

Oil Market Review in Japan No. 16/2022

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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 July 7 -July 13 week moved within a range of \$95.84 per barrel and \$104.79/bbl.

On July 14, the key contract turned down due to enhanced concerns about recession. Market players expected that the U.S. would raise its interest rate by 1.0% from 0.75%, the previously expected. The U.S. wholesale price index for June 2022, announced on this day, logged an increase of 1.1% from the previous month, which was more than the market expectation. The August contract closed at \$95.78/bbl down \$0.52/bbl from the previous trading day.

On July 15, the key contract rebounded due to the expectation that it would be difficult for Saudi Arabia to increase its crude oil production in response to the U.S. request. U.S. President Biden visited Saudi Arabia and both countries would hold a meeting soon. In addition, buying trend prevailed in response to the recent low prices and position-adjustment. The August contract closed at \$97.59/bbl up \$1.81/bbl from the previous trading day.

On July 18, the key contract rose further due to enhanced concerns about energy demand and supply as a whole. As expected, Saudi Arabia and the main oil-producing countries had no positive statements about increasing crude oil production in the Summit Meeting of the U.S. and Saudi Arabia and in the enlarged GCC (Gulf Coast Countries) Summit Meeting. Moreover, on this day, Russian state company Gazprom reportedly notified that the company would not be able to assure natural gas supply to its European customers due to force majeure. The August contract closed at \$102.60/bbl up \$5.01/bbl from the previous trading day.

On July 19, the key contract rose further for the third straight trading day. Concerns about recession receded by the expectation that the U.S. would raise its interest rate by 0.75%, within the previous expectation. In addition, the market players felt a sense of overvalued crude oil futures price by the depreciation of the U.S. dollar to the Euro. Other factors raising the price were the cautious attitude toward increasing crude oil production by the Middle East oil-producing countries from the previous day and notification of outage for gas supply assurance by Gazprom. On the other hand, the price rise was restricted by resuming the operation of Russia's "Nord Stream" gas pipeline to Germany. The August contract closed at \$104.22/bbl up \$1.62/bbl from the previous trading day.

On July 20, the key contract turned down for the first time in four trading days. According to the U.S. EIA Weekly Report, the U.S. domestic crude oil inventory decreased the last weekend from the previous week. However, gasoline inventory increased during the high driving season, which was against the market expectation. In addition, selling trend prevailed due to concerns about recession by the recent interest rate rise. The August contract closed at \$102.26/bbl down \$1.96/bbl from the previous trading day.

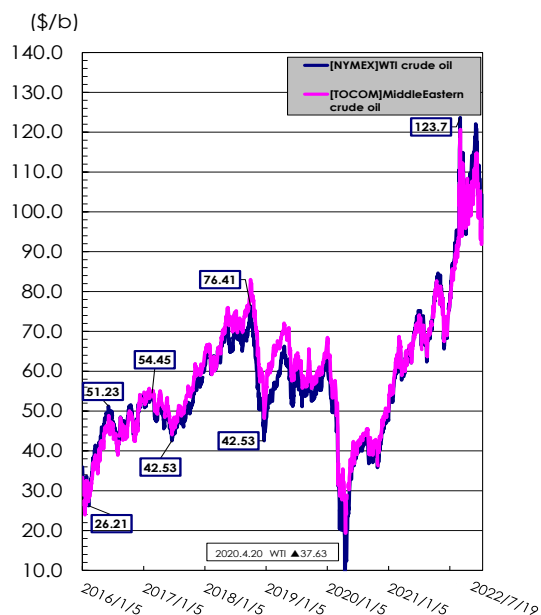
The Asian benchmark crude oil of Dubai for August delivery on the Tokyo market ranged from \$97.40/bbl to \$102.50/bbl on July 7 -July 13 week. It closed at \$97.20/bbl on July 14, at \$96.60/bbl on July 15, at \$104.40/bbl on July 19, at \$104.50/bbl on July 20.

On the foreign exchange market in the July 7 -July 13 week, the dollar moved within a range of 135.88 yen and 137.24 yen. It changed hands at 138.00 yen in late trading on July 14, at 138.94 yen on July 15, at 138.25 yen on July 19, at 138.17 yen on July 20.

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 98,995 yen/kl (kiloliter), up 3,437 yen/kl from the previous 10-day period. In dollars, the price was \$117.79/bbl, up \$0.444/bbl. The average exchange rate was 133.61 yen to the dollar. The average crude oil import CIF price for Japan in the June period stood at 95,876 yen/kl (kiloliter), up 8,308 yen/kl from the previous 10-day period. In dollars, the price was \$116.92/bbl, up \$9.18/bbl. The average exchange rate was 130.37 yen to the dollar.

