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NG supplies to Chongqing expected to reach 9 billion cbm in 2010

The natural gas supplies in the southwestern city of Chongqing are expected to reach nine billion cubic meters in 2010, a source from the Chongqing city government said recently.

According to the source, three years ago, the city's natural gas supplies from PetroChina were only 2.6 billion cubic meters and this year the figure is expected to rise to 4.5 billion. In 2008 and 2010, the city's natural gas supplies

from PetroChina are expected to reach five billion and six billion cubic meters respectively. In addition, Sinopec has agreed to supply one billion cubic meters of natural gas annually to Chongqing via a new pipeline and by 2010 Sinopec's gas supplies to the city are expected to reach three billion cubic meters. The increase in natural gas supplies will also create business opportunities for enterprises using natural gas as feedstock in the city.

PetroChina shares drop after buffett cut shareholdings

Shares of PetroChina, the leading oil and gas producer in China listed in Hong Kong, fell on Sep. 12 after Warren Buffett cut holdings in the company.

PetroChina went down 0.4% or HK\$ 0.04 to close at HK\$11.32, after the U.S. billionaire investor Buffett's Berkshire Hathaway Inc.<BRKA> sold 92.66 million shares of PetroChina at a average price of HK\$11.473. The sale brought Berkshire Hathaway's stake in PetroChina down from 10.16% to 9.72%. The money gained from the sale was about HK\$1.06 billion (US\$136 million). This is the second public disclosure of PetroChina's shares selling by Berkshire Hathaway in two months.

The first public disclosure in July cut

down Berkshire's holding from 11.05% to 10.96%, which were 16.9 million PetroChina's shares.

Berkshire Hathaway is still the second-largest shareholder of PetroChina after the stake selling, which holds less than CNPC, the unlisted parent of PetroChina.

According to the 2006 annual report, CNPC hold 88.2% of PetroChina. The 9.72% holdings of Berkshire Hathaway only account for 1.13% stake in PetroChina.

Berkshire Hathaway currently has 2.051 billion shares in PetroChina, after the holding cutting on August 29.

Wholesale prices of oil products down

Recently, the wholesale prices of oil products on the Guangdong market began to drop. In eastern Guangdong province, the wholesale price of octane-93 gasoline sold by Sinopec dropped by 49 yuan/t from its peak level to 6,265 yuan/t. The price of 97-octane gasoline dropped by 196 yuan/t. In some cities such as Dongguan and Zhongshan, the wholesale price of 97-octane gasoline dropped by 226 yuan/t.

At the end of July when oil product supplies in southern China were very tight, the wholesale price of 93-octane gasoline rose to 6,314 yuan/t and that of 97-octane gasoline also reached 6,420 yuan/t. As one of the largest oil product consumers in China, Guangdong province has always been a barometer of the domestic oil product consumer market. The decline in prices of main gasoline products in the province signifies that the oil product supply squeeze that started since this summer in the domestic market has been alleviated.

In addition to Sinopec's wholesale prices of gasoline in Guangdong, the prices of gasoline and diesel oil in some areas in southwestern and central China have also begun to decline. In Zhengzhou, capital of central China's Henan province, the price of 0-octane diesel sold by Sinopec dropped by 10 yuan to 5,280 yuan/t and that of 0-

octane diesel sold by local gas stations dropped by some 40 yuan/t. The price of +5# diesel sold by PetroChina dropped by 50 yuan/t.

Industry analysts attributed the drop in domestic oil prices to the decline in international oil prices, a weaker expectation for price adjustments by the industry and the decrease in stockpiling in the market. In addition, affected by bad weather, such as long rainy days and typhoons, domestic oil product demand has dropped slightly and therefore the supply shortfall has been alleviated to some extent. In late August and early September, some refineries will go back into operation after completing overhauls and oil product supplies in the domestic market will therefore increase significantly. However, since September and October are the peak periods for demand, the prices of oil products may rise again.

The National Development and Reform Commission required domestic oil enterprises to take measures to stabilize oil product prices and strictly control their exports of oil products in early August of this year. In line with this requirement, Sinopec and CNPC, the country's two biggest oil producers, slashed their gasoline exports in August. There have been reports that these two oil giants will continue to cut and even suspend gasoline exports in September.

Hubei to receive additional 800 million cbm of NG from Sichuan annually

According to the proposal for the Sichuan-East China Gas Pipeline Project approved by the National Development and Reform Commission, the Puguang Gas Field in Sichuan province will supply 12 billion cubic meters of purified gas annually to eastern China, 800 million cubic meters of which will be allocated to Hubei province.

"This figure for Hubei province is only a conservative estimation," an analyst familiar with the situation said.

Wuhan, capital of Hubei province, now has two natural gas pipelines - the Zhongxian-Wuhan pipeline and the Huaiyang-Wuhan pipeline.

