



## China's Refining Industry - The Transforming Giant

### Report Overview

#### Subjects Addressed:

- Overview of changing market dynamics for refined products in China
- Impact of independent teapot refineries on the competitive landscape
- Motor vehicle fleets and their development
- Effects of air quality in large cities
- Relative competitiveness of refineries in China with other leaders

China's fuel demand pattern is changing. During the past 10 years, China's GDP growth has been due to massive national industrialization and development, resulting in incredible manufacturing and exporting strengths. China has surpassed Germany as the world's largest exporter, in revenue terms.

As economies grow, they also undergo internal transformation. Although heavy industry is normally seen as a primary growth sector, other sectors such as agriculture and services can also have a significant contribution. Nexant's heavy industry index for China, which is built up of major industrial indicators, shows a slowing down in 2015 and indicates a growth in the proportion of the GDP being derived from service based industries.

China's economy currently accounts for approximately 15 percent of global GDP. For such a large economy, any change in the GDP contribution has a profound impact. Most relevant to refined products markets is the associated decrease in diesel consumption.

Production of diesel and other refined products has actually been increasing. One of the major changes to the refining landscape in China has been around revised regulation of crude import allocation. China has approximately 160 independent refineries. Of these, only select refineries were allocated crude oil imports quotas. An increase in import quotas for independent refiners allows up to 50 million tons per annum of crude to be used.

Declining domestic consumption coupled with increased domestic supply has resulted in large increases in diesel exports regionally. **How much further will imports increase?**

In 2009, China became the largest car market in the world. Increased motorization has brought with it massive challenges for China. Air quality has declined in large cities to dangerous levels. Frequently driver numbers are restricted to bring air quality to acceptable levels.

China has a growing electric vehicle fleet. Low cost, domestic production of electric vehicles and governmental incentives have resulted in an important growth in this sector. China has a very capable domestic technology skillset, tuned to the development of new technologies. In a recent survey by the World Economic Forum, around 75 percent of poll participants said that they would welcome the use of Autonomous or Self driving vehicles. High-tech Chinese companies like Baidu have even invested in research centers in the United States geared towards the production of Chinese autonomous vehicles. **With large domestic pressures to reduce pollution and improve air quality in big cities will China become a leader in this field?**

The Special Report, *China's Refining Industry – The Transforming Giant*, will analyze the impacts of the above issues as well as others. The proposed Table of Contents is as follows:

1. Executive Summary
2. Crude Oil Dynamics
3. Domestic Demand and Supply of Refined Products
4. Competitiveness of Chinese Refineries
5. Petrochemical Integration
6. Future Outlook

Nexant's Special Report will be useful to any commercial entity who interested in future refined products supply and demand and particularly those with a regional Asian focus.

For information regarding the upcoming *China's Refining Industry - The Transforming Giant* report, please contact [STMC@nexant.com](mailto:STMC@nexant.com).

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### Corporate Headquarters

Tel: +1 415 369 1000  
101 2nd St Suite 1000  
San Francisco  
CA 94105-3651  
USA

### Americas

Tel: +1 914 609 0300  
44 S Broadway, 4th Floor  
White Plains  
NY 10601-4425  
USA

### Europe, Middle East & Africa

Tel: +44 20 7950 1600  
1 King's Arms Yard  
London EC2R 7AF  
United Kingdom

### Asia Pacific

Tel: +662 793 4600  
22nd Floor, Rasa Tower I  
555 Phahonyothin Road  
Kwaeng Chatuchak  
Khet Chatuchak  
Bangkok 10900  
Thailand

