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## China's oil giant seeks alliance with Canada

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CALGARY -- China's state-controlled energy giant, China National Petroleum Corp., is proposing a strategic alliance with Canada -- and particularly Alberta -- to help meet its energy needs, while helping Canada develop a new market for its oil.

Frustrated by its lack of progress in building a presence in Alberta, where CNPC and China's two other major energy companies have made only small oil sands investments in recent years, the company said it is seeking the support of Canadian political leaders to help establish a major energy corridor linking Western Canadian supplies to the Chinese market.

"A larger commitment must be made to fully utilize our mutual strength," a spokesman for the company said in a key speech in Geneva May 4 to the Alberta Economic Forum, attended by Alberta Premier Ed Stelmach to promote investment in the province. "The opportunity is there. The question is action. China is prepared for the future and we see the potential Sino-Canadian relationship as a tangible, long-term mutually beneficial strategy."

CNPC said it would have much to gain from the development of an energy-rich Alberta, which it says could be "a place of best fit" for the country, the world's second-largest energy consumer after the United States.

The speech received little attention in Canada, but Paul Michael Wihbey, president of GWEST, a Washington-based energy advisory that helped organize the Geneva event, said it was "a very serious proposal by the Chinese" that is being processed at very high levels of the U.S. government.

"I think it carries a very significant implications at the economic, political and strategic level, that could see Alberta and Western Canada emerge as an energy storehouse that sustains the wellbeing of the U.S. and Chinese economies," he said in an interview.

"In the process, I think a marvellous infrastructural development program could be sustained along that corridor from northern Saskatchewan, through northern Alberta, Edmonton and over to Prince Rupert in the harbour [where oil would be loaded on tankers for shipment to China]."

CNPC, the world's largest company by market value, said Chinese companies have made investments in the Alberta petroleum industry, but "the situation of cooperation between Alberta and China right now is far from satisfactory."

In an e-mail from Beijing, the speech's author, Han Hua, managing director of CNPC's Alberta Petroleum Centre, said a stronger relationship could lead to more Chinese investment.

"Our company ... will keep finding opportunities to invest more," he said. Canadian oil is expensive relative to other sources around the world, but he said technology breakthroughs, better financial regulation and policy could make it more competitive.

The company said it would like to see such an alliance formalized when Prime Minister Stephen Harper and Mr. Stelmach "make visits to Beijing this year." Spokesmen for the two leaders said there has been no confirmation that such a visit will take place.

Alberta's political and energy leaders have repeatedly talked about the need to find new markets for the province's oil, which is now exported exclusively to the United States and which could be disadvantaged under President Barack Obama's aggressive new policies to reduce consumption of fossil fuels.

Alberta is very interested in greater economic co-operation with China and there have been ongoing discussions with CNPC, said Mark Cooper, a spokesman for the province's intergovernmental relations department.

Chinese companies were expected to make multi-billion-dollar acquisitions about four years ago, but were discouraged by high acquisition costs, reluctance by oil sands producers to enter into joint ventures and Canadian government hostility. As well, reports that Chinese energy companies were on the verge of striking ambitious deals stoked U.S. concerns about China elbowing into the United States' turf.

Mr. Wihbey said the initial response of the Obama administration to China's renewed efforts for a stronger presence in Western Canada has "not been a negative reaction at all."

With the U.S. moving aggressively to reduce its consumption of fossil fuels, China could offer a new market not only for Canadian energy, but energy produced in the Western U.S. if the concept of an energy corridor is expanded to include U.S. Rocky Mountain states that are rich in unconventional oil and gas deposits, he said.

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