

Oil Market Review in Japan No. 32/2020

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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 February 4-February 10 week moved within a range of \$56.23 per barrel and \$58.68/bbl.

On February 11, the March contract turned down for the first time in nine trading days. The market recognized that oil demand recovery would require some time due to the coronavirus pandemic following the announcement of downward revision of oil demand forecast for 2021 by the OPEC (Organization of the Petroleum Exporting Countries) Monthly Report and by the IEA (International Energy Agency) Market Report. The March contract closed at \$58.24/bbl down \$0.44/bbl from the previous day.

On February 12, the key contract rebounded significantly due to expectations for the U.S. Biden administration's large-scale additional economic package and concerns over geopolitical risks caused by the Houthis' (anti-government armed organization in Yemen) announcement of drone attacks on Abha Airport in the south-western part of Saudi Arabia.

Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by seven units from a week earlier to 306 units, increasing for the 12th straight week. The March contract finished \$1.23/bbl higher at \$59.47/bbl from the previous weekend.

On February 15, the market was closed for Washington's Birthday.

On February 16, the February contract rose further, reaching \$60/bbl level at the close, due to concerns over constraints on the operation of oil facilities after a cold wave struck the oil-producing state of Texas. The market recognized geopolitical risks in the Gulf region following the announcement that Saudi-led Coalition of the Willing defended against Yemen Houthi's drone attacks on Saudi Arabia on February 14. However, the market saw a slight bear trend by the announcement of easing the OPEC plus Countries cooperative crude oil production cut after April 2021. The March contract gained \$0.58/bbl to \$60.05/bbl from the previous day.

On February 17, the key contract rose further for the third straight trading day due to supply disruption at oil facilities, affected by the cold wave hitting Texas. However, the market saw a bear trend temporarily by a report of the U.S. newspaper that Saudi Arabia considered easing the cooperative crude oil production cut after April 2021. The EIA (Energy Information Administration) will announce its weekly inventory report on the following day due to the holiday. The March contract gained \$1.09/bbl to \$61.14/bbl.

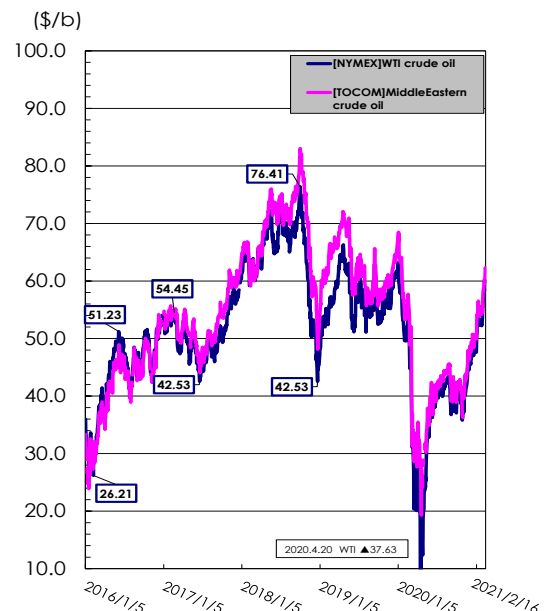
The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market ranged between \$58.30/bbl and \$60.80/bbl in the February 4-February 10 week. The market was closed on February 11. It closed at \$60.10/bbl on February 12, at \$62.60/bbl on February 15, at \$62.50/bbl on February 16, at \$62.50/bbl on February 17.

On the foreign exchange market in the February 4-February 10 week, the dollar moved within a range of 104.62 yen and 105.54 yen. The market was closed on February 11. It changed hands at 104.74 yen in late trading on February 12, at 105.12 yen on February 15, at 105.49 yen on February 16, at 106.17 yen on February 17.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 17, the average crude oil import CIF price for Japan in the late January period stood at 33,516 yen/kl (kiloliter), up 763 yen/kl from the previous 10-day period. In dollars, the price was \$51.38/bbl, up \$1.05/bbl. The average exchange rate was 103.69 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance February 17, the average crude oil import CIF price for Japan in January stood at 32,600 yen/kl (kiloliter), up 3,487 yen/kl from the previous month. In dollars, the price was \$50.05/bbl, up \$5.60/bbl. The average exchange rate was 103.55 yen to the dollar.

Japan's average retail price on February 15 gained by 1.8 yen/l from a week earlier for gasoline and gained by 1.7 yen/l for diesel oil and gained by 24 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the 12th straight week. Diesel oil price increased for the 12th straight week. Kerosene price increased for the 12th straight week. As crude oil cost increased significantly for the third week of February, Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the next week.

