

Roots of Chinese Oil Investment Abroad

Why, Where and How China's NOCs "Go Out"



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The Rise of Asia's National Oil Companies

National Bureau of Asian Research

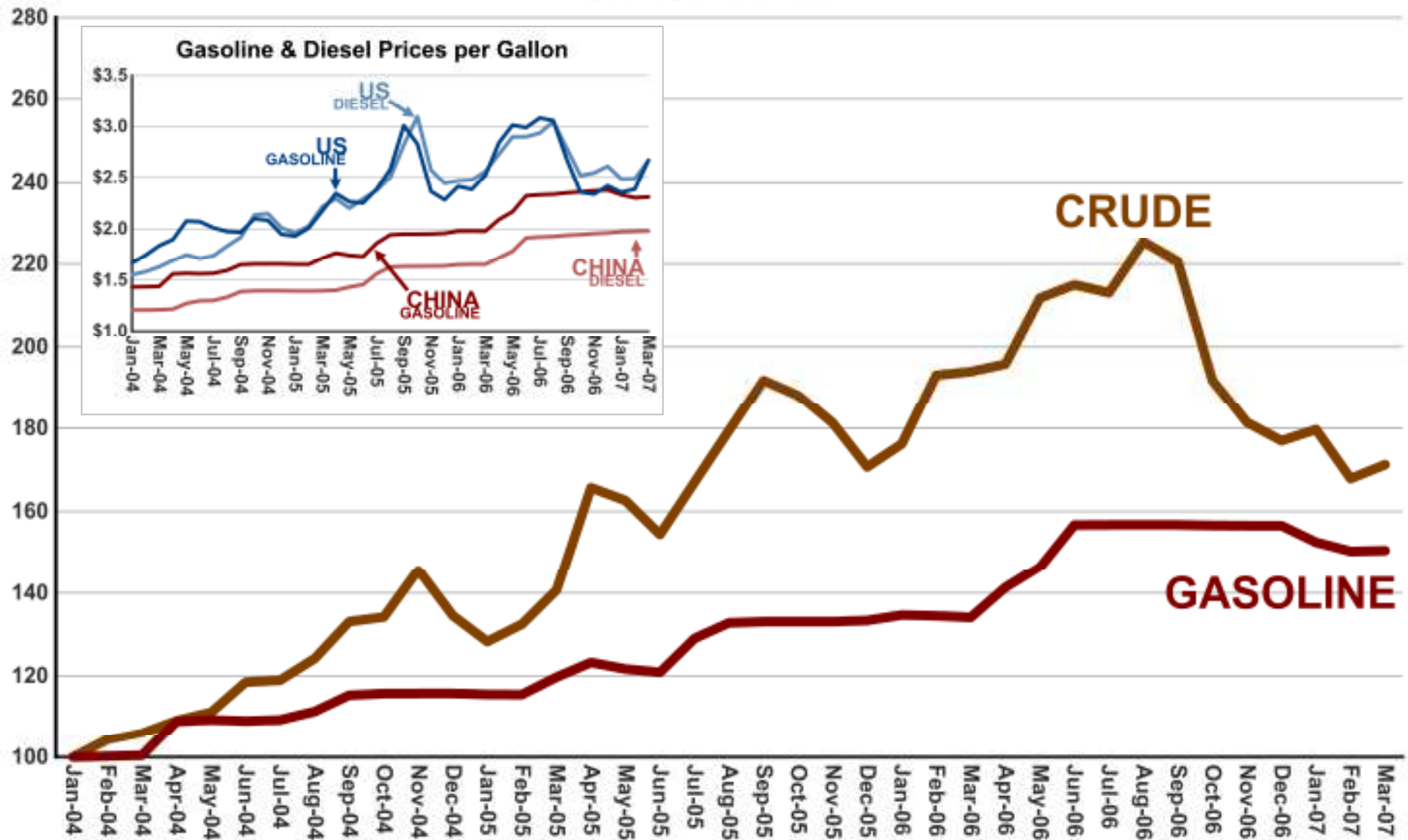
May 3, 2007



Motive: Why China's NOCs “Go Out”

