

Power-Hungry China

The International Consequences of China's Quest for Energy

The Middle East, the oil baron of the world, is the region on everyone's mind today when it comes to energy policy. Too little attention, however, has been paid to power-hungry China, where economic expansion, a burgeoning car craze, population growth, and strained power generation have resulted in rolling blackouts across the country and unleashed a newfound hunger for energy supplies, especially oil.

At present, the vast majority of China's energy supply comes from coal. Mush-

rooming mining towns, a specter from early American history, are springing up across China's landscape with a vengeance. In 1949, China had just over 300 developed mines. By 2002, the government counted 489 large mines, 1,025 medium mines, and over 140,000 small mines under development. China has cherry-picked from the pool of modern drilling technology in the hopes of producing an energy boom.

"In the past 50-odd years, China has made great progress in its use of geophysical exploration, geo-chemical exploration,

remote sensing, drilling and tunneling technologies, laboratory test and computer technology for mineral resource prospecting,” the Chinese government said in a report released in December 2003. “It has raised the scientific and technological level of its mineral resources exploration.”

While China would like to depend “mainly on the exploitation of its own mineral resources” to meet the needs of its “modernization program,” according to the Information Office of the State Council, there remains “a fairly large gap” between the country’s energy demands and its domestic supplies of oil, natural gas, coal, clean coal, and coalbed methane.

Twenty-two of China’s 29 provinces and regions were hit by blackouts in 2003, ten more than the previous year. “Last year, Chinese power use rose 15 percent to a record 1.908 trillion kilowatt-hours as the economy grew at its fastest pace in six years,” according to the *International Herald Tribune*. In February 2004, the Chinese government announced it would invest roughly \$24 billion in new power plants that would generate three times the electricity used by New York City. “I don’t know of another country besides China that’s adding more generating capacity in a single year,” said Hao Weiping, an official at the National Development Reform Commission.

China’s oil industry is also producing at record levels. According to an account published in *Fortune* magazine in February, “Daqing, China’s largest oilfield, is a sprawling state-run colossus: 90,000 workers tending 50,000 wells linked by a maze of pipelines and storage tanks across an 800-square-mile expanse in the northeastern corner of the country. In the city of Daqing itself, hundreds of rusting pumps bob methodically—beside government office buildings, behind restaurants and

karaoke bars, and in the midst of dingy housing blocks.”

Thanks to a booming oil industry, China is now the world’s fifth-largest producer of crude oil. But growing production still isn’t enough to keep up with growing demand. China is set to become the second-largest consumer of oil in 2004, behind only the United States. Last year, China consumed an average of 5.46 million barrels of oil per day, forcing the country to import \$16.5 billion worth of refined oil products—roughly a 30 percent increase over the previous year.

Late in 2003 the government also announced plans to develop four “strategic oil reserve” sites capable of holding 75 days worth of oil, mirroring the U.S. underground reserves stored in salt caverns along the Gulf of Mexico.

At present, roughly four-fifths of China’s oil imports come from the Middle East—a fact that worries American lawmakers and Chinese officials alike, albeit for very different reasons. “By 2015 ... three-quarters of the Gulf’s oil will go to Asia, chiefly to China,” said Rep. John Conyers, a Michigan Democrat (quoting *Mother Jones*). “China’s growing dependence on the Gulf could cause it to develop closer military and political ties with countries such as Iran and Iraq.”

But the real fights of the future may involve the search for expanded oil resources outside the Middle East. China knows it needs to reach into its own territories, out into the seas, and out to neighbors in the hopes of scoring more of the world’s precious oil from less volatile areas of the world. “China, the United States, Japan, Europe and, increasingly, India—all growing leery of dependence on the volatile Middle East—are elbowing each other in a rush to nontraditional oil

sources in West Africa, the Caspian Sea, Russia, South America and elsewhere,” according to the Associated Press. The dueling aims of the United States and China may have placed the two countries on a collision course over oil supplies, with implications far beyond the energy sector.

“Interestingly, the three African countries visited by President Hu Jintao in late January and early February—Egypt, Gabon and Algeria—are all oil-exporting states,” according to the *Singapore Business Times*. “The trip’s main purpose was to secure oil sources and to build up energy relationships with those countries.” China has signed agreements with France’s Total Gabon oil company to ship Gabonese oil to China, and China has invested hundreds of millions of dollars in refineries in Algeria in the past year.

The race for international energy supplies will create a new series of energy alliances and new twists on existing ones. What this means for geopolitics and American interests in the years ahead is an open question—one of great strategic, economic, and ethical significance. As the *Singapore Business Times* recently observed: “The Chinese realize that they are late arrivals while the U.S. already has secured its sources of oil, primarily in Saudi Arabia. China therefore feels that it has to compete aggressively with the U.S. and Europe, and is willing to take the oil wherever it can be found. While Western countries are sensitive to dealing with governments suspected of proliferation or of human rights violations, the Chinese are not deterred by such inhibitions.”