



# China Natural Gas and Coalbed Methane Industry Report, 2011

Aug. 2011

## ***This report***

- ◆ **analyzes the development natural gas in China and worldwide**
- ◆ **Focuses on the unconventional natural gas and natural gas downstream**
- ◆ **Highlights the operation of Integrated Oil and Gas enterprises and shale gas companies in China.**

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## Abstract

In 2010, the output of natural gas grew steadily in China, and the volume of natural gas and liquefied natural gas (LNG) imported from Central Asia continued to increase, as a result, the resource supply increased substantially. The gas demand kept rapid growth, the consumer market was further expanded, and except for the tight natural gas supply in some regions in winter, the overall supply and demand remained stable. According to BP, China's output of natural gas reached 96.8 billion cubic meters in 2010, up 13.5% YoY; the consumption of natural gas in China exceeded 100 billion cubic meters for the first time, up 21.8% YoY.

In the same year, unconventional natural gas projects in China made progress to some extent, e.g., some coalbed methane (CBM) projects entered into operation, while shale gas ones started initial exploration and exploitation.

In the field of coalbed methane, China ranks third globally with reserves of about 36.8 trillion cubic meters, one third of which is distributed in Shanxi Province. Currently, there are many companies engaged in coalbed methane business in China, and the details are as follows:

### Development of Key Coalbed Methane Enterprises in China

Enterprise	Note
PetroChina (601857.SH)	It's the largest developer of coalbed methane in China, and a major force in the future pipe network construction.
CNOOC (00883.HK)	It holds 50% stake in China United Coalbed Methane Co., Ltd. (CUCBM).
Sinopec (600028.SH)	It deals with coalbed methane business through joint venture Shanxi Guohua Energy Co., Ltd.
Sino Oil and Gas (0702.HK)	It owns 70% equity of the coalbed methane project (with reserves of 43.5 billion cubic meters) in Sanjiao.
Xinjiang Zhundong Petroleum Technology (002207.SZ)	Its wholly-owned subsidiary Xinjiang Zhundong Petroleum Energy Co., Ltd. is applying for the exploration right of the coalbed methane in Baicheng and Kuche, Xinjiang, but hadn't got approval by the end of 2010, so the investment now suspends.
EnviroEnergy (1102.HK)	Xinjiang Project, Qinshui Basin, Qian An Oilfield Coalbed Methane Project.
Green Dragon Gas (GDG.LN)	It mainly explores and exploits in south Sichuan and Guizhou.
New Smart Energy (00091.HK)	It deals with coalbed methane business in Anhui Province through its wholly-owned subsidiary Canada Can-Elite Energy Limited; relevant exploration is still at the initial stage.
LandOcean Energy Services (300157.SZ)	It plans to acquire 42.42% stake in Henan Zhongyu Coalbed Methane for RMB 150 million, entering into coalbed methane business.

Source: ResearchInChina

In the field of shale gas, in July 2011, China awarded its first two shale gas blocks out for tender to China Petroleum & Chemical Corp (Sinopec) and provincial coal seam gas company Henan CBM, the former won the Nanchuan block while the latter was awarded the Xiushan block.

Besides the market development of conventional natural gas and unconventional ones like coalbed methane and shale gas, this report also introduces the operation of relevant companies of oil-gas, coalbed methane and shale gas.

China National Petroleum Corporation (CNPC) is an integrated energy company, and its natural gas business involves conventional natural gas and unconventional ones like coalbed methane and shale gas. Its natural gas and pipeline business achieved operating revenue of RMB 115.181 billion in 2010, up 50.64% YoY; in the same year, its CBM business made a breakthrough in the new proved reserves which exceeded 100 billion cubic meters, forming a capacity of 1.3 billion cubic meters.

China United Coalbed Methane Co., Ltd., a subsidiary of CNOOC, is granted a franchise for cooperation with foreign enterprises in CBM exploration, development and production. It owns 27 CBM blocks, covering a total area of 20,151 square kilometers, including 14 blocks with a total area of 15,915 square kilometers in cooperation with foreign enterprises.

Through subsidiary Jilin Chengda Hongsheng Energy Co., Ltd., Liaoning Chengda Co., Ltd. is engaged in the development and utilization of oil shale project, with a total investment of RMB 1.8 billion for the first phase of the project.

### 1. Definition and Classification

- 1.1 Definition
- 1.2 Classification

### 2. Natural Gas Worldwide

### 3. Natural Gas in China

- 3.1 Policy
- 3.2 Overview
- 3.3 Import and Export
- 3.4 Region
- 3.5 New Capacity

### 4. Comparison Among Countries

### 5. Unconventional Natural Gas

- 5.1 Coalbed Methane (CBM)
  - 5.1.1 Overview
  - 5.1.2 Worldwide
  - 5.1.3 Reserves in China
  - 5.1.4 Policies in China
  - 5.1.5 Exploitation in China
  - 5.1.6 Economic Analysis of CBM Exploitation in China
- 5.2 Shale Gas
  - 5.2.1 Overview
  - 5.2.2 Worldwide
  - 5.2.3 China

