

Greater involvement of international oil companies in Chinese onshore and offshore exploration is also expanding the range of potential clients for Canadian suppliers of goods, services and technology. More than 20 foreign oil companies have offices in Beijing or other parts of the country, and several companies are involved in or are in the process of negotiating joint production contracts.

Canada and the Province of Alberta have had an active program of exchanges over recent years and a two-way flow of high-level political and industry delegations. Calgary is twinned with Daqing City, site of China's largest oilfield, and Alberta is twinned with Heilongjiang Province, in which Daqing is located.

The Canadian International Development Agency currently has an extensive training and research project with Chinese petroleum industry institutes to improve the level and quality of their activities.

Constraints

The market is extremely competitive and companies must be prepared to commit themselves to a long-term business relationship with China if they wish to succeed. Procedural and regulatory obstacles are many. Regular contact, local support and long-term commitment are particularly important because most procurement is undertaken by invitation to selected suppliers rather than through an open and competitive bidding process. Chinese purchasers pay careful attention to pricing, technology transfer, product quality, spare parts and after-sales service when negotiating contracts.

U.S. firms remain among the strongest foreign competitors in the China oil and gas market. European companies, including firms from Germany, France, Italy and other countries, have also become more aggressive in this market. There is a perception in China that European suppliers can be more flexible than others in commercial negotiation and they often can obtain generous financial support from their banks and governments. By contrast, Canadian suppliers are often regarded as having good technology, but as being somewhat inflexible in price negotiation.

Action Plan

The objectives of the Action Plan in this sector are to:

- maintain and expand collaboration with the China Alberta Petroleum Centre in Beijing, providing Canadian companies with a forum for technical seminars, training and other industry exchanges;
- sponsor high-level Chinese delegations to attend Canadian events, such as the National Petroleum Show, to increase familiarity with the Canadian industry and its products, services and technology;
- promote dialogue and collaboration among Canadian natural gas companies to encourage participation in prospective pipeline construction projects in northeastern Asia;
- update study on China's oil and gas market; and