Crude and Product Price Gap

January 2004 = 100

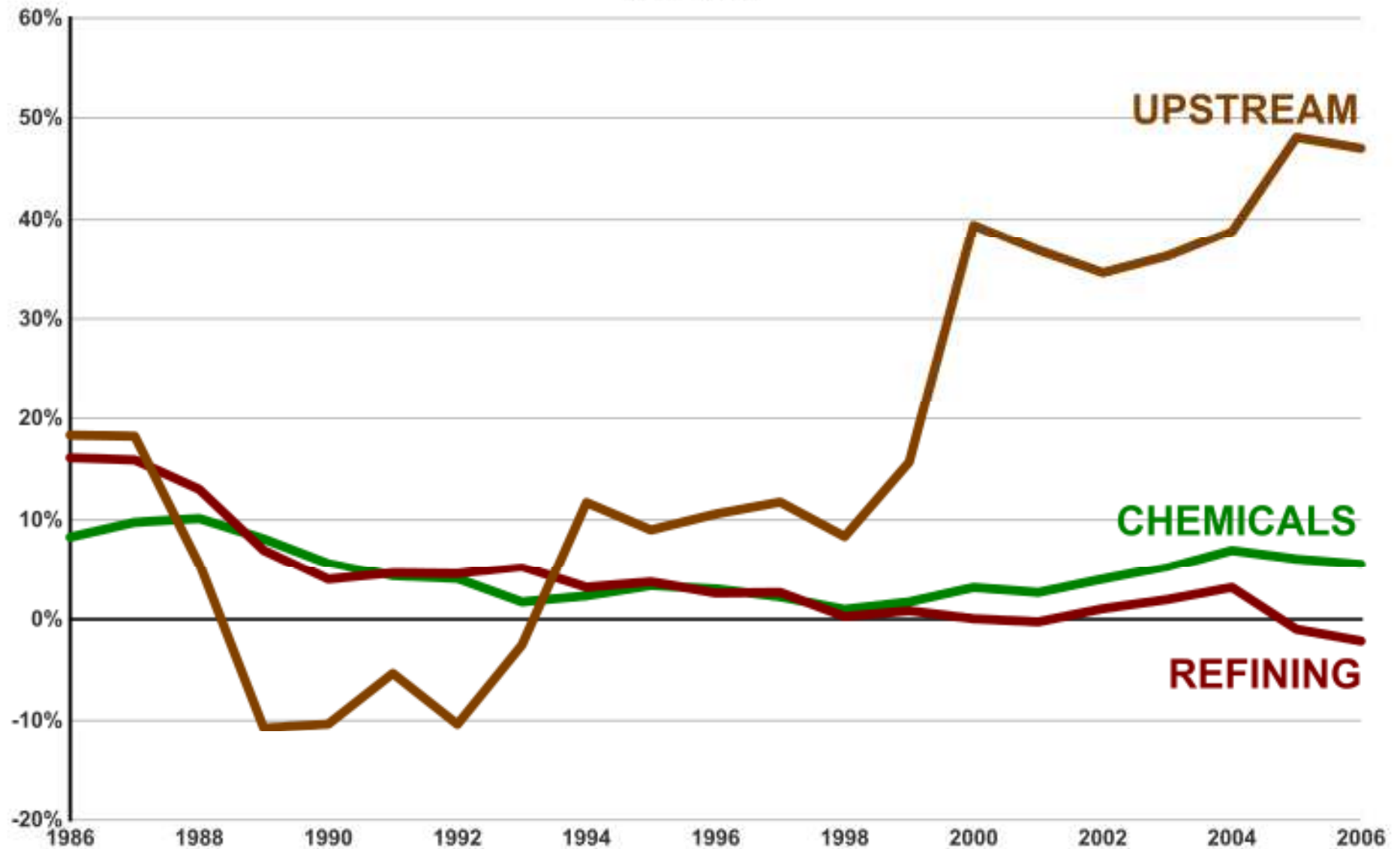


Source: CEIC, EIA and CSA calculations

Note: Crude prices are average import via Customs Administration. Gasoline prices are for wholesale for RON 93.

