

Oil Market Review in Japan No. 12/2021

July 2, 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 June 10-June 16 week moved within a range of \$70.29 per barrel and \$72.15/bbl.

On June 17, the July contract turned down for the first time in three trading days due to concerns over observation of monetary tightening by raising interest rate in 2023 by the U.S. Federal Reserve Bureau (FRB) with the appreciation of the U.S. dollar in foreign exchange market and progress of stock price decline in the U.S. stock market. The July contract closed at \$71.04/bbl down \$1.11/bbl from the previous day.

On June 18, the July contract rebounded by the announcement that the OPEC (Organization of the Petroleum Exporting Countries) Economic Committee shared the same view of the limited increase in the U.S. domestic shale oil production in 2021 with outside experts. However, price rise was restricted by the statement of the President of the Federal Reserve Bank of St. Louis that there would be interest rate rise in 2022 if inflation progresses in relation to the observation of interest rate hike on the previous day. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by eight units from a week earlier to 373 units. The July contract closed at \$71.64/bbl up \$0.60/bbl from the previous day.

On June 21, the key contract rose significantly due to the observation that the resumption of the Iranian crude oil export would be delayed. Hardiner Raisi, an anti-U.S. conservative hardliner, won the Iranian Presidential Election on June 18. Other factors for price rise were forecast of Brent crude oil price exceeding \$100/bbl in 2022 by Bank of America and significant price rise in the U.S. stock market. The July contract gained \$2.02/bbl to \$73.66/bbl from the previous day.

On June 22, the key contract turned down for the first time in three trading days due to concern over observation of easing of cooperative crude oil production cut by the OPEC plus Countries from August 2021 onward and by profit-taking sale caused by high price until the previous trading day. The July contract lost \$0.60/bbl to \$73.06/bbl from the previous day.

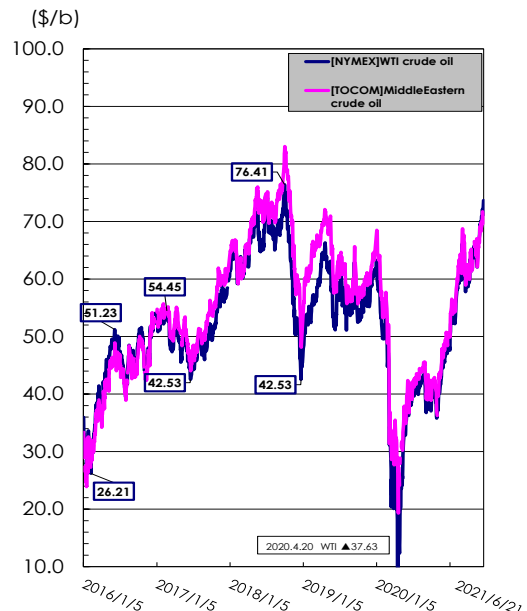
On June 23, the key contract rebounded. The U.S. EIA (Energy Information Administration) announced in its weekly report that the U.S. domestic inventory decreased by 7.6 million bbl for crude oil from the previous week, which was more than the market expectation and decreased by 2.9 million bbl for gasoline from the previous week, which was against the market expectation of increase. However, another factor causing price decline was the observation of easing of cooperative crude oil production cut by the OPEC plus Countries from August 2021 onward. The August contract, which replaced the July contract as the key front-month contract, gained \$0.23/bbl to \$73.08/bbl from the previous day.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged from \$70.20/bbl to \$73.00/bbl in the June 10-June 16 week. It closed at \$72.30/bbl on June 17, at \$70.80/bbl on June 18, at \$72.00/bbl on June 21, at 73.10/bbl on June 22, at \$73.40/bbl on June 23.

On the foreign exchange market in the June 10-June 16 week, the dollar moved within a range of 109.46 yen and 110.16 yen. It changed hands at 110.79 yen in late trading on June 17, at 110.33 yen on June 18, at 110.25 yen on June 21, at 110.28 yen on June 22, at 110.74 yen on June 23.

