

Oil Market Review in Japan No. 15/2021

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the July 1-July 7 week moved within a range of \$72.20 per barrel and \$75.23/bbl.

On July 8, the August contract rebounded for the first time in four trading days by the expectation for strong oil demand in the future. The one-day delayed U.S. EIA (Energy Information Administration) Weekly Report announced that the U.S. domestic inventory decreased for crude oil and gasoline from the previous week, both of which were against the market expectation. On the other hand, there was a profound sense of uncertainty over the de facto broke down OPEC (Organization of the Petroleum Exporting Countries) plus Countries JMMC (Joint Ministerial Monitoring Committee) meeting and the market players took the wait-and-see attitude. The August contract closed at \$72.94/bbl up \$0.74/bbl from the previous day.

On July 9, the August contract rose further by the expectation for growing oil demand in the future due to the increase in gasoline demand in the driving season. One of the other factors for supporting price rise was a robust trend in the U.S. Stock market. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two units from a week earlier to 378 units. The August contract closed at \$74.56/bbl up \$1.62/bbl from the previous day.

On July 12 the key contract turned down for the first time in three trading days due to concerns over the impact of the new outbreaks of the new coronavirus strain on economic activities. The breakdown of the OPEC plus Countries JMMC meeting was one of the factors dropping crude oil price as the disruption of the framework for cooperative crude oil production cut was considered. The August contract lost \$0.46/bbl to \$74.10/bbl from the previous day.

On July 13, the key contract rebounded significantly and reached \$75/bbl level again by the expectation for a significant decrease in crude oil inventory by the U.S. EIA (Energy Information Administration) Weekly Report to be announced on the following day. The IEA (International Energy Agency) Monthly Oil Report for July 2021 announced on this day indicated there would be concerns over a possibility of tightening oil supply and demand, and risk of struggles for pursuing of market share among the relevant oil-producing countries as to the breakdown of the OPEC plus Countries JMMC meeting. The August contract gained \$1.15/bbl to \$75.25/bbl from the previous day.

On July 14, the key contract turned down by the expectation for easing cooperative crude oil production cut, following the announcement of the resumption of the OPEC plus Countries JMMC meeting after its breakdown on July 5. The U.S. EIA announced that the U.S. domestic inventory decreased for crude oil from the previous week, but increased for gasoline in the driving season, which was against the market expectation. This was one of the factors dropping crude oil prices. The August contract lost \$2.12/bbl to \$73.13/bbl from the previous day.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged from \$72.70/bbl to \$75.60/bbl in the July 1-July 7 week. It closed at \$71.20/bbl on July 8, at \$72.50/bbl on July 9, at \$73.70/bbl on July 12, at 73.80/bbl on July 13, at \$74.80/bbl on July 14.

On the foreign exchange market in the July 1-July 7 week, the dollar moved within a range of 110.46 yen and 111.66 yen. It changed hands at 110.58 yen in late trading on July 8, at 109.92 yen on July 9, at 110.17 yen on July 12, at 110.40 yen on July 13, at 110.67 yen on July 14.

Japan's average retail price on July 12 gained by 0.5 yen/l from a week earlier for gasoline and gained by 0.5 yen/l for diesel oil and gained by 10 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the sixth straight week. Diesel oil price increased for the sixth straight week. Kerosene price increased for the 32nd straight week. As crude oil cost decreased for the second week of July, Motouri companies decreased their wholesale prices by 0.5-1.0 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

