SWOT ANALYSIS – CHINESE PETROLEUM

УДК 33:665.6

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This article was written in early December 2013, combined with the historical development and the latest data on the Chinese Petroleum carried SWOT- analysis. This paper discusses corporate resources, cost, management and external factors such as the political environment and the market supply and demand, conducted a comprehensive and profound analysis.

Keywords: *SWOT Analysis, China Petroleum, corporate resources, cost, management political environment, supply and demand.*

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SWOT-АНАЛИЗ КИТАЙСКОЙ НЕФТЯНОЙ КОМПАНИИ

Эта статья была написана в начале декабря 2013 года, осуществляющаяся SWOT-анализ в сочетании с историческим развитием и последним данным на китайский нефтяной. В данной статье обсуждается корпоративные ресурсы, стоимость, управление и внешние факторы, такие как политической среды и рыночного спроса и предложения, провели всесторонний и глубокий анализ.

Ключевые слова: *SWOT-анализ, китайская национальная нефтегазовая корпорация, корпоративные ресурсы, стоимость, управление политической средой, спросом и предложением.*

1. Outline

China National Petroleum Corporation (China National Petroleum Corporation, the abbreviation «CNPC», Chinese referred to as «China Petroleum») is a state-owned enterprise, is the oil and gas business, engineering and technical services, petroleum engineering construction, petroleum equipment manufacturing, financial services, new energy development as the main business of integrated international energy company, is one of the major Chinese oil and gas producers and suppliers.

2. Strengths and Weaknesses

Strengths

1.Tangible resources

• China Petroleum to grasp the actual resources.

China Petroleum Management northeast, northwest, southwest and gas extraction and processing, it belongs to the jurisdiction of the oil-rich zone area, the oil still has a major upstream resources China.

2.Intangible resources:

(1) «Financial Times»: Global 500, ranked fifth in 2013. (In 2010, «Financial Times» Global 500 rankings, China ranked the world oil market capitalization first.)

(2) 2013 global oil Rank: China Petroleum ranked seventh (Saudi Arabia's national oil company, Russia's Gazprom, National Iranian Oil Company and Exxon Mobil International. Rosneft replace Pemex, ranked No. 5. Shell remains sixth, Chinese oil rose from 9 to 7.)

3. Overseas investment projects:

November 13, 2013, the Offeror entered into an acquisition agreement with the transferor, the transfer of all the shares acquired by the Offeror direction of the target company, namely 145,001,000 shares, the purchase price was approximately $ 2.6 billion.

2012 Target Company's financial statements show total assets of approximately $ 1.42 billion and net assets of approximately $ 660 million, annual

Figure 1. *China Petroleum Resources and major oil distribution*

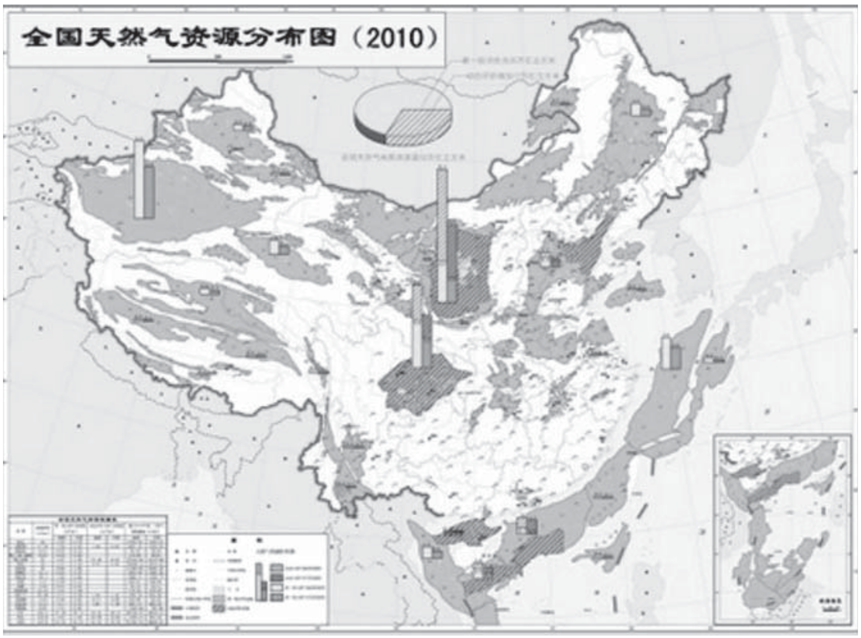

Figure 2. *China Petroleum Resources and major gas distribution*

Annotate: It is China Petroleum logo. Figure represented are: China Petroleum Investment ranges in the world.

Figure 3. *Territory overseas investment projects*

revenues of approximately $ 600 million, net profit of about $ 102 million.

Weakness

Management and operational weaknesses

1. Staff costs are high: in 1998, the State Council started to restructure the oil industry.China Petroleum incorporated many chemical companies and petroleum refining and marketing company. Staff was reached 3 million. After running more than ten years and reform of human resources, the current Chinese Petroleum workers down to 540,000.From the first half of 2013 Financial Report shows that in the first half turnover of U.S. $ 183,516 million, while the cost of employees is expected throughout the year about to reach $ 2884 million.