The Zhongxian-Wuhan pipeline starts at the suburbs of Zhongxian in Chongqing city in the west and terminates at the Jiangxia District of Wuhan in the east, with a total length of 718.9 kilometers. The pipeline has a designed gas supply capacity of three billion cubic meters per year. It is an energy artery connecting the Chuanyu Basin and Hubei and Hunan provinces.

The Huaiyang-Wuhan pipeline is a link between the West East Pipeline and the Zhongxian-Wuhan gas pipeline. It is 475 kilometers in length and has a designed gas supply capacity of 1.5 billion cubic meters per year. The pipeline started operation on December 17, 2006.

China oil reserve to quadruple by 2010

China plans to raise the national strategic oil reserve to 12 million tons by 2010, which is four times the current level, said Chen Deming, deputy director of the National Development and Reform Commission (NDRC) at the US-China Oil and Gas Industry Forum in San Francisco on Sep. 10.

China oil reserves are currently two to three million tons. The target oil reserves in 2010 will be equivalent to the net import of one month, and the number will go further to equal three months of imports by 2020.

The national strategic oil reserve plan was initiated in 2003. China has planned to construct four oil reserve bases in Ningbo, Qingdao, Zhoushan and Dalian, and Zhoushan and Ningbo bases are already in use. The oil base in Qingdao will be completed by the end of this year and can provide a reserve capacity of 3 million cubic meters.

Responding to international communities' doubts about China's oil reserve policies, Hu Weiping of NDRC said China's oil reserves serve only for emergencies and not for manipulating market oil prices.

China's crude consumption to hit 450mt by 2020

China's annual demand for crude oil is expected to reach at least 450mt by 2020 and automobiles will account for 55% of the country's total oil consumption, said Wan Gang, minister of Science and Technology, recently at an automotive forum held in Beijing.

At the Chinese Automotive Brand Development Strategy Seminar, Wan said that by 2020 the number of automobiles in China will reach 130 million to 150 million. According to

him, these vehicles will consume about 248mt of oil annually, accounting for 55% of the country's total oil consumption. Given this large demand and also taking crude cost and environment issues into account, China must reduce its reliance on international crude oil, said the minister.

Developing new clean-burning energy sources is the strategic direction for the development of China's automotive industry, he concluded.

Auto industry consumes 86% of China's gasoline production

In China, the automotive industry is currently commanding 86% of the country's gasoline production and approximately a third of the total oil consumption. In 2006, the automotive industry consumed 86% and 24% of China's total gasoline and diesel consumption.

President of the council China Automotive Engineering Society (CAES), Zhang Xiaoyu predicts that 57% of China's total oil consumption will be employed by the automotive industry by 2010.

In 2004, the Chinese government launched a series of legislations to reduce fuel consumption. For that year, fuel consumption of passengers cars were limited with aims of reducing 10% of liters consumption for every hundred km traveled by the end of 2007. For the second stage starting in 2008, vehicle fuel consumption is required to drop by another 10%. In order to control escalating consumptions, China is likely to embark on more plans to promote the development and usage of clean and hybrid fuels. Another approach to be adopted is to increase the engine efficiency by developing high speed technology. The latter method is capable to raise gasoline and diesel efficiency levels by 8% and 7% respectively, thereby optimizing the country's energy consumption. In view of this issue, China had been supportive of research and development of electrically hybrid vehicles and alternative fuel vehicle that operates on CNG or LNG.

Lukoil and CNPC to team up

Russia's Lukoil said it had signed a strategic partnership agreement with state-run China National Petroleum Corporation (CNPC), with emphasis on exploration and production tie-ups.

Lukoil said in a press release that the two companies plan to expand their co-operation in existing projects as well as work together on extraction, development and refining projects in third countries.

Currently Lukoil and CNPC jointly explore two oil fields in Kazakhstan.

The two companies also each hold a 20% stake in an international consortium carrying out geological exploration in Uzbekistan's part of the Aral Sea.

Lukoil said the two companies will create a joint co-ordinating committee, which will convene at least twice a year.

CNPC moves into India rig market

China National Petroleum Corporation (CNPC) is poised to enter the oil rig business in India through its subsidiary Baoji Oilfield Machinery (Bomco), local media reported on Sep.7.

Bomco will partner Mumbai-based Gremach Infrastructure by acquiring a strategic minority stake in the Indian company's wholly-owned unit Gremach Energy, which will be listed in the near future.

"We are floating a subsidiary, Gremach Energy, to directly enter the oil rigs business, Gremach managing director Rishi Raj Agarwal told the Economic Times newspaper.

"Bomco, which will be the supplier of the oil rigs, will acquire a 5% to 10% strategic stake in Gremach Energy," he added.

The financial details of the deal were not revealed.



