8	83.3	▲ 0.3	▼ -10.8	



Relevant Information

1 Overseas crude oil prices

On February 10, WTI crude oil futures price on NYMEX rose further for the eighth straight trading day, renewing the highest price in a year since January 2020 by expectation for relaxation of supply and demand. The EIA Weekly Report announced that the U.S. domestic crude oil inventory decreased by 6.6 million bbl from the previous week, which was against the market expectation of the inventory increase by 1 million bbl. However, gasoline inventory increased by 4.3 million bbl. The price rise was also supported by the smooth development of the OPEC plus Countries cooperative crude oil production cuts, expectations for the U.S. additional economic package and the recent decrease in the number of infections. The March contract gained \$0.32/bbl to \$58.68/bbl from the previous day. The April contract gained \$0.32/bbl to \$58.57/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of February 8 increased by 5.2 cents per gallon from a week earlier to \$2.461/gal (69.2yen/l). The average diesel oil price increased by 6.3 cents/gal to \$2.801/gal (78.7yen/l). The gasoline price increased for the 11th straight week. Diesel oil price increased for the 14th 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 31-February 6 week in 2021 stood at 293,000 barrels per day, down 17,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 21,000 kl from the previous week to 2,942,000 kl from the previous week. From a year earlier, it decreased by 284,000 kl. The topper capacity utilization rate stood at 76.5%, down 0.5 points from the previous week and down 5.9 points from a year earlier.

Production decreased from the previous week for kerosene and diesel oil and increased for other petroleum products. Output was up 7.9% for gasoline, up 91.2% for jet fuel, down 21.9% for kerosene, down 1.8% for diesel oil, up 7.9% for Fuel Oil A and up 7.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 108,000 kl, up 28,000 kl from the previous week. Diesel oil exports aggregated 25,000 kl, down 157,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and increased for other petroleum products. From a year earlier, shipments expanded for kerosene, diesel and Fuel Oil C and declined for other petroleum products. Gasoline shipments increased by 38.7% from the previous week to 887,000 kl, increasing for the first time in three weeks. Shipments totaled 48,000 kl for jet fuel (down 6.5% from the previous week), 514,000 kl for kerosene (up 7.4%), 661,000 kl for diesel oil (up 14.8%), 250,000 kl for Fuel Oil A (up 3.5%) and 265,000 kl for Fuel Oil C (up 5.3%).

(Unit: 1,000 kl)

	This week (1/31 ~ 2/6)	Previous week (1/24 ~ 1/30)	From a week earlier
Gasoline	887	639	▲ 248 (39%)
Jet fuel	48	51	▼ -3 (-6%)
Kerosene (heating Oil)	514	478	▲ 36 (8%)
Diesel oil	661	576	▲ 85 (15%)
Fuel oil A	250	242	▲ 8 (3%)
Fuel Oil C	265	251	▲ 14 (6%)
Total	2,625	2,237	▲ 388 (17%)

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 February 6 increased from a week earlier for jet fuel, Fuel Oil A and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline and shrank for other petroleum products.

Gasoline inventories totaled 2,007,000 kl, down 112,000 kl from a week earlier and up 222,000 kl from a year earlier.

Kerosene inventories totaled 1,860,000 kl, down 202,000 kl from a week earlier and down 41,000 kl from a year earlier.

Diesel oil inventories totaled 1,588,000 kl, down 30,000 kl from a week earlier and down 85,000 kl from a year earlier.