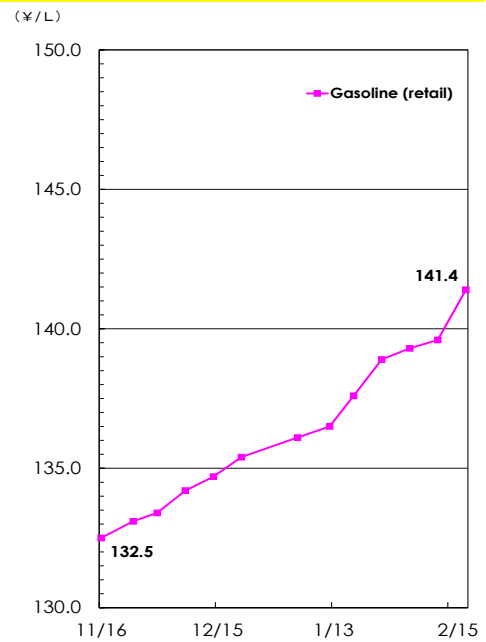
Crude oil			This week		From a week earlier		From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	2/7 ~ 2/13	2,978	▲	36	▼	—
	Topper capacity utilization rate (%)	"	77.4	▲	0.9	▼	—
	Crude oil inventories (1,000 kl)	2/13	10,436	▼	-684	▼	—
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/15	62.34	▲	3.28	▲	6.7
	WTI crude oil (NYMEX) (\$/bbl)	2/16	60.05	▲	2.08	▲	8.0
	Crude oil import CIF price (\$/bbl)	Late Jan	51.38	▲	1.05	▼	-18.95
	① Crude oil import CIF price (yen/kl)	"	33,516	▲	763	▼	-14,838
	② Yen-dollar exchange rate (yen/dollar)	"	103.69	▼	-0.25	▲	5.62
	TTS exchange rate (yen/dollar)	2/15	106.12	▲	0.42	▲	4.68



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/7 ~ 2/13	872	▼ -5	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	809	▼ -78	▼ -	
	Exports	"	84	▼ -19	▼ -	
	Inventories	2/13	1,986	▼ -21	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/9 ~ 2/15	52.8	▲ 1.6	▼ -1.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/9 ~ 2/15	51.2	▲ 1.5	▼ -1.1
		(TOCOM/ Chubu)	2/15	53.7	▲ 2.1	▼ -0.5
	Retail prices [weekly trend] (published by ANRE)	2/15	141.4	▲ 1.8	▼ -7.1	

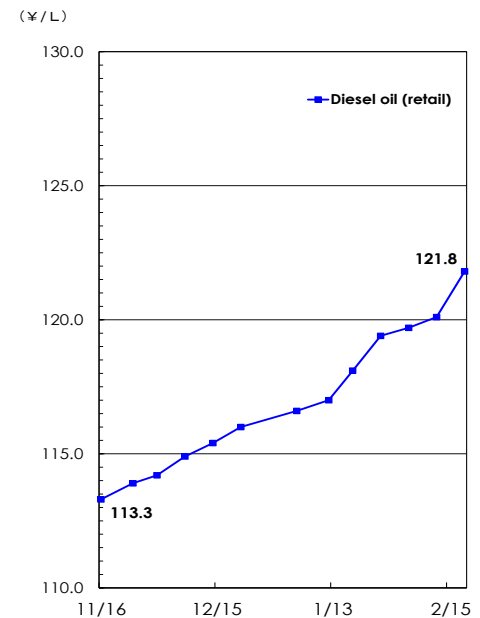
*Gyoten and futures prices are before tax



