

Oil Market Review in Japan No. 10/2022

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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 May 26 - June 1 week moved within a range of \$114.09 per barrel and \$115.26/bbl.

On June 2, the key contract rose further. The Member of OPEC (Organization of the Petroleum Exporting Countries) Plus decided to enlarge the amount of an increase in crude oil production from the current 0.432 million b/d to 0.658 million b/d for July and August 2022 in its Ministerial Meeting held online. Most of the market players regarded the amount of the increase in crude oil production as too small, considering the amount of a decrease in crude oil production by Russia due to economic sanctions and the market expectations. According to the U.S. EIA (Energy Information Administration) Weekly Report announced on this day, the U.S. domestic inventory decreased by 5.1 million bbl from the previous week, which was more than the market expectation. A decrease in inventory for gasoline was another factor in raising crude oil futures price. The July contract closed at \$116.87/bbl up \$1.61/bbl from the previous trading day.

On June 3, the key contract rose for the third straight trading day. The market players understood that the amount of an increase in crude oil production decided by the Member of OPEC Plus on the previous day was too small to compensate for a decrease in crude oil production by Russia. A robust performance in the U.S. Employment Statistics announced on this day, a decrease in the U.S. domestic inventory for crude oil announced on the previous day, and the expectations for an upcoming modest increase in raising the U.S. interest rate were also factors for raising crude oil price. The July contract closed at \$118.87/bbl up \$2.00/bbl from the previous trading day.

On June 6, the key contract turned down for the first time in four trading days due to profit-taking selling after a temporary hike by the expectations for the recent tight oil demand and supply and the announcement of a hike in adjustment money of Saudi Arabia's crude oil bound for Asia for July 2022. The July contract closed at \$118.50/bbl down \$0.37/bbl from the previous trading day.

On June 7, the key contract rebounded to the expectations for economic recovery after the lifting of the lockdown of major cities in China. In addition, Goldman Sacks announced a robust outlook for crude oil price. Price hike in the U.S. stock market was another factor in raising crude oil price. However, the price rise was restricted by a downward revision of the world economic growth outlook for 2022 announced by the World Bank (an increase by 2.6%, minus 1.2 points from the previous outlook) and the expectations for a significant increase in the U.S. interest rate. The July contract closed at \$119.41/bbl up \$0.91/bbl from the previous trading day.

On June 8, the key contract rose further by the expectations for China's economic recovery for several days, the strike by oil workers in Norway, and the IAEA's (International Atomic Energy Agency) announcement of Iran's obstruction of surveillance for nuclear facilities. The U.S. domestic inventory increased for crude oil last weekend but decreased for gasoline against the market expectations. Buying and selling were mixed in the market. The July contract closed at \$122.11/bbl up \$2.70/bbl from the previous trading day.

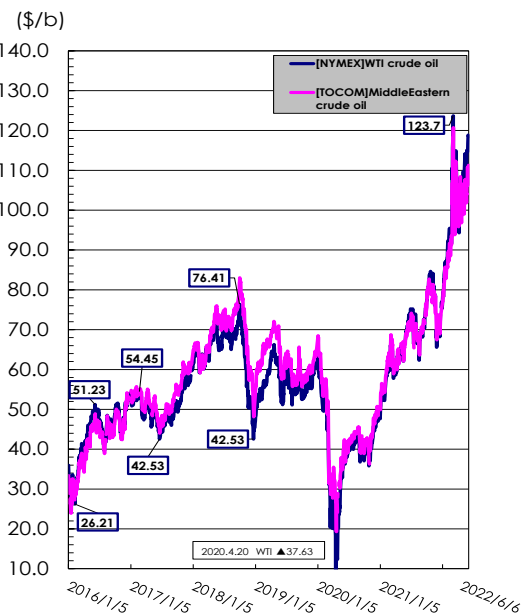
The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged from \$109.90/bbl to \$117.50/bbl on May 26 - June 1 week. It closed at \$110.20/bbl on June 2, at \$113.10/bbl on June 3, at \$115.50/bbl on June 6, at \$115.60/bbl on June 7, at \$116.50/bbl on June 8.

On the foreign exchange market in the May 26 - June 1 week, the dollar moved within a range of 127.02 yen and 128.93 yen. It changed hands at 130.06 yen in late trading on June 2, at 129.83 yen on June 3, at 130.84 yen on June 6, at 132.24 yen on June 7, at 132.81 yen on June 8.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 7, the average crude oil import CIF price for Japan in the mid-May period stood at 87,334 yen/kl (kiloliter), up 249 yen/kl from the previous 10-day period. In dollars, the price was \$107.16/bbl, down \$0.85/bbl. The average exchange rate was 129.57 yen to the dollar.

