

Oil Market Review in Japan No. 14/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the June 24-June 30 week moved within a range of \$72.91 per barrel and \$74.05/bbl.

On July 1, the August contract rose for the third straight trading day. The market players previously expected that the OPEC (Organization of the Petroleum Exporting Countries) plus Countries Joint Ministerial Monitoring Committee (JMMC) meeting scheduled for this day would ease the cooperative crude oil production cut by 0.5 million bbl/d in August 2021. However, the JMMC would reach an agreement on easing the cooperative crude oil production cut by 0.4 million bbl/d for each month from August to December 2021, which was less than the market expectation of crude oil production cut increase. The August contract closed at \$75.23/bbl up \$1.76/bbl from the previous day.

On July 2, the August contract turned down slightly due to the wait-and-see attitude of the market players. The OPEC plus Countries JMMC meeting rescheduled for this day was not able to reach an agreement due to UAE's request for raising production basis for the cooperative crude oil production cut. The meeting was postponed again to July 5. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by four units from a week earlier to 376 units for the first time in two weeks. The August contract closed at \$75.16/bbl down \$0.07/bbl from the previous day.

On July 5, the market was closed due to public holiday, the key contract reached a nearly \$77/bbl level in after-hours trading due to concerns over further tightening oil demand and supply. The OPEC plus Countries meeting failed to reach an agreement on the cooperative crude oil production cut and broke down by the UAE's opposition.

On July 6, the key contract turned down significantly due to profit-taking sales and a sense of caution for OPEC's production policy. The August contract lost \$1.79/bbl to \$73.37/bbl from the previous day.

On July 7, the key contract turned down further due to uncertainty about the future, a sense of caution for high price, profit-taking sale and so forth in response to the breakdown of the OPEC plus Countries JMMC meeting. The U.S. EIA (Energy Information Administration) will announce the U.S. domestic oil inventory on July 8 due to a compensatory holiday. The August contract lost \$1.17/bbl to \$72.20/bbl from the previous day.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged from \$72.60/bbl to \$73.90/bbl in the June 24-June 30 week. It closed at \$72.70/bbl on July 1, at \$73.90/bbl on July 2, at \$74.40/bbl on July 5, at 75.60/bbl on July 6, at \$72.90/bbl on July 7.

On the foreign exchange market in the June 24-June 30 week, the dollar moved within a range of 110.52 yen and 111.06 yen. It changed hands at 111.08 yen in late trading on July 1, at 111.66 yen on July 2, at 111.16 yen on July 5, at 110.87 yen on July 6, at 110.46 yen on July 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 7, the average crude oil import CIF price for Japan in the mid-June period stood at 47,955 yen/kl (kiloliter), up 1,457 yen/kl from the previous 10-day period. In dollars, the price was \$69.56/bbl, up \$1.82/bbl. The average exchange rate was 109.59 yen to the dollar.

Japan's average retail price on July 5 gained by 1.2 yen/l from a week earlier for gasoline and gained by 1.1 yen/l for diesel oil and gained by 14 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the 31st straight week. As crude oil cost increased slightly for the first week of July, Motouri companies increased their wholesale prices by 0.5 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)	6/27 ~ 7/3	2,367	▲ 104	▼ -
	Topper capacity utilization rate (%)	"	61.5	▲ 2.7	▲ -
	Crude oil inventories (1,000 kl)	7/3	11,563	▲ 862	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/5	73.10	▲ 1.03	▲ 30.8
	WTI crude oil (NYMEX) (\$/bbl)	7/6	73.37	▲ 0.46	▲ 32.7
	Crude oil import CIF price (\$/bbl)	Mid Jun	69.56	▲ 1.82	▲ 45.01
	① Crude oil import CIF price (yen/kl)	"	47,955	▲ 1,457	▲ 31,311
	② Yen-dollar exchange rate (yen/dollar)	"	109.59	▼ -0.45	▼ -1.83
	TTS exchange rate (yen/dollar)	7/5	112.16	▼ -0.47	▼ -3.51

