

ICIS C1 China Independent Refinery Monthly

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Exchange Rate: \$100 = CNY616.25w

Subscriber Note: Starting from March, ICIS C1 Energy has cancelled four price assessments for fuel oil in the table "Feedstock Prices" on page 6 in the ICIS C1 China Independent Refinery Monthly report because of limited spot trades. The four assessments are 180cst mid-sulphur fuel oil (Russia M100) in south China, straight-run 180cst high-sulphur fuel oil and straight-run 280cst high-sulphur fuel oil in south China, and straight-run 180cst high-sulphur fuel oil in Shandong. Subscribers are welcome to send your comments to info@c1energy.com

HIGHLIGHTS

- Shandong's independent run rate to rise to 36-38% in May on unit restart
- China to launch rules on independents' foreign crude access
- China lifts ban on Sinopec, PetroChina refining projects
- CNOOC to have CDU maintenance at Shandong subsidiaries in Apr-May
- Sinochem halts operation at Huangdao-Weifang crude pipeline

STRAIGHT-RUN FUEL OIL IMPORTS FORECAST

	China	Shandong	Guangdong	East China
May imports	550	550	0	0
MoM*	-13%	20%	N/A	N/A

*MoM refers to monthly changes.
 Source: ICIS C1 Energy

REFINERY OPERATING RATES

Refiner	Monthly Average	MoM**
Shandong Independent refiners	32.8%	-2.5
Guangdong Independent refiners	10.6%	-1.7

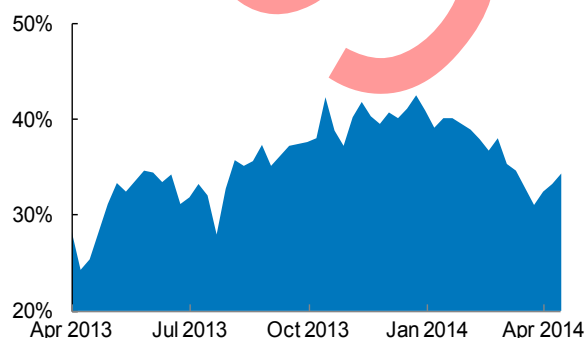
** refers to monthly changes in percentage points.
 Source: ICIS C1 Energy

REFINING MARGINS

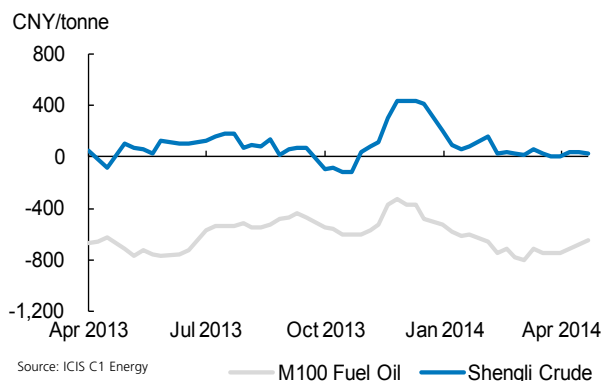
Refiner	Monthly Average	MoM
M100-Fed Shandong Independent refiners	-708	55
Crude-Fed Shandong Independent refiners	21	-10

Note: In this report, markups in prices, margins and operating rates are highlighted in green and declines are marked in red.
 Source: ICIS C1 Energy

RUN RATES OF SHANDONG INDEPENDENT REFINERIES



REFINING MARGINS OF SHANDONG INDEPENDENT REFINERS



Shandong Refinery Inventory

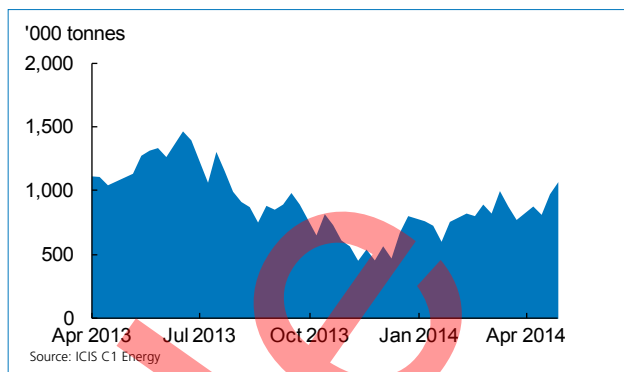
Shandong Straight-run Fuel Oil Stocks at Ports

ICIS C1 Energy estimated the commercial fuel oil stocks at Shandong's coastal areas at 800,000-900,000 tonnes in May, down by 60,000-70,000 tonnes month on month.

The stocks may be stable to lower in the first half of May as refinery operating rates climb, but may rebound after a Venezuelan cargo arrive in the middle of the month. Drops in inventories will probably become significant in the second half of the month as refinery operating rates rise further after more refiners restart units.

In April, fuel oil inventories at Shandong ports totalled 914,000 tonnes, a rise of 49,000 tonnes month on month.

In the early part of the month, fuel oil inventories increased notably because many new cargoes arrived, including a 160,000 tonne cargo of 380cst fuel oil imported by Chinaoil. In the middle of the month, independent refiners maintained relatively low operating rates, which left feedstock inventories stayed high. In late April, the arrivals of several cargoes pushed up further the stock level; meanwhile, fuel oil consumption by independent refiners was still low.



