Chinese oil firms to get financial support on forex surplus for M&A

BEIJING, Feb. 21 (Xinhua) -- China's oil and gas companies could soon benefit from the government's plan to make better use of its vast foreign exchange reserves.

As part of the National Energy Administration's three-year plan for the oil and gas industry, the government is considering setting up a fund to support firms in their pursuit of foreign mergers and acquisitions, the report said.

The plan was submitted at the National Work Conference on Energy held in Beijing earlier this month.

Firms will be able to benefit from low-interest loans and in some cases, direct capital injections, Saturday's China Daily reported.

Policy researchers have long suggested China diversify the use of its 1.95-trillion-U.S. dollar reserves, other than simply investing in dollar-denominated assets, such as U.S. treasury bills.

Fang Shangpu, deputy director of the State Administration of Foreign Exchange, said earlier this week that more measures will be introduced to support firms seeking to expand overseas.

Analysts have said an oil and gas development fund will provide greater energy security and also aid China's sustainable economic development, as it becomes increasingly dependent on external resources.

Veteran analyst Han Xiaoping said the time is now ripe for China to covert some of its capital reserves into resources reserves, as global oil prices have fallen 70 percent since last year, to about 40 U.S. dollars a barrel.

"We shouldn't miss this opportunity use our foreign exchange reserves to build up our oil stocks," he said.

The senior executives of the country's three largest oil companies, PetroChina, Sinopec and CNOOC, have all expressed their desire to expand their overseas operations through mergers and acquisitions.

Jiang Jiemin, chairman of PetroChina, said recently," The low share prices of some global resource companies provide us with some fresh opportunities."

According to a recent forecast by the State Information Center, China will depend on imports for 55 percent of its oil consumption next year, with the figure rising to more than 65 percent by 2020.

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