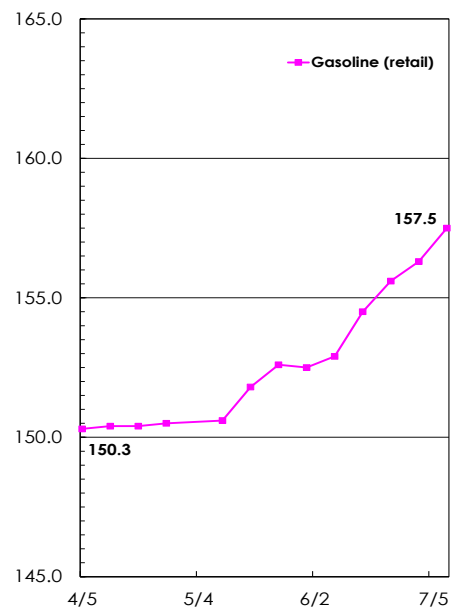


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/27 ~ 7/3	820	▲ 112	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	862	▲ 124	▲ -	
	Exports	"	101	▲ 76	▲ -	
	Inventories	7/3	2,166	▼ -143	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/29 ~ 7/5	67.8	▲ 1.5	▲ 27.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/29 ~ 7/5	65.8	▲ 0.9	▲ 26.3
		(TOCOM/ Chubu)	7/5	67.5	▲ 4.2	▲ 27.5
	Retail prices [weekly trend] (published by ANRE)	7/5	157.5	▲ 1.2	▲ 26.2	

*Gyoten and futures prices are before tax

(¥/L)

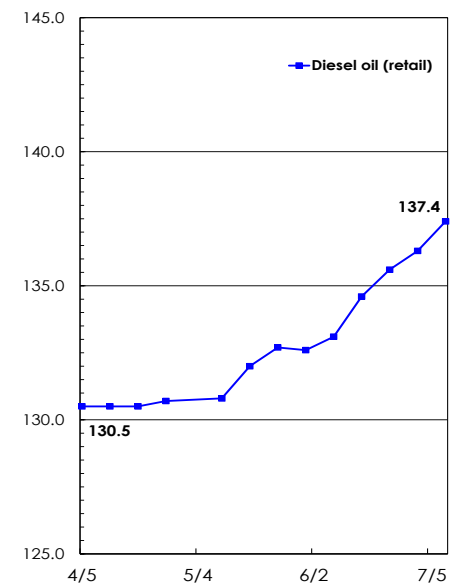


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/27 ~ 7/3	665	▲ 48	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	582	▼ -78	▲ -	
	Exports	"	98	▲ 4	▲ -	
	Inventories	7/3	1,736	▼ -15	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/29 ~ 7/5	69.6	▲ 1.9	▲ 26.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/29 ~ 7/5	69.2	▲ 0.7	▲ 23.0
		(TOCOM/ Chubu)	7/5	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/5	137.4	▲ 1.1	▲ 25.4	

