

**2014 Management Empowerment in the NOCs**

# **Challenges for the State-Owned Oil Company**

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# Outline

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- Current Oil Market in Taiwan
- Financial Performance of CPC and FPCC
- Dilemmas for the State-Owned Oil company
- Time to Reform



# Current oil market in Taiwan



## ➤ Energy security indicator in Taiwan

Energy security indicator	2000	2013
Dependence on imported energy	97.87%	97.58%
Value of energy imports/ Value of total imports	8.94%	24.11%
Value of energy imports/ GDP	3.84%	13.25%

## ➤ Structure in Taiwan's oil market

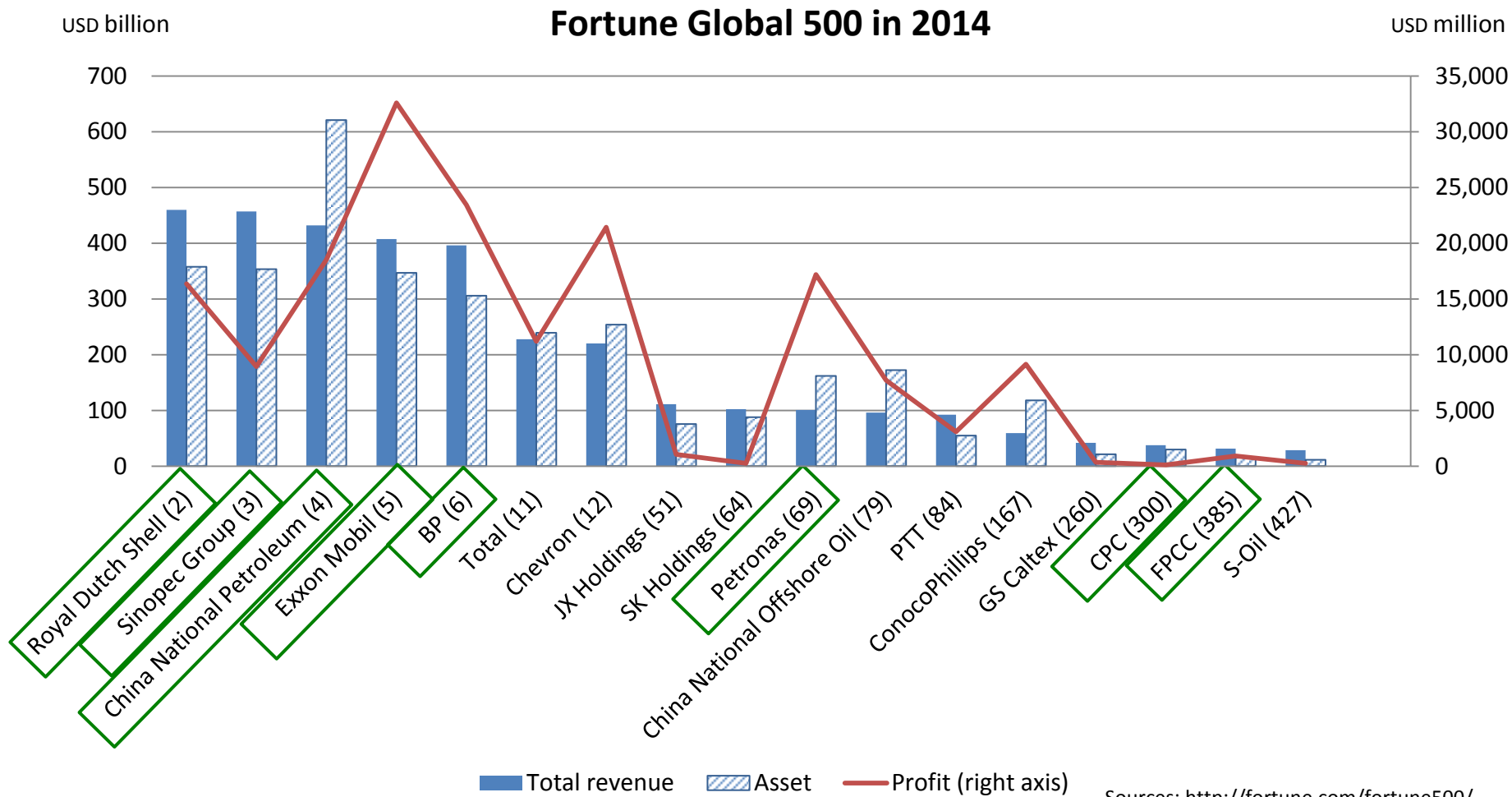
Two oil companies	State-owned oil company	CPC Corporation, Taiwan (CPC)
	Private-owned oil company	Formosa Petrochemical Corporation (FPCC)

