

The PRC's Oil Import Market Overview

The PRC's economy has been growing at a rapid pace. Over the past decade, its GDP has attained an average growth rate of over eight per cent each year. In light of the PRC's WTO entry and its increasingly strong domestic demand, the PRC is expected to maintain a high GDP growth which should lead to a rapid development of the energy industries and trigger a great demand for petroleum products.

As the domestic output from oil production, which is staying at a level of about 170 million tons per year, can only satisfy a part of the PRC's oil demand, the country has been and will continue to rely on foreign imports to ensure an adequate supply of oil to the nation. The country was a net oil exporter during the 80s, but quickly transformed into a net oil importer during early 90s, and is now the third largest oil importer in the world and has the fastest growing demand for petroleum products in the world.

The PRC is importing a total of approximately 70 million tonnes of crude oil each year, and the total import volume is growing at a CAGR of about 10 percent. Fuel oil has been the major finished petroleum product imported, reaching 18 million tonnes per year.

The PRC's Oil Transportation and Trading Markets Outlook

As a result of the rapid economic development, the PRC's demand for crude oil will continue to surge. However, owing to the limited growth of domestic oil production, the PRC will still have to rely on foreign import to satisfy its growing oil demand. According to a report from the Chinese Academy of Geological Sciences (CAGS) released in Beijing in December 2002 on the PRC's mineral resources and sustainable development, it was proclaimed that within the next 20 years, the country's demand would outstrip its domestic supply by over 6 billion tonnes for crude oil. The PRC is expected to import around 500 million tonnes of crude oil in 2020, representing a forecasted 70 per cent of the country's consumption volume.

Due to great economies of scale, the PRC's market demand for VLCCs will increase significantly to satisfy its growing needs for marine transportation of oil into the country. Considering the rapidly growing demand for oil import in the PRC, there is obviously enormous potential presented in the country's oil marine transportation market.

Given the highly demanded but capital intensive and sophisticated VLCCs in the oil marine transportation market in the PRC, the Group, with its in-depth industry expertise, management experience and expansionary vision and capabilities, is in a great position to capitalize on the great opportunities at present and in the future.

Although the PRC had implemented a limit on imported diesel and gasoline in an effort to protect the interest of its state-owned refineries in September 1998, its diesel and gasoline markets are expected to open up gradually after its WTO entry in 2001, following the new policy move of a progressive relaxation of oil import quota by 15% each year until 2005 when the industry will be fully deregulated. This more open market environment should provide enormous business opportunities for oil trading. The Group will further expand its market share by taking advantage of its expertise and extensive knowledge of both the PRC and international oil markets and optimizing all of its available resources.