



Review of Current and Potential Asian Oil Benchmarks

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Content

Dramatic changes on global oil trading

World oil industries shifting to east

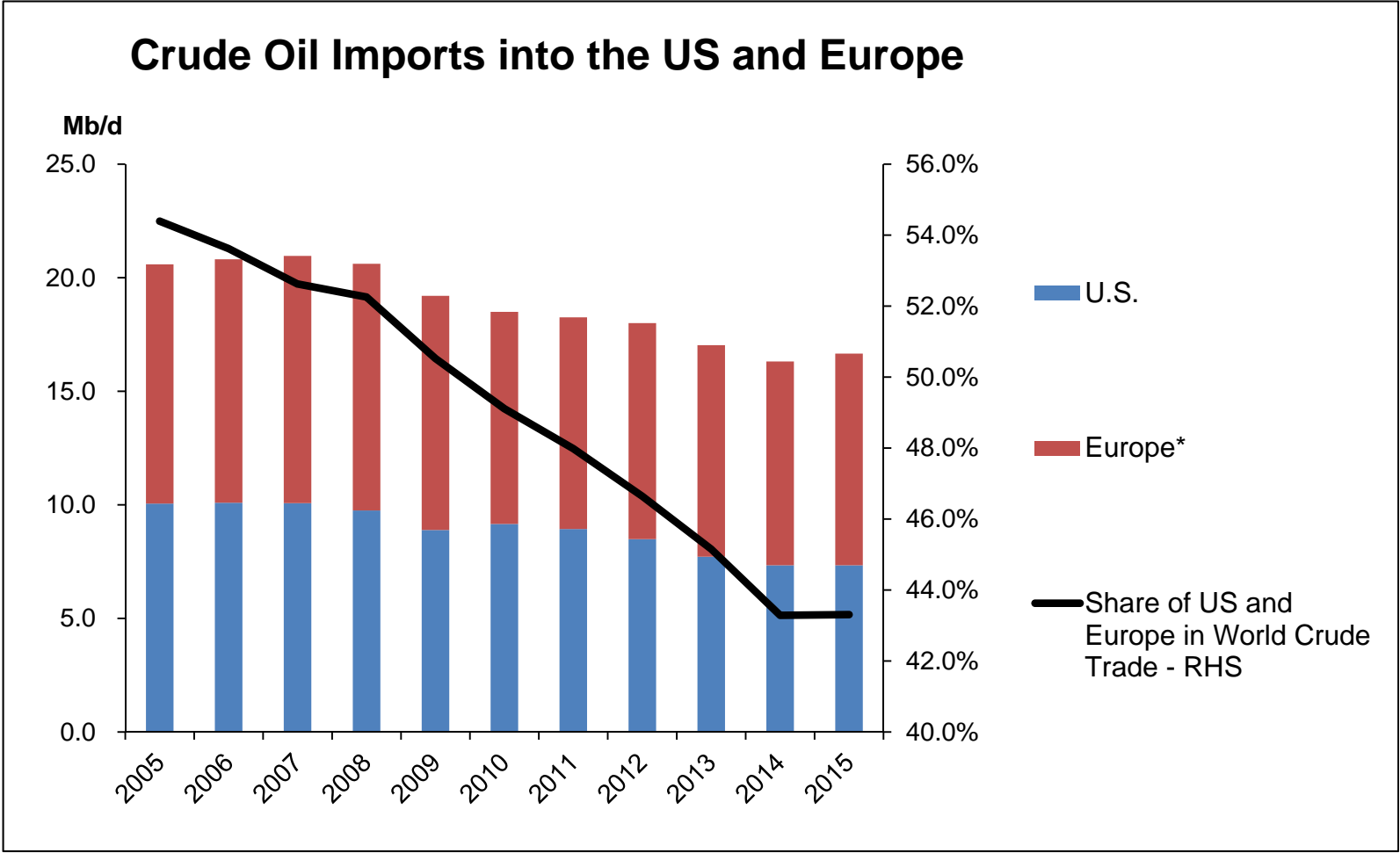
China's oil market and potential crude benchmark

Dramatic changes on global oil trade



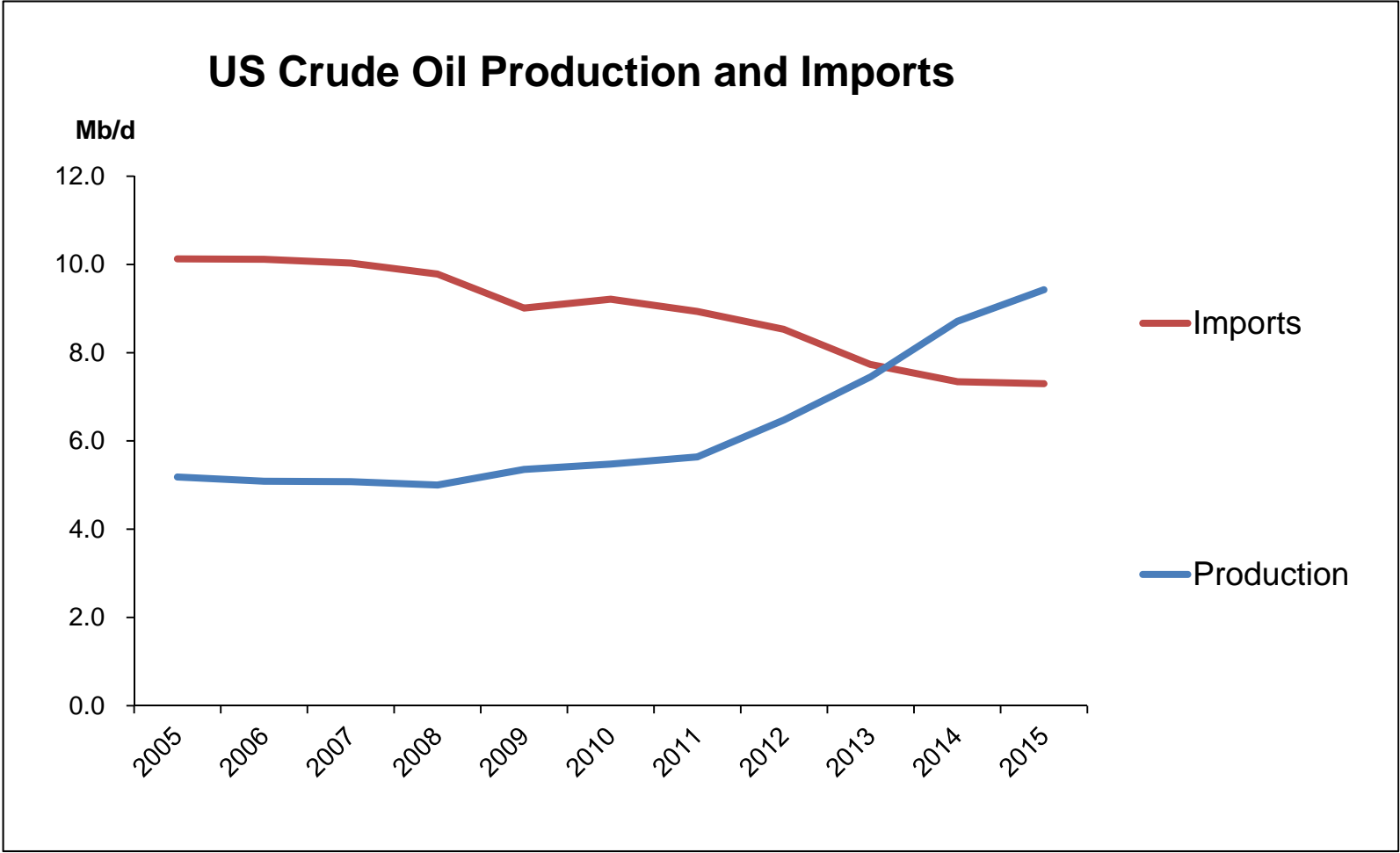
- Trade in the Atlantic Basin declines
- Global oil trade shifts towards east
- China is becoming the world largest crude importer

Crude trade declines in the Atlantic Basin



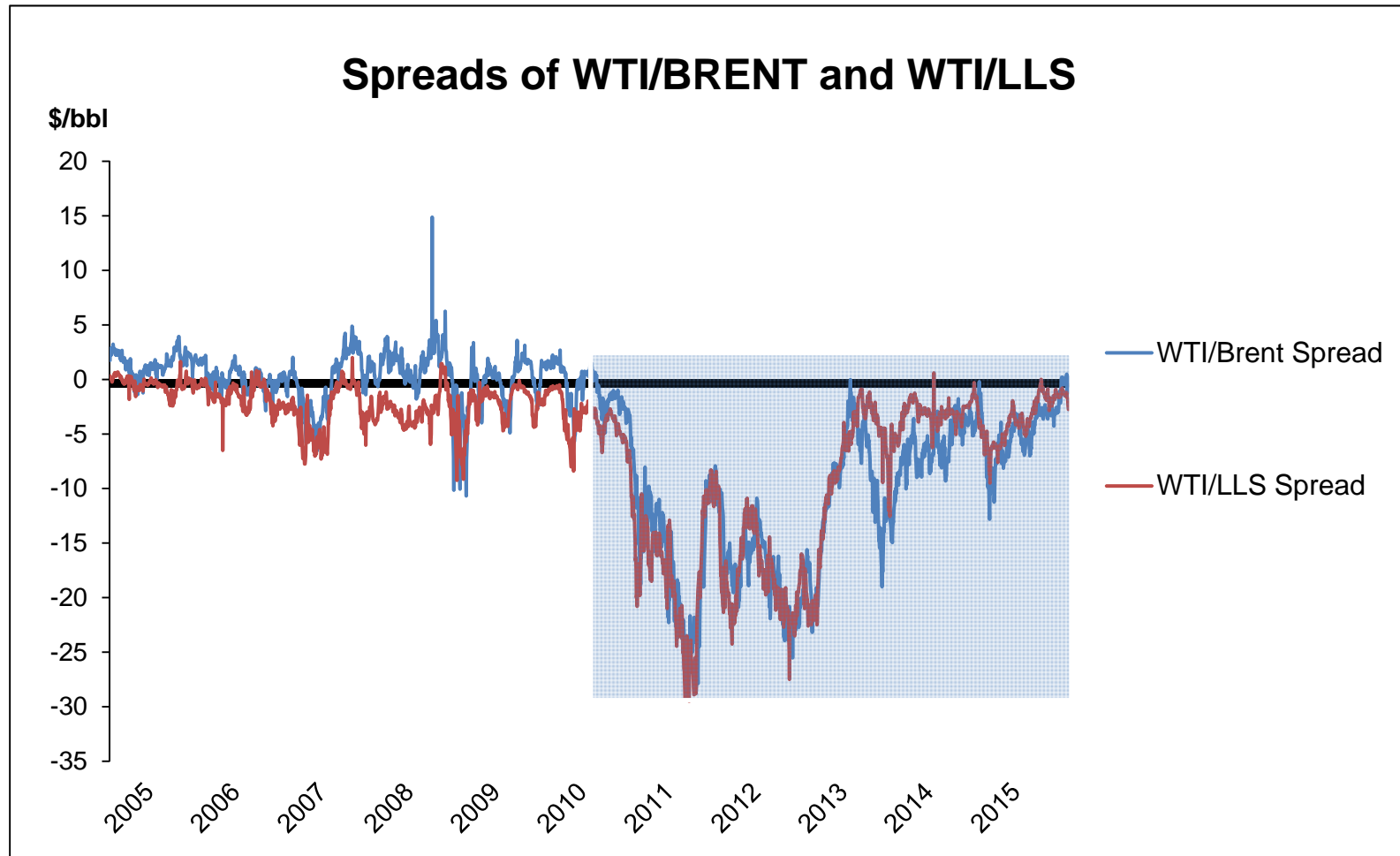
Source: BP, PIRA, Unipec Research, * Europe excludes FSU