## ➤ Operation scopes for CPC and FPCC

Oil company	Type	Exploration & Production	Refinery & Marketing	Retail	Petro-chemical	Cogeneration
 <b>CPC</b>	Oil	◎	◎	◎	◎	
	Gas	◎	◎			
 <b>FPCC</b>	Oil		◎			
	Coal					◎

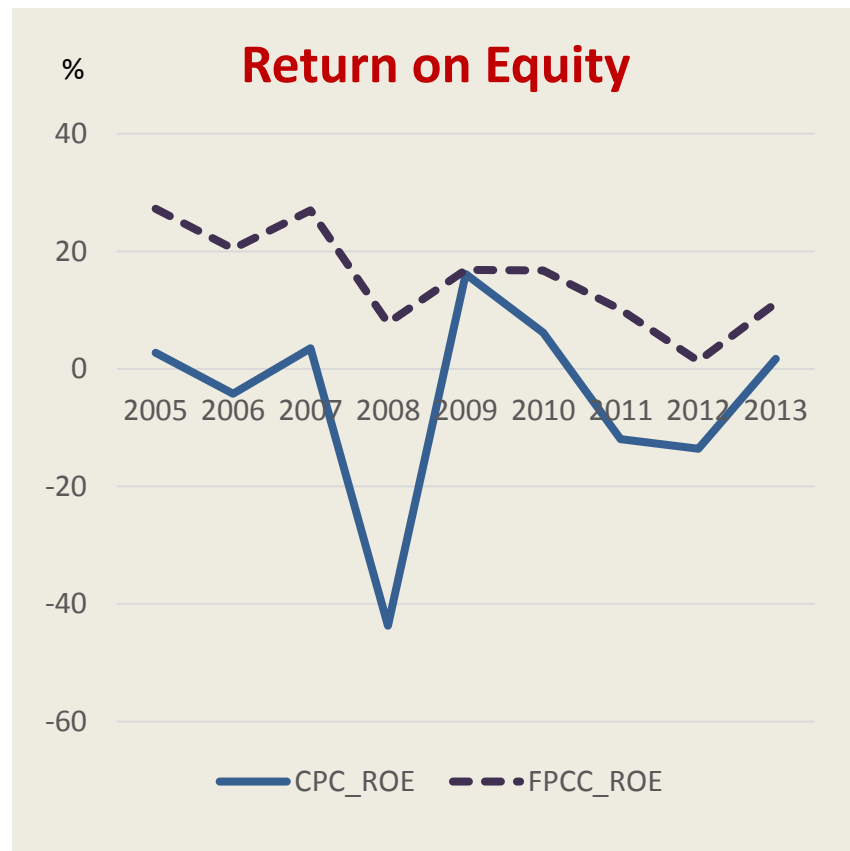
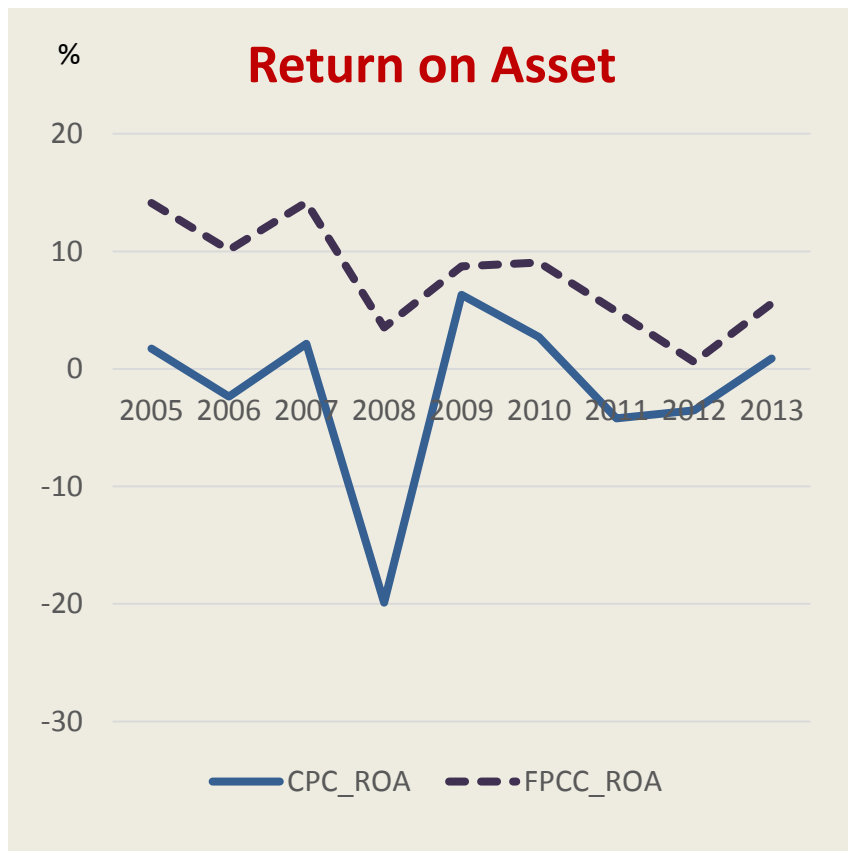
# Financial Performance of CPC and FPCC (1/2)

