

Oil Market Review in Japan No. 9/2022

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Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chyo-ku, Tokyo, 104-8581 Japan
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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the May 19-May 25 week moved within a range of \$109.77 per barrel and \$113.23/bbl.

On May 26, the key contract rose further to the expectations for growing oil demand, mainly gasoline, before the driving season starts in the U.S. Other factors for oil price hike were the announcement of a decrease in the domestic crude oil inventory, an increase in crude oil export, and rising operation rate of oil refineries in the U.S. and Greek's capture of Iranian-registered oil tanker operated by Russia and the U.S. seizure of the Iranian crude oil, cargo of the oil tanker. The July contract closed at \$114.09/bbl up \$3.76/bbl from the previous trading day.

On May 27, the key contract rose for the third straight trading day by the expectation of growing oil demand in the U.S. and the upcoming agreement on banning the import of crude oil from Russia among EU member countries. The Iranian Revolutionary Guard reportedly seized two Greek-registered oil tankers as retaliation for the seizure of the Iranian-registered oil tanker, which raised oil price. However, price rise was restricted by profit-taking selling before the three consecutive holidays on the weekend. The July contract closed at \$115.07/bbl up \$0.98/bbl from the previous trading day.

On May 30, the market was closed due to Memorial Day. The driving season started in the U.S.

On May 31, the key contract reached temporarily \$119.87/bbl, the highest level for the first time in three months in the morning trading-hours due to concerns about tight oil demand and supply. The EU decided to ban on import of sea-borne crude oil from Russia. China would relax regulation on going out in Shanghai. Market players expected a growing oil demand during the driving season in the U.S. However, the key contract for the first time in four trading days in the afternoon trading-hours due to profit-taking selling in response to price hike. In addition, Member of OPEC (Organization for the Petroleum Exporting Countries) Plus would reportedly consider enlargement of an increase in crude oil production to compensate for a decrease in crude oil production by Russia. The July contract closed at \$114.67/bbl down \$0.40/bbl from the previous trading day.

On June 1, the key contract rebounded due to the EU's ban on the import of crude oil from Russia in principle and the expectation of lifting the lockdown in Shanghai, China. The July contract closed at \$115.26/bbl up \$0.59/bbl from the previous trading day.

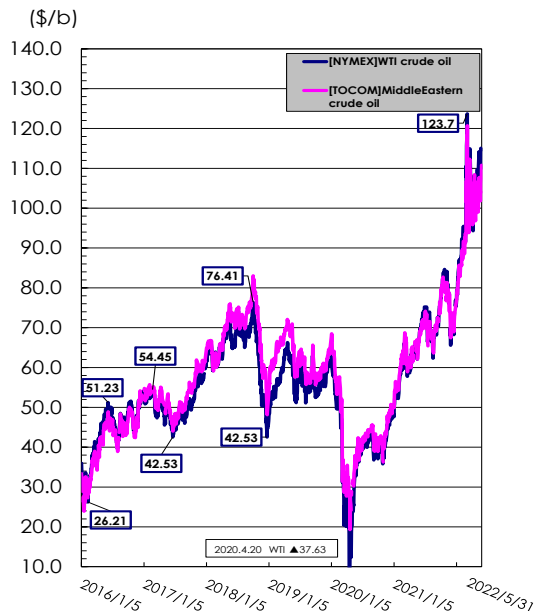
The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged from \$106.60/bbl to \$109.50/bbl on May 19-May 25 week. It closed at \$109.90/bbl on May 26, at \$111.30/bbl on May 27, at \$114.10/bbl on May 30, at \$117.50/bbl on May 31, at \$111.60/bbl on June 1.

On the foreign exchange market in the May 19-May 25 week, the dollar moved within a range of 126.98 yen and 128.43 yen. It changed hands at 127.51 yen in late trading on May 26, at 127.03 yen on May 27, at 127.02 yen on May 30, at 128.21 yen on May 31, at 128.93 yen on June 1.

According to preliminary 10-day trade statistics released by the Ministry of Finance on May 27, the average crude oil import CIF price for Japan in the early May period stood at 87,085 yen/kl (kiloliter), up 904 yen/kl from the previous 10-day period. In dollars, the price was \$108.01/bbl, down \$1.69/bbl. The average exchange rate was 128.18 yen to the dollar.