US crude imports led down by shale revolution



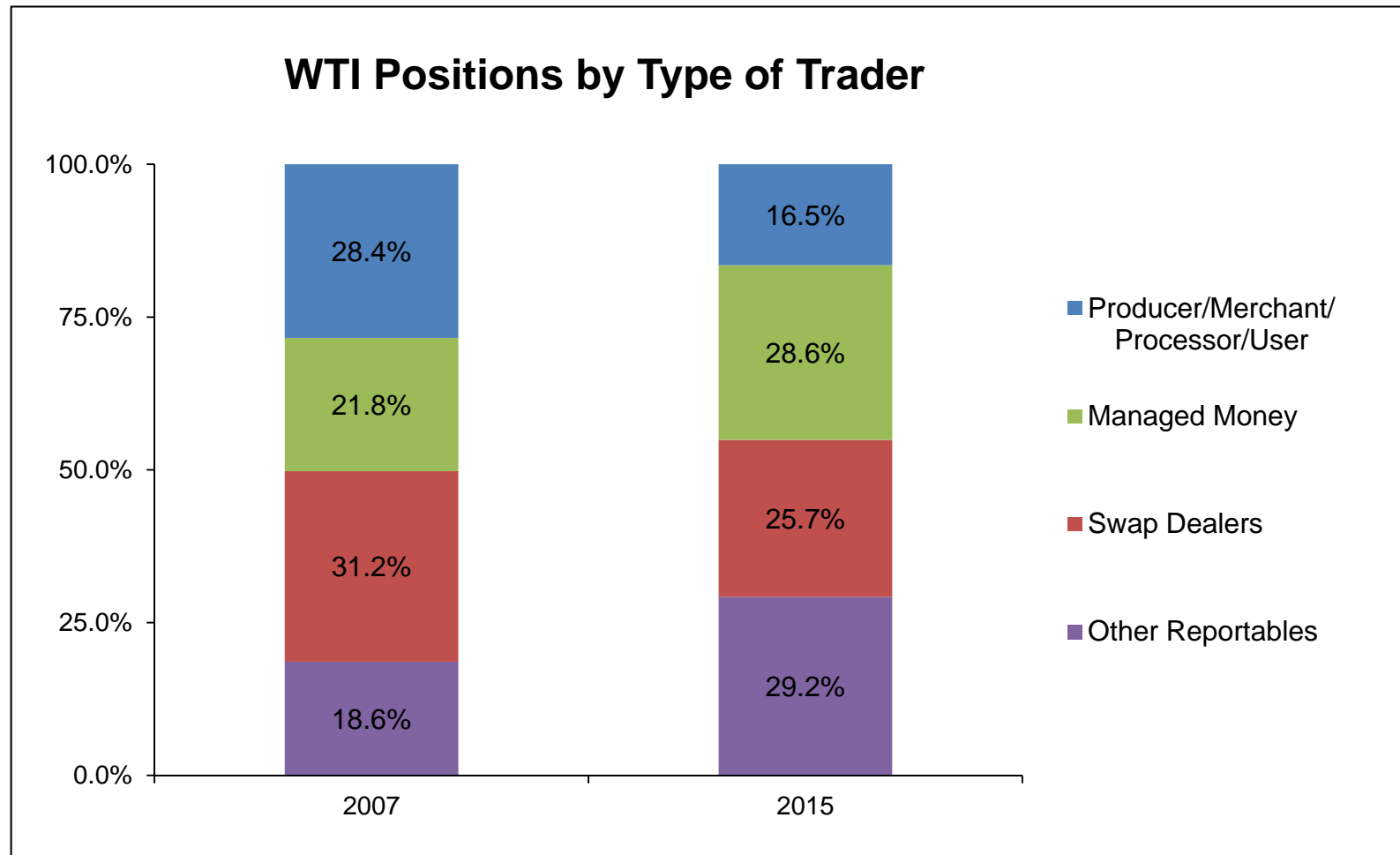
Source: EIA, Unipec Research

WTI is challenged as global oil benchmark



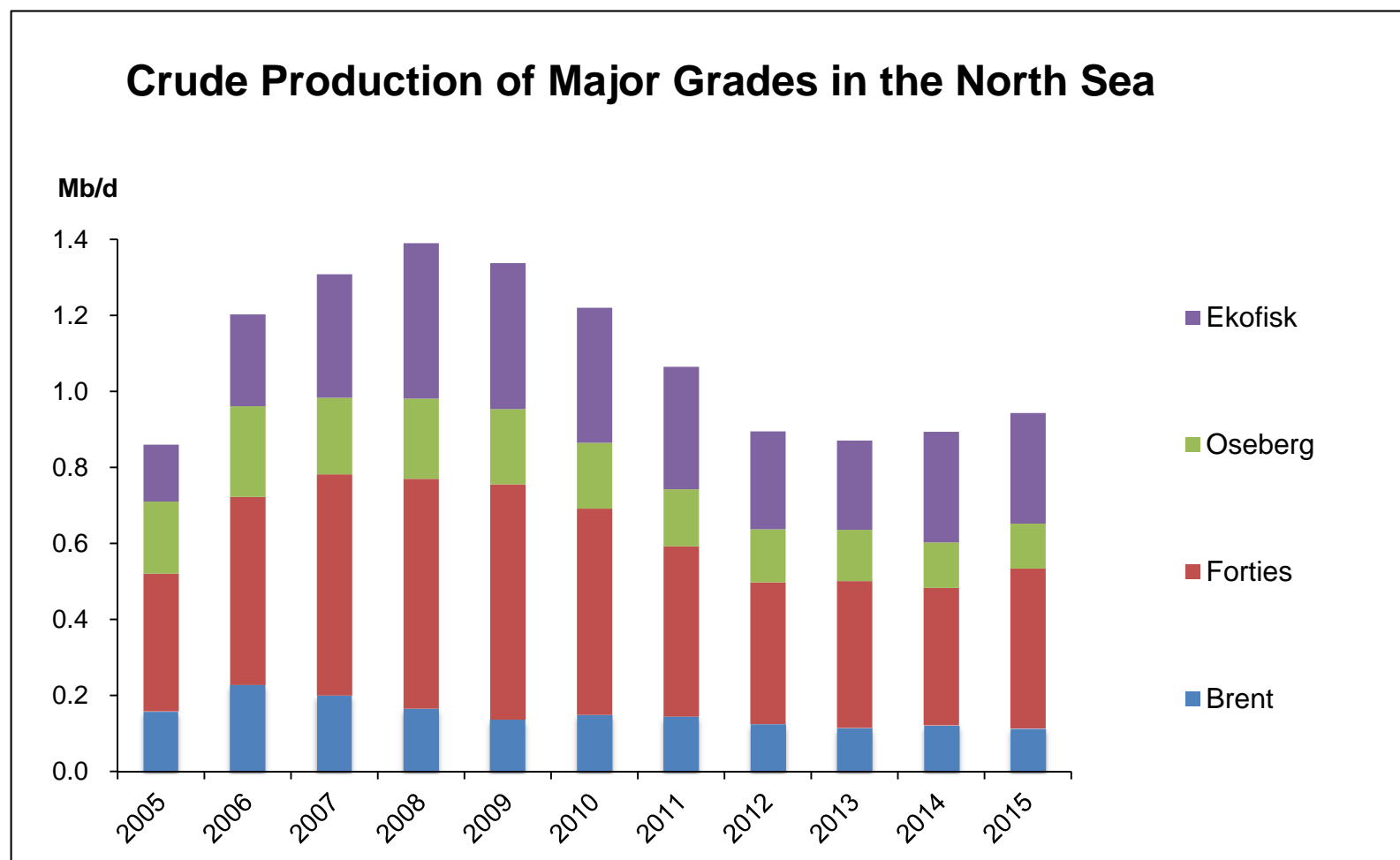
Source: Reuters, Unipec Research

Increasing speculations in NYMEX WTI contract



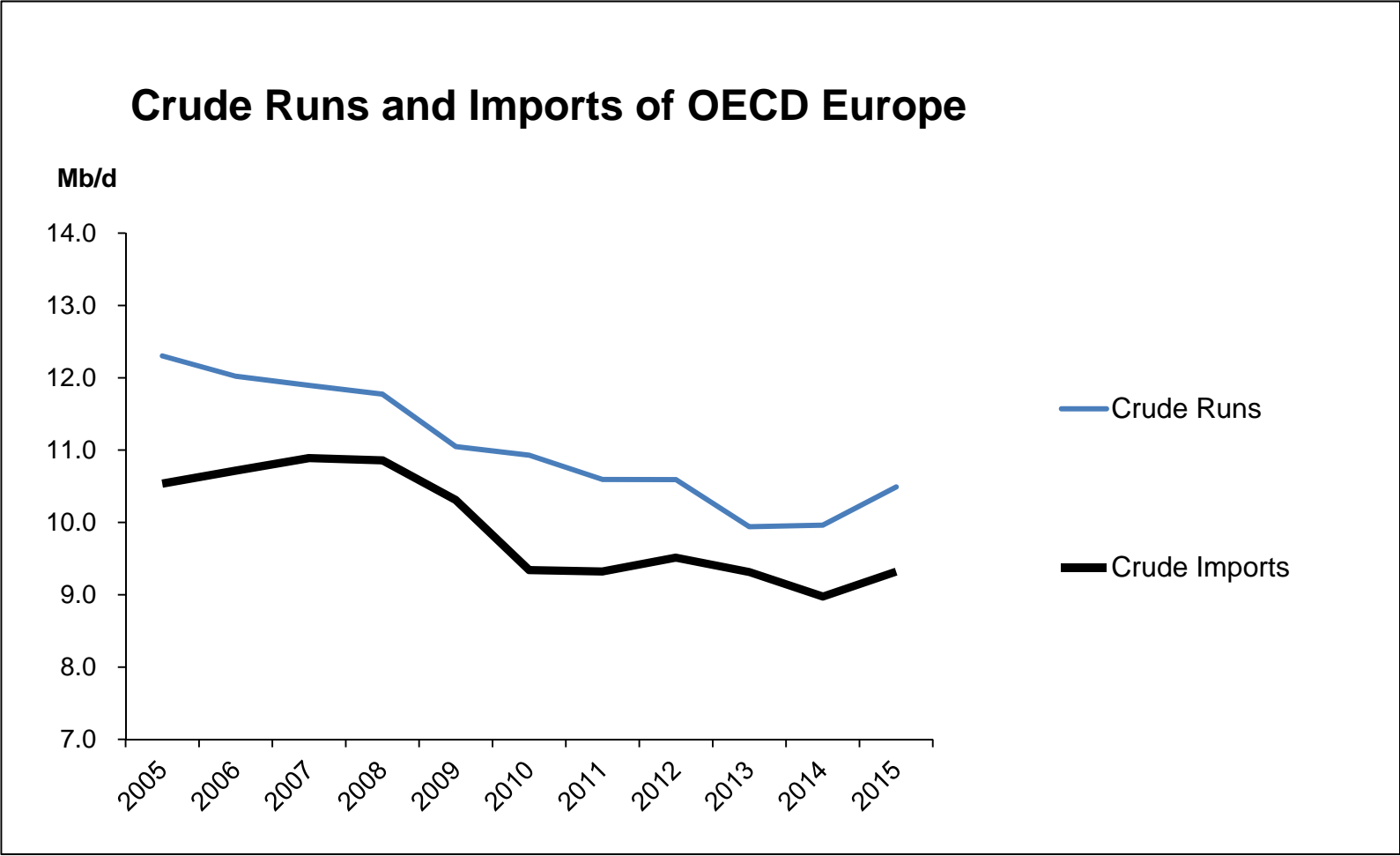
Source: CFTC, Unipex Research