➤ **CPC and FPCC are both listed in the Fortune Global 500 in 2014.**



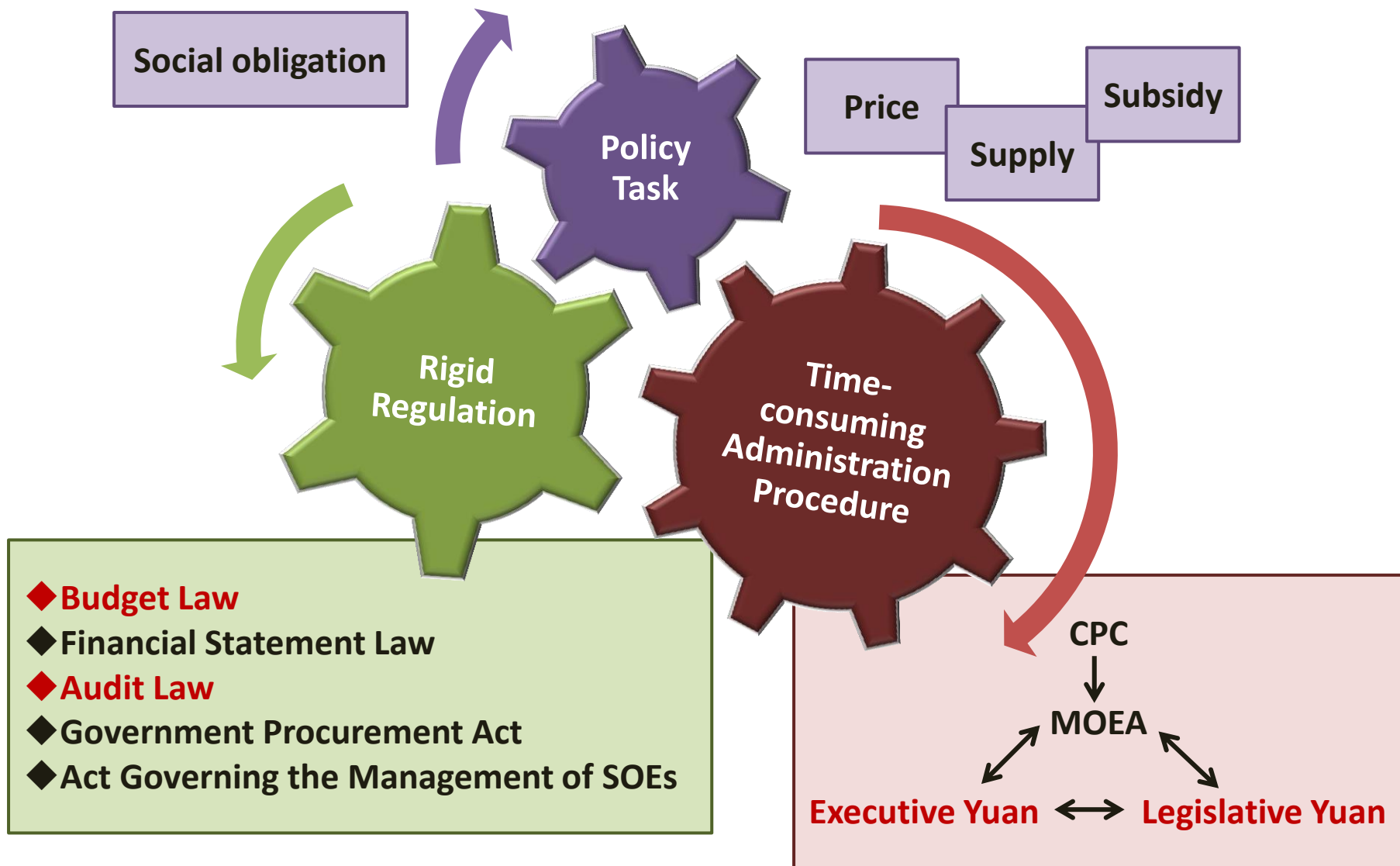
# Financial Performance of CPC and FPCC (2/2)

➤ Private-owned company performs better than state-owned company.