Japan's average retail price on May 30 lost by 0.6 yen/l from a week earlier for gasoline and lost by 0.6 yen/l for diesel oil and lost by 7 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the seventh straight week. Diesel oil price decreased for the seventh straight week. Kerosene price decreased for the sixth straight week. The national average gasoline price was 168.2 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy was 36.7 yen/l.

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	5/22 ~ 5/28	2,733	▼ -163	▲ -
	Topper capacity utilization rate (%)	"	71.0	▼ -4.3	▲ -
	Crude oil inventories (1,000 kl)	5/28	9,782	▲ 551	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/30	108.30	▲ 4.46	▲ 42.0
	WTI crude oil (NYMEX) (\$/bbl)	5/31	114.67	▲ 4.38	▲ 47.0
	Crude oil import CIF price (\$/bbl)	Early May	108.01	▼ -1.69	▲ 42.45
	①Crude oil import CIF price (yen/kl)	"	87,085	▲ 904	▲ 42,204
	②Yen-dollar exchange rate (yen/dollar)	"	128.18	▼ -3.28	▼ -19.34
	TTS exchange rate (yen/dollar)	5/30	128.02	▲ 0.76	▼ -17.26

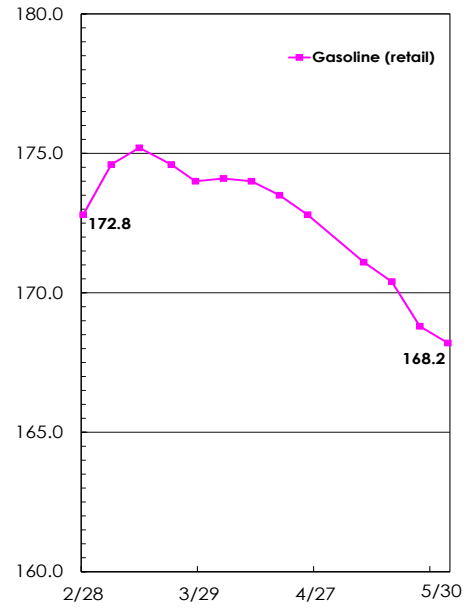


(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	5/22 ~ 5/28	799 ▼ -38	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	751 ▼ -7	▲ -	
	Exports	"	0 ▼ -165	▲ -	
	Inventories	5/28	1,676 ▲ 47	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/24 ~ 5/30	72.9 ▲ 1.1	▲ 11.8	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	5/24 ~ 5/30	74.8 ▲ 1.7	▲ 15.3
		(TOCOM/Chubu)	5/30	73.0 ➡ 0.0	▲ 12.8
	Retail prices [weekly trend] (published by ANRE)	5/30	168.2 ▼ -0.6	▲ 15.7	

*Gyoten and futures prices are before tax

(¥/L)

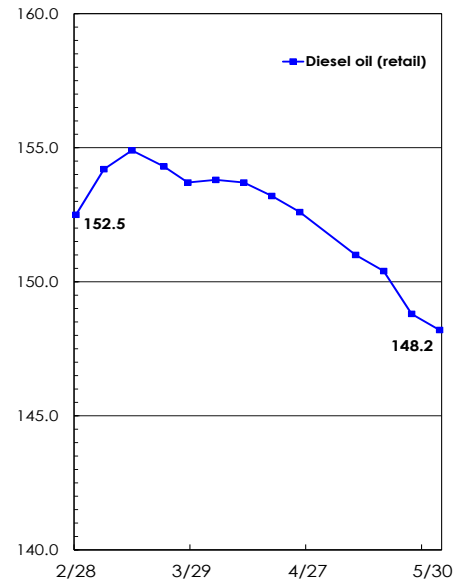


(Unit: 1,000 kl, yen/l)

Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	5/22 ~ 5/28	654 ▼ -119	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	723 ▲ 101	▲ -	
	Exports	"	126 ▼ -48	▲ -	
	Inventories	5/28	1,420 ▼ -196	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/24 ~ 5/30	73.8 ▲ 1.6	▲ 10.6	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	5/24 ~ 5/30	87.1 ▼ -1.5	▲ 21.8
		(TOCOM/Chubu)	5/30	-	-
	Retail prices [weekly trend] (published by ANRE)	5/30	148.2 ▼ -0.6	▲ 15.6	