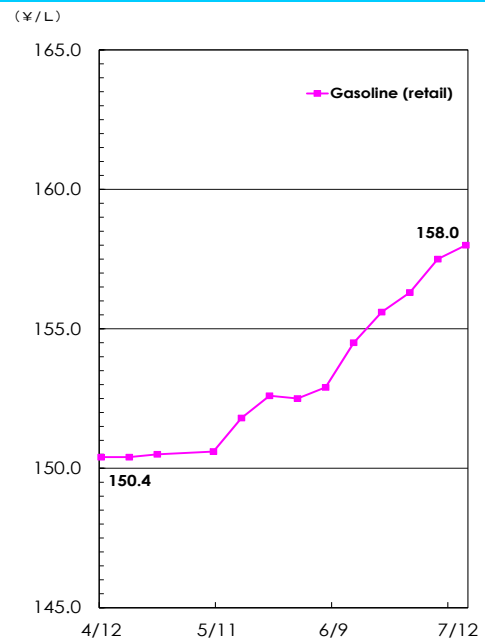
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/4 ~ 7/10	2,321	▼ -46	▲ —
	Topper capacity utilization rate (%)	"	60.3	▼ -1.2	▲ —
	Crude oil inventories (1,000 kl)	7/10	11,774	▲ 211	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/12	72.51	▼ -0.59	▲ 30.0
	WTI crude oil (NYMEX) (\$/bbl)	7/12	74.10	▲ 0.73	▲ 34.0
	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)	7/12	111.17	▲ 0.99	▼ -3.33



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/4 ~ 7/10	721	▼ -90	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	828	▼ -26	▲ -	
	Exports	"	30	▼ -71	▲ -	
	Inventories	7/10	2,029	▼ -137	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/6 ~ 7/12	68.6	▲ 0.8	▲ 26.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/6 ~ 7/12	67.6	▲ 1.8	▲ 27.4
		(TOCOM/ Chubu)	7/12	67.2	▼ -0.3	▲ 26.7
	Retail prices [weekly trend] (published by ANRE)	7/12	158.0	▲ 0.5	▲ 26.2	

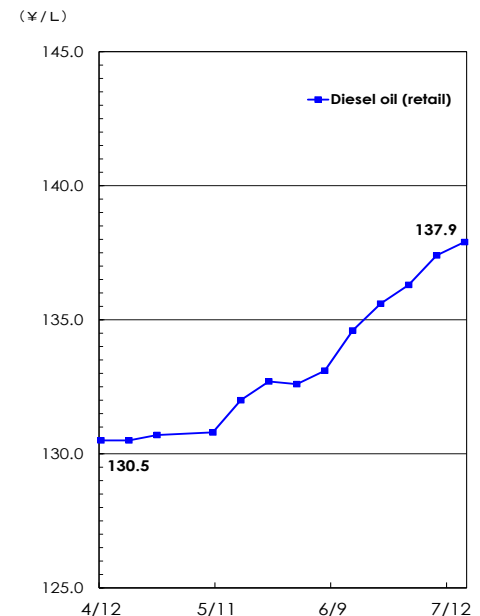
*Gyoten and futures prices are before tax



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

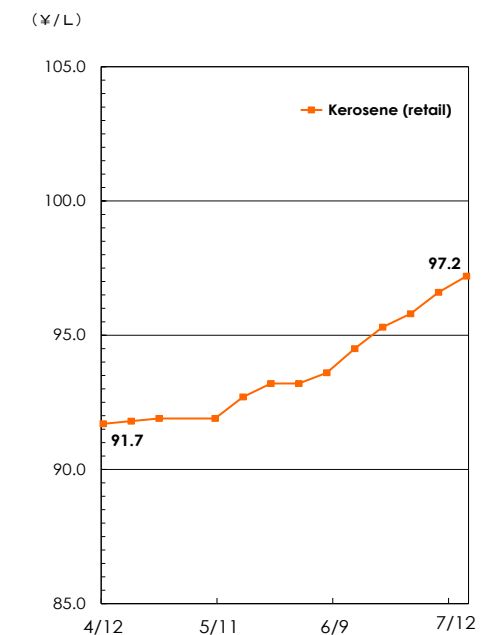
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/4 ~ 7/10	632	▼ -33	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	554	▼ -52	▼ -	
	Exports	"	0	▼ -98	▼ -	
	Inventories	7/10	1,789	▲ 77	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/6 ~ 7/12	69.9	▲ 0.3	▲ 26.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/6 ~ 7/12	69.2	▶ 0.0	▲ 22.3
		(TOCOM/ Chubu)	7/12	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/12	137.9	▲ 0.5	▲ 25.5	