Oil & Gas Profit Margins

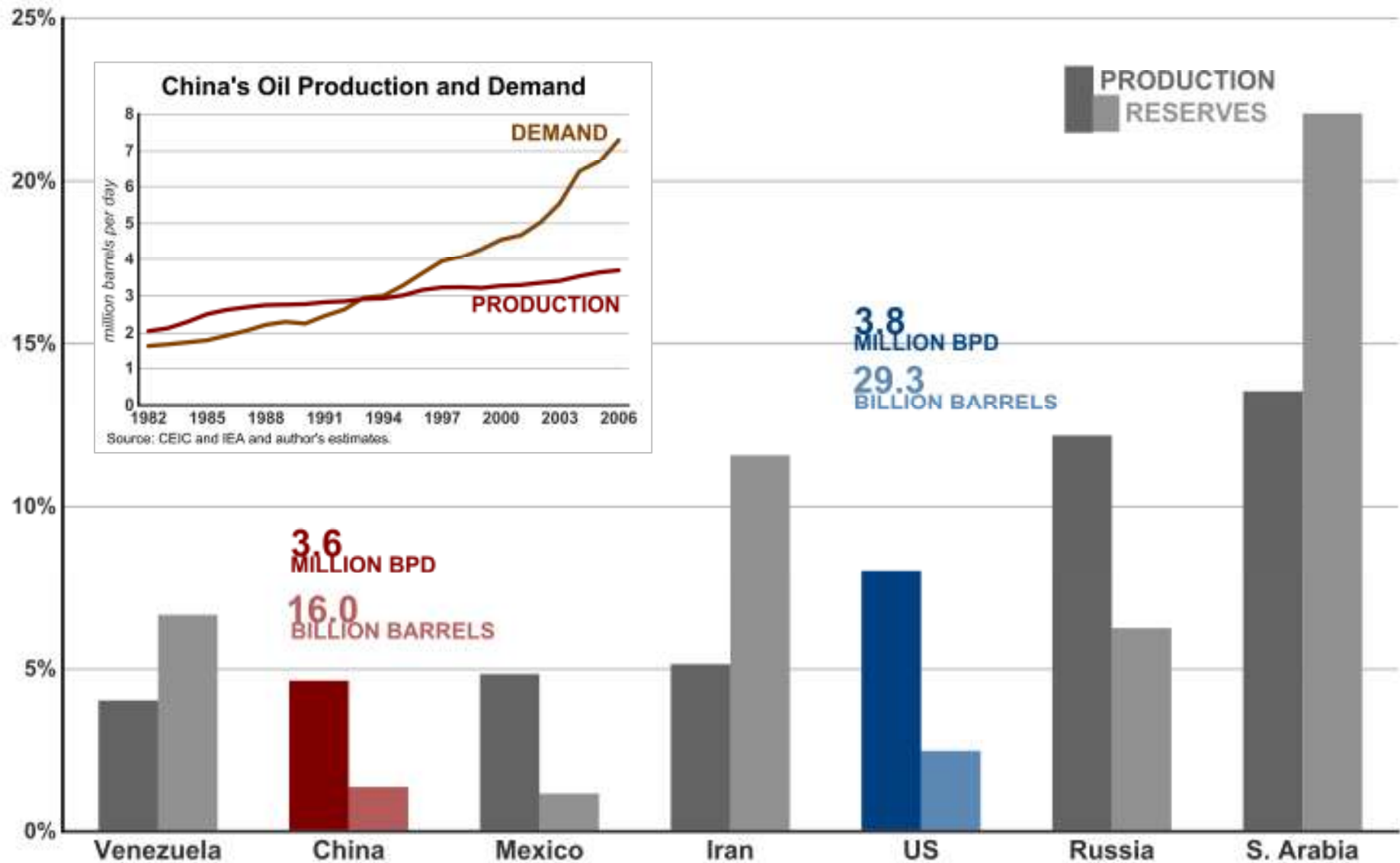
EBT basis



Source: CEIC and CSA calculations.