Japan's average retail price on June 21 gained by 1.1 yen/l from a week earlier for gasoline and gained by 1.0 yen/l for diesel oil and gained by 14 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the 29th straight week. As crude oil cost increased for the fourth week of June, Motouri companies increased their wholesale prices by 1.0 yen/l from a week earlier 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)	6/13 ~ 6/19	2,379	▼ -60	▼ -	-
	Topper capacity utilization rate (%)	"	61.8	▼ -1.6	▲ -	-
	Crude oil inventories (1,000 kl)	6/19	11,075	▲ 278	▼ -	-
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/21	70.47	▲ 0.21	▲ 29.1	-
	WTI crude oil (NYMEX) (\$/bbl)	6/21	73.66	▲ 2.78	▲ 33.2	-
	Crude oil import CIF price (\$/bbl)	Late May	66.16	▲ 1.30	▲ 41.20	-
	① Crude oil import CIF price (yen/kl)	"	45,429	▲ 1,025	▲ 28,619	-
	② Yen-dollar exchange rate (yen/dollar)	"	109.17	▼ -0.31	▼ -2.10	-
	TTS exchange rate (yen/dollar)	6/21	111.25	▼ -0.44	▼ -3.48	-

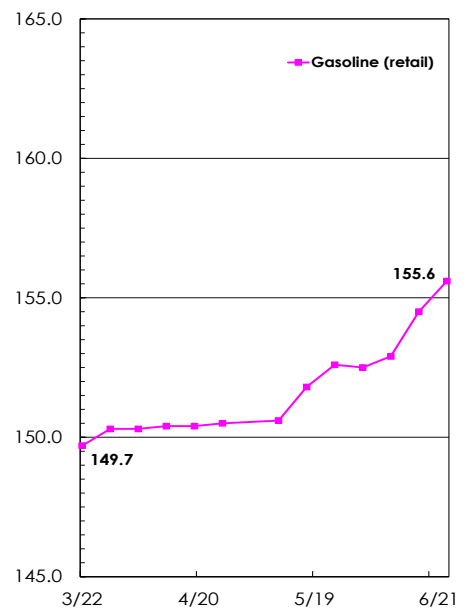


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/13 ~ 6/19	889	▲ 82	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	785	▲ 6	▲ —	
	Exports	"	39	▲ 39	▲ —	
	Inventories	6/19	2,365	▲ 65	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/15 ~ 6/21	65.1	▲ 0.7	▲ 27.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/15 ~ 6/21	65.1	▲ 3.1	▲ 26.1
		(TOCOM/ Chubu)	6/21	64.0	▲ 0.8	▲ 24.3
	Retail prices [weekly trend] (published by ANRE)	6/21	155.6	▲ 1.1	▲ 24.7	

*Gyoten and futures prices are before tax

(¥/L)

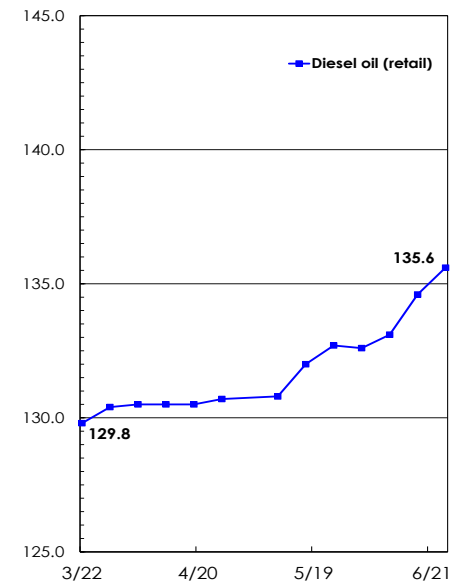


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/13 ~ 6/19	581	▼ -41	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	546	▼ -54	▲ —	
	Exports	"	36	▼ -63	▲ —	
	Inventories	6/19	1,888	➡ 0	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/15 ~ 6/21	66.7	▲ 0.4	▲ 26.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/15 ~ 6/21	67.5	▲ 0.2	▲ 22.1
		(TOCOM/ Chubu)	6/21	—	—	—
	Retail prices [weekly trend] (published by ANRE)	6/21	135.6	▲ 1.0	▲ 24.0	