China ready to introduce fuel tax

China is looking for an appropriate time to impose a tax on gasoline, diesel and kerosene to encourage energy conservation and reduce emission, the China Business News reported, citing an official at the Ministry of Finance.

The government is worried about soaring fuel consumption and worsening air pollution in already smoggy cities with an increasing number of vehicles on the road, said Shi Yaobin, director of the Ministry of Finance's tax policy department, at a forum on China's auto industry development held in Tianjin over the weekend.

Shi said the ministry is considering rolling out a series of tax policies encouraging manufacturers to develop cars that are more fuel-efficient and environmentally friendly.

A fuel tax is an important tool, according to him. Being a popular practice in developed nations, it is widely regarded as the most efficient way to curb oil consumption.

Under the reform scheme, consumers will buy fuel at tax-added prices, while the current road toll system requires drivers to pay a fixed road maintenance fee to transportation departments no matter how much fuel they consume.

With the imposition of a fuel tax, drivers will have to think again before turning the ignition key. Manufacturers will also be encouraged to develop more fuel-efficient cars as fuel consumption becomes a key index for buyers when selecting a car.

The authority is also studying the feasibility of an environment tax to curb the development of high-emission cars and reduce greenhouse gas.

The ministry will promote research on preferential tax policies to encourage manufacturers to produce fuel-efficient cars. It may also impose a punitive surtax on those whose vehicles do not meet the national standard on limits of fuel consumption.

Currently, China has about 50 million vehicles on the roads. Fuel consumption of vehicles accounted for one-third of the total, and the number is estimated to rise to 57 percent by 2020. Vehicle emission has replaced coal to become the main source of air pollution in some big cities including Beijing.

Commercial oil flow found in well Fang 32-38 in Dagang Oilfield

Well Fang 32-38 in the Dagang Oilfield in Tianjin city recently yielded a commercial oil flow.

On a 5mm oil choke, the well naturally flowed 35.7t of oil per day. This is the first time that an oil flow has been found in the shallow and medium formations in the Dagang Oilfield.

Zhongyuan Oilfield Co. finds commercial gas flow in Hubuzhai in Puyang city

Sinopec Zhongyuan Oilfield Company recently discovered an industrial gas flow in well Bu 17, an appraisal well drilled in the Hubuzhai area in Puyang city in Henan province, after the company had penetrated more than 10 meters in the Mesozoic group of the well using underbalanced drilling technology.

In order to understand the hydrocarbon accumulation conditions of the Mesozoic group in the Hubuzhai area, Zhongyuan Oilfield Co. plans to drill to 3,500 meters for well Bu 17. The well has so far been drilled to a depth of 3,375 meters. This is the first time that a significant amount of gas has been found in the Mesozoic group by Zhongyuan Oilfield Co.

Chinese pair eye Guinea project

China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) are expected to sign an agreement for a joint oil exploitation project in Guinea, West Africa, according to reports.

The two state-owned companies will sign a deal for operations in the Gulf of Guinea, the Hong Kong Commercial daily News said, citing sources.

Representatives of CNOOC will visit Guinea to sign the agreement in mid-September 2007, the newspaper said.

CNPC and CNOOC already have a presence in number of African countries, including Sudan, Nigeria and Kenya.

PetroChina accelerates NG exploration and development in southwestern Sichuan

PetroChina Southwest Oil and Gas Field Company started constructing a natural gas pipeline in southwestern Sichuan province on August 30. The pipeline is a key project that Southwest Oil and Gas Company plans to build in 2007 and will be the first trunk natural gas pipeline in southwestern Sichuan.

Southwestern Sichuan province has rich natural gas resources. Three wells in the area -- Well Zhangjia 1 drilled in 2004, well Lianhua 1-1 drilled in 2006 and well Lianhua 000-1 drilled in 2007 - flowed a total of 429,800 cubic meters of gas per day during formation tests, showing a bright outlook for the future exploration of the area.

After making significant progress in exploring the Lianhuashan and Zhangjiaping structures, Southwest Oil and Gas Field Company strengthened the development of the entire Lianhuashan-Zhangjiaping area by implementing rolling exploration and development and accelerating well drilling. The company plans to establish a natural gas production capacity of 700 million cu m per year by 2010 in the area. To support this plan, the company decided to lay a trunk gas pipeline from the Lianhuashan structure. The pipeline will start at well Lianhua 101 in Sanyi village in Bifengxia town and terminate at the Pingluo Gas Gathering Station. The total length of the pipeline will reach 55 km.

The Northwest Gas Mine Administration, a unit of Southwest Oil and Gas Field Company, is responsible for managing the project and the western Sichuan branch and Electrical Appliance and Instrument Company of Sichuan Petroleum Construction Engineering Corporation Limited are responsible for constructing the project. Investment in the main components of the project will reach nearly 100 million yuan. The project will upgrade one gas transmission station and establish one station, one valve chamber and two valve shafts.

