


*China Development Forum 2006*  
*The Energy Outlook and its Implications for China*  
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Thank you, President Wang. It is a great pleasure to join you today and to address this gathering of distinguished leaders.

I am especially honored to represent Exxon Mobil Corporation at a conference focused on sustaining China's development and ensuring that its future continues to brighten.

You will not be surprised to hear me say that China's progress is of considerable relevance to ExxonMobil, with more than 1,000 employees in China and Hong Kong, and a history here dating back more than a century.

Just as importantly, we see at first-hand the increasing prominence on the world scene of Chinese energy companies such as Sinopec, CNPC, CNOOC, and others.

We have high respect for these companies and we value the relationships that we have made, along with those that we continue to make.

Today, we are in the final stages of planning the vast integrated refining and chemical complex at Fujian, with our partners Sinopec, the Fujian provincial government, and Saudi Aramco.

This investment underscores our confidence in China's growth and economic progress. No one can visit modern China without being greatly impressed by the remarkable changes that everywhere attest to its growing importance in the global economy.

And perhaps nowhere in the world is the evidence more compelling that adequate supplies of affordable energy are essential to a country's economic growth and prosperity.

In his recent address to the Asia-Pacific Economic Cooperation Summit, Chinese President Hu Jintao said that energy was a global issue, indispensably linked with world economic development.

President Hu also pledged to enhance dialogue and cooperation with all countries to jointly maintain energy security and stability of the world.

This prestigious conference is a constructive and timely fulfillment of that worthy commitment, and I welcome this occasion to share our perspective on the energy outlook and its implications for China.

At the conclusion of my remarks this morning, I hope you will carefully consider three concepts that we think offer the best approach to understanding and managing China's energy future.

First: Energy is inevitably linked to economic growth.

Second: An open market is the most effective way to manage supply and demand – and price controls have an undeniably adverse effect on energy conservation and market efficiency.

Third: Energy companies such as ExxonMobil can bring technology, management systems and capital discipline to help China meet its future energy requirements.

ExxonMobil's global outlook for energy underscores the connection between energy growth and energy consumption – and it also punctuates the importance of meeting key energy supply and demand challenges to improve economic prosperity.

According to the U.S. Census Bureau, the earth's population passed 6.5 billion people last month, and by 2030 will grow to 8 billion – about 25 percent higher than today.

Along with this population increase, economic growth will result in an almost 50-percent rise in primary energy demand <sup>[230 MBDOE in 2005]</sup>, reaching nearly 335 million barrels per day oil equivalent by 2030.

Total fossil fuels will account for about 80 percent of this global energy demand, while oil and gas alone will be about 60 percent.

All other forms of energy will account for the remainder, including nuclear, hydro, biomass and other renewable forms of energy.

Global oil demand will grow about 1.4 percent per year from 2000 to 2030, with demand in the emerging markets of non-OECD countries rising about 2.5 percent.

Oil demand for China in particular is expected to grow by about 4 percent per year during that time. The growth in demand for oil will continue to be led by the transportation sector.

Significant improvement in the basic fuel efficiency of new cars and favorable changes in fleet mix will reduce the demand impact of a growing number of vehicles.

Thus, while the Asia Pacific fleet is expected to quadruple in size by 2030, we expect these countervailing factors to hold fuels growth to about triple the 2000 levels.

Global demand increases for gas and coal will be driven by power generation. In Asia – and particularly here in China – large indigenous supplies will continue to make coal economically attractive.

What are the implications of this energy growth for China?

To begin, the twin pressures of increasing energy demand and greater environmental emissions provide a strong incentive for China to focus heightened attention on energy efficiency.

China will have the benefit of being able to adopt technologies that have earlier been developed overseas, but economic investments to enable efficient and wise use of energy will be vital.

In addition, the large increase in oil and gas that will be needed even with conservation and efficiency gains will mean that China and others in the region will need to increase their imports.

Put simply, there is no escaping the fact that the energy issues China will confront in future years are very difficult challenges.

Yet because so many people and companies are working hard on this long-term issue, and because we continue to see amazing advances in technology related to energy, we have good reason to be optimistic that these challenges can be successfully addressed.

As I suggested at the outset, the key to success has three parts:

Accepting that energy is inevitably linked to economic growth;

Understanding that China will need to continue to make progress in ensuring a level economic playing field for all companies, allowing free markets to work, and moving forward in the provision of free and open access to its domestic markets;

And recognizing that energy companies such as ExxonMobil can bring technology, management systems and capital discipline to help China meet its future energy requirements.

ExxonMobil has enjoyed mutually beneficial and enduring business relationships in China for more than a century. In the 1890s, when the early petroleum industry began to serve China's markets, we were among the first participants to help provide for China's energy needs.

Successfully meeting China's future energy challenges will require strong cooperation between companies and governments to establish the necessary investment climate and to help balance economic and environmental priorities.

As President Hu put it so insightfully:

"We will rely on scientific and technological advancement, encourage the role of market mechanisms and economic leverage, and build up our capability in energy saving, so as to improve energy conservation and efficiency across all fronts."

At ExxonMobil, we wholeheartedly agree with that approach to responsible energy development and look forward to another 100 years doing business with the people of China.

Thank you.

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