INTERVIEW-Tech firm Genoil aims to lighten China crude slate

By Felicia Loo

09 May 2007

SINGAPORE, May 9 (Reuters) - Canadian technology firm Genoil Inc. <GNO.V> will upgrade a Chinese "teapot" refinery to use cheaper crude by 2010 and said on Wednesday it is seeking other such opportunities as China tries to cut its oil import bill.

Under the $100 million project, it will fit a 20,000 barrels per day (bpd) hydroconversion upgrading unit into the private 50,000 (bpd) Hebei Zhongjie refinery, helping to reduce the sulphur content of heavy sour crude and enabling a greater yield of more profitable transport fuels.

"They need the upgrader given plans to increase their refining capacity. There may not be enough domestic light sweet crude to go around and they will have to take a heavier crude slate to make it work," James Runyan, Genoil's Chief Operating Officer, told Reuters in an interview.

The upgrader will start operation in first-quarter 2010.

Chinese teapot refineries, locally or privately owned plants with unsophisticated processing, are in the process of upgrading their units as they aim to boost their share of the growing demand pie in the world's second-largest oil consumer.

Heavy oil upgraders also help to reduce coke output, welcomed by Beijing which is pushing for a cleaner environment after rampant air pollution.

State-run China National Chemical Corp. (ChemChina), which has become the country's third-largest refiner after snapping up around a dozen teapot plants, is also investing in new facilities such as deep catalytic cracking that processes heavy residue oil into propylene, gasoline and diesel.

TALKS

Major refiners are building new plants and upgrading heavily to use more heavy Middle East crude to meet strong demand growth.

"This is our first project in China and we are also in talks with Sinopec and PetroChina," Runyan said.

The teapot refiners, accounting for up to 20 percent of China's 7 million-bpd refining capacity, obtain their crude mainly via the big five firms: PetroChina <0857.HK>, Sinopec <0386.HK>, Sinochem, CNOOC <0883.HK> and Zhuhai Zhenrong Corp.

Teapot plants have so far been shut off from crude supplies, both domestically produced and imported, but have survived and flourished by refining imported fuel oil.

China's private oil sector has urged the government to allow them access to about 20 percent of the country's total crude imports in the state-dominated market, which is expected to open up after Beijing's entry into the World Trade Organisation. China will licence more than a dozen private firms to import crude this year, a commerce ministry official has said.

Hebei Zhongjie, which churns out 93-octane gasoline, diesel, kerosene and vacuum gas oil as well as propylene and methyl tertiary butyl ether (MTBE) via its petrochemical outfit, plans to double refinery rates to 100,000 bpd in three years. Products are mainly distributed within China.

"The small refiners are very keen to produce more profitable products like gasoline and diesel and they need to crack further from the heavy vacuum gas oil," said an oil trader in Beijing.

A 20,000-bpd catalytic cracker is being built to complement the refiner's present 15,000-bpd residual fluid cat-cracker.

Further units may be needed for Hebei Zhongjie to achieve the new rates, including an 8,000-10,000 bpd vacuum distillation tower and a 15,000-bpd atmospheric unit, Runyan added.

((Editing by Neil Chatterjee and Ramthan Hussain; felicia.loo@reuters.com; Reuters Messaging: felicia.loo.reuters.com@reuters.net; +65 6870 3497))

Keywords: CHINA GENOIL/REFINERY
Wednesday, 09 May 2007 18:19:34RTRS [nSP224627] {C}ENDS