Fuel Oil A inventories totaled 733,000 kl, up 8,000 kl from a week earlier and down 3,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,843,000 kl, up 5,000 kl from a week earlier and down 79,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/6)	Previous week (1/30)	From a week earlier
Gasoline	2,007	2,119	▼ -112 (-5%)
Jet fuel	705	672	▲ 33 (5%)
Kerosene (heating Oil)	1,860	2,062	▼ -202 (-10%)
Diesel oil	1,588	1,618	▼ -30 (-2%)
Fuel oil A	733	725	▲ 8 (1%)
Fuel Oil C	1,843	1,838	▲ 5 (0%)
Total	8,736	9,034	▼ -298 (-3.3%)

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

During the February 2-February 8 week, crude oil cost in yen significantly increased from the previous week with the significant increase in crude oil price and depreciation of the yen to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 2.5 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 February 2-February 8 week increased for all oil products in all trading compared to the period of January 26-February 1.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the February 2-February 8 week) increased by 1.8 yen/l from the previous week (January 26-February 1) for gasoline, increased by 1.4 yen/l for kerosene and increased by 1.2 yen/l for diesel oil. For the latest period of February 2-February 8, price increased in a 104-105 yen/l range for gasoline; and increased in a 53 yen/l range for kerosene; and increased in a 53 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.8 yen/l for gasoline, increased by 1.7 yen/l for kerosene and increased by 0.8 yen/l for diesel oil for the February 2- February 8 week from the previous week. Offshore cargo spot prices during the week (J February 2-February 8) increased in a 105-106 yen/l range for gasoline and increased significantly in a 51-53 yen/l range for kerosene and increased in a 54-55 yen/l range for diesel oil from the previous week.

The key average futures price increased by 2.6 yen/l for gasoline, increased by 2.3 yen/l for kerosene and increased by 2.4 yen/l for diesel oil from the previous week. The key futures price during the period of February 2-February 8 increased significantly in a 102-104 yen/l range for gasoline, increased significantly in a 51-53 yen/l for kerosene and increased significantly in a 54-56 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (2/2 ~ 2/8)	Previous week (1/26 ~ 2/1)	From a week earlier
Spot Prices	Regular	51.2	49.4	▲ 1.8
	Kerosene	53.5	52.1	▲ 1.4
	Diesel oil	53.6	52.4	▲ 1.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/2 ~ 2/8)	Previous week (1/26 ~ 2/1)	From a week earlier
Futures Price	Regular	49.7	47.1	▲ 2.6
	Kerosene	52.2	49.9	▲ 2.3
	Diesel oil	55.5	53.1	▲ 2.4

Above prices are before tax.

Reference (February 2 - February 8 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.8	▲ 2.6	▲ 2.2
Kerosene	▲ 1.4	▲ 2.3	▲ 1.9
Diesel oil	▲ 1.2	▲ 2.4	▲ 1.8
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 February 8 increased by 0.3 yen/l from a week earlier to 139.6 yen/l for gasoline, increased by 0.4 yen/l to 120.1 yen/l for diesel oil and increased by 5 yen to 1,499 yen for kerosene on an 18-liter tank basis (increased by 0.3 yen/l to 83.3 yen/l) from the previous week. The gasoline price increased for the 11th straight week. Diesel oil price increased for the 11th straight week. Kerosene price increased for the 11th straight week.

Gasoline prices increased in 30 prefectures, leveled off in seven prefectures and decreased in 10 prefectures. The lowest gasoline price among the prefectures was 132.2 yen/l in Tokushima (up 0.2 yen/l from a week earlier). The second lowest was 134.1yen/l in Okayama (leveled off). The highest price was 148.3 yen/l in Kagoshima (up 0.4 yen/l). Wakayama logged the largest price gain of 3.2 yen/l to 139.7 yen/l. The price leveled off in Yamagata and six other prefectures. Aichi logged the largest price fall of 1.2 yen/l to 137.9yen/l.

