SOE MATTERS

RIGHT TRACK

Central State firms to boost Guizhou growth

Enterprises enhance ties with province, make more investments in a wider range

By **LIU YUKUN** in Beijing and **YANG JUN** in Guiyang

445.3 billion yuan
deal value of the cooperation projects signed recently between Guizhou and 12 central SOEs

Central State-owned enterprises remain a pillar of economic growth for Southwest China's Guizhou province and will increase investment in the province over the next five years, said local government officials and business executives.

Central SOEs have maintained cooperative relationships with Guizhou. Over the years, Guizhou has attracted a number of central SOEs to invest and set up business branches. Meanwhile, central SOEs have continuously increased their investment and expanded into new areas of cooperation, said Lei Helin, an official with the State-owned Assets Supervision and Administration Commission of Guizhou Province during a recent news conference.

Lei said a large number of central SOEs that are competitive in the global market have expanded their footprint in Guizhou with many of their projects completed and operational, and this has continuously injected vitality into the province's economic development.

Recently, Guizhou and 12 central SOEs reached deals on 226 investment and cooperation projects valued at 445.3 billion yuan ($68.1 billion).

In addition, government departments of various levels in Guizhou, an industrial park in Xixiu district, Anshun, and a Guizhou-based transportation and tourism company signed 12 strategic cooperation agreements and inked 20 project investment deals with 20 central SOEs or subsidiaries of central SOEs.

Wang Xiaoran, an official with the Guizhou Provincial Development and Reform Commission, said the province will step up efforts to enhance the business environment to promote deeper cooperation at higher levels in a wider range of areas with central SOEs. Measures include continuing to simplify administrative approval procedures and deepening administrative reforms. Wang said Guizhou will actively guarantee supplies of electricity, gas and infrastructure services like transportation and telecommunication.

In addition, the Guizhou government will encourage and support financial institutes to launch preferential policies for loan interest rates related to signed projects, increase lending channels and implement other measures to guarantee projects are sufficiently funded in accordance with market principles and laws, and under the premise that the measures will not inordinately increase government debt, Wang said.

Jiang Yi, general manager of State Power Investment Corp Ltd, said the company plans to invest 100 billion yuan to help Guizhou build an energy-efficient system and ensure energy safety in the province over the next five years.

"Guizhou province is an important part of China's west-to-east power transmission project. State Power Investment will fully leverage its strengths in developing clean energy and promote structural change in Guizhou's energy system. Meanwhile, the company will help create a smart energy ecology for Guizhou, facilitate the digital transformation of energy and promote the development of green transportation," Jiang said.

State Power Investment has been increasing investment in Guizhou in recent years. To date, the company's total assets reached 126.6 billion yuan in the province, and the number of employees reached 9,420.

The company's total installed power generation capacity reached 17.99 million kilowatts, accounting for nearly 30 percent of Guizhou's total. Photovoltaic power generation capacity reached 2.28 million kW.

Wen Shugang, chairman of China Huadian Corp Ltd, said the company will increase its investment in Guizhou by 82.5 billion yuan to support local economic development and promote low-carbon energy consumption in the province. The company will also step up efforts to facilitate energy technology innovation and help with local poverty alleviation.

Wen said Huadian has been actively investing in energy projects in Guizhou. To date, China Huadian's total installed power generation capacity has reached 16.57 million kW in the province.

China Huadian has been continuously supporting Guizhou's poverty alleviation efforts with direct investment for the work surpassing 20 million yuan each year, Wen added.

The local government said 35 Guizhou-based central SOEs have invested 27.2 billion yuan in all and helped attract 1.28 billion yuan in the province to combat poverty since 2015.

"Cooperation between the government and central SOEs has revitalized the local market, introduced new investment and promoted the establishment of modern corporate mechanisms. Meanwhile, the cooperation has facilitated the transformation of Guizhou's traditional industries, enhanced management levels of local companies and promoted high-quality economic development of Guizhou," Lei said.

