

Oil Market Review in Japan No. 16/2021

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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 July 8- July 14 week moved within a range of \$72.94 per barrel and \$75.25/bbl.

On July 15, the August contract turned down by the expectation for relaxation of oil demand and supply. It was announced that Saudi Arabia and UAE, which had conflicting views, would agree with each other soon and that the OPEC (Organization of the Petroleum Exporting Countries) plus Countries would resume its consultation and implement easing of its cooperative crude oil production cut. The other factors pushing down prices were the U.S. EIA's (Energy Information Administration) previous day announcement of the increase in the U.S. domestic gasoline inventory from the previous week, which was against the market expectation and concerns over the new outbreaks of the new variant of COVID-19. The August contract closed at \$71.65/bbl down \$1.48/bbl from the previous day.

On July 16, the August contract rebounded for the first time in three trading days. The selling prevailed in the morning trading hours in response to the trend from the previous trading day. Afterward, the buying trend prevailed due to the robust U.S. retail sales revenues and positioning adjustment of the weekend. However, the price rise was restricted by uncertainties over the OPEC plus Countries decision and the outbreaks of COVID-19. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two units from a week earlier to 380 units. The August contract closed at \$71.81/bbl up \$0.16/bbl from the previous day.

On July 19 the key contract turned down significantly due to concerns over relaxation of oil demand and supply under the new outbreaks of the coronavirus. The OPEC plus Countries JMMC (Joint Ministerial Monitoring Committee) meeting on July 18 decided as follows: (1) easing of cooperative crude oil production cut by 0.4 million bbl/d for each month from August to December 2021, (2) maintaining the current framework of its cooperative crude oil production cut until the end of 2022, (3) raising the benchmark crude oil production of its cooperative crude oil production cut by five countries including Saudi Arabia and UAE from May 2022 onwards and so forth. The other factors pushing down prices were the US and the worldwide falling stock prices and the appreciation of the U.S. dollar. The August contract lost \$5.39/bbl to \$66.42/bbl from the previous day.

On July 20, the key contract rebounded on buying after the previous trading day dip. The price rise was supported by the market players' expectations for the decrease in the U.S. domestic inventory both for crude oil and gasoline to be announced by the U.S. EIA Weekly Report, and recovery of the U.S. stock prices and long-term interest rates. On the last trading day for the key front-month contract, the August contract gained \$1.00/bbl to \$67.42/bbl from the previous day.

On July 21, the key contract rose further in response to high price at the beginning of the week and receding the risk-aversion position with the recovery of the U.S. stock prices, which resulted in the prevailing buying trend. According to the U.S. EIA Weekly Report announced on this day, the U.S. domestic inventory increased for crude oil from the previous week but decreased for gasoline and middle distillates. In addition, inventory also decreased for crude oil in Cushing, Oklahoma to the lowest level since January 2020. The market players saw robust oil demand in the future. The September contract, which replaced the August contract as the key front-month contract, gained \$3.10/bbl to \$70.30/bbl from the previous day.

The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged from \$71.20/bbl to \$74.80/bbl in the July 8- July 14 week. It closed at \$72.40/bbl on July 15, at \$71.60/bbl on July 16, at \$71.50/bbl on July 19, at \$67.60/bbl on July 20, at \$67.60/bbl on July 21.

On the foreign exchange market in the July 8- July 14 week, the dollar moved within a range of 109.92 yen and 110.67 yen. It changed hands at 109.93 yen in late trading on July 15, at 109.91 yen on July 16, at 109.88 yen on July 19, at 109.57 yen on July 20, at 109.98 yen on July 21.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 21, the average crude oil import CIF price for Japan in the late June period stood at 48,306 yen/kl (kiloliter), up 351 yen/kl from the previous 10-day period. In dollars, the price was \$69.97/bbl, up \$0.41/bbl. The average exchange rate was 109.76 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance on the same day, the average crude oil import CIF price for Japan in June stood at 47,596 yen/kl (kiloliter), up 2,789 yen/kl from the previous month. In dollars, the price was \$69.11/bbl, up \$3.66/bbl. The average exchange rate was 109.49 yen to the dollar.

