Power and energy supply security

China has surpassed Japan to become the world’s second largest oil and gas consumer. It already consumes more grain and meat, coal and steel - three out of the four basic food, energy and industrial commodities - than the US. Consuming more of the fourth, oil, is only a matter of time.

In 2002, China and Russia completed a feasibility study for a Sino-Russian pipeline from Angarsk to Daqing. Construction was to begin in July 2003, the Japanese were also interested and offered Russia 14.5 billion USD worth of ‘subscriptions and gifts’ and 8 billion to invest in the Russian Far East oil and gas projects Sakhalin 1 and 2. In June 2003, the Russian Transneft Open Joint Stock Oil Transporting Co. proposed an alternative pipeline from Angarsk to Nakhodka.

In 2004, China and Russia extended to Daqing.

A key driver in China’s relations with terrorist-sponsoring governments is its dependence on foreign oil to fuel its economic development. This dependency is expected to increase every year. China is aware that its short-term energy security depends on cooperation with the US. But Chinese policy-makers also realize that the US seeks a dominant position in the Persian Gulf and is trying to contain China’s activities there. Therefore, China’s access to join Taiwan, trade relations and human rights as the key issues in US-China relations.

That one reason why China is turning toward the Caspian Sea. It must gain access to the region’s vast oil reserves to reduce its energy dependence on the Persian Gulf. And to do that, it must ensure political stability in the region’s five Central Asian republics (Kazakstan, Kyrgyzyan, Tadjikistan, Turkmenistan, Uzbekistan) and control US encroachment.

Geographically, the Caspian Sea is more accessible. Russia, Central Asia, and China share the Eurasian landmass, which makes overland oil and gas pipelines attractive options for energy transport. In 1997, under the government’s ‘Go West’ policy, the China National Petroleum Corporation promised to invest 9.5 billion USD in oil pipelines and oil fields. China’s national oil companies have begun to invest in Kazakstan, the only Central Asian country that exports oil to China, amounting to one per cent of total oil imports. Kazakh oil is transported by rail, but that will change after the completion of a 2,000-kilometer pipeline from Kazakstan’s central Karaganda region to western China. From there it will cross into the Aqtobe region to the Kengerai oil field, where Beijing has invested about 1.2 billion USD and which China and the Kazakh state oil and gas company have been modernizing since 1997. From there the pipeline will continue to the Caspian Sea.

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Future geopolitical scenario

Control of the production and transport of Persian Gulf and Caspian Sea oil and gas will determine the political and economic future not only of those two regions. Oil and gas have been the world’s primary source of energy, and thus for decades and are expected to account for approximately 70 per cent of global energy supply through 2020. According to the United States Energy Information Administration (EIA), global oil consumption will rise from 8 million barrels per day (bbl/d) in 2004 to 100 million bbl/d in 2015 to 120 million bbl/d in 2025. Experts are concerned that global oil production will be unable to meet this rapidly rising demand. Existing resources are decreasing, and new discoveries are disappointing. Major oil consumers will have to follow more aggressive policies to satisfy their oil needs and military intervention to safeguard oil production and export will become more likely. This will have enormous implications for global peace and security.

It is not yet clear whether the three main contending powers - the US, Russia and China - see each other as rivals, allies or combinations of the two. Russia and China claim a common interest in the Caspian Sea but until now have not acted in common. The US will use political, economic, and perhaps military pressure to expand its influence and remove any obstacles to the safe flow of oil. Russia and China are unable to compete with the US military and will avoid a direct confrontation with Washington, but they will ally with local powers to defend their regional interests. The nightmare for all three powers is an alliance of the other two; the worst-case scenario for the world would be direct confrontation.

For further reading


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