Contact the writers at liuyukun@chinadaily.com.cn

An employee conducts checks on equipment at a power plant in Liupanshui, Guizhou province, in December.
SHENG YAYI / FOR CHINA DAILY

A CNOOC employee inspects an offshore oil drilling platform in Bohai Bay. YOU SIHANG / FOR CHINA DAILY

CNOOC's Penglai oil field starts output

By **ZHENG XIN**
zhengxin@chinadaily.com.cn

Offshore oil and gas major China National Offshore Oil Corp said its Penglai 25-6 oil field area 3 project, located in the south-central part of the Bohai Sea, has started production ahead of schedule.

With an average water depth of about 27 meters, the project is expected to reach its peak production of about 11,511 barrels of crude oil per day in 2023, the company said in a statement on Monday.

In addition to fully utilizing the existing processing facilities of Penglai oil fields, the project has built a new wellhead platform, with 58 development wells planned in all, including 38 production wells and 20 water injection wells.

CNOOC holds a 51 percent stake in Penglai 25-6 oil field area 3 project and acts as the operator. Subsidiaries of ConocoPhillips hold the remaining 49 percent stake.

Analysts said the Penglai project will further guarantee China's energy security and high-quality development of the country's offshore gas sector.

CNOOC has been stepping up its efforts to ramp up domestic gas output in recent years, which is also in accordance with the government's efforts to ensure domestic energy consumption, said Li Ziyue, an analyst with BloombergNEF.

"CNOOC has been active in increasing exploration and production activities this year despite low commodity prices," said Li.

"The Penglai 25-6 oil field area 3 project is the ninth new project of CNOOC in China this year, launched ahead of schedule. Until the third quarter, CNOOC's total production in China rose 11 percent compared with the same period last year."

This is one of the latest efforts the company has made to ensure energy security and adequate storage, as the government has pledged to make energy security a key priority in the country's 14th Five-Year Plan (2021-25), with focus on diversifying supplies, developing sufficient storage capacity and infrastructure.

The National Energy Administration has come up with a seven-year action plan early last year, an attempt to ensure China's energy security. It called for the three major State-owned energy giants, including CNOOC, to boost the country's oil and gas reserves and production.

The company's Dongfang 13-2 gas fields project, China's largest offshore high-temperature and high-pressure gas field project with an annual gas output of more than 3 billion cubic meters, has also been operationalized in December, which is expected to meet the gas demand of 1 million people for 15 years, it said.

The Dongfang 13-2 project is located offshore near Dongfang in Hainan province. It supplies directly to regions in South China through subsea pipelines. It is expected to ensure clean energy supply for the building of the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Port.

Wang Dongjin, chairman of CNOOC Ltd, said earlier the company will continue working to forge more cooperation agreements, in order to achieve sustainable development. CNOOC has signed more than 200 contracts with 81 global oil companies in recent years, attracting more than $30 billion in foreign capital.

The company has achieved a total net production of 131.2 million barrels of oil equivalent in the third quarter, up 5.1 percent year-on-year. Production in China increased by 10.4 percent year-on-year to 88.6 million barrels of oil, mainly due to the commencement of new projects, including Luda 21-2, Luda 16-3 and Dongfang 13-2 gas fields, it said.

It has made four new discoveries and successfully drilled 14 appraisal wells during the period. New breakthroughs were made in the expanded exploration of the buried hills near Bozhong 19-6 in offshore China, which is expected to be a mid-sized oil and gas structure.

Overseas, the 17th and 18th new discoveries of Yellowtail-2 and Redtail-1 were made in the Stabroek block in Guyana, a country in northern South America, further increasing the recoverable resources of the block.

Four new projects also commenced production in the third quarter, including the Nanbao 35-2 oil field S1 area, the Jinzhou 25-1 oil field 6/11 area, the Liuhua 16-2 oil field / Liuhua 20-2 oil field joint development project and the Bozhong 19-6 condensate gas field pilot area, it said.

