

## ***Crude Oil Reserve Base Likely in Gansu***

China may build a strategic crude oil reserve in the northwestern Gansu province as part of the country's plan to add eight new oil stockpiles by 2011, said a local official.

The reserve is likely to be built in the Hexi Corridor region, and a feasibility study is currently being done on the proposed project, Li Jianhua, Party secretary of Jiuquan city, told the Hong Kong-based newspaper Wen Wei Po. Two cities in the province, Yumen and Wuwei, will likely be short listed for the reserve project, said Li. Meanwhile, China National Petroleum Corp has started constructing a 1.8-million sq m commercial crude oil reserve in Gansu, he said. These facilities in Gansu province would make it an important oil reserve base in western China, he said.



**A strategic crude oil reserve base in Ningbo, Zhejiang province**

The National Energy Administration announced at a national energy conference in February that China would build eight new crude oil reserves by 2011. The program will increase its strategic crude reserve capacity to 44.6 million cu m. The eight reserves will form the second batch of the country's strategic oil reserves plan. However, so far only two sites, Jinzhou in Liaoning province and Huangdao in Shandong province, have been disclosed to the public. Analysts said the second batch of the reserves plan would include some sites in inland areas.

The National Energy Administration (NEA) announced at a national energy conference in February that China would build eight new crude oil reserves by 2011. The program will increase its strategic crude reserve capacity to 44.6 million cu m. The eight reserves will form the second batch of the country's strategic oil reserves plan.

However, so far only two sites, Jinzhou in Liaoning province and Huangdao in Shandong province, have been disclosed to the public. Analysts said the second batch of the reserves plan would include some sites in inland



areas. In 2004, China started a strategic oil reserve base program as a way to offset oil supply risks and reduce the impact of fluctuating energy prices worldwide. The first batch of these bases include four in coastal provinces - in Zhenhai and Zhoushan of Zhejiang province; Huangdao in Shandong province; and Dalian in Liaoning province. The country has completed the construction of the first four reserves, the NEA said. Wanzhou in Chongqing municipality, Caofeidian in Hebei

province and Shanshan in Xinjiang Uygur autonomous region have reportedly started planning for some strategic oil reserves. Analysts said China should take advantage of a record decline in global crude oil prices to build up more strategic reserves. "Compared with last July, when global oil prices topped \$147 per barrel, it has now dropped by 70 percent. We should use the opportunity to build more reserves," said Lin Boqiang, energy professor at Xiamen University. China's leading oil companies, PetroChina and Sinopec, have all started increasing their commercial oil reserves.

China is also to increase its refined oil reserve to 10 million tons by 2011.

## ***China's steel industry to consolidate amid global crisis***

China's steel industry is likely to see more consolidation in 2009 after the financial crisis threw it heavily into the red, a senior manager told Xinhua on Tuesday.

General Manager of Jinan Iron and Steel Company, Li Changshun, said the industry will speed up structural readjustment to raise quality and eliminate obsolete factories. The China Iron and Steel Association said 62 percent of its 71 large and medium-sized steel producers posted losses totaling 29.1 billion yuan (4.26 billion U.S. dollars) in 2008. More mergers and acquisitions are expected, with smaller steel companies seeking shelter with stronger market players. SOUNDBITE: Zhang

Xiaogang, General Manager of Anshan Iron and Steel Company "High-energy, resource-consuming and heavy-polluting enterprises are the major weakness in China's steel industry, and they are the main targets for merger." Baosteel, China's leading steel maker, announced early this month its plan to join with Hangzhou Iron and Steel Group Company in taking over and restructuring a third firm, Ningbo Iron and Steel Co. Zhang Xiaogang, General Manager of Anshan Iron and Steel Company, said the scattered structure of the industry



Consolidate.

has weakened China's voice in setting world iron ore prices and prices for steel products. Zhang said mergers and acquisitions are the key to helping the steel industry get out of difficulties, and these will also provide new opportunities for the industry.

## **China Metallurgical eyes \$3 bln dual listing-media**

China Metallurgical Group Corp, a joint venture partner of CITIC Pacific's steel mining projects in Australia, plans to raise \$3 billion in a dual Hong Kong and China listing, a Hong Kong newspaper reported on Friday.



China Metallurgical will submit a listing application to the Hong Kong bourse later this month aiming for a listing in June before it pursues its mainland listing plan, the Hong Kong Economic Journal reported, citing sources. The company, involving in natural resources, scientific research, and industrial engineering, is a key contractor in a number of steel projects in China and abroad, the company's website said.