*Gyoten and futures prices are before tax

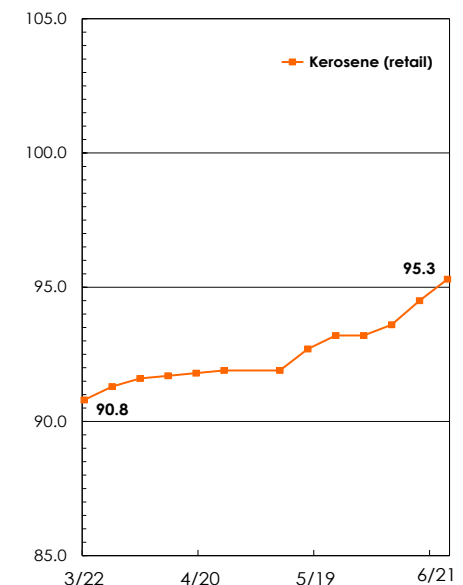
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/13 ~ 6/19	148	▲ 49	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	57	▼ -9	▼ —	
	Exports	"	0	➡ 0	➡ —	
	Inventories	6/19	1,695	▲ 91	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/15 ~ 6/21	66.6	▲ 0.6	▲ 27.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/15 ~ 6/21	62.1	▲ 1.0	▲ 24.7
		(TOCOM/ Chubu)	6/21	64.5	➡ 0.0	▲ 26.0
	Retail prices [weekly trend] (published by ANRE)	6/21	95.3	▲ 0.8	▲ 17.1	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On June 23, WTI crude oil futures price on NYMEX rebounded. The U.S. EIA (Energy Information Administration) announced in its weekly report that the U.S. domestic inventory decreased by 7.6 million bbl for crude oil from the previous week, which was more than the market expectation of decrease by 3.9 million bbl, decreasing for the fifth straight week and even in the driving season, decreased by 2.9 million bbl for gasoline from the previous week, which was against the market expectation of increase by 0.9 million bbl. However, price rise was restricted by observation of easing of cooperative crude oil production cut by the OPEC plus Countries from August 2021 onward at its Joint Ministerial Monitoring Committee scheduled for July 1. The August contract, which replaced the July contract as the key front-month contract, gained \$0.23/bbl to \$73.08/bbl from the previous day. The September contract gained \$0.31/bbl to \$72.36/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of June 21 decreased by 0.9 cents per gallon from a week earlier to \$3.060/gal (89.8 yen/l). The average diesel oil price increased by 0.1 cents per gallon to \$3.287/gal (96.5 yen/l). The gasoline price decreased for the first time in four weeks. Diesel oil price increased for the eighth 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 June 13-June 19 week in 2021 stood at 951,000 barrels per day, increasing by 201,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 60,000 kl from the previous week to 2,379,000 kl. From a year earlier, it decreased by 36,000 kl. The topper capacity utilization rate stood at 61.8%, down 1.6 points from the previous week and up 0.1 points from a year earlier.

Production increased from the previous week for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. Output was up 10.2% for gasoline, down 3.8% for jet fuel, up 49.5% for kerosene, down 6.5% for diesel oil, down 24.7% for Fuel Oil A and up 50.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, down 17,000 kl from the previous week. Diesel oil exports aggregated 36,000 kl, down 63,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and decreased for other products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments increased by 0.8% from the previous week to 785,000 kl, increasing for the first time in two weeks. Shipments totaled 4,000 kl for jet fuel (down 93.2% from the previous week), 57,000 kl for kerosene (down 13.2%), 546,000 kl for diesel oil (down 9.2%), 162,000 kl for Fuel Oil A (down 14.5%) and 141,000 kl for Fuel Oil C (down 29.6%).

(Unit: 1,000 kl)

	This week (6/13 ~ 6/19)	Previous week (6/6 ~ 6/12)	From a week earlier
Gasoline	785	779	▲ 6 (1%)
Jet fuel	4	61	▼ -57 (-93%)
Kerosene (heating Oil)	57	66	▼ -9 (-14%)
Diesel oil	546	600	▼ -54 (-9%)
Fuel oil A	162	190	▼ -28 (-15%)
Fuel Oil C	141	200	▼ -59 (-30%)
Total	1,695	1,896	▼ -201 (-11%)

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 June 19 decreased from a week earlier for Fuel Oil A and increased for other petroleum products. From a year earlier, inventories declined for kerosene and Fuel Oil A and expanded for other petroleum products.

Gasoline inventories totaled 2,365,000 kl, up 65,000 kl from a week earlier and up 686,000 kl from a year earlier.