Share of Global Oil Production and Reserves

2005



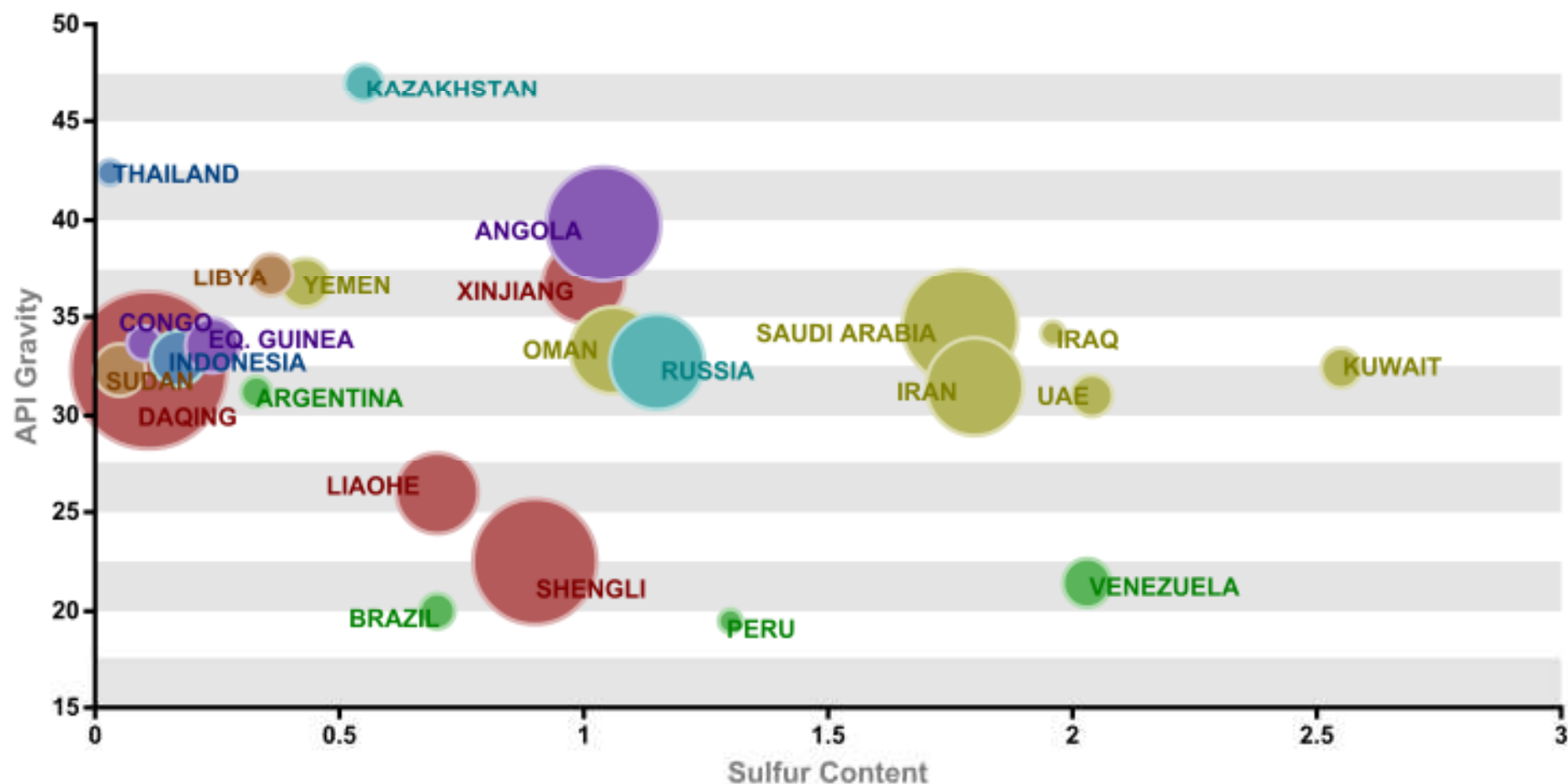
Source: BP Statistical Review



Strategy: Where and How to Invest

Type and Quantity of Crudes Consumed by China

2006



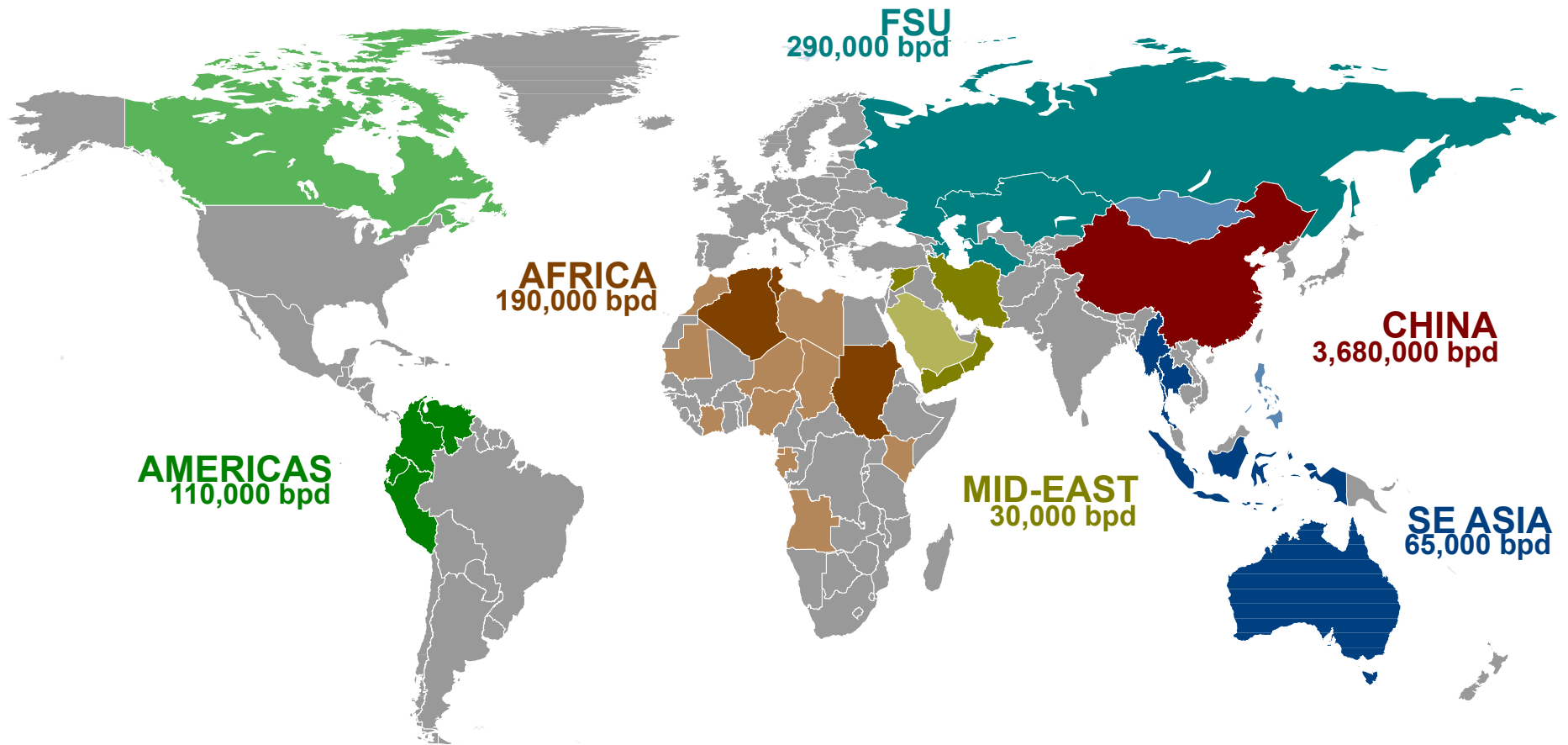
Source: China General Customs Administration, EIG, CSA Estimates