Japan's average retail price on July 19 lost by 1.3 yen/l from a week earlier for gasoline and lost by 1.1 yen/l for diesel oil and lost by 13 yen/l for kerosene on an 18-liter tank basis. The gasoline price decreased for the third straight week. Diesel oil price decreased for the third straight week. Kerosene price decreased for the third straight week. The national average gasoline price was 171.4 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy was 36.6 yen/l.

Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/10 ~ 7/16	2,737	▼ -4	▲ -
	Topper capacity utilization rate (%)	"	71.1	▼ -0.2	▲ -
	Crude oil inventories (1,000 kl)	7/16	10,400	▼ -446	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/19	98.15	▲ 0.70	▲ 27.9
	WTI crude oil (NYMEX) (\$/bbl)	7/18	102.60	▼ -1.49	▲ 36.2
	Crude oil import CIF price (\$/bbl)	Late Jun	117.79	▲ 0.44	▲ 48.67
	① Crude oil import CIF price (yen/kl)	"	98,995	▲ 3,437	▲ 51,391
	② Yen-dollar exchange rate (yen/dollar)	"	133.61	▼ -4.13	▼ -24.12
	TTS exchange rate (yen/dollar)	7/19	139.25	▼ -1.78	▼ -28.37

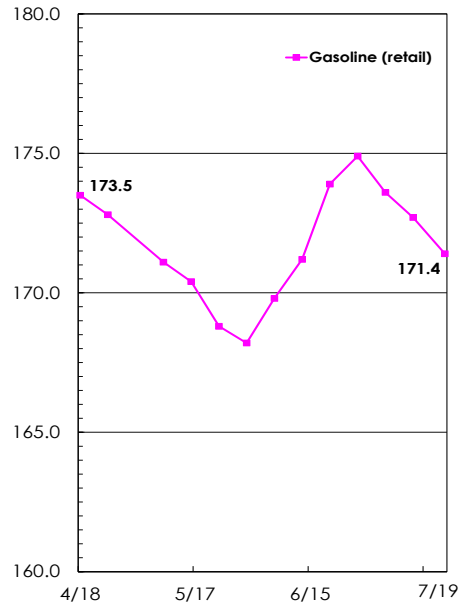


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/10 ~ 7/16	917	▼ -16	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	841	▼ -184	▲ -	
	Exports	"	40	▲ 36	▲ -	
	Inventories	7/16	1,406	▲ 36	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/12 ~ 7/18	76.2	▼ -0.9	▲ 8.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/12 ~ 7/18	81.3	▼ -4.0	▲ 15.5
		(TOCOM/ Chubu)	7/15	77.0	➡ 0.0	▲ 10.0
	Retail prices [weekly trend] (published by ANRE)	7/19	171.4	▼ -1.3	▲ 13.1	

*Gyoten and futures prices are before tax

(¥/L)

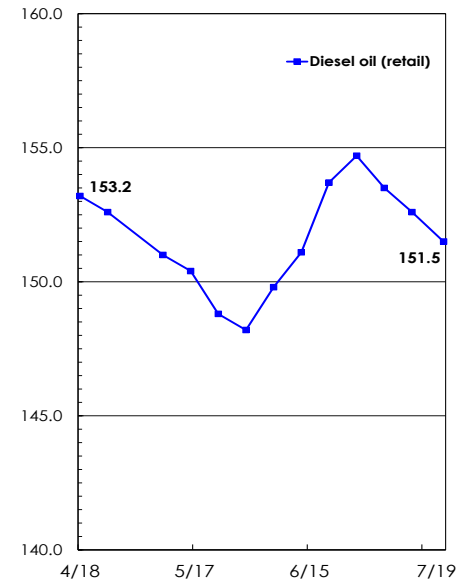


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/10 ~ 7/16	821	▲ 51	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	594	▼ -133	▲ -	
	Exports	"	92	▼ -2	▼ -	
	Inventories	7/16	1,416	▲ 135	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/12 ~ 7/18	75.3	▼ -1.3	▲ 5.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/12 ~ 7/18	81.1	▼ -8.8	▲ 12.1
		(TOCOM/ Chubu)	7/15	-	-	-
	Retail prices [weekly trend] (published by ANRE)	7/19	151.5	▼ -1.1	▲ 13.3	