Kerosene inventories totaled 1,695,000 kl, up 91,000 kl from a week earlier and down 60,000 kl from a year earlier.

Diesel oil inventories totaled 1,888,000 kl, unchanged from a week earlier and up 452,000 kl from a year earlier.

Fuel Oil A inventories totaled 756,000 kl, down 25,000 kl from a week earlier and down 21,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,948,000 kl, up 20,000 kl from a week earlier and up 74,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/19)	Previous week (6/12)	From a week earlier
Gasoline	2,365	2,300	▲ 65 (3%)
Jet fuel	788	749	▲ 39 (5%)
Kerosene (heating Oil)	1,695	1,604	▲ 91 (6%)
Diesel oil	1,888	1,888	➡ 0 (0%)
Fuel oil A	756	781	▼ -25 (-3%)
Fuel Oil C	1,948	1,928	▲ 20 (1%)
Total	9,440	9,250	▲ 190 (2.1%)

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

During June 15-June 21, crude oil cost in yen increased from a week earlier with the increase in crude oil price and the depreciation of the yen to the US dollar.

For the next week of June 24-June 30, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, kerosene and diesel oil from a week earlier.

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

Spot petroleum products prices in the June 15-June 21 week increased for all oil products in all trading compared to the period of June 8-June 14.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the June 15-June 21 week) increased by 0.7 yen/l from a week earlier (June 8-June 14 week) for gasoline, increased by 0.6 yen/l for kerosene and increased by 0.4 yen/l for diesel oil. For the latest period of June 15-June 21, the price increased in a 118-119 yen/l range for gasoline; and leveled off after the increase in a 66 yen/l range for kerosene; slightly decreased and leveled off after the increase in a 66-67 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 0.7 yen/l for kerosene and increased by 0.7 yen/l for diesel oil for the June 15-June 21 week from a week earlier. Offshore cargo spot prices during the week (June 15-June 21) decreased slightly after the increase in a 119-120 yen/l range for gasoline and decreased after the increase in a 63-64 yen/l range for kerosene and slightly decreased after the increase in a 67-68 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 3.1 yen/l for gasoline, increased by 1.0 yen/l for kerosene and increased by 0.2 yen/l for diesel oil from a week earlier. The key futures price during June 15-June 21 decreased after the increase in a 118-119 yen/l range for gasoline, decreased significantly after the increase in a 61-62 yen/l for kerosene and decreased significantly after the increase in a 67-68 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (6/15 ~ 6/21)	Previous week (6/8 ~ 6/14)	From a week earlier
Spot Prices	Regular	65.1	64.4	▲ 0.7
	Kerosene	66.6	66.0	▲ 0.6
	Diesel oil	66.7	66.3	▲ 0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (6/15 ~ 6/21)	Previous week (6/8 ~ 6/14)	From a week earlier
Futures Price	Regular	65.1	62.0	▲ 3.1
	Kerosene	62.1	61.1	▲ 1.0
	Diesel oil	67.5	67.3	▲ 0.2

Above prices are before tax.

Reference (June 15 - June 21 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.7	▲ 3.1	▲ 1.9
Kerosene	▲ 0.6	▲ 1.0	▲ 0.8
Diesel oil	▲ 0.4	▲ 0.2	▲ 0.3
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 June 21 increased by 1.1 yen from a week earlier to 155.6 yen/l for gasoline, increased by 1.0 yen to 135.6 yen/l for diesel oil and increased by 14 yen to 1,715 yen for kerosene on an 18-liter tank basis (up 0.8 yen/l to 95.3 yen/l) from a week earlier. The gasoline price increased for the third straight week. Diesel oil price increased for the third straight week. Kerosene price increased for the 29th 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 149.7 yen/l in Tokushima (up 1.7 yen/l from a week earlier). The second lowest was 150.8 yen/l in Saitama (up 1.0 yen/l). The highest price was 164.2 yen/l in Nagasaki (up 1.5 yen/l). Oita logged the largest price gain of 2.9 yen/l to 161.8 yen/l. The price leveled off in no prefectures. Saga logged the price fall of 0.5 yen/l to 155.8 yen/l.

