



CNOOC Natural Gas Business

CNOOC

2 October 2014





1. CNOOC Gas & Power Overview

2. Chinese Gas Market Overview

3. Chinese Economic & Gas Market Update

4. Chinese Gas Market Outlook

5. Summary



CNOOC Overview



- Founded in year 1982
- China's largest offshore oil and gas producer
- Ranked 79 in 2014 Fortune Global 500 (first listed in 2007)
- Ranked Class A in 9 consecutive years in SASAC state-owned enterprises performance appraisal



SIX BUSINESS SECTORS

Exploration &
Production



Oil Field
Service



Gas & Power



Refining
& Chemical
Fertilizer



Renewable
Energy

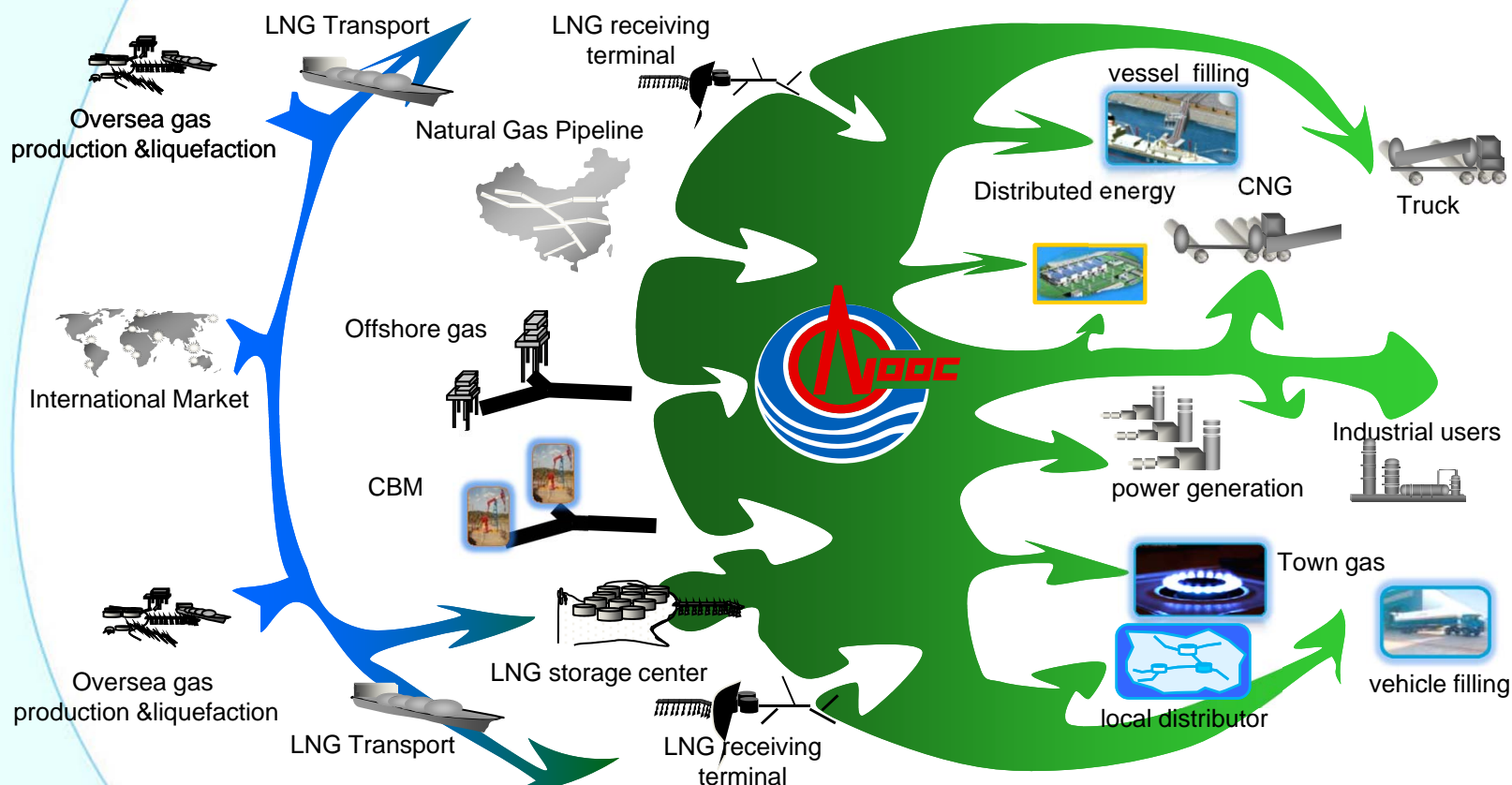


Finance





CNOOC Gas Industrial Value Chain



**Capital-intensive & technology-intensive
complete industrial chain**



Steady Development of CNOOC Natural Gas Business



LNG



SNG、CBM、
Shale Gas



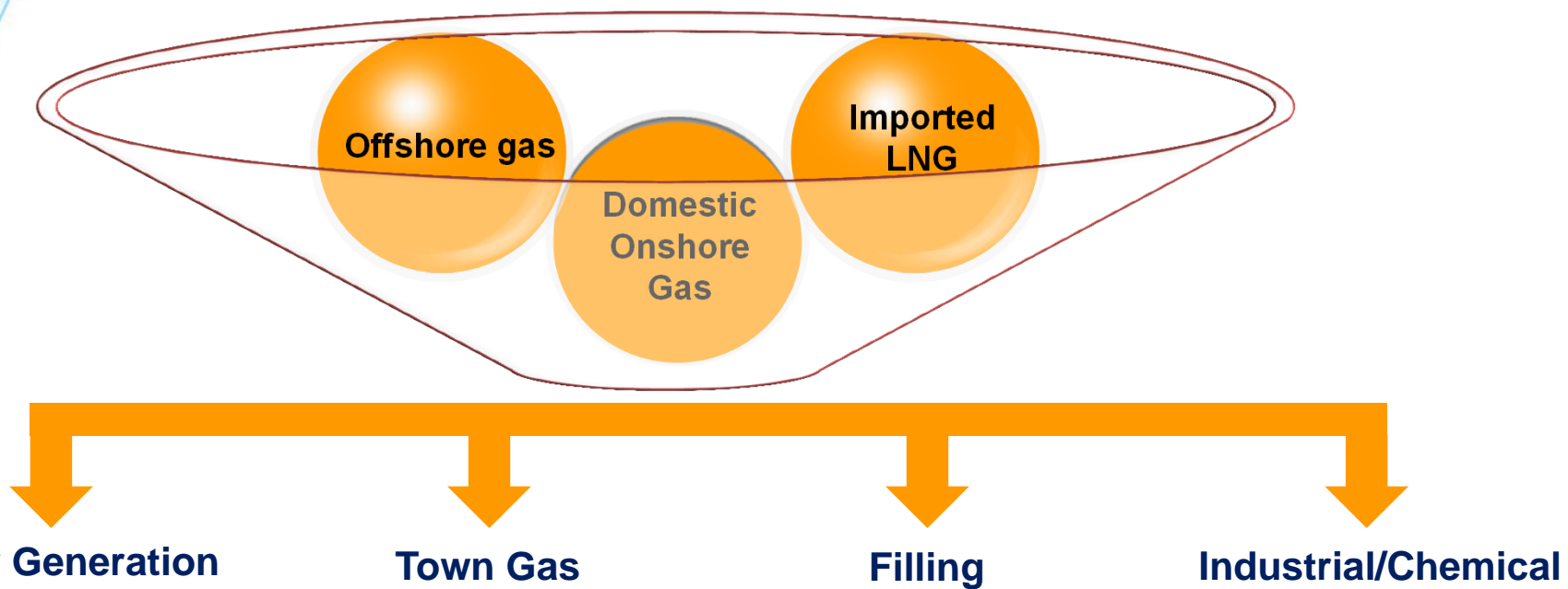
Offshore Gas

- From year 2006 to 2013, respectively imported LNG 0.745, 2.98, 3.21, 5.80, 9.34, 10.85, 10.79, 13.01 million tons

In year 2013, offshore gas production was 10.7 bcm.

