

Oil Market Review in Japan No. 1/2021

April 9, 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://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 March 18-March 24 week moved within a range of \$57.76 per barrel and \$61.55/bbl.

On March 25, the April contract turned down significantly due to concerns over economic stagnation in Europe caused by new outbreak of the coronavirus. The impact of the stranded large-scale container ship in the Suez Canal blocking the shipping route is mainly seen in the export of petroleum products from the Middle East to Europe because the Sumed (crude oil) pipeline bypasses the Suez Canal. The May contract closed at \$58.56/bbl down \$2.62/bbl from the previous day.

On March 26, the key contract rebounded significantly with the anticipation that suspension of navigation through the Suez Canal would be prolonged. Moreover, some market players recognized overselling of the crude oil futures during the week due to the new outbreak of the coronavirus. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by six units from a week earlier to 324 units. The May contract finished \$2.41/bbl higher at \$60.97/bbl.

On March 29, the key contract rose further. The market players raised expectations that the OPEC (Organization of the Petroleum Exporting Countries) plus Countries would maintain its current cooperative crude oil production cut framework before the MMC (Ministerial Monitoring Committee) scheduled for April 1. In addition, there was an announcement that navigation through the Suez Canal had resumed after the successful refloating of the stranded container ship, which resolved concerns over crude oil supply to Europe. The May contract closed at \$61.56/bbl up \$0.59/bbl from the previous day.

On March 30, the key contract turned down for the first time in three trading days due to concerns over delay in economic recovery in Europe. The market players recognized a sense of overvalued crude oil futures price caused by position adjustment selling and the appreciation of the U.S. dollar. Some French and German cities would go into lockdown due to new outbreaks of the coronavirus. The vaccination had been behind the schedule in Europe. The May contract as the key front-month contract, lost \$1.01/bbl to \$60.55/bbl from the previous day.

On March 31, the key contract turned down further in the prevailing sell trend after temporary buying. The U.S. EIA (Energy Information Administration) announced in its weekly report that the U.S. domestic inventory decreased for crude oil and gasoline. The Joint Expert Committee for the OPEC plus Countries made a downward revision of the world oil demand forecast for fiscal 2021 due to the new outbreak of the coronavirus. The May contract lost \$1.39/bbl to \$59.16/bbl from the previous day.

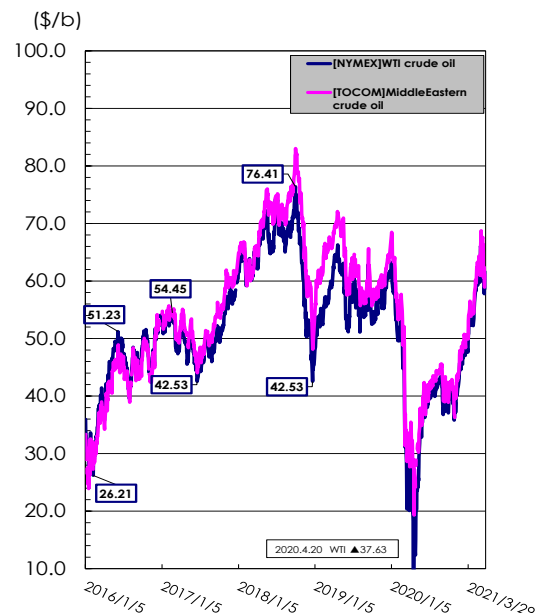
The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market ranged between \$60.30/bbl and \$65.80/bbl in the March 18-March 24 week. It closed at \$62.10/bbl on March 25, at \$61.90/bbl on March 26, at \$62.30/bbl on March 29, at \$63.80/bbl on March 30, at \$63.60/bbl on March 31.

On the foreign exchange market in the March 18-March 24 week, the dollar moved within a range of 108.64 yen and 109.10 yen. It changed hands at 108.88 yen in late trading on March 25, at 109.31 yen on March 26, at 109.63 yen on March 29, at 109.86 yen on March 30, at 110.71 yen on March 31.

According to preliminary 10-day trade statistics released by the Ministry of Finance on March 30, the average crude oil import CIF price for Japan in the early March period stood at 39,623 yen/kl (kiloliter), up 2,344 yen/kl from the previous 10-day period. In dollars, the price was \$59.60/bbl, up \$3.17/bbl. The average exchange rate was 106.70 yen to the dollar.

