

**PetroChina**

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*West–East Pipeline Project*

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# **West–East Pipeline Project**

*4 July 2002*

- **Signing of Joint Venture Framework Agreement (“JVFA”) for West-East Pipeline Project (“Project”)**
- **Commencement of full construction**
- **PetroChina with 50% interest**
- **A group of international energy companies (“the Consortium”), led by Shell, Gazprom and ExxonMobil, with 45% interest**
- **Sinopec with 5% interest**
- **Co-operation term of 45 years**

- **World-class integrated gas project:**
  - development and production of natural gas in Tarim Basin
  - construction and operation of 4,000km gas pipeline
  - marketing and sale of gas to downstream customers
- **Total project investment for upstream and pipeline of approximately US\$8.5 billion**

<b>Section</b>	<b>Length (km)</b>	<b>Commencement of Operation</b>
Jingbian - Shanghai (Eastern section)	1,516	end of 2003
Lunnan - Jingbian (Western section)	2,484	2005

- **Monetising gas reserves in western China**
- **Earnings growth**
- **Attractive returns**
- **Partnerships with large international oil companies**
- **Leadership in growing gas market in China**

# Formation of strategic partnership with international companies

- **Share project risks and financial commitment**
- **Benefit from international experience**
- **Leverage on each other's technical and operational expertise**
- **Create opportunities for future co-operation**

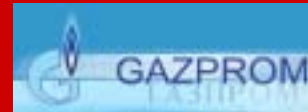
# The Consortium

- **Leading international energy companies with international experience, financial strength, technical and operating expertise**

**Lead  
partners**



**Shell**



**Gazprom**

**ExxonMobil**

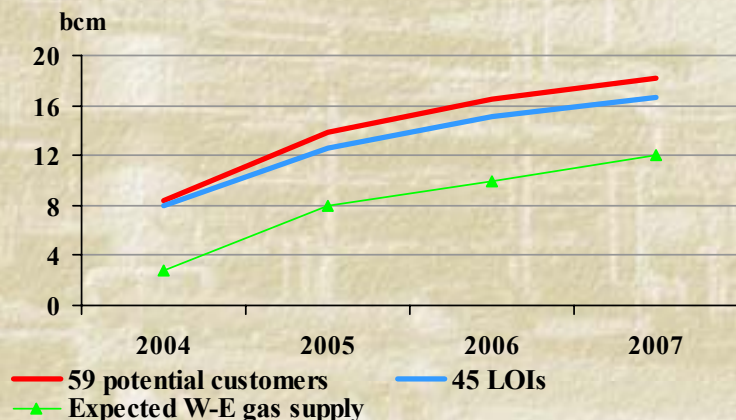
**ExxonMobil**

- **Joint development and production of gas in the Kuche-Tabei Area of Tarim Basin**
- **Ordos Basin to supply gas for the first 15 months**
- **Kuche-Tabei Area of Tarim Basin currently has proven recoverable gas reserves of 304bcm - sufficient to supply the pipeline for 20 years**
- **Ongoing exploration by PetroChina to ensure sufficient reserves to supply gas in longer terms**

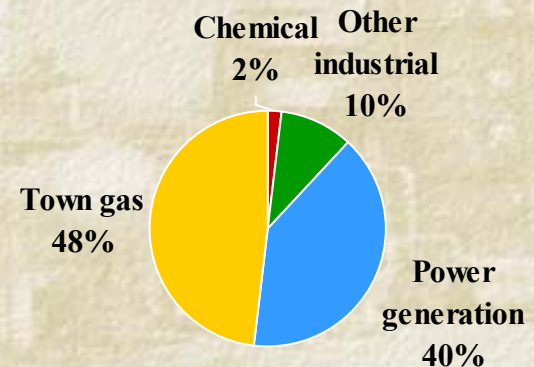
- **4,000 km pipeline from Lunnan to Shanghai**
- **Designed capacity of 12bcm per annum**
  - **can be expanded to 18bcm per annum**
- **Agreed HSES Standards**
- **ESIA and ESMP conducted prior to construction**
- **Demonstrating PetroChina's pursuit of social and environmental excellence**

- **Target markets in Eastern China: Shanghai, Anhui, Jiangsu, Zhejiang and Henan**
- **Strong growth of gas demand anticipated with 45 LOIs signed**
- **Demand could reach 18.2bcm by 2007, far exceeding the annual gas supply of 12bcm**