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

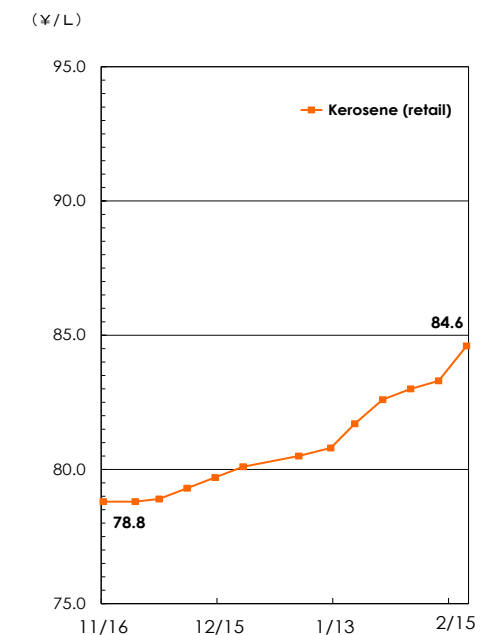
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/7 ~ 2/13	679	▲ 22	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	603	▼ -58	▲ -	
	Exports	"	69	▲ 44	▼ -	
	Inventories	2/13	1,595	▲ 7	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/9 ~ 2/15	55.3	▲ 1.7	▼ -2.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/9 ~ 2/15	57.2	▲ 1.7	▼ -4.7
		(TOCOM/ Chubu)	2/15	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/15	121.8	▲ 1.7	▼ -7.1	

*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	2/7 ~ 2/13	432	▲ 100	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	532	▲ 18	▲ -	
	Exports	"	30	▲ 10	▲ -	
	Inventories	2/13	1,729	▼ -131	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/9 ~ 2/15	55.2	▲ 1.7	▼ -2.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/9 ~ 2/15	53.6	▲ 1.4	▼ -1.0
		(TOCOM/ Chubu)	2/15	54.5	▲ 0.5	▼ -2.2
	Retail prices [weekly trend] (published by ANRE)	2/15	84.6	▲ 1.3	▼ -8.5	



Relevant Information

1 Overseas crude oil prices

On February 17, WTI crude oil futures price on NYMEX rose further for the third straight trading day, maintaining \$60/bbl level and renewing the highest price in almost one year since January 2020. The market saw buying trend due to supply disruptions in shipments from oil refineries and pipeline transportation caused by the cold wave mainly hitting Texas since the holidays. Then, selling trend prevailed by the U.S. Newspaper's report that Saudi Arabia considered easing the cooperative crude oil production cuts from April 2021 onward, following the observation coverage on the previous day. The increase in oil price expanded due to the Saudi Arabian Energy Minister Abdul Aziz's cautious statement that it was too early to make victory declaration on the new coronavirus. The EIA announced its weekly inventory report on the following day due to the holiday. The March contract gained \$1.09/bbl to \$61.14bbl from the previous day. The April contract gained \$1.08/bbl to \$61.16/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of February 15 increased by 4.0 cents per gallon from a week earlier to \$2.501/gal (70.0yen/l). The average diesel oil price increased by 7.5 cents/gal to \$2.876/gal (80.5yen/l). The gasoline price increased for the 12th straight week. Diesel oil price increased for the 15th 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 February 7-February 13 week in 2021 stood at 406,000 barrels per day, up 113,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 36,000 kl from the previous week to 2,978,000 kl. From a year earlier, it decreased by 210,000 kl. The topper capacity utilization rate stood at 77.4%, up 0.9 points from the previous week and down 4.0 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and Fuel Oil C and increased for other petroleum products. Output was down 0.6% for gasoline, down 6.7% for jet fuel, up 30.1% for kerosene, up 3.3% for diesel oil, up 8.0% for Fuel Oil A and down 6.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 35,000 kl, down 73,000 kl from the previous week. Diesel oil exports aggregated 69,000 kl, up 44,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene and decreased for other petroleum products. From a year earlier, shipments declined for gasoline and expanded for other petroleum products. Gasoline shipments decreased by 8.7% from the previous week to 809,000 kl, decreasing for the first time in two weeks. Shipments totaled 44,000 kl for jet fuel (down 7.1% from the previous week), 532,000 kl for kerosene (up 3.6%), 603,000 kl for diesel oil (down 8.8%), 241,000 kl for Fuel Oil A (down 3.5%) and 248,000 kl for Fuel Oil C (down 6.1%).

(Unit: 1,000 kl)

	This week (2/7 ~ 2/13)	Previous week (1/31 ~ 2/6)	From a week earlier
Gasoline	809	887	▼ -78 (-9%)
Jet fuel	44	48	▼ -4 (-8%)
Kerosene (heating Oil)	532	514	▲ 18 (4%)
Diesel oil	603	661	▼ -58 (-9%)
Fuel oil A	241	250	▼ -9 (-4%)
Fuel Oil C	248	265	▼ -17 (-6%)
Total	2,477	2,625	▼ -148 (-6%)

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 13 increased from a week earlier for jet fuel, diesel oil and Fuel Oil A and decreased for other petroleum products.

Gasoline inventories totaled 1,986,000 kl, down 21,000 kl from a week earlier and up 303,000 kl from a year earlier.

