

# China and Middle East Energy

## International Markets and Foreign Policy

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Energy Studies Institute , NUS -- Singapore, 10-11 March 2011

# Main messages

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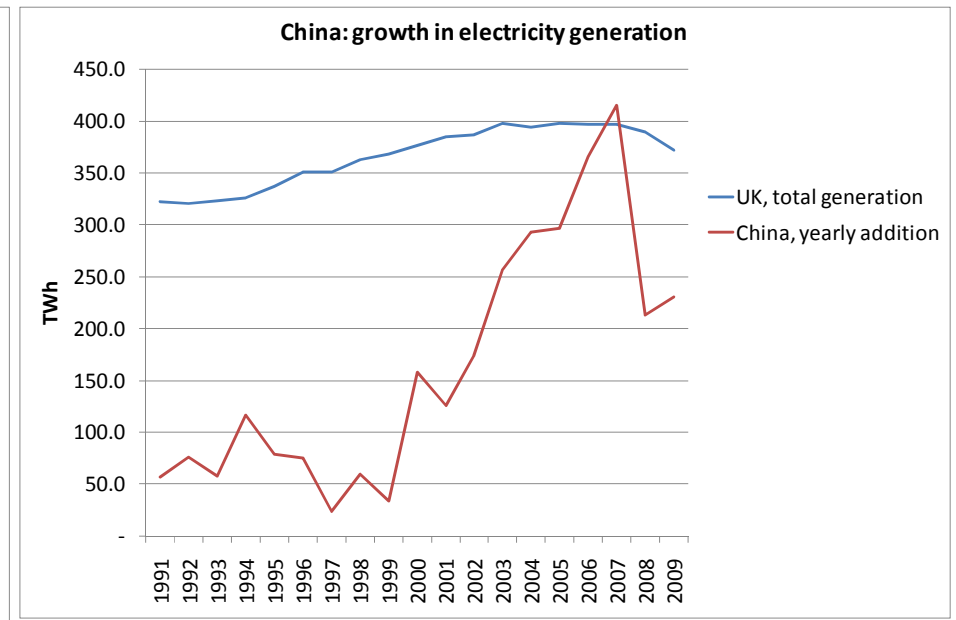
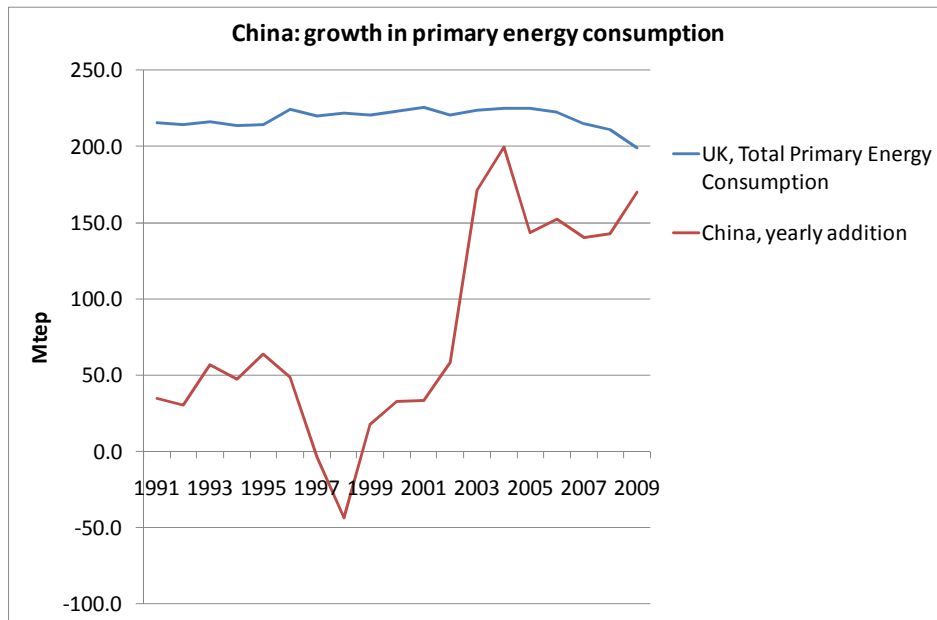
- China's Middle East policy probably does not contribute to China's energy security
- However, the future of Middle Eastern and Asian security will impact China's energy supply security
- China-US relations may be more important than China-Middle East relations

