

Oil Market Review in Japan No. 21/2021

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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 August 19-August 25 week moved within a range of \$62.32 per barrel and \$68.36/bbl.

On August 26, the October contract turned down for the first time in four trading days due to concerns over oil demand in the future amid expected economic slowdown caused by the new outbreaks of the coronavirus worldwide. The market players expected that the U.S. monetary easing policy would end soon. There was an announcement of the resumption of the U.S. oil production facilities off the coast of the Gulf of Mexico. These were the factors pushing down price. The October contract closed at \$67.42/bbl down \$0.94/bbl from the previous day.

On August 27, the October contract rebounded by the announcement of the shutdown of the U.S. oil production facilities caused by a tropical depression formed in the central Gulf of Mexico. However, the market players already expected the statement on the end of the U.S. monetary easing policy by FRB (Federal Reserve Board) Governor, Powel, which didn't have much impact on the market development. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by five units from a week earlier to 410 units. The October contract closed at \$68.74/bbl up \$1.32/bbl from the previous day.

On August 30, the key contract rose further due to concerns over tightening oil supply. The tropical depression off the coast of the Gulf of Mexico was upgraded to Hurricane "Aida", which hit the State of Louisiana and had increasing negative impact on oil production facilities. The market players were interested in modification of easing of cooperative crude oil production cut at the Ministerial Meeting of Member of OPEC (Organization for the Petroleum Exporting Countries) Plus scheduled for September 1. Some of the market players took a wait-and-see attitude. The October contract gained \$0.47/bbl to \$69.21/bbl from the previous day.

On August 31, the key contract turned down due to growing concerns on economic situation in response to the announcement of deterioration of China's manufacturing business condition index for the fifth straight month. There were concerns over tightening oil supply due to the hurricane attack on the U.S. Gulf of Mexico until the previous trading day. However, the market players expected the decrease in oil demand caused by the hurricane attack, which pushed down the price. The October contract lost \$0.71/bbl to \$68.50/bbl from the previous day.

On September 1, the key contract rebounded slightly in response to maintaining the current cooperative crude oil production cut framework at the Ministerial Meeting of Member of OPEC Plus. However, according to the announcement of the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic inventory decreased for crude oil from the previous week for the fourth straight week but increased for gasoline contrary to the market expectation. The market players were concerned about slowdown of oil products demand. The October contract gained \$0.09/bbl to \$68.59/bbl from the previous day.

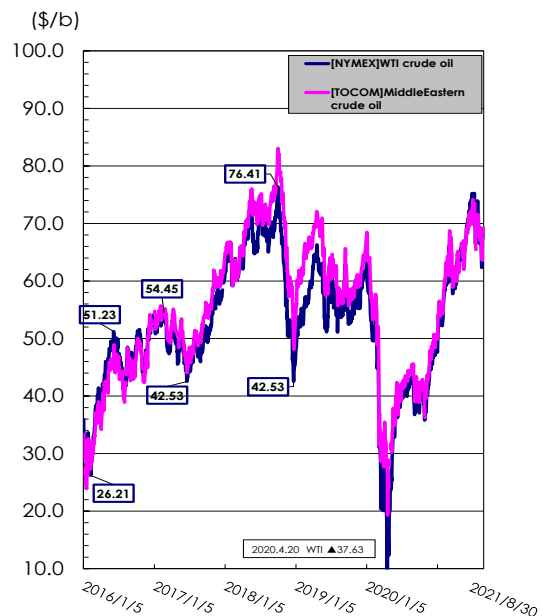
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged from \$65.50/bbl to \$69.79/bbl in the August 19-August 25 week. It closed at \$70.40/bbl on August 26, at \$70.60/bbl on August 27, at \$71.30/bbl on August 30, at \$71.70/bbl on August 31, at \$70.30/bbl on September 1.

