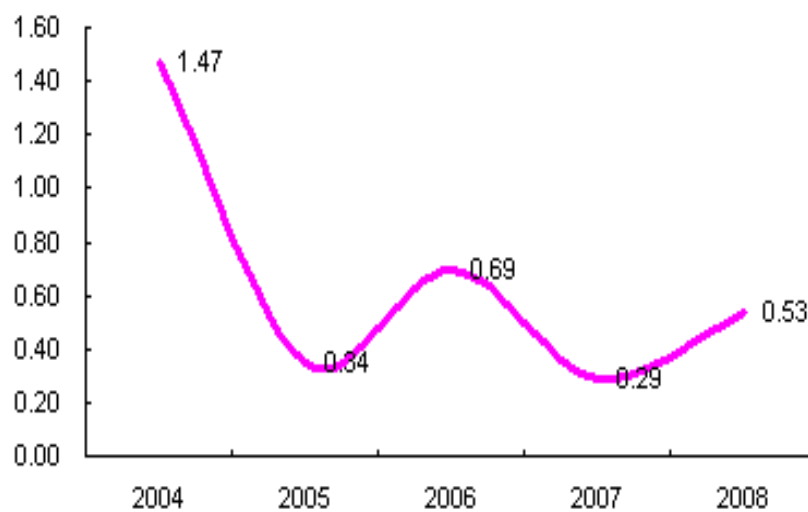


C1 China Petroleum Market Annual Report (2008/2009)

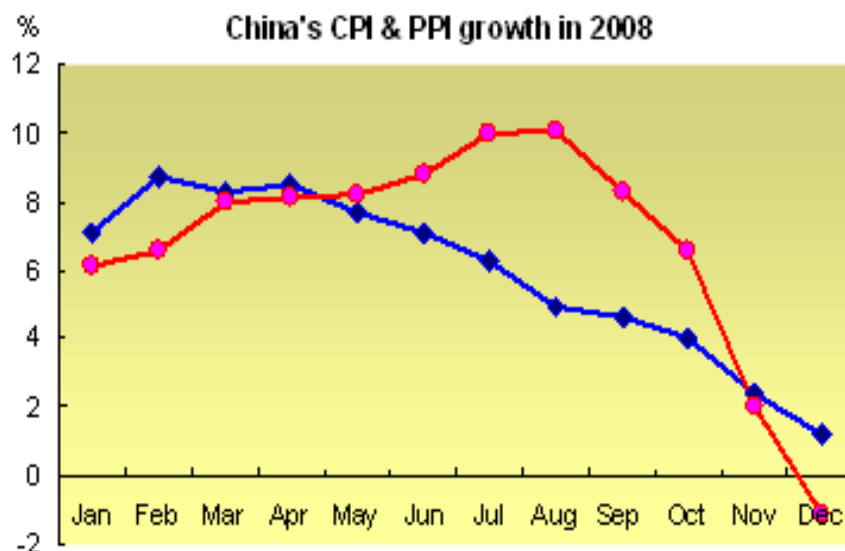
As the most experienced observer in Chinese petroleum market, C1 Energy issued its annual report on Chinese petroleum market for 2008-2009, which extracts the core changes in 2008 petroleum market and forecasts new trends in 2009.

Two thousand and eight is regarded as a **turning point** for China's petroleum market, when Chinese petroleum industry witnessed **periodic, structural and policy adjustments**, while 2009 is thought to be the beginning point to seek for a **new balance point** between supply and demand.

GDP Elasticity of Oil Consumption (2004-2008)



