



Chinese lower their intended purchases

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Topic: [Demand/Consumption](#)

One of the advantages of writing in a team such as here at TOD is that there are relevant issues that go beyond just pulling oil out of the ground, and we have folks better qualified than I to talk about those issues. And one of them has, I suspect, just appeared. The Chinese have invested quite heavily in creating a middle class. And have been encouraging them to buy cars. Now they are suddenly changing their tune, and one wonders if this will have societal impacts over there. The change is, I suspect, signalled, by their just announced decision not to immediately fill their Strategic Petroleum Reserve. One wonders what will be the likely implications of their having awakened this sleeping tiger, partially fed it, and now trying to sedate it again. (One can see in the UK some of the reaction to suggested restraint in that temperate isle).

[Bloomberg](#) has a quote from the Chinese vice chairman of the National Reform and Development Commission

China, the world's second-largest oil consuming nation, will delay purchases of the fuel for its emergency stockpile because prices soared to records, a government official said.

"I can tell you clearly, we are not going to buy now," Zhang Guobao, vice chairman of the National Reform and Development Commission, China's top economic planning agency, told reporters in Beijing today. The government had planned to start filling the stockpile by the end of this year. . . . "We are studying and trying to find other ways to build our oil inventory on a gradual basis," Zhang said. "We have mapped out a plan to build our oil inventories and related facilities are under construction. We are yet to decide."

The decision whether to build a stockpile to cover 90 days of consumption or 120 days hasn't been made, Zhang said. China's oil consumption has more than doubled in a decade to an estimated 6.65 million barrels a day in 2005, according to the International Energy Agency. The proportion met by imports has risen from zero to about 44 percent.

"The basic policy for China's energy industry is to rely on domestic supply," Zhang said. "China is able to maintain production of crude oil at around 180 million tons a year over the next 20 years," or about 3.6 million barrels a day, he said.

The story is being picked up elsewhere. [The Pakistan Daily Times](#) also comments on the speech.

China, whose voracious oil import appetite took the world by storm last year, cut its August crude imports by 6.1 percent from the year-ago period to their lowest levels in eight months at 2.06 million barrels per day (bpd), as refiners reduced purchases amid heavy losses on domestic sales, customs data showed. Undermining prices further, the

world's No. 2 oil consumer reiterated on Tuesday it would not use imported crude to fill newly constructed strategic reserves. "Currently the international oil prices are at high levels. Against this backdrop, we would face big risks if we buy oil from the international market," said Zhang Guobao, vice director of the National Development and Reform Commission.

Of course some of the oil reduction may also have been brought about by the problems that they have had in the South due to the weather, and the increasing amounts of power becoming available from their electric grid, since it will lower the need for generators. On the other hand it may also have an impact on those companies that have been supplying the voracious U.S. appetite for goods, with all the implications that may bring. Technorati Tags: [peak oil](#), [oil](#),



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