Japan's average retail price on March 29 gained by 0.6 yen/l from a week earlier for gasoline and gained by 0.6 yen/l for diesel oil and gained by 8 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the 18th straight week. Diesel oil price increased for the 18th straight week. Kerosene price increased for the 18th straight week. As crude oil cost decreased significantly for the fifth week of March, Motouri companies decreased their wholesale prices by 1.0 to 1.5 yen/l for gasoline, diesel oil and kerosene for the next week.

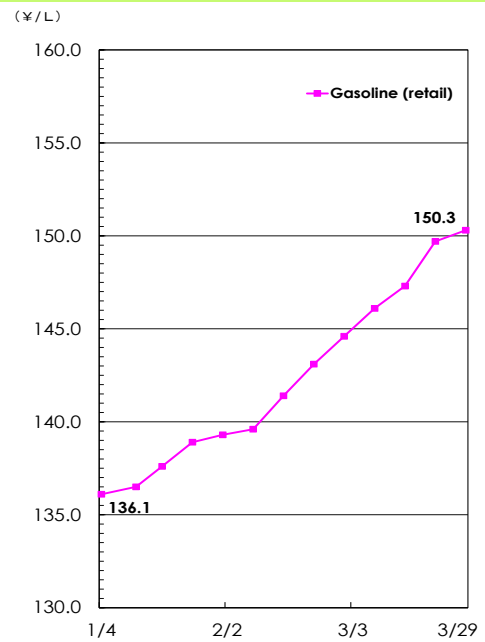
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	3/21 ~ 3/27	2,807	▲ 9	▼ -
	Topper capacity utilization rate (%)	"	72.9	▲ 0.2	▼ -
	Crude oil inventories (1,000 kl)	3/27	10,286	▲ 4	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/29	61.08	▼ -1.33	▲ 31.8
	WTI crude oil (NYMEX) (\$/bbl)	3/29	61.56	▲ 0.01	▲ 41.5
	Crude oil import CIF price (\$/bbl)	Early Mar	59.60	▲ 3.17	▼ -2.56
	① Crude oil import CIF price (yen/kl)	"	39,623	▲ 2,344	▼ -2,605
	② Yen-dollar exchange rate (yen/dollar)	"	105.70	▼ -0.65	▲ 2.30
	TTS exchange rate (yen/dollar)	3/29	110.63	▼ -0.72	▼ -1.95



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/21 ~ 3/27	889	▼ -53	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	839	▲ 58	▲ -	
	Exports	"	141	▲ 50	▲ -	
	Inventories	3/27	1,805	▼ -91	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/23 ~ 3/29	60.0	▼ -0.5	▲ 21.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/23 ~ 3/29	54.6	▼ -2.6	▲ 23.4
		(TOCOM/ Chubu)	3/29	56.9	▼ -1.9	▲ 24.9
	Retail prices [weekly trend] (published by ANRE)	3/29	150.3	▲ 0.6	▲ 14.0	

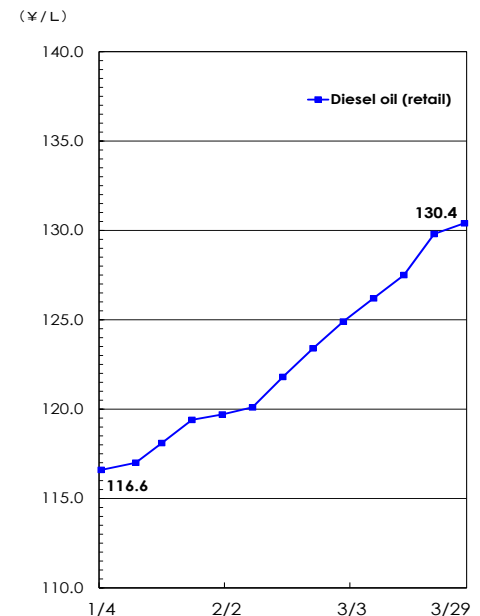
*Gyoten and futures prices are before tax