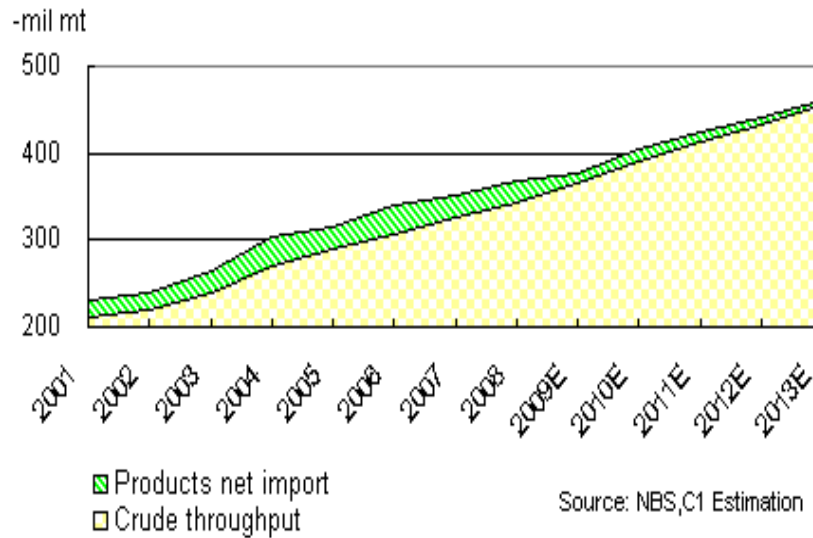
Source: National Bureau of Statistics



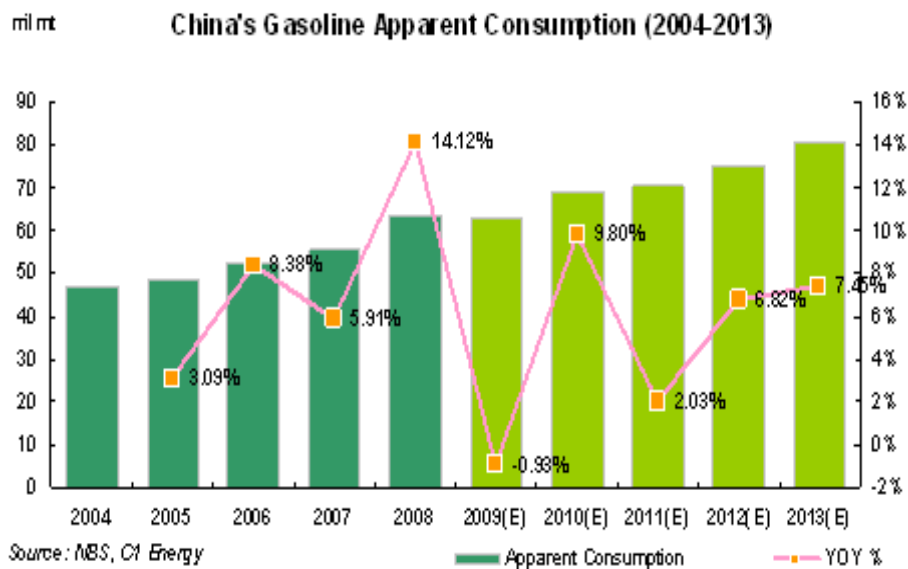
Source: NBS

—◆— CPI —●— PPI

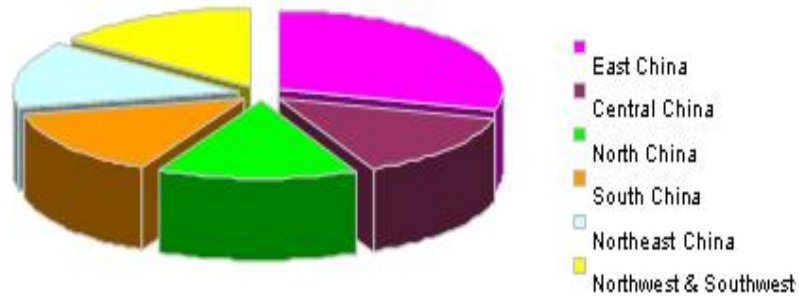
China's Oil Consumption Estimation for 2009-2013



In 2008, **Chinese refined oil market** experienced a transfer from supply **shortage** to **surplus**. Supply of refined oils in China inflates thanks to **two-digit growth in refining capacity in recent three years**. However, oil consumption gets restrained under the backdrop of slowing-down economic growth, adjustments in industrial structure as well as energy saving and emission reduction. In addition, the central government started to implement the long-awaited **new oil products pricing mechanism** at end 2008. The new mechanism secures stable refining margins of refineries, but **utilization rates of refineries** may continue to slip amid lackluster oil demand...



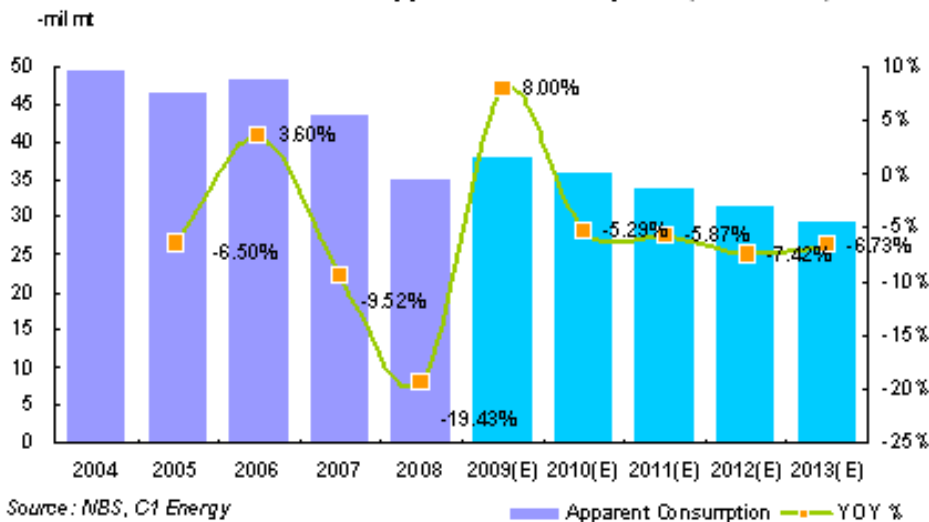
China's Gasoline Consumption - By Region (2008)