*Gyoten and futures prices are before tax

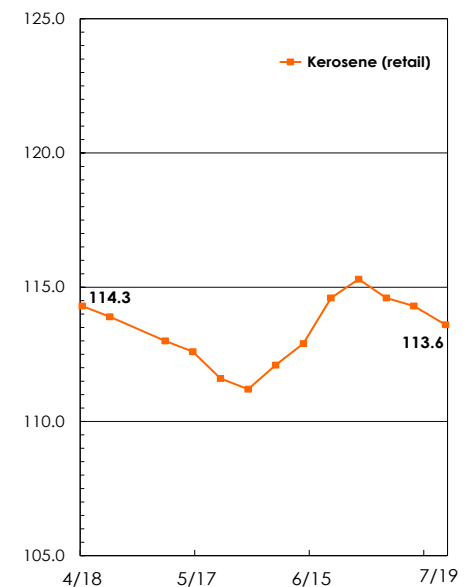
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/10 ~ 7/16	45	▼ -89	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	7	▼ -91	▼ -	
	Exports	"	25	▲ 5	▼ -	
	Inventories	7/16	1,419	▲ 13	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/12 ~ 7/18	75.2	▼ -1.2	▲ 6.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/12 ~ 7/18	80.0	➡ 0.0	▲ 17.3
		(TOCOM/ Chubu)	7/15	74.5	▼ -2.5	▲ 9.0
	Retail prices [weekly trend] (published by ANRE)	7/19	113.6	▼ -0.7	▲ 16.2	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On the crude oil futures market, factors for dropping crude oil price preceded such as concerns about recession and a decrease in oil demand caused by interest rate rise. However, later, the market players recognized that factors for raising price were oil-producing countries' no response to the visit to Saudi Arabia and request for increasing crude oil production by U.S. President Biden and concerns about tight energy demand and supply as a whole caused by concerns about Russia's natural gas supply. WTI end price increased to \$102.26/bbl on July 20 from \$95.78/bbl on July 14.

According to the U.S. EIA Weekly Report announced on July 20, the U.S. domestic inventory as of July 15 decreased by 0.4 million bbl for crude oil from the previous week against the market expectation of an increase by 1.4 million bbl, but increased for gasoline by 3.5 million bbl amid high driving season, which caused concerns about diminishing oil demand.

According to the EIA, the average U.S. retail price of gasoline as of July 18 decreased by 1.56 cents per gallon from a week earlier to \$4.490/gal (165.8 yen/l), decreasing for the fifth straight week. The average U.S. retail price of diesel oil as of July 18 decreased by 1.36 cents per gallon from a week earlier to \$5.432/gal (200.6 yen/l), decreasing for the fourth straight week.

Baker Hughes reported on July 15 that the number of operating U.S. oil-drilling rigs increased by two units from a week earlier to 599 units, increasing for the seventh straight week and the highest level since March 2020, before the outbreaks of the coronavirus.

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 10-July 16 week in 2022 stood at 738,000 barrels per day, decreasing by 0 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 4,000 kl from the previous week to 2,737,000 kl. From a year earlier, it increased by 253,000 kl. The topper capacity utilization rate stood at 71.1%, down 0.2 points from the previous week and up 6.5 points from a year earlier.

Production increased from the previous week for jet fuel, diesel oil, and Fuel Oil A and decreased for other petroleum products. Output was down 1.7% for gasoline, up 32.5% for jet fuel, down 66.3% for kerosene, up 6.6% for diesel oil, up 18.2% for Fuel Oil A, and down 39.6% for Fuel Oil C. Fuel Oil C imports in the week totaled 29,000 kl, down 17,000 kl from the previous week. Diesel oil exports aggregated 92,000 kl, down 2,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for all oil products. From a year earlier, shipments declined for kerosene and Fuel Oil C and expanded for other petroleum products. Gasoline shipments decreased by 18.0% from the previous week to 841,000 kl, decreasing for the first time in three weeks. Shipments totaled 78,000 kl for jet fuel (down 8.4% from the previous week), 7,000 kl for kerosene

(down 93.3% from the previous week), 594,000 kl for diesel oil (down 18.3% from the previous week), 153,000 kl for Fuel Oil A (down 20.7% from the previous week), and 163,000 kl for Fuel Oil C (down 23.2% from the previous week).