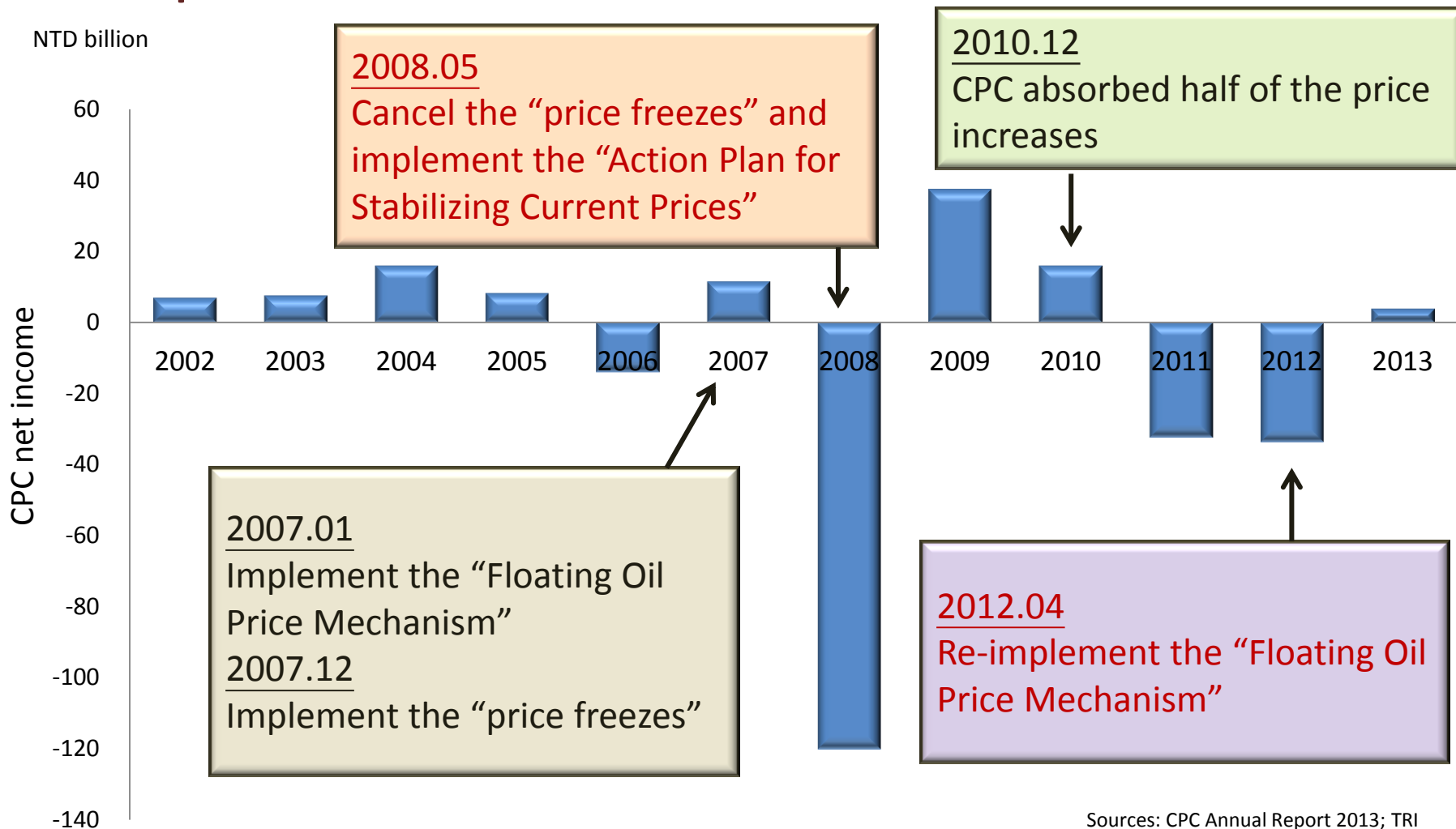
Source: CPC Annual Report 2013; FPC Annual Report 2013

# Dilemmas for the State-Owned Oil Company (1/5)



# Dilemmas for the State-Owned Oil Company (2/5)

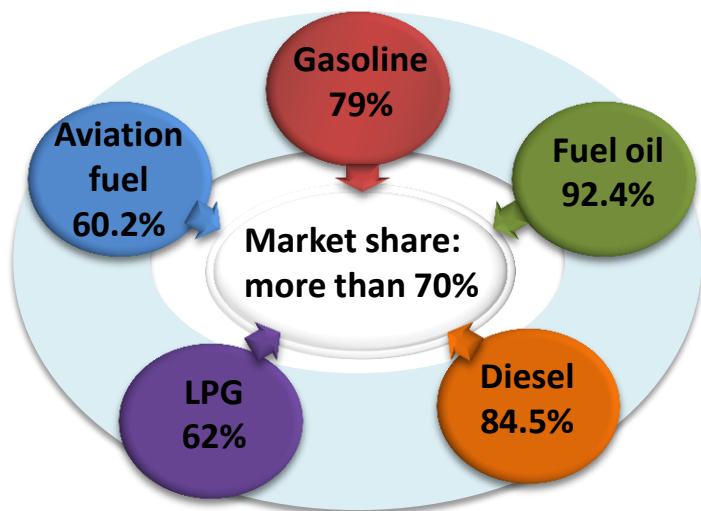
- **Price side: Stabilize the domestic price level, but sometimes lead CPC to operate at a loss.**



Sources: CPC Annual Report 2013; TRI

# Dilemmas for the State-Owned Oil Company (3/5)

- **Supply Side:** Stabilize the supply of petroleum products and support the domestic industry development.