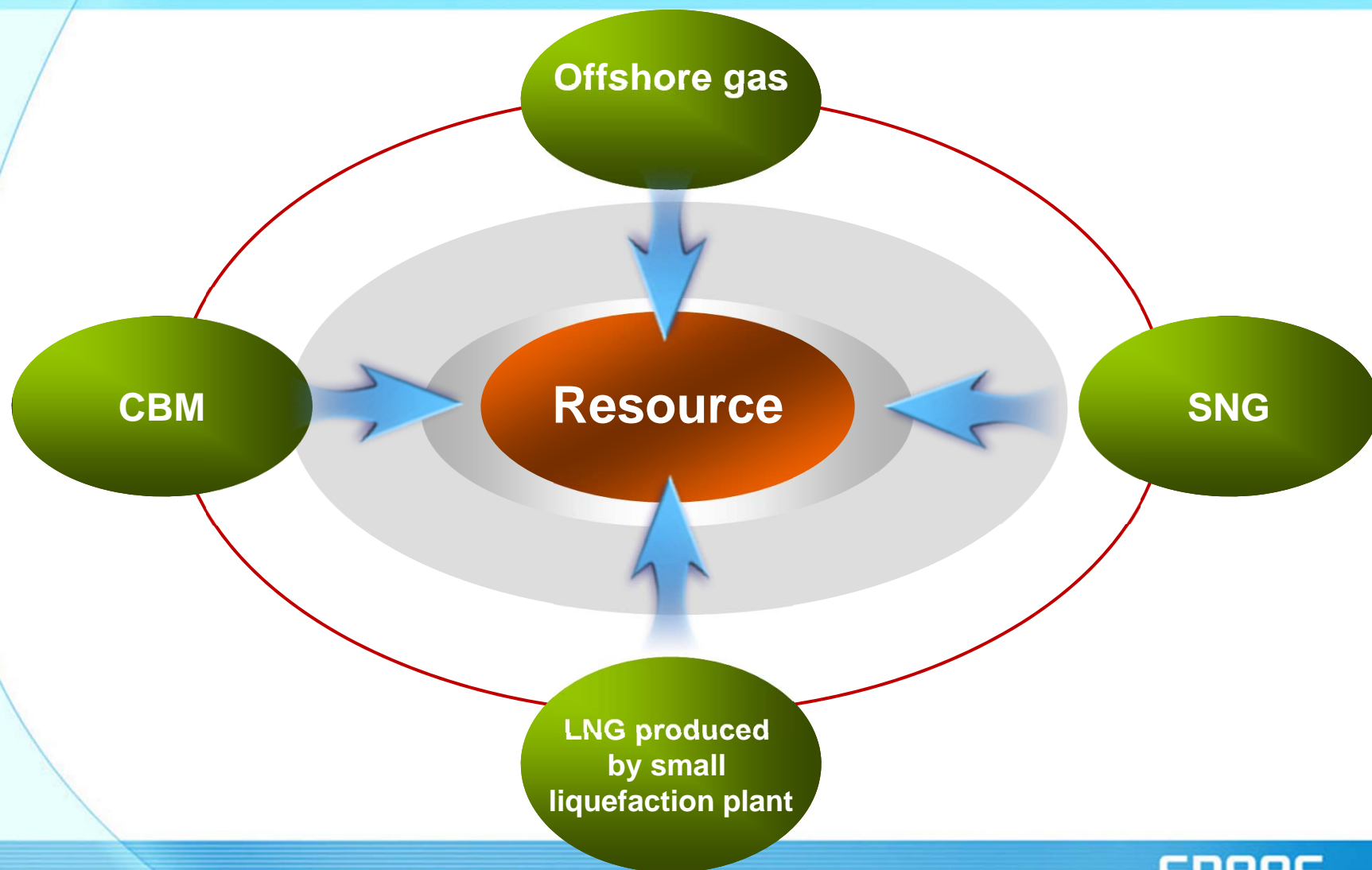


Resource Pool & Market Group



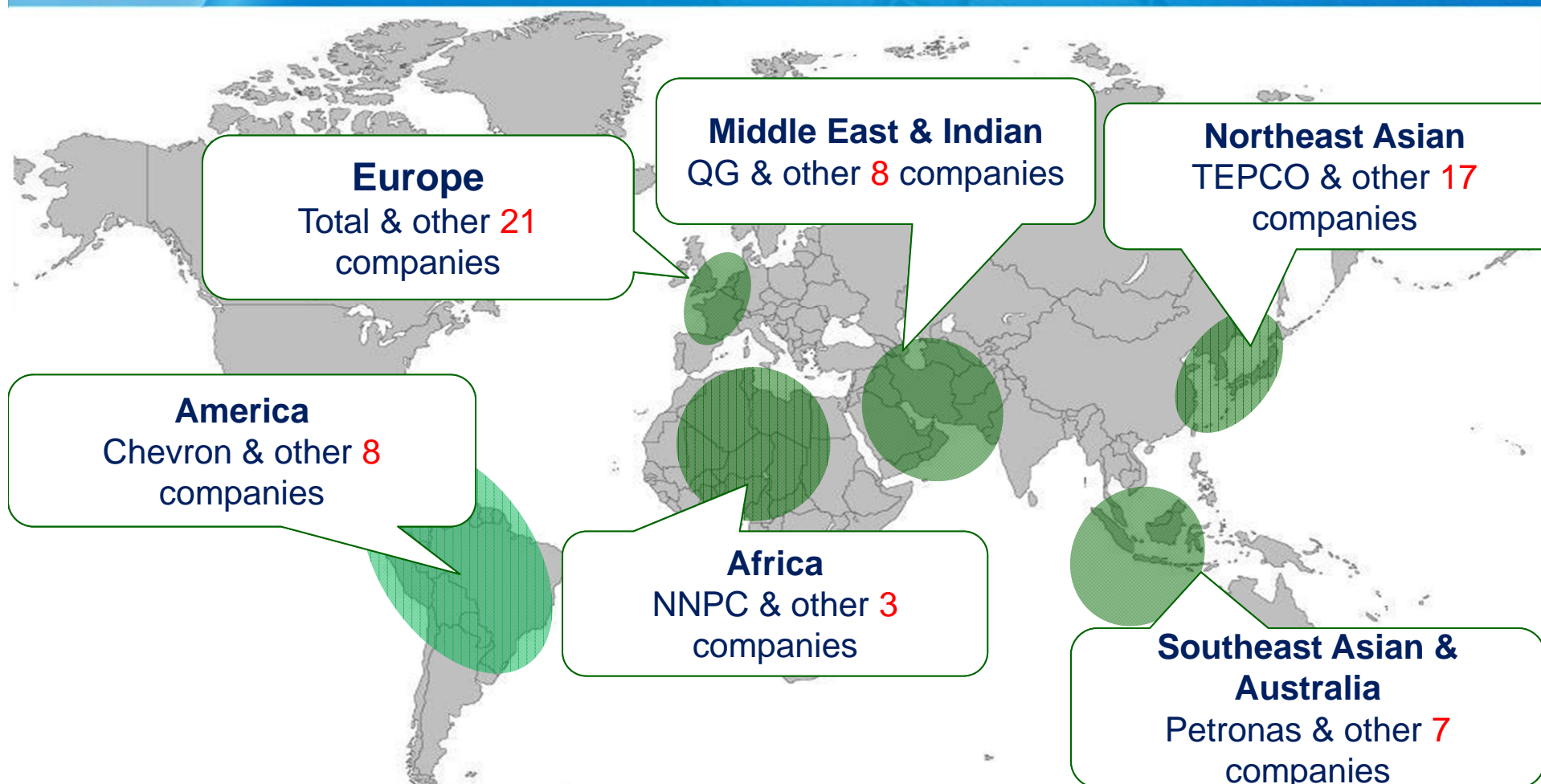


Domestic Resource





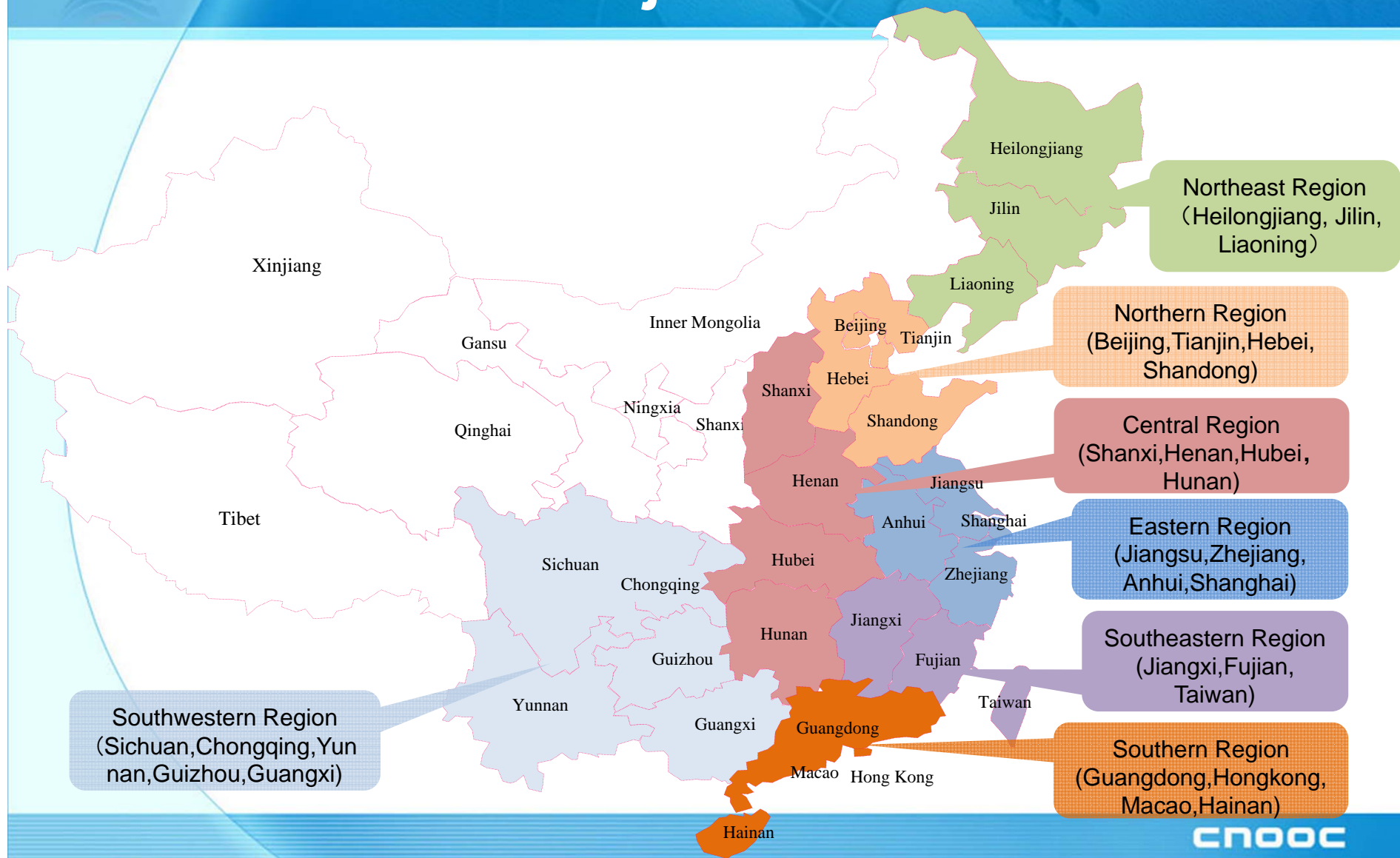
International Resource



CNOOC gas & power group has established intensive cooperation relationship with more than 64 major global LNG market participants and contracted long term LNG resource by now is up to 25.7 million tons/year.















CNOOC Major Market Areas





Infrastructure-LNG Receiving Terminals

Dapeng LNG	Fujian LNG	Shanghai LNG	Zhejiang LNG	Tianjin FSRU	Zhuhai LNG	Hainan LNG
						
