There are four strategic gas areas. They are: Sichuan (Southwest China), Shenggangning (West China), the Tarim basin (Northwest China) and Yinggehai (Northern South China Sea). Huge reserves and production will come from Central China and West China in the foreseeable future, while a majority of consumption is concentrated on its eastern and southern lands. It is reported that gas demand in coastal areas of China will reach 20 bcm by the end of the century.

**TABLE II**

Distribution of China's Gas Reserves in 1994 (percentage)

| Region     | Reserves | Output |
|------------|----------|--------|
| Offshore   | 11.6     | 1.9    |
| Onshore    | 88.4     | 98.1   |
| East China | 20.1     | 46.1   |
| West China | 5.6      | 6.4    |
| Central China | 52.5 | 45.0 |
| South China| 0.2      | 0.7    |

Source: China National Petroleum Corporation

IAEE. Newsletter, Winter 1997
Fax (USA) 216 464 2737

**Government Subsidies and Demand for Petroleum Products in Iran**
Djavad Salehi-Isfahani
WPM 22, Oxford Institute for Energy Studies, August 1996
ISBN 0 948061 952 £20

This paper is ambitious as an econometric study and interesting in that the statistics used covered the Iran-Iraq War period of the 1980s. There was severe rationing of kerosine and a black market in which kerosine was priced at 20 times the official price. The author modelled consumption of kerosine taking into account the official price, the black market price and the purchasing power of the buyers.

The author's conclusions will also be noted by other petroleum exporting countries which sell refined products to the internal markets at a fraction of world price levels.

"The estimated price elasticities reveal a potential for adjustment if prices are increased, which would help keep demand down while the economy grows. Forecasts based on the estimated models indicate that consumption can be stabilised at current levels by raising prices to their world levels in fifteen years. This policy would therefore have two desirable properties: allow expansion of oil production capacity to
generate increased oil exports and more foreign exchange, as well as move Iran toward economic efficiency. The consequent distributional aspects are significant but should be handled by a comprehensive programme of social security.

The analysis of this paper may be extended to other oil-exporting countries. Government monopoly of domestic supply of petroleum products, low cost of extraction of crude oil, and the popular perception that resource abundance must mean cheap fuel, are conditions shared by many oil-exporting countries in the Middle East and elsewhere. Having insulated domestic consumption from the price increases of the past twenty years, many governments of oil exporting countries now consider it in serious competition with exports. The combination of large subsidies and non-negligible price elasticities found in the case of Iran suggests that domestic pricing policy has an important effect on the oil-exporting countries’ ability to perform in the international oil market in the long run. If domestic prices are not adjusted oil exports will come under pressure, not so much from OPEC quotas as from soaring domestic consumption. Given the price responsiveness apparent from this and other studies, the removal of petroleum subsidies will do more than improve the internal deficit, it will also help with the external balance.”

The Market and the Economics of Large Oil Tankers
Olivier Golomer
Oxford Institute for Energy Studies, 1996
ISBN 0 948061 944 £60

The OIES paper is a detailed analysis of the very large crude carrier (VLCC) market using data over the period 1992 to 1993. The main conclusion from the study is that the VLCC market will continue to be unprofitable with perpetual oversupply.

The study is most readable and is fact a good text on tanker economics. What is unusual about the text is that it is uncluttered with references. Most of the information used is obtainable from “The Clarkson Shipping Review and Outlook” which is published in the Spring and Autumn of each year. A similar publication is available from J.I. Jacobs, a competitor of Clarkson.

In the chapter on “External Pressures to Limit Oil Pollution” there is an optimistic conclusion that the “net is tightening around sub-standard VLCCs.” But there is also realism: “However there remain loopholes in the system, such as unscrupulous charterers, incoherent inspection standards, even bribery which leaves room for substandard shipping.”

The book is recommended for everyone with an interest in oil tankers.