(Unit: 1,000 kl)

	This week (7/10 ~ 7/16)	Previous week (7/3 ~ 7/9)	From a week earlier
Gasoline	841	1,025	▼ -184 (-18%)
Jet fuel	78	86	▼ -8 (-9%)
Kerosene (heating Oil)	7	98	▼ -91 (-93%)
Diesel oil	594	727	▼ -133 (-18%)
Fuel oil A	153	193	▼ -40 (-21%)
Fuel Oil C	163	212	▼ -49 (-23%)
Total	1,836	2,341	▼ -505 (-22%)

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 16 decreased for Fuel Oil C and increased for other petroleum products. From a year earlier, inventories decreased for all petroleum products.

Gasoline inventories totaled 1,406,000 kl, up 36,000 kl from a week earlier and down 802,000 kl from a year earlier.

Kerosene inventories totaled 1,419,000kl, up 13,000 kl from a week earlier and down 344,000 kl from a year earlier.

Diesel oil inventories totaled 1,416,000 kl, up 135,000 kl from a week earlier and down 371,000 kl from a year earlier.

Fuel Oil A inventories totaled 655,000 kl, up 38,000 kl from a week earlier and down 82,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,655,000 kl, down 114,000 kl from a week earlier and down 181,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/16)	Previous week (7/9)	From a week earlier
Gasoline	1,406	1,370	▲ 36 (3%)
Jet fuel	811	752	▲ 59 (8%)
Kerosene (heating Oil)	1,419	1,406	▲ 13 (1%)
Diesel oil	1,416	1,281	▲ 135 (11%)
Fuel oil A	655	617	▲ 38 (6%)
Fuel Oil C	1,655	1,769	▼ -114 (-6%)
Total	7,362	7,195	▲ 167 (2.3%)

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

During July 12 - July 18, crude oil cost in yen decreased by 1.5 yen/l from a week earlier with a significant decrease in crude oil price and the depreciation of the yen to the US dollar.

For the next week of July 21 - July 27, Motouri companies decreased their real wholesale prices by 1.2 yen/l for gasoline, kerosene, and diesel oil from a week earlier, because subsidy of 36.6 yen/l (38.2 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 35.4 yen/l including the previous week's subsidy of 36.9 yen/l.

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

Spot petroleum products prices in the July 12 - July 18 week decreased for all oil products in all trading except for the leveled off kerosene futures price compared to the period of July 5 - July 11.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the July 12 - July 18) decreased by 0.9 yen/l from the previous week July 5 - July 11 for gasoline, decreased by 1.2 yen/l for kerosene and decreased by 1.3 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline, decreased by 1.2 yen/l for kerosene and decreased by 2.3 yen/l for diesel oil on July 12 - July 18 week from the previous week.

The key average futures price decreased by 4.0 yen/l for gasoline, leveled off for kerosene and decreased by 8.8 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (7/12 ~ 7/18)	Previous week (7/5 ~ 7/11)	From a week earlier
Spot Prices	Regular	76.2	77.1	▼ -0.9
	Kerosene	75.2	76.4	▼ -1.2
	Diesel oil	75.3	76.6	▼ -1.3

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/12 ~ 7/18)	Previous week (7/5 ~ 7/11)	From a week earlier
Futures Price	Regular	81.3	85.3	▼ -4.0
	Kerosene	80.0	80.0	→ 0.0
	Diesel oil	81.1	89.9	▼ -8.8

Above prices are before tax.

Reference (JULY 12 - JULY 18 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.9	▼ -4.0	▼ -2.4
Kerosene	▼ -1.2	→ 0.0	▼ -0.6
Diesel oil	▼ -1.3	▼ -8.8	▼ -5.1
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 July 19 decreased by 1.3 yen from a week earlier to 171.4 yen/l for gasoline, decreased by 1.1 yen to 151.5 yen/l for diesel oil and decreased by 13 yen/l to 2,044 yen for kerosene on an 18-liter tank basis (decreased by 0.7 yen/l to 113.6 yen/l) from a week earlier. The gasoline price decreased for the third straight week. Diesel oil price decreased for the third straight week. Kerosene price decreased for the third straight week.

Gasoline prices increased in no prefectures, leveled off in two prefectures and decreased in 45 prefectures. The lowest gasoline price among the prefectures was 164.7 yen/l in Saitama. The second lowest was 165.2 yen/l in Iwate. The highest price was 182.7 yen/l in Nagasaki. The price increased in no prefectures. The price leveled off in Nagasaki and Oita. Yamaguchi logged the largest price fall of 3.9 yen/l.

