

China's International Energy Strategies: *Global and Regional Implications*

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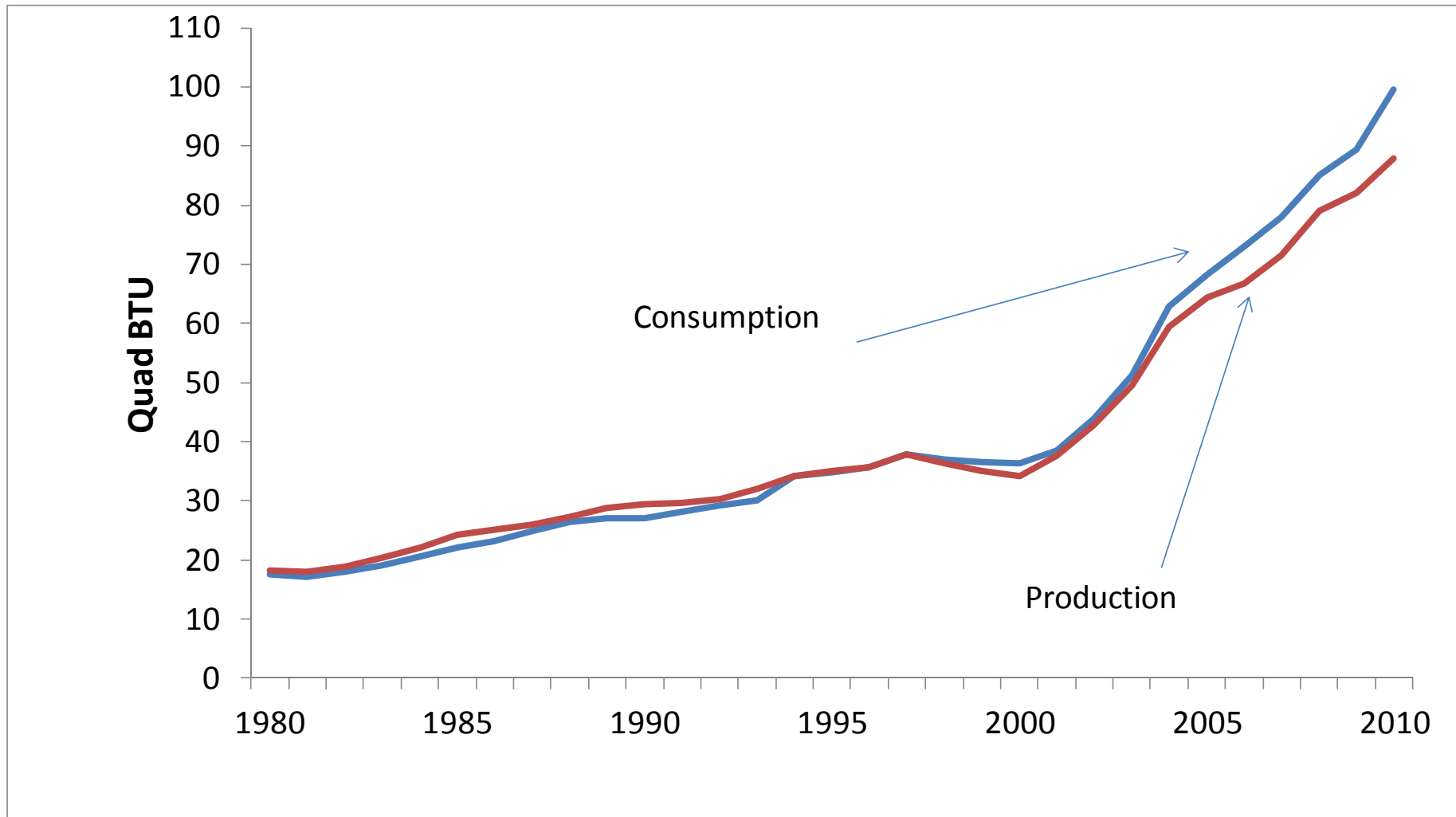
Philip Andrews-Speed and Roland Dannreuther, *China, Oil and Global Politics*,
London: Routledge, May 2011