Hainan policies brighten duty-free group's prospects

By **ZHU WENQIAN**
zhuwenqian@chinadaily.com.cn

Implementation of new favorable policies in Hainan province has boosted sales and profits of China Duty Free Group, the country's largest operator of duty-free stores.

Financially stronger now, CDFG plans to open a new duty-free shopping mall in Haikou, capital of Hainan, in the next few years.

The planned mall will offer comprehensive range of merchandise, it said. Currently, it has four duty-free stores in Sanya, Haikou and Boao in the province.

"The development potential of Hainan is beyond imagination. We are highly confident in the booming growth of China's travel retail market, and we hope to introduce more brands and limited-edition products in China with cheaper prices, and further satisfy the demand of Chinese consumers," said Charles Chen, president of China Duty Free Group.

With more international brands and products available and more discounted prices offered in Hainan duty-free shopping, Chinese consumers have shown their enthusiasm for shopping.

"Hainan has become one of the most popular travel destinations," said Liu Bin, general manager of CDFG (Sanya) Downtown Duty Free Store Co Ltd, a local arm of the parent company.

CDFG said its business model envisages sales driven by professional buyers of the company who will fly to Europe, the United States and other places to select products at annual order-placing meetings.

Starting July 1, Hainan increased its annual tax-free shopping quota from 30,000 yuan ($4,570) to 100,000 yuan per person. The range of duty-free goods has also expanded from 38 categories to 45, while the previous tax-free limit of 8,000 yuan for a single product has been lifted.

Consumers browse cosmetics at a CDFG duty-free store in Haikou, Hainan province, in November. GUO CHENG / XINHUA

From July 1 to Oct 31, official data showed that Hainan's four duty-free shops saw sales revenues hit 12 billion yuan, surging 214 percent on a yearly basis.

The four stores together received 1.78 million customers and sold some 12.87 million units of duty-free merchandise, up 58.8 percent and 139.7 percent year-on-year, respectively, according to Haikou Customs.

Cosmetics, perfumes and jewelry top the category list of sales at Hainan duty-free stores in terms of the number of items sold.

Duty-free shopping has become an important driver to promote the growth of tourism industry in Hainan, and it has continuously injected new vitality into the domestic tourism industry, CDFG said.

In the duty-free shopping mall in Sanya, it is common to see customers lining up at the door of luxury stores like Gucci, Cartier and Tiffany.

Due to the COVID-19 pandemic and travel restrictions, many people can't travel abroad. In Hainan, it's more convenient for Chinese consumers to buy different kinds of latest products, benefiting from the new offshore duty-free policies introduced in Hainan, CDFG said.

With more than 30 years of growth in the duty-free market, CDFG has been improving its ability in purchasing, operations, marketing and digitalization. The company has established long-term cooperation with about 1,000 renowned brands, it said.

With more industry players joining the duty-free retail market, CDFG said the sector would grow bigger and become more competitive. Relying on the powerful tourism resources of its parent company, China Tourism Group, CDFG hopes to build the core competence in the tourism retail market globally and become a force to reckon with in the sector.

This year, CDFG is expected to top a list of global tourism retailers in terms of sales revenues, according to the Moodie Davitt Report, published by London-based Moodie International Ltd, a business-to-business publisher and information provider.

In the first half of this year, CDFG achieved sales revenue of 19.3 billion yuan. It was much higher than that of Swiss duty-free retailer Dufry and South Korea-based Lotte Duty Free, which were listed as the No 1 and No 2 players last year. In 2019, sales of CDFG were ranked fourth among duty-free operators globally.

CDFG said duty-free shopping in Hainan is becoming an effective tool to guide consumption flow back to China, as a large number of regular duty-free shoppers were those who used to shop abroad during their travels.

But because of COVID-19-related restrictions on travel, shopping abroad have found the going tough this year.

The Hainan shopping uptrend came against the backdrop of the nation's newly proposed dual-circulation development pattern, which sees China mainly relying on "internal circulation" for its long-term development, while placing equal emphasis on both the domestic and external markets as engines of economic growth.