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China Oil Imports Level, Despite Price Agreement

By The Moscow Times

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BEIJING — PetroChina will not buy extra Russian crude oil via the Russia-China pipeline, the company chief said Monday, after the two sides recently resolved a price dispute.

Jiang Jiemin, chairman of PetroChina, also said China and Russia still differed on prices in protracted gas supply talks, under which Russia aimed to eventually sell up to 68 billion cubic meters of gas per year to China under a 30-year deal.

Rosneft last month made a small price concession to China, the single largest buyer of oil from its new eastern fields, to resolve a long-running dispute, raising hope that China could bargain for more Russian crude via the East Siberia-Pacific Ocean pipeline.

Russia has said China has been underpaying for the 300,000 bpd Russian supplies, while China said Russia levies excessive transit fees.

"Currently, we don't have a plan to raise the import volume," Jiang said.

Asked whether PetroChina would in the future raise imports from the current agreed 300,000 bpd level, he said, "We have not yet discussed the issue."

PetroChina, China's second-largest state oil refiner next to Sinopec, suffered more than 50 billion yuan ($8 billion) losses at its refining department last year and that loss was "still expanding," Jiang told reporters on the sidelines of China's annual parliament session.

That loss was partly due to China's fuel pricing system, under which domestic pump rates often lagged rises in crude rates. Beijing is widely expected to introduce a revamped pricing scheme this year to close that gap, when inflationary pressure eases and provided that global crude markets are not rising too fast.

"The new pricing plan is ready, but there has been no window yet to launch that scheme," Jiang said.

Meanwhile, two Russian state energy-industry sources said Russia rejected a Chinese request for more Siberian pipeline oil, saying the link is already pumping at full capacity and additional volumes are not available.

The sources said China had asked for at least 600,000 bpd once the second stage of the pipeline, which will terminate at the Pacific port of Kozmino, is launched by the end of 2012.

But, one of the two sources said, Moscow is unwilling to "put all its eggs into one basket," as it wants to diversify its customer base through seaborne supplies to the Asia-Pacific region.

A senior energy official said Russia was technically constrained by capacity.

"Of course, they need oil, they are a fast-growing economy. If China needs this [more oil via the pipeline] we are ready. [But] there is no technical possibility right now," Deputy Energy Minister Yury Sentyurin said.

PetroChina dropped 2.7 percent to 11.44 Hong Kong dollars in trading as of the midday break Monday, the most since Dec. 15, Bloomberg reported. The stock has risen 5 percent in the past year, compared with a 8.6 percent decline in Hong Kong's benchmark Hang Seng Index.
The NDRC, China's top economic planner, increased the cost of gasoline and diesel for the first time in February since July last year.

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