*Gyoten and futures prices are before tax

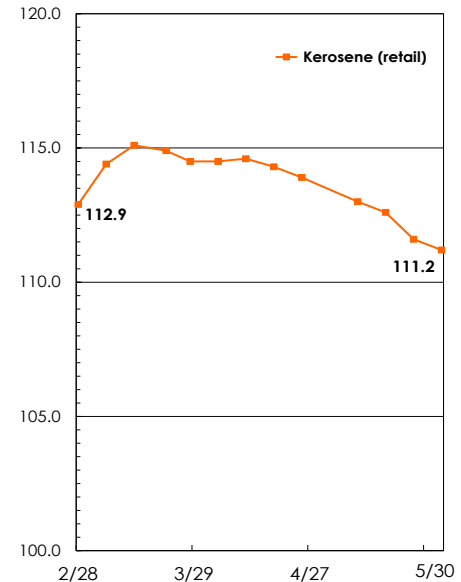
(¥/L)



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

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	5/22 ~ 5/28	108 ▼ -47	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	109 ▲ 23	▲ -	
	Exports	"	27 ▼ -20	▲ -	
	Inventories	5/28	1,299 ▼ -27	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/24 ~ 5/30	73.0 ▲ 1.2	▲ 10.4	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	5/24 ~ 5/30	74.1 ➡ 0.0	▲ 15.7
		(TOCOM/Chubu)	5/30	74.1 ▲ 0.1	▲ 12.7
	Retail prices [weekly trend] (published by ANRE)	5/30	111.2 ▼ -0.4	▲ 18.0	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On June 1, WTI crude oil futures price on NYMEX rebounded due to the EU's ban on importing crude oil from Russia (excluding pipeline-borne crude oil) last week, the expectations for the restart of economic activities by lifting lockdown in Shanghai, China on June 1 and a growing gasoline demand during the driving season in the U.S. However, the price rise was restricted by profit-taking selling in response to price hike. The market players' views were divided into two as to the result of the Member of OPEC Plus Ministerial Meeting schedule for June 2. Some market players expected to maintain the current framework of an increase in crude oil production. Other market players expected enlargement of an increase in crude oil production. The U.S. EIA (Energy Information Administration) would postpone its announcement of the weekly U.S. domestic oil inventory from June 1 to June 2 due to three consecutive holidays. The July contract closed at \$115.26/bbl up \$0.59/bbl from the previous trading day. The August contract closed at \$112.72/bbl up \$0.81/bbl from the previous trading day.

According to the EIA, the average U.S. retail price of gasoline as of May 30 increased by 3.1 cents per gallon from a week earlier to \$4.624/gal (156.2 yen/l). The average diesel oil price decreased by 3.2 cents per gallon to \$5.539/gal (187.1 yen/l). The gasoline price increased for the sixth straight week. Diesel oil price decreased for the third straight week.

Baker Hughes reported on May 27 that the number of operating U.S. oil-drilling rigs decreased by two units from a week earlier to 574 units, decreasing for the first time in 10 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 May 22-May 28 week in 2022 stood at 660,000 barrels per day, increasing by 157,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 163,000 kl from the previous week to 2,733,000 kl. From a year earlier, it increased by 312,000 kl. The topper capacity utilization rate stood at 71.0%, down 4.3 points from the previous week and up 8.1 points from a year earlier.

Production increased from the previous week for Fuel Oil A and decreased for other petroleum products. Output was down 4.5% for gasoline, down 19.0% for jet fuel, down 30.4% for kerosene, down 15.5% for diesel oil, up 8.9% for Fuel Oil A, and down 12.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 28,000 kl, up 28,000 kl from the previous week. Diesel oil exports aggregated 126,000 kl, down 48,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene, diesel oil, and Fuel Oil C and decreased for other oil products. From a year earlier, shipments declined for jet fuel and expanded for other petroleum products. Gasoline shipments decreased by 0.8% from the previous week to 751,000 kl, decreasing for the third straight week. Shipments totaled 90,000 kl for jet fuel (down 5.7% from

the previous week), 109,000 kl for kerosene up 26.7% from the previous week), 723,000 kl for diesel oil (up 16.2% from the previous week), 184,000 kl for Fuel Oil A (down 1.8% from the previous week), and 212,000 kl for Fuel Oil C (up 16.1% from the previous week).