Crude production declines in the North Sea



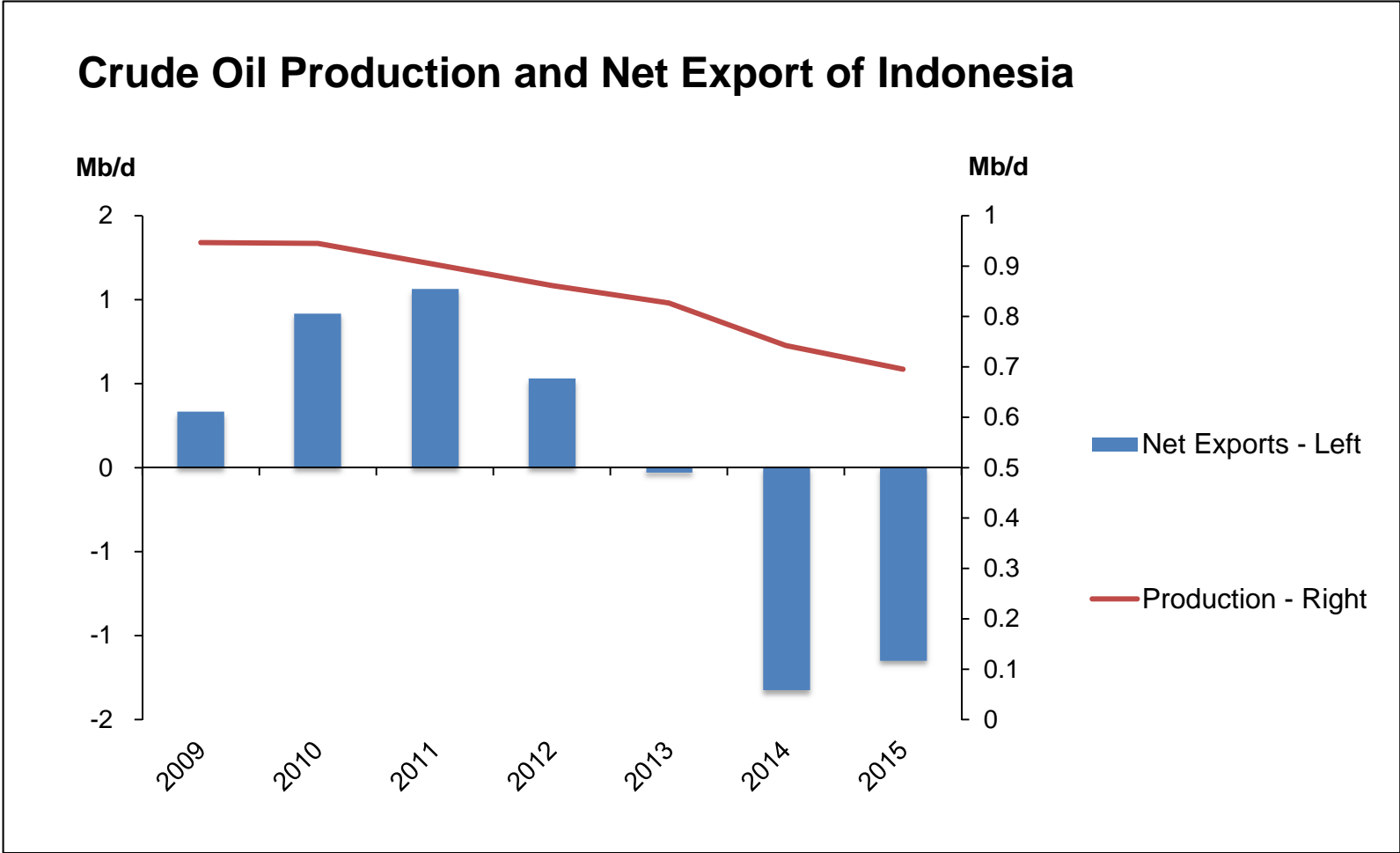
Source: Reuters, Unipet Research

Crude runs and imports of OECD Europe slide



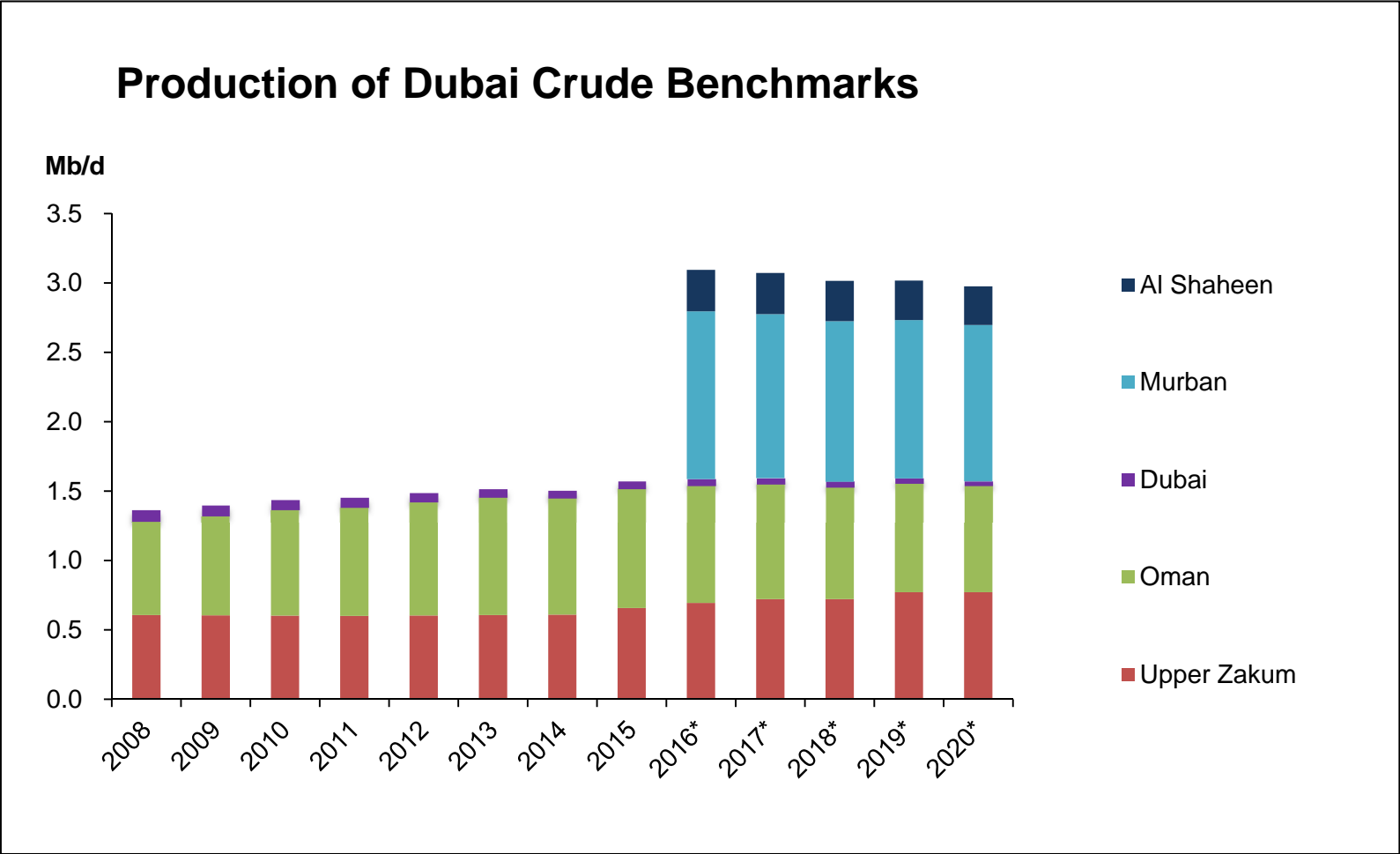
Source: BP, PIRA, Unipec Research

Indonesia became a net oil importer



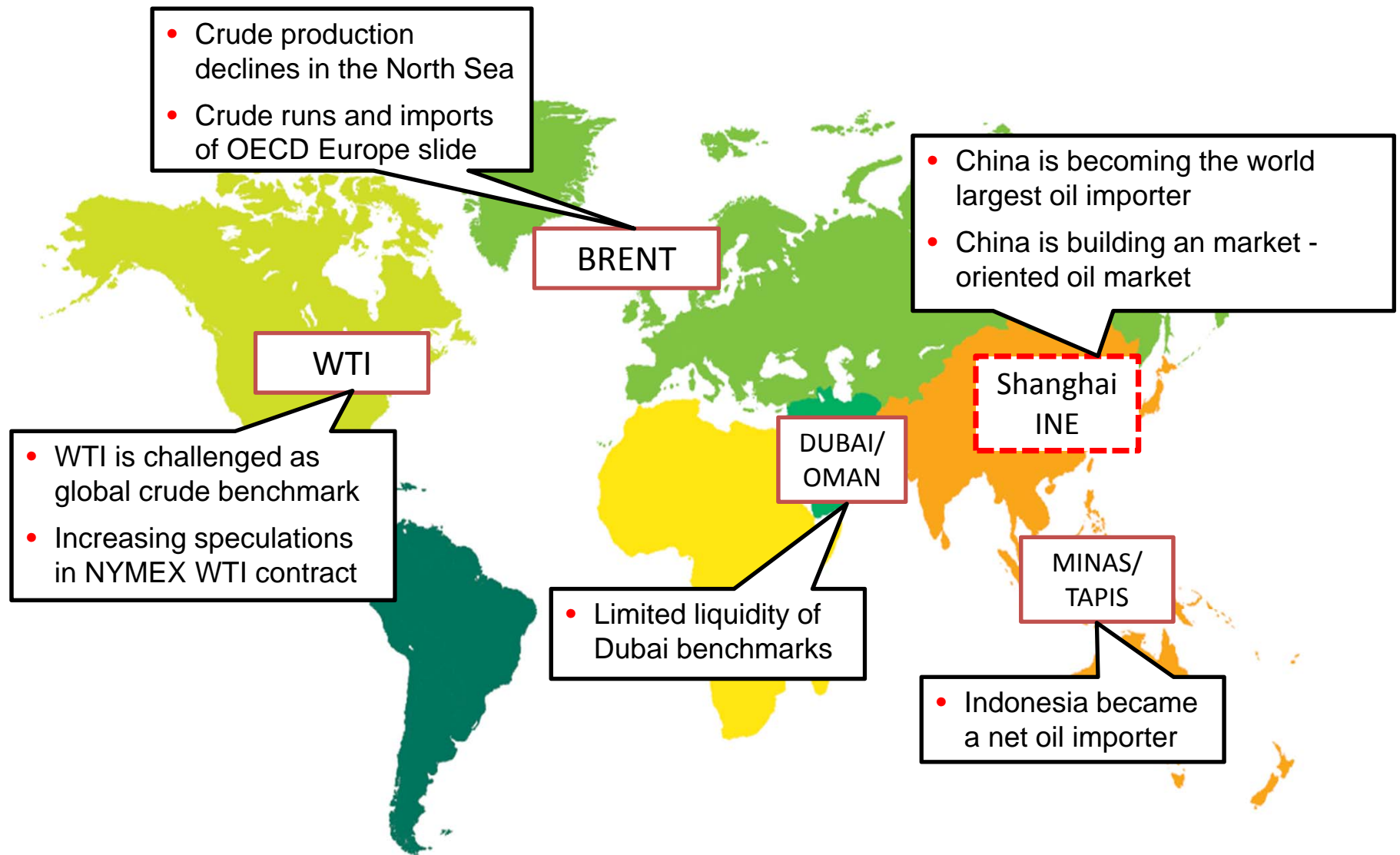