### 6. Downstream

- 6.1 Natural Gas Power Generation

- 6.2 Natural Gas Chemical Industry
- 6.3 Fuel Gas Industry
- 6.4 Compressed Natural Gas Vehicle

### 7. Integrated Oil and Gas Companies

- 7.1 China National Petroleum Corporation
  - 7.1.1 Profile
  - 7.1.2 Operation
  - 7.1.3 Natural Gas and Pipeline
  - 7.1.4 Coalbed Methane & Shale Gas
- 7.2 China Petroleum and Chemical Corporation
  - 7.2.1 Profile
  - 7.2.2 Operation
  - 7.2.3 Natural Gas Exploitation
  - 7.2.4 Coalbed Methane & Shale Gas
- 7.3 CNOOC Limited
  - 7.3.1 Profile
  - 7.3.2 Operation
  - 7.3.3 Natural Gas Exploitation
  - 7.3.4 Coalbed Methane & Shale Gas
- 7.4 Sino Union Energy Investment Group Limited
  - 7.4.1 Profile
  - 7.4.2 Operation
  - 7.4.3 Natural Gas Exploitation
- 7.5 MIE Holding Corporation
- 7.6 New Times Energy Corporation Limited
  - 7.6.1 Profile
  - 7.6.2 Operation
- 7.7 United Energy Group Limited
- 7.8 Shenergy Company Limited

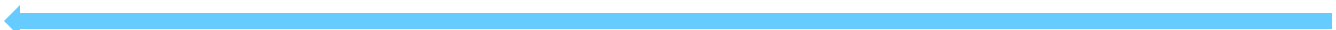
### 8. Coalbed Methane (CBM) Companies

- 8.1 Sino Oil and Gas Holdings Limited
  - 8.1.1 Profile
  - 8.1.2 Operation
  - 8.1.3 Natural Gas Exploitation
- 8.2 China CBM Group Limited
  - 8.2.1 Profile
  - 8.2.2 Operation
- 8.3 Xinjiang Zhudong Petroleum Technology Co., Ltd.
  - 8.3.1 Profile
  - 8.3.2 Operation
- 8.4 Enviro Energy International Holdings Limited
  - 8.4.1 Profile
  - 8.4.2 Subsidiary
  - 8.4.3 Operation
  - 8.4.4 Natural Gas Exploitation
- 8.5 Sichuan Tianyi Science and Technology Co., Ltd.
- 8.6 ZhongYu Gas Holdings Limited
  - 8.6.1 Profile
  - 8.6.2 Operation
- 8.7 LandOcean Energy Services Co., Ltd.
  - 8.7.1 Profile
  - 8.7.2 Operation
  - 8.7.3 M&A
- 8.8 China United Coalbed Methane Co., Ltd.
- 8.9 Green Dragon Gas Ltd.
- 8.10 Jincheng Anthracite Mining Group
- 8.11 New Smart Energy Group Ltd.

### 9. Shale Gas Companies

- 9.1 Liaoning Chengda Co., Ltd.
  - 9.1.1 Profile
  - 9.1.2 Oil Shale

### 10. Trends and Prospect

- 
- Classification of Natural Gas
  - Global Proved Reserves of Natural Gas, 1990-2010
  - World R/P Ratio by Region, 2010
  - Distribution of Proved Reserves in 1990, 2000 and 2010
  - Global Output of Natural Gas, 2003-2010
  - Global Consumption of Natural Gas, 2003-2010
  - Global Trade Flow, 2010
  - Impact of Imported Natural Gas VAT Return on CNPC
  - Output of Natural Gas in China, 2000-2010
  - Consumption of Natural Gas in China, 2000-2010
  - Import and Export of Natural Gas in China, 2008-2011
  - Import of LNG in China, 2008-2011
  - Top 3 Provinces/Cities in China by Proved Natural Gas Reserves, 2009
  - Top 5 Provinces/Cities in China by Natural Gas Output, 2010
  - Distribution of Natural Gas Demand in China by Region, 2015E
  - Forecast of Natural Gas Demand in China, 2015E
  - New Capacity of Natural Gas in China, 2001-2009
  - Natural Gas Storage under Planning in China, 2006-2011
  - Comparison of Primary Energy Consumption Structure in China and the World, 2010
  - Primary Energy Consumption Structure of French and Germany, 2010
  - Consumption of Natural Gas of G7 and China, 2010
  - Worldwide Natural Gas Consumption per capita, 2010
  - U.S. Interstate Natural Gas Pipelines, 2009
  - China's Natural Gas Pipe Network, 2009
  - Storage Location of Unconventional Natural Gas