Source: CPC Annual Report 2013

◆ CPC's petroleum products are mostly **intended to supply the domestic market**, and some surplus is exported.



◆ High domestic market share does not bring high profits, because the **domestic petroleum prices** are **below the international level**.

◆ CPC **supplies oil and gas steadily** for people who **live in the rural areas**.

- **Subsidy Side:** subsidize for some specific groups



Subsidize the **public transportation** (for example: taxi, bus etc.)



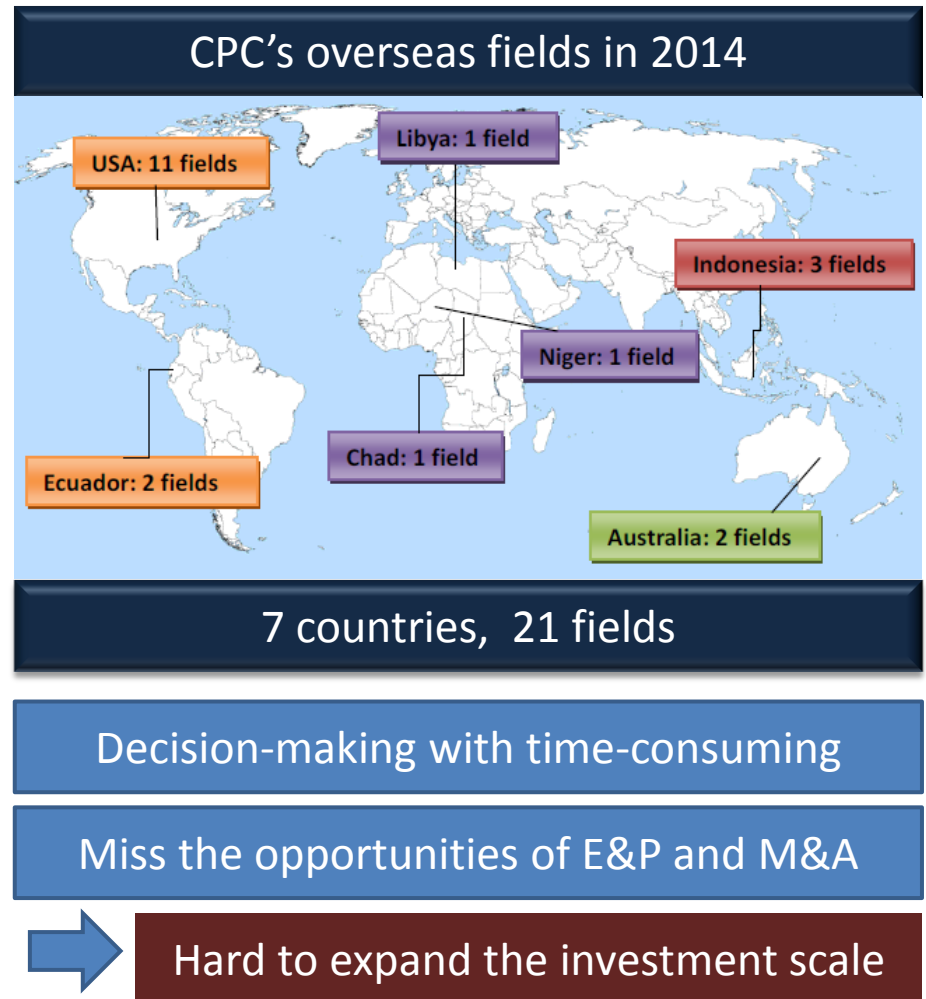
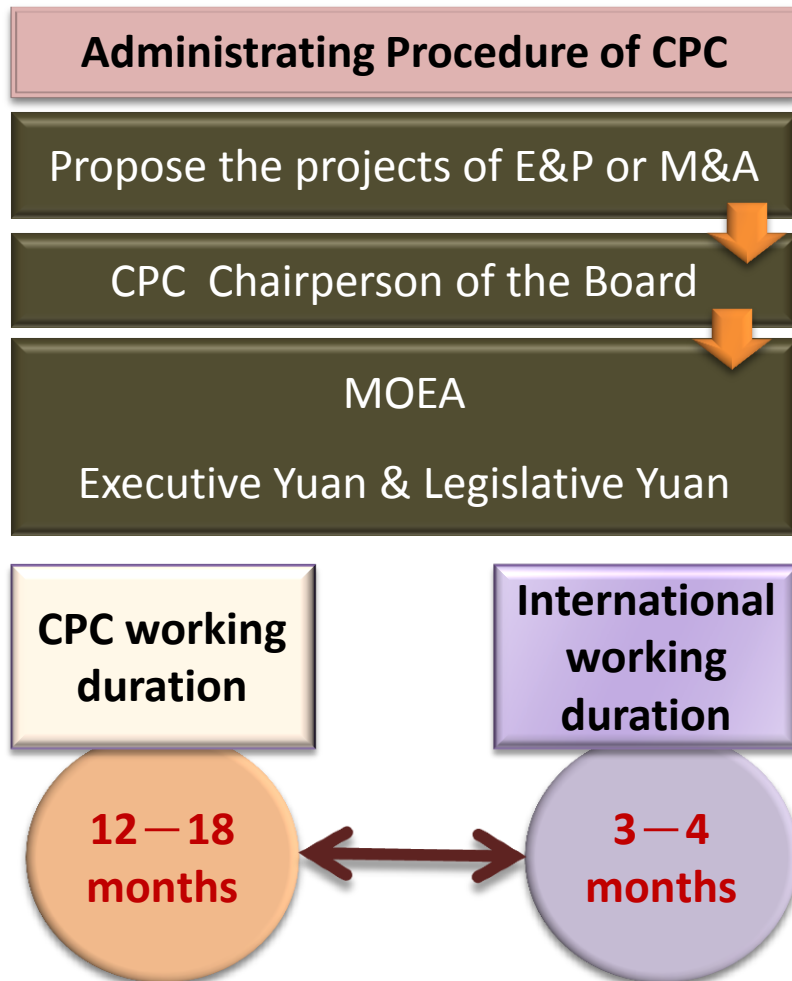
Provide **LPG subsidy** for the low-income households