Japan's average retail price on July 19 gained by 0.3 yen/l from a week earlier for gasoline and gained by 0.3 yen/l for diesel oil and gained by 5 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the seventh straight week. Diesel oil price increased for the seventh straight week. Kerosene price increased for the 33rd straight week. As crude oil cost decreased for the third week of July, Motouri companies decreased their wholesale prices by 0.5 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

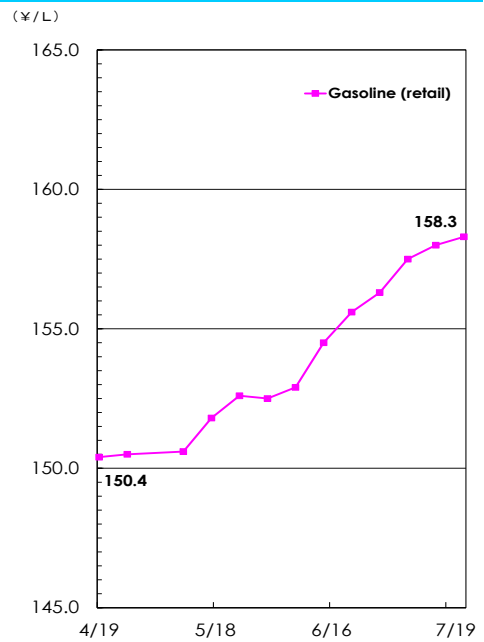
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/11 ~ 7/17	2,485	▲ 163	▲ —
	Topper capacity utilization rate (%)	"	64.6	▲ 4.3	▲ —
	Crude oil inventories (1,000 kl)	7/17	11,740	▼ -34	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/19	70.26	▼ -2.25	▲ 28.6
	WTI crude oil (NYMEX) (\$/bbl)	7/19	66.42	▼ -7.68	▲ 25.6
	Crude oil import CIF price (\$/bbl)	Late Jun	69.97	▲ 0.41	▲ 45.42
	①Crude oil import CIF price (yen/kl)	"	48,306	▲ 351	▲ 31,662
	②Yen-dollar exchange rate (yen/dollar)	"	109.76	▼ -0.17	▼ -2.00
	TTS exchange rate (yen/dollar)	7/19	110.88	▲ 0.29	▼ -2.36



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/11 ~ 7/17	750	▲ 29	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	572	▼ -256	▼ -	
	Exports	"	0	▼ -30	→ -	
	Inventories	7/17	2,208	▲ 179	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/13 ~ 7/19	68.2	▼ -0.4	▲ 26.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/13 ~ 7/19	65.8	▼ -1.8	▲ 25.8
		(TOCOM/ Chubu)	7/19	67.0	▼ -0.2	▲ 25.8
	Retail prices [weekly trend] (published by ANRE)	7/19	158.3	▲ 0.3	▲ 26.1	

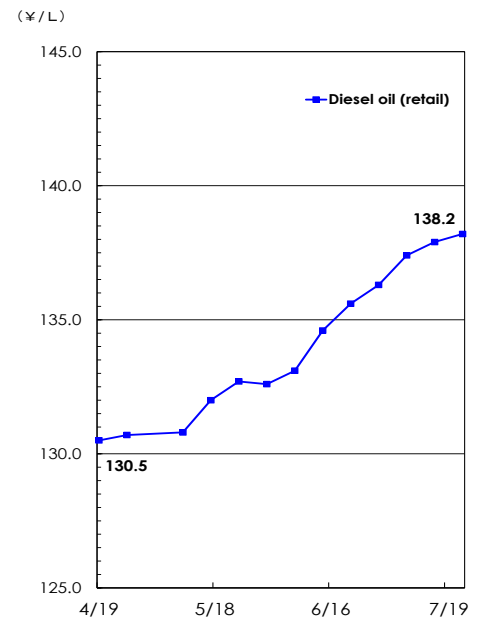
*Gyoten and futures prices are before tax



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

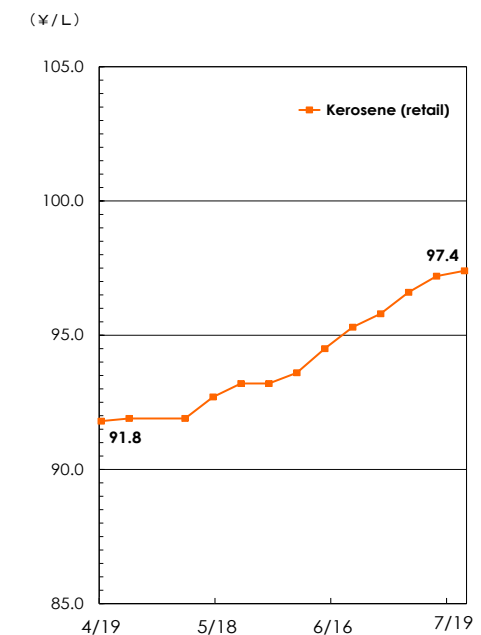
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/11 ~ 7/17	664	▲ 32	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	513	▼ -41	▼ -	
	Exports	"	154	▲ 154	▲ -	
	Inventories	7/17	1,787	▼ -2	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/13 ~ 7/19	69.5	▼ -0.4	▲ 26.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/13 ~ 7/19	69.0	▼ -0.2	▲ 22.1
		(TOCOM/ Chubu)	7/19	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/19	138.2	▲ 0.3	▲ 25.3	

