

# [***-Rystad Energy - China's promise to cut tariffs and open economy allows several US producers to breathe easier***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S41-11G1-JD3Y-Y28T-00000-00&context=1516831)

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**Body**

Rystad ***Energy*** - China's promise to cut tariffs and open economy allows several US producers to breathe easier.

During his speech Tuesday at the Boao Forum, Chinese President Xi Jinping gave reassuring words to help calm tariff tensions with the US. Xi's commitment to cut tariffs and open the economy could be a first step in drawing more interest from foreign investment.

Rystad ***Energy*** estimates that US-headquartered EP companies have 75,000 barrels a day of crude oil production and 200 million cubic feet a day of gas coming from China. This is miniscule in comparison with the overall 3.7 million barrels a day of crude oil production and 13.5 billion cubic feet a day of gas that China is projected to produce in 2018.

While most US companies are not investing in Chinese projects, ConocoPhillips and Chevron provide the largest exceptions. ConocoPhillips' current activity in the Peng Lai and Panyu projects net the company nearly 50,000 barrels a day.

Chevron's interests in the Bo Zhong, Qinhuangdao and Huizhou projects net the company over 20,000 barrels a day. Chevron also operates the Chuandongbei project which produces gas at 115 million cubic feet a day.

'While Chevron's Chinese volumes are not massive, the company still uses large investments to maintain its production. We estimate that the Chuandongbei project alone will require $ 205 million gross annually over the next three years to maintain the current production level. Recent positive announcements from China and their warm reception via US President Trump's Twitter account will allow Chevron to feel more confident in its 49% stake in the project,' says Matthew Fitzsimmons, VP Research at Rystad ***energy***.

Continued escalation between China and the US has crossed into the ***energy*** sector (Press Release: US oilfield services have more to lose compared to Chinese peers during current trade tensions, April 8), with China's April 4 announcement of potential tariffs on plastics, petrochemicals, petroleum products and specialty chemicals.

'It was only a matter of time until the oil and gas industry was brought into the tariff discussions. However, US operators should be encouraged by yesterday's news from the Boao Forum,' says Fitzsimmons.

Recent history also tells a cautionary tale of what can happen when oil nations start imposing tariffs and sanctions. Back in 2014, US sanctions against Russia halted as much as $ 500 billion of ExxonMobil's investment in the Kara Sea. In February, the super-major elected to withdraw from this investment and forgo developing 12.3 billion tonnes of oil and gas condensate the region had to offer. The company announced last week that this withdrawal plan resulted in a $ 200 million after-tax loss.

'While the current tariffs between China and the US do not show that level of consequence, there are still millions of dollars on the line for EP companies from both nations. They will certainly need to monitor the tensions until the two super-powers stop escalating their targeted tariffs and reach a more formal consensus than through Twitter,' concludes Fitzsimmons.

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Rystad ***Energy*** is an independent ***energy*** research and business intelligence company providing data, tools, analytics and consultancy services to the global ***energy*** industry.

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