On the foreign exchange market in the August 19-August 25 week, the dollar moved within a range of 109.77 yen and 109.99 yen. It changed hands at 110.07 yen in late trading on August 26 at 110.00 yen on August 27, at 109.74 yen on August 30, at 109.90 yen on August 31, at 110.19 yen on September 1.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 27, the average crude oil import CIF price for Japan in the early August period stood at 50,397 yen/kl (kiloliter), down 425 yen/kl from the previous 10-day period. In dollars, the price was \$72.96/bbl, down \$0.27/bbl. The average exchange rate was 109.83 yen to the dollar.

Japan's average retail price on August 30 lost by 0.4 yen/l from a week earlier for gasoline and lost by 0.4 yen/l for diesel oil and lost by 4.0 yen for kerosene on an 18-liter tank basis. The gasoline price decreased for the second straight week. Diesel oil price decreased for the second straight week. Kerosene price decreased for the second straight week. As crude oil cost increased significantly for the fifth week of August, Motouri companies increased their wholesale prices by 3.0 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

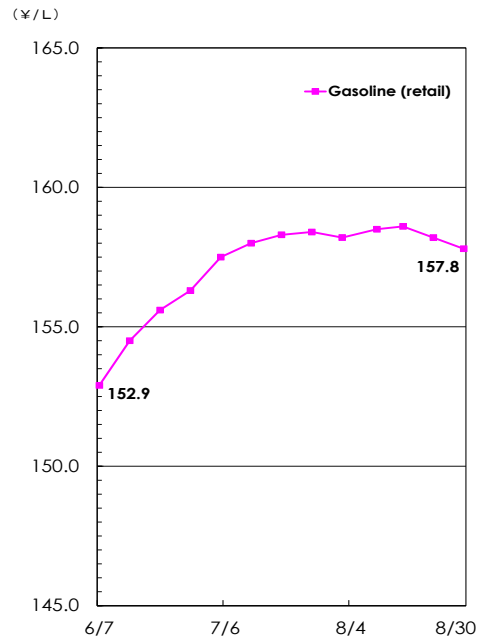
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/22 ~ 8/28	2,993	▲ 27	▲ —
	Topper capacity utilization rate (%)	"	77.8	▲ 0.7	▲ —
	Crude oil inventories (1,000 kl)	8/28	10,207	▼ -442	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/30	69.26	▲ 5.66	▲ 23.7
	WTI crude oil (NYMEX) (\$/bbl)	8/30	69.21	▲ 3.57	▲ 26.6
	Crude oil import CIF price (\$/bbl)	Early Aug	72.96	▼ -0.27	▲ 29.51
	① Crude oil import CIF price (yen/kl)	"	50,397	▼ -425	▲ 21,395
	② Yen-dollar exchange rate (yen/dollar)	"	109.83	▲ 0.51	▼ -3.72
	TTS exchange rate (yen/dollar)	8/30	110.74	▲ 0.11	▼ -4.38



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/22 ~ 8/28	843 ▲ 8	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	855 ▲ 160	▼ -	
	Exports	"	0 ▼ -40	▼ -	
	Inventories	8/28	1,966 ▼ -11	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/24 ~ 8/30	64.7 ▼ -0.8	▲ 20.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/24 ~ 8/30	63.9 ▲ 1.7	▲ 22.9
		(TOCOM/ Chubu)	8/30	64.7 ▲ 0.9	▲ 22.3
	Retail prices [weekly trend] (published by ANRE)	8/30	157.8 ▼ -0.4	▲ 22.6	