Japan's average retail price on June 6 gained by 1.6 yen/l from a week earlier for gasoline and gained by 1.6 yen/l for diesel oil and gained by 16 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in eight weeks. Diesel oil price increased for the first time in eight weeks. Kerosene price increased for the first time in seven weeks. The national average gasoline price was 169.8 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy was 38.8 yen/l.

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	5/29 ~ 6/4	2,642	▼ -91	▲ -
	Topper capacity utilization rate (%)	"	68.6	▼ -2.4	▲ -
	Crude oil inventories (1,000 kl)	6/4	9,858	▲ 76	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/6	111.26	▲ 2.96	▲ 42.7
	WTI crude oil (NYMEX) (\$/bbl)	6/6	118.50	▲ 3.83	▲ 49.3
	Crude oil import CIF price (\$/bbl)	Mid May	107.16	▼ -0.85	▲ 41.60
	① Crude oil import CIF price (yen/kl)	"	87,334	▲ 249	▲ 42,453
	② Yen-dollar exchange rate (yen/dollar)	"	129.57	▼ -1.39	▼ -20.73
	TTS exchange rate (yen/dollar)	6/6	131.84	▼ -3.82	▼ -21.27

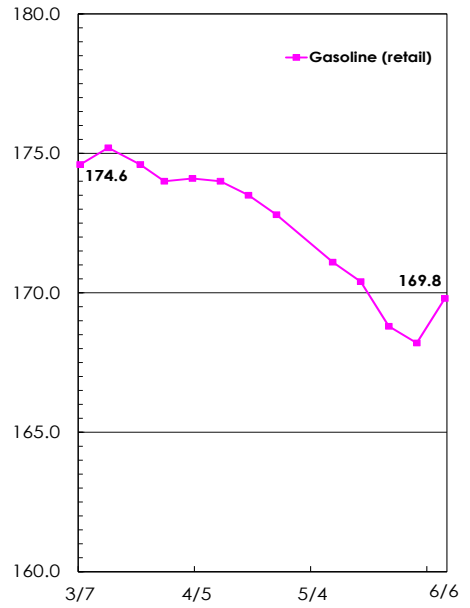


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/29 ~ 6/4	842	▲ 43	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	859	▲ 108	▲ -	
	Exports	"	42	▲ 42	▲ -	
	Inventories	6/4	1,617	▼ -59	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/31 ~ 6/6	77.2	▲ 4.3	▲ 14.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/31 ~ 6/6	78.1	▲ 3.3	▲ 16.7
		(TOCOM/ Chubu)	6/6	74.0	▲ 1.0	▲ 11.8
	Retail prices [weekly trend] (published by ANRE)	6/6	169.8	▲ 1.6	▲ 16.9	

*Gyoten and futures prices are before tax

(¥/L)

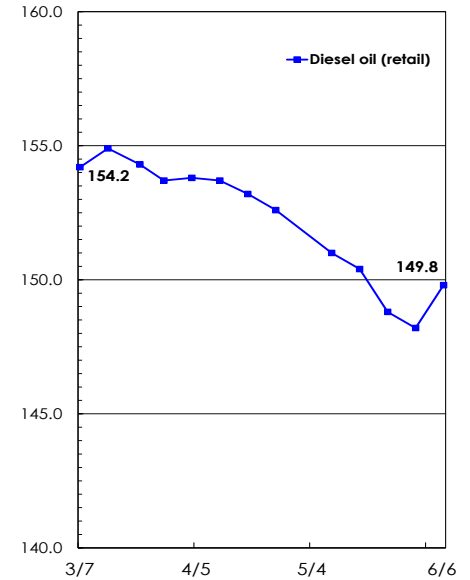


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/29 ~ 6/4	769	▲ 115	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	662	▼ -61	▲ -	
	Exports	"	281	▲ 155	▲ -	
	Inventories	6/4	1,246	▼ -174	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/31 ~ 6/6	77.4	▲ 3.6	▲ 12.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/31 ~ 6/6	90.6	▲ 3.5	▲ 23.7
		(TOCOM/ Chubu)	6/6	-	-	-
	Retail prices [weekly trend] (published by ANRE)	6/6	149.8	▲ 1.6	▲ 16.7	