Yuedong LNG	Shenzhen LNG					
						
Jiangsu LNG	Yuxi LNG	Zhangzhou LNG				
						



Infrastructure- Pipeline and Others

Power Plant

In-operation: 6

Total Installed

Capacity: 8480MW

Pipeline

Commissioned & Under Construction: 3698 km

Filling Station

Commissioned: 171

Under Construction: 70



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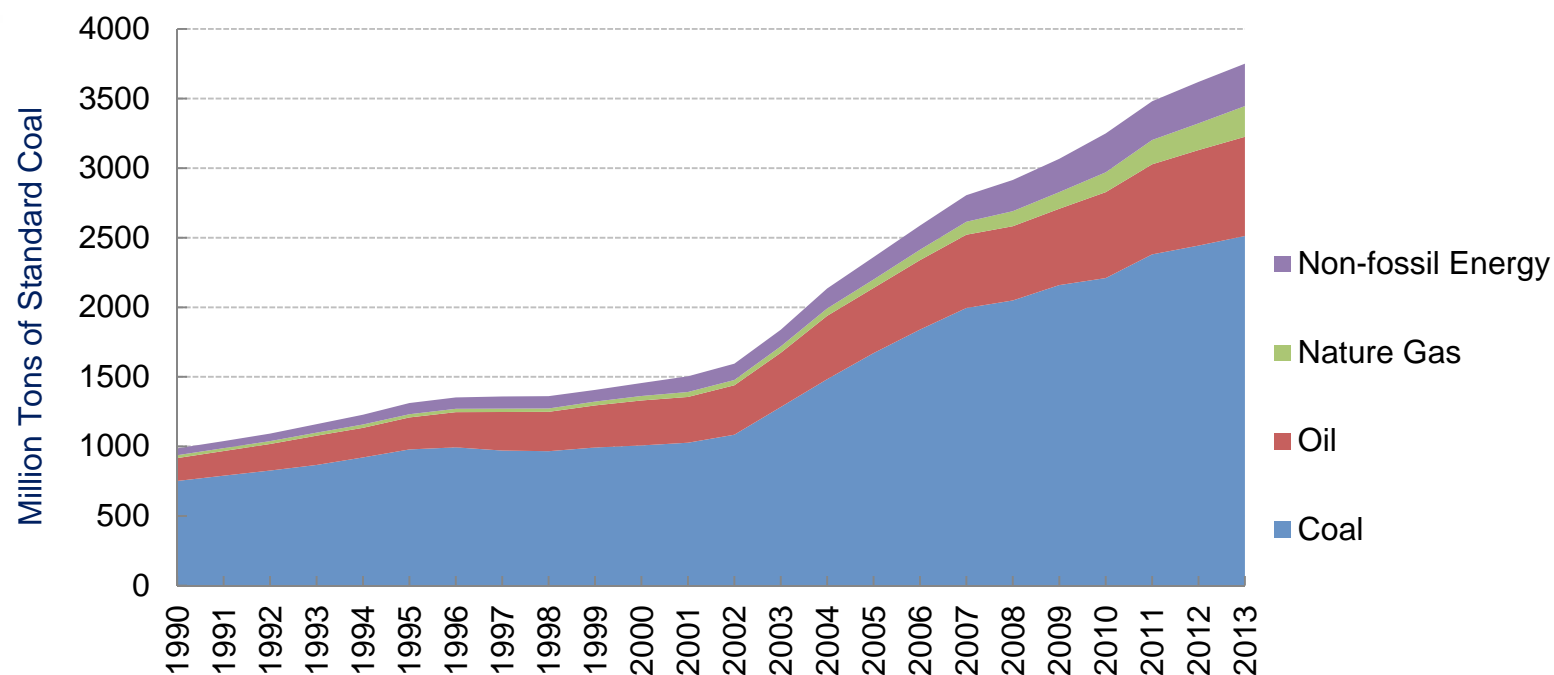
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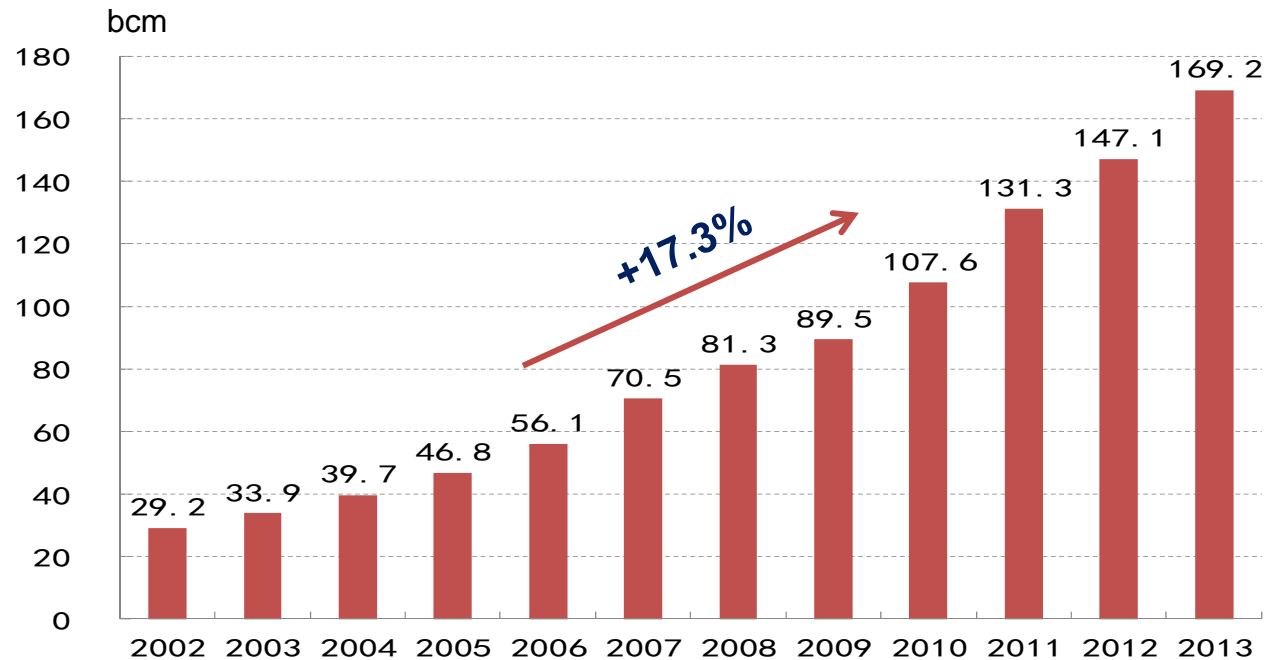
Chinese Energy Consumption