Morgan Stanley, China International Capital Corp and CITIC Securities are the sponsors of the H-shares, the newspaper said. It gave no further details of the listing.

## **China copper imports hit new record in February and may rise further**

China's total copper imports surged 41.5 percent to a record last month, data showed, topping expectations on state-backed strategic buying and after stronger Chinese prices had spurred merchants to raise spot imports.



The data follows other signals -- both macro-economic and in the metals market -- that the Chinese economy and its demand for raw materials is emerging from the steep downturn seen late last year, a supportive sign for beaten-down global commodity prices. China, the world's top consumer of copper, imported 329,311 tonnes of unwrought copper, including anode, refined and alloy, and semi-finished copper products in February versus 232,701 tonnes in January, the General Administration of Customs said on

its website on Wednesday. "The Feb imports were bigger than we had expected. The big imports should have come from higher inflow of refined copper due to SRB's buying and the spread between Shanghai and LME prices," Jing Chuan, chief researcher at Great Wall Futures in Shanghai said. China will give details on imports of refined copper alone, which accounts for three-quarters of imports, in about two weeks.

Analysts and traders had expected February's refined copper imports to surpass December's record high 211,527 tonnes after the arbitrage for importing copper from London Metal Exchange warehouses gapped wide on restocking by end-users and repairs at some Chinese smelters including Yunnan Copper.

#### State-backed stockpiling also pushed up imports.

The State Reserves Bureau, which is Beijing's commodity stockpile management arm, is believed to have contracted about 300,000 tonnes of imports to build strategic stockpiles, most of it arriving in the first half. "The high level of copper imports has been caused by the strong arbitrage opportunities and a big number was expected...so a record high for refined copper will come as no surprise," Yingxi Yu, analyst at Barclays Capital in Singapore said. "The decline in aluminium exports was also expected, highlighting the relative strength of domestic prices."



#### FABRICATOR DEMAND



Traders also said fabricators have been buying copper to resume production after the Lunar New Year break in late January and early February, and also to rebuild inventories, suggesting that end-user demand may also be on the mend. "We are willing to stock up more copper. There is little room for Chinese prices to fall," an executive at a trading firm in Shanghai said. He added the firm had paid a premium of \$160 to import copper for prompt delivery

last week, more than double of the yearly premiums. Traders said fabricators had bought more refined copper to build stocks at 25,000-27,000 yuan per tonne. A source at fabricating plant Chinalco Luoyang Copper said that large copper fabricators were operating at nearly 90 percent of capacity versus about 50 percent in late December. "Our operation rates rose 10-20 percent in February from January," the source told Reuters, adding that China's stimulus plan to boost domestic consumption was strengthening demand from the power, transport and telecommunication sectors.



Imports of refined copper may rise further by 20,00-30,000 tonnes in March from February due to increased spot orders by merchants and fabricators if margins stayed attractive, said Zhu Yanzhong, analyst at Jinrui Futures, a subsidiary of the top Chinese producer Jiangxi Copper. A manager at a large trading firm in China said he estimated imports could reach as high as

300,000 tonnes in March, although others noted that the recent collapse in premium of Shanghai copper futures SCFc3 to LME MCU3 could temper imports. The spread ballooned as wide as over 2,000 yuan per tonne in January and 1,900 yuan in February but has now shrunk to below 400 yuan. China, also the world's top producer and consumer of aluminium, imported 60,074 tonnes of unwrought aluminium and semi-finished aluminium products in February, up 6.6 percent from January, as Chinese prices had stayed stronger after the SRB bought 590,000 tonnes of primary metal in December-February.

Strong domestic prices pushed down exports of unwrought aluminium to 10,992 tonnes in February, down 37.7 percent from January.

### **China Mining Industry Co.Ltd**

Sally Fong

Head.Global Account

Add: Room 903, T.P.Plaza No.109

Lihua Road, Guangzhou (510010)

Tel: 020-36315888

Fax: 020-36315428

E-mail: [sally.fong@cnmining.org](mailto:sally.fong@cnmining.org)

Danny Cheung (CEO)

Add: 11/F, Jonsim Place, 228 Queen's

Road Ease, HongKong

Tel: 852-31030188

Fax: 852-28936910

Email: [danny.cheung@cnmining.org](mailto:danny.cheung@cnmining.org)

Website: [www.cnmining.org](http://www.cnmining.org)