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KAZAKHSTAN-CHINA OIL PIPELINE BEGINS COMMERCIAL OPERATIONS

ALATAW PASS, Xinjiang July 12

Crude oil from Kazakhstan poured into a petroleum tank in Alataw pass, Northwest China's Xinjiang Uygur Autonomous Region at 18:45 Tuesday through a cross-border pipeline, marking the beginning of commercial operations for China's first direct oil import pipeline.

Experts say the move will help enhance China's oil supply and provide an ideal outlet for Kazakhstan's oil exports.

Currently, oil flow is only around 120 cubic metres per hour due to a valve failure in Kazakhstan, Zhu Minjie, a customs officer at the Alataw Pass told Xinhua.

It will take 15 days to fill up the 50,000 cubic metre oil tank before the oil is piped to Dushanzi in Karamay where the country's largest oil refinery plant will become operational in 2008 to produce 5.5 million tons of refined oil a year, said Zhu.

The 960 kilometres pipeline was jointly developed by the China National Petroleum Corporation (CNPC) and the Kazakh state energy company, Kazmunaigaz, and is designed to transmit 20 million tons of oil a year, 15 per cent of China's total crude oil imports for 2005.

The first phase of the pipeline will transmit 10 million tons of oil a year, a figure that will double when the entire project is completed in 2011. The total length of the pipeline would then be around 3,000 kilometres.

China has set up an oil meterage station at the Alataw Pass, from where the crude oil from Kazakhstan enters China.

Industry insiders say construction of the oil pipeline is a win-win strategy for both countries as it will hopefully ease China's energy dearth and provide an ideal destination market for Kazakhstan's rich oil resources.

It has provided a direct link between Kazakhstan's rich oil resources and China's robust oil consumer market, said Yin Juntai, deputy general-manager of China Petroleum Exploration and Development Company.

Kazakhstan's crude oil output topped 50 million tons in 2002, the most recent time that data is available from here, and about 70 per cent of its oil is exported. With huge reserves in the Caspian Sea, insiders say the country's oil output will top 100 million tons by 2015.

The new oil shipping route will link Chinese consumers with the oil fields of the Caspian Sea, as well as alleviate China's excessive reliance on the Strait of Malacca, a traditional route for 80 per cent of China's imported oil, said Yin.

Last year, China's crude oil import totaled 127 million tons, about 40 per cent of its total consumption. About a half of China's oil imports came from the Middle East and only 1.3 million tons was imported from Kazakhstan, via Alataw Pass, in 2005. Insiders predict that the figure will climb to 4.75 million tons this year and to around 8 million tons in 2007.

China and Kazakhstan started energy cooperation in 1997, marked by an intergovernmental agreement covering diverse means of collaboration in oil and gas fields, including an oil pipeline between western Kazakhstan and China's Xinjiang.

The transnational pipeline, extending 962.2 km from Atasu in Kazakhstan to the Alataw Pass of Xinjiang, was completed in November 2005 at a cost of US\$700 million. China has also completed laying a 252-km oil pipeline between Alataw Pass to Dushanzi.

China produced 182 million tons of crude oil in 2005, a figure experts say will climb up to 195 million tons by the end of 2010.