Source: OPEC, Argus

Limited liquidity of Dubai benchmarks



Source: FGE, Unipec Research

Global crude pricing mechanism needs to be improved



Source: Unipet Research

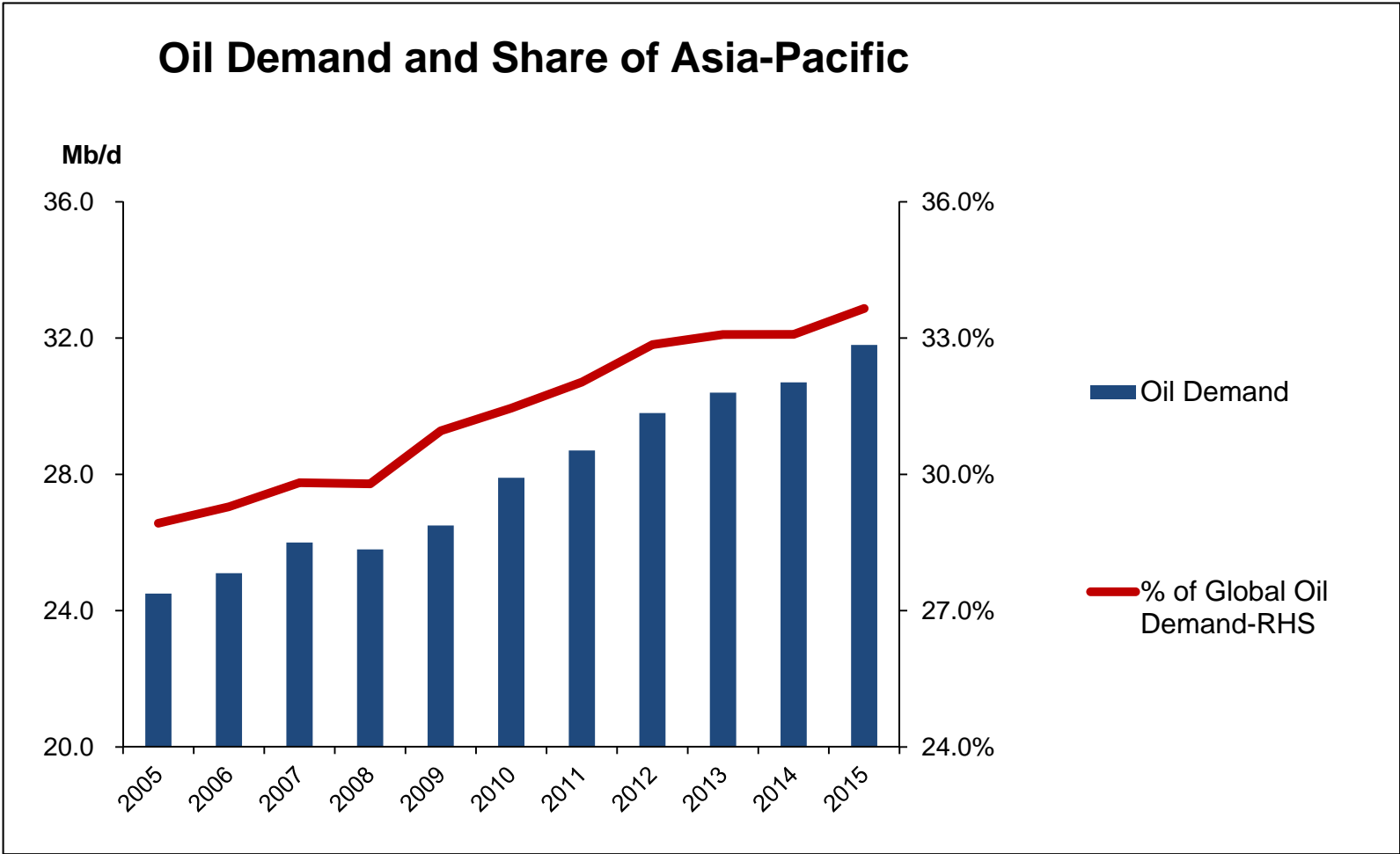
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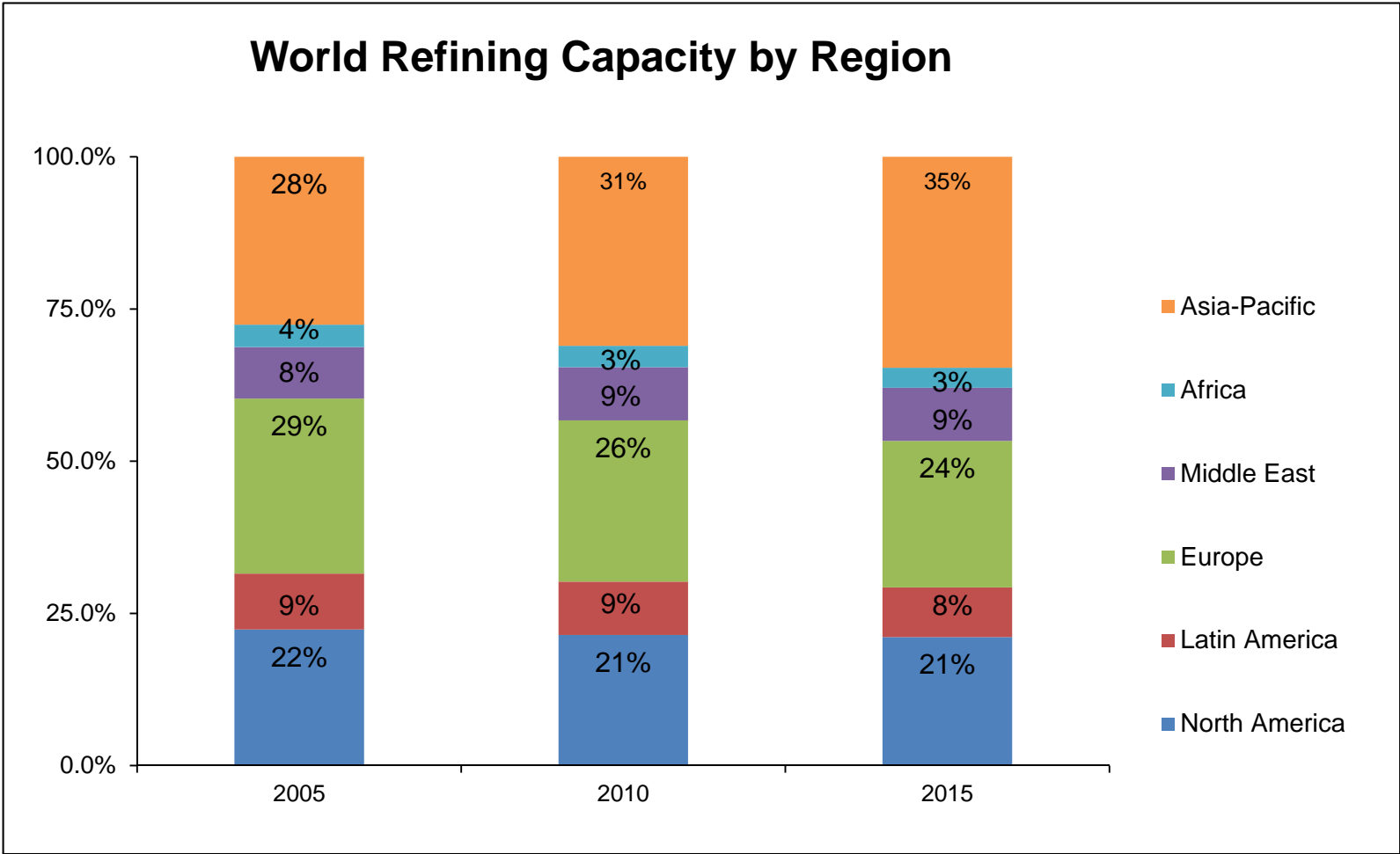
China's oil market and potential crude benchmark