- In 2013, the primary energy consumption of China was 3.75 billion tons of standard coal, increased by 3.7% over last year.
 - Gas consumption was about 169.2 bcm, increased by 13% over last year, accounting for 5.9% of the total primary energy consumption.



Chinese Natural Gas Consumption

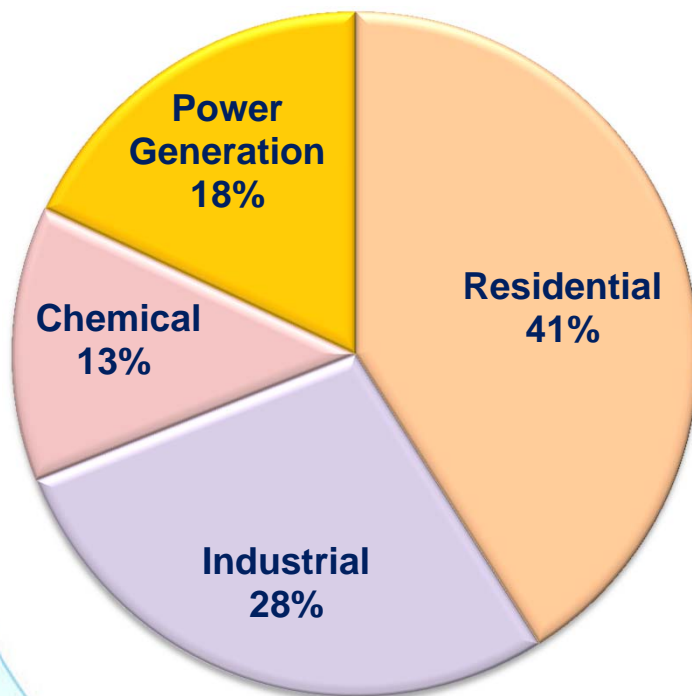


- Chinese natural gas consumption average annual growth was 17.3% between 2002 to 2013.
- In year 2013, Chinese nature gas consumption is 169.2 billion cm with 30% dependence on imported nature gas.