Outline

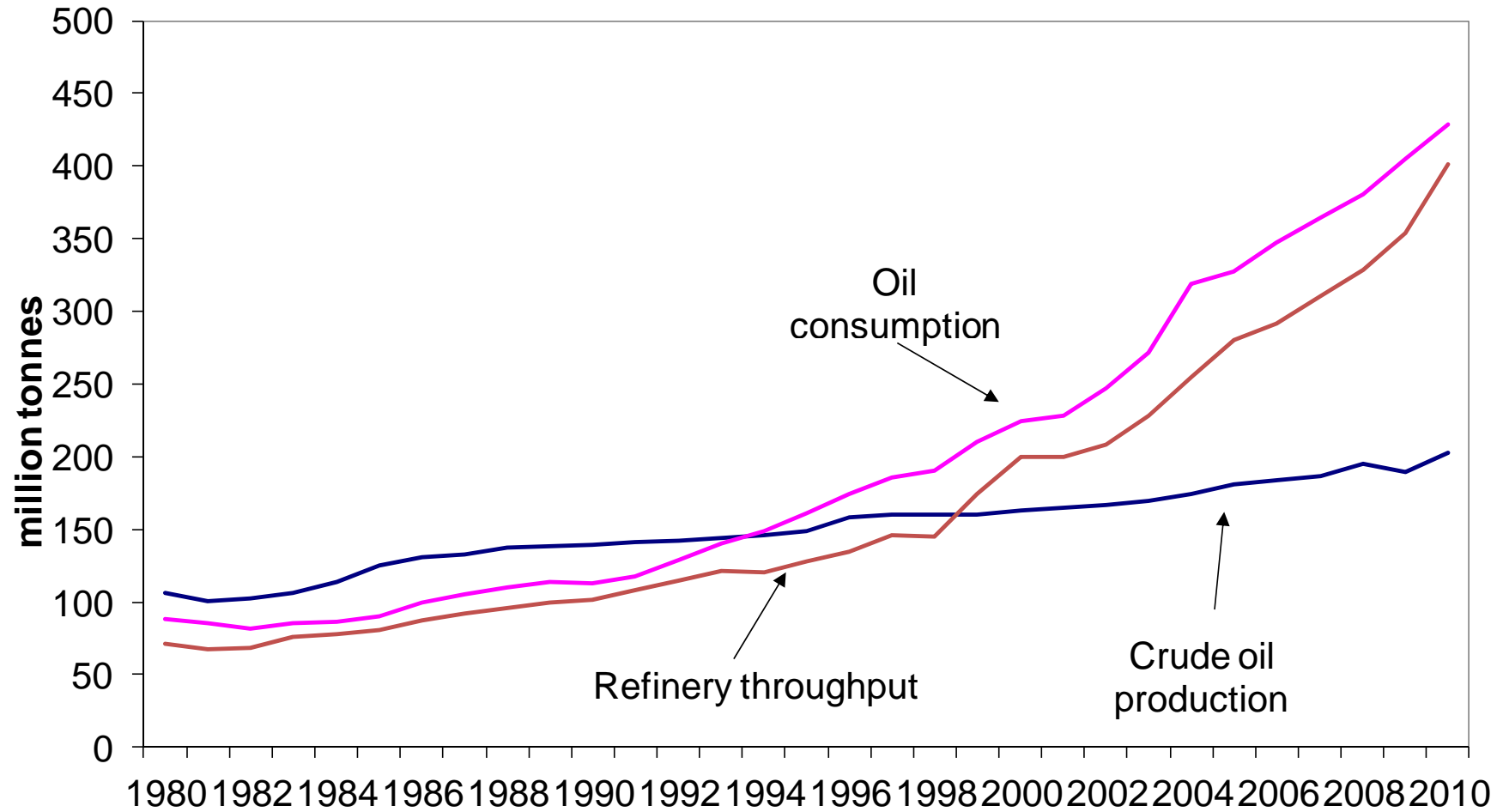
1. China's growing import dependence
2. Internationalisation of China's oil and gas industry: history and drivers
3. Energy policy and foreign policy
 - Integration and the West
 - Revisionist alternative
 - Neo-imperialist temptation
 - Hegemony and Asia
4. Conclusions

1.
**CHINA'S GROWING IMPORT
DEPENDENCE**

Energy production and consumption, 1980-2010



Oil supply and demand 1980-2010



2.

