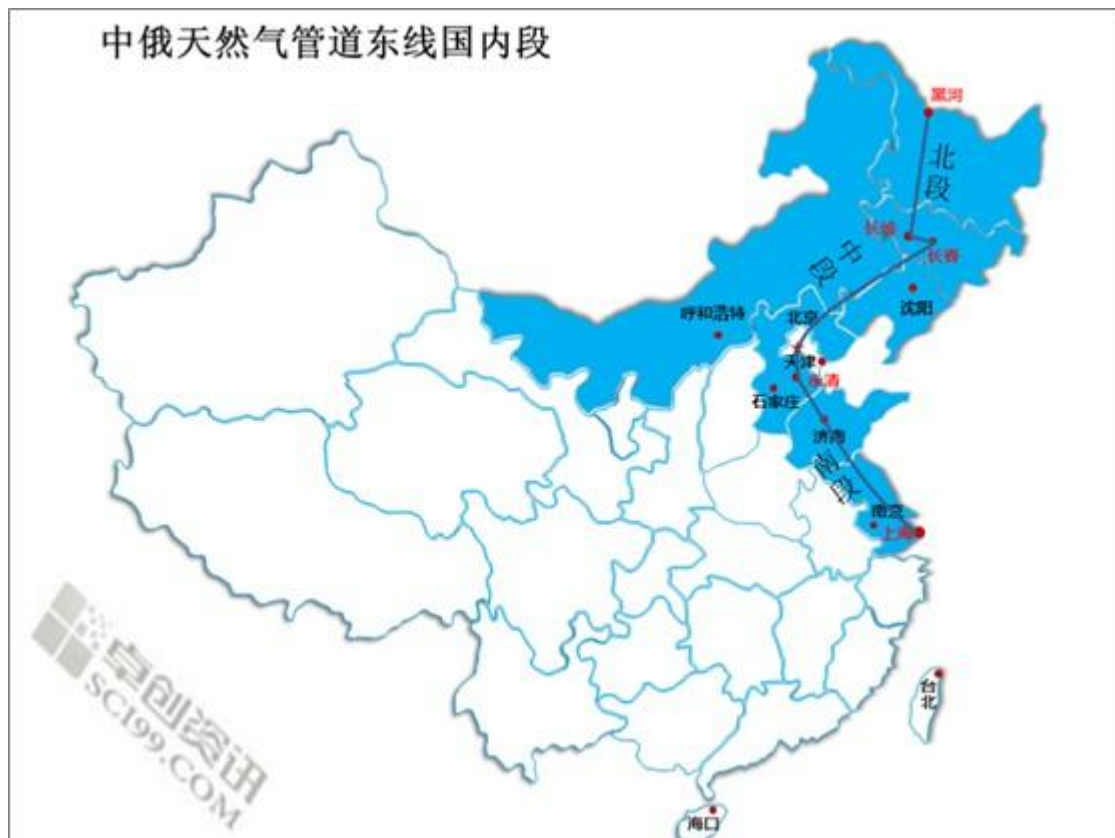


Approval for China-Russia Eastern Segment Pipeline in China's Territories Identified Basic Pipeline Direction

Russia Eastern Natural Gas Pipeline has been approved by National Development and Reform Commission recently. It signifies the further progress of the China-Russia Eastern Segment Pipeline Engineering Project. As pointed out in the approval, according to the initial design, starting from Heihe City in Heilongjiang Province, China-Russia Eastern Segment Pipeline covering a total of nine provinces/autonomous regions/ municipalities, namely, Heilongjiang, Jilin, Inner Mongolia, Liaoning, Hebei, Tianjin, Shandong, Jiangsu and Shanghai will end at Shanghai Municipality. In order to arrange the project construction cycle reasonably, it is divided into the Northern Section (Heihe in Heilongjiang -- the Trunk Line of Changling in Jilin and the Changling -- Changchun Branch Line), the Central Section (Changling in Jilin - Yongqing in Hebei) and the Southern Section (Yongqing in Hebei - Shanghai) subject to separate approval and construction.