Asia-Pacific is the world biggest oil consumer



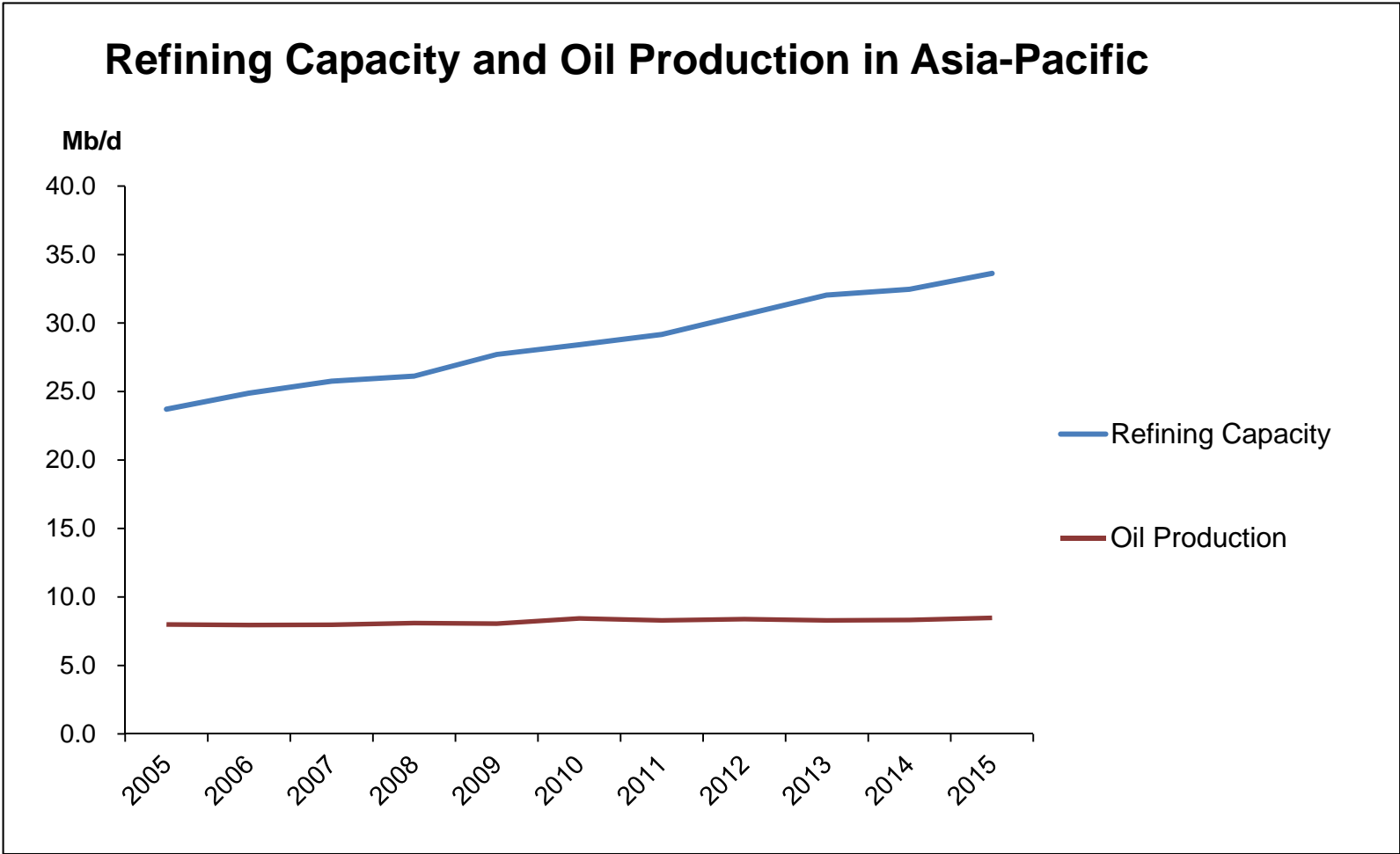
Source: IEA, Unipec Research

Asia-Pacific owns the world largest refining capacities



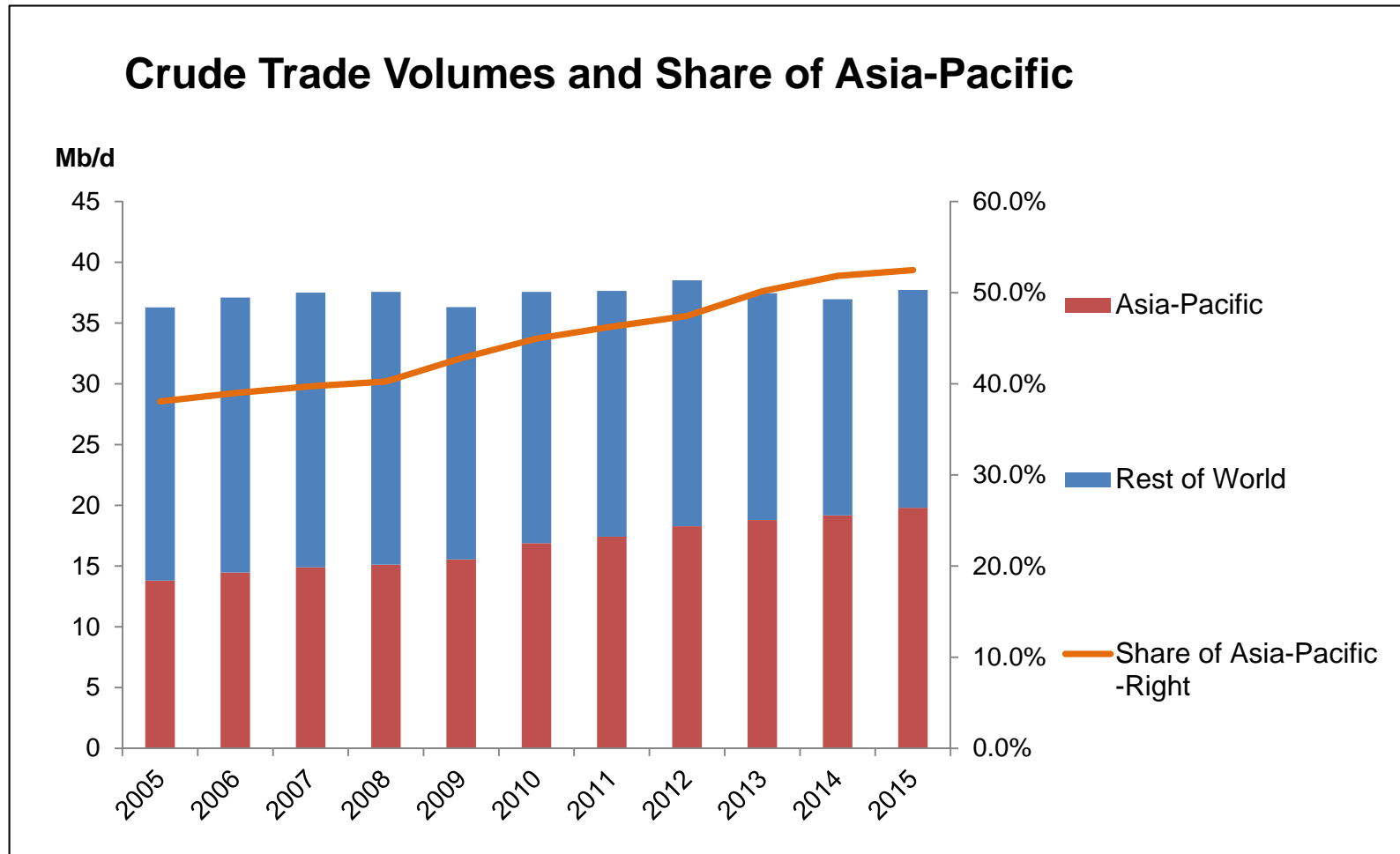
Source: PIRA, Unipec Research

Crude deficit widens in Asia-Pacific



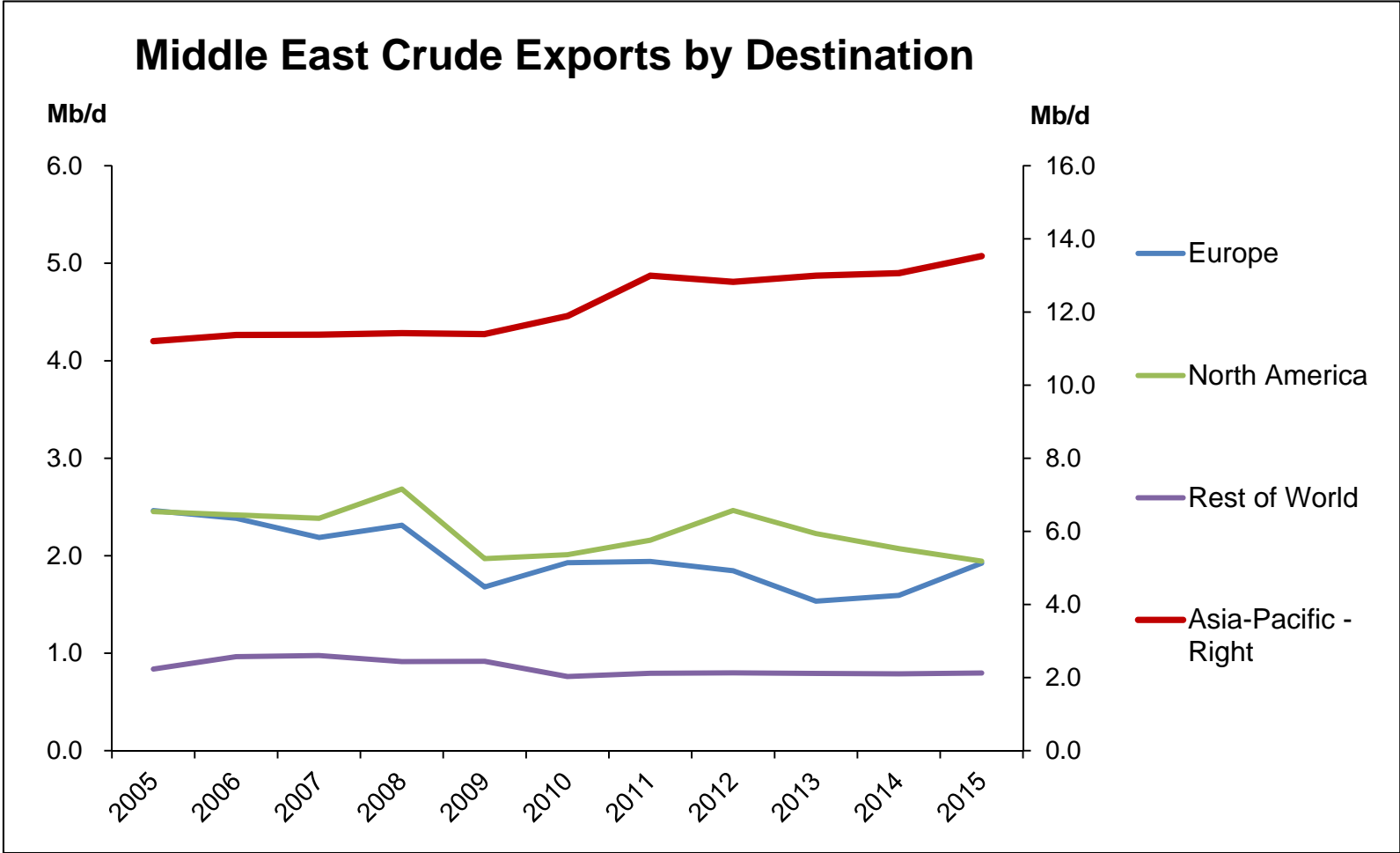
Source: PIRA, Unipec Research

Asia-Pacific became the target market of crude suppliers