Refinery Operation

OUTPUT & INVENTORY OF MAJOR REFINED PRODUCTS FROM INDEPENDENT REFINERIES						'000 TONNES			
		Shandong		Guangdong		Shaanxi			
		Volume	MoM	Volume	MoM	Volume	MoM		
Products	Output	Gasoline	588	6.1%	6	100%	437	-12.8%	
		Gasoil	1,080	1.8%	60	7.2%	467	-20.3%	
		LPG	107	-17.5%	6	-3.2%	41	-34.9%	
		Fuel oil	126	-28%	3	100%	4	-55.6%	
	Inventory at month end	Gasoline	221	-19.2%	1	0%	3	-30%	
		Gasoil	358	-29.1%	8	147%	3	-52.8%	
		LPG	18	-7.9%	0	0%	2	-62.5%	
		Fuel oil	35	-24.1%	-	-	1	-50%	
	Purchase Volume	Fuel oil	460	-18.6%	40	100%	-	-	
		Crude oil	1,778	-39.3%	200	0%	923	-16.6%	
Feedstock		Inventory at month end	Fuel oil	950	-16.2%	4	100%	-	-
			Crude oil	3,506	-4.2%	116	32%	10	-28.6%
	Throughput	Fuel oil	644	-10.1%	36	100%	-	-	
		Crude oil	1,932	-10.1%	85	-24.9%	911	-16.6%	
CDU average run rate		32.8%	-2.5	10.6%	-1.7	65.9%	-13.1		
Coking units average run rate		48.2%	4.3	0%	-	0%	-		
Note: Gasoil produced by Guangdong's independent refiners are off-spec gasoil. Source: ICIS C1 Energy									

Note: Gasoil produced by Guangdong's independent refiners are off-spec gasoil.
Source: ICIS C1 Energy

Refinery Run Rate

Forecast

Shandong Independent Refiners

Independent refiners in Shandong are expected to run their crude distillation units at 36-38% of capacity on average in May, up from the previous month because some refiners are scheduled to complete maintenance this month.

Operating rates are likely to rise in the first half of May, after Hualian Petrochemical and Jincheng Petrochemical complete unit maintenance. Run rates will probably climb further after Dongfang Hualong Industry & Trading, Shtar Science & Technology and Shouguang Lianmeng Petrochemical complete turnarounds in the middle of the month.

Guangdong Independent Refiners

Guangdong independent refiners' operating rates are estimated at about 10% on average in May, down by 0.6 percentage points from the previous month. Zhuhai Baota Petrochemical shut production early this month and drove down the average operating rate.

In addition, it is not known yet when Sanshui Santai Road Modified Bitumen and Sanshui Yihao Bitumen will resume production. However, the operating rate may rebound slightly after Zhuhai Huafeng refinery restarts units in the middle of May.

Update

REFINERY OPERATING RATE						
Refiner	Monthly Average	MoM	24 Apr	17 Apr	10 Apr	3 Apr
Shandong Independent refiners	32.8%	-2.5	34.4%	33.3%	32.5%	31.1%
Guangdong Independent refiners	10.6%	-1.7	8.2%	9.8%	7.4%	16.8%

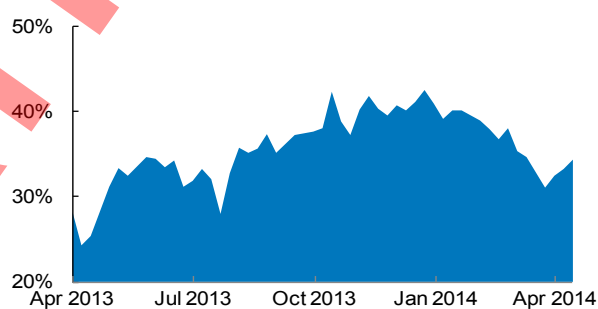
Note: The monthly average operating rate is a quotient of the total feedstock throughput and the total primary refining capacity of the refiners, rather than the arithmetic mean of the weekly operating rates.
Source: ICIS C1 Energy

SHANDONG

RUN RATES OF SHANDONG INDEPENDENT REFINERIES

The average run rate of Shandong-based independent refiners was 32.8% in April, down by 2.5 percentage points month on month.

Hengyuan Petrochemical and Yatong Petrochemical shut a combined 5.3m tonne/year of refining capacity in early April, which pulled down the overall operating rate. In the middle of the month, run rate went up steadily as China National Chemical Corp increased throughput at its subsidiary refineries. Additionally, Wonfull Petrochemical and Befar Binyang Petrochemical restarted crude distillation units (CDU). The rate increased further in the later part of the month because more CDUs resumed operation after turnarounds.

