

Where Does China Get Its Oil?

Today, China is the world's largest importer of oil and second largest refiner of oil.

By [Hannah Reale](#), [Emma Bingham](#), and [Kara Greenberg](#) — July 12, 2020



Oil well in Qaidam Basin, Qinghai Province.

Credit: John Hill, [Creative Commons](#)

Over the past few decades, China has steadily and dramatically increased its oil imports as well as its refining capacity. As a result, China is now the world's largest importer and second largest refiner of oil, helping reshape global energy markets.

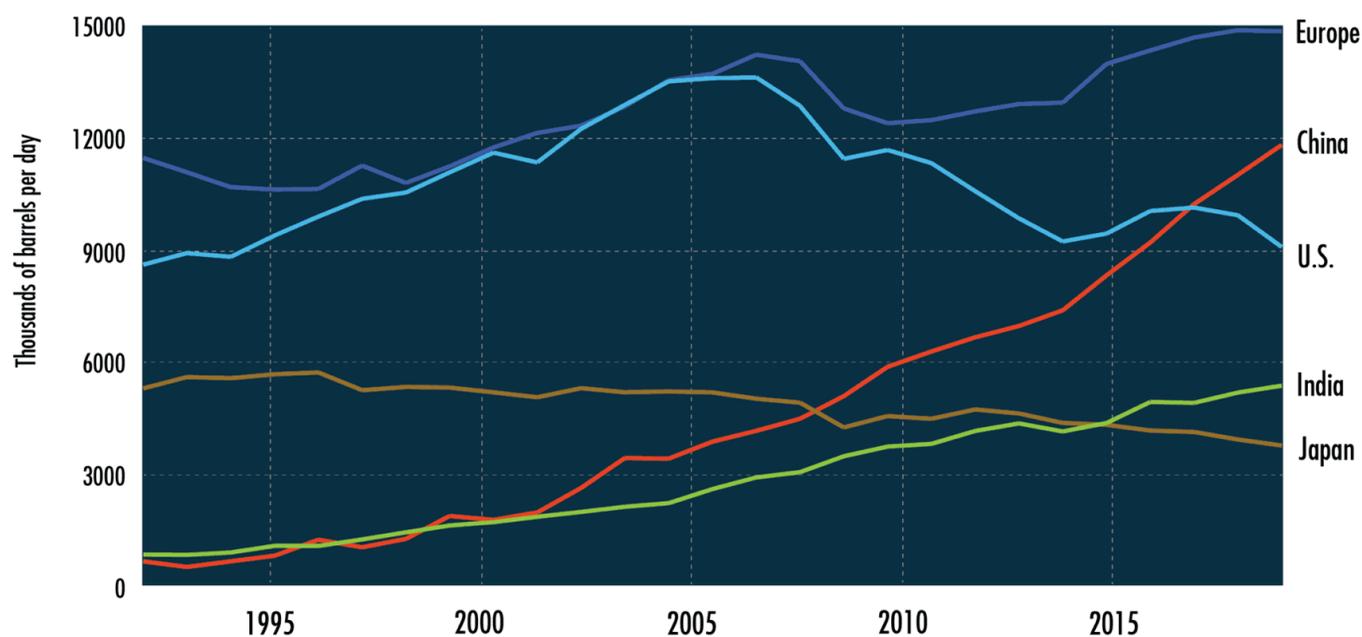
This week, we're looking at how and when China became the world's top importer of oil, how its suppliers have changed, and which Chinese

companies are the most important to the country's domestic oil industry.

China is the World's #1 Oil Importer

Two decades ago, China's imports of oil were generally on par with other populous developing nations like India. But they have grown considerably since then: What the country imported in 1999 is just 11 percent of what the country takes in today. In 2017, China even surpassed the U.S. to become the world's leading importer. Last year, China imported 11.8 million barrels per day, outpacing the United States, which imports 9.1 million barrels per day, according to data from [BP's Statistical Review of World Energy](#).

