



Monthly Report in March 2013



Policy Headline

Industrialized Policy on Coal-bed Methane Released

Recently, the National Energy Bureau released the CBM industry policy, which has clarified the guideline for CBM industry in the current and future period. This implement of the policy will have a profound impact upon the scientific and effective utilization of the CBM resource and fast and sound CBM development.

Sales Volumes of New Fertilizer Expected to Break 90 Billion

By the end of 2012, China has about 2300 fertilizer manufacturers of all kinds, and SMEs contribute to 95%. The output reached around 64.9 billion yuan in 2012, up 27.0% on year-on-year basis; the new fertilizers contributed to 7% of the sales. In the coming years the average annual growth in new fertilizers is expected to reach 10% and the output above 90 billion yuan in 2015.

Gasoline and Diesel Prices Decrease and New Price Mechanism Released

On March 26, the National Development and Reform Commission issued a circular and decided to lower domestic prices of refined petroleum products. From 00:00, March 27, the maximum retail prices per tonne for gasoline and diesel are lowered by 310 yuan and 300 yuan respectively. It's measured that the retail prices of 90 # gasoline and 0 # diesel oil (average) per litre are cut by 0.23 yuan and 0.26 yuan respectively. On the same day, the Commission issued the notice to improve the domestic refined oil pricing mechanism, which decides to shorten the cycle of product oil pricing, cancel the pricing limit, and adjust the affiliated oil.

CNPC Established the Stately Shale Gas Demonstration Area

2012 Annual Report on National Science and Technology Major Projects shows, shale gas resource evaluation, exploration and exploitation technology have been initially formed in the exploration and exploitation field; and CNPC has established the stately shale gas demonstration area with above-mentioned technology. The demonstration areas in Sichuan Changning-Weiyuan and Yunnan Zhaotong use the independent technology and tool and has made great success in the vertical fracturing and horizontal well staged fracturing.

Market Focus: GDP Goal in 2013: 7.5%

On March 5, the 12th session of the National People's Congress for the first time was held in the great hall of the people in Beijing. Premier WEN Jiabao made report on the government work. In 2013 China's economic growth targets at around 7.5%; Consumer prices growth by about 3.5%.

Market

Urea market

This month sales is weak. Due to the low temperature in the northern areas and delayed spring plow, the demand is still weak. On terms of output, the amount reached 5.53 million ton in February, up 11.53% on year-on-year basis; on terms of export, the amount reached 0.31 million ton, down 0.6%. It's expected the market will continue to fluctuate within narrow scope and tend to decrease. But with the rebound of the temperature and increasing demand, the price is expected to recover.

Urea: Lower demand and weak market

Average monthly ex-plant Price: RMB2172/ton even

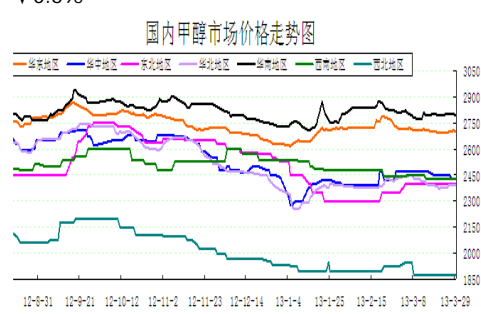
Average FOB Price: USD392/ton ↓ 2%



Methanol: Fluctuate within narrow scope

The domestic market remains stable and the port market decrease within narrow scope. The transaction is minor. With the maintenance of partial business, the market is bolstered in some areas. But the demand remains weak in the downstream industry. For the mid and long term, the maintenances are to implemented as planned from end March to April, the traditional downstream business promote the operation and methanol-to-olefin industry has stable demand; thus, the demand for methanol will increase and the domestic market tends to rebound on the whole.

Average Monthly Ex-plant Price: RMB2493/ton ↓ 0.6%



Ammonia: Slight increase

Recently the downstream industries of liquid ammonia, such as fertilizer, chemicals and mines come back to operation, so the demand recovered with the fast price growth. Due to the abundant power and coals supply, nitrogen fertilizer manufacturers remain at peak operation, especially the gas-fueled urea manufacturers in the southwest areas. With the gas supply after the spring festival, most gas-fueled manufacturers returned to operation and the ammonia supply increased. On terms of output, the amount reached 4.46 million ton in February, up 5.9% on the year-on-year basis. Based on the supply, the price is hard to increase.

Average Monthly Ex-Plant Price: RMB3140/ton Slightly increase