*Gyoten and futures prices are before tax

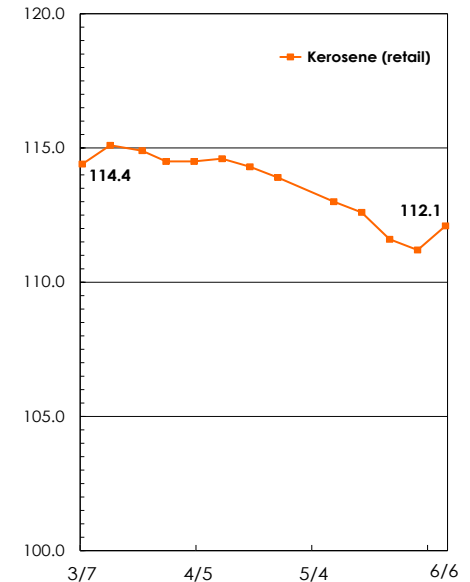
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/29 ~ 6/4	92	▼ -16	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	126	▲ 17	▼ -	
	Exports	"	0	▼ -27	▲ -	
	Inventories	6/4	1,265	▼ -34	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/31 ~ 6/6	77.1	▲ 4.1	▲ 12.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/31 ~ 6/6	76.2	▲ 2.1	▲ 15.9
		(TOCOM/ Chubu)	6/6	74.1	▶ 0.0	▲ 10.1
	Retail prices [weekly trend] (published by ANRE)	6/6	112.1	▲ 0.9	▲ 18.5	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On June 8, WTI crude oil futures price on NYMEX rose further to the expectations for economic recovery after the recent lifting of lockdown in China, strike by oil workers in Norway, and the IAEA's (International Atomic Energy Agency) announcement of Iran's obstruction of surveillance for nuclear facilities. The market players recognized the negative effect on talks on JCPOA (Joint Comprehensive Plan of Action), raising concerns about the postponement of lifting economic sanctions, and a sense of overvalued crude oil futures price caused by the appreciation of the Euro and the depreciation of the U.S. dollar. According to the U.S. EIA Weekly Report announced on this day, the U.S. domestic inventory increased by 2 million bbl last weekend against the market expectations but decreased by 0.8 million bbl, which was also against the market expectations. Buying and selling were mixed in the market. The July contract closed at \$122.11/bbl up \$2.70/bbl from the previous trading day. The August contract closed at \$119.78/bbl up \$2.68/bbl from the previous trading day.

According to the EIA, the average U.S. retail price of gasoline as of June 6 increased by 25.2 cents per gallon from a week earlier to \$4.876/gal (169.6 yen/l), reaching the record-high level. The average diesel oil price increased by 16.4 cents per gallon to \$5.703/gal (198.4 yen/l). The gasoline price increased for the seventh straight week. Diesel oil price increased for the first time in four weeks. Gasoline reached the highest price in the past.

Baker Hughes reported on June 3 that the number of operating U.S. oil-drilling rigs leveled off from a week earlier at 574 units, stopping a decrease for the first time in two 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 29 - June 4 week in 2022 stood at 862,000 barrels per day, increasing by 201,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 91,000 kl from the previous week to 2,642,000 kl. From a year earlier, it increased by 239,000 kl. The topper capacity utilization rate stood at 68.6%, down 2.4 points from the previous week and up 6.2 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel, and diesel oil and decreased for other petroleum products. Output was up 5.4% for gasoline, up 5.1% for jet fuel, down 14.5% for kerosene, up 17.6% for diesel oil, down 20.4% for Fuel Oil A, and down 12.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 73,000 kl, up 46,000 kl from the previous week. Diesel oil exports aggregated 281,000 kl, up 155,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline, jet fuel, kerosene, and Fuel Oil A and decreased for other oil products. From a year earlier, shipments declined for kerosene and Fuel Oil C and expanded for other petroleum products. Gasoline shipments increased by 14.3% from the previous week to 859,000 kl, increasing for the first time in four weeks. Shipments totaled 93,000 kl for jet fuel

(up 3.3% from the previous week), 126,000 kl for kerosene up 16.0% from the previous week), 662,000 kl for diesel oil (down 8.5% from the previous week), 212,000 kl for Fuel Oil A (up 15.1% from the previous week), and 185,000 kl for Fuel Oil C (down 12.9% from the previous week).