	This week (5/22 ~ 5/28)	Previous week (5/15 ~ 5/21)	From a week earlier	
Gasoline	751	758	▼ -7	(-1%)
Jet fuel	90	95	▼ -5	(-5%)
Kerosene (heating Oil)	109	86	▲ 23	(27%)
Diesel oil	723	622	▲ 101	(16%)
Fuel oil A	184	187	▼ -3	(-2%)
Fuel Oil C	212	183	▲ 29	(16%)
Total	2,069	1,931	▲ 138	(7%)

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 May 30 increased for gasoline, jet fuel, Fuel Oil A and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for jet fuel and declined for other petroleum products.

Gasoline inventories totaled 1,676,000 kl, up 47,000 kl from a week earlier and down 597,000 kl from a year earlier.

Kerosene inventories totaled 1,299,000kl, down 27,000 kl from a week earlier and down 264,000 kl from a year earlier.

Diesel oil inventories totaled 1,420,000 kl, down 196,000 kl from a week earlier and down 494,000 kl from a year earlier.

Fuel Oil A inventories totaled 724,000 kl, up 5,000 kl from a week earlier and down 61,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,770,000 kl, up 7,000 kl from a week earlier and down 196,000 kl from a year earlier.

	This week (5/28)	Previous week (5/21)	From a week earlier	
Gasoline	1,676	1,629	▲ 47	(3%)
Jet fuel	826	824	▲ 2	(0%)
Kerosene (heating Oil)	1,299	1,326	▼ -27	(-2%)
Diesel oil	1,420	1,616	▼ -196	(-12%)
Fuel oil A	724	719	▲ 5	(1%)
Fuel Oil C	1,777	1,770	▲ 7	(0%)
Total	7,722	7,884	▼ -162	(-2.1%)

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

During May 24-May 30, crude oil cost in yen increased by 4.0 yen/l from a week earlier with an increase in crude oil price, the appreciation of the yen to the US dollar, and the adjustment amount for the Middle East crude oil for shipment in May 2022.

For the next week of June 2-June 8, Motouri companies increased their real wholesale prices by 4.6 yen/l for gasoline, kerosene, and diesel oil from a week earlier, because subsidy of 36.7 yen/l (38.5 yen/l on the calculation. The half of the subsidy amount is given for an increase exceeding 35 yen/l level) from this week was added to an increase in cost of 41.3 yen/l including the previous week's subsidy of 37.3 yen/l.

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

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

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the May 24-May 30) increased by 1.1 yen/l from the previous week (May 17-May 23) for gasoline, increased by 1.2 yen/l for kerosene and increased by 1.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.4 yen/l for gasoline, increased by 2.5 yen/l for kerosene and increased by 1.5 yen/l for diesel oil on May 24-May 30 week from the previous week.

The key average futures price increased by 1.7 yen/l for gasoline, leveled off for kerosene and decreased by 1.5 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (5/24 ~ 5/30)	Previous week (5/17 ~ 5/23)	From a week earlier
Spot Prices	Regular	72.9	71.8	▲ 1.1
	Kerosene	73.0	71.8	▲ 1.2
	Diesel oil	73.8	72.2	▲ 1.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (5/24 ~ 5/30)	Previous week (5/17 ~ 5/23)	From a week earlier
Futures Price	Regular	74.8	73.1	▲ 1.7
	Kerosene	74.1	74.1	▶ 0.0
	Diesel oil	87.1	88.6	▼ -1.5

Above prices are before tax.

Reference (MAY 24 - MAY 30 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 1.1	▲ 1.7	▲ 1.4
Kerosene	▲ 1.2	▶ 0.0	▲ 0.6
Diesel oil	▲ 1.6	▼ -1.5	▲ 0.1
Fuel Oil A	▲ 1.1		

(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 May 30 decreased by 0.6 yen from a week earlier to 168.2 yen/l for gasoline, decreased by 0.6 yen to 148.2 yen/l for diesel oil and decreased by 7 yen/l to 2,002 yen for kerosene on an 18-liter tank basis (decreased by 0.4 yen/l to 111.2 yen/l) from a week earlier. The gasoline price decreased for the seventh straight week. Diesel oil price decreased for the seventh straight week. Kerosene price decreased for the sixth straight week.

Gasoline prices increased in five prefectures, leveled off in two prefectures and decreased in 40 prefectures. The lowest gasoline price among the prefectures was 161.4 yen/l in Saitama. The second lowest was 161.5 yen/l in Iwate. The highest price was 181.5 yen/l in Nagasaki. Gunma logged the largest price hike of 0.9 yen/l. The price leveled off in Yamagata and Toyama. Kagawa logged the largest price fall of 2.5 yen/l.