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

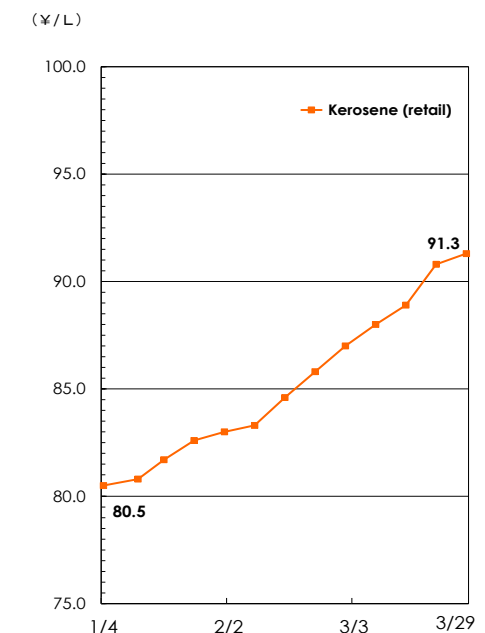
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/21 ~ 3/27	735	▲ 83	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	582	▼ -49	▼ -	
	Exports	"	25	▼ -125	▼ -	
	Inventories	3/27	1,413	▲ 127	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/23 ~ 3/29	62.3	▼ -0.2	▲ 21.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/23 ~ 3/29	60.0	▼ -1.2	▲ 17.2
		(TOCOM/ Chubu)	3/29	-	-	-
	Retail prices [weekly trend] (published by ANRE)	3/29	130.4	▲ 0.6	▲ 12.9	

*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	3/21 ~ 3/27	255	▼ -52	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	204	▼ -27	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	3/27	1,521	▲ 51	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/23 ~ 3/29	60.6	▼ -1.3	▲ 20.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/23 ~ 3/29	55.6	▼ -1.8	▲ 20.4
		(TOCOM/ Chubu)	3/29	56.7	▼ -1.8	▲ 18.7
	Retail prices [weekly trend] (published by ANRE)	3/29	91.3	▲ 0.5	▲ 6.6	



Relevant Information

1 Overseas crude oil prices

On March 31, WTI crude oil futures price on NYMEX turned down further. The market saw a temporary buying trend with the expectation for demand recovery after the announcement by the U.S. EIA in its weekly report on this day that the U.S. domestic crude oil inventory decreased by 0.9 million bbl from the previous week with the recovery of refinery operation rate, which was against the market expectation of the decrease by 0.1 million bbl and that the gasoline inventory decreased by 1.7 million bbl. However, the market saw the bear trend later after the Joint Expert Committee for the OPEC plus Countries announcement of downward revision of the world oil demand forecast for fiscal 2021 due to the new outbreak of the coronavirus. The May contract lost \$1.39/bbl to \$59.16/bbl from the previous day. The June contract lost \$1.38/bbl to \$59.18/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of March 29 decreased by 1.3 cents per gallon from a week earlier to \$2.852/gal (83.2 yen/l). The average diesel oil price decreased by 3.3 cents/gal to \$3.161/gal (92.3 yen/l). The gasoline price decreased for the first time in 18 weeks. Diesel oil price decreased for the first time in 21 weeks.

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 March 21- March 27 week in 2021 stood at 610,000 barrels per day, unchanged from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 9,000 kl from the previous week to 2,807,000 kl. From a year earlier, it decreased by 325,000 kl. The topper capacity utilization rate stood at 72.9%, up 0.2 points from the previous week and down 7.1 points from a year earlier.

Production increased from the previous week for diesel oil and decreased for other petroleum products. Output was down 5.6% for gasoline, down 15.2% for jet fuel, down 16.9% for kerosene, up 12.7% for diesel oil, down 3.1% for Fuel Oil A and down 2.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 5,000 kl from the previous week. Diesel oil exports aggregated 25,000 kl, down 125,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline, Fuel Oil A, and Fuel Oil C and declined for other petroleum products. Gasoline shipments increased by 7.4% from the previous week to 839,000 kl, increasing for the first time in three weeks. Shipments totaled 62,000 kl for jet fuel (down 31.2% from the previous week), 204,000 kl for kerosene (down 11.8%), 582,000 kl for diesel oil (down 7.8%), 222,000 kl for Fuel Oil A (up 8.0%) and 158,000 kl for Fuel Oil C (down 18.0%).

(Unit: 1,000 kl)

	This week (3/21 ~ 3/27)	Previous week (3/14 ~ 3/20)	From a week earlier
Gasoline	839	781	▲ 58 (7%)
Jet fuel	62	90	▼ -28 (-31%)
Kerosene (heating Oil)	204	231	▼ -27 (-12%)
Diesel oil	582	631	▼ -49 (-8%)
Fuel oil A	222	206	▲ 16 (8%)
Fuel Oil C	158	192	▼ -34 (-18%)
Total	2,067	2,131	▼ -64 (-3%)

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 March 27 increased from a week earlier for kerosene and diesel oil and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel and Fuel Oil A and expanded for other petroleum products.

Gasoline inventories totaled 1,805,000 kl, down 91,000 kl from a week earlier and up 31,000 kl from a year earlier.