*Gyoten and futures prices are before tax

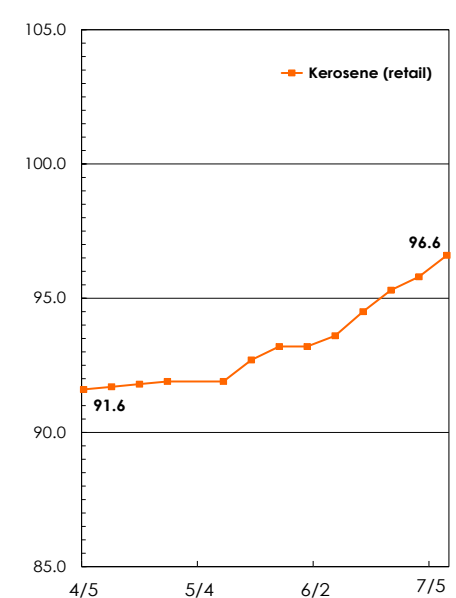
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/27 ~ 7/3	114	▼ -16	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	78	▲ 13	▼ -	
	Exports	"	22	▲ 22	▼ -	
	Inventories	7/3	1,776	▲ 15	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/29 ~ 7/5	69.0	▲ 1.8	▲ 26.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/29 ~ 7/5	64.7	▲ 1.2	▲ 24.4
		(TOCOM/ Chubu)	7/5	67.5	▲ 2.0	▲ 26.0
	Retail prices [weekly trend] (published by ANRE)	7/5	96.6	▲ 0.8	▲ 18.1	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On July 7, WTI crude oil futures price on NYMEX turned down further due to uncertainty about the future, a sense of caution for high price, profit-taking sale and so forth. Contrary to the previous expectation, the OPEC plus Countries JMMC failed to reach an agreement on the cooperative crude oil production cut and broke down due to a conflict over the end period of the cooperative crude oil production cut in 2022 in the background of the UAE's request for increasing crude oil production. On July 5, the futures price rose to nearly \$77/bbl in after-hours trading. The market players expected that there would be no easing crude oil production cut (namely, no increasing crude oil production) due to the breakdown of the OPEC meeting. However, the futures price turned down on the closing price basis. The U.S. EIA will announce the U.S. domestic oil inventory on July 8 due to a compensatory holiday. The market players expected the decrease in both crude oil and gasoline inventory. The August contract lost \$1.17/bbl to \$72.20/bbl from the previous day. The September contract lost \$1.08/bbl to \$71.50/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 5 increased by 3.1 cents per gallon from a week earlier to \$3.122/gal (92.4 yen/l). The average diesel oil price increased by 3.1 cents per gallon to \$3.331/gal (98.6 yen/l). The gasoline price increased for the second straight week. Diesel oil price increased for the 10th 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 27-July 3 week in 2021 stood at 810,000 barrels per day, decreasing by 152,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 104,000 kl from the previous week to 2,367,000 kl. From a year earlier, it decreased by 33,000 kl. The topper capacity utilization rate stood at 61.5%, up 2.7 points from the previous week and up 0.2 points from a year earlier.

Production decreased from the previous week for kerosene and increased for other petroleum products. Output was up 15.9% for gasoline, up 76.5% for jet fuel, down 12.6% for kerosene, up 7.7% for diesel oil, up 15.7% for Fuel Oil A and up 33.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 37,000 kl, up 28,000 kl from the previous week. Diesel oil exports aggregated 98,000 kl, up 4,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and kerosene and decreased for other products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil C and declined for other petroleum products. Gasoline shipments increased by 16.8% from the previous week to 862,000 kl, increasing for the first time in two weeks. Shipments totaled 53,000 kl for jet fuel (down 47.4% from the previous week), 78,000 kl for kerosene (up 19.7%), 582,000 kl for diesel oil (down 11.8%), 154,000 kl for Fuel Oil A (down 9.7%) and 188,000 kl for Fuel Oil C (down 14.0%).

(Unit: 1,000 kl)

	This week (6/27 ~ 7/3)	Previous week (6/20 ~ 6/26)	From a week earlier
Gasoline	862	738	▲ 124 (17%)
Jet fuel	53	101	▼ -48 (-48%)
Kerosene (heating Oil)	78	65	▲ 13 (20%)
Diesel oil	582	660	▼ -78 (-12%)
Fuel oil A	154	171	▼ -17 (-10%)
Fuel Oil C	188	218	▼ -30 (-14%)
Total	1,917	1,953	▼ -36 (-2%)

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 July 3 decreased from a week earlier for gasoline and diesel oil and increased for other petroleum products. From a year earlier, inventories declined for Fuel Oil A and expanded for other petroleum products.

Gasoline inventories totaled 2,166,000 kl, down 143,000 kl from a week earlier and up 514,000 kl from a year earlier.

Kerosene inventories totaled 1,776,000 kl, up 15,000 kl from a week earlier and up 62,000 kl from a year earlier.

Diesel oil inventories totaled 1,736,000 kl, down 15,000 kl from a week earlier and up 170,000 kl from a year earlier.

