



The continuing presence of China in the market

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Topic: [Supply/Production](#)

The Chinese purchase of the Encana assets in [Ecuador](#) raises some flags in regard to the overall long-term supply from that country to the US.

EnCana Corp. is selling its oil assets in Ecuador to a Chinese consortium for US\$1.42 billion in a deal it said reflects more its own plans to focus on North America than the Andean country's political instability, Reuters reported.

The deal with a consortium led by Chinese giant CNPC leaves rival Indian bidder ONGC out in the cold on a major deal for the second time in less than a month. The two nations are locked in an intensifying battle for oil assets to fuel their booming economies.

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The CNPC consortium will acquire about 75,000 barrels a day of production from five blocks and a 36 percent stake in the OCP pipeline, a new 450,000 barrel a day export line that EnCana spearheaded.

The oil fields' proved reserves are pegged at 143 million barrels.

So that is $75,000 + 0.36 \times 450,000 = 237,000$ bd.

It is a concern since the US imports about half of the Ecuadorian exports. From the [EIA](#) we read

Ecuador is the fifth-largest producer of crude oil in South America. In 2004, the country produced 534,800 barrels per day (bbl/d) of total oil liquids, of which 528,200 bbl/d was crude oil. Ecuador also consumed 144,000 bbl/d of oil in 2004. According to Oil and Gas Journal, Ecuador held proven oil reserves of 4.6 billion barrels in 2005, the third-largest in South America.

Ecuador is a significant oil exporter, mostly to the United States. Ecuador sends over 50% of its oil exports to the U.S., the remainder split between Latin America and Asia.

During the first eleven months of 2004, Ecuador exported 226,000 bbl/d of crude oil to the United States, some 2.3% of U.S. total oil imports. Ecuador is the second-largest single source of crude oil imports from South America, after Venezuela.

And so while the Chinese talk about producing more oil at home, and hesitating to fill their SPR (as has been commented a possible attempt to get the prices down before they really do start) they continue to vacuum up foreign production, leaving less for the rest of us. ($226,000 + 237,000 + 140,000 = 603,000 > 534,800$ bd.)

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