Chinese Natural Gas Consumption Structure

2013 Natural Gas Consumption Structure



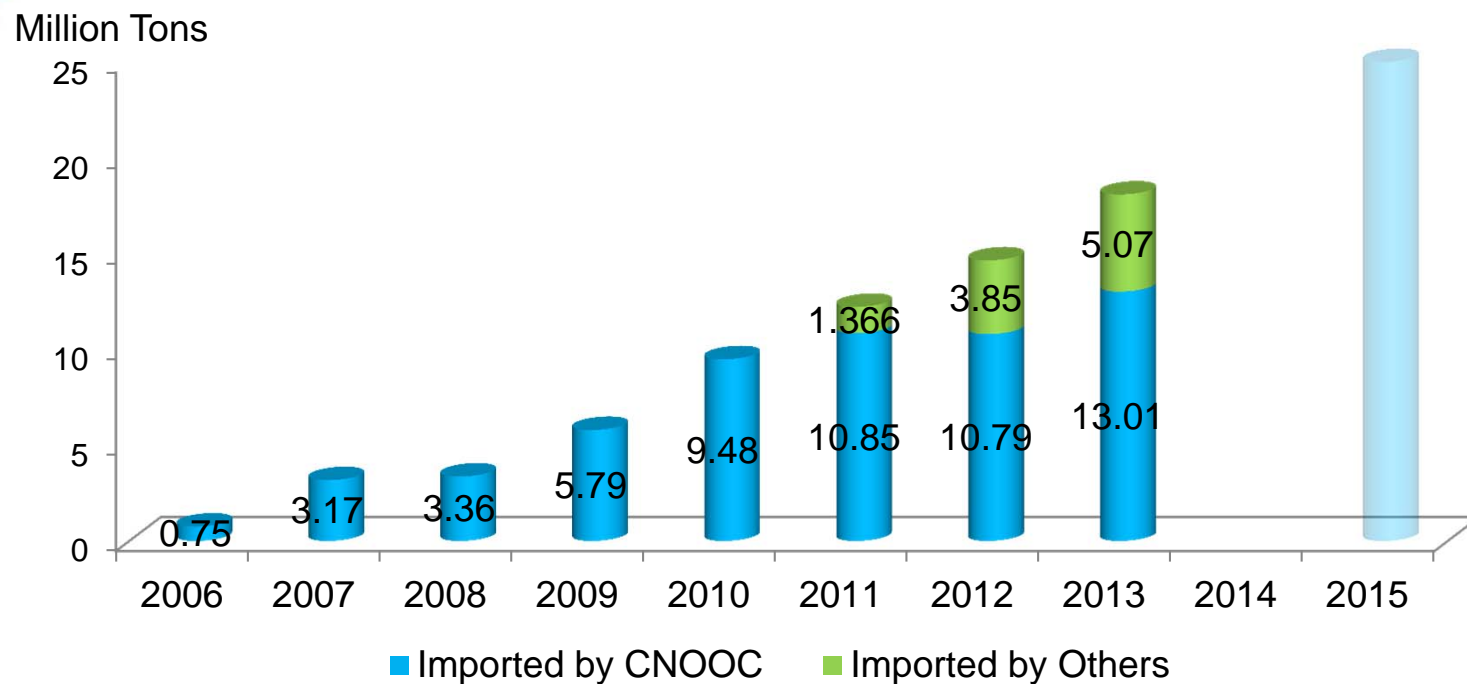
Characteristics of Chinese natural gas market

- Seasonal fluctuation of demand
- Requiring ensured supply security
- Fierce competition





Chinese LNG Import



- China imported 18.08 million tons of LNG in 2013, while 72% of which was imported by CNOOC



Policy-Pricing & Taxation

Domestic Price is regulated by the government

- The Town-gate price ceilings of domestic and imported pipeline gas are regulated by the government
- Although LNG price is not regulated, the price still be affected by the town gate price.

LNG import VAT is proportionally refunded



Third Party Access to infrastructure



Pipeline, receiving terminal, storage and other infrastructure are gradually opening up to the third party.

- However, There are unsolved technical problems.(eg. gas quality standard, metering and pressure system).



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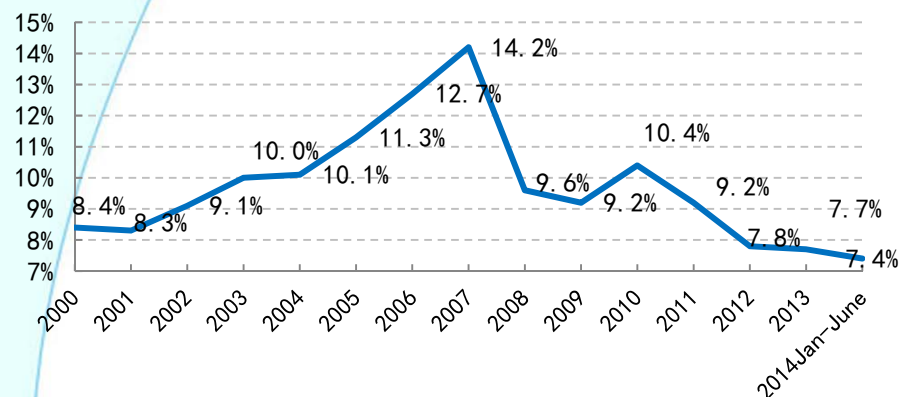
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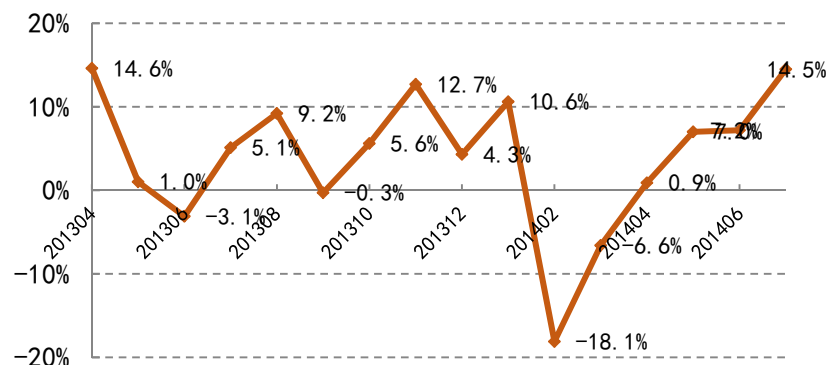


