

***Our UK politics stories are free during the election. Try all of FT.com for 4 weeks for just £1\*.***

Last updated: June 17, 2014 11:44 am

# China trade deals at centre of Li Keqiang visit to UK

By Elizabeth Rigby and Guy Chazan



UK prime minister David Cameron with Chinese premier Li Keqiang

BP and Royal Dutch Shell will sign deals with Chinese state energy giant Cnooc on Tuesday as the centrepiece of trade agreements during a three-day visit to the UK by Li Keqiang, the Chinese premier.

Both are to be unveiled as David Cameron hosts Mr Li in Downing Street.

But the trade deals being signed on Tuesday come against a backdrop of continuing unease in the political relationship between London and Beijing, with Nick Clegg, deputy prime minister, speaking of the “very large-scale abuse of human rights that still continues” in China.

Mr Clegg also said he would be “more than honoured” to meet the Dalai Lama again. Mr Cameron, by contrast, has indicated that he has no plans to meet the exiled Tibetan spiritual leader in the foreseeable future, for fear of provoking Beijing.

Western oil companies have been falling over themselves to engage with China, the world’s biggest energy consumer. China last year overtook the US to become the world’s largest net oil importer.

Bob Dudley, BP’s chief executive, said at a conference in Moscow that his company’s agreement to supply Cnooc with liquefied natural gas was worth about \$20bn and would run for 20 years. “It’s a fair price for them and a fair price for us,” he said. “It’s a good bridge between the UK and China in terms of trade.”

It is expected that China’s liquefied natural gas imports will increase by at least 1.5m tonnes per year.

The Shell-Cnooc tie-up builds on an already strong relationship between the two companies. They have signed three production-sharing contracts in the Yinggehai basin in the South China

Sea and Shell is also working with [PetroChina](#) to produce shale gas in China.

China has ambitions to increase imports of natural gas, in part to reduce its reliance on coal and improve air quality in cities such as Beijing. Last month it clinched a \$400bn, 30-year gas supply deal with Russia.

China and the UK will also sign an agreement on climate change, brokered by the Department of Energy and Climate Change, before UN-sponsored international talks in Paris next year that should yield a global pact on emissions.

In addition, Mr Cameron and Mr Li will agree a deal to reopen exports of British beef and lamb to China, paving the way for the lifting of a 30-year ban imposed after the UK's BSE outbreak that began in the late 1980s.

The UK government said that move could be worth as much as £120m to the British economy. It follows a deal Mr Cameron struck on his visit to China in December to start exporting pig semen to Chinese farmers, as the UK tries to capitalise on the country's surging appetite for meat.

In other announcements, Nord Engine, the Chinese financial services group, is to open its first overseas operation in the UK this year with up to £150m available to invest in UK and European small and medium-sized companies.

China Minsheng Investment Corporation, China's largest private sector investment group, is planning to open a European headquarter in London with about \$1.5bn to invest.

China and the UK are keen to bolster business ties. Mr Cameron last year led what Britain said was the biggest trade delegation to China. Mr Li reciprocated this week as he brought 200 business delegates with him to London – although they are not part of his official entourage.

Chinese investors are playing a growing role in UK infrastructure. Two big state-owned nuclear companies, CGN and CNNC, have agreed to help fund Britain's first new nuclear plant in a generation, the £16bn Hinkley Point C, which is being built by French utility [EDF](#) in southwestern England.

However, the companies are unlikely to sign a definitive deal until the nuclear subsidy agreed between the UK government and EDF is approved by European regulators. Critics say it may breach EU state aid rules.

*Additional reporting by John Aglionby*

**RELATED TOPICS** Global Trade, United Kingdom, China, David Cameron, China - Politics & Policy