

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

China became a net oil importer in 1993

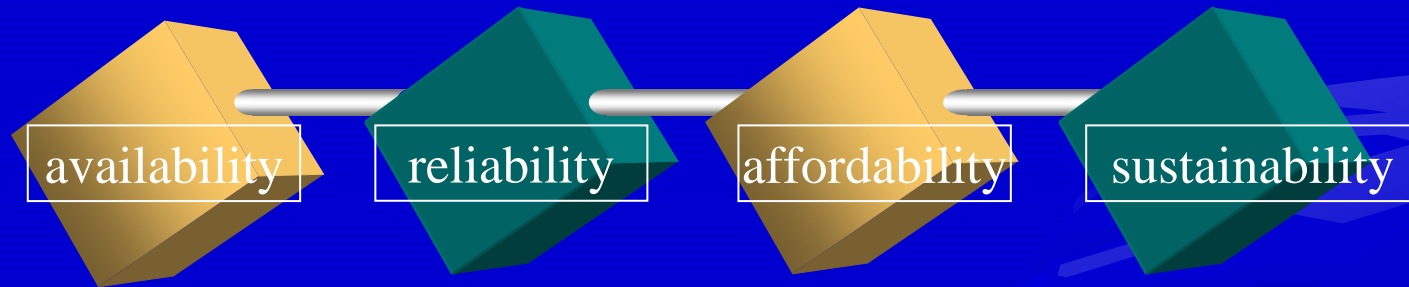
- Annual GDP growth { 7% annually for 15 years
7-9 % over the next 20 years
- Oil consumption & production (in 2005)
 - 325 mts consumption VS 183mts production
- Oil imports:
 - In 2005: 6.5% growth rate
 - By 2020:

144mts, 44% of
total consumption

500mts, 50% of
total consumption

Chinese Perception on Energy Security

- Definition of “energy security”



- China's primary energy consumption (in 2004)



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

| State and Region | 1999 | 2001 | 2004 |
|------------------|-------|-------|--------|
| Saudi Arabia | 6.8% | 14.6% | 14.0% |
| Oman | 13.7% | 13.5% | 13.3% |
| Iran | 9.6% | 18.0% | 10.8% |
| Russia | 1.5% | 2.9% | 8.8 % |
| Angola | 7.8% | 6.3% | 13.2 % |
| Sudan | 0.7% | 8.3% | 4.7% |
| Congo | 1.0% | 1.1% | 3.9% |
| Equator Guinea | 2.2% | 3.6% | 2.8% |
| Vietnam | 4.1% | 5.6% | 4.4% |
| Indonesia | 10.8% | 4.4% | 2.8% |

China's Energy Diplomacy in Different Regions

Oil Supply vs Geopolitics

- 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*