China's Recent Economic Situation

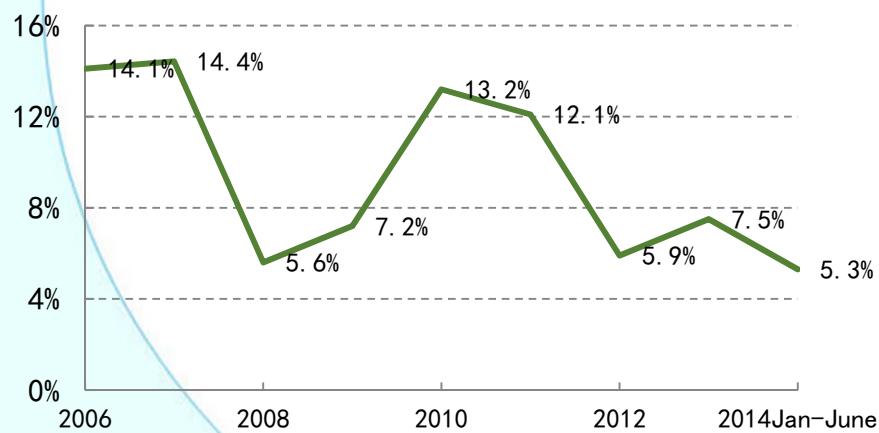
GDP Growth Rate



Export Growth Rate



Electricity Consumption Growth Rate



- Economic growth slowed down, representing a GDP growth of 7.4% in the first half year
- Export situation is still not optimistic, representing a decrease of 1.2% in the first half year
- Electricity demand is not strong, representing a slight growth of 5.3% in the first half year
- Severe environmental pollution problems come along with the economic development



China's Recent Gas Market

Natural Gas Price Reform

➤ Main Point

- Since September 1, 2014, for existing gas for non-residential use, the city-gate price ceiling increases Rmb 0.4 /m³
- In 2015, the goal is to achieve that the price of existing gas equals that of incremental gas

➤ Impact on the Market

- Lead more rational consumption of the gas and promote the industry upgrading .
- The demand growth slows down.

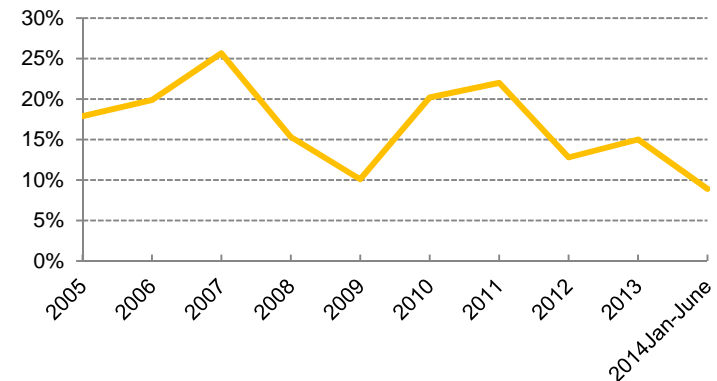
However, the prices of natural gas and electricity generated by gas do not fully reflect their peak-shaving and environmental value.



Gas Market Situation

- January-June 2014, gas consumption is 88.7 bcm, increased by 8.9%, less than 13% in last year.
- **Competition in the domestic gas market is driven by:**
 - Steady progress in domestic onshore natural gas exploration and development
 - Rapid progress in offshore gas exploration
 - More pipeline gas import
 - ✓ Mid-Asia
 - ✓ Myanmar
 - Coastal LNG terminals move into operation
 - Unconventional gas made breakthroughs
- Due to user's lower affordability of gas price, some "coal to gas" users changed back to coal