Note: Only includes trade partners that exported more than 1,000,000 metric tons of crude to China in 2005. API and sulfur content figures are derived from a weighted average of all crude types produced by a given exporter. Not all Chinese production is included, only the Daqing and Shengli fields for reference.



Global Upstream Portfolio: CNPC, Sinopec, CNOOC

Investment and Equity Production 2006



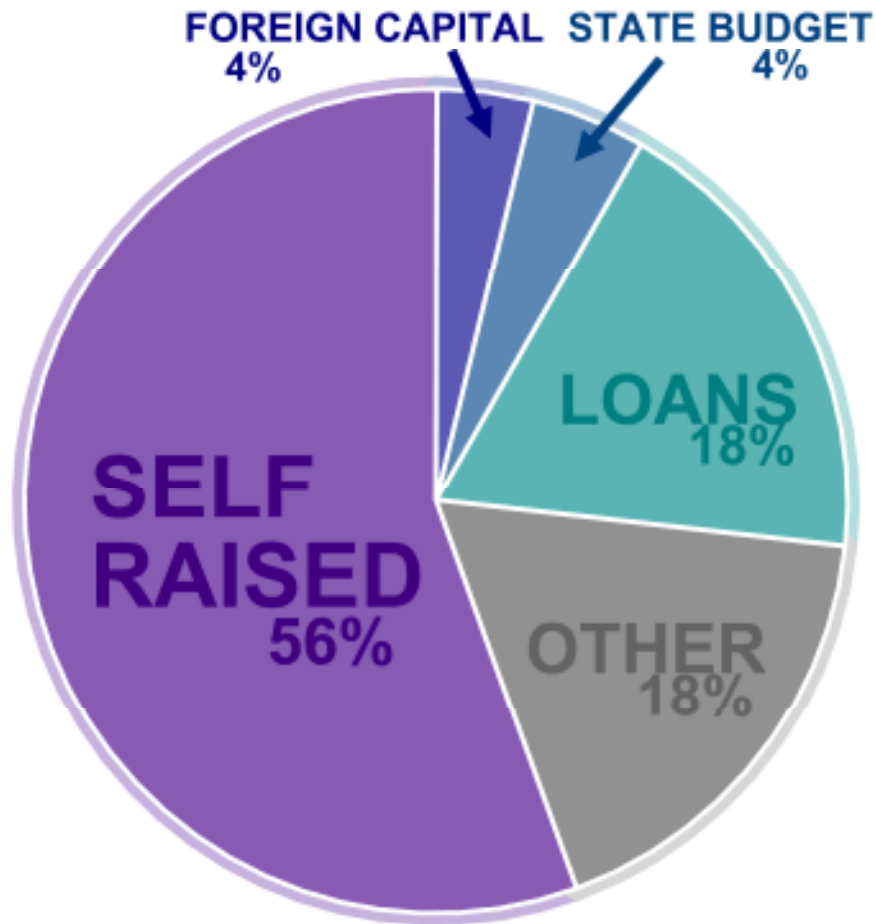
Source: CEIC, company filings, industry intelligence and CSA estimates. Dark coloring indicates countries with equity production in 2006.



