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CHINA APPROVES FIVE-BILLION-DOLLAR PETROCHEMICAL VENTURE WITH KUWAIT

Peter Harmsen

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China has approved a five-billion-dollar domestic oil refinery joint venture with Kuwait, state media said Thursday, marking another major development in the Asian nation's quest for energy.

The project, between China's Sinopec and Kuwait Petroleum Corp., will become the biggest Sino-foreign joint venture in the petrochemical industry, according to the Shanghai Securities News.

The giant operation will be located near the city of Nansha in south China's Guangdong province, a part of China where long lines at the gas stations have come to symbolize the nation's insatiable thirst for oil.

"Guangdong province is a major consumer of gas and diesel, and supply is simply not ample enough," said Qiu Xiaofeng, a Shanghai-based oil analyst with Everbright Securities.

China, the world's second-biggest oil consumer after the United States, used about 318 million tons of oil last year, of which 40 percent was imported, according to earlier reports.

The facility, which is scheduled for completion in 2010, will include an oil refinery with a 15-million-ton annual capacity and a plant capable of producing one million tons of ethylene a year, the Shanghai Securities News said.

Earlier reports said the ethylene facility in itself would become the largest ethylene plant in China.

Chinese demand for ethylene -- a key component in the manufacturing of many plastics products -- has risen dramatically in the course of its economic boom.

The country had to import 57 percent of its ethylene needs last year, up from just 22 percent in 1990, the Shanghai Daily reported.

Qiu said the venture would also enable Kuwait to get a better understanding of movements in a market that has risen drastically in importance, with China now the world's fourth-largest economy.

"The Kuwaiti investment in downstream facilities puts them directly in touch with the markets, enabling them to continuously provide feedback back home on overseas needs," said Qiu.

The project also reflects an overall strategic logic that is pulling China closer to the oil and gas-rich Middle East, said He Jun, an analyst with Anbound Consulting, an energy consulting company based in Beijing.

"Middle Eastern oil capital is looking for new cooperative partners and whereas in the past they paid insufficient attention to China, now they are keen to be part of the growth momentum here," he said.

"At the same time, China is pursuing a policy of diversification in its overseas energy strategy, hoping to engage in cooperation with Russia, with the Middle East and with Africa."

The Sino-Kuwaiti project also appears to have all the attractions that China usually looks for when approving joint ventures -- money, technology and jobs.

Once the huge facility becomes operational four years from now, it could create employment for between 800 and 1,000 Chinese, previous reports said.