International Trade

In 2017, we continued to boost international trade and overseas futures business in crude oil, refined products, natural gas and petrochemicals while bolstering our three oil and gas operation hubs in Asia, Europe and the Americas. Our overseas marketing network grew steadily to reach more than 80 countries and regions around the globe, including basically all of the world's major oil and gas producers and consumers. In 2017, we reported trading volume of 470 million tons, worth USD 184.4 billion, up 4.4% and 30.6% year-on-year respectively.

We continued to optimize crude oil imports and sales of overseas equity oil by leveraging our trade resources globally. We pushed ahead with importing crude oil from western Kazakhstan and Russia to reduce the procurement costs of our refineries. We ensured the timely supply of crude oil to Yunnan Petrochemical for the start of production through the Myanmar-China Oil Pipeline. We promoted the sales of overseas equity oil and made positive progress in the Americas. We completed blended oil sales for the first time in Canada and moved forward with the presales of equity oil of the Libra Project in Brazil and the import of equity oil from the Americas.

We adapted agilely to adjustments in refined products export plans and traded on the Platts benchmark oil trading window, exporting 12.63 million tons of refined products in 2017. While working on traditional markets such as Myanmar, Sri Lanka, Vietnam, Indonesia, Malaysia, the Philippines and Pakistan, we made significant headway in exploring the Australian and Japanese markets.

Our natural gas business saw advances in the negotiations on major projects between Central Asia-China, Russia-China and Myanmar-China, and LNG import. We signed a one-year sales and purchase agreement and the long-term cross-border pipeline transmission agreement with Kazakh counterpart, and an MOU on long-term LNG sales and purchase with Cheniere Energy. In view of soaring gas demand during the winter, we bought LNG on the spot markets to increase the domestic supply.

As for chemicals, we actively developed overseas resource markets and increased methanol and ethane imports to provide "lighter" feedstock for domestic petrochemical enterprises. Leveraging basis trading, we expanded PTA spot sales and yielded good results.

Our marine shipping business gained relatively good returns by optimizing fleet routes and cargo allocation, despite the sagging freight rates. We expanded time chartering of LNG carriers and very large crude carriers (VLCC) and optimized structure of fleet capacity to enable coordinated development in both scale and quality. Furthermore, we stepped up vessel inspection and anti-piracy security measures to ensure safe transportation.

Overseas Operation Hubs

Our three overseas operation hubs in Singapore, London and New York bring together trade, processing, transportation and warehousing capabilities to improve our capabilities in global resource optimization. In 2017, we continued to expand the marketing network and bolstered the three overseas operation hubs, with an emphasis on the Belt and Road markets.

The Singapore hub streamlined its trade and logistics processes and accomplished sales of equity oil from UAE, Iraq and Iran. As to marketing of refined products, our market share climbed to above 14% in Australia and 32% and 45% in Myanmar and Sri Lanka respectively. As the largest jet fuel supplier of the Hong Kong Airport, we took a 43% share in Hong Kong's retail market in 2017. For the first time, gasoline and aromatics from our joint venture refineries in Europe were sold to the Middle East and Singapore. Refined products, chemicals and LNG saw a growing market in Australia, Japan and the Taiwan region. Our investment project advanced smoothly. The clean gasoline and cogeneration project at Singapore Refining Company went on stream, the oil storage tanks in Myanmar were duly registered, and the sales network building projects in the Philippines and Australia progressed well.

The London hub managed to sell equity oil from Kazakhstan, Sudan and Chad to the Mediterranean region. We were awarded refined product sales contracts in the Baltic region, Lithuania and Ireland, enabling a bigger presence in Europe. Our joint venture refineries in UK and France remained steady with continuous improvement in profitability.

The New York hub introduced innovative trade mode, accomplishing the financing and oil sales for the MPE3 project in Venezuela. The hub successfully sold refined products from our refineries in the Americas to North America, South America and Europe, expanding its market share in these regions. In Brazil, the retail network project progressed well and we reached agreement with Total (Brazil) on the key terms for buying stake in its refined products retail network. When finalized, this deal will give CNPC a stake in nearly 2,000 filling stations selling gasoline, diesel and ethanol fuel in Brazil.