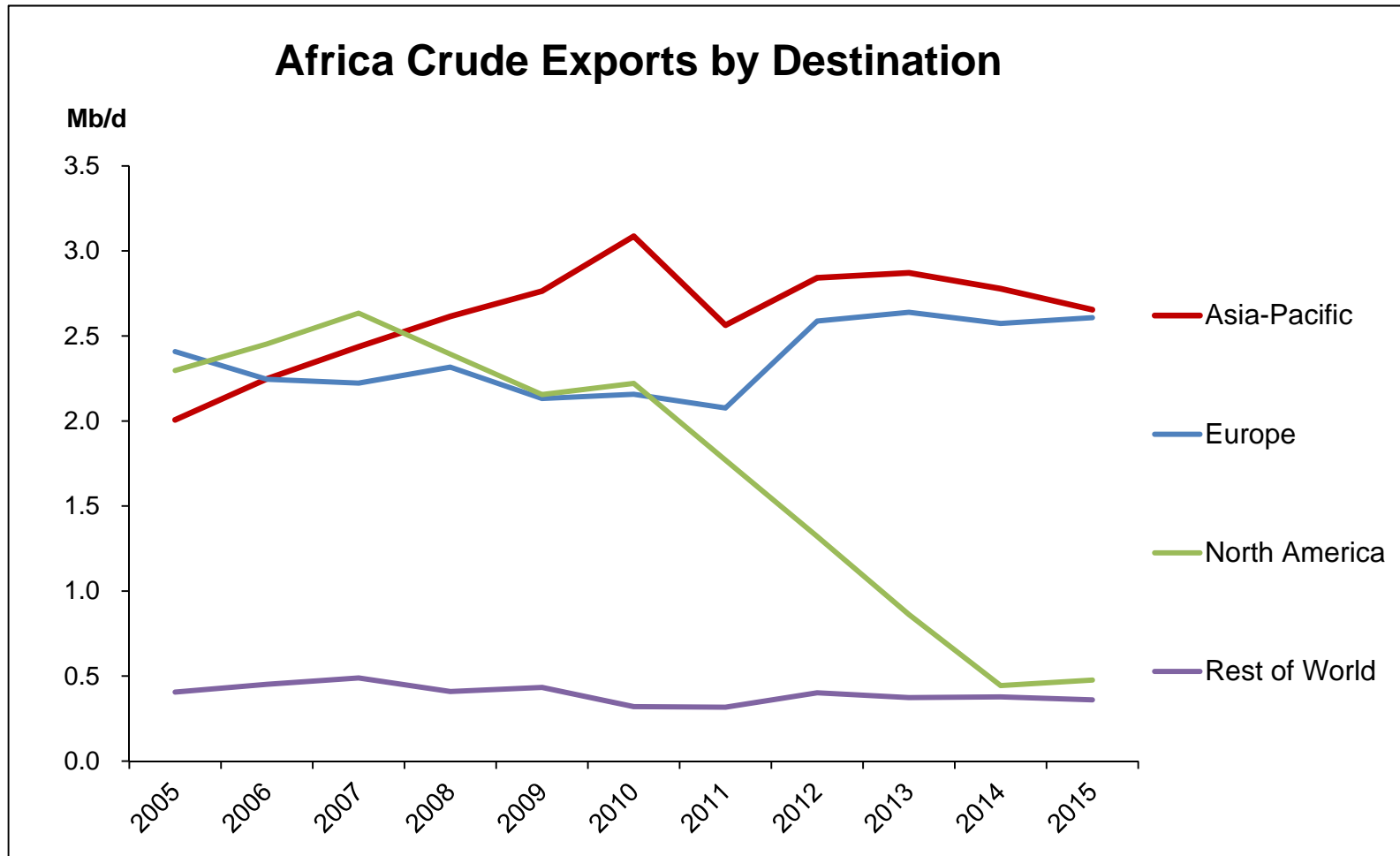
Source: BP, PIRA, Unipec Research

Middle East crude trades shifting to east



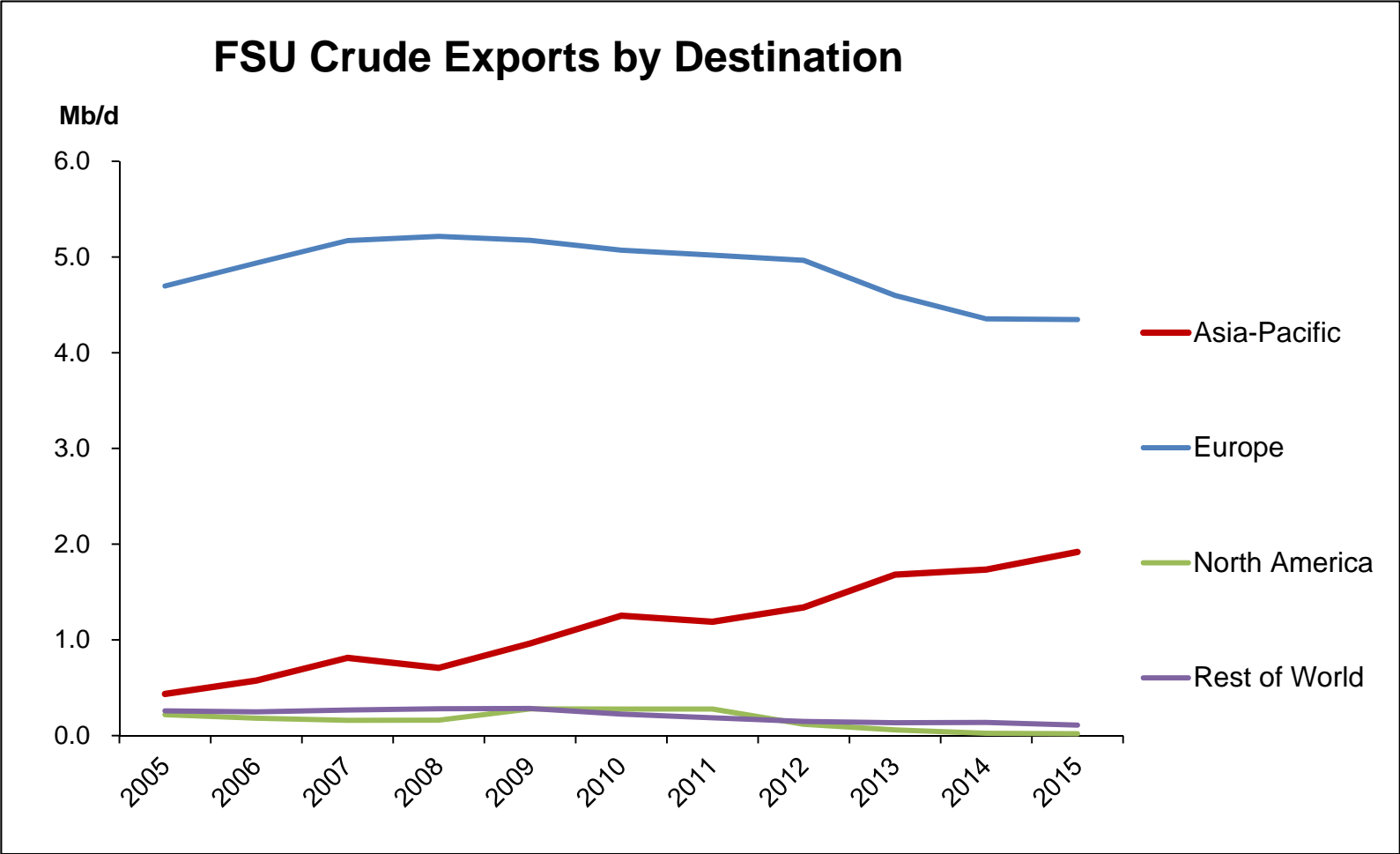
Source: PIRA, Unipec Research

African crude trades shifting to east



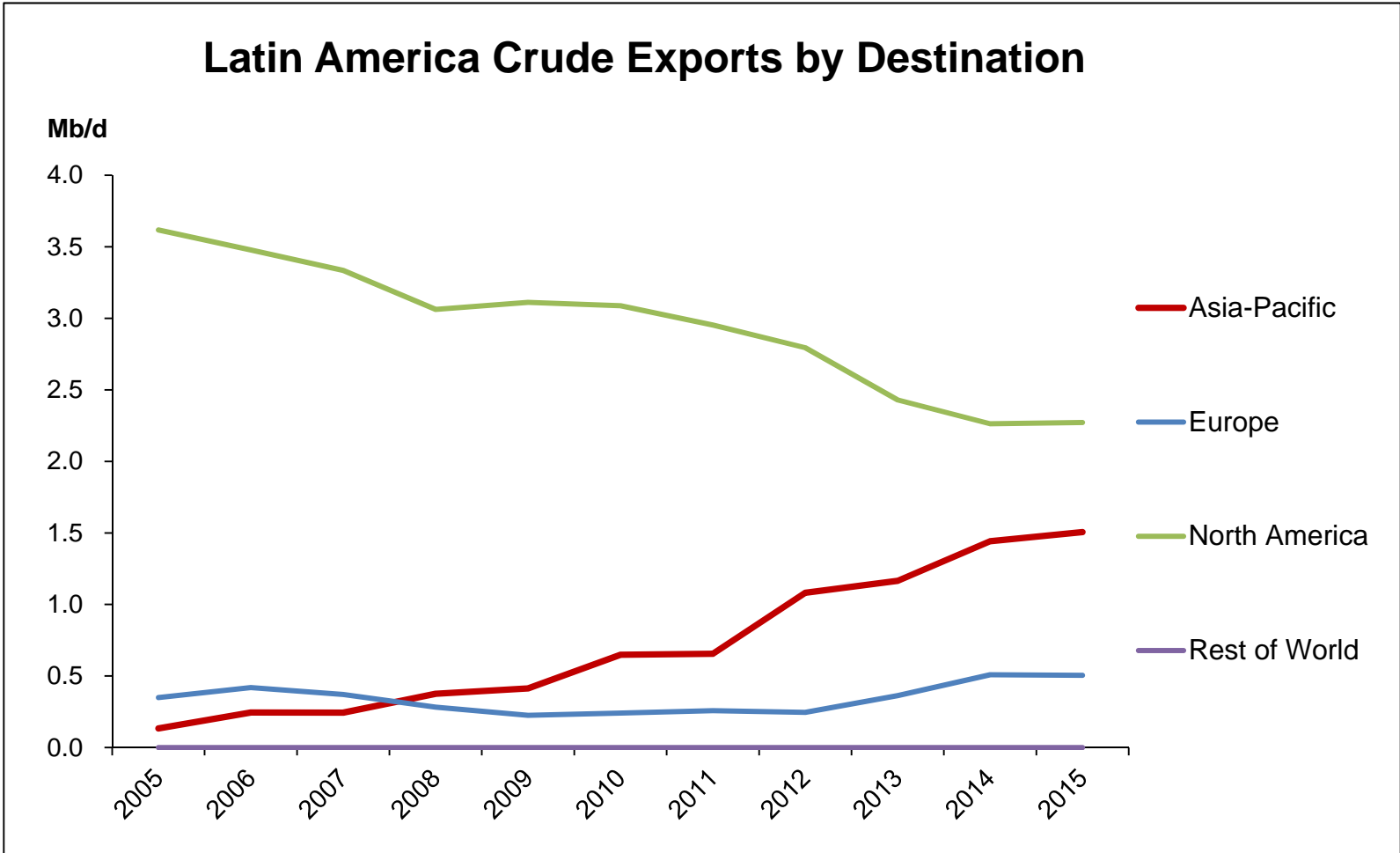
Source: PIRA, Unipec Research

FSU crude trades shifting to east



Source: PIRA, Unipec Research