Fuel Oil A inventories totaled 749,000 kl, up 15,000 kl from a week earlier and down 28,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,898,000 kl, up 31,000 kl from a week earlier and up 43,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/3)	Previous week (6/26)	From a week earlier
Gasoline	2,166	2,309	▼ -143 (-6%)
Jet fuel	750	696	▲ 54 (8%)
Kerosene (heating Oil)	1,776	1,761	▲ 15 (1%)
Diesel oil	1,736	1,751	▼ -15 (-1%)
Fuel oil A	749	734	▲ 15 (2%)
Fuel Oil C	1,898	1,867	▲ 31 (2%)
Total	9,075	9,118	▼ -43 (-0.5%)

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

During June 29-July 5, crude oil cost in yen increased from a week earlier with the slight increase in crude oil price and the depreciation of the yen to the US dollar.

For the next week of July 8- July 15, Motouri companies increased their wholesale prices by 0.5 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 29-July 5 week increased for all oil products in all trading compared to the period of June 22-June 28.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the June 29-July 5 week) increased by 1.5 yen/l from a week earlier (June 22-June 28 week) for gasoline, increased by 1.8 yen/l for kerosene and increased by 1.9 yen/l for diesel oil. For the latest period of June 29-July 5, the price increased significantly in a 120-122 yen/l range for gasoline; and almost leveled off after the significant increase in a 67-69 yen/l range for kerosene; decreased slightly after the significant increase in a 68-70 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.6 yen/l for gasoline, increased by 1.6 yen/l for kerosene and increased by 1.8 yen/l for diesel oil for the June 29-July 5 week from a week earlier. Offshore cargo spot prices during the week June 29-July 5 almost leveled off after the increase in a 121-122 yen/l range for gasoline and increased in a 65-67 yen/l range for kerosene and leveled off after the significant increase in a 69-71 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 0.9 yen/l for gasoline, increased by 1.2 yen/l for kerosene and increased by 0.7 yen/l for diesel oil from a week earlier. The key futures price during June 29-July 5 increased significantly in a 118-120 yen/l range for gasoline, increased in a 64-65 yen/l range for kerosene and increased significantly in a 68-70 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (6/29 ~ 7/5)	Previous week (6/22 ~ 6/28)	From a week earlier
Spot Prices	Regular	67.8	66.3	▲ 1.5
	Kerosene	69.0	67.2	▲ 1.8
	Diesel oil	69.6	67.7	▲ 1.9

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (6/29 ~ 7/5)	Previous week (6/22 ~ 6/28)	From a week earlier
Futures Price	Regular	65.8	64.9	▲ 0.9
	Kerosene	64.7	63.5	▲ 1.2
	Diesel oil	69.2	68.5	▲ 0.7

Above prices are before tax.

Reference (June 29 - July 5 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.5	▲ 0.9	▲ 1.2
Kerosene	▲ 1.8	▲ 1.2	▲ 1.5
Diesel oil	▲ 1.9	▲ 0.7	▲ 1.3
Fuel Oil A	▲ 1.5		

(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 July 5 increased by 1.2 yen from a week earlier to 157.5 yen/l for gasoline, increased by 1.1 yen to 137.4 yen/l for diesel oil and increased by 14 yen to 1,739 yen for kerosene on an 18-liter tank basis (up 0.8 yen/l to 96.6 yen/l) from a week earlier. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the 31st straight week.

Gasoline prices increased in 43 prefectures, leveled off in no prefectures and decreased in four prefectures. The lowest gasoline price among the prefectures was 150.5 yen/l in Okayama (down 0.7 yen/l from a week earlier). The second lowest was 151.6 yen/l in Tokushima (up 1.4 yen/l). The highest price was 166.9 yen/l in Nagasaki (up 2.1 yen/l). Tochigi logged the largest price gain of 3.0 yen/l to 156.6 yen/l. The price leveled off in no prefectures. Okayama logged the price fall of 0.7 yen/l to 150.5 yen/l.