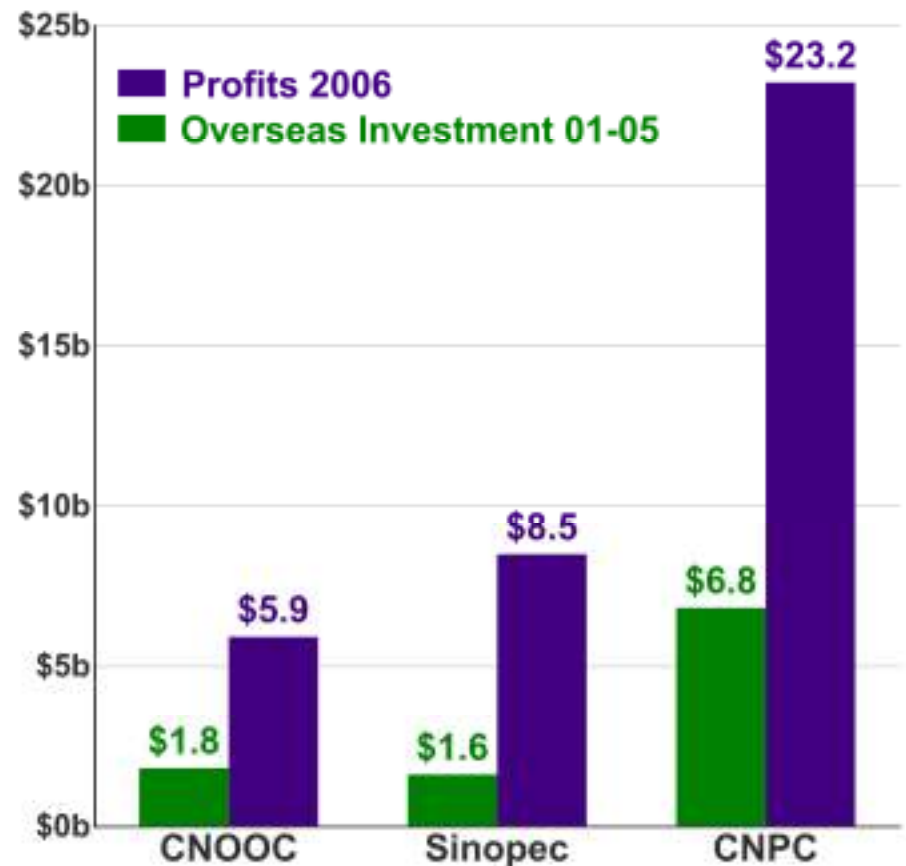
Execution: Financing Overseas Deals

Financing Overseas Investment

Economy-wide investment by source and oil industry specifics, 2006



Sources of Investment
Economy-wide

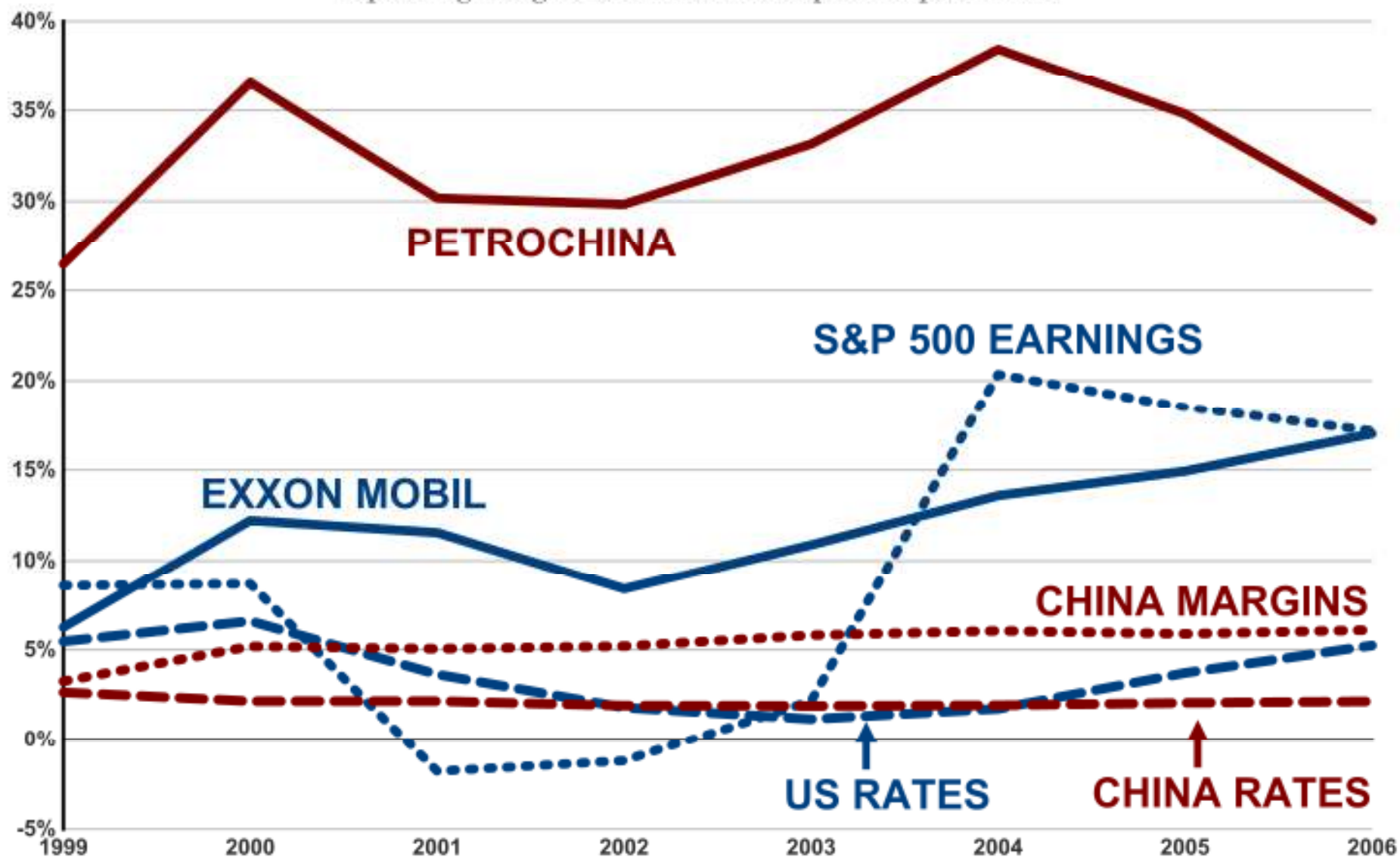