Chinese Nature Gas Consumption Growth Rate





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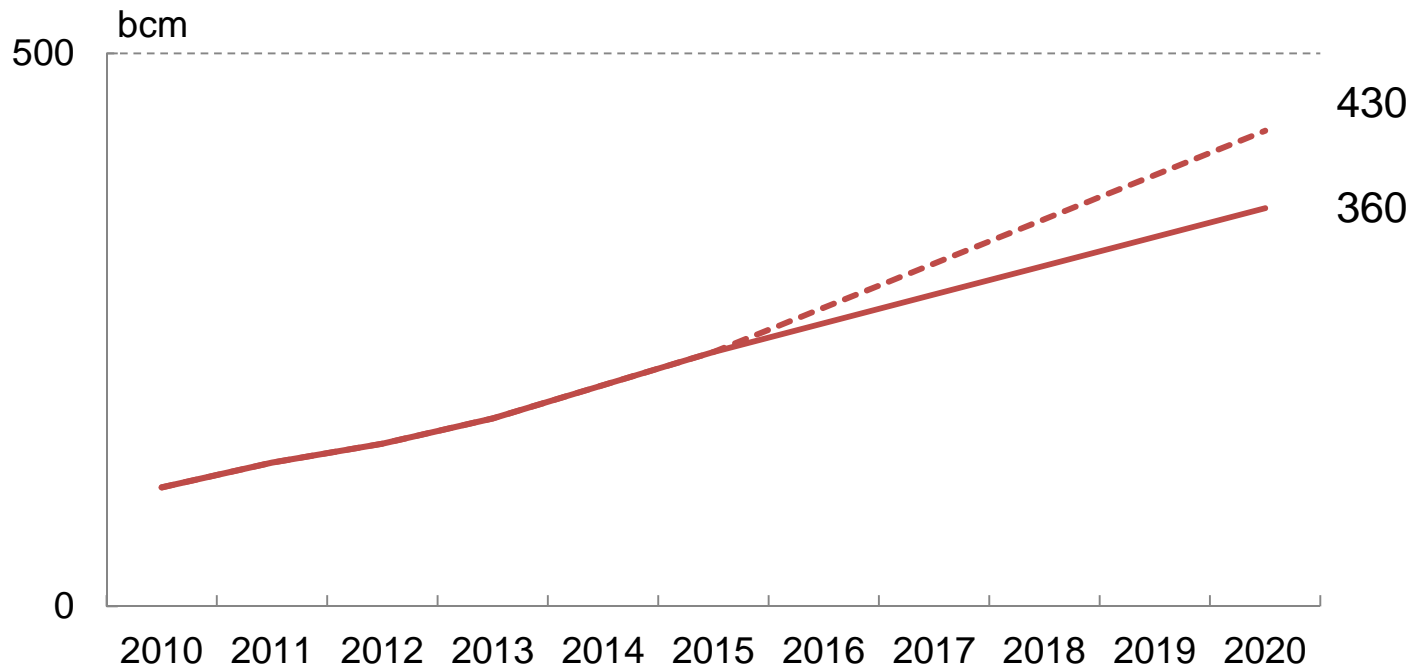
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Outlook of Chinese Gas Demand

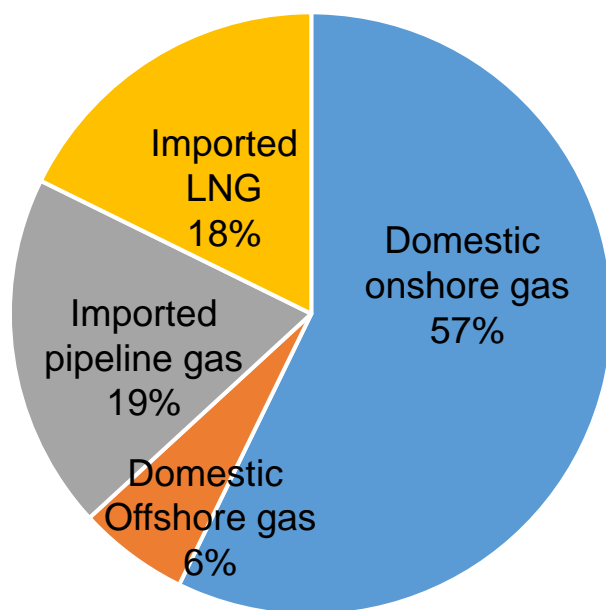


- Expected by 2015, China's nature gas demand will reach 230 bcm, accounting for 7.5% of the total primary energy. By 2020, consumption will increase to 360-430 bcm , accounting for 10-12% of the total primary energy.

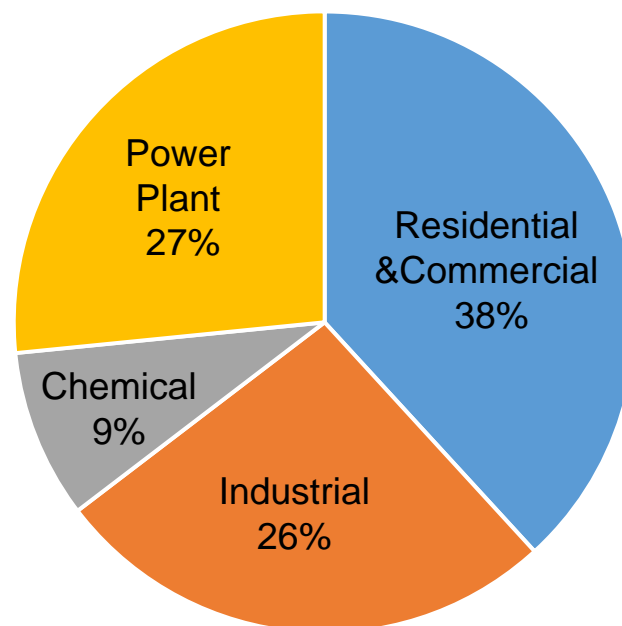


Outlook of Chinese Gas Demand

Gas by Source in year 2020



Gas by Usage in year 2020



A large, semi-circular graphic on the left side of the slide, transitioning from light blue at the top to a darker teal at the bottom. A grey curved line runs along its right edge, with five colored circles (yellow, green, blue, purple, red) positioned at intervals. Each circle is connected to a rounded rectangular box containing a numbered item.

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Summary

- In short term, the growth of gas demand in China is slowing down.
- In long term, there is broad space for the further development of Chinese gas market.
- As the demand cannot be satisfied by domestic resources, gas import is imperative for Chinese gas market.
- The competition among diversified gas sources is becoming fierce, mainly in price and security of supply.
- Though LNG is an important part of imported gas, it should keep competitive in price and supply flexibility.



Summary

All along, CNOOC maintains a leading position in Chinese LNG market. We are willing to establish long-term and stable cooperative relationships with worldwide LNG participants. We would like to develop diversified cooperation to achieve win-win situation in terms of upstream exploration and development, resource purchase and sales, liquefaction facilities etc.



Thank You

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