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HEADLINE: Reliance Sees Need for More Conversion Capacity in Asia-Pacific Region

BODY:

Asia will need an additional 2 million barrels per day of conversion capacity over the next decade -- a 50% increase from current levels -- according to Ashok Dhar, vice president of India-based Reliance Industries Limited.

Asian demand will be critical to the oil market for the next 10-15 years, Dhar said, addressing the Hart World Refining and Fuels Conference in San Francisco last week. Falling regional production, the declining availability of light, sweet crude, the move to low-sulfur products, lower demand for residual fuel oil, and incremental barrels of sour crude in the market have intensified the need for more conversion capacity in Asia-Pacific.

"There is a mismatch in oil supply and demand, quantity and quality," Dhar said.

Because of population growth, increasing economic activity and higher demand for transportation fuels, Asian oil demand is forecast to double by 2025, putting significant pressure on the refining industry.

"Refining capacity is inadequate to meet oil product demand," Dhar said, adding that there is a need for a 35% increase in refinery distillation capacity to meet Asia's transportation fuel needs.

Alternative energy sources are only "niche markets" and will not contribute significantly to slowing Asian oil and product demand over the next 15 years, Dhar said.

"Asia will have deficits. Get used to it," Dhar told reporters on the sidelines. "The alternatives are very nice, but they are not going to make that much of an impact."

Besides the need for conversion capacity, refinery upgrades and clean fuels programs are also important to meet Asia's energy needs, Dhar said.

Dhar announced Friday that Reliance has launched a clean fuels project that will be completed by the first quarter of 2007, which will include the implementation of diesel and gasoline upgraders and an alkylation unit.

"The oil industry has to accept the social and political realities of this market," Dhar said,

explaining his company's reasoning behind the move to improve the environmental quality of its products.

Reliance's refinery activities are carried out at the Jamnagar refinery complex, which has processed 55 types of crude, ranging from very light to very heavy -- from 18degrees to 45degrees API gravity crude. The company is evaluating a possible 340,000 b/d expansion, which would boost output at the Jamnagar refinery to 1 million b/d.

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