World's Top Oil Importers Over Time



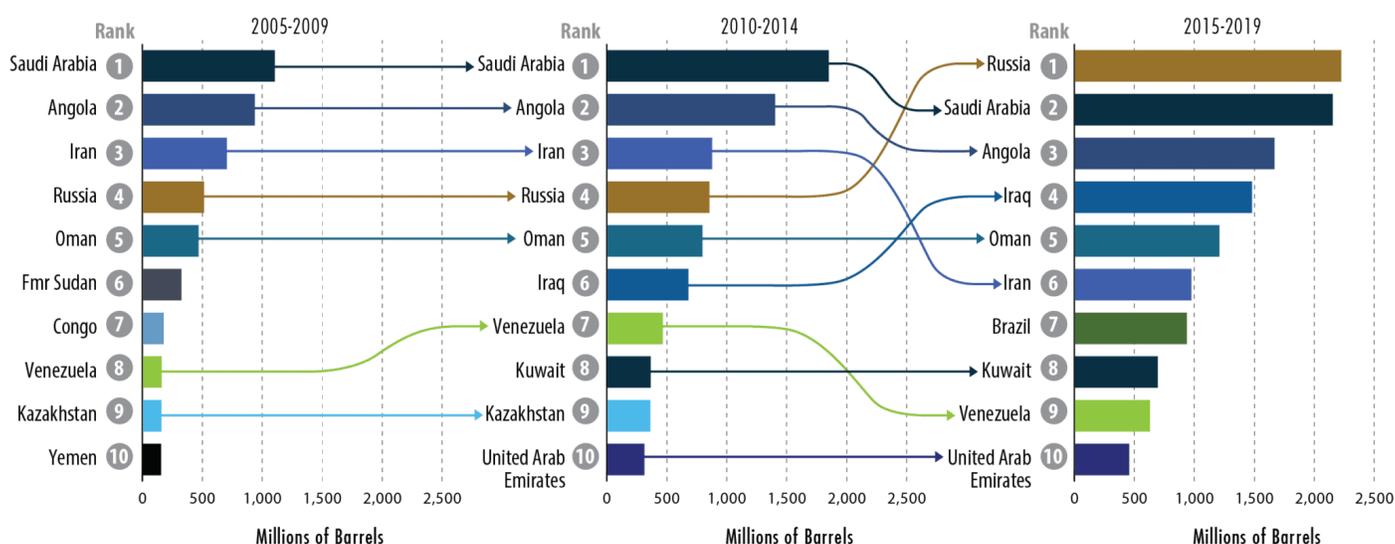
Data: [BP Statistical Review of World Energy 2020](#)

Although China has become the world's largest crude oil importer, [Ellen R. Wald](#), president of [Transversal Consulting](#) and senior fellow at the [Atlantic Council](#), noted that it is not the world's largest consumer of oil — [that distinction still belongs to the United States](#), which consumes about 20.5 million barrels a day. China, for comparison, consumes 14 million barrels per day.

With oil prices remarkably low in recent years — the price of a barrel has been below \$80 when it is typically at \$90 to \$100 — China has decided to store a portion of what it imports in its national reserves. “They’re storing up because it’s really cheap right now, and they know they need it, and they know that they can use it,” Wald said. “It’s not like it’s going to go bad.”

[China snapped up oil at bargain prices in the first part of this year](#), as demand fell globally due to the Covid-19 crisis, and [tankers with purchased oil](#) waited off of China’s shores due to congestion at its ports. Now, Caixin [reported](#) last week, the country’s storage space for oil is dwindling.

Where China Gets Its Oil



Design: Hiram Henriquez, Data: IHS Markit (2019) and UN Comtrade (other years)

Saudi Arabia and Russia have been neck-and-neck as China’s top sources of oil in recent years. Russia climbed to the top spot from fourth place just 15 years ago thanks in part to the Eastern Siberia–Pacific Oil (ESPO) Pipeline, which now links Mohe, on the Russian border, with the Chinese city of Daqing, a transfer hub. Also, beginning in 2015, China allowed its independent refineries to import oil on their own accord, and such refineries — with smaller budgets than the state-run entities — often choose to import oil from producers closer to home, such as Russia, to reduce transportation costs.