“Translation for the above diagram:

China–Russia Eastern Segment Pipeline in China’ s Territories

Heihe (Northern Section) **Changling, Changchun**, (Central Section) Shenyang, Beijing, Hohhot, Tianjin, **Yongqing**, Shijiazhuang, Jinan (Southern Section) Nanjing, **Shanghai**.
Taipei, Haikou”

Current Status of Natural Gas Pipeline Network of Provinces and Municipalities along Pipeline

Province	Current Status of Natural Gas Pipeline Network
Northeast China(3 provinces)	At present, only three long distance pipelines, that is, Qinshen Line, Shenda Line, and Shenha Line, exist in Northeast China with slower development in urban pipeline network. The main source of natural gas comes from CNPC Receiving Station in Dalian, for gas peak shaving at Northwest and Inner Mongolia LNG Plant. The natural gas takes a comparatively small proportion in the structure of primary energy consumption.
Beijing–Tianjin–Hebei	Beijing–Tianjin–Hebei is the major region of “changing fuel from coal to natural gas” in China, with rapid development of urban pipeline network supported by national policies. The main long-distance pipelines include Shaanxi–Beijing Line 1, 2 and 3, the pipeline of Inner Mongolia Datang Coal-to-Gas Conversion Project, the major trunk line of West-to-East Natural Gas Transmission Project, and the Plan for the Warranted Supply to Beijing in Winter and LNG transportation to proceed with seasonal gas peak shaving in other districts.
	After years of construction and development, Shandong Provincial Natural Gas Pipeline Network has formed the initial gas transmission main trunk line and certain branch gas transmission trunk lines primarily based on the “transverse layout with four verticals” , which covers 16 parcels of urban

	<p>land reaching 95 counties of the entire province. As at end-2008, the length of trunk lines and branch trunk lines is 2,173 km and 740 km respectively in the entire province. The total length of the main trunk line and the branch trunk lines is 2,913 km.</p> <p>The gas transmission line of Zhongyuan Oilfield-Jinan-Zibo-Qingdao is the current gas transmission main trunk line running across Shandong Province.</p>
Jiangsu Province	<p>Jiangsu Province is the No. 1 province in terms of natural gas consumption in China. Basically, Sunan Main Pipeline has achieved full coverage. Its main pipeline is connected to the adjacent provinces in the southern boundary of Jiangsu. The Twelfth Five-Year Plan has included the construction of Shanghai Branch Trunk Line of the Second West-to-East Natural Gas Pipeline and Jiangsu Cross-boundary Pipeline (Jiaqing - Luzhi section). The coverage rate of the main trunk line is lower in Suzhong and Subei covering wider area of land. The post-construction of Suzhong and Subei main trunk line network will form the dual transverse layout with three verticals upon completion.</p>
Shanghai Municipality	<p>At present, the West-to-East Natural Gas Transmission Project, the Donghai Pinghu Oil and Gas Field and the imported natural gas from overseas form the main source of natural gas in Shanghai. Shanghai Natural Gas Pipeline Network adopts the X+1+X pattern. Following the linkage of China-Russia natural gas pipelines and the continuous development of Donghai Depression Gas Field, the natural gas pipeline network will further expedite its development.</p>

Benefits for Pipeline Company, and Proactive Participation of Private Enterprises

Following the advancement of China-Russia natural gas pipeline and the significant energy channel construction, the increasing demand for oil and gas pipelines is expedited, which is a beneficial factor for enterprises engaged in pipeline operation. In China, over 80% of the oil and gas pipeline construction is undertaken by Sinopec. According to the standards formulated by National Development and Reform Commission in 2006, the benchmark rate of return before tax is 12% for long distance gas transmission pipelines and the current benchmark rate of return for newly constructed pipelines will be 8%. Sinopec will be the biggest beneficiary to the China-Russia pipeline this time.

However, under the implementation of the oil and gas reform, hopefully, the private pipeline enterprises will obtain substantial orders to meet demand. Previously, it has been pointed out positively in *Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment*” to encourage participation of private capital in petroleum and natural gas construction, as well as supporting the private capital to launch the oil and gas exploration and exploitation in cooperation with the state-owned petroleum enterprises and take up shareholding in the construction of storage and pipeline transmission facilities and network of crude oil, natural gas and oil finished products. The linking-up of China-Russia natural gas pipelines will have tremendous benefits to the participation of private enterprise in the pipeline construction, post-maintenance and so on, which is of significant effect of promoting the participation of private enterprise in the construction of natural gas trunk lines.

(Source: SC199.comm)