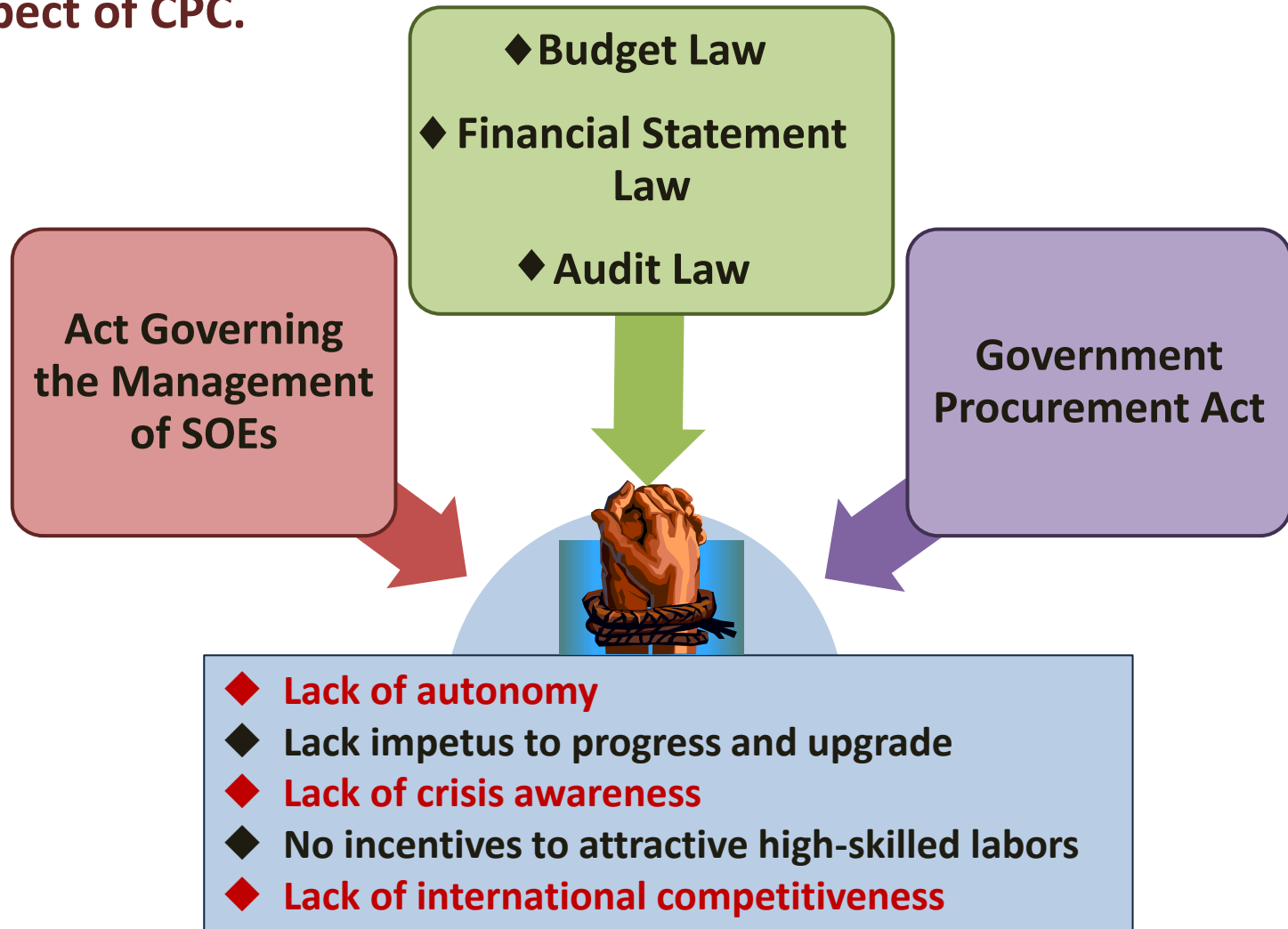
# Dilemmas for the State-Owned Oil Company (4/5)