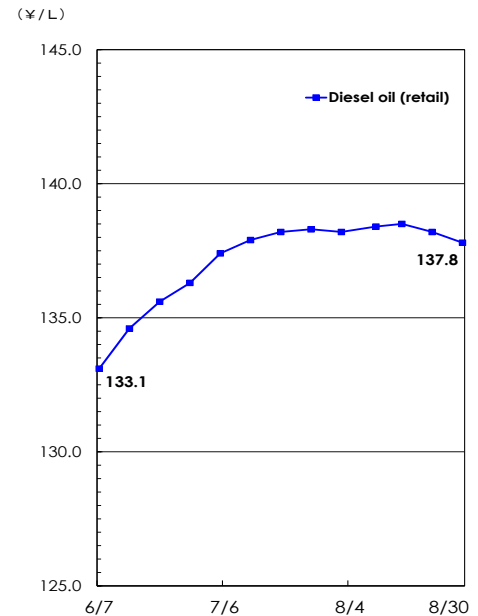
*Gyoten and futures prices are before tax



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

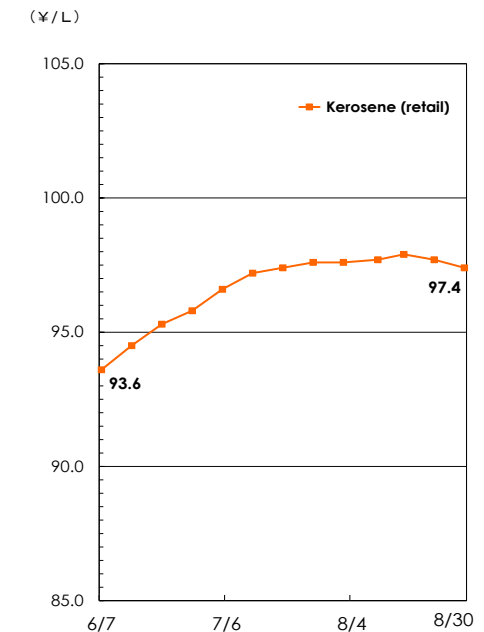
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	8/22 ~ 8/28	751 ▲ 33	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	618 ▲ 181	▼ -	
	Exports	"	226 ▲ 155	▲ -	
	Inventories	8/28	1,994 ▼ -94	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/24 ~ 8/30	65.4 ▼ -1.3	▲ 18.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/24 ~ 8/30	65.5 ▲ 0.4	▲ 16.6
		(TOCOM/ Chubu)	8/30	-	-
	Retail prices [weekly trend] (published by ANRE)	8/30	137.8 ▼ -0.4	▲ 22.1	

*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	8/22 ~ 8/28	218 ▲ 52	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	150 ▲ 59	▲ -	
	Exports	"	0 → 0	▼ -	
	Inventories	8/28	2,154 ▲ 67	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/24 ~ 8/30	64.9 ▼ -1.0	▲ 18.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/24 ~ 8/30	61.2 ▲ 1.0	▲ 18.3
		(TOCOM/ Chubu)	8/30	62.5 ▲ 0.5	▲ 17.0
	Retail prices [weekly trend] (published by ANRE)	8/30	97.4 ▼ -0.3	▲ 16.4	



Relevant Information

1 Overseas crude oil prices

On September 1, WTI crude oil futures price on NYMEX rebounded slightly in response to confirmation of maintaining the current cooperative crude oil production cut framework by 0.4 million bbl/d for each month from August 2021 onward as previously planned at the Ministerial Meeting of Member of OPEC Plus hold online meeting on this day. However, some of the market players already took it into consideration. On the other hand, according to the announcement of the U.S. EIA Weekly Report, the U.S. domestic inventory decreased for crude oil by 7.2 million bbl from the previous week, which was far more than the market expectation of the decrease by 3.1 million bbl but increased for gasoline by 1.3 million bbl, which was against the market expectation of the decrease by 1.69 million bbl despite the driving season. The market players were concerned about slowdown of oil products demand. In addition, it took more time than expected for recovery from damages caused by Hurricane "Aida", which already was downgraded to a tropical depression. The market players were concerned about temporary slowdown of oil demand than disruption of oil supply. The October contract gained \$0.09/bbl to \$68.59/bbl from the previous day. The November contract gained \$0.06/bbl to \$68.32/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 30 decreased by 0.6 cents per gallon from a week earlier to \$3.139/gal (91.7 yen/l). The average diesel oil price increased by 1.5 cents per gallon to \$3.339/gal (97.6 yen/l). The gasoline price decreased for the second straight week. Diesel oil price increased for the first time in four 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 August 22-August 28 week in 2021 stood at 135,000 barrels per day, increasing by 86,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 27,000 kl from the previous week to 2,993,000 kl. From a year earlier, it increased by 380,000 kl. The topper capacity utilization rate stood at 77.8%, up 0.7 points from the previous week and up 11.1 points from a year earlier.