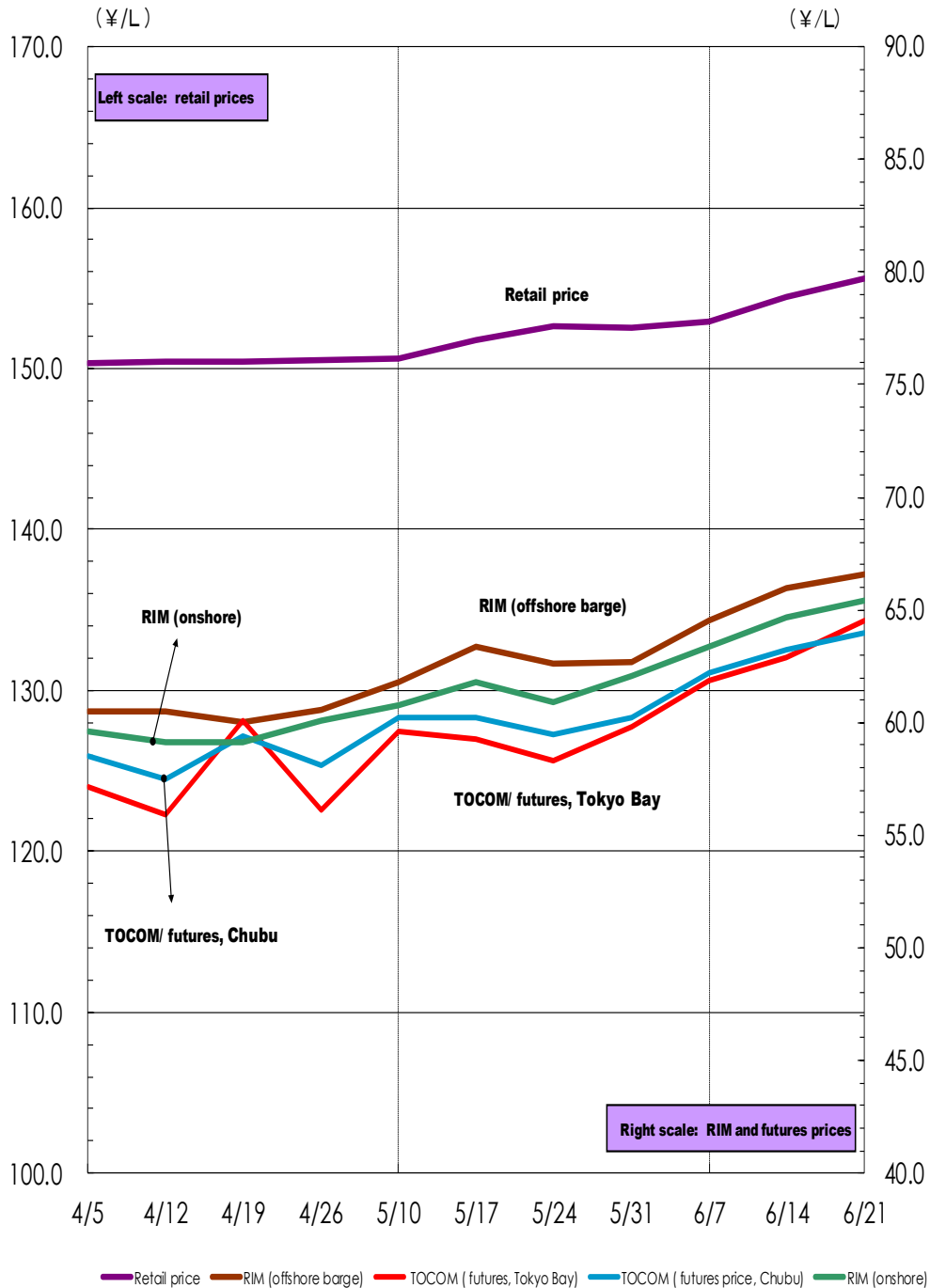
Crude oil cost in yen increased for the period from June 15-June 21 with the increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the period from June 24-June 30. Retail gasoline price on the next price survey day (June 28) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/21)	Previous week (6/14)	From a week earlier	Latest high
Retail Price	Regular	155.6	154.5	▲ 1.1	08/8/4 185.1
	Kerosene	95.3	94.5	▲ 0.8	08/8/11 132.1
	Diesel oil	135.6	134.6	▲ 1.0	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

(2021/4/5 ~ 2021/6/21)



(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. 13 for 2021) will be announced on July 9.

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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).