

President's Message



President of China National Petroleum Corporation Jiang Jiemin

Along with the in-depth implementation of the reform and opening policy, China has entered a new stage in this era of economic globalization. The continuous fast growth of the Chinese economy has brought about a vast development space as well as complicated challenges for CNPC. In the changing environment, how to harmonize fast development with resources, environment, society and staff development while successfully transforming the development model is the key issue to be tackled by CNPC and its staff.

In 2007, in conformity of with outlook on scientific development and adhering to the corporate mission of "Caring for Energy, Caring for You", we have seized opportunities, solved various challenges, fulfilled economic, environmental and social responsibilities, and achieved new progress on the road of scientific and harmonious development.

Facing the booming energy demand of the domestic market, we have strengthened capital investment and scientific innovation and achieved key breakthroughs such as the Nanpu Oilfield. The newly proven oil and gas in place recorded a new height, and oil and gas production increment exceeded 1 million metric tons and 10 billion cubic meters respectively. Our refinery & chemicals structure and layout were optimized, oil refineries were operated at full capacity to maximize crude runs and refined products output. The refined products sales network and pipeline construction developed quickly. In addition, the nationwide pipeline network totaled 30,000km and a stable supply system has been established, which strongly promoted oil and gas transportation and market supply capabilities. Facing oil shortages in some regions, CNPC took effective measures to prevent supply breakdowns and price increases, which helped to relieve supply-demand conflicts and stabilize market supply. Meanwhile, our international business developed steadily, witnessing the breakthrough of 60 million metric tons in overseas total crude output.

Confronting the huge challenges of safe operation and environmental protection brought about by our fast expanding production scale, we attached priority to the construction of an energy-saving and environmentally friendly enterprise. In 2007, we actively promoted the perfection of our health, safety and environment (HSE) management system, carried out the Safety and Environmental Protection Year program, tackled potential hazards, and strengthened risk prevention among our entire staff, leading to continuous improvements in safe operation. In addition, we pushed forward our energy-saving and emission reduction work with ten energy-saving projects and ten emission-reduction projects including energy system optimization, embraced the up-to-standard emissions of "the three wastes", and witnessed stable reductions in energy consumption and emissions of key pollutants. There was no major environmental or industrial accidents occurred, and serious casualties during operation were reduced substantially. However, there is still a long way to go to realize the objectives of "zero injury, zero pollution and zero accident".

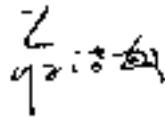
To cope with global climate change, CNPC together with State Forestry Administration (SFA) and China Green Foundation (CGF) established the China Green Carbon Fund in 2007 to support tree planting and energy forest construction. We exerted efforts to increase our clean energy supply: our independently developed G-IV gasoline and diesel have been put into mass production and our natural gas supply covers 26 provinces, municipalities and autonomous

regions across China, contributing greatly to air quality improvement and the further improvement of our energy mix. We attached great importance to new energy, with the development of ethanol gasoline and coal-bed methane projects. In addition, we have also signed biomass energy framework agreements with SFA and seven provinces and autonomous regions, and have established an exemplary biodiesel forest base covering 68,000 hectares. The comprehensive use of other new energies such as geothermal energy and solar energy is also progressing well.

Our employees are our most precious resource. In 2007 we popularized the human resource management system to establish an open, standardized and effective human resource management structure. We launched an enterprise annuity program and improved the salary and welfare system. We strengthened grassroots development by awarding excellent teams and individuals. We increased the salaries of employees, especially those at the grassroots and frontiers, and those in poor working conditions and key positions. Focusing on key staff and frontier teams, we strengthened technical and business training. We also launched a reform of the service system of mining zones and accelerated the housing project and slum area reconstruction project to further improve employees' living conditions.

The wealth we gain from society should serve to benefit the people. To this end, we actively promoted the joint construction of key petrochemical projects, oil and gas sales networks and biomass energy with local governments to promote the sustainable development of both CNPC and local communities. We worked hard to carry out national poverty alleviation policies through supporting remote and undeveloped areas in the Tibet and Xinjiang autonomous regions. We also supported various public welfare causes covering disaster relief, agriculture and education promotion, informationization, construction of the new socialist countryside, and Olympic service. Adhering to the spirit of "Friendship, Peace, Cooperation and Development", we contributed to local economic development and assisted the development of local communities in countries where we operate.

Standing at a new departure, CNPC is striving to become a world-class integrated international energy corporation. Remaining faithful to the mission of "Caring for Energy, Caring for You", we shall continue to fulfil our economic, environmental and social responsibilities with the operating principle of "Achieving excellence through innovation and integrity" to provide people with clean, efficient and high-quality energy and work to build a better future for all of us.



Jiang Jiemin, President