Production decreased from the previous week for jet fuel and increased for other petroleum products. Output was up 1.0% for gasoline, down 8.3% for jet fuel, up 31.6% for kerosene, up 4.5% for diesel oil, up 30.7% for Fuel Oil A, and up 11.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 5,000 kl, up 5,000 kl from the previous week. Diesel oil exports aggregated 226,000 kl, up 155,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel Oil C and increased for other products. From a year earlier, shipments expanded for kerosene, Fuel Oil A and Fuel Oil C and declined for other petroleum products. Gasoline shipments increased by 22.9% from the previous week to 855,000 kl, increasing for the first time in two weeks. Shipments totaled 38,000 kl for jet fuel (down 17.2% from the previous week), 150,000 kl for kerosene (up 64.8% from the previous week), 618,000 kl for diesel oil (up 41.2% from the previous week), 188,000 kl for Fuel Oil A (up 14.1% from the

previous week), and 151,000 kl for Fuel Oil C (down 29.1% from the previous week).

(Unit: 1,000 kl)

	This week (8/22 ~ 8/28)	Previous week (8/15 ~ 8/21)	From a week earlier
Gasoline	855	695	▲ 160 (23%)
Jet fuel	38	46	▼ -8 (-17%)
Kerosene (heating Oil)	150	91	▲ 59 (65%)
Diesel oil	618	437	▲ 181 (41%)
Fuel oil A	188	165	▲ 23 (14%)
Fuel Oil C	151	213	▼ -62 (-29%)
Total	2,000	1,647	▲ 353 (21%)

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 August 28 increased from a week earlier for jet fuel and kerosene and decreased for other petroleum products. From a year earlier, inventories declined for kerosene and expanded for other petroleum products.

Gasoline inventories totaled 1,966,000 kl, down 11,000 kl from a week earlier and up 130,000 kl from a year earlier.

Kerosene inventories totaled 2,154,000 kl, up 67,000 kl from a week earlier and down 398,000 kl from a year earlier.

Diesel oil inventories totaled 1,994,000 kl, down 94,000 kl from a week earlier and up 175,000 kl from a year earlier.

Fuel Oil A inventories totaled 736,000 kl, down 3,000 kl from a week earlier and up 6,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,911,000 kl, down 2,000 kl from a week earlier and up 17,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/28)	Previous week (8/21)	From a week earlier
Gasoline	1,966	1,977	▼ -11 (-1%)
Jet fuel	842	809	▲ 33 (4%)
Kerosene (heating Oil)	2,154	2,087	▲ 67 (3%)
Diesel oil	1,994	2,088	▼ -94 (-5%)
Fuel oil A	736	739	▼ -3 (-0%)
Fuel Oil C	1,911	1,913	▼ -2 (-0%)
Total	9,603	9,613	▼ -10 (-0.1%)

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

During August 24-August 30, crude oil cost in yen increased significantly from a week earlier with the significant increase in crude oil price and the slight depreciation of the yen to the US dollar.

For the next week of September 2-September 8, Motouri companies increased their wholesale prices by 3.0 yen/l for gasoline, kerosene, and diesel oil from a week earlier in addition to extra charge on crude oil shipments for August 2021 by national oil companies of oil-producing countries.

