

China and oil in the world since the beginning of the crisis.

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There are two ways to explain the increases in oil prices, the cyclical (strike, war, accident, crazy trader) and the structural ([stagnant supply, increasing demand, peak production](#)).

I. « mad trader » :

A few weeks ago, an article circulated on the Internet, he had the title: "a crazy trader pushed oil prices to \$ 2". Insidiously implied in this article that speculation is responsible for rising oil prices. This is the title of a great French newspaper that transmits the news of a major English daily, about a London trader who would have pushed oil prices to \$ 2. On the same subject, a large French TV headlined "The man who blew up the price of oil," another side "broker" rogue "pushed over two dollars the price of oil" edited a major news agency and leave anyone a website announced "Oil: A

II. Oil purchases from China.

China announces it intends to increase its strategic oil reserves by 60% and signs every day of new agreements with producer countries.

Here are some examples from the beginning of the economic crisis :

- In **Brazil**, China became the first economic partner countries. The main ingredient of the shopping list of China is the Brazilian oil. China has signed agreements with Brazil and its main company Petrobras, in exchange for a loan of 10 billion dollars that Brazil reimburse Chinese oil companies Sinopec, PetroChina, Sinochem and Unipet. There are also contracts for oil exploration, refining and oil services.

- China has signed with **Kazakhstan** a loan of 10 billion dollars in exchange for access to oil and gas resources of this country of Central Asia. Construction of a pipeline and a pipeline is planned with the aim to triple exports from this region to China. China National Petroleum Corporation has bought shares in the Kazakh company KazMunaiGaz(KMG).

- CNPC bought for 499 million dollars Canadian oil company Verence exploring petroleum in **Libya** (then Libya has exercised its right of first refusal).

- The oil producer Addax Petroleum (**Nigeria, Gabon, Cameroon, Iraq**) is purchased for \$ 7.2 billion by Sinopec.

- Construction of a pipeline off the coast of Burma. It will transport gas to China with the South Korean company Daewoo and the Myanmar National Oil and Gas Enterprise (MOGE).

- China signs a loan of 5 billion dollars with Angola to build a car factory. It buys a field

At each rising prices of oil, the arguments in the short term are always stories of a guy, the mad trader, which required the expense of longer-term analysis, it is the victory of the emotional on the rational..

trader manipulated the courts and lost \$ 10 million in London."

Because of their shares in late June, the flow of information (TV, newspapers, web) under mean that higher oil prices of \$ 30 to \$ 70 is the result of an obscure trader in London. It would obviously abused the good wine until endorse his finger a little too heavily on the mouse while placing their purchase orders. This is never said directly but rather the feeling that the press articles leave the reader.

China continues its oil purchases quietly paying tens of billions of dollars while the European media are mesmerized by the mad trader.

offshore the coast of Angola in the American Marathon Oil for \$ 1.3 billion through Sinopec and CNOOC (China National Offshore Oil Corporation).

- China has signed a \$ 1 billion with **Ecuador** and its national company Petroecuador oil in exchange for the construction of infrastructure (roads, ports, airports) then Equator will pay China in oil.

- In **Peru**, CNPC purchased 45% of the Peruvian company Pluspetrol which should produce 63% of the country's oil production.

- In **Iran**, CNPC (China National Petroleum Corporation) has signed a 4.7 billion dollars at the expense of French Total with NIOC (National Iranian Oil Company) for the gas field of South Pars.

- In **Chad**, CNPC has signed for the construction of the country's first refinery in N'Djamena an act of 960 million.

- Announcement by CNPC buying 45.5% of an oil company in **Singapore**.

- Chinese companies also signed partnership agreements with the giant Western majors: Shell with Sinopec (China Petroleum & Chemical) and CNPC to Kirkuk, BP with CNPC in Iraq, with CNPC for Total deposits and infrastructure in **Venezuela**.

