

## **Global Shipping and Energy Supply**

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**Respected Vice-minister Zhang Guobao, Mr. Voelte,  
distinguished participants, ladies and gentlemen:**

Good afternoon.

Today our session is focusing on the topic of “Trends in International Energy Market”. Talking about the energy, it is very easy to refer to the oil price soaring and the regional shortage of oil supply in recent years. To those of you who follow closely the development of China, this topic also remind us of the surging demands for coal, power, petroleum and transportation capacity since 2004.

It is not the first time that this kind of situation emerges in the global energy market. Since 1970's, the world has suffered from four major turbulences in energy industry. Apart from the two oil crisis in 1970's, the golf war in 1990 and the Asian Financial turmoil in 1997 caused the fall of oil consumption. Each volatility of the market cycle lasted for two to four years. During the downturn period, the growth of world economy dropped significantly and the growth of global oil consumption was reversed.

As the crucial material for industrial production and daily consumption, energy supply plays an important role in regional and world economic growth. Without stable and sufficient energy supply, economic growth cannot be realized. Meanwhile, the development of world energy industry cannot be realized without the backup of economic growth.

As we all know, because of the imbalanced distribution of world energy demand and supply, the energy consuming nations and supply nations are distantly located. Take oil as an example, it has long taken the most important role in global energy structure, accounting for 41 per cent in the proportion of the global energy sources. But, the geographic distribution of oil is not balanced. Statistics indicates that, by the end of 2004, 62 per cent of world oil reserves were located in the Middle East, whereas just 5 per cent located in North America, the biggest consuming area, in which 30 per cent world oil is consumed. Moreover, 3 per cent of the world oil reserve is located in the Asian Pacific area where the petroleum consumption is about 29 per cent.

Take coal, another kind of energy resource, for instance, its distribution in the world is also imbalanced. Thus, the stable energy supply depend not only the on-time sufficient production, but also the complete of oil supply chain, in which the smooth transportation is one important part.

Ocean shipping has always been a leading mode of energy transportation that is most economical and convenient. Now take the oil shipping for instance, according to official statistics, the world's 90 per cent crude oil trade is transported by ocean shipping carriers. As to the transportation of coal, we can see the same picture. Thus the stable ocean shipping has become an important part of the oil supply, and furthermore, stable oil prices. In the last few years, with the emerging of international oil supply shortage, the issue of energy shipping is getting more and more attention from international communities.

The shipping capacity of energy relies on the expansion of world's maritime fleet. Again I use the example of oil trade. It is indicated that the gross tonnage of world oil tanker fleet had grown from 260 million dwt in 1990 to 350 million dwt in 2005 with a total increment of nearly 100 million dwt in 15 years, averaging an annual

rate of 2 per cent. Moreover, along with the further specialization of world industries, the number of independent oil tanker carriers increased consistently while those controlled by oil traders decreased gradually. Before 1950's, nearly all the oil tankers had been controlled by the oil trading companies. Later a large number of independent tanker carriers and state-owned oil tanker companies were formed, and shipping capacity controlled by oil traders had fallen. At present, the independent tanker carriers have become the major part of oil shipping market with their capacity accounting for over 80 per cent of the world's oil tanker tonnage. Meanwhile, fleet run by oil trading companies continues to drop, taking only about 10 per cent of today's global tonnage.

The development of independent oil tanker fleet has staged new issues of research, such as how to stabilize the growth of tanker fleet and safeguard the oil supply while addressing the challenges brought by the fluctuations of the oil prices and the tanker freight market. It is my belief that the mode of cooperation between energy traders and transportation providers in many Asian countries is a good solution.

COSCO, with a tanker fleet of nearly 3 million dwt. and drybulk fleet of 13 million dwt., takes the responsibilities for the reliable energy shipping to contribute to the sustainable development of the world and China. To achieve this, in 2004, we built and started operation of China's first VLCC. We have expanded the oil tanker fleet, including three VLCCs and five more VLCCs which are on the newbuilding orderbooks. In 2007 our oil tanker fleet will be 4.2 million dwt.. Furthermore, COSCO played an important role in the coal transportation in China's coastal lines and the LNG import transportation.

Besides, the strategic cooperation contracts signed between COSCO and China oil majors such as SINOPEC and Petro China have been implemented. Our goal is to expand our cooperation with overseas

energy companies. We hope that we can achieve a win-win situation with our partners and customers through closer cooperation.

Another issue confronting world energy shipping, is how to achieve safety, fast and environment-friendly transportation? The International Maritime Organization has passed a series of rules to make it true, such as to quicken the process of fleet renewing, to request quality certification, etc. As a member of Global Compact and World Business Council for Sustainable Developments, COSCO has already been prepared to do more on safety and environment protection. One goal of COSCO is to offer green services.

A same goal combines us; the same challenge unites us. COSCO is dedicated to cooperating with all of you in providing stable energy shipping and promoting sustainable economic development for China and world.

Thank you.