*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	7/4 ~ 7/10	86	▼ -29	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	93	▼ -5	▲ -	
	Exports	"	0	▼ -22	▼ -	
	Inventories	7/10	1,748	▼ -8	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/6 ~ 7/12	69.6	▲ 0.6	▲ 26.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/6 ~ 7/12	64.7	▶ 0.0	▲ 23.9
		(TOCOM/ Chubu)	7/12	67.1	▼ -0.4	▲ 24.1
	Retail prices [weekly trend] (published by ANRE)	7/12	97.2	▲ 0.6	▲ 18.6	



Relevant Information

1 Overseas crude oil prices

On July 14, WTI crude oil futures price on NYMEX turned down. The OPEC plus Countries JMMC meeting was broken down in effect on July 5. However, Saudi Arabia and UAE, which have been divided, agreed to discuss easing cooperative crude oil production cut from August 2021 onward. The meeting is expected to resume this week and the OPEC plus countries will take the phased increase in crude oil production. Furthermore, according to the U.S. EIA Weekly Oil Inventory Report announced on that day, the U.S. domestic crude oil inventory decreased by 7.9 million bbl from the previous week as expected by the market, but gasoline inventory increased by 1 million bbl contrary to the market expectation and despite the driving season. The selling trend prevailed due to a sense of caution for sluggish oil demand. The August contract lost \$2.12/bbl to \$73.13/bbl from the previous day. The September contract lost \$2.05/bbl to \$72.64/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 12 increased by 1.1 cents per gallon from a week earlier to \$3.133/gal (91.9 yen/l). The average diesel oil price increased by 0.7 cents per gallon to \$3.338/gal (97.9 yen/l). The gasoline price increased for the third straight week. Diesel oil price increased for the 11th 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 July 4-July 10 week in 2021 stood at 900,000 barrels per day, increasing by 90,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 46,000 kl from the previous week to 2,321,000 kl. From a year earlier, it increased by 17,000 kl. The topper capacity utilization rate stood at 60.3%, down 1.2 points from the previous week and up 1.5 points from a year earlier.

Production decreased from the previous week for all petroleum products. Output was down 11.1% for gasoline, down 8.9% for jet fuel, down 24.9% for kerosene, down 5.0% for diesel oil, down 16.8% for Fuel Oil A and down 25.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 3,000 kl, down 34,000 kl from the previous week. Diesel oil exports aggregated 0 kl, down 98,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for Fuel Oil A and decreased for other products. From a year earlier, shipments expanded for gasoline, jet fuel, kerosene and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 3.1% from the previous week to 828,000 kl, decreasing for the first time in two weeks. Shipments totaled 47,000 kl for jet fuel (down 34.8% from the previous week), 93,000 kl for kerosene (down 4.9%), 554,000 kl for diesel oil (down 8.6%), 159,000 kl for Fuel Oil A (up 3.1%) and 162,000 kl for Fuel Oil C (down 13.7%).

(Unit: 1,000 kl)

	This week (7/4 ~ 7/10)	Previous week (6/27 ~ 7/3)	From a week earlier
Gasoline	828	854	▼ -26 (-3%)
Jet fuel	47	71	▼ -24 (-34%)
Kerosene (heating Oil)	93	98	▼ -5 (-5%)
Diesel oil	554	606	▼ -52 (-9%)
Fuel oil A	159	154	▲ 5 (3%)
Fuel Oil C	162	188	▼ -26 (-14%)
Total	1,843	1,971	▼ -128 (-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 July 10 increased from a week earlier for jet fuel and diesel oil and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline and diesel oil and declined for other petroleum products.

Gasoline inventories totaled 2,029,000 kl, down 137,000 kl from a week earlier and up 364,000 kl from a year earlier.

Kerosene inventories totaled 1,748,000 kl, down 8,000 kl from a week earlier and down 39,000 kl from a year earlier.

Diesel oil inventories totaled 1,789,000 kl, up 77,000 kl from a week earlier and up 202,000 kl from a year earlier.