Latin American crude trades shifting to east



Source: PIRA, Unipec Research

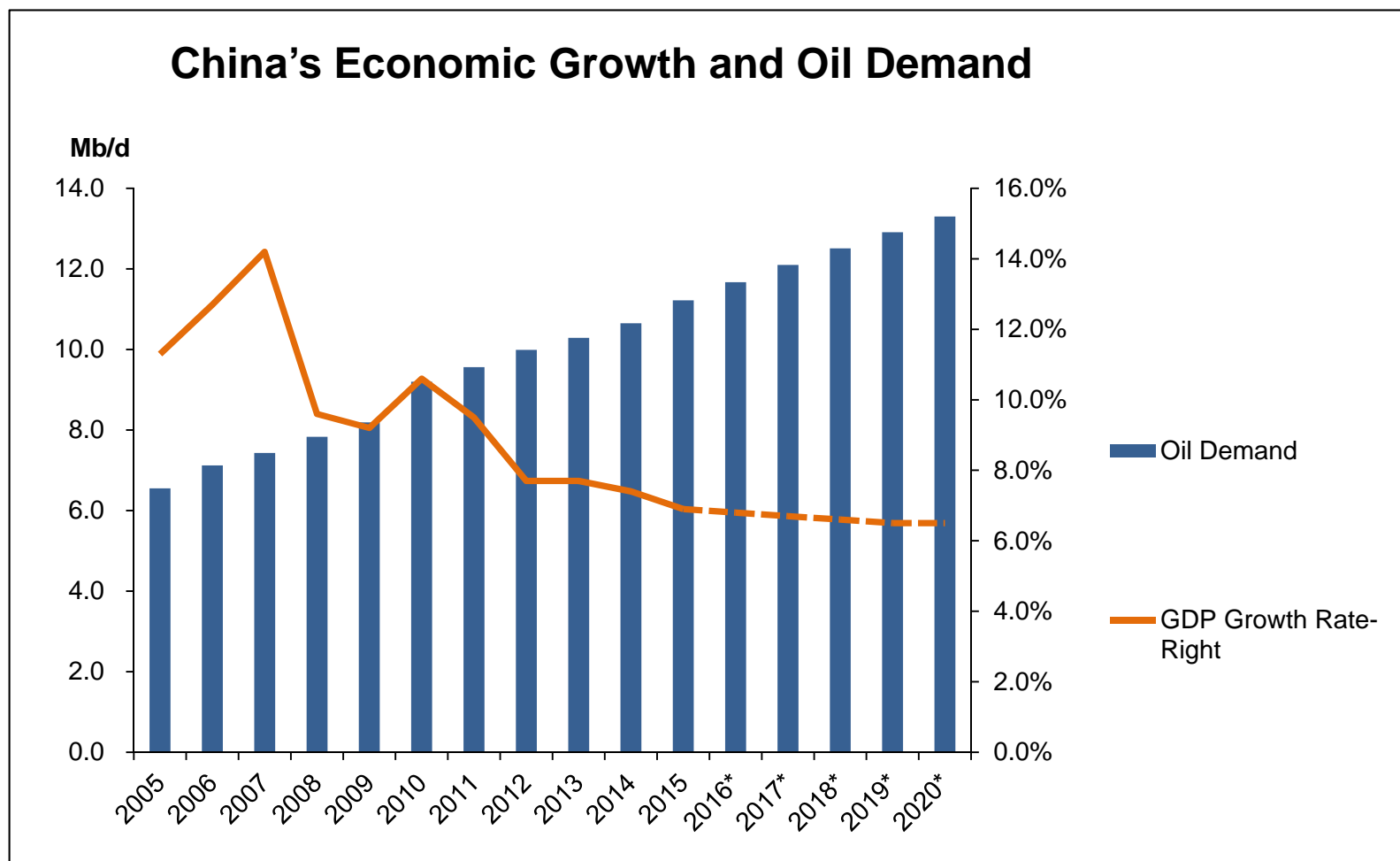
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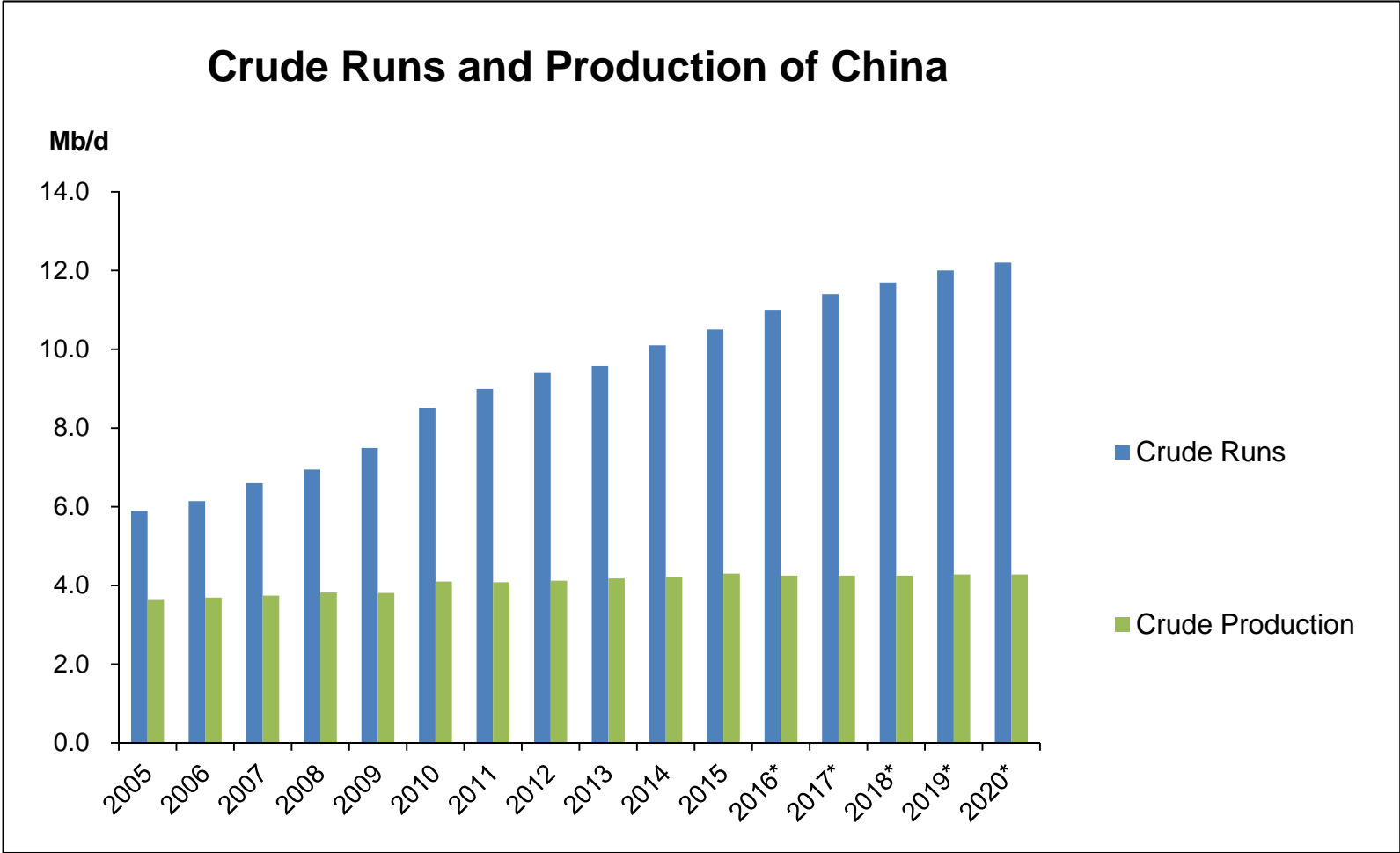
China's oil market and potential crude benchmark

China's oil demand keeps rising at lower growth rate



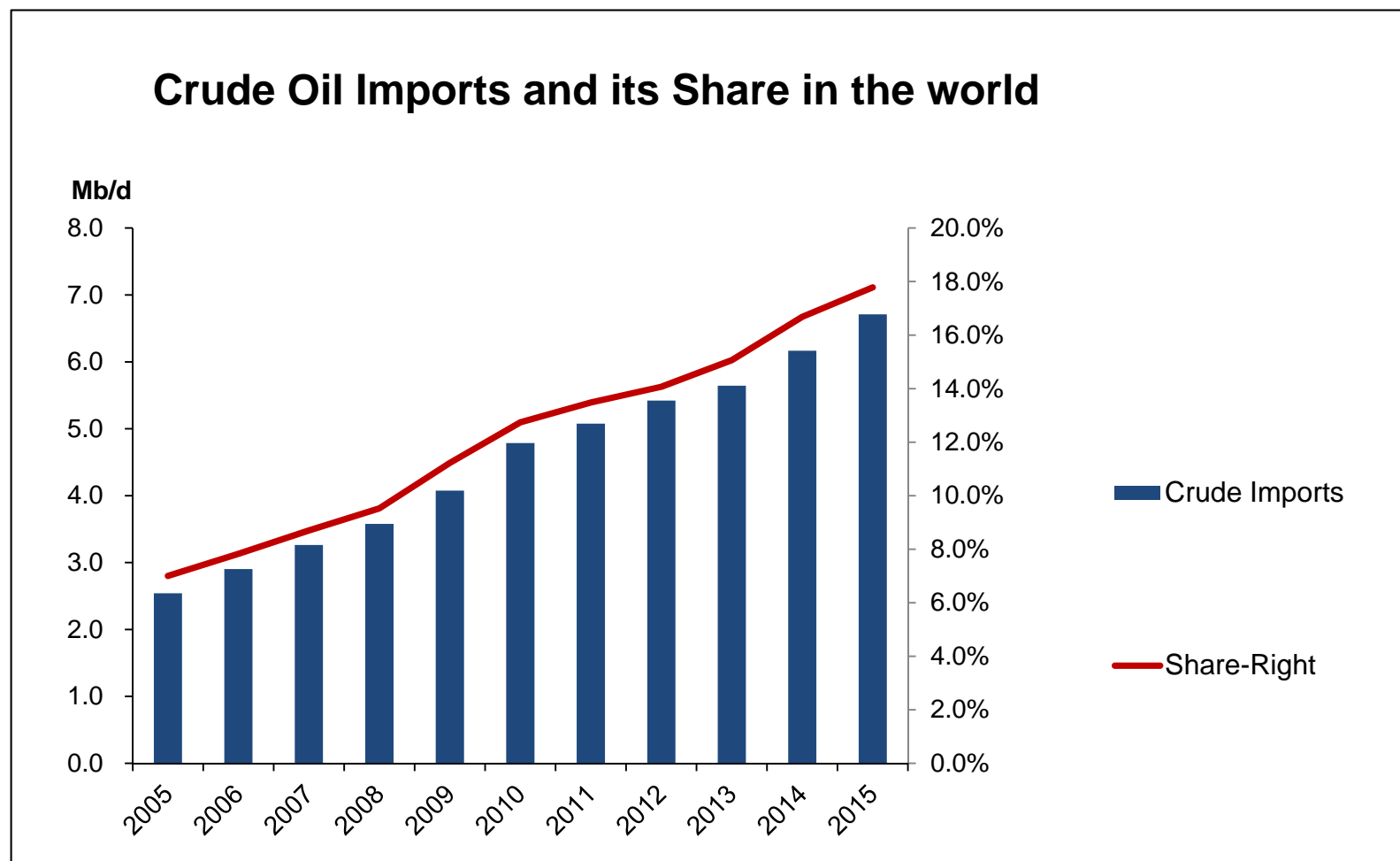
Source: National Bureau of Statistics of China, Uniprec Research