**INTERNATIONALISATION OF
CHINA'S OIL AND GAS INDUSTRY:
HISTORY AND DRIVERS**

Key elements of oil and gas strategy

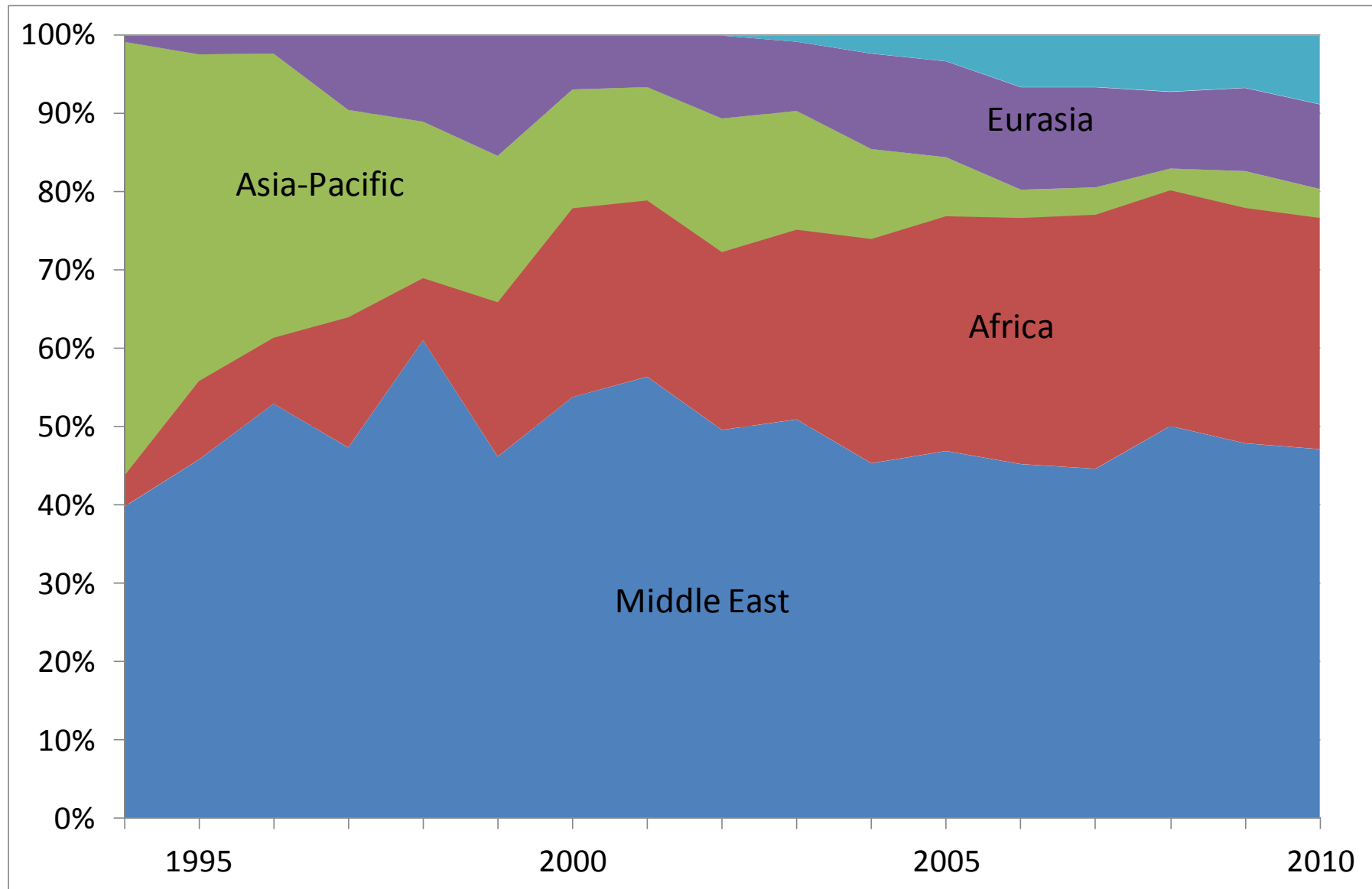
Domestic

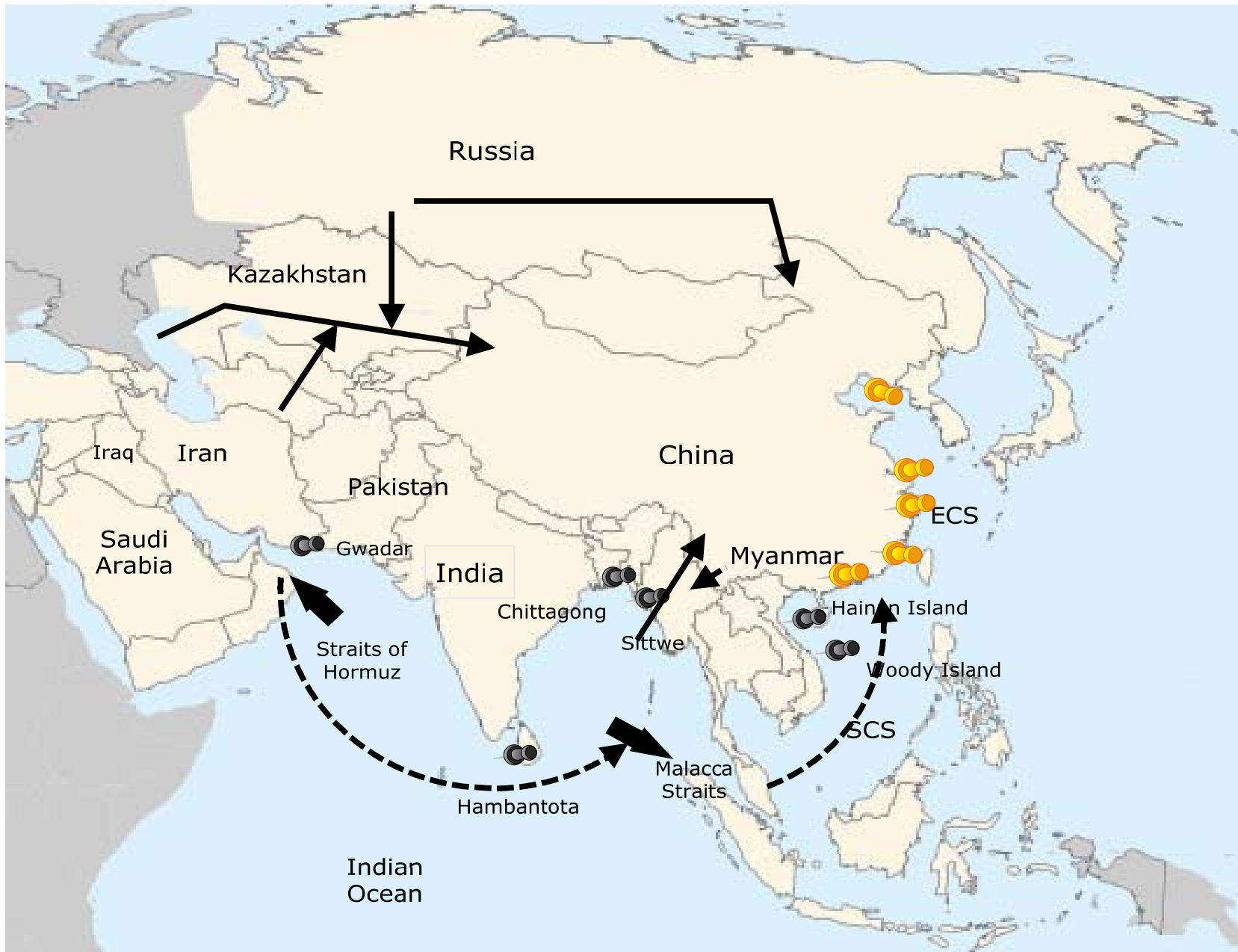
- Maximise oil production & refining
- Maximise gas production
- Unconventionals
- Build pipelines
- Ports/shipping
- Build storage
- Fuel consumption standards

Overseas

- Diversify imports
 - Maximise crude imports of product imports
 - Long-term contracts/relationships
 - Overland import (pipe/rail)
- Overseas investment
 - Exploration & production
 - Refining
- Oilfield services & construction
- ‘Loans for oil’
- Diplomacy
- Inward investment from IOCs and foreign NOCs

Sources of China's crude oil imports 1994-2010





Overseas investments: 1993-2011

- 1992-1997:
 - Small assets, low risk
 - Peru, Canada, Thailand, PNG
- 1997-2002:
 - larger onshore projects
 - Kazakhstan, Sudan, Iran, Venezuela, Nigeria
- 2002-2007:
 - Wider scope
 - ‘new’ types: deep water, tar sands, gas, LNG, import pipelines
 - Active M & A
- 2008-9
 - Iraq, Iran, Turkmenistan
 - Collaboration with Japan, Taiwan
 - “Loans for oil”: Ru, Kz, Br, Vz
- 2009-11:
 - Latin America:
 - CNOOC : \$ 3 bn, for Bidas
 - Sinochem (\$ 3 bn) & Sinopec in Brazil
 - PetroChina: Venezuela
 - North America:
 - PetroChina: \$1.7 bn, tar sands, \$5.4 bn shale gas
 - Sinopec \$ 4.6 bn, tar sands
 - CNOOC: Trinidad, US Gulf of Mexico, shale gas and oil
 - Australia: coal-bed methane
 - 2010: CNPC 85 million tonnes overseas oil production (cf 240 mmt annual imports)