Fuel Oil A inventories totaled 733,000 kl, down 16,000 kl from a week earlier and down 24,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,868,000 kl, down 30,000 kl from a week earlier and down 55,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/10)	Previous week (7/3)	From a week earlier
Gasoline	2,029	2,166	▼ -137 (-6%)
Jet fuel	769	732	▲ 37 (5%)
Kerosene (heating Oil)	1,748	1,756	▼ -8 (-0%)
Diesel oil	1,789	1,712	▲ 77 (4%)
Fuel oil A	733	749	▼ -16 (-2%)
Fuel Oil C	1,868	1,898	▼ -30 (-2%)
Total	8,936	9,013	▼ -77 (-0.9%)

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

During July 6-July 12, crude oil cost in yen decreased from a week earlier with the decrease in crude oil price and the appreciation of the yen to the US dollar.

For the next week of July 15-July 21, Motouri companies decreased their wholesale prices by 0.5-1.0 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 July 6-July 12 week increased for all oil products in all trading except for the leveled off kerosene and diesel oil futures price compared to the period of June 29-July 5.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the July 6-July 12 week) increased by 0.8 yen/l from a week earlier (June 29-July 5 week) for gasoline, increased by 0.6 yen/l for kerosene and increased by 0.3 yen/l for diesel oil. For the latest period of July 6-July 12, the price almost leveled off after the increase in a 122 yen/l range for gasoline; and decreased after the increase in a 69 yen/l range for kerosene; leveled off after the slight increase in a 69-70 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.9 yen/l for gasoline, increased by 1.1 yen/l for kerosene and increased by 0.7 yen/l for diesel oil for the July 6-July 12 week from a week earlier. Offshore cargo spot prices during the week July 6-July 12 increased in a 123 yen/l range for gasoline and recovered after the significant increase and plummeting in a 63-70 yen/l range for kerosene and increased in a 71 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 1.8 yen/l for gasoline, leveled off for kerosene and leveled off for diesel oil from a week earlier. The key futures price during July 6-July 12 increased significantly after the decrease in a 120-122 yen/l range for gasoline, increased after the significant decrease in a 63-66 yen/l for kerosene and increased after the significant decrease in a 68-70 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (7/6 ~ 7/12)	Previous week (6/29 ~ 7/5)	From a week earlier
Spot Prices	Regular	68.6	67.8	▲ 0.8
	Kerosene	69.6	69.0	▲ 0.6
	Diesel oil	69.9	69.6	▲ 0.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/6 ~ 7/12)	Previous week (6/29 ~ 7/5)	From a week earlier
Futures Price	Regular	67.6	65.8	▲ 1.8
	Kerosene	64.7	64.7	▶ 0.0
	Diesel oil	69.2	69.2	▶ 0.0

Above prices are before tax.

Reference (July 6 - July 12 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.8	▲ 1.8	▲ 1.3
Kerosene	▲ 0.6	▶ 0.0	▲ 0.3
Diesel oil	▲ 0.3	▶ 0.0	▲ 0.2
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 July 12 increased by 0.5 yen from a week earlier to 158.0 yen/l for gasoline, increased by 0.5 yen to 137.9 yen/l for diesel oil and increased by 10 yen to 1,749 yen for kerosene on an 18-liter tank basis (up 0.6 yen/l to 97.2 yen/l) from a week earlier. The gasoline price increased for the sixth straight week. Diesel oil price increased for the sixth straight week. Kerosene price increased for the 32nd straight week.

Gasoline prices increased in 38 prefectures, leveled off in two prefectures and decreased in seven prefectures. The lowest gasoline price among the prefectures was 150.6 yen/l in Okayama (up 0.1 yen/l from a week earlier). The second lowest was 152.3 yen/l in Tokushima (up 0.7 yen/l). The highest price was 167.5 yen/l in Nagasaki (up 0.6 yen/l). Okinawa logged the largest price gain of 1.8 yen/l to 163.6 yen/l. The price leveled off in Yamaguchi and Miyagi. Saga logged the largest price fall of 0.4 yen/l to 157.8 yen/l.

