



The Cooperation Opportunities and Tactics of China, Japan and South Korea in Oil and Gas Industry

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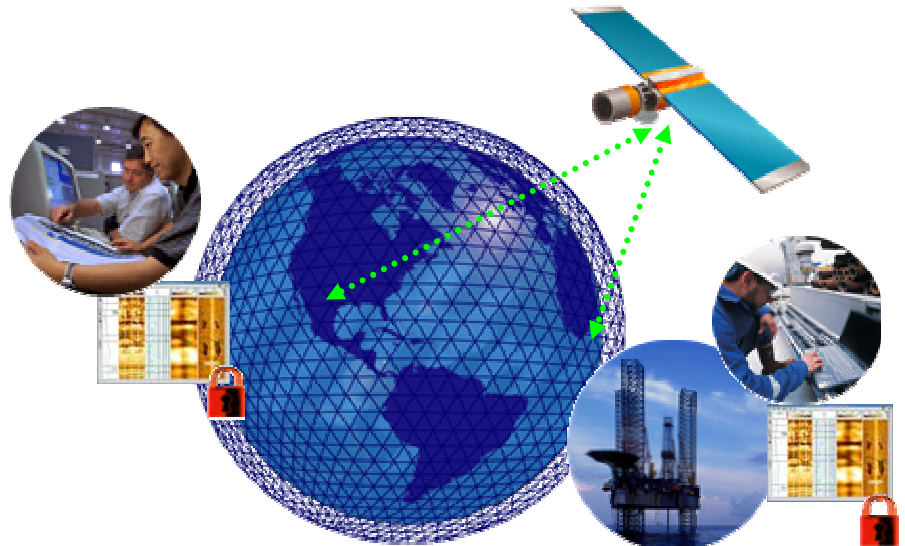
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Favorable cooperation conditions in the oil and gas industry of the three countries



Opportunities

1. China, Japan and South Korea are **friendly neighbors** depending on each other economically, with centuries-old historical ties.



2. The rapidly growing oil & gas demand provides huge market for the three countries to strengthen resource development and utilization cooperation.





3. There is very **complementary structure** in oil and gas industry among China, Japan and South Korea, and many favorable conditions are existent for further cooperation.





4. The **national leaders** of 3 countries attach more importance to strengthening the energy cooperation.

Challenges

1. All 3 nations are facing Challenges from **oil and gas resources shortage.**



Challenges



2. Unstable Mid-East region is the major source of oil import in China, Japan and South Korea, so all of the three countries are facing more threat of oil supply disruptions. We also bear the burden of the “Asian crude premium” of \$1~3 per barrel.

Challenges



3. **“Asian crude premium”** of \$1~3 per barrel has been unfairly existed for many years, seriously increasing our oil supply cost.

4. Oil industry is confronted with more and more **rigid environmental protection requirements, and China, Japan and South Korea are all facing the critical challenges for fulfilling their commitments in Kyoto Protocol.**



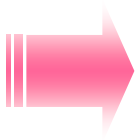
5. Oil industry are dealing more with the **harsher geologic and geographic conditions, such as the deeper water E&P, while the production cost in on the rise.**



6. Three nations are all facing the impact of **high oil price**, and will suffer a lot economically and socially from the price hike.



Steady increased pricing...



Some **Tactics** for strengthening oil and gas cooperation of three countries



中日韩三国外长强调能源等领域三方合作的重要性

1. Enhance the cooperation in the design and construction of the **regional oil security system** and the **emergency response system**.