Destinations of upstream investments by Chinese NOCs

C.I.S.	Middle East & North Africa	Sub-Saharan Africa	S, SE & NE Asia, Australia	Americas
2.	4.	3.	5.	1.
Azerbaijan Kazakhstan Kyrgyzstan Russia Turkmenistan Uzbekistan	Algeria Chad Egypt Iraq, Iran Libya Mali Mauritania Morocco Niger Oman Qatar Saudi Arabia Somalia Syria Tunisia U.A.E. Yemen	Angola Cameroon Congo Brazzaville Cote d'Ivoire Equatorial Guinea Egypt Ethiopia Gabon Ghana Kenya Madagascar Mozambique Nigeria Sao Taome South Sudan Sudan Tanzania Uganda	Afghanistan Australia East Timor Indonesia Mongolia Myanmar Pakistan Papua New Guinea Philippines Thailand	Argentina Bolivia Brazil Canada Colombia Costa Rica Cuba Ecuador Peru Trinidad & Tobago U.S.A. Venezuela

Chinese NOC's overseas investment: Objectives of the parties

China's government	Host government
Energy Policy: "security of supply" Industrial policy: pillar industries Social policy: employment Financial policy: forex and tax Foreign policy	Energy policy: investment (?embargoed) Industrial policy: diversify investors Oil exports: market guarantees Economic policy: investment/aid Resource policy: regaining control Foreign policy: anti-West/USA
China's NOC	Host NOC
Reserves growth Profits Vertical integration Survival & international ambitions Avoid tight governance controls Avoid price controls	Funds: investment, loans Cheap(er) oil field services Access to opportunities in China

For how long will objectives converge?

3.
**ENERGY POLICY AND FOREIGN
POLICY**

Integration and the West (1)

- Energy's increasing role in China's foreign policy:
 - Part of peaceful rise & development?
 - Or new instrument in realising nationalistic ambitions?
- Realist vs liberal outlooks:
 - Rising hegemon will lead to conflict
 - Economic interdependence will drive integration
- Actual behaviour (general):
 - Economic integration – but limited by:
 - Concerns relating to sovereignty & domestic imperatives

Integration and the West (2)

- Energy is recognised as area for cooperation
- Sources of distrust of China in USA:
 - Political system: NOCs agents for China's government
 - Domestic energy insecurity within USA
 - Energy as symptom of threat from China's rise
- Sources of distrust of USA in China:
 - USA itself does not follow market principles
 - US navy's ability to blockade China's sea lanes
 - US ideological pressure to conform with principles
- China has many energy strategies

