

The Business Evolution of International Oil Majors and Japanese Corporations into China's Energy Market

Teikyo University, Dr. Sizhi Guo (Kaku ShiShi)

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Abstract

This paper mainly examines the International Oil Majors and Japanese corporations' entry into China's energy market since the 1990's.

Alongside a highly mature economy, and led by the need for oil, China's energy demand has been greatly increasing. Since 2003, China has been ranked as the second largest consuming nation of energy and oil, led only by the United States.

Along with China's increase in energy demands, and accompanied by participation in the WTO, political movements and legislation to bring about foreign investment through the liberalization and deregulation of energy and oil markets are bringing large investment opportunities to the international energy industry.

For foreign enterprises such as oil majors, despite the inevitable investment risks from politics, economic structure, instability in energy policies, patent ownership issues, etc. existing in China, as a developing nation making the shift to a market economy, with the energy demand and market size accompanying such economic growth, expectations have risen for the creation of a huge energy market based on an abundance of potential energy resources. Beginning with investments in oil exploration and development in China in the 1980's, alongside an overall worldwide increase in direct investment in China, foreign corporations, led by oil majors, have been, in recent years, accelerating investments in various energy areas, based on their international strategic plans for corporate dominance, development, and profit growth.

In recent years, foreign enterprises such as oil majors Exxon Mobil, Shell, BP, and Total, have advanced in the area of oil and natural gas exploration, and in the downstream area of oil refinement and marketing. Coming from an impending Chinese energy demand and a cost lower than the high price of crude oil, accompanying the actualization of new energy market demands and energy savings, foreign enterprises such as oil majors, including Japanese corporations, are recently coming into the area of oil alternatives and energy savings.

Thus far, the entrance and expansion by international majors' into Chinese

energy markets has required them to take up various strategies, utilizing corporate dominance and strength, and adjusting to factors such as Chinese energy market demand, local legislation and social environment, and Chinese oil enterprises as dominant powers.

This paper will, in addition to outlining Chinese government policies and measures for the introduction of foreign capital into Chinese oil and energy related fields, provide a grasp of the chief facts regarding upstream and downstream investment by oil majors and other foreign enterprises within the area of Chinese oil and energy, and in addition make clear the features of strategies for expansion operations in China by international oil majors as well as Japanese corporations, creating an outlook for Japanese corporations' continuing advancement into the Chinese energy market.