

***Promoting Energy Shipping Through both Policy and
Commercial Finance***

By Mr. Zhu Xinqiang, Assistant President of China Exim Bank

Respected Mr. Chairman, Ladies and Gentlemen,

Good morning!

First I want to thank TradeWinds and MareForum for inviting me to 2007 Shipping and Energy China Forum. It is high time, I think, to host this forum here in Shanghai under the context of increasingly sharp contradiction between the supply and demand of Chinese energy at present. I am very pleased, on behalf of China Exim bank, to share with you our understanding on the issue of Chinese energy consumption and transportation, shipbuilding and shipping and brief you on the role that China Exim Bank could play in the field.(**Pagedown**)

With the rapid development of Chinese economy, Chinese industrialization and urbanization have brought about huge demand for energy. How to acknowledge and cater for this demand is a new subject for both international energy and shipping market. China is a big energy consumer but its energy resources by per capita quantity is less than half of that in the world. The comparative insufficiency of Chinese energy reserves and inefficiency of energy saving and productivity determine

that China would have to import a large amount of energy from international market to cater for its domestic need in a long period of time. That is a new feature for China's energy consumption.

In respect of the energy consumption makeup, the historical experiences of industrialized countries shows that energy consumption diverted from coal to oil and natural gas when these countries went into the stage of heavy industry development. Since oil and natural gas, referred to as "clean energy", are of high heat value with less exhaust of harmful gas, it is the trend to optimize energy consumption makeup by increasing the use of "clean energy" at a time when global greenhouse problem becomes even more serious. In contrast, China did not go through such a transition in energy consumption makeup while entering heavy industry stage. Though China's import of crude oil grew by a yearly average of 15.7% since 2000, the ratio of oil consumption in the whole energy consumption has been falling, which is closely connected with oil transportation. China's oil imports by way of land transportation register less than 10% while over 90% of oil imports are transported on the sea. Therefore, the issue of transportation of energy import is vital to China in the sense that it may lead China's energy consumption to a more reasonable direction. **(Pagedown)**

In respect of the import of natural gas, China endeavors to diversify its sources of gas supply in order to decentralize oil supply risk.

Meanwhile the national oil strategic reserve plan has been implemented to safeguard oil supply security. During this process, China Exim Bank has always placed top priority on international cooperation and exchanges on energy resources and supported Chinese oil companies in such business activities as equity acquisition and transfer or exploration and mining of oil field through both policy and commercial financing. It not only contributes to satisfying China's demand for energy but also helps oil exporting countries develop their energy production and technology and thus promoting their economic and social development, which is a win-win result.

In addition to its support for the exploration, exploitation and processing in the upstream part of the energy industry chain, China Exim Bank has been playing an active role in international energy shipping economy. (**Pagedown**) Since its establishment in 1994, China Exim Bank has been committed to the development of Chinese shipbuilding industry, making shipping finance one of its most special businesses. Looking back, when Chinese shipbuilding industry was confronted with severe winter, during the Asian financial crisis, China Exim Bank provided huge funds for those yards, which made significant contributions to develop China shipbuilding industry in the past decade and attaining today's prosperity. So far the total disbursements for domestic shipyards stand at RMB 94.2 billion in support of their export

of 1454 vessels of various types with refund guarantee issued for Chinese shipyards in favor of foreign ship owners amounting to RMB 90.5 billion.

(Pagedown) From the beginning of 2001, China Exim Bank started to establish cooperative relationship with such big names in international shipping industry as AP-Moller Maersk, Teekay as well as Chinese shipping companies like COSCO and China Shipping with an aim to create a favorable market environment for Chinese shipbuilding industry and to enhance China's competitiveness in international shipping economy. By the end of 2006, the total loan commitments of China Exim Bank for offshore ship owners reach USD 3.5 billion, which supported the export of over 150 vessels to nearly 20 countries or regions.

(Pagedown) China has been a net oil importing country for many years in a row since 1993 and became the fastest growing country in oil consumption in recent years. With the fact that more than 90% of China's oil imports are transported on the sea, the portion carried by Chinese ships only accounted for 10% while the lion's share was taken by foreign ships. According to the present annual transportation volume of 10 million tons of oil imports by Chinese ship owners and the predicted figure of 150 million tons of oil imports in 2010, Chinese ship owners will acquire 65 million tons of new transportation shares in light of the guideline of "50% China's imported oil transported by Chinese ships". Under this context, the huge market gap will stimulate the major shipping

companies in China to expand their tanker fleet, which may lead to fierce competition on oil transportation. In our shipping finance business, we attach great importance to the projects closely related to China's energy transportation. We expect to attract more commercial funds to invest in China's energy transportation through the leverage of policy financing so as to safeguard the supply of China's energy transportation.

The development of energy transportation can not only cater for the need of domestic energy transportation but also contribute to the development of the related production and service industry. Thus it is vital for a developing country like China to add more investment in energy transportation which will create more job opportunities and improve industry structure as well as promoting the development of all the related sectors including steel production, machinery, electronics, shipbuilding and port development.

Dear colleagues, dear friends, in an era of economic globalization, every country is playing its unique role in the world economy, which results in the growth of international trade and global flow of commodities as well as capital, natural resources and energy. This is an inevitable result of economic globalization. It is indispensable and reasonable. An effective solution to China's problems of energy consumption and transportation would have to rely on wider utilization of international resources and cooperation. The Chinese government has

made clear the guidelines of its energy strategy, that is, “Based on domestic development, valuing both frugality and exploitation while placing frugality on the first place”. China will surely find a new way to achieve a sustainable development. Meanwhile, China will take the initiative to seek for international cooperation and make joint efforts to safeguard the world energy security. (**Pagedown**)

China Exim Bank will adjust its market orientation in accordance with market development. China Exim Bank will endeavor to develop its commercial financing business and move step by step towards a bank for international economic cooperation. As a major shipping financing bank in China, we will further strengthen our cooperation with financial, energy and shipping companies both at home and abroad and take an active part in international energy production and transportation so as to contribute to China’s energy consumption and transportation.

Lastly, I wish the forum a great success! Thank you all!