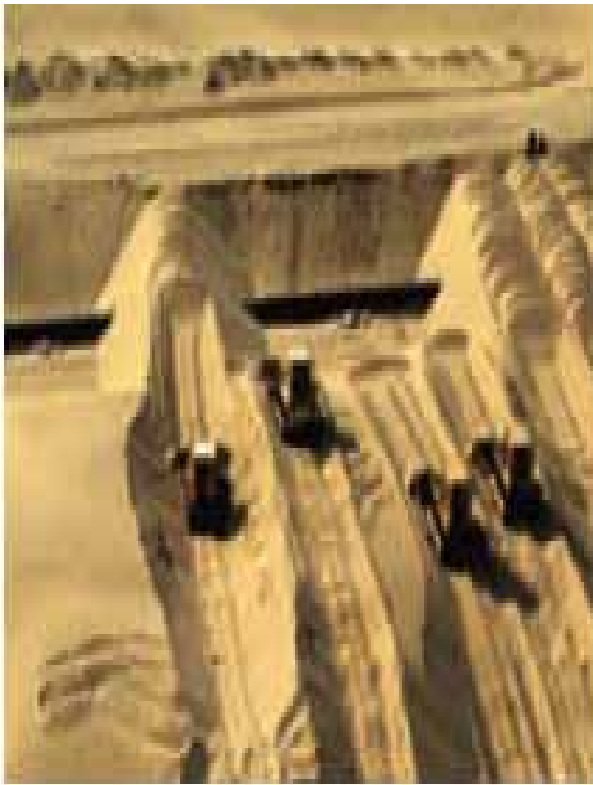


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2.Strengthen the communication and cooperation in the oil import and trade, by joint procurement, so as to get rid of Asian Premium.





Advanced technologies...

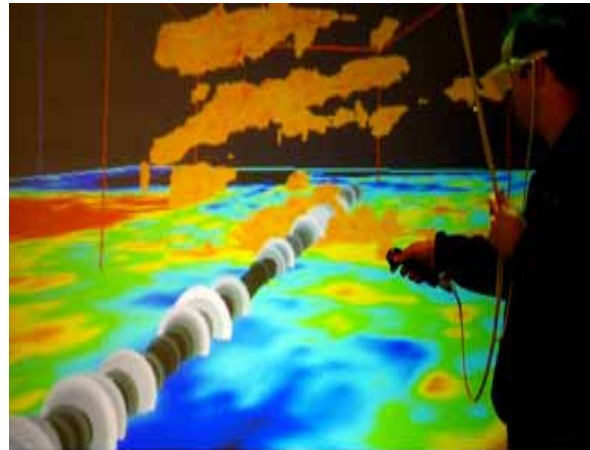
3.Intensify the cooperation in oil and gas E&P, making full use of our advantages in technology, management and capital and etc.



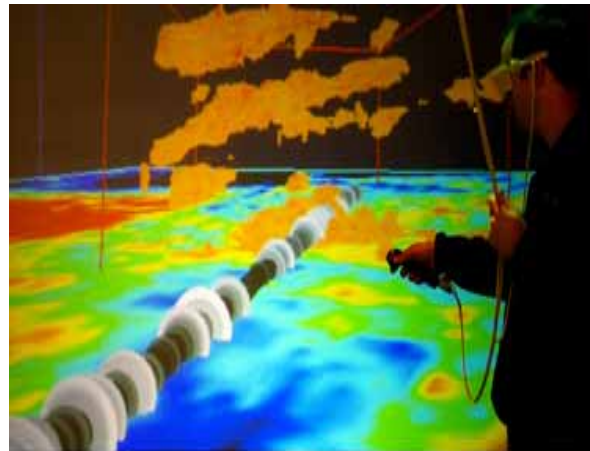
4. Reinforce cooperation and jointly avoid and remove maritime transportation risks



**5.Strengthen wider cooperation
in refinery, petrochemicals and
marketing, realizing win-win
development.**



6. Set up and complement regional SPR system economically, reliable and securely. Japan and S.K very experienced in SPR and China is a beginner.





**7. Formulate periodical
dialogue and cooperation
mechanism, promote jointly
the stabilization and
development of Asia-Pacific
oil market.**



We believe, the continuous deepening and extending cooperation of china, Japan and South Korea will surely provide reliable oil supply for the three countries, thereby make great contribution to healthy and rapid development of Northeast Asian economy and society.

With the 4 opportunities, 6 threats and 7 tactics, I would like to end my speech.

Thank you very much!