Oil Profits (2006) and
Overseas Investment (01-05)

Source: CEIC, company filings, WoodMackenzie and CSA estimates

The Margin Hurdle

Operating Margins vs 6-Month Enterprise Deposit Rates



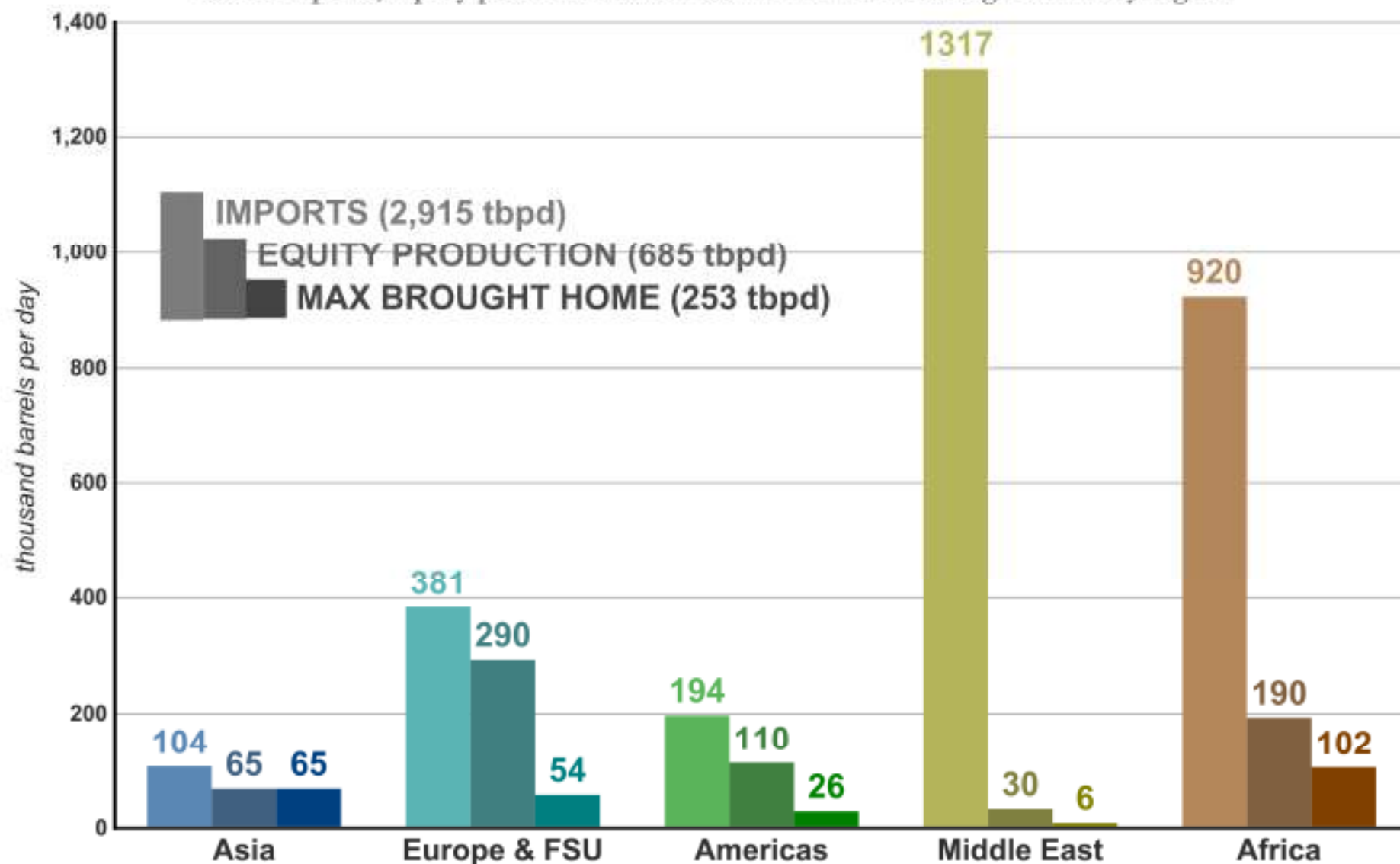
Source: CEIC and CSA calculations.