Kerosene inventories totaled 1,521,000 kl, up 51,000 kl from a week earlier and up 100,000 kl from a year earlier.

Diesel oil inventories totaled 1,413,000 kl, up 128,000 kl from a week earlier and up 13,000 kl from a year earlier.

Fuel Oil A inventories totaled 698,000 kl, unchanged from a week earlier and down 19,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,787,000 kl, down 4,000 kl from a week earlier and up 86,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/27)	Previous week (3/20)	From a week earlier
Gasoline	1,805	1,896	▼ -91 (-5%)
Jet fuel	762	779	▼ -17 (-2%)
Kerosene (heating Oil)	1,521	1,470	▲ 51 (3%)
Diesel oil	1,413	1,286	▲ 127 (10%)
Fuel oil A	698	698	▬ 0 (0%)
Fuel Oil C	1,787	1,791	▼ -4 (-0%)
Total	7,986	7,920	▲ 66 (0.8%)

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

During the March 23-March 29 week, crude oil cost in yen decreased significantly from the previous week with the significant decrease in crude oil price and almost leveled off the exchange rate of the yen to the US dollar.

For the next week, Motouri companies decreased their wholesale prices by 1.0 to 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 March 23-March 29 week decreased for all oil products in all trading compared to the period of March 16-March 22.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the March 23-March 29 week) decreased by 0.5 yen/l from the previous week (March 16-March 22) for gasoline, decreased by 1.3 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil. For the latest period of March 23-March 29, the price rebounded after the decrease in a 113-114 yen/l range for gasoline; and leveled off after the decrease in a 60-61 yen/l range for kerosene; decreased in a 62 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline, decreased by 1.7 yen/l for kerosene and decreased by 0.8 yen/l for diesel oil for the March 23-March 29 week from the previous week. Offshore cargo spot prices during the week (March 23-March 29) increased slightly after the decrease in a 114-115 yen/l range for gasoline and decreased in a 56-58 yen/l range for kerosene and leveled off after the decrease in a 63-64 yen/l range for diesel oil from the previous week.

The key average futures price decreased by 2.6 yen/l for gasoline, decreased by 1.8 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil from the previous week. The key futures price during March 23-March 29 increased after the significant decrease in a 107-108 yen/l range for gasoline, increased significantly after the decrease in a 54-6 yen/l for kerosene and increased significantly after the decrease in a 58-61 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (3/23 ~ 3/29)	Previous week (3/16 ~ 3/22)	From a week earlier
Spot Prices	Regular	60.0	60.5	▼ -0.5
	Kerosene	60.6	61.9	▼ -1.3
	Diesel oil	62.3	62.5	▼ -0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (3/23 ~ 3/29)	Previous week (3/16 ~ 3/22)	From a week earlier
Futures Price	Regular	54.6	57.2	▼ -2.6
	Kerosene	55.6	57.4	▼ -1.8
	Diesel oil	60.0	61.2	▼ -1.2

Above prices are before tax.

Reference (March 23 - March 29 actual data)			
(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.5	▼ -2.6	▼ -1.6
Kerosene	▼ -1.3	▼ -1.8	▼ -1.6
Diesel oil	▼ -0.2	▼ -1.2	▼ -0.7
Fuel Oil A	▼ -0.6		

(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 March 29 increased by 0.6 yen/l from a week earlier to 150.3 yen/l for gasoline, increased by 0.6 yen/l to 130.4 yen/l for diesel oil and increased by 8 yen to 1,643 yen for kerosene on an 18-liter tank basis (increased by 0.5 yen/l to 91.3 yen/l) from the previous week. The gasoline price increased for the 18th straight week. Diesel oil price increased for the 18th straight week. Kerosene price increased for the 18th straight week.

Gasoline prices increased in 43 prefectures, leveled off in one prefecture and decreased in three prefectures. The lowest gasoline price among the prefectures was 143.9 yen/l in Tokushima (up 0.5 yen/l from a week earlier). The second-lowest was 146.1 yen/l in Saitama (up 1.6 yen/l). The highest price was 158.2 yen/l in Kagoshima (up 0.6 yen/l). Kochi logged the largest price gain of 2.4 yen/l to 155.4 yen/l. The price leveled off in Tottori (150.9 yen/l). Gunma logged the largest price fall of 0.5 yen/l to 151.4 yen/l.