*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	7/11 ~ 7/17	82	▼ -4	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	14	▼ -79	▼ -	
	Exports	"	53	▲ 53	▲ -	
	Inventories	7/17	1,763	▲ 15	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/13 ~ 7/19	69.0	▼ -0.6	▲ 25.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/13 ~ 7/19	62.7	▼ -2.0	▲ 21.3
		(TOCOM/ Chubu)	7/19	65.5	▼ -1.6	▲ 22.5
	Retail prices [weekly trend] (published by ANRE)	7/19	97.4	▲ 0.2	▲ 18.6	



Relevant Information

1 Overseas crude oil prices

On July 21, WTI crude oil futures price on NYMEX recovered further, reaching \$70/bbl level again in response to high price at the beginning of the week and receding risk-aversion position with the recovery of the U.S. stock prices, which resulted in the prevailing buying trend. There seems to be a difference in the market's assessment of the OPEC Plus agreement (unity) from immediately after the agreement on the 18th. According to the U.S. EIA Weekly Report announced on this day, the U.S. domestic inventory increased for crude oil by 2.1 million bbl from the previous week, increasing for the first time in nine weeks, which was against the market expectation of the decrease by 4.5 million bbl, but decreased for gasoline and middle distillates against the market expectation. In addition, inventory also decreased for crude oil in Cushing, Oklahoma, the delivery point of crude oil futures, to the lowest level since January 2020. The market players saw robust oil demand in the future. The September contract, which replaced the August contract as the key front-month contract, gained \$3.10/bbl to \$70.30/bbl from the previous day. The October contract gained \$2.95/bbl to \$69.57/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of July 19 increased by 2.0 cents per gallon from a week earlier to \$3.153/gal (92.2 yen/l). The average diesel oil price increased by 0.6 cents per gallon to \$3.344/gal (97.8 yen/l). The gasoline price increased for the fourth straight week. Diesel oil price increased for the 12th 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 11-July 17 week in 2021 stood at 658,000 barrels per day, decreasing by 242,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 163,000 kl from the previous week to 2,485,000 kl. From a year earlier, it increased by 140,000 kl. The topper capacity utilization rate stood at 64.6%, up 4.3 points from the previous week and up 4.7 points from a year earlier.

Production decreased from the previous week for kerosene and increased for other petroleum products. Output was up 4.1% for gasoline, up 10.3% for jet fuel, down 4.3% for kerosene, up 5.0% for diesel oil, up 1.4% for Fuel Oil A and up 51.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 3,000 kl from the previous week. Diesel oil exports aggregated 154,000 kl, up 154,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel and Fuel Oil C and decreased for other products. From a year earlier, shipments expanded for Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 30.9% from the previous week to 572,000 kl, decreasing for the second straight week. Shipments totaled 55,000 kl for jet fuel (up 18.8% from the previous week), 14,000 kl for kerosene (down 84.6% from the previous week), 513,000 kl for diesel oil (down 7.5% from the previous week), 102,000 kl for Fuel Oil A (down 36.0% from the previous week) and 274,000 kl for Fuel Oil C (up 69.0% from the previous week).

(Unit: 1,000 kl)

	This week (7/11 ~ 7/17)	Previous week (7/4 ~ 7/10)	From a week earlier
Gasoline	572	828	▼ -256 (-31%)
Jet fuel	55	47	▲ 8 (17%)
Kerosene (heating Oil)	14	93	▼ -79 (-85%)
Diesel oil	513	554	▼ -41 (-7%)
Fuel oil A	102	159	▼ -57 (-36%)
Fuel Oil C	274	162	▲ 112 (69%)
Total	1,530	1,843	▼ -313 (-17%)

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 17 decreased from a week earlier for diesel oil and Fuel Oil C increased for other petroleum products. From a year earlier, inventories expanded for gasoline, jet fuel and diesel oil and declined for other petroleum products.