(Unit: 1,000 kl)

	This week (5/29 ~ 6/4)	Previous week (5/22 ~ 5/28)	From a week earlier
Gasoline	859	751	▲ 108 (14%)
Jet fuel	93	90	▲ 3 (3%)
Kerosene (heating Oil)	126	109	▲ 17 (16%)
Diesel oil	662	723	▼ -61 (-8%)
Fuel oil A	212	184	▲ 28 (15%)
Fuel Oil C	185	212	▼ -27 (-13%)
Total	2,137	2,069	▲ 68 (3%)

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 June 4 increased for jet fuel 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 1,617,000 kl, down 59,000 kl from a week earlier and down 655,000 kl from a year earlier.

Kerosene inventories totaled 1,265,000kl, down 34,000 kl from a week earlier and down 306,000 kl from a year earlier.

Diesel oil inventories totaled 1,246,000 kl, down 174,000 kl from a week earlier and down 720,000 kl from a year earlier.

Fuel Oil A inventories totaled 673,000 kl, down 51,000 kl from a week earlier and down 107,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,842,000 kl, up 65,000 kl from a week earlier and down 148,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/4)	Previous week (5/28)	From a week earlier
Gasoline	1,617	1,676	▼ -59 (-4%)
Jet fuel	829	826	▲ 3 (0%)
Kerosene (heating Oil)	1,265	1,299	▼ -34 (-3%)
Diesel oil	1,246	1,420	▼ -174 (-12%)
Fuel oil A	673	724	▼ -51 (-7%)
Fuel Oil C	1,842	1,777	▲ 65 (4%)
Total	7,472	7,722	▼ -250 (-3.2%)

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

During May 31 - June 6, crude oil cost in yen increased by 4.0 yen/l from a week earlier with an increase in crude oil price, and the depreciation of the yen to the US dollar.

For the next week of June 9- June 15, Motouri companies increased their real wholesale prices by 1.9 yen/l for gasoline, kerosene, and diesel oil from a week earlier, because subsidy of 38.8 yen/l (42.6 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 40.7 yen/l including the previous week's subsidy of 36.7 yen/l.

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

Spot petroleum products prices in the May 31 - June 6 week increased for all oil products in all trading compared to the period of May 24-May 30.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the May 31 - June 6) increased by 4.3 yen/l from the previous week (May 24-May 30) for gasoline, increased by 4.1 yen/l for kerosene and increased by 3.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 2.4 yen/l for gasoline, increased by 3.0 yen/l for kerosene and increased by 3.5 yen/l for diesel oil on May 31 - June 6 week from the previous week.

The key average futures price increased by 3.3 yen/l for gasoline, increased by 2.1 yen/l for kerosene and increased by 3.5 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (5/31 ~ 6/6)	Previous week (5/24 ~ 5/30)	From a week earlier
Spot Prices	Regular	77.2	72.9	▲ 4.3
	Kerosene	77.1	73.0	▲ 4.1
	Diesel oil	77.4	73.8	▲ 3.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (5/31 ~ 6/6)	Previous week (5/24 ~ 5/30)	From a week earlier
Futures Price	Regular	78.1	74.8	▲ 3.3
	Kerosene	76.2	74.1	▲ 2.1
	Diesel oil	90.6	87.1	▲ 3.5

Above prices are before tax.

Reference (MAY 31 - JUNE 6 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 4.3	▲ 3.3	▲ 3.8
Kerosene	▲ 4.1	▲ 2.1	▲ 3.1
Diesel oil	▲ 3.6	▲ 3.5	▲ 3.5
Fuel Oil A	▲ 4.2		

(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 June 6 increased by 1.6 yen from a week earlier to 169.8 yen/l for gasoline, increased by 1.6 yen to 149.8 yen/l for diesel oil and increased by 16 yen/l to 2,018 yen for kerosene on an 18-liter tank basis (increased by 0.9 yen/l to 112.1 yen/l) from a week earlier. The gasoline price increased for the first time in eight weeks. Diesel oil price increased for the first time in eight weeks. Kerosene price increased for the first time in seven weeks.

Gasoline prices increased in 41 prefectures, leveled off in one prefecture and decreased in five prefectures. The lowest gasoline price among the prefectures was 163.4 yen/l in Miyagi. The second lowest was 163.5 yen/l in Saitama. The highest price was 181.7 yen/l in Nagasaki. Shimane logged the largest price hike of 4.1 yen/l. The price leveled off in Koichi. Oita logged the largest price fall of 0.9 yen/l.