The revisionist alternative: the Sino-Russian axis

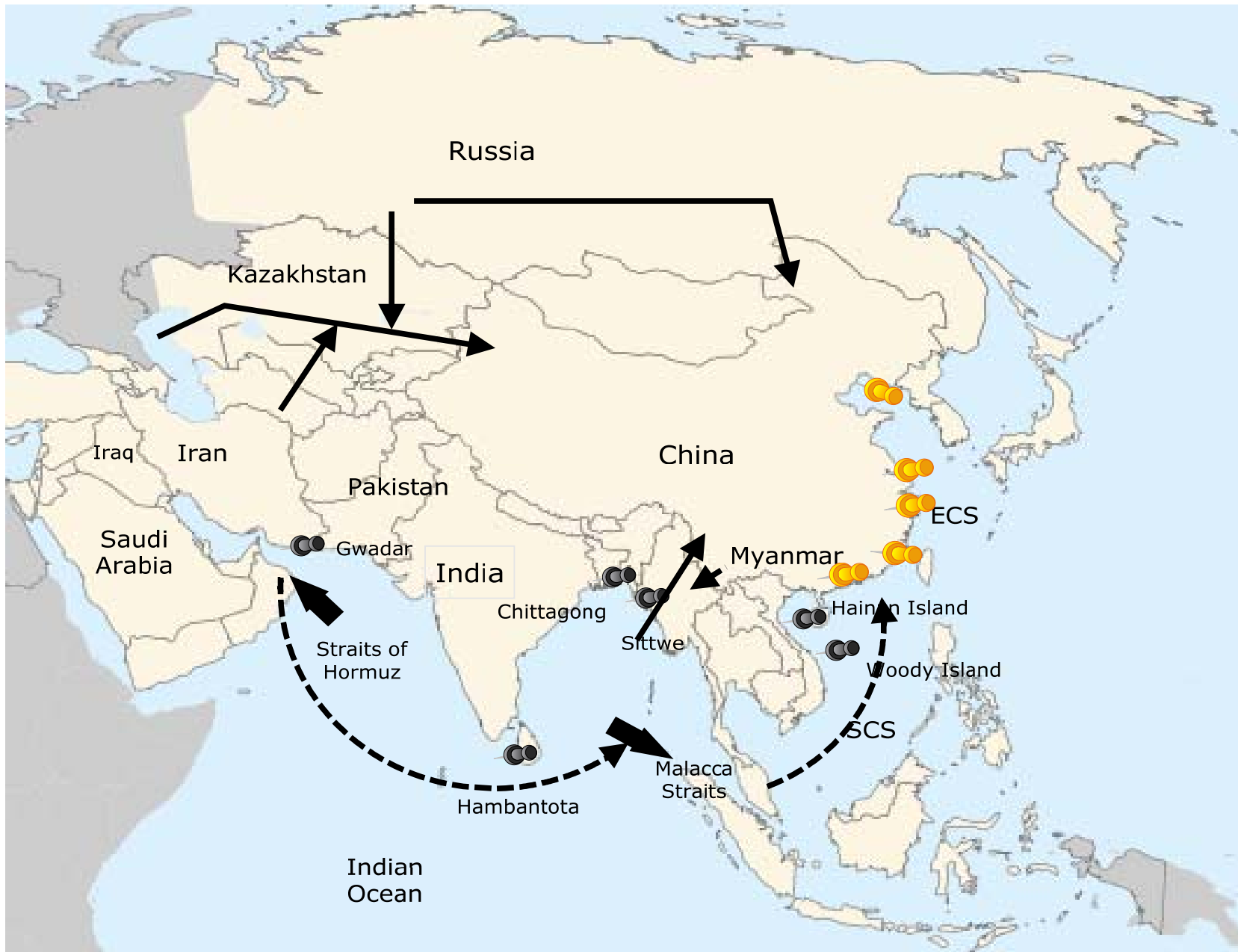
- Is China following a strategy of 'soft balancing'?
- Russia: a special case for a potential alliance?
 - Some convergence; but areas of distrust remain
- Sino-Russian energy cooperation
- Broader global context:
 - Central Asia: common interest in constraining USA
 - Iran (Syria): shared interests, but China hides behind Russia
 - Russia is a useful ally to China in search for energy security

Neo-imperialist temptation: Africa and Latin America

- China is now a significant actor in both regions
 - Sudan, Angola, Nigeria, Venezuela, Brazil
- Is China a neo-imperialist?
 - Mutual interest vs exploitation
 - Substantial investment vs support of existing regimes
- Oil industry: Late comer, small actor, opportunistic
- Africa is not a vacuum: host government agendas
- Divergent views on China's involvement
 - Neo-imperialist vs external economic partner

Hegemony, oil & Asian regional politics (1)

- US hegemony
 - Impinges on China's SE and SW margins
 - Taiwan, Korea, Japan, India, ECS, SCS
 - 'Pivot' to Asia; base at Darwin
 - Gives China 3 energy security dilemmas:
 - Persian Gulf dilemma
 - Malacca dilemma
 - Sovereignty dilemma (ECS and SCS)



Hegemony, oil & Asian regional politics (2)

- Tension between rhetoric and actions in all 3 dilemmas
 - Undermines multi-lateral approaches,
 - Including energy in EAS and NE Asia

4.

CONCLUSIONS

Conclusions

- Energy is critical to China's development
 - Serious energy governance challenges
- Internationalisation of China's energy policy:
 - Is driven by multiple actors and motives
 - Has affected China's foreign policy
 - Has changed perceptions of China
- Domestic considerations & sovereignty are key
- China has multiple (hedging) strategies:
 - Giving flexibility, but also creating risks & tensions
- China is part of the rise of state capitalism(?)

Normalised emissions 1980-2008

