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HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE
-
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PROPOSED NEW SUBHEADING FOR “GAS CONDENSATES” IN HEADING 27.09

(Item II.A.16 on Agenda)

Reference documents :

42.241 (RSC/18)
42.500 Annex B/9 (RSC/18 - Report)
42.763 (SSC/14)
42.826 (SSC/14)
42.830 (SSC/14)
42.850 Annex A/10 (SSC/14 - Report)

I. BACKGROUND

1. At its 18th Session, the Sub-Committee examined a proposal by the Chinese Administration for the creation of a new subheading for “gas condensates” under heading 27.09. Several delegates supported the proposal, because the product was increasing in importance in international trade. However, there were concerns about how to describe the products in question and how to distinguish them from similar products falling in heading 27.10.

2. The Review Sub-Committee agreed to a suggestion from the EC Delegate to describe the products as "natural gas condensates", since they were derived from natural sources. After discussion, the Review Sub-Committee decided to refer the matter to the Scientific Sub-Committee for advice on the following points :

   (a) appropriate definition or description for "natural gas condensates" and

   (b) how the products could be distinguished from similar synthetic products of heading 27.10.

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3. On the basis of above instructions and taking into account the comments provided by China, the EC and the US (see Docs. 42.763, 42.826 and 42.830), the Secretariat submitted the matter to the 14th Session of the Scientific Sub-Committee.

II. CONCLUSIONS OF THE SCIENTIFIC SUB-COMMITTEE

4. The Scientific Sub-Committee at its 14th Sessions examined the questions posed by the Review Sub-Committee and concluded as follows :

Definition or description of "natural gas condensates"

5. One delegate stated that, according to his information, the products under consideration were natural products obtained from the "condensation oil-deposits" already mentioned in the Explanatory Note to heading 27.09. During the throttling process, high temperature and high pressure wet gas went through the throttling valve, its temperature and pressure were reduced naturally and oil was separated by condensation. Technically, throttling was an irreversible thermodynamic process in which a gas under pressure was allowed to expand by passing into a chamber of lower pressure. He believed that this process was different from the atmospheric distillation of crude oils. Therefore, he basically agreed with the text proposed by the Secretariat in paragraph 12 of Doc. 42.763. He suggested that the expression " through throttling" be added to the end of the first indent of that text to clarify the description of the process applied. Also, another indent such as "have an octane value not exceeding 30" could be added to the text, since gas condensates were natural products having relatively low octane values.

6. However, another delegate noted that the Chinese proposal had been made with the understanding that the "gas condensates" in question were classified in heading 27.09. However, these products were "gas condensates" obtained through the processing of wet natural gas in sophisticated well-site gas plants where wet gas was separated into three components, i.e., natural gas, gas condensate and water. This processing method was completely different from a mere stabilisation and similar to the atmospheric distillation of crude oils. As such, the "gas condensates" under consideration were, in terms of their production method, different from the crude products that were marginally produced through processes listed in the Explanatory Note to heading 27.09. Therefore, he was of the view that these products could not be considered as "crude oils obtained from the stabilisation of natural gas". Nevertheless, he had no major objection to the other three indents of paragraph 12 of Doc. 42.763. He added, however, that another indent concerning the API gravity of "gas condensates" could be inserted in that text.

7. In this connection, the Chairman indicated that the information he had received from the European petroleum industry concerning the processing method applied in obtaining "gas condensates" supported the method outlined in paragraph 6 above.

8. Some delegates, however, felt that they needed more information concerning (i) the processing involved in obtaining "gas condensates" and (ii) the chemical composition and physical characteristics of these products. Clarification as to whether "gas condensates", whether natural or synthetic, were classifiable in heading 27.09 or heading 27.10 was also necessary.

How to distinguish “gas condensates” from similar synthetic products of heading 27.10

9. In this regard, there was almost consensus in the Sub-Committee that the chemical composition and physical characteristics of “gas condensates” and similar synthetic product of heading 27.10 were in fact very similar and overlapped in many cases. There was almost no practical way of distinguishing between the two groups of products.

10. After discussion, the Sub-Committee agreed that the information obtained so far was insufficient for reaching a satisfactory conclusion in respect of the definition of “gas condensates” and distinguishing them from the similar products of heading 27.10. Nevertheless, the Sub-Committee agreed to submit to the Review Sub-Committee the following text concerning the description of “gas condensates”. For the first indent, on which opinions were divided, there are two options, (1) the text drafted by the Secretariat on the basis of information provided by China and the EC and (2) an alternative text drafted on the basis of information provided by the US. Both texts have been placed in square brackets :

“Natural gas condensates :

- [are crude oils obtained from the stabilisation, immediately on extraction, of natural gas. This operation consists of extracting the condensable hydrocarbons contained in the “wet” natural gas, mainly by cooling and depressurisation [through throttling]] or
  [are obtained, at well-site gas processing plants, by condensing C4 to approximately C20 hydrocarbons contained in the “wet” natural gas];

- normally consist of [C4 to approximately C20] hydrocarbons with no unsaturated hydrocarbons or only trace amounts thereof; the main components are [C6 to C9] hydrocarbons;

- are normally clear or transparent liquids, but sometimes are yellowish or coloured;

- approximately [80] % by volume distil at about [200] °C;

- [have an octane value not exceeding 30];

- [have an API gravity of 55 to 65].”

11. Finally, taking into account that the matter would be submitted to the 19th Session of the Review Sub-Committee in March 1999, administrations were invited to provide the Secretariat, as soon as possible, with information and comments concerning the processing methods by which “gas condensates” were obtained and the chemical composition and physical characteristics of "gas condensates".

III. SECRETARIAT COMMENTS

12. It should be noted that the Scientific Sub-Committee at its 14th Session agreed that the information obtained so far was insufficient for reaching a satisfactory conclusion in respect of the definition of “gas condensates” and distinguishing them from the similar products of heading 27.10.

13. There was also confusion in the Scientific Sub-Committee in respect of whether “gas condensates”, natural or synthetic, were classifiable in heading 27.09 or heading 27.10.

14. Nevertheless, the Scientific Sub-Committee also agreed to submit to the Review Sub-Committee the text set out in paragraph 10 above for the description of “gas condensates”. The first paragraph of this text reflects the divided opinions in the Scientific Sub-Committee.

15. Finally, as requested by the Scientific Sub-Committee, administrations are expected to provide the Secretariat with further information and comments concerning the processing methods by which “gas condensates” are obtained and the chemical composition and physical characteristics of “gas condensates”. Once received, these will also be submitted to the Review Sub-Committee.

IV. CONCLUSION

16. Taking into account the conclusions of the Scientific Sub-Committee and the Secretariat comments above, the Review Sub-Committee is invited to re-examine the Chinese proposal and to indicate whether the proposal should be pursued.

17. If so, the Sub-Committee is requested to :

(a) express its opinion as to whether the question of the classification of “gas condensates” should be submitted to the Harmonized System Committee for examination at its next session; and

(b) instruct the Secretariat what further action should be taken in this respect.