- Time-consuming administration procedure: Upstream E&P activities are the main source for the profits of oil companies, but.....



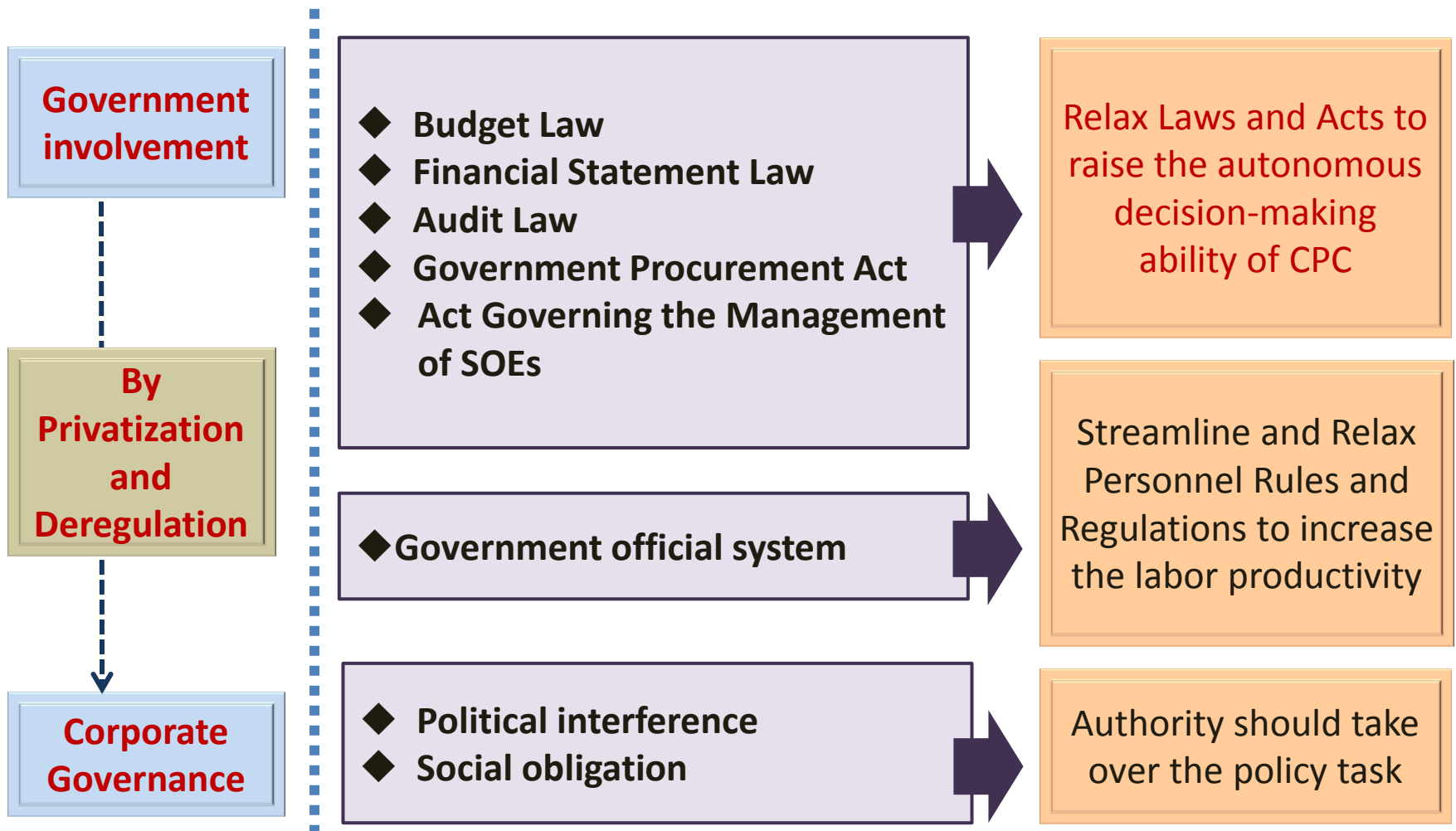
# Dilemmas for the State-Owned Oil Company (5/5)