The project will use L360ERW steel pipes and its designed pipeline pressure will be 6.3Mpa. The pipeline will pass through the Bifengxia National Scenery Zone and the rainy, geological hazard-ridden Yaan area and cross two medium-size rivers. Construction is scheduled for completion by December 30 of this year. The pipeline will supply up to two million cubic meters of natural gas per day. The construction of the project will accelerate the development of southwestern Sichuan province, particularly the Lianhuashan area, and help alleviate the gas shortages in the Sichuan-Chongqing area. In addition, with the completion of this project, Southwest Oil and Gas Field Company will basically have no difficulty in achieving its natural gas production target for 2008.

Henan's first long-distance oil product pipeline starts operation

Central China's Henan province put a long-distance oil product pipeline into operation on September 2.

The pipeline starts in Luoyang and terminates in Zhumadian via Zhengzhou. It is the first long-distance oil product pipeline in the province.

The pipeline is one of five projects that Sinopec and the Henan provincial government have agreed to build jointly and is also a key project Henan province plans to build between 2005 and 2007. Construction of the project started on May 18, 2005.

The 425km pipeline starts at the Luoyang Petrochemical Plant and passes through 15 cities and counties

including Luoyang, Zhengzhou, Xuchang, Luohe and Zhumadian. It is equipped with seven oil transmission stations and one valve chamber. It will supply 3.9mt of oil annually.

Sinopec Henan Company is planning to establish a large oil distribution network comprising pipelines, oil depots, transportation vehicles and gas stations. The completion of this project paves the way for the plan. The pipeline will help Sinopec consolidate its foothold in west central China and improve its ability to compete in the Henan market. It will also play an important role in helping alleviate the pressure on railways in transporting petrochemical products to Luoyang city.

Nanchang to invest 80 million yuan in NG pipeline network

Nanchang, capital of Jiangxi province, will invest 80 million yuan to accelerate construction of its natural gas pipeline network to prepare for the introduction of natural gas from Sinopec's Sichuan-East China Gas Pipeline, a source from Nanchang Gas Co., Ltd disclosed on September 3.

The city has established a leaders' group to prepare for the introduction of natural gas from Sichuan province.

Nanchang Gas Co., Ltd, the operator of gas projects in Nanchang, now has more than 1,000 kilometers of gas pipelines and facilities for supplying gas to 180,000 households. These facilities all meet relevant technical specifications. In order to give more residents access to fuel gas, Nanchang Gas Co., Ltd has in recent years stepped up its efforts to develop gas users to lay the groundwork for the introduction of natural gas to Nanchang.

Hunan province to build first coal-to-alcohol ether project

The Development and Reform Commission of Hunan Province recently approved Hunan China Alcohol New Energy Co., Ltd's proposal to build a 200kt/a methanol and 100kt/a dimethyl ether project using coal as feedstock.

This will be the first coal-to-alcohol ether project in Hunan province. The project will be located in coal-rich Yongxing county. Investment in it will total 526.79 million yuan.

Fuel giant sasol in talks for two new plants in China

Sasol, the largest producer of liquid fuels from coal in the world, announced that the company is currently undergoing a year and a half long feasibility studies to determine the prospects of constructing two liquid fuel plants in China.

With capital costs estimated at US\$7 billion to US\$8 billion, the two facilities are capable of producing a total capacity of 80,000bl/d. Based on the cost benefit analysis of the country, and the fact that China is the home to some of the biggest coal reserves in the world, Sasol does not have much reservations about its plans of expansion.

A global leader in liquid fuels, nearly a quarter of Sasol's production capacity is based in South Africa.

Currently, oil reserves can only be exploited in nine countries while 80 countries have coal reserves. With oil reserves gradually depleting, the demand for coal will be on the rise, as a suitable replacement source of fuel for transportation and other industries.

With China experiencing huge energy consumption levels, liquid fuel can be a viable alternate solution to its many industries. Sasol related that if China were to dedicate twelve plants for the conversion of 1.5% of its total coal reserves to liquid fuels, the country will be able to reduce its oil imports by 15%.

Inner Mongolia to build 1mt/a polyvinyl chloride project

Baotou city in Inner Mongolia has received approval from the Development and Reform Commission of the Inner Mongolia Autonomous Region to build a 1mt/a polyvinyl chloride (PVC) project, a source from the city's Development and Reform Commission disclosed recently.

The project will also establish a 720kt/a ionic membrane caustic soda unit as the accompanying facility.

This project is part of Inner Mongolia's plan to establish a large PVC production base during the Eleventh Five Year Plan period.

According to the above source, the project will require a total investment of 7.3 billion yuan and construction will last two years. After the project starts operation, annual sales revenue from it is expected to reach 7.6 billion yuan.