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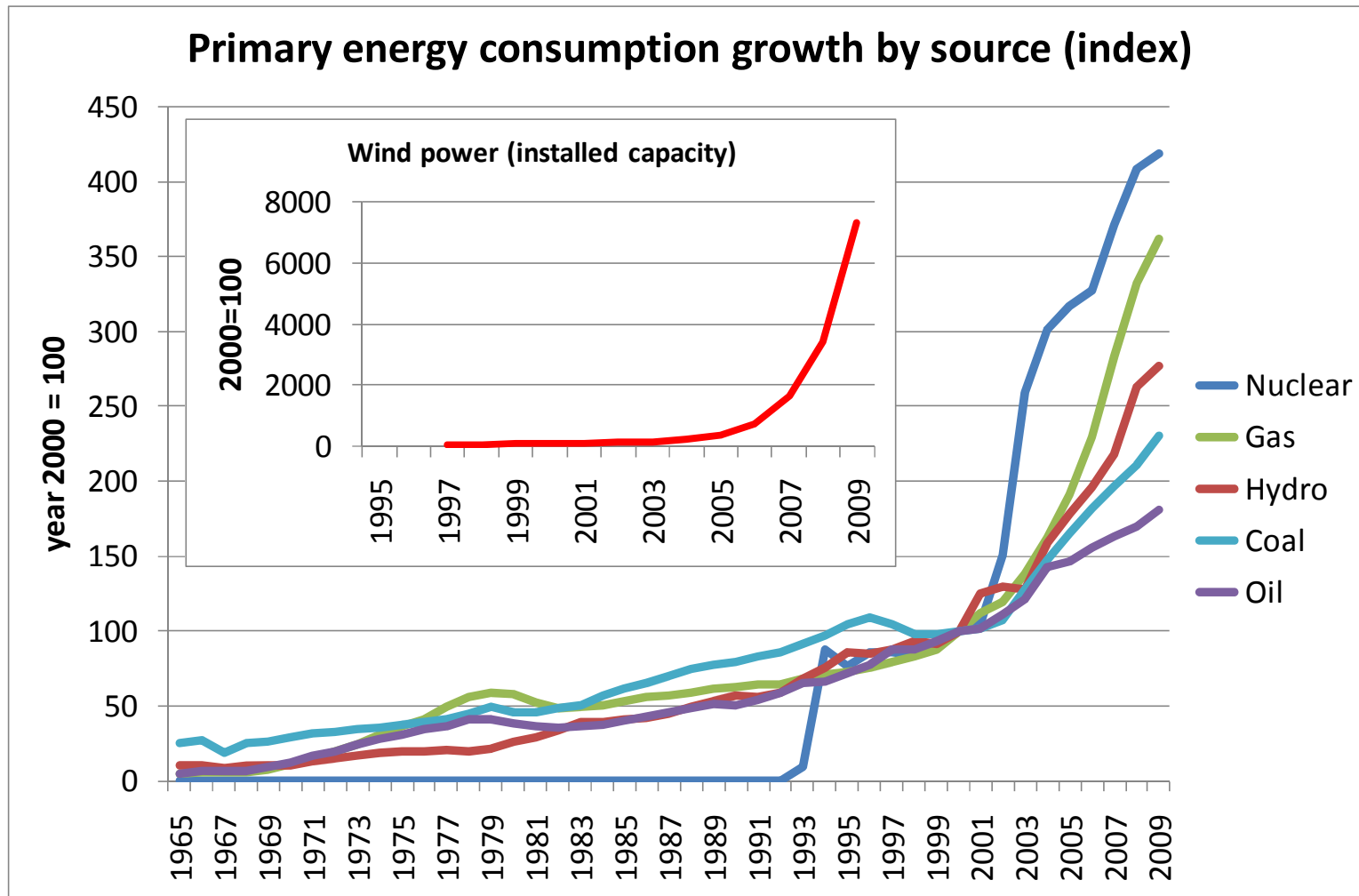
- Growth in energy consumption
- Growth in oil and gas imports
- Relevance of the Middle East for China
- The Middle East and the global oil market
- Middle East security and oil market security
- Conclusion

# Each year, another UK