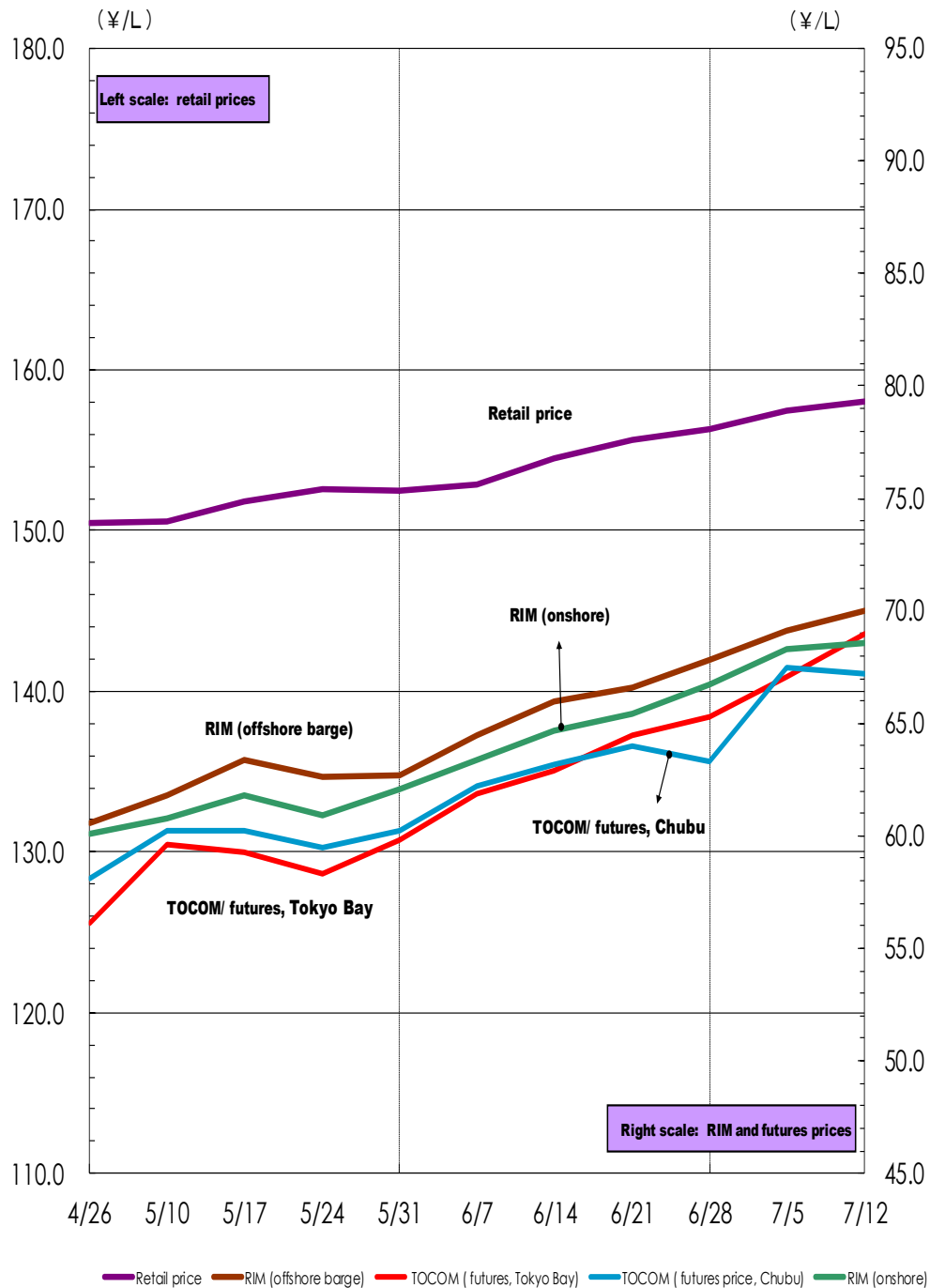
Crude oil cost in yen decreased for the period from July 6-July 12 with the decrease in crude oil price and the appreciation of the yen to the US dollar. Motouri companies decreased their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene for the period from July 15-July 21. Retail gasoline price on the next price survey day (July 19) is expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/12)	Previous week (7/5)	From a week earlier	Latest high
Retail Price	Regular	158.0	157.5	▲ 0.5	08/8/4 185.1
	Kerosene	97.2	96.6	▲ 0.6	08/8/11 132.1
	Diesel oil	137.9	137.4	▲ 0.5	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

(2021/4/26 ~ 2021/7/12)



(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. 16 for 2021) will be announced on July 30.

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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).