Source: C1 Energy

Fuel oil market turned to see supply shortage since end 2008, as the sharp increase in fuel oil consumption axes domestic output. The country's **dependency on foreign fuel oil rebounds**, meanwhile the fuel oil demand in industrial sector has withered dramatically. Independent refineries are facing **larger and larger policy risks and pressure** under the backdrop of refining capacity excess and adjustments in industrial structure. Bonded bunker sector becomes the last hopeful battlefield for fuel oil market. **Fuel oil storage and transfer businesses boom...**

China's Fuel Oil Apparent Consumption (2004-2013)

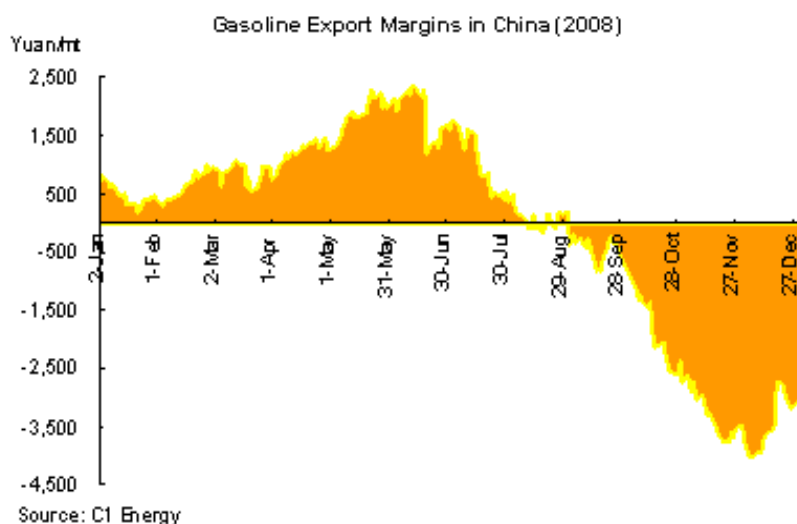


Source: NBS, C1 Energy

Chinese petroleum market will continue to see adjustments and **new moves of market players** in 2009. **CNOOC** is actively developing refined oil wholesale and retail markets and export market, as its Huizhou refining project came into commission in March 2009. **State-run oil giants** will retain the dominancy in domestic oil market. **Bonded bunker market** is expected to form a state of three-way struggling for hegemony. **Refineries** have

to face both an opportunity of guaranteed refining margin and pressure of bearish oil demand...

The annual report provides demand forecasts of crude, gasoline, gasoil, kerosene (jet), fuel oil and LPG for Chinese market in 2009-2013, as well as related consumption and market indicator data in 2004-2008. It also gives in-depth analysis on China's policy toward future petroleum industry.



This report also includes significant changes of government policy and hot issues which continue to affect China petroleum market such as SPR:

Government Selecting Sites for Phase II SPR.....

Eight Reserve Bases to Kick Off Construction in 2009.....

Government Considering Oil Products Reserves in 2009-2010.....

Phase I of China's SPR Bases					
Base	Storage Capacity (cu m)	Tank Number	Schedule	Oil Jetty (DWT)	Location
Zhenhai SPR	3,200,000	52	Aug 2005	250,000	Ningbo, Zhejiang
East an SPR	5,000,000	50	Aug 2007	250,000	Zhoucun, Zhejiang
Liangdao SPR	3,200,000	32	Nov 2007	300,000	Qingdao, Shandong
Dafan SPR	3,000,000	30	Dec 2008	300,000	Dafan, Liaoning

Source: C1 Energy

China's Commercial Oil Reserve Bases				
Location	Storage Capacity (million barrels)	Tank Quantity	Expected Completion	Investor
Shanghai (Phase I)	10	10	Dec 2008	CFIC
Shanghai (Phase II)	10	10	2009	CFIC
Yantai	10	10	2009	CFIC
Qinhuangdao	10	10	2009	CFIC
Total	40	40		

Source: CIE Energy

This report provides as well breakdown data on refineries' refined oils outputs/imports/exports in excel spreadsheet.