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

Spot petroleum products prices in the August 24-August 30 week decreased for all oil products in all trading except for the increased futures prices and the leveled off offshore kerosene price compared to the period of August 17-August 23.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the August 24-August 30 week) decreased by 0.8 yen/l from a week earlier (August 17-August 23 week) for gasoline, decreased by 1.0 yen/l for kerosene and decreased by 1.3 yen/l for diesel oil. For the latest period of August 24-August 30, the price increased slightly after the decrease in a 118-119 yen/l range for gasoline; and increased slightly after the decrease in a 64-65 yen/l range for kerosene; increased slightly after the significant decrease in a 65-66 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline, leveled off for kerosene and decreased by 1.4 yen/l for diesel oil for the August 24-August 30 week from a week earlier. Offshore cargo spot prices during August 24-August 30 decreased in a 119-120 yen/l range for gasoline and increased significantly in a 62-63 yen/l range for kerosene and decreased significantly in a 65-67 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 1.7 yen/l for gasoline, increased by 1.0 yen/l for kerosene and decreased by 0.4 yen/l for diesel oil from a week earlier. The key futures price during August 24-August 30 increased significantly in a 116-118 yen/l range for gasoline, increased significantly in a 60-62 yen/l for kerosene and increased significantly in a 64-66 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (8/24 ~ 8/30)	Previous week (8/17 ~ 8/23)	From a week earlier
Spot Prices	Regular	64.7	65.5	▼ -0.8
	Kerosene	64.9	65.9	▼ -1.0
	Diesel oil	65.4	66.7	▼ -1.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (8/24 ~ 8/30)	Previous week (8/17 ~ 8/23)	From a week earlier
Futures Price	Regular	63.9	62.2	▲ 1.7
	Kerosene	61.2	60.2	▲ 1.0
	Diesel oil	65.5	65.1	▲ 0.4

Above prices are before tax.

Reference (August 24 - August 30 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.8	▲ 1.7	▲ 0.4
Kerosene	▼ -1.0	▲ 1.0	→ 0.0
Diesel oil	▼ -1.3	▲ 0.4	▼ -0.4
Fuel Oil A	▼ -1.4		

(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 August 30 decreased by 0.4 yen from a week earlier to 157.8 yen/l for gasoline, decreased by 0.4 yen to 137.8 yen/l for diesel oil and decreased by 4 yen to 1,754 yen for kerosene on an 18-liter tank basis (decreased by 0.3 yen to 97.4 yen/l) from a week earlier. The gasoline price decreased for the second straight week. Diesel oil price decreased for the second straight week. Kerosene price decreased for the second straight week.

Gasoline prices increased in 11 prefectures, leveled off in two prefectures and decreased in 34 prefectures. The lowest gasoline price among the prefectures was 150.7 yen/l in Saitama (down 0.9 yen/l from a week earlier). The second lowest was 151.9 yen/l in Miyagi (down 0.5 yen/l). The highest price was 169.1 yen/l in Nagasaki (up 1.6 yen/l). Nagasaki logged the largest price gain of 1.6 yen/l to 169.1 yen/l. The price leveled off in Niigata and Yamaguchi. Shimane logged the largest price fall of 1.8 yen/l to 155.9 yen/l.

