



Title – China in context of Global Energy Abundance and Geopolitics

Chair: Aravind Yelery

Speaker: Siddharth Aryan

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Seminar Room, ICS

The seminar ‘China in Context of Global Energy Abundance and Geopolitics’ was chaired by Arvind Yelery, who introduced to us the problems faced by China. How China is worried about the changing dynamics and how China is trying to cope up with that and especially the reservoirs that Chinese have built when they had imported crude oil at higher rates and now they are trying to settle it down.

The speaker Siddharth Aryan began by giving us a historical context of the oil and gas industry, its evolution, the present scenario and how that has shaped discourses on how countries look at each other. First oil gas was drilled in 1854 in Poland followed by America in 1859 China's emergence as a global economic powerhouse has caused the world economy to become more oil intensive and energy policy to become a key component of China's foreign policy. Responsibility for the country's energy policy is split among various commissions and is further complicated by overlaps with social, industrial, local-central governmental relations, and geopolitical considerations. To the extent China's leadership succeeds in meeting these challenges, it will have major repercussions for the rest of the world, and in particular on China's relations with the United States. But conflict between the United States and China is far from inevitable, as long as the global price mechanism operates reasonably efficiently and Washington and Beijing can operate in partnership rather than rivalry. Past five years has witnessed an unprecedented transformation in global energy markets as assumptions about “peak oil” and ever-deepening scarcity have been washed away in a flood of new production and projects. Looked at from a North American perspective, by far the most significant component of this revolution has been the technological leap that enabled the combination of horizontal drilling, which allows for the penetration of bands of shale deep underground and hydraulic fracturing, which injects high-pressure fluid that

releases gas and oil from the rock formations. As a result, U.S. liquids production rose between 2012 and 2014 by roughly a million barrels per day each year. The United States has been the most obvious beneficiary, both economically and geopolitically, of the energy revolution so far.

The decade between 2003 and 2013 saw two long oil price increases, interrupted by the collapse of late 2008 and early 2009 driven by the global financial crisis. During the first decade of this century China's oil demand doubled to over 9 million bpd, an annual growth rate of some 8%. China, by itself, accounted for more than one-half of the total global oil demand growth during that period. At the same time, Chinese energy firms intensified their aggressive efforts to secure and develop overseas energy resources. Chinese growth on the demand side and the increasingly competitive search for what were then perceived as scarce new carbon-based energy resources were accompanied by the perception of high levels of political risk in the Middle East, be it the war and its aftermath in Iraq or the later political revolutions in the Arab world. Collectively, these developments combined to drive energy prices into triple-digit range both in 2008 and to keep them there between 2011 and 2014.

As US production surged to 9 million barrels a day, a bedrock belief among oil forecasters was that China's voracious appetite for fossil fuels would stoke global energy demand for decades to come. That assumption now appears increasingly shaky. The rapid deceleration in Chinese demand was a surprise, slowing energy demand growth proved to be destabilizing. The glut in the supply led to a rapid fall of Crude prices that changed China's outward strategy.

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