- Rigid regulations restrict the autonomy, limiting the profitability and prospect of CPC.

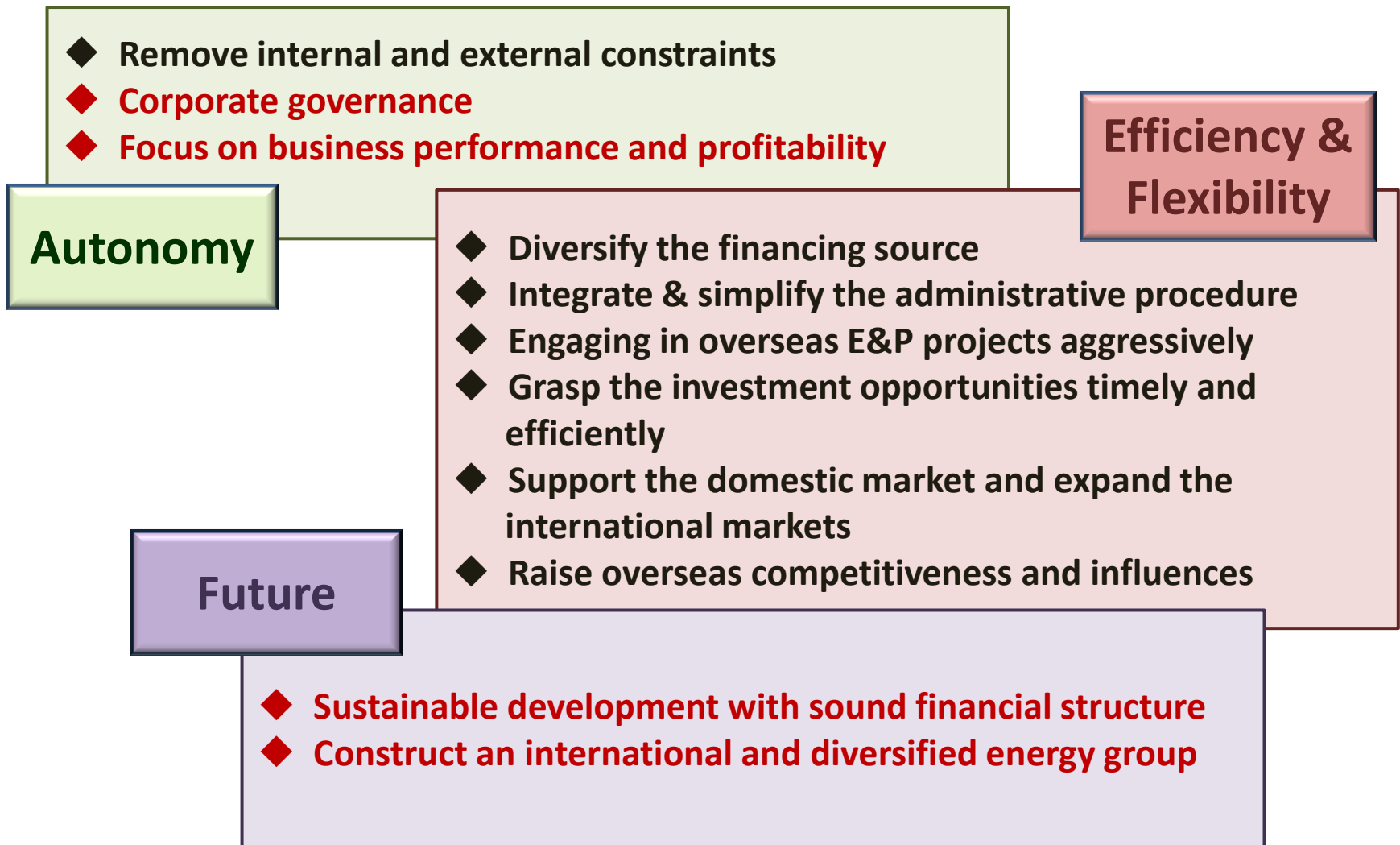


# Time to Reform (1/2)

## ➤ Separate administration from management.



# Time to Reform (2/2)



# THANK YOU