- 
- Methane Concentration of CBM from Different Sources
  - Differences Between CBM and Conventional Natural Gas in Burial and Exploitation
  - Advantages of CBM
  - Two Modes of CBM Exploration
  - CBM Exploration Technology
  - CBM Reserves of Main Countries, 2010
  - Map of U.S. Coalbed Methane Resources
  - U.S. CBM Proved Reserves, 1989-2007
  - China's Coal Mines and Coalbed Methane Resources
  - Conditions of CBM Exploration in China by Region
  - Distribution of CBM Resources Worth Mining in China
  - CBM Distribution in Shanxi
  - CBM Reserves of Shanxi
  - Four Barriers of CBM Development in China
  - China's CBM Emissions, 1987-2010
  - Main Listed CBM Companies in China
  - Pricing Procedures of Natural Gas by NDRC
  - Price of West-East Gas Pipeline
  - Acceptable Price of CBM for Power Generation
  - Acceptable Price of CBM for Industry Fuel
  - Acceptable Price of CBM for Chemical Industry
  - Acceptable Price of CBM for Civilian Use
  - Diagram of a Typical Hydraulic Fracturing Operation
  - Map of 48 Major Shale Gas Basins in 32 Countries
  - Reserves, Output and Consumption of Shale Gas in 32 Countries, 2009

- Major Shale Gas Resources and Natural Gas Pipelines in China
- Shale Gas Resources in Sichuan and Tarim Basins of China
- Downstream of Natural Gas
- Advantages of Natural Gas Power Generation
- Main Natural Gas Power Generation Project in China, 2010-2011
- Natural Gas Processing
- Classification of Natural Gas Vehicles by Fuel
- Integrative Comparison of CNG, LNG, Gasoline and Diesel Cars (each with an annual mileage of 100,000km)
- Branches of China National Petroleum Corporation
- Operating Revenue and Operating Income of China National Petroleum Corporation, 2007-2011
- Operating Revenue of China National Petroleum Corporation by Region, 2008-2010
- Operating Revenue and Operating Income of Natural Gas and Pipeline Business of China National Petroleum Corporation, 2008-2010
- Natural Gas Sales Volume and Average Price of China National Petroleum Corporation, 2008-2010
- Natural Gas Pipelines Invested by China National Petroleum Corporation, 2008-2010
- Exploration Right Distribution of PetroChina CBM
- Operating Revenue and Operating Income of China Petroleum and Chemical Corporation, 2007-2011
- Natural Gas Sales Volume and Average Price of China Petroleum and Chemical Corporation, 2008-2010
- Pipelines of China Petroleum and Chemical Corporation
- Operating Revenue and Operating Income of CNOOC Limited, 2007-2010
- Proved Natural Gas Reserves of CNOOC Limited, 2010
- Net Natural Gas Output of CNOOC Limited by Region, 2006-2010
- Turnover and Net Income of Sino Union Energy Investment Group Limited, FY2007-FY2011
- Total Revenue and Profit of MIE Holdings Corporation, 2007-2010
- Mining Area of New Times Energy Corporation Limited in Argentina
- Natural Gas Reserves of New Times Energy Corporation Limited



- 
- Mining Area of New Times Energy Corporation Limited in Argentina
  - Natural Gas Reserves of New Times Energy Corporation Limited
  - Turnover and Gross Profit of New Times Energy Corporation Limited, 2009-2010
  - Milestones of United Energy Group Limited
  - Oil and Gas Operations of United Energy Group Limited in Pakistan
  - Operating Revenue and Total Profit of Shenergy Company Limited, 2007-2010
  - Operating Revenue and Operating Income of Oil & NG Business of Shenergy Company Limited, 2008-2010
  - Oil & NG Subsidiaries of Shenergy Company Limited
  - Turnover and Profit of Sino Oil and Gas Holdings Limited, 2006-2010
  - Three Gas Fields of Sino Oil and Gas Holdings in China
  - Operating Revenue and Net Income of China CBM Group Limited, 2008-2010
  - Operating Revenue and Total Profit of Xinjiang Zhundong Petroleum Technology Co., Ltd., 2007-2011
  - Revenue and Gross Profit of Enviro Energy International Holdings Limited, 2009-2010
  - Operations of Enviro Energy International Holdings Limited in Canada
  - Operations of Enviro Energy International Holdings Limited in China
  - Operating Revenue and Total Profit of Sichuan Tianyi Science and Technology Co., Ltd., 2007-2011
  - Turnover of ZhongYu Gas Holdings Limited by Business, 2009-2010
  - Application Cases of LandOcean Energy Services Co., Ltd.
  - Operating Revenue and Total Profit of LandOcean Energy Services Co., Ltd., 2007-2011
  - CBM in the South Area of Qinshui Basin
  - CBM in Hancheng Mining Area
  - Operating Revenue and Total Profit of Green Dragon Gas Ltd., 2008-2010
  - CBM Resources of Green Dragon Gas Ltd.
  - Wells Drilled in Six CBM Blocks of Green Dragon Gas Ltd., 2010
  - CBM Output of Green Dragon Gas Ltd., 2009-2010

- CBM Subsidiaries of Jincheng Anthracite Mining Group
- Operating Revenue and Operating Income of Qinshui Lanyan Coalbed Methane Co., Ltd., 2008-2009
- Operating Revenue and Total Profit of Liaoning Chengda Co., Ltd., 2007-2011
- Operating Revenue and Operating Income of Jilin Chengda Hongsheng Energy Co., Ltd., 2008-2009
- Consumption of Natural Gas in China, 2010-2020E
- Clean Energy Development Commitment from Chinese Government, 2010-2015
- Natural Gas Supply Sources in China, 2010-2020E

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