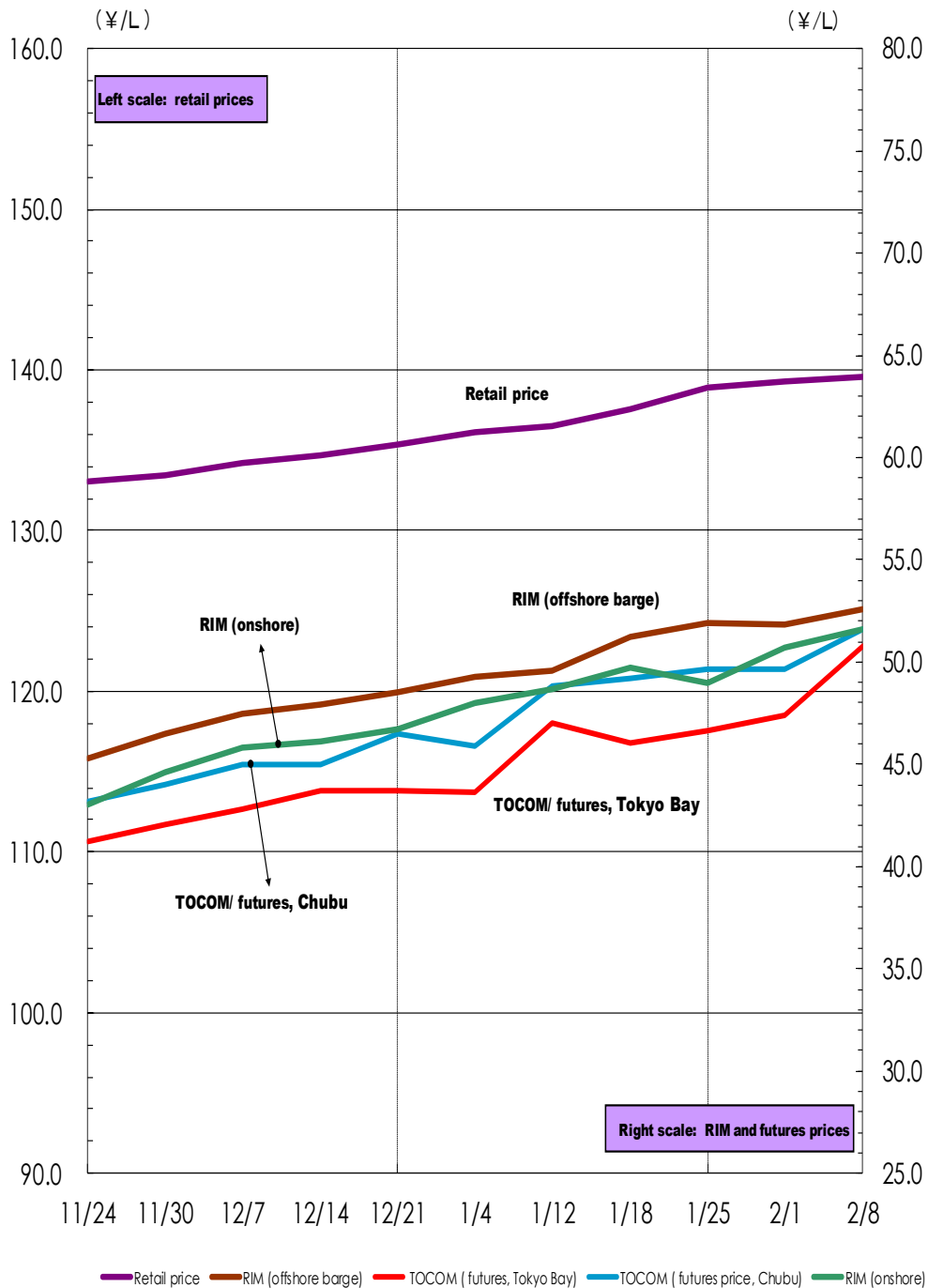
Crude oil cost in yen increased significantly for the period from February 2-February 8 with the significant increase in crude oil price and depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 2.5 yen/l for gasoline, diesel oil and kerosene for the period from February 11 to February 17. Retail gasoline price on the next price survey day (February 15) are expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/8)	Previous week (2/1)	From a week earlier	Latest high
Retail Price	Regular	139.6	139.3	▲ 0.3	08/8/4 185.1
	Kerosene	83.3	83.0	▲ 0.3	08/8/11 132.1
	Diesel oil	120.1	119.7	▲ 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

(2020/11/24 ~ 2021/2/8)



(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. 32 for 2020) will be announced at 14:00 on February 26.

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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).