Kerosene inventories totaled 1,729,000 kl, down 131,000 kl from a week earlier and down 70,000 kl from a year earlier.

Diesel oil inventories totaled 1,595,000 kl, up 7,000 kl from a week earlier and down 19,000 kl from a year earlier.

Fuel Oil A inventories totaled 742,000 kl, up 9,000 kl from a week earlier and up 14,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,805,000 kl, down 38,000 kl from a week earlier and down 99,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/13)	Previous week (2/6)	From a week earlier
Gasoline	1,986	2,007	▼ -21 (-1%)
Jet fuel	739	705	▲ 34 (5%)
Kerosene (heating Oil)	1,729	1,860	▼ -131 (-7%)
Diesel oil	1,595	1,588	▲ 7 (0%)
Fuel oil A	742	733	▲ 9 (1%)
Fuel Oil C	1,805	1,843	▼ -38 (-2%)
Total	8,596	8,736	▼ -140 (-1.6%)

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

During the February 9-February 15 week, crude oil cost in yen significantly increased 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 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 9-February 15 week increased for all oil products in all trading compared to the period of February 2-February 8.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the February 9-February 15 week) increased by 1.6 yen/l from the previous week (February 2-February 8) for gasoline, increased by 1.7 yen/l for kerosene and increased by 1.7 yen/l for diesel oil. For the latest period of February 9-February 15, price increased significantly in a 105-107 yen/l range for gasoline; and increased significantly in a 53-55 yen/l range for kerosene; and decreased slightly after the significant increase in a 53-56 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.9 yen/l for gasoline, increased by 1.2 yen/l for kerosene and increased by 1.9 yen/l for diesel oil for the February 9- February 15 week from the previous week. Offshore cargo spot prices during the week (February 9-February 15) leveled off after the significant increase in a 106-108 yen/l range for gasoline and almost leveled off after the increase in a 53-54 yen/l range for kerosene and leveled off after the significant increase in a 55-57 yen/l range for diesel oil from the previous week.

The key average futures price increased by 1.5 yen/l for gasoline, increased by 1.4 yen/l for kerosene and increased by 1.7 yen/l for diesel oil from the previous week. The key futures price during the period of February 9-February 15 increased significantly after the slight decrease in a 104-106 yen/l range for gasoline, increased significantly after the decrease in a 52-54 yen/l for kerosene and increased significantly after the slight decrease in a 56-58 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (2/9 ~ 2/15)	Previous week (2/2 ~ 2/8)	From a week earlier
Spot Prices	Regular	52.8	51.2	▲ 1.6
	Kerosene	55.2	53.5	▲ 1.7
	Diesel oil	55.3	53.6	▲ 1.7

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/9 ~ 2/15)	Previous week (2/2 ~ 2/8)	From a week earlier
Futures Price	Regular	51.2	49.7	▲ 1.5
	Kerosene	53.6	52.2	▲ 1.4
	Diesel oil	57.2	55.5	▲ 1.7

Above prices are before tax.

Reference (February 9 - February 15 actual data)			
(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.6	▲ 1.5	▲ 1.5
Kerosene	▲ 1.7	▲ 1.4	▲ 1.5
Diesel oil	▲ 1.7	▲ 1.7	▲ 1.7
Fuel Oil A	▲ 1.8		

(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 15 increased by 1.8 yen/l from a week earlier to 141.4 yen/l for gasoline, increased by 1.7 yen/l to 121.8 yen/l for diesel oil and increased by 24 yen to 1,523 yen for kerosene on an 18-liter tank basis (increased by 1.3 yen/l to 84.6 yen/l) from the previous week. The gasoline price increased for the 12th straight week. Diesel oil price increased for the 12th straight week. Kerosene price increased for the 12th straight week.

Gasoline prices increased in 46 prefectures, leveled off in no prefectures and decreased in one prefecture. The lowest gasoline price among the prefectures was 133.6 yen/l in Tokushima (up 1.4 yen/l from a week earlier). The second lowest was 136.0yen/l in Okayama (up 1.9 yen/l). The highest price was 149.8 yen/l in Kagoshima (up 1.5 yen/l). Aichi logged the largest price gain of 3.8 yen/l to 141.7 yen/l. The price leveled off in no prefectures. Wakayama logged the largest price fall of 0.9 yen/l to 138.8 yen/l.