Implications & Conclusions

Equity Production as a Security Strategy

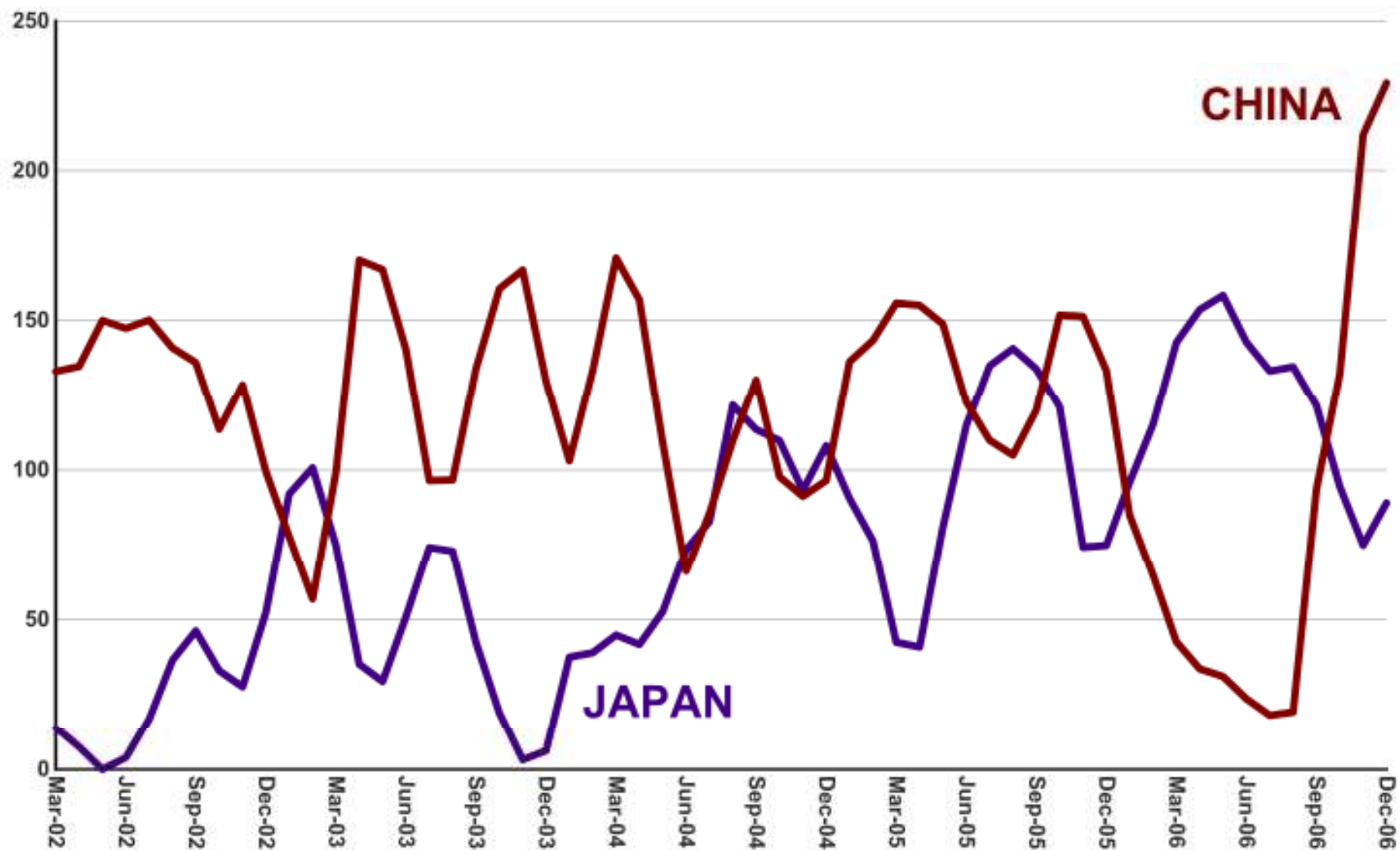
crude imports, equity production and maximum amount brought home by region



Source: CEIC and CSA calculations.

Destination for Sudanese Crude

Chinese and Japanese imports, thousand barrels per day



Source: China General Customs Administration and MITI.

Thank you!



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