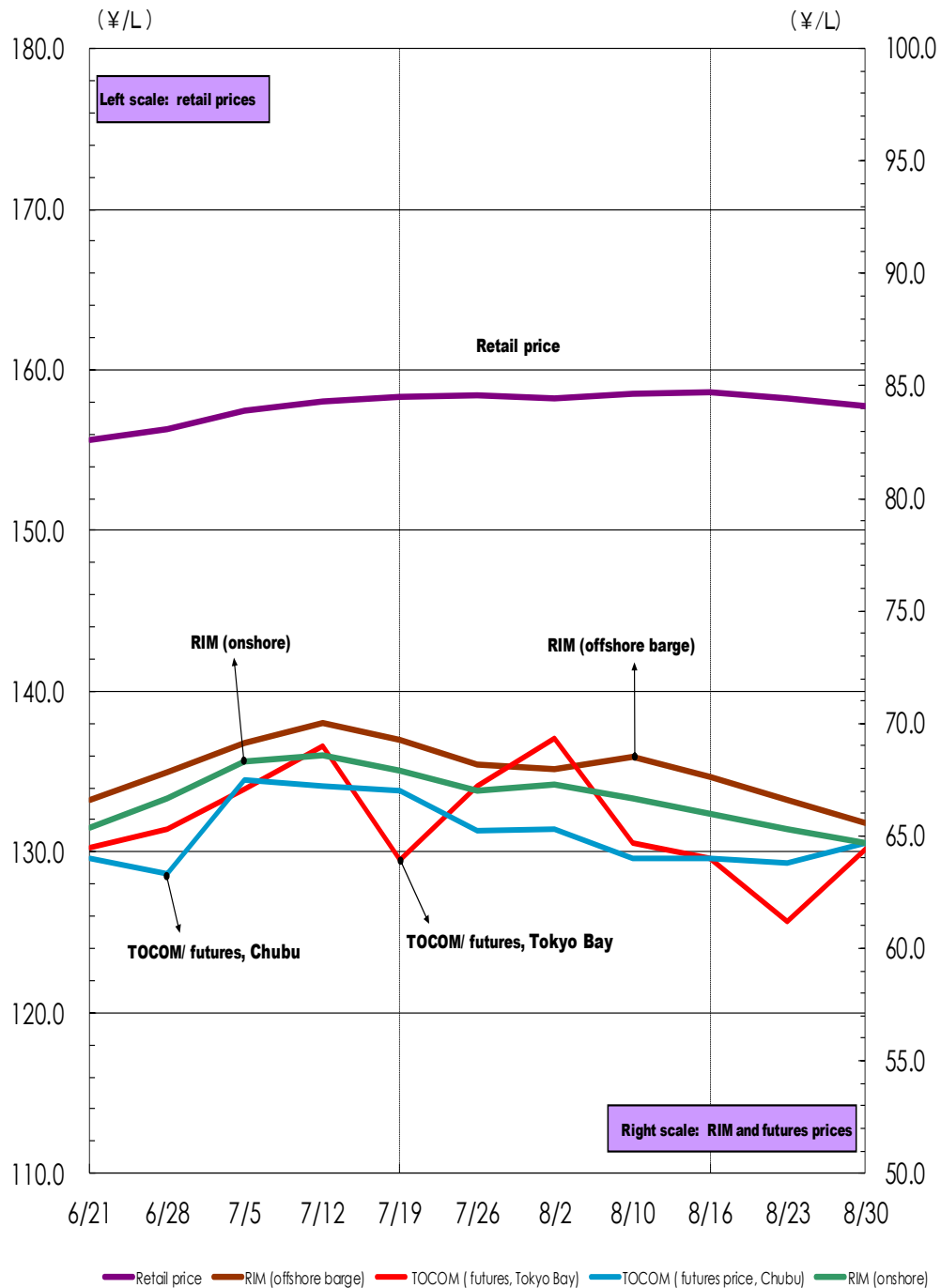
Crude oil cost in yen increased significantly for the period from August 24-August 30 with the significant increase in crude oil price and the slight depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 3.0 yen/l for gasoline, diesel oil and kerosene for the period from September 2-September 8. Retail gasoline price on the next price survey day (September 6) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/30)	Previous week (8/23)	From a week earlier	Latest high
Retail Price	Regular	157.8	158.2	▼ -0.4	08/8/4 185.1
	Kerosene	97.4	97.7	▼ -0.3	08/8/11 132.1
	Diesel oil	137.8	138.2	▼ -0.4	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

(2021/6/21 ~ 2021/8/30)



(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. 22 for 2021) will be announced on September 17.

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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).