Implications of China’s Energy Diplomacy

“Realising the Oil Supply Potential of the CIS”

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Issues under Discussion

- China’s domestic energy situation
- Chinese perception on energy security
- Problems facing China’s energy security
- China’s dealing with energy security
- China’s energy diplomacy
- Implications of China’s energy diplomacy
China’s Energy Situation

- **Annual GDP growth**
  - 7% annually for 15 years
  - 7-9% over the next 20 years

- **Oil consumption & production (in 2005)**
  - 325 mts consumption VS 183 mts production

- **Oil imports:**
  - In 2005: 6.5% growth rate
  - By 2020:
    - 144 mts, 44% of total consumption
    - 500 mts, 50% of total consumption
Chinese Perception on Energy Security

- **Definition of “energy security”**
  - availability
  - reliability
  - affordability
  - sustainability

- **China’s primary energy consumption (in 2004)**
  - Coal 66%
  - Oil 24%
  - Gas 3%
  - Hydro 4%
  - Nuclear 1%
Problems Facing China’s Energy Security

- Lack of a coherent energy policy
  - No Energy Ministry
  - Energy Leading Small Group and Office established in 2005, but the effects remain to be seen

- Heavy reliance on coal: environmentally unsustainable

- Vulnerable to high oil price: 1bn b/a oil imports

- Energy inefficiency: 10-30% below the world average

- Sea-lanes communication: 80% oil-imports via the Malacca Strait
China’s Dealing with Energy Security

• **Strategic approach in dominance**
  – Overseas Investment: SOCs in over 50 countries
  – Development of a “Blue Water Navy”
  – Strategic Oil Stockpile
  – Energy Diplomacy

• **Attempts to rely on market but yet much success**
  – SNOOC’s takeover of Unocal – blocked by the US Congress for political reasons
  – CNPC’s PetroKazakhstan deal – successful but also influenced by political factors
China’s Energy Diplomacy

- **Evolution of China’s “Energy diplomacy”**
  - Focusing on the energy “belt regions”: Russia-C Asia-M East
  - Expanding new sources of supply: Venezuela, Africa, Canada
  - Stating more explicitly that foreign policy serves its energy security
  - A greater role of military: safety of sea-lanes

- **But avoids irritating other powers, esp. the USA**
  - Venezuela: China did not take initiative
  - Iran Nuclear Crisis: prefer a peaceful solution but will not support Iran to own nuclear weapons
The Energy “Belt Regions”
## Top 10 of China's Oil Suppliers

<table>
<thead>
<tr>
<th>State and Region</th>
<th>1999</th>
<th>2001</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>6.8%</td>
<td>14.6%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Oman</td>
<td>13.7%</td>
<td>13.5%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Iran</td>
<td>9.6%</td>
<td>18.0%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Russia</td>
<td>1.5%</td>
<td>2.9%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Angola</td>
<td>7.8%</td>
<td>6.3%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.7%</td>
<td>8.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Congo</td>
<td>1.0%</td>
<td>1.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Equator Guinea</td>
<td>2.2%</td>
<td>3.6%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4.1%</td>
<td>5.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10.8%</td>
<td>4.4%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
China’s Energy Diplomacy in Different Regions

- Middle East: oil supply & regional stability
- Central Asia: oil supply & geopolitics
- Africa: oil supply; Taiwan & political influence
- Latin America: supply of natural resources
- Energy cooperation with other powers?
  - Nuclear: 32 new plants in the next 15 yrs - France, US or Russia?
  - Energy efficiency: with Japan & US
  - Clean-coal technology: with S Africa & Japan
Implications of China’s Energy Diplomacy

Regional stability in E Asia

- Territorial disputes: South & East China Seas
  - China’s military development: Taiwan

China’s “peaceful rise”

- Chinese investment: good or bad for the int’l oil market?
  - China’s current oil search is at the cost of its int’l reputation
  - How far can China go with its energy security strategy?
  - What should China do to convince the world of its “peaceful rise”?
Thank You

Questions and Comments are Welcome