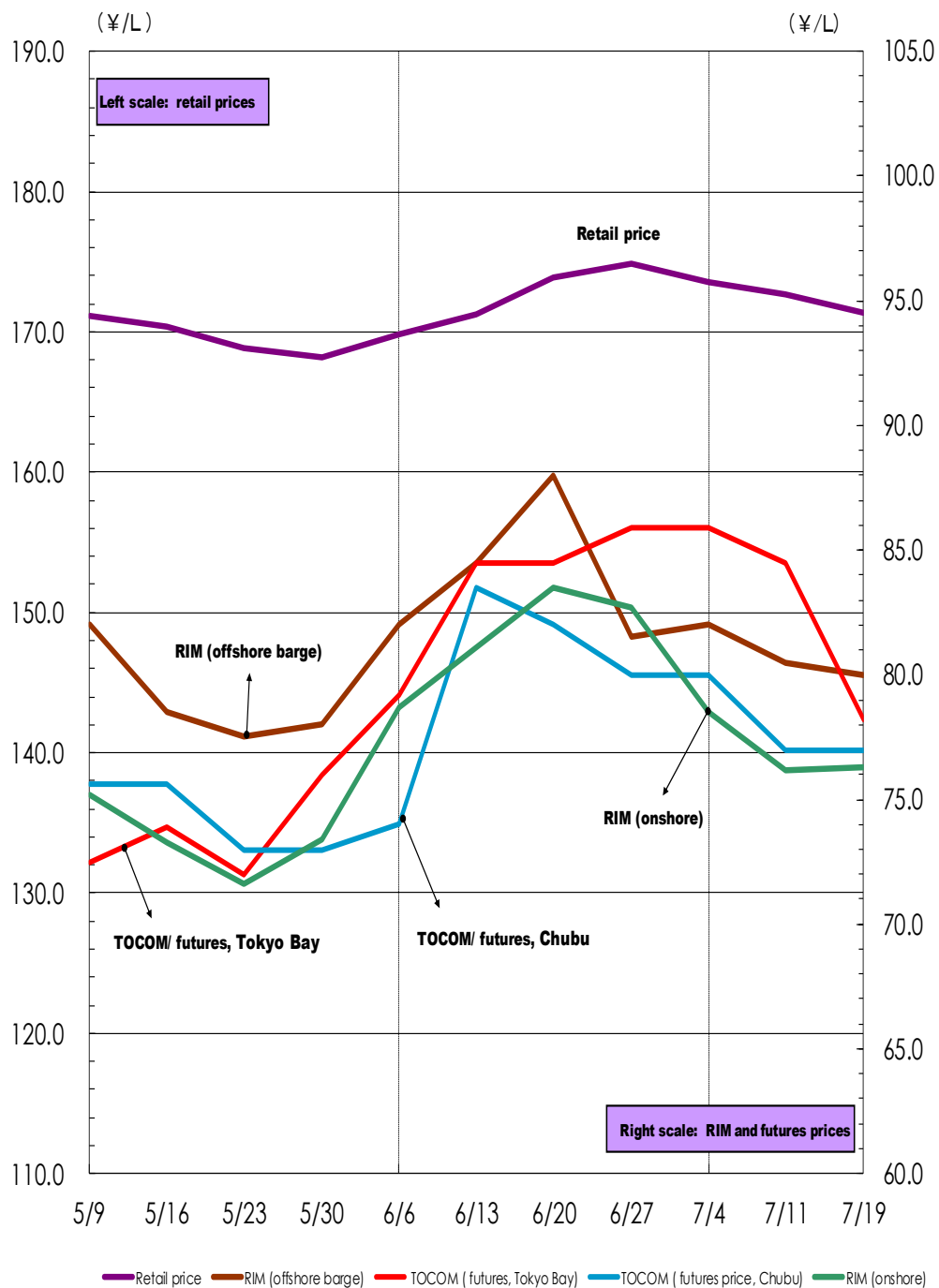
Retail gasoline price on the next price survey day (July 25) is expected to decrease from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (7/19)	Previous week (7/11)	From a week earlier	Latest high
Retail Price	Regular	171.4	172.7	▼ -1.3	08/8/4 185.1
	Kerosene	113.6	114.3	▼ -0.7	08/8/11 132.1
	Diesel oil	151.5	152.6	▼ -1.1	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

(2022/5/9 ~ 2022/7/19)



(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 2022) will be announced on August 5.

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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).