Chinese Petroleum than Mobil Oil, its efficiency is 1/20. The huge management staff is still burden on enterprises.

2. Sales ineffective: China Petroleum petrol station lot in some remote cities or rural areas (Chinese government requires Chinese Petroleum, protect agricultural oil supply).The South and the relatively large city gas stations generally fall in China Sinopec. China Petroleum stations, selling capacity is low, but not low operating costs also have to bear the labor, transportation and depreciation costs, obviously lose money. November 2012 China Petroleum reform began in sales, sales of the low capacity of the station who contracted to have some sales ability and credibility of the contractor. By contracting, China Petroleum station can be partially freed from these high costs, whereas at the same time, it can concentrate more resources to compete with Sinopec South market. But to reverse the sale of oil products in the Chinese market weak situation, or a long-term process.

3. Senior management problem of corruption:

August 2013 to September, China of petroleum chairman and some executives sacked because of problem of corruption. Corruption major of petroleum systems rarely have naked money transactions, often based on project contracting, in the name of foreign investment to complete the transaction through a third party under the table; due to the petroleum and petrochemical engineering higher quality requirements, such transactions are often in completed within the «small circle» transfer of benefits, it has a strong covert. More importantly, as oil reserves are in the ground, before mined, unable to estimate the absolute accuracy of the prices of oil and gas investments. In the ever increasing dependence on foreign resources background, can not exclude some people use to acquire interests in oil and gas fields to foreign of petroleum for personal gain in recent years.

3. Environmental opportunities and threats

Opportunities:

1. Demand increases: According to preliminary accounting data, the rapid growth of China's GDP, while China's total primary energy consumption is also increasing rapidly. In 1990, China's primary energy consumption was 662.35 million tons of oil equivalent, in 2011 reached 2,613.21million tons of oil equivalent, compared with

2.95 times increase from 1990 levels, compound growth rate of 6.75 percent during the period. Data show that in 2003 the proportion of natural gas in China's primary energy consumption structure is 2.39%, to 2011 this proportion increased to 4.50%, crude oil accounted for 21.27 percent from 2003 down to 17.67% in 2011. According to Cho Chong Oration that the current natural gas downstream expansion remains rapid, in 2013 consumption will maintain double-digit growth.

2. Policy support: China Petroleum from 2009 to date, Natural Gas and Pipeline segment operating expenses increased by more than the increase in turnover. In 2009, the oil of the sector's turnover grew by 22.7%, operating expenses increased by 24.0%; in 2010, its turnover increased by 50.7%, operating expenses increased by 64.9%; in 2011, its turnover increased by 47.9%, operating expenses growth of 63.0%; in 2012, its turnover increased by 16.8% operating expenses increased 29.7%. National advocates to develop natural gas imports by China's responsibility to bear on the major natural Petroleum. Quotes from the international point of view, the use of natural gas in the future is bound to continue to expand the scale, and the resource is scarce, the oil resources have to get ahead in the world.

Threats:

Government may be forced to split (corruption, monopolies), with Chinese Petroleum executives are exposed corruption cases, the oil monopoly system and brought many problems have become common knowledge. China Petroleum hands to control a large number of resources, forming a highly vertically integrated oligopoly, is accused of causing China's dependence on foreign oil, natural gas too culprit. Chinese public opinion level, said: China Petroleum and its oilfield services company should be split as soon as possible, thereby creating a competitive, its meaning is equivalent to the U.S. government antitrust split up Standard Oil.

High dependence on foreign: China is a «rich in coal, less gas, oil-poor» country. Proven reserves of natural gas in China is low. According to the National Oil and Gas Resources Dynamic Evaluation (2010) China Resources Gas Geology amount of 52 trillion cubic meters, the recoverable amount of resources 32 trillion cubic meters of proven extent of 18%, far below the world average of 65% of the proved extent. Since early 2013, China's overseas oil and gas supplies has led to growing dependence on imports of crude oil from some Middle East countries jumped by more than 30%. China Economic Research Institute of Petroleum Technology released a report earlier this year, in 2012 China's dependence on foreign natural gas consumption was 29% in 2013 is expected to increase to 32%. As the central determination to increase natural gas use by 2030 China's consumption of natural gas import dependence is likely to exceed 50%. International crude oil and natural gas prices shocks, will bring energy security issues, it also brings energy business risk.

Competition in the industry: in Chinese, Chinese Petroleum, Sinopec is the largest competitor. «2013 Chinese Top 500 Enterprises», Sinopec ranked first with 2,830 billions yuan revenue, PetroChina ranked second with 2,680 billions yuan. Chinese is China's largest crude Petroleum and natural gas producers. Chinese Sinopec is China's largest producer and distributor of petroleum products. Chinese has advantages in the exploitation Petroleum fields, but in the refining and marketing chain has lost Sinopec. In addition, the oil and gas pipeline construction spend, making it Chinese's largest natural gas producer, providing 70% of the Chinese market supply. In this regard, Sinopec has complained that the Government by giving it a part of the policy division.

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