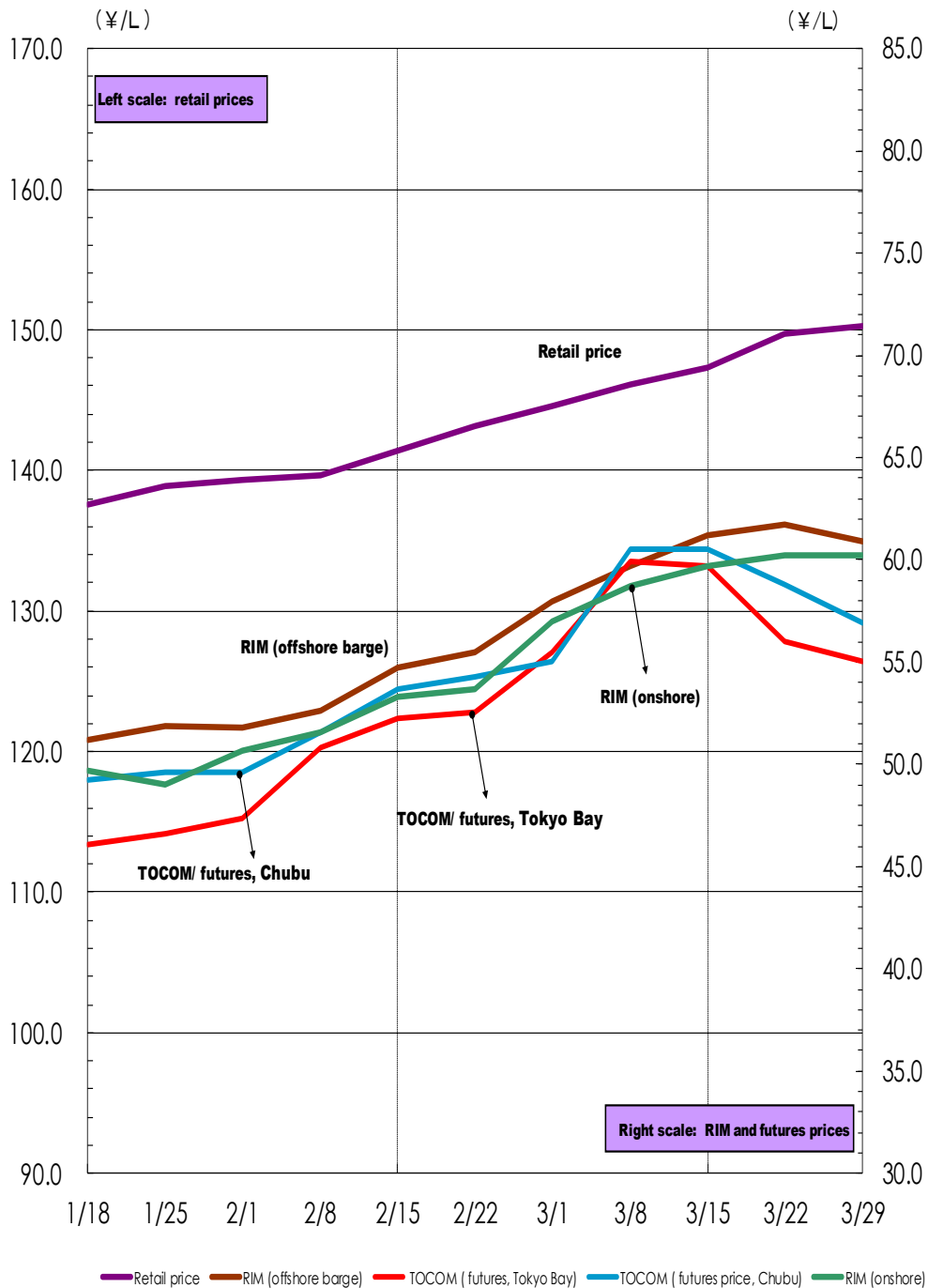
Crude oil cost in yen decreased significantly for the period from March 23-March 29 with the decrease in crude oil price and leveled off exchange rate of the yen to the US dollar. Motouri companies decreased their wholesale prices by 1.0 to 1.5 yen/l for gasoline, diesel oil and kerosene for the period from April 1 to April 7. Retail gasoline price on the next price survey day (April 5) is expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (3/29)	Previous week (3/22)	From a week earlier	Latest high
Retail Price	Regular	150.3	149.7	▲ 0.6	08/8/4 185.1
	Kerosene	91.3	90.8	▲ 0.5	08/8/11 132.1
	Diesel oil	130.4	129.8	▲ 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

(2021/1/18 ~ 2021/3/29)



(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. 2 for 2021) will be announced on April 16.

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).