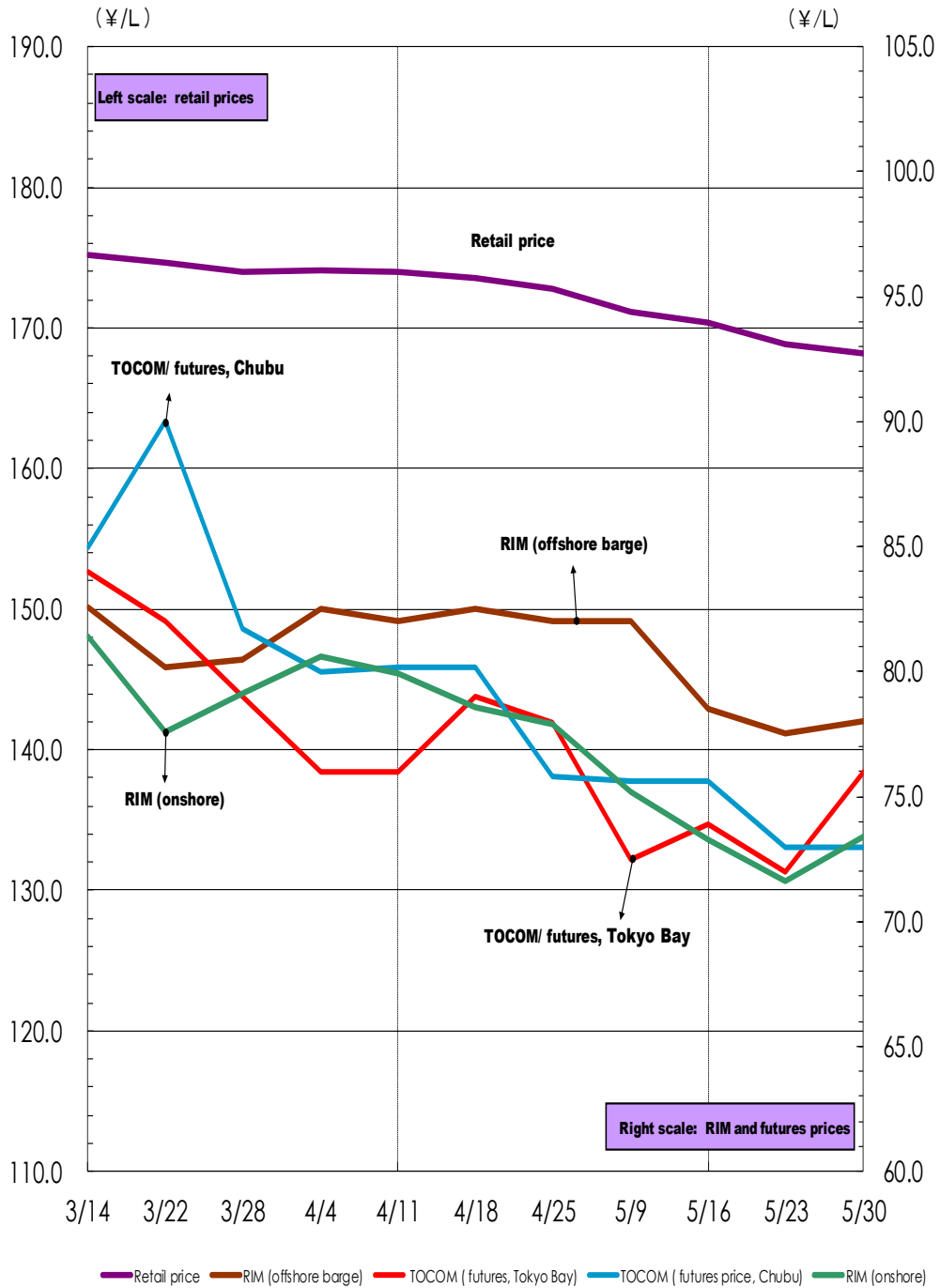
Retail gasoline price on the next price survey day (June 6) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/30)	Previous week (5/23)	From a week earlier	Latest high
Retail Price	Regular	168.2	168.8	▼ -0.6	08/8/4 185.1
	Kerosene	111.2	111.6	▼ -0.4	08/8/11 132.1
	Diesel oil	148.2	148.8	▼ -0.6	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

(2022/3/14 ~ 2022/5/30)



(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. 10 for 2022) will be announced on June 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).