Ladies and Gentlemen:

It is my honor to be here to make my comments on three presenters this afternoon. My comments mainly are on Sam Dale’s paper on Chinese and northeast Asian oil and gas demand and supply.

Sam Dale explained us a range of factors contributing to the high oil price at around $70 per barrel. First of all, he believes that huge demand from the USA, China and India is the # one factor fuel the high oil pricing, followed by shrinking inventories, political risks and speculation. Although I agree to this analysis, I would like to explain some points for his references below.

**Chinese growing demand**

Taking China into account, as all of us witnessed, Chinese oil demand has been up growing, resulting in an increasing oil imports from abroad. The trend attached came into worldwide attention. It is understood widely that Chinese growing economic growth momentum is behind this trend and constitutes an impact on the world market. We project Chinese oil production will maintain at 180-200 million tones per year into 2020 while
oil demand will be upward to 450-480 million tones in 2020. The gap between demand and supply is over 250 million tones. Chinese energy strategy, as Mr. Shen from NDRC presented today, is tow fold. That are two key words, Develop and Save. The Fact Chinese oil demand growth in 2005 has slow down demonstrates us greater potential of energy saving in China. Therefore, the projection of oil demand around 10 million barrels per day mentioned in the Dale’s paper is, to the great extend, over estimated for sure.

Of course, Chinese demand is not the single blame to the world demand or oil price spike. Globally speaking, the USA, China and India are among the major contributors to the world market in the demand side and many are responsible for supply shortage. My personal thought on these is concentrated onto a serious result, that is, a shrinking oil spare capacity, which seems a dangerous signal revealed to the world. Normally, the world needs some 4-5 percentage of oil production to balance the market performance. Unfortunately, the spare capacity is run down to almost 1 percent. This situation set forth a question of investment on the oil exploration and production.

**Investment enhancement**

Nowadays, oil producing countries and major oil companies are reaped from
high oil price. The strong cash flow has not been led to re-investment on exploration and production (E&P) activities for time being. Merger and acquisitions (M&A) are some international oil companies (IOCs') favor. At this moment, we should encourage oil producers, both oil producing countries or national oil companies (NOCs) and IOCs to expand their E&P activities and their refining facilities. Hurricane Katrina on the US Gulf coast alarm us a lot in this regard. Many know Chinese oil imports are growing over time. Few know China imports a small number of oil it produced abroad. Right now, China produced over 30-40 million tones oil abroad and imports a single percentage of the oil into China’s domestic market. In other words, China contributed a great deal of its foreign oil to host countries and the world supply. The good examples in point are CNPC oil production in Sudan, Kazakhstan and many other countries. Therefore, my sub-conclusion is that China has contributed to the world market when it continues to imports oil from abroad.

Regional cooperation

Furthermore, we would like to cooperate with all countries involved for better future. China has realized the great importance of international energy cooperation. We are now contemplating on these issues. In this context, we have to live together with our neighbors including Japan, Korea, Mongolia and Russia. Again, as I mentioned over time, multilateral
cooperation is easily talked and hardly implemented. My answer to this quandary or dilemma is to start from common interests or common grounds.

Where are our common grounds

Right now, national interests are huge hurdles between us and make the regional cooperation less possible to be implemented among China, Japan and Korea. Now we have to think about common interests and make an effective search for our common grounds by promoting some projects related oil shipping, logistics, and energy savings. I think cooperation in these sectors are easily understood and supported by the governments.

Private sector could be pioneered the cooperation. It is a fact that oil private sector has been expanding in China over time. There are a series of private corporate groups in China, a few in northeast provinces. In my knowledge and information, Chinese private corporate groups are active to expand into regional arena. Great United Petroleum Holding Company, Ltd. is such a company united to re-locate their resources regionally and globally as an example.

At the same time, technology transfer and experience sharing are encouraged. Technology and experiences in energy saving field, recycle
based economy, and saving model for major cities should be highly emphasized and exchanged in the region. Shenyang used to be polluted cities cited by world organization and improved its environment a great deal in the past decade. Energy saving model for major city is one of our topical issues ahead of us. In this regards, neighboring cities have tech and experiences or lessons to share and exchange as Mr. Tanabe commented thereafter.