China's crude shortage continues to widen



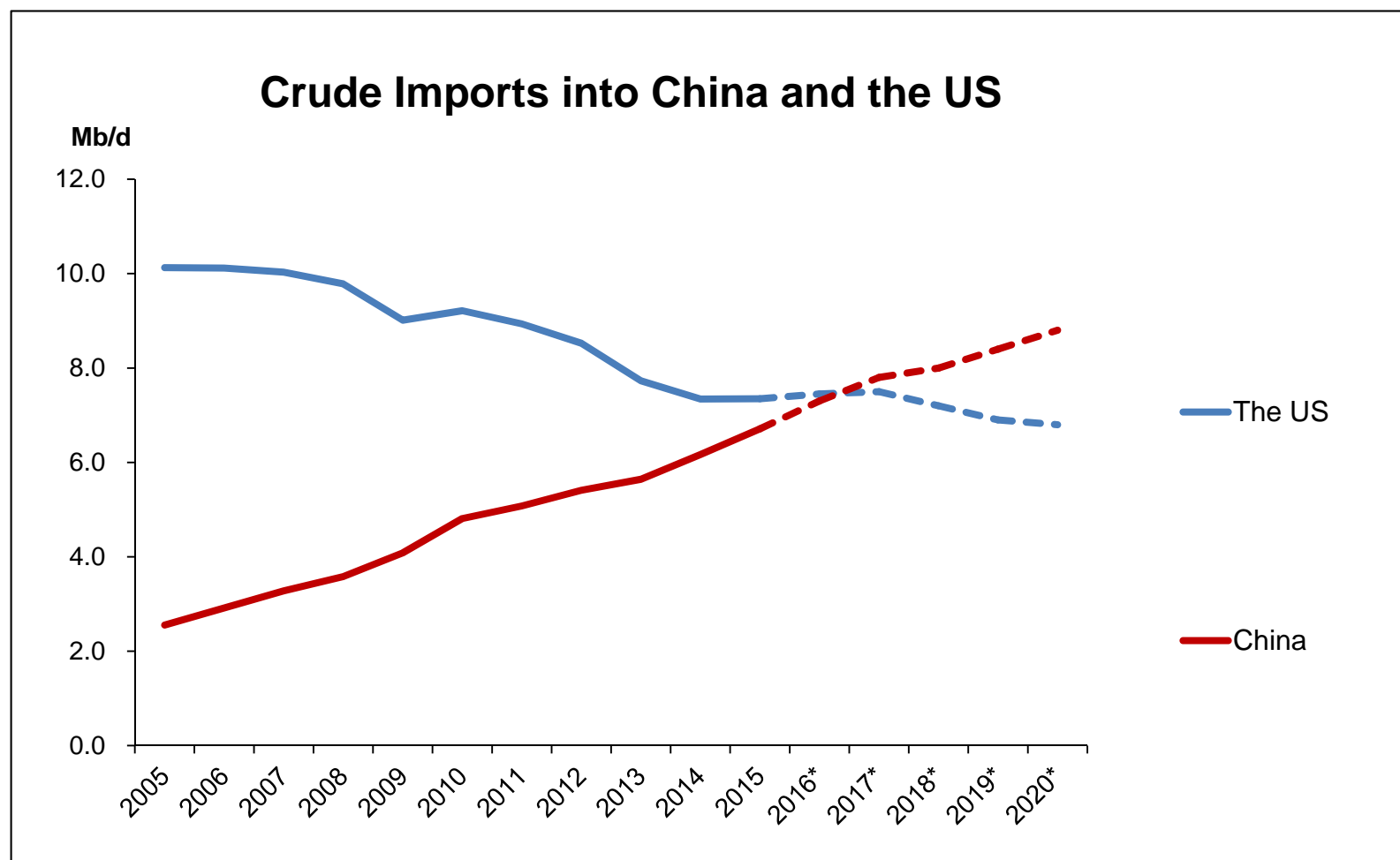
Source: National Bureau of Statistics of China. * Unipecc Research forecasts

China accounts for larger share in global crude trade



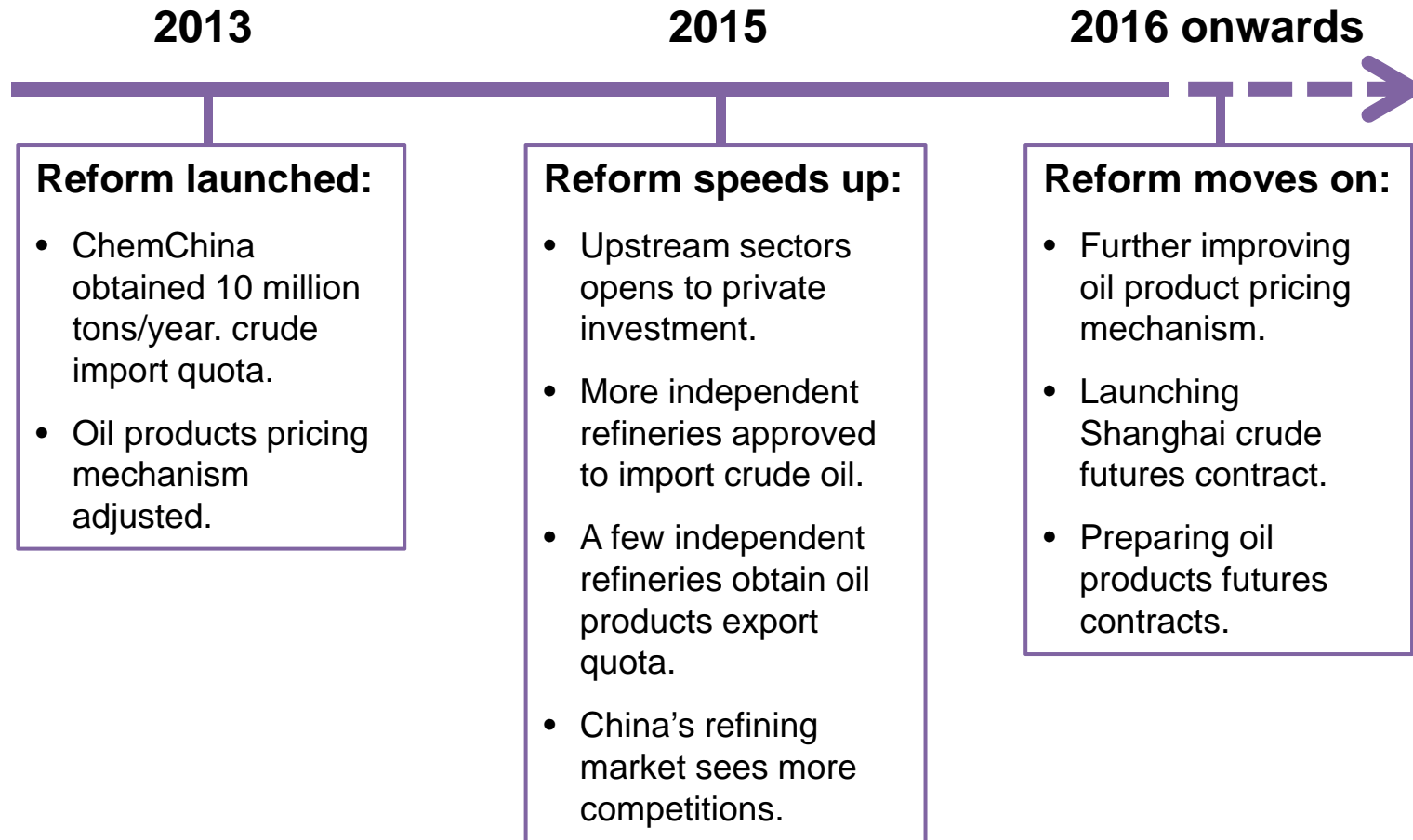
Source: BP, Unipecc Research

China is becoming the world largest crude importer by 2016



Source: China Customs, EIA. * forecasts by Unipec Research

China's oil market reform speeds up



The potential INE crude benchmark will play a key role

The Potential Crude Benchmarks in Shanghai International Energy Exchange (INE)

Region	Country	Crude	Minimum API	Maximum Sulfur Content (%)	Premium (\$/bbl)
Middle East	UAE	Dubai	30.0	2.2	To be determined by INE. Factors to consider: <ul style="list-style-type: none"> • Property differences • Demand & supply • Alternative crude • Loading & Transportation •
	Oman	Oman	30.0	1.3	
	UAR	Upper Zakum	33.0	2.0	
	Yemen	Masila	31.0	0.8	
	Qatar	Qatar Marine	31.0	2.2	
	Iraq	Basrah Light	29.5	3.0	
China	China	Shengli	24.0	1.0	

Note: quality baseline is API gravity of 32 and sulfur content of 1.5%. Crude for delivery and premium level shall be decided and adjusted by INE according to market condition.

Summaries

- Driven by the US shale revolution and restructure in world refining industries, global oil trade is shifting towards east.
- Asia-Pacific has become the world biggest oil consumer and refinery center, and also the largest target market of crude oil.
- The dramatic changes in global oil trade, together with increasing speculations and limited liquidities of major crude benchmarks, require improvement in global crude pricing mechanism.
- China is becoming the largest crude importer, and its share in global crude trade is rising.
- Aiming to build a more efficient and open oil market, China's oil market reform has speeded up. The potential INE crude benchmark will play a key role in global oil trade.

End

Thank You !