China's range of oil sources is an intentional endeavor, says [Erica Downs](#), a fellow at the Center on Global Energy Policy and senior research scholar at [Columbia University's School of International and Public Affairs](#). "There's a big effort, a two-decade effort, on the part of China to diversify not just its oil import suppliers but also its oil import routes," Downs told *The Wire*. "There's definitely a view in Beijing and the government's oil companies that diversity of suppliers and delivery routes is a way to enhance oil supply security."

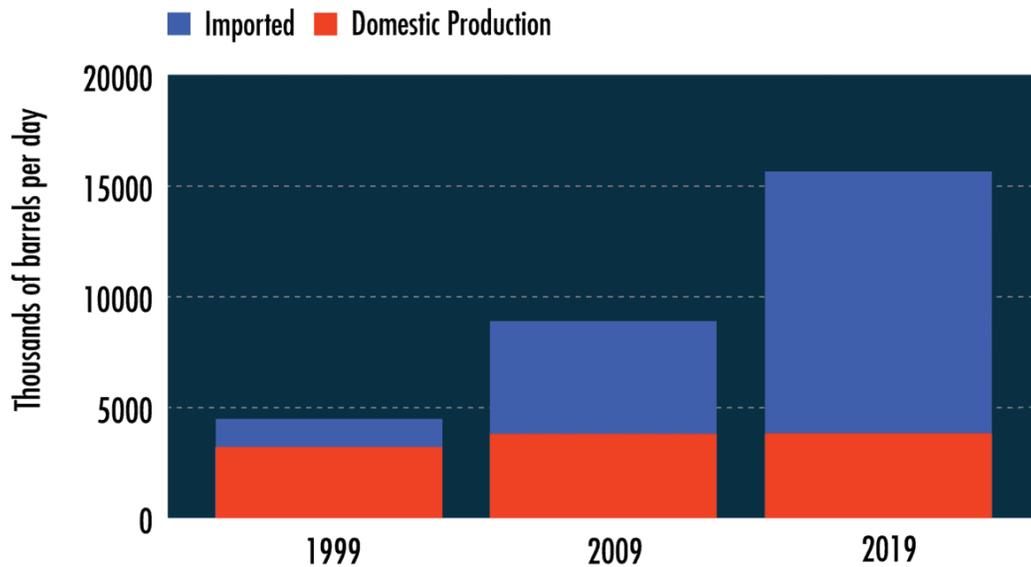
Downs emphasized that China has started taking in significant amounts of oil to meet the high demands of its citizens, to make refined products and re-export them around Asia, and to build up its strategic petroleum reserve (SPR).

China has the second largest refining capacity in the world and is responsible for 16.2 percent of the world's refinery throughput, just after the U.S., which accounts for 20 percent.

One of the reasons China has increased oil imports and refining capacity is to sell to other nations, particularly in Asia. According to Wald, "They're finding that they're making money producing products and selling it to Asia, in other parts of Asia, so it makes sense to buy, store, refine, sell."

China also extracts oil within its own borders. According to BP, China's domestic production of crude oil was 3.836 million barrels a day in 2019 — not insignificant, but still well behind the U.S.'s 17.045 or Saudi Arabia's 11.832 — putting China in 7th place worldwide for production.

Domestic vs. Imported Oil in China



Data: [BP Statistical Review of World Energy 2020](#)

Unlike its imports, China's domestic production of crude oil has risen only slightly over the past 20 years: in 2000, it was 3.257 million barrels a day.

Bloomberg [reported](#) last year that China's big oil companies increased capital expenditures to \$77 billion — up 18 percent from the previous year — to try to boost domestic oil exploration and production following [calls](#) from President Xi Jinping to [increase](#) national energy security amidst the escalating U.S.-China trade war.

China's Biggest Oil Companies

China's state-owned oil companies are among the world's largest companies, with several ranking among the [Global Fortune 500](#) by revenue, ahead of more widely recognized tech and ecommerce giants like Apple and Amazon.

Some, like [Sinopec](#) and [CNPC](#), are multi-faceted conglomerates with operations spanning most of the oil supply chain from extraction and production to development and resale. Others like [CNOOC](#), by contrast, were founded in order to develop China's capabilities in specific areas of the oil industry, such as holding [exclusive responsibility and juridical powers over state cooperation with foreign enterprises](#).