**Market demand vs W-E gas supply**



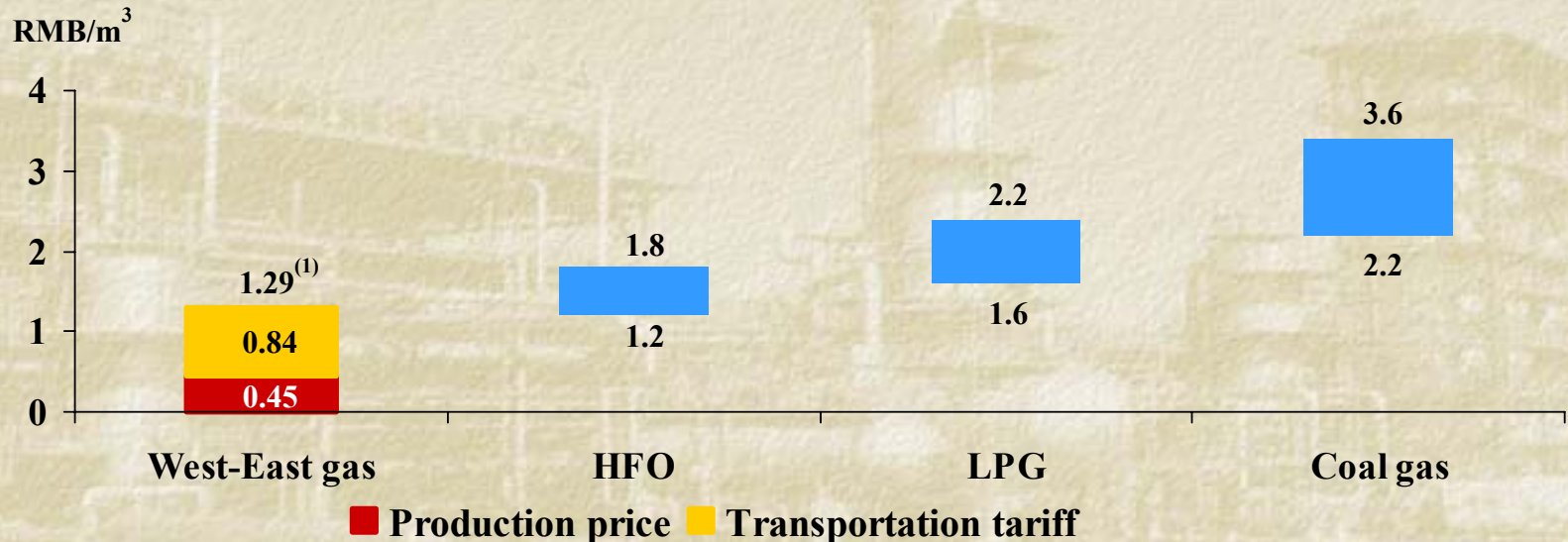
**2007 usage breakdown**



# Downstream gas pricing

- Average city-gate guidance price of RMB1.29/m<sup>3</sup>
- Affordable to downstream customers and competitive versus alternative fuels

## End-user prices for alternative fuels



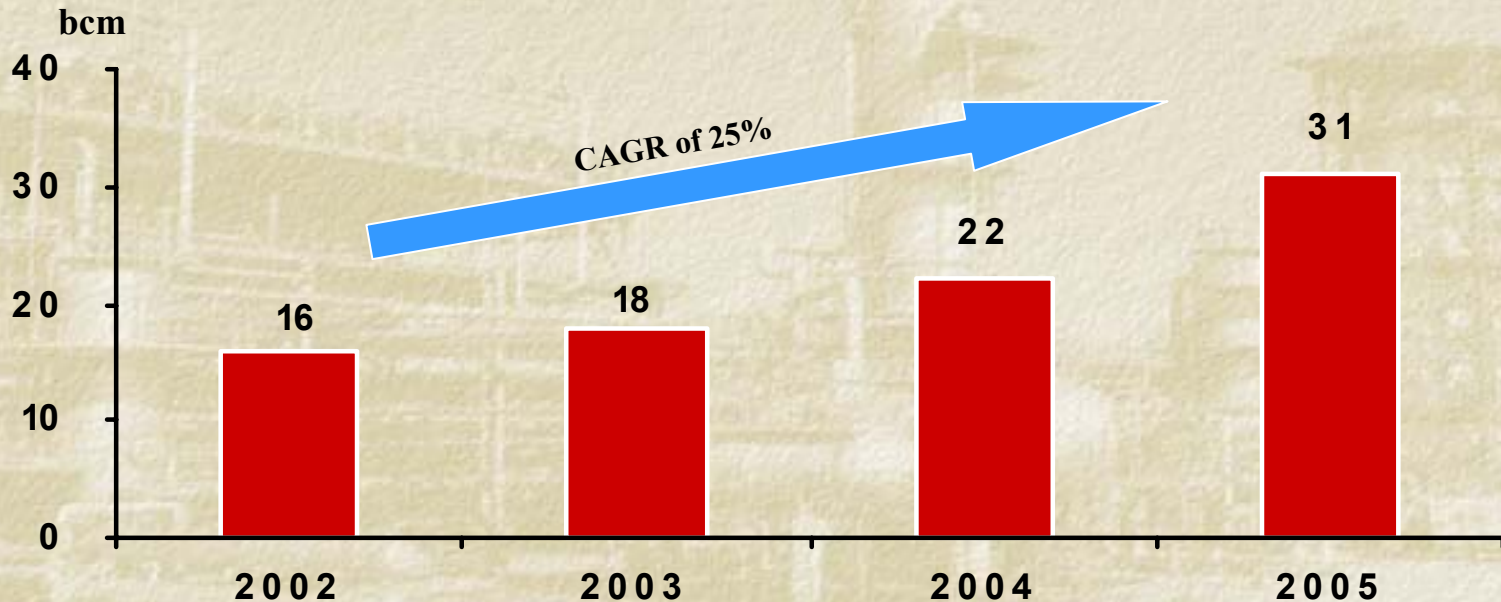
Note: (1) Distribution cost not included  
Source: June 2002 downstream market survey

- **Upstream investment of approximately US\$3.3 billion**
- **Pipeline investment of approximately US\$5.2 billion**
  - **35% equity; 65% debt**
  - **re-financing post construction**
- **PetroChina's total equity investment of US\$2.7 billion**

# Acceleration of natural gas business development

- West-East Pipeline Project will accelerate PetroChina's natural gas business development

## Marketable gas production volume for PetroChina



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*Thank you*