

Shale gas, emission cuts urged to reduce China's oil imports

Foreign crude dependency ratio hit new high of 55.2% in first 5 months

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CHINA DAILY

BEIJING — China should accelerate the pace of its exploration of unconventional natural gas and introduce more stringent policies to cut emissions to cope with its heavier dependence on crude oil and natural gas imports, industry experts suggested.

ENERGY The nation's dependency ratio of foreign crude imports hit a new high of 55.2 percent in the first five months of 2011, the Ministry of Industry and Information Technology (MIIT) said on Tuesday. That surpassed the 53.5 percent in the United States, it said.

Last year, China reported a dependency ratio of about 55 percent on crude imports.

MIIT data showed that the world's second-biggest oil consumer had 191 million tons of apparent crude consumption from January to May, up 8.5 percent from the same period last year. Apparent consumption includes domestic pro-

duction and imports, but excludes exports.

China has been a net importer of oil since the 1990s, and its oil imports have risen sharply ever since to support its strong economic expansion.

"Domestic crude production cannot satisfy the nation's increasing demand for crude oil when the transportation and manufacturing sectors report such quick growth," said Wan Xuezhi, an energy analyst at CIC Industry Research Center.

Wan said China's crude output averaged around 200 million tons annually in recent years. By contrast, oil imports were up 17.5 percent year-on-year to 239 million tons in 2010, according to the General Administration of Customs.

The 2010 Energy Blue Book projected that the country's oil import dependency is expected to hit 64.5 percent within 10 years.

China's limited reserves and output will force it to put forward more effective mea-



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asures to cut emissions, said Zhu Fang, vice-director of the information and marketing department at the China Petroleum and Chemical Industry Federation (CPCIF).

Apart from crude oil, MIIT's data also showed that China's natural gas imports in the first five months of 2011 surged by 91.4 percent to 7.8 million tons compared with the same period last year, signaling that the government's efforts to encourage natural gas consumption have started to work.

The apparent consumption of natural gas rose 18 percent in the first five months to 19.8 billion cubic meters, according to CPCIF.

"We estimate the average growth rate of gas consumption will stand at about 20 percent in the coming years, but domestic output of the fuel will rise by about 10 percent annually," Zhu said.

As a result, the country's accelerated development of unconventional natural gas, including shale gas, will help ease its heavy reliance on natural gas imports.

China is estimated to have 3 trillion cubic meters of recoverable reserves of shale gas, indicating a big potential for commercial use, Wan said.

Shale gas is natural gas produced from shale and has been widely exploited and developed in the United States. China finished its first auction for domestic shale gas blocks in July.

It's highly likely that shale gas in China will enter a large-scale development period in two to three years, and by then the nation's reliance on natural gas and crude oil will be reined in, Zhu said.