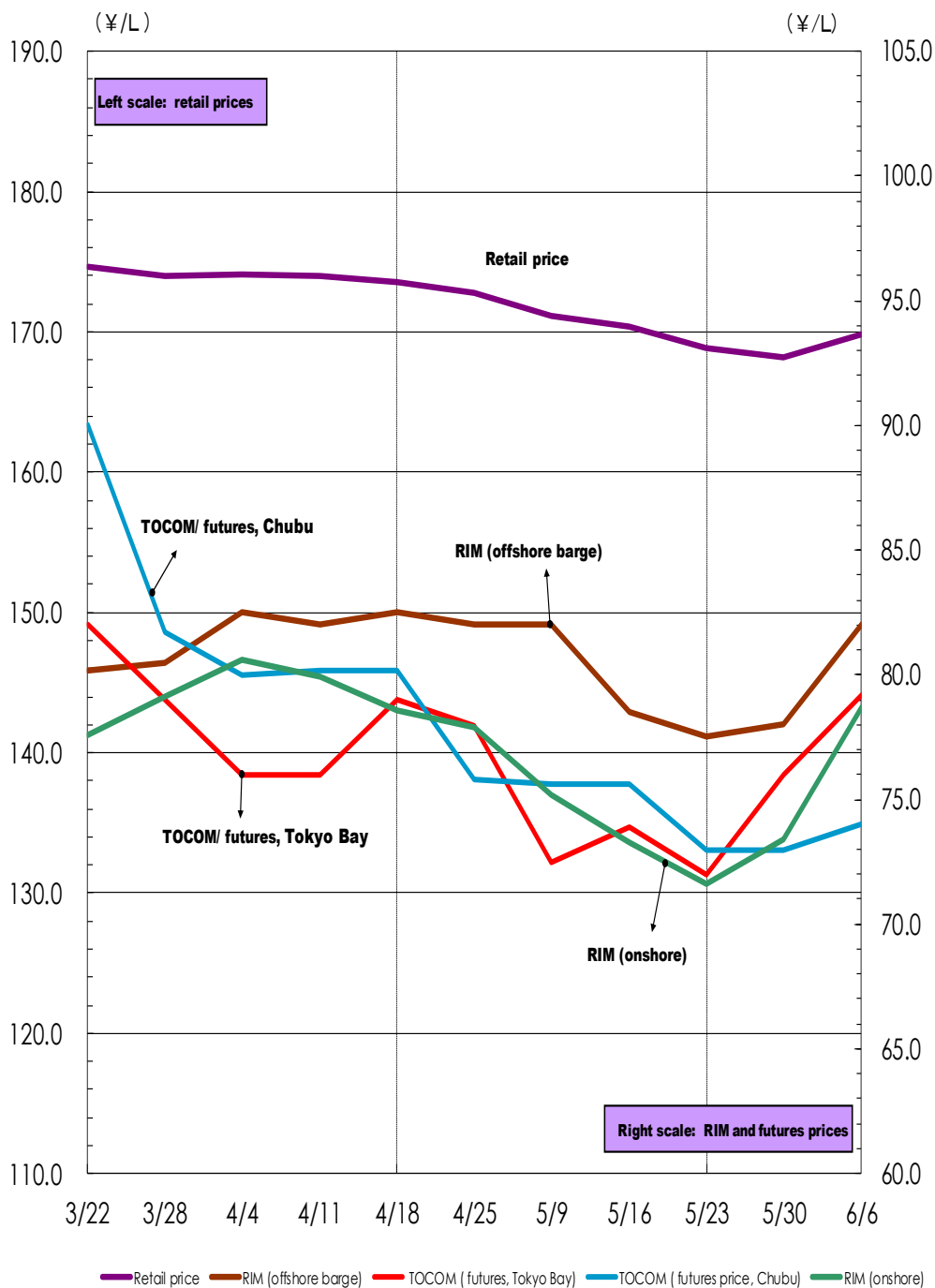
Retail gasoline price on the next price survey day (June 13) is expected to increase from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/6)	Previous week (5/30)	From a week earlier	Latest high
Retail Price	Regular	169.8	168.2	▲ 1.6	08/8/4 185.1
	Kerosene	112.1	111.2	▲ 0.9	08/8/11 132.1
	Diesel oil	149.8	148.2	▲ 1.6	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

(2022/3/22 ~ 2022/6/6)



(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. 11 for 2022) will be announced on June 24.

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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).