Analysis of market and arrangement of production

Analysis of market and arrangement of production The latest report from BMI (business monitor internationals) forecasts that China will account for 32. 3% of Asia pacific oil demand by the year 2010. The supply is 46% and China share in consumption was 14. 6% in 2006, while its share of production is estimated to be 15. 5%. By 2010 its share of demand is forecast to be 19. 4%. The country is expected to supply 13. 1% oil for the Asia Pacific region. The oil and gas sector is partly privatized and most of the part is controlled by Petro china, sinopec and CNOOC for domestic production. The report also estimated that the oil and gas liquid output will remain no more than 3. 54 mn b/d by the year 2011 though the country has pumped about 3. 67 mn b/d last year. Oil consumption in China is expected to increase by 28% by 2011. Therefore the import of oil is expected to be 5. 85 mn b/d by 2011.

The overall business environment for oil and gas is moderately attractive from a regional perspective because political risk is overwhelmed by a strong and sustaining growth of demand for energy. There is a positive reserve for international oil and gas companies to take part in this competitive market. Economic risk is moderate and regulatory norms are set to make progress. China is an important nation in Asia for long, medium and short term oil and gas growth and demand that attracts energy sector investors (The China Oil and Gas Report 2008.)

The Chinese oil and gas market conducts activities of storage, refining, exploration, production, transportation, development and marketing (King, 2008). With augmented force for bigger oil manufacture and new basis of energy, opportunities to spend in oil and gas business are growing. Unearthing of new sources of oil and gas as well as persons eager to put their cash on the line is imperative to the oil and gas industry. Oil companies are in want of financiers to fund research, for the growth of new technologies, and the hunt of new sources (Richards)

China is now a net importer of oil. It consumes nearly five million barrels of oil per day. Out of this requirement, one third is imported. It is expected that China will consume seven million barrels per day by the year 2020. in view of the above mentioned forecasts government sponsored groups have started functioning for devising objectives in this area. One of the main plans formulated is in the area of marketing oil and gas products (PETROCHEMICALS, CHEMICALS, OIL & GAS INDUSTRYWORKING GROUP.)

The pricing device has been correspondingly continuing towards semi liberalised bazaar value indication based on the change made in 1998. In the oil division, the setting up of a system pairing national orientation to internationally documented quotes from the Singapore market presently prevails, even though subject to local amendments. On the gas sector, the civic policy guarded value chain system has undergone quite a few modifications to bring contemporary pricing methods integrating cost structure type elasticity pricing (Sepulchre. 2004).

Although the requirement for oil and gas reserves is high, the promotion of this merchandise in china is still below the normal precincts. The oil and gas market in china is expected to grow extremely from the year 2020. To meet the rising energy requirements in this area, the Chinese government inhibited oil producing firms have started to build up new marketing strategies. One of the largest oil firms in the country, Sinopec have formed separate subdivision for chalking out marketing plans entirely in the Chinese market. Special efforts are on also to develop low cost techniques like construction of pipelines, private participation etc. an added significant progress that is undergoing in the Chinese oil and gas sector is the installation of modern refineries having a capacity to purify heavy crude oil. To reduce the price of oil, the Chinese authorities have closed down several small refineries having very low refining capability and using obsolete know-how. In its place new refineries having larger capacities have blossomed. This move is to reduce the cost as well as to increase the eminence of oil and gas in the country.

The marketing strategies framed by Chinese oil firms have began to look beyond its limits now. Acquirement of oil assets by Chinese oil firms overseas has given a boost to this zone. It is approximated that nearly one half of acquisitions made in overseas oil assets are made by Chinese firms. This move by the Chinese firms is to make china facilitate to export surplus oil in the near future. Another vital development made by the Chinese in this segment is encouragement of private participation in manufacture as well as marketing fields. Primary oil firms around the world now partake in the energy sector of the country. Allowing private players, expansion of low cost refining techniques, edifice of gas and oil pipelines, acquisition of oil assets abroad, discovery new sources etc seems to be the new strategies and challenges faced by the oil industry in china (Oil [and] gas journal).

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