Gasoline inventories totaled 2,208,000 kl, up 179,000 kl from a week earlier and up 430,000 kl from a year earlier.

Kerosene inventories totaled 1,763,000 kl, up 15,000 kl from a week earlier and down 71,000 kl from a year earlier.

Diesel oil inventories totaled 1,787,000 kl, down 2,000 kl from a week earlier and up 154,000 kl from a year earlier.

Fuel Oil A inventories totaled 737,000 kl, up 4,000 kl from a week earlier and down 9,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,836,000 kl, down 32,000 kl from a week earlier and down 125,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/17)	Previous week (7/10)	From a week earlier
Gasoline	2,208	2,029	▲ 179 (9%)
Jet fuel	828	769	▲ 59 (8%)
Kerosene (heating Oil)	1,763	1,748	▲ 15 (1%)
Diesel oil	1,787	1,789	▼ -2 (-0%)
Fuel oil A	737	733	▲ 4 (1%)
Fuel Oil C	1,836	1,868	▼ -32 (-2%)
Total	9,159	8,936	▲ 223 (2.5%)

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

During July 13-July 19, 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 22- July 28, Motouri companies decreased 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 July 13-July 19 week decreased for all oil products in all trading compared to the period of July 6-July 12.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the July 13-July 19 week) decreased by 0.4 yen/l from a week earlier (July 6-July 12 week) for gasoline, decreased by 0.6 yen/l for kerosene and decreased by 0.4 yen/l for diesel oil. For the latest period of July 13-July 19, the price decreased in a 121-122 yen/l range for gasoline; and decreased in a 68-69 yen/l range for kerosene; decreased in a 69-70 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.2 yen/l for gasoline, decreased by 1.9 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil for the July 13-July 19 week from a week earlier. Offshore cargo spot prices during the week July 13-July 19 decreased in a 123 yen/l range for gasoline and decreased after the significant increase in a 64-67 yen/l range for kerosene and decreased in a 71 yen/l range for diesel oil from a week earlier.

The key average futures price decreased by 1.8 yen/l for gasoline, decreased by 2.0 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil from a week earlier. The key futures price during July 13-July 19 decreased significantly in a 117-122 yen/l range for gasoline, decreased significantly after the slight increase in a 61-64 yen/l for kerosene and decreased significantly after the slight increase in a 68-70 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (7/13 ~ 7/19)	Previous week (7/6 ~ 7/12)	From a week earlier
Spot Prices	Regular	68.2	68.6	▼ -0.4
	Kerosene	69.0	69.6	▼ -0.6
	Diesel oil	69.5	69.9	▼ -0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/13 ~ 7/19)	Previous week (7/6 ~ 7/12)	From a week earlier
Futures Price	Regular	65.8	67.6	▼ -1.8
	Kerosene	62.7	64.7	▼ -2.0
	Diesel oil	69.0	69.2	▼ -0.2

Above prices are before tax.

Reference (July 13 - July 19 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.4	▼ -1.8	▼ -1.1
Kerosene	▼ -0.6	▼ -2.0	▼ -1.3
Diesel oil	▼ -0.4	▼ -0.2	▼ -0.3
Fuel Oil A	▼ -0.4		

(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 19 increased by 0.3 yen from a week earlier to 158.3 yen/l for gasoline, increased by 0.3 yen to 138.2 yen/l for diesel oil and increased by 5 yen to 1,754 yen for kerosene on an 18-liter tank basis (up 0.2 yen/l to 97.4 yen/l) from a week earlier. The gasoline price increased for the seventh straight week. Diesel oil price increased for the seventh straight week. Kerosene price increased for the 33rd straight week.

Gasoline prices increased in 32 prefectures, leveled off in four prefectures and decreased in 11 prefectures. The lowest gasoline price among the prefectures was 151.7 yen/l in Okayama (up 1.1 yen/l from a week earlier). The second lowest was 152.5 yen/l in Tokushima (up 0.2 yen/l). The highest price was 167.8 yen/l in Nagasaki (up 0.3 yen/l). Saga logged the largest price gain of 1.5 yen/l to 159.3 yen/l. The price leveled off in four prefectures: Shiga, Simane, Kanagawa and Aomori. Aichi logged the largest price fall of 0.5 yen/l to 155.7 yen/l.