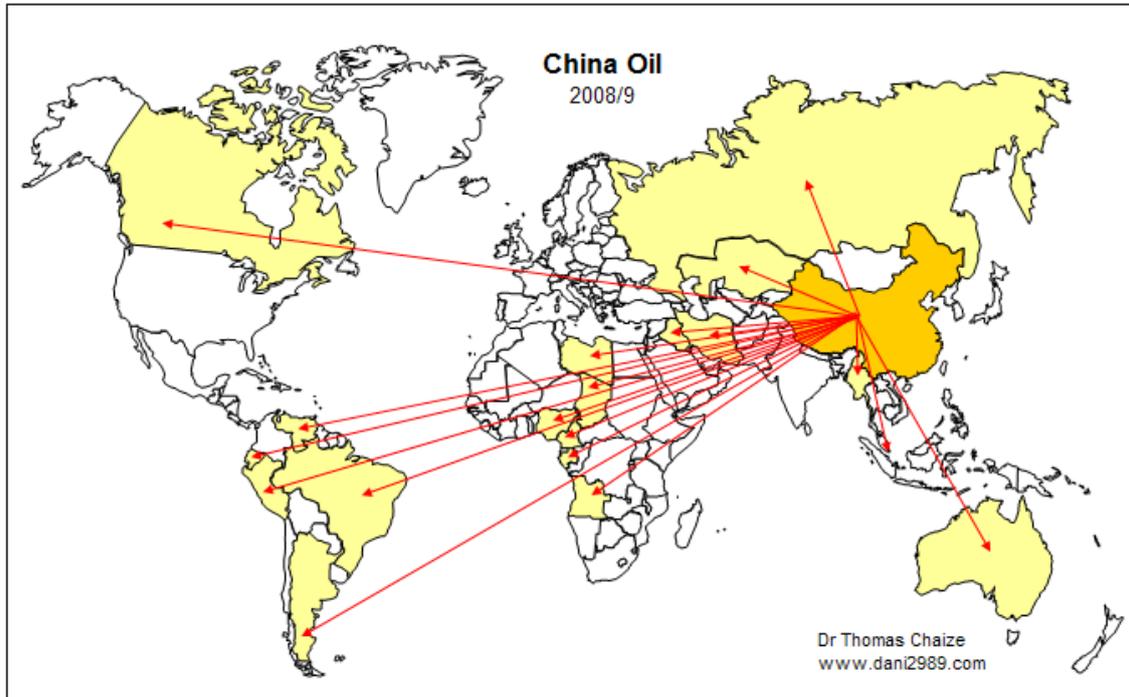
- CNOOC and CNPC are currently negotiating with the Spanish Repsol YPF to buy its share in the **Argentina** company YPF for \$ 17 billion. China could succeed where Russia failed Gazprom in 2008.

- In **Canada** Sinopec buys 10% of the Northern Lights project in French Total, participation rises

and 50/50 with the French oil. (In sands project in Alberta)

In **Australia**, U.S. giant Exxon and Chinese Petrochina have signed a \$ 41 billion for delivery during 20 years of production of liquefied natural gas (LNG) from the Australian Gorgon gas field.

- In **Russia** China trade loans worth 20 to \$ 25 billion cons agreements delivery of oil through the pipeline VSTO, agreements were signed between Russian companies Transneft, Rosneft and CNPC. The largest capitalization in the world is no longer the U.S. tanker Exxon Mobil, but the Chinese oil company Petrochina! It is emblematic of a change, right?



While some investors seek the tar and feathers for the mad trader, China continues its purchases in the [energy](#) and [mines](#) with their huge dollar reserves. While Europe and North America bought the very expensive DOT.COM, China already bought the oil and mining. Today China prefers oil companies to banks. China supplied the funds for oil and gas projects around the world at a time when banks and investors have forgotten.

I told you here about oil and gas, you can also add to energy: coal and uranium, and almost all industrial metals.

But I could be wrong, I underestimated the weight of a trader in London and his mouse on the future of world energy. The establishment in China of a super ministry of energy including oil, gas, coal,

nuclear and renewables¹ (NEA: National Energy Administration) in July 2008 may be the result of chance...

Dr Thomas Chaize

[You can receive my free monthly analysis on energy² and mining³ by subscribing to my mailing list to this address.](#)

¹ China also wants to invest 310 billion euros in renewable energy development in the next decade.

² Oil, natural gas, coal, uranium.

³ Gold, silver, copper, zinc, platinum, diamonds, lead, iron, lead, cobalt...