

# ChinaOil

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### NEWS THIS WEEK...

## Tahe reserve boost

Sinopec has increased its reserve estimates for its northwestern Tahe oilfield by 100 million tonnes (733 million barrels).

■ **The discovery is expected to make the firm more attractive to investors.**

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## Courting China

Alaskan Governor Sean Parnell has extended an invitation to Chinese energy officials to visit the state. Alaskan authorities hope to attract investment in their gas industry.

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## Chinese burn

Russia's state-owned Gazprom has sold a cargo of liquefied natural gas (LNG) originally intended for the US to China.

■ **A wave of shale gas discoveries in the US has flooded the gas market and undermined North American prices.**

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## Chinese fog lifts

China plans to begin issuing official data on crude and oil product stocks.

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For analysis and commentary on these and other stories, plus the latest oil and gas developments, see inside...

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## PIPELINES & TRANSPORT

"In particular, China has half a dozen or so new LNG coastal terminals expected to come onstream over the next few years."

An example of this trend is the order for a 147,000-cubic-metre tanker from the China National Offshore Oil Corp. (CNOOC) placed with the Hudong-Zhonghua

Shipbuilding Company.

The tanker, scheduled for completion by the end of 2010, will join a fleet to ferry LNG from Malaysia to the Shanghai terminal, which is still building up to full operational capacity.

In a statement on its website, the China State Shipbuilding Corp.,

which owns the Hudong-Zhonghua shipyard, said it was aiming to increase its shipbuilding programme sharply between now and 2015.

The state-controlled company said it planned to raise its annual tonnage capacity from 4 million tonnes to 14 million tonnes by 2015. ■

## PERFORMANCE

# Lunar holiday dampens Chinese fuel demand

China has seen a short-term oil product overhang as refineries continue to run at a high rate, but demand remains low because of the Chinese New Year holiday.

Industry officials with top Chinese refiner, Sinopec, have said that the demand for diesel has been particularly weak in February, as factories across the country have ground to a halt for the Chinese Lunar New Year, which normally lasts 15 days from February 13 to 28.

The official holiday ends on February 19, but the country's workforce is not expected to be fully functional until February 28, which corresponds to January 15 on the

Lunar calendar.

As a result, a Sinopec official said February's diesel demand would fall 9.2% from January to 10.44 million tonnes.

However, the volume is still 10% higher than it was in February 2009, when the volume of diesel usage was heavily affected by the financial crisis.

Petrol demand has not fared any better, despite efficient car sales in the month. The pre- and post-holiday travel to and from work places to hometowns for family reunions should bring an increase in petrol demand. However, given that February is three days shorter than

January, the petrol demand in the month is expected to fall 5.7% from January to 5.42 million tonnes. This number remains 7.42% higher than the same period in 2009.

Sinopec's 22 refineries are running at an average rate of 84% at 3.8 million barrels per day, with those in coastal areas running as high as 90%.

Shanghai Gaoqiao Petrochemical has been the star performer in February, processing 219,000 barrels per day at 96% of its capacity in a bid to stock up ahead of the World Expo in Shanghai, which starts on May 1 and ends on October 31. ■

# Green Dragon production soars

Hong Kong-based Green Dragon has announced that its gas production in China increased 120% in the fourth quarter of 2009 compared to the same period in 2008.

Known as Greka China inside China, the company said that it had delivered a total of 3.7 million cubic metres of gas during October-December 2009. With a rapidly expanding market demand in China, Green Dragon said in a statement on

February 16 that it expected to deliver more than 28 mcm of gas in 2010.

Green Dragon, which operates solely in China but is registered in the Cayman Islands and is listed on London's Alternative Investment Market (AIM), specialises in extracting coal-bed methane gas (CBM).

It holds gas reserves of 722 billion cubic metres and operates six projects in Shanxi, Jiangxi, Anhui and

Guizhou provinces.

The company said the main gas distribution region had been the greater Beijing area, but it has plans to add 100 km of new pipeline in 2010, raising the pipeline length to 320 km by the end of the year. The additional pipeline will help expand sales in Henan province, said the company statement. ▶▶

## PERFORMANCE

Green Dragon's chairman and CEO, Randeep Grewal, said that the latest figures showed the company's "exceptionally strong asset position in China."

China has some of the largest untapped reserves of CBM in the world and until recently much of it

has been allowed to seep unused into the atmosphere during coal mine operations – or to deliberately bleed out of mine beds to try to avoid accidents.

Gas explosions are the most common form of accident in China, which has the world's highest number

of mine deaths.

In September 2009, Green Dragon said it might reposition its share trading from the AIM market to either the main London Stock Exchange (LSE) or the Hong Kong Stock Exchange by March. ■

# Sinopec refinery throughput to edge down in February

Sinopec has announced that it plans to reduce refinery throughput in February.

According to the C1 Energy research service, the state-owned company's refineries are expected to process a total of 14.7-14.9 million tonnes (3.85-3.9 million barrels per day) of crude oil in February. This would represent a drop of 9.6-10.8% on the January figure of 16.49 million tonnes (3.9 million bpd).

C1 Energy noted, though, that the decline was not as drastic as these figure might indicate. It quoted a Sinopec refinery source as saying that the company's plants would process 530,000 tonnes per day (3.88 million bpd) on average in February, down just 0.36% on the January figure of 531,915 tonnes per day (3.9 million bpd).

The source said Sinopec had opted to trim throughput at many refineries this month, partly because demand for fuel was likely to be low for seasonal reasons. The company was also

motivated by the fact that its refined petroleum product inventories were ample, he said.

He noted, however, that throughput figures had also been affected by the resumption of operations at Sinopec's refinery in Hainan. Sinopec Hainan Refining & Chemical Co., which has a capacity of 8 million tonnes per year (160,000 bpd), is set to process 600,000 tonnes (157,000 bpd) of crude in February, he said.

C1 Energy commented, though, that Sinopec and other refinery operators were also basing their decisions on the decline in refining margins. The research company pointed out that higher oil prices and slack demand had caused margins to fall for refineries that process domestically produced crude, as well as plants that handle imported Middle Eastern feedstock.

Meanwhile, C1 Energy named three Sinopec refineries that were planning to reduce throughput this month: the Changling plant, which will cut runs

by 11% to 340,000 tonnes (89,000 bpd); the Qilu plant, which will cut runs by 7% to 780,000 tonnes (204,200 bpd), and the Tianjin plant, which will cut runs by 8% to 780,000 tonnes. Meanwhile, it said, the Maoming refinery would keep throughput steady at 990,000 tonnes (259,200 bpd) in February.

### Independent cut

In related news, C1 Energy said that its survey also showed throughput to be slightly down at small, independently owned refineries in Shandong province.

During the week ending on February 10, the research service said, teapot refiners in Shandong were operating at 26.5% of capacity on average, processing a total of 43,000 tonnes per day (315,200 bpd). This was down 0.5% on the previous week's figure of 27%, it said, adding that refiners cut throughput in light of sagging fuel demand. ■

## POLICY

# China to release oil stock data

China is preparing to release official crude and oil products stock data under pressure from bodies such as the International Energy Agency

(IEA).

At present, the National Energy Administration (NEA) and the official Xinhua news agency are working on a

scheme to publish the country's crude and fuel stock data simultaneously in Chinese and English through Xinhua's terminals. ►