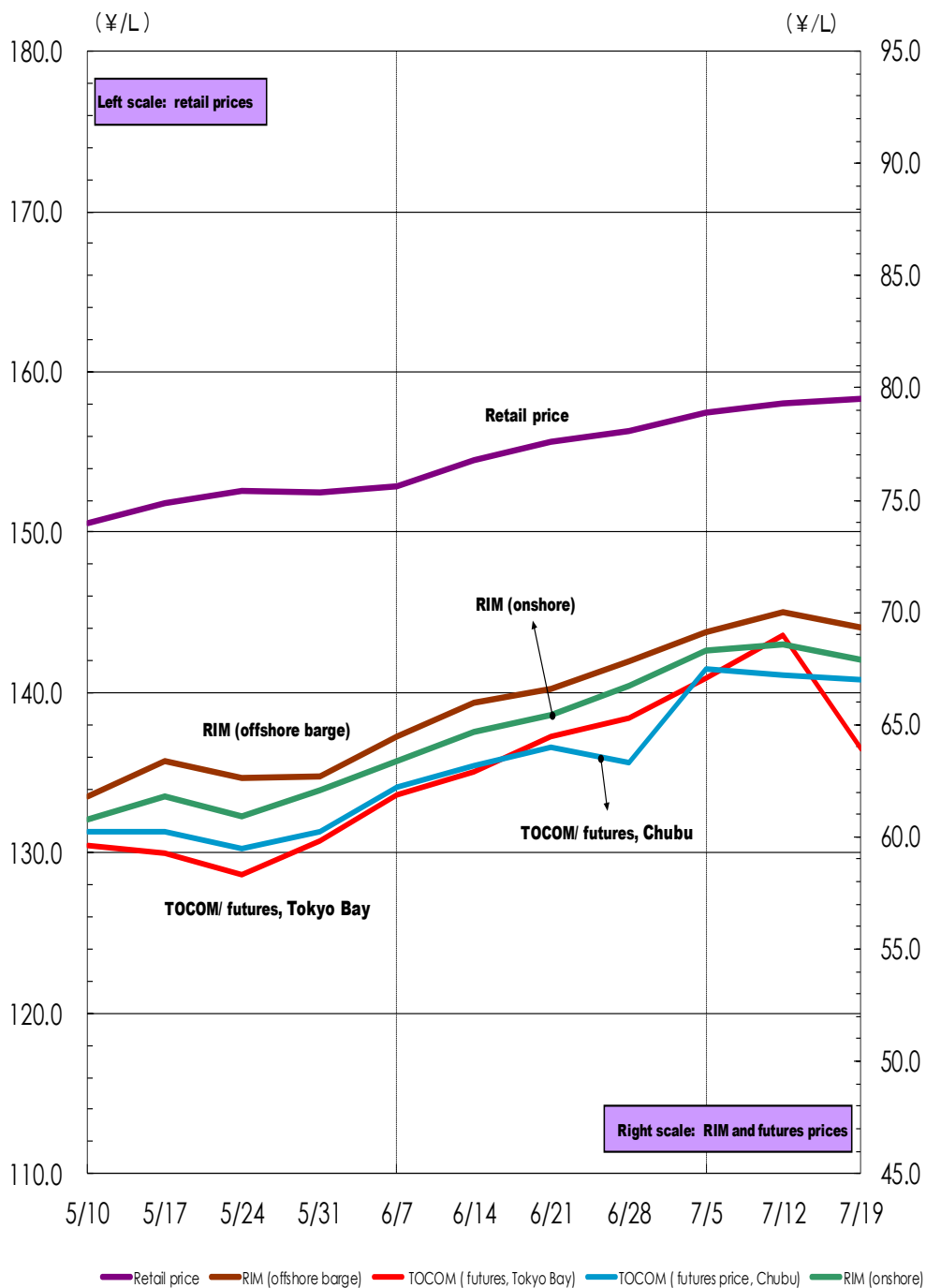
Crude oil cost in yen decreased for the period from July 13-July 19 with the decrease in crude oil price and the appreciation of the yen to the US dollar. Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from July 22-July 28. Retail gasoline price on the next price survey day (July 26) is expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/19)	Previous week (7/12)	From a week earlier	Latest high
Retail Price	Regular	158.3	158.0	▲ 0.3	08/8/4 185.1
	Kerosene	97.4	97.2	▲ 0.2	08/8/11 132.1
	Diesel oil	138.2	137.9	▲ 0.3	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

(2021/5/10 ~ 2021/7/19)



(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. 17 for 2021) will be announced on August 6.

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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).