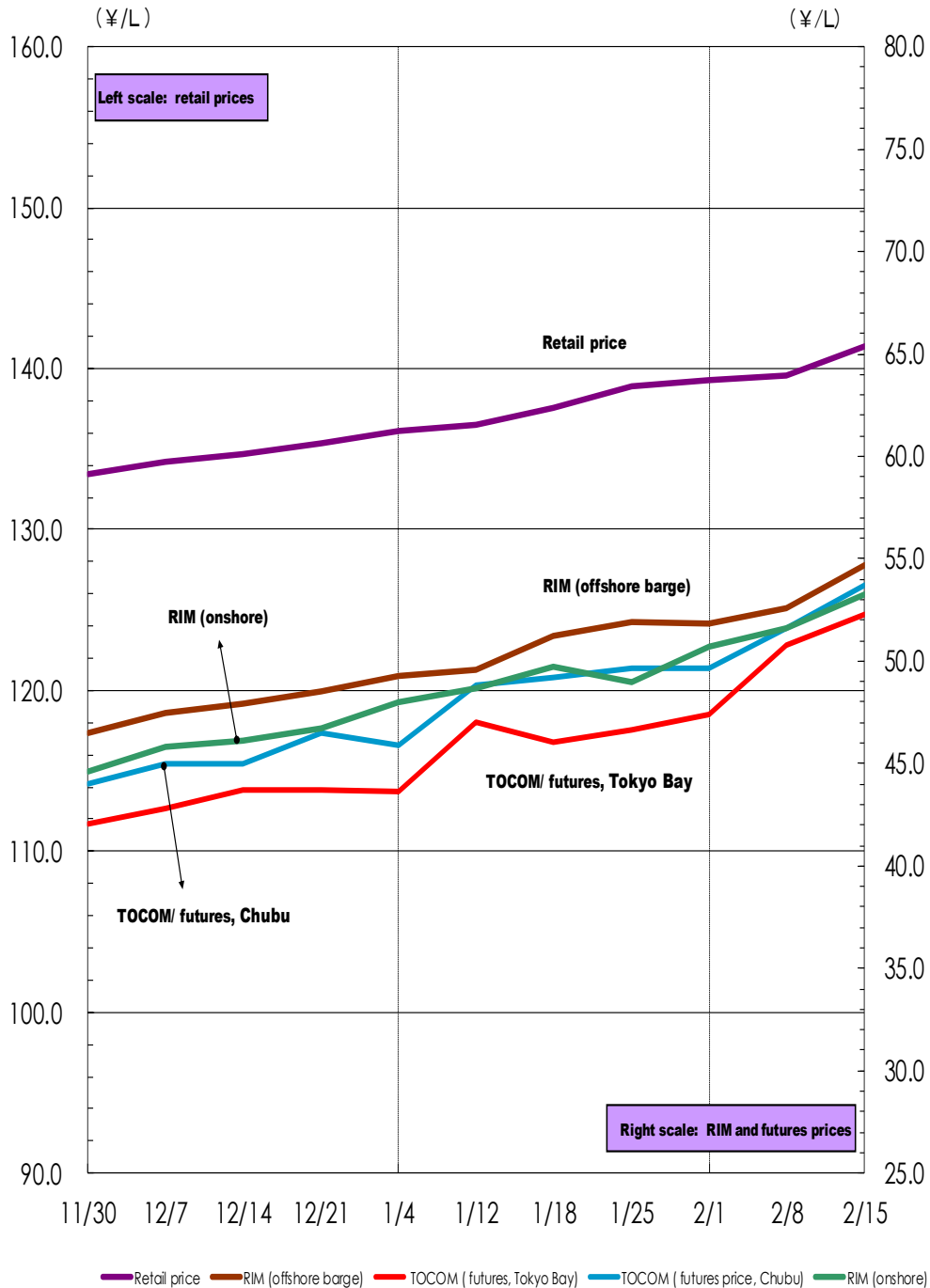
Crude oil cost in yen increased significantly for the period from February 9-February 15 with the significant increase in crude oil price and slight appreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the period from February 18 to February 24. Retail gasoline price on the next price survey day (February 22) are expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/15)	Previous week (2/8)	From a week earlier	Latest high
Retail Price	Regular	141.4	139.6	▲ 1.8	08/8/4 185.1
	Kerosene	84.6	83.3	▲ 1.3	08/8/11 132.1
	Diesel oil	121.8	120.1	▲ 1.7	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

(2020/11/30 ~ 2021/2/15)



(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. 33 for 2020) will be announced at 14:00 on March 5.

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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).