China likely to keep oil product exports steady to lower in H1 2017: sources

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China is highly likely to restrict oil product exports in the first half of 2017 to flat or below H1 2016 levels amid growing focus on pollution control, curbing excess capacity and international trade flows, sources with knowledge of the matter said this week.

The total export quota for the second quarter was likely to be calculated based on the actual outflow in H1 2016 minus the quota allocated in Q1 2017, a Beijing-based senior product trader with a state-owned oil giant said.

China exported 16.817 million mt of oil products in H1 2016 and awarded 12.4 million mt of quotas in Q1 2017, implying that the Q2 2017 oil product export quotas will be somewhere between 4 million mt to 5 million mt, according to calculations by sources.

This is only one third the volumes allocated in Q2 2016, which was at 14.59 million mt, and is a continuation of the trend seen in Q1, when the quota allotted was 40% below Q1 2016's 20.93 million mt.

Sinopec is estimated to get around 3 million mt quota in Q2 -- mostly for jet fuel, PetroChina around 1.2 million mt, while Sinochem and CNOOC are likely to get 450,000 mt each, according to two Beijing-based product traders with state-owned companies.

Independent refineries are unlikely to be on the quota allocation list, they said.

"This is a rough estimate for each company, which could be different from the actual allocation. But I am quite sure the actual quota will be cut significantly from last year to cap the outflows," one of the Beijing-based traders said.

This is a mandate from the country's top planner, the National Development and Reform Commission, and the NDRC is likely to introduce controls over total export volumes, he added.

"We used to get as much quota as we applied for, but the situation has now changed," a Sinopec refiner said, adding that they expected the Q2 allocation to be lower than their application.

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China exported a total 38.28 million mt of gasoline, gasoil, jet fuel and naphtha in 2016, up 51% year on year.

Traders had been expecting product exports to be over 40 million mt this year, but this is highly unlikely now.

The significant increase in exports last year and the potential of more exports in the coming years as refining capacity grows might have raised concerns among international oil product players, one trading source said, adding that Beijing was also getting concerned about international trade flows.

Meanwhile, China's top leadership is currently more focused on controlling excess capacity and pollution rather than promoting exports in return for more foreign currency, as it was in the last few years.

To the leaders, more oil product exports might mean more crude imports with higher throughput and heavier pollution, sources said.