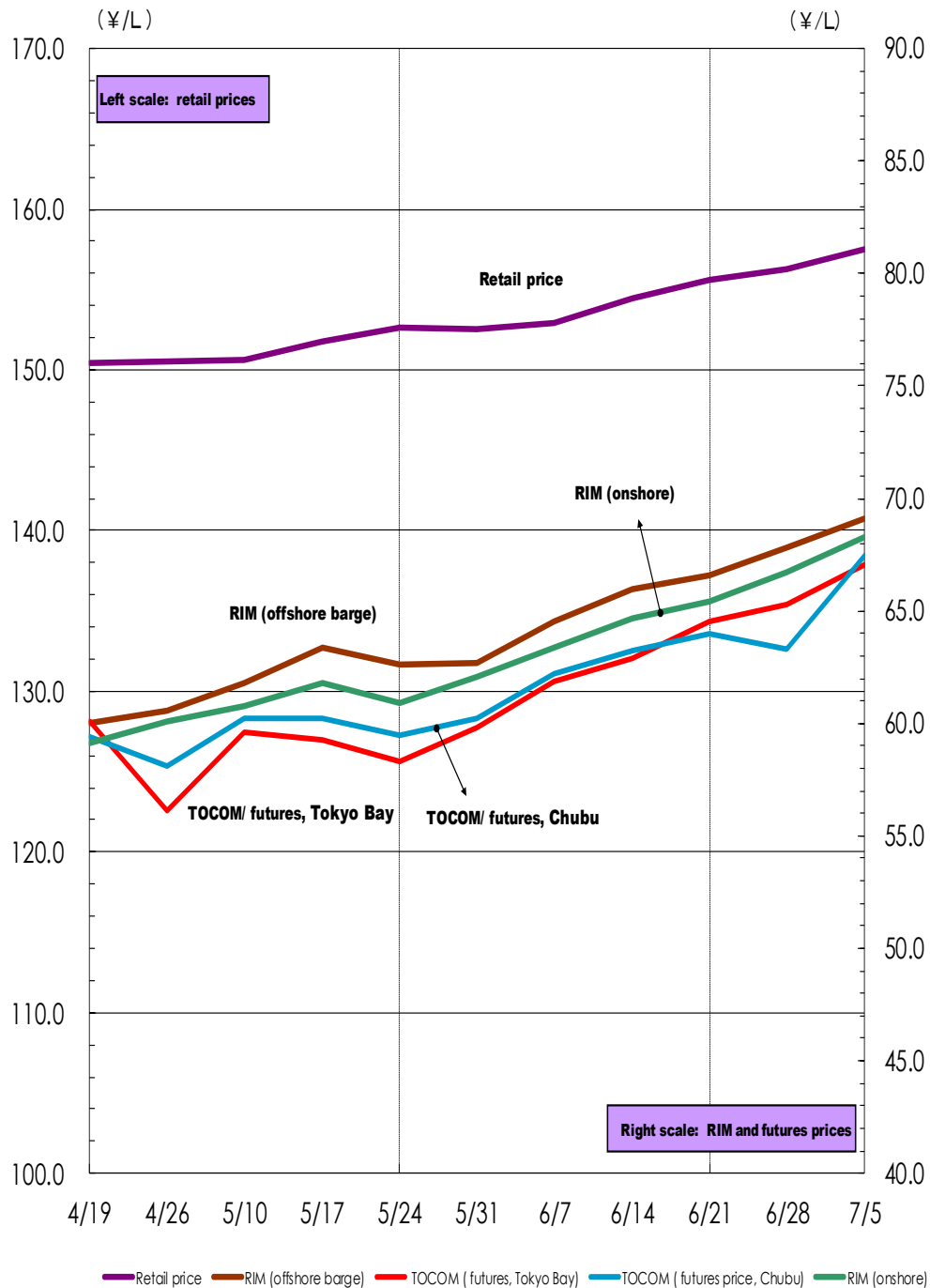
Crude oil cost in yen increased for the period from June 29-July 5 with the slight increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from July 8-July 14. Retail gasoline price on the next price survey day (July 12) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/5)	Previous week (6/28)	From a week earlier	Latest high
Retail Price	Regular	157.5	156.3	▲ 1.2	08/8/4 185.1
	Kerosene	96.6	95.8	▲ 0.8	08/8/11 132.1
	Diesel oil	137.4	136.3	▲ 1.1	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

(2021/4/19 ~ 2021/7/5)



(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. 15 for 2021) will be announced on July 23.

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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).