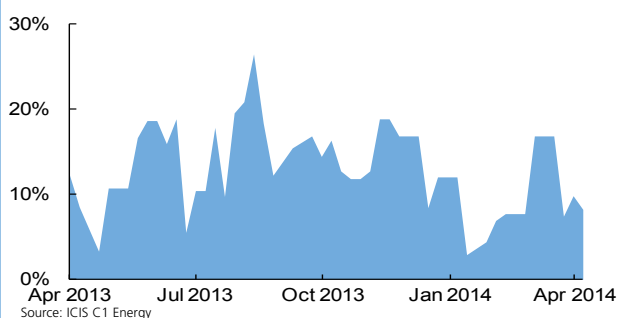


GUANGDONG

RUN RATES OF GUANGDONG INDEPENDENT REFINERIES

The April average operating rate of Guangdong-based independent refiners went down by 1.7 percentage points from March to 10.6%.

As of 24 April, five local refineries were in operation, with the combined daily throughput at around 3,350 tonnes/day.



Straight-Run Fuel Oil Imports

Imports Forecast

Chinese independent refiners are expected to import 500,000-600,000 tonnes of straight-run fuel oil (SRFO) in May, a decline of roughly 13% from the previous month, ICIS C1 data showed.

Imports from Europe are expected to drop to 100,000-150,000 tonnes in May. European refinery operating rates are low and Europe's fuel oil supply to the international market has declined, market sources said.

Chinaoil will move one very large crude carrier (VLCC) cargo of Venezuelan 380cst SRFO to China in the first half of May, for discharge at Zhoushan and Qingdao, said a source with the company. Fuel oil supply

SRFO IMPORTS FORECAST				'000 TONNES
	China	Shandong	Guangdong	East China
SRFO imports	550	550	0	0
MoM	-13%	20%	N/A	N/A
Note: ICIS C1 Energy only assesses the SRFO volumes consumed by independent refiners. Source: ICIS C1 Energy				

from Venezuela has been stable and China's imports of Venezuelan fuel oil are based on domestic demand.

Only 40,000-60,000 tonnes of M100 fuel oil from the northeast Asia are expected to arrive in China this month. Chinese independent refiners' demand for such fuel oil is

limited because of high CFR (cost & freight) premiums and most cargoes from Russia will be shipped to North Asia for power generation as summer is approaching, said an international trader. South Korea and Japan have growing demand for Russian M100 fuel oil, the trader added.

Shandong Imports

Shandong's SRFO imports are estimated at 500,000-600,000 tonnes in May, the data indicated. Imports will probably stay low as independent refiners have weak feedstock

demand when market fundamentals for oil products are soft.

Among the estimated imports by Shandong refiners, 100,000-200,000 tonnes are from Venezuela, 100,000-150,000 tonnes

are from Europe and Southeast Asia, respectively, about 100,000 tonnes are from Saudi Arabia and 40,000-60,000 tonnes are from Russia.

Imports Update

China imported around 630,000 tonnes of SRFO in April, a rise of 12% from March, according to ICIS C1 estimates.

The imports of Russian M100 fuel oil were 110,000 tonnes in the period. According to ICIS C1 data, British Petroleum (BP) shipped a 70,000 tonne cargo of M100 fuel oil to Shandong. This cargo, carried by NORDBAY, was loaded on 20 April at Nakhodka port in Russia, and arrived in Shandong around 27 April.

Another Chinese importer shipped an MR-sized cargo of M100 fuel oil to Yangshan port in east China in late April at a high CFR premium of \$105/tonne, a company

SRFO IMPORTS UPDATES				'000 TONNES
	China	Shandong	Guangdong	East China
SRFO Imports	630	460	0	170
MoM	12%	-19%	N/A	N/A
Note: ICIS C1 Energy only assesses the SRFO volumes consumed by independent refiners. Source: ICIS C1 Energy				

source said. This importer, which generally delivers M100 fuel oil to Shandong, shipped this cargo to east China instead because Shandong independent refiners were mainly in maintenance and had weak demand for feedstocks.

Two VLCCs with Venezuela 380cst fuel oil arrived in China in April, one of which was a delayed cargo which was previously scheduled to arrive in March. A source from Chinaoil said CFR premiums were stable at \$13-14/tonne in April.

Shandong Imports

Shandong imported 460,000 tonnes of SFRO in April, down by 100,000-110,000 tonnes from the previous month, ICIS C1 shipping schedules showed.

Four cargoes totalling 370,000-380,000

tonnes of cutback bitumen flowed into Shandong, which dampened the fuel oil demand by independent refiners.

By source, Shandong imported 160,000 tonnes from Saudi Arabia, 150,000 tonnes from Venezuela, 80,000 tonnes from Europe

and 70,000 tonnes from Russia.

Among the imports, 70,000 tonnes arrived at Longkou port; 160,000 tonnes at Laizhou port; and the rest of 230,000 tonnes at Qingdao port.

Feedstocks Shipping Arrivals

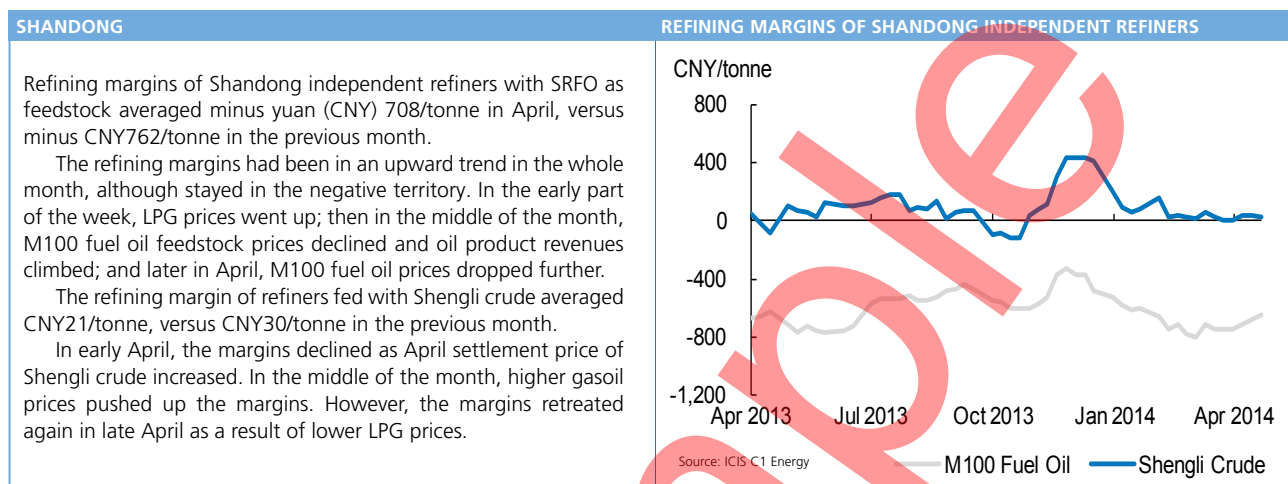
SHIPPING ARRIVALS OF INDEPENDENT REFINERS' FEEDSTOCKS							'000 TONNES
Region	Arrival date	Total Vol	Origin	Feedstock	Receivers	Carrier	Arrival port
Shandong	Crude cargoes						
	30 Apr	50	N/A		Chamboard Petrochemicals	Feng Huang Zhou	Longkou
	30 Apr	73	N/A	Offshore crude	Lijin Petrochemical	Beihai Zhanwang	Longkou
	29 Apr	220	N/A		ChemChina	Titopaz	Qingdao
	28 Apr	65	Ningbo	Merry crude	Dongming Petrochemical	Xin Tong Zhou	Rizhao
	28 Apr	96	Ningbo	Merry crude	Dongming Petrochemical	Yang Lin Wan	Rizhao
	28 Apr	47	Dalian		Changyi Petrochemical	Rui Jin Tan	Laizhou
	26 Apr	58	China	Merry crude	Sinochem Hongrun	Shi Zi Zuo	Laizhou
	22 Apr	45	China	Merry crude	Dongming Petrochemical	Shanchi	Rizhao
	22 Apr	30	China	Offshore crude	Haike Petrochemical	Rong Chi	Laizhou
	21 Apr	60	China	Offshore crude	Kenli Petrochemical	Feng Huang Zhou	Laizhou
	21 Apr	27	Dalian	Merry crude	Sinochem Hongrun	Fu Chi	Laizhou
	21 Apr	60	China	Offshore crude	Changyi Petrochemical	Beihai Weiwang	Laizhou
	16 Apr	73	China	Offshore crude	Haike Petrochemical	Yang Lin Wan	Laizhou
	15 Apr	30	China	Offshore crude	Haihua Group	Daqing 454	Longkou
	15 Apr	30	Dalian	Merry crude	Qirun Petrochemical	Daqing 456	Laizhou
	11 Apr	65	Zhoushan	Merry crude	Dongming Petrochemical	Shi Zi Zuo	Rizhao
	10 Apr	130	N/A		ChemChina	AMANTEA	Qingdao
	9 Apr	45	Zhoushan	Merry crude	Dongming Petrochemical	Lu Ding Tan	Rizhao
	9 Apr	47	N/A	Merry crude	Sinochem Hongrun	Fu Chi	Laizhou
	8 Apr	245	Venezuela	Merry crude	Chinaoil	OVERSEAS TANABE	Qingdao
	8 Apr	70	Dalian	Merry crude	Qirun Petrochemical	Jin Niu Zuo	Laizhou
	5 Apr	30	China	Merry crude	Shenchi Petrochemical	Yazhou Xiongshi	Laizhou
	4 Apr	30	Zhoushan	Merry crude	Dongming Petrochemical	Daqing 31	Rizhao
	2 Apr	42	Malaysia		Dongming Petrochemical	Strovolos	Rizhao
	2 Apr	60	N/A	Offshore crude	Hualian Petrochemical	Beihai Zhanwang	Longkou
	1 Apr	20	China	Merry crude	Chenxi Petrochemical	N/A	Rizhao
	1 Apr	30	N/A		Shidarizhao petrochemical	Sheng Chi	Rizhao
	Fuel oil cargoes						
	29 Apr	70	Russia	M100	Tianhong New Energy	NORDBAY	Longkou
	28 Apr	95	N/A	Bitumen	Yatong Petrochemical	MELOR	Longkou
	27 Apr	80	N/A		Sinochem Hongrun	MT MINERVA WAYA	Laizhou
	25 Apr	95	N/A	Bitumen	Hengyuan Petrochemical	Eagle Atlanta	Longkou
	14 Apr	90	N/A		Sinopec Fuel Sales	Pacific Poppy	Qingdao
	14 Apr	85	N/A	Bitumen	Huayue Group	NORTHERN PEARL	Laizhou
	14 Apr	42	China		Shandong Huaxin	Zun Yi Tan	Rizhao
	13 Apr	106	Venezuela	380cst	Chinaoil	BAUHINIA	Qingdao
	4 Apr	80	N/A		Sinochem Hongrun	El Gurdabia	Laizhou
	2 Apr	80	N/A		Qingyuan Group	BEECH 3	Qingdao
	1 Apr	95	N/A	Bitumen	Yatong Petrochemical	MELOR	Longkou
	1 Apr	160	Venezuela	380cst	Chinaoil	TRIKWONG VENTURE	Qingdao

Source: ICIS C1 Energy

Shandong Refining Margins

REFINING MARGINS					CNY/TONNE	
Refiner	Monthly Average	MoM	30 Apr	23 Apr	16 Apr	9 Apr
M100-Fed Shandong Independent refiners	-708	55	-645	-683	-709	-750
Crude-Fed Shandong Independent refiners	21	-10	27	32	32	8

Source: ICIS C1 Energy



Price Pool

FEEDSTOCK PRICES			CNY/TONNE
Feedstock item	Region/Province	Price	MoM
180cst mid-sulphur fuel oil (Russia M100)	East China	5,974	-56
Shengli Crude (April)	Shandong	4,919	20
Daqing Crude (April)	Northeast China	4,841	38

Note: Prices in this table are monthly average prices.
Source: ICIS C1 Energy

Price Pool

PRODUCT PRICES			CNY/TONNE
Product item	Region/Province	Price	MoM
Gasoline			
93-Ron gasoline (GB III)	China average	8,749	-138
93-Ron gasoline (GB III)	Yangtze River Delta	8,599	-115
93-Ron gasoline (GB II)	Shandong	8,400	-58
93-Ron gasoline (GB III)	Pearl River Delta	8,457	-33
93-Ron gasoline (GB II)	North China	9,080	-185
93-Ron gasoline (GB II)	Shaanxi	8,579	-101
93-Ron gasoline (GB II)	Northeast China	9,517	-97
Gasoil			
0.2% sulphur gasoil	China average	7,571	-150
0.2% sulphur gasoil	Yangtze River Delta	7,500	-187
0.2% sulphur gasoil	Shandong	7,244	-10
0.2% sulphur gasoil	Pearl River Delta	7,557	-90
0.2% sulphur gasoil	North China	7,575	-200
0.2% sulphur gasoil	Shaanxi	7,430	-335
0.2% sulphur gasoil	Northeast China	7,553	-476
Industrial gasoil	Pearl River Delta	6,650	-39
Industrial gasoil	Shandong	6,575	-73
Fuel oil			
Mixed/cracked 180cst high-sulphur fuel oil	China average	4,401	-106
Mixed/cracked 180cst high-sulphur fuel oil	South China	4,343	-114
Mixed/cracked 180cst high-sulphur fuel oil	East China	4,459	-99
Domestic No250 low-sulphur high-viscosity residue	East China	4,408	-85
High-sulphur residue	South China	4,110	-64
High-sulphur residue	Shandong	4,089	-68
LPG			
Domestic LPG	South China	6,538	-35
Domestic LPG	East China	6,477	-114
Domestic LPG	Shandong	6,347	5
Domestic LPG	North China	6,412	60
Domestic LPG	Northeast China	6,385	-50
Domestic LPG	Northwest China	6,156	109
Domestic LPG	Southeast China	6,715	-46
Bitumen			
Domestic AH-70 & AH-90 bitumen	China average	4,202	-53
Domestic AH-70 & AH-90 bitumen	South China	4,135	-38
Domestic AH-70 & AH-90 bitumen	East China	4,110	-80
Domestic AH-70 & AH-90 bitumen	Shandong	4,238	-65
Domestic AH-70 & AH-90 bitumen	Northwest China	4,202	2
Domestic AH-70 & AH-90 bitumen	Northeast China	4,275	0
Domestic AH-70 & AH-90 bitumen	North China	4,250	-81
Petroleum coke			
Low-sulfur petroleum coke	China average	1,393	19
Mid-sulfur petroleum coke	China average	1,211	-56
High-sulfur petroleum coke	China average	1,003	-54

Note: Prices in this table are monthly average prices.
Source: ICIS C1 Energy

Refinery Turnaround

Shandong independent refiners shut a combined 9.9m tonnes/year of CDU capacity in April, up by 1.4m tonnes/year month on month, according to ICIS C1 data.

Meanwhile, the restarted capacity was 9.5m tonnes/year, up by 4m tonnes/year from the previous month.

Run rates at independent refineries in

Shaanxi province averaged 65.9% in April, down by 13.1 percentage points month on month, as Yan'an refinery shut for turnaround.

TURNAROUND SCHEDULES OF INDEPENDENT REFINERS IN CHINA

Refiner	Shutdown Date	Startup Date	Shutdown facility	Capacity offline ('000 bbl/day)	Location
Kenli Petrochemical	1 Jun	N/A	All Units	90	Dongying
Hi-tech Chemical Group	15 Mar	30 May	Coker	24	Dongying
Qingyuan Group	25 Apr	25 May	Coker	8	Zibo
Lianmeng Chemical Group	20 Apr	20 May	All Units	20	Weifang
Shtar Science & Technology Group	17 Apr	1 Jun	All Units	30	Rizhao
Hengrunde Group*	15 Apr	N/A	CDU	16	Dongying
Shtar Science & Technology Group*	10 Apr	N/A	CDU	30	Dongying
Hualian Petrochemical	6 Apr	N/A	All Units	32	Dongying
Hualong Industry & Trading*	5 Apr	30 May	CDU	24	Dongying
Yongxin Chemical	5 Apr	5 May	CDU	6	Binzhou
Yongxin Chemical	5 Apr	5 May	Coker	8	Binzhou
Hengyuan Petrochemical	3 Apr	21 Apr	CDU	40	Dezhou
Hualong Industry & Trading*	31 Mar	30 May	FCC	20	Dongying
Jincheng Petrochemical	22 Mar	30 Apr	FCC	16	Zibo
Hengyuan Petrochemical	20 Mar	5 Apr	Coker	20	Dezhou
Hengyuan Petrochemical	20 Mar	1 Apr	FCC	10	Dezhou
Qingdao Anbang Petrochemical	15 Mar	25 Apr	All Units	24	Qingdao
Yongxin Chemical	15 Mar	15 Apr	FCC	24	Binzhou
Jincheng Petrochemical	8 Mar	N/A	CDU	66	Zibo
Chambroad Petrochemical	1 Mar	30 Apr	Coker	28	Binzhou
Chambroad Petrochemical	1 Mar	30 Apr	FCC	52	Binzhou
Chambroad Petrochemical	1 Mar	21 Apr	CDU	76	Binzhou
Rizhao Landbridge Petrochemical	20 Feb	N/A	Coker	20	Rizhao
Befar Group	18 Feb	10 Apr	CDU	50	Binzhou
Hengyuan Petrochemical	13 Feb	N/A	FCC	6	Dezhou
Befar Group*	15 Jan	5 May	FCC	20	Binzhou
Befar Group*	13 Jan	5 May	Coker	20	Binzhou

* refers to unplanned maintenance.
Source: ICIS C1 Energy

Refining Capacity

REFINING CAPACITY OF INDEPENDENT REFINERS				'000BBL/DAY
Province	CDU*	FCC	Coker	Hydro refining
Guangdong	297	26	24	0
Shandong	2,179	788	580	699
Shaanxi	326	142	0	44

Source: ICIS C1 Energy

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Downstream Products

Distillates Market Outlook

Domestic gasoline and gasoil demand is likely to keep growing in May as the weather improves, but supply will probably stay excessive and prices may still lack upward momentum.

In Shandong, gasoil and gasoline prices may remain stable in the near term. Local refiners are not under sales pressure, because their stocks fell after better sales in April. However, production has rebounded as the average refinery operating rate has climbed

for three consecutive weeks since mid-April and the domestic oil product market has become bearish.

Market fundamentals are likely to stay weak in Guangdong province. Supply will remain excessive, despite of growing demand. Sinochem Quanzhou Petrochemical is expected to supply about 150,000 tonnes/month of oil products to Guangdong from May onwards. However, prices in Guangdong have dropped to quite low levels and

may not decline much in the near term.

In Shaanxi province, Yan'an refinery is still under a turnaround in May and local gasoline and gasoil stocks are expected to stay at low to middle levels. Gasoline sales improved in early May, due to a public holiday, and gasoil demand from infrastructure construction and mining plants may grow this month. However, downstream buyers are still cautious about purchases and will mainly consume stockpiles.

Gasoil & Gasoline

China's oil product output reduced in April when major refineries started turnarounds. Meanwhile, demand from end-users recovered at a faster pace. Wholesale prices of national standard gasoline and gasoil went up by CNY21/tonne and CNY10/tonne month on month in late April, respectively, while blended gasoline prices fell by CNY27/tonne.

In the Shandong market, end-user demand for gasoline and gasoil was affected by domestic economic slowdown. Local oil

product sales were subdued by sluggish operating rates at factories, mining and construction sites and declined demand from downstream caused by alternative energy sources. Gasoil wholesale prices in Shandong inched up in April amid expectations of increases in retail ceilings, and gasoline wholesale prices stabilised on the whole.

In the Guangdong market, zero-pour-point GB (national standard)-IV gasoil price was CNY7,655/tonne in late April, down by CNY60/tonne from late March,

because of a oversupply. However, price of 97-Ron gasoline at local phase IV standard rose by CNY20/tonne month on month to CNY8,495/tonne.

In the Shaanxi market, gasoil demand picked up in April amid improved operating rates of outdoor projects and expectations of rises in retail ceilings. Gasoil inventory slumped as a result of an overall turnaround at Yan'an refinery. Middlemen made purchases according to their needs after Chinese government raised retail ceilings.

LPG

Prices of LPG from independent refineries in Shandong and Guangdong declined in April because of weak demand and impact from low-price LPG from nearby areas. However, the prices in northwest China rose significantly on less supply and stronger demand from destination markets. The average operating rates at domestic independent refineries went down by 22.6 percentage points in the month due to intensive turnarounds, especially in Shandong and northwest China. The total LPG inventories of independent refineries fell by 18.5% as compared with the previous month as the demand started picking up at the end of April.

In Shandong, etherified C4 prices rose

early in April on stable demand from local deep processing plants and less supply; however, the prices dwindled later as the demand dropped on high prices and more supply of low-price etherified C4 from east China. Shandong's feedstock LPG in April fell by 17.49% month on month mainly due to intensive turnarounds at local refineries. Inventories of the feedstock declined by 7.87% month on month at the end of April.

In Shaanxi, LPG supply went down by 34.91% prices dipped by CNY95/tonne month on month to CNY5,883/tonne at the end of March. The region's LPG output went up by 2.24% month on month as Yan'an Re-

finery maintained stable production in early March although it gradually reduced output at the end of the month because of unit turnarounds. The LPG inventory of Shaanxi in late March slipped by 11.11% from late February due to good sales as distributors showed high buying interest on the back of turnarounds at Yan'an Refinery and refineries in Hunan province.

In Guangdong's Pearl River Delta, domestic LPG prices were greatly affected by low import costs in early March. The March LPG output of minor refineries of Guangdong was flat from February. The region's LPG inventory in March decreased because of good sales.

Fuel Oil

In Shandong, coker feedstock prices were CNY4,400-4,450/tonne in April, down by CNY50/tonne from the previous month because of weak demand. Slurry prices stayed at CNY3,400-3,500/tonne in the month amid sluggish trading sentiment. Independent refiners were reluctant to

reduce their slurry prices as the supply tightened on increasing turnarounds early in the month. In addition, they could not accept lower prices. The sales improved in mid-April as gasoil demand rose amid price hike expectation. However, the sales turned stable at the end of the month due to limited

demand and inferior qualities.

In Shaanxi, the price of slurry from Shaanxi Yanchang Petroleum (Group)'s Yulin refinery inched down by CNY50/tonne to CNY3,650/tonne in April and that of Yongping refinery plunged by CNY400/tonne to CNY3,900/tonne.

Downstream Products

Bitumen

In Shandong, the mainstream traded prices of AH-70/90 bitumen were at CNY4,150-4,300/tonne at the end of April, down by CNY25/tonne from the end of March.

Oversupply persisted in Shandong. Buying interest remained low because of capital tightness and limited demand from road projects. On the other hand, local supply increased after Shandong Befar Binyang Petrochemical resumed production.

Local refiners offered more handsome discounts in view of the persistently weak

supply-demand fundamentals, resulting in the drop.

As for coking feedstocks, demand was soft for the majority of April because of heavy coker maintenance in Shandong, but rebound towards the end of the month as coker run rates increased.

In south China, the mainstream traded prices of AH-70/90 bitumen were at CNY4,120-4,150/tonne at the end of April, flat with end March.

Bitumen demand was limited in south

China, where most road projects have not been started.

Bitumen stocks of some local refiners dropped amid better sales, as they could supply increased volumes of bitumen to Yunnan and Guizhou, where some road projects were started.

Zhuhai Huafeng halted bitumen production since 5 April because of low demand. It has been running on stocks. Foshan Futeng, which halted production since last November, has not resumed yet.

Petroleum Coke

Deals for low-sulphur GPC in China were mainly concluded at CNY1,393/tonne on average in April, a rise of CNY19/tonne from the previous month. Traded prices of mid-sulphur and high-sulphur GPC declined by CNY55/tonne and CNY54/tonne to CNY1,211/tonne and CNY1,003/tonne, respectively.

In the Shandong market, prices of mid-sulphur GPC from local independent refiners

were CNY60/tonne lower at CNY1,125/tonne, in response to sluggish demand. Many downstream aluminium companies and carbon producers shut or cut productions in view of negative margins. Independent refiners were under high inventory pressure and cut prices to boost sales. Prices of high-sulphur GPC declined by CNY57/tonne to CNY888/tonne.

Shandong independent refiners ran their

cokers at 48.2% of capacity on average in April, up by 4.3 percentage points month on month.

The average coking margin of Shandong independent refiners rose by CNY60/tonne to CNY205/tonne.

The coker operating rate of Shandong independent refiners is expected to extend the rise in May when several cokers are likely to come back on stream.

Industry Highlight

China to launch rules on independents' foreign crude access

The Chinese government is expected to launch detailed rules on granting independent refiners rights to use foreign crudes soon, as its discussions about the new scheme have been finished, a source close to the discussion panel told ICIS C1 Energy.

To apply for the rights, an independent refiner may have to ensure all of its refined oil products can measure up to the national standards (GB-IV standard for gasoline and GB-III standard for gasoil), according to the source.

The refiner may also have to make upgrade plan for its single crude distillation unit with capacity below 2m tonnes/year and make rational arrangement for the quotas of foreign crudes it will apply for, the source added.

Currently, independent refiners meet the above qualifications have a combined primary processing capacity of 60m tonnes/year, according to ICIS C1 Energy data.

Excluding refiners subsidiary to China National Chemical Corporation (ChemChina), which have already obtained 10m tonnes/year of crude import quotas for 2014, and those cooperate with PetroChina, other qualified independent refiners have a primary processing

capacity of about 20m tonnes/year in total.

Based on an average operating rate of 50%, an additional 10m tonnes/year crude import quota is expected to be granted by the Chinese government in 2014, ICIS C1 Energy forecasts.

Some industry sources pointed out that the new scheme may just give independent refiners a qualification to apply for the rights to use foreign crudes, instead of granting them the rights permanently.

That means qualified independent refiners should go through a mechanism similar with annual qualification examination before they obtain crude import quotas for the next year, according to the industry sources.

This, which is to some extent similar to the existing practice of allocating fuel oil import quotas, is aimed at creating conditions for fair competition among independent refiners and regulating their operations.

China started to open up its crude import market to independent refiners in 2013. Some refiners subsidiary to ChemChina became the first batch of independent refiners to get a 10m tonne/year quota for imported crude.

Later in July, the State Council announced that "under the principle of optimising industry structure and eliminating outdated capacities, the Chinese government will grant crude import quotas and the right to use crude to crude processing enterprises which meet quality, environmental and safety standards".

At the end of the year, China's energy watchdog - the National Development and Reform Commission - formed preliminary guidelines on the qualifications to use foreign crudes to solicit opinions, fuelling widespread attention and speculation in the market.

However, discussions about the issue came to a standstill for a period of time because of the high threshold and restriction set in the preliminary guidelines, industry sources said.

As a matter of fact, high threshold usually triggers excessively capacity expansions. Independent refiners in Shandong rushed to raise their refining capacity over the past few years, a move to expand beyond the elimination threshold of 2m tonnes/year for a single CDU by the end of 2013.

The expansion boom results in excessive investment and idle refining capacity.

China lifts ban on Sinopec, PetroChina refining projects

China's Ministry of Environmental Protection (MEP) has lifted the ban on new refining projects from the country's two oil majors – Sinopec and PetroChina – effective from 18 April, Sinopec said late on 23 April.

MEP announced in August last year that it would suspend its approval of environmental impact assessments for the two companies' new and expansion projects, as they had failed to meet 2012 emission targets. Only projects involving oil quality upgrading and emission reduction were given the green light.

The ban was lifted following correction

activities made by the two firms, Sinopec said, quoting a statement from MEP.

Sinopec said it has met the emission reduction targets that MEP had set for 2013 and would invest yuan (CNY) 13.8bn (\$2.2bn) on further emission cuts this year.

The resumption of environmental evaluation is expected to immediately accelerate Sinopec's two planned projects, industry sources said. They include a 1m tonne/year ethylene project in Qingdao and the expansion of its Luoyang refinery to 360,000 bbl/day from 160,000 bbl/day.

CNOOC to have CDU maintenance at Shandong subsidiaries in Apr-May

China National Offshore Oil Corp (CNOOC) plans to conduct crude distillation unit (CDU) maintenance at three Shandong-based subsidiaries that mainly produce coker feedstock in April-May, because of weak demand for such feedstock and falling prices, according to a company source.

The three refineries are CNOOC Dongying Petrochemical, Shandong Haihua Group and CNOOC Qingdao Heavy Oil Processing Research Centre, with the combined CDU processing capacity at 2.70m tonnes/year.

"Independent refiners' buying interest in coker feedstock is weak as the oil product market is sluggish and their oil product stocks are quite high," the source explained.

Dongying refinery shut a 1.2m tonne/year CDU on 6 April and Haihua Group shut a 1m tonne/year CDU on 3 April, ICIS C1 learned from industry sources.

CNOOC may also advance Qingdao refinery's turnaround from May to the second half of April, said a source with the refinery.

Sinochem halts operation at Huangdao-Weifang crude pipeline

Sinochem shut the Huangdao-Weifang crude pipeline in Shandong on 29 April as China National Chemical Corp (ChemChina) had limited crude to transport, a market source said.

The pipeline is expected to resume operation in 10 days, the source added.

A source from Qingdao port confirmed the news and said the pipeline will not restart until ChemChina's new crude cargoes arrive.

ChemChina has nearly run out of its crude stock at Huangdao because of limited crude arrivals in April, according to the source.

All of ChemChina's crude stockpile in Huangdao is heavy crude, a source with knowledge of the suspension said.

ChemChina usually transmits the mixture of heavy and light crude through the Huangdao-Weifang pipeline, because the cost of transporting heavy crude alone is higher, the source also said.

Sources from ChemChina are not available for comment.

ChemChina started renting the Huangdao-Weifang pipeline from 15 January 2014 to deliver imported crude to its subsidiary refineries, ICIS C1 reported earlier.

Huangdao-Weifang crude pipeline, which starts from Huangdao port in Qingdao and ends in Weifang, has a transportation capacity of 20m tonnes/year. It is a joint venture of Sinochem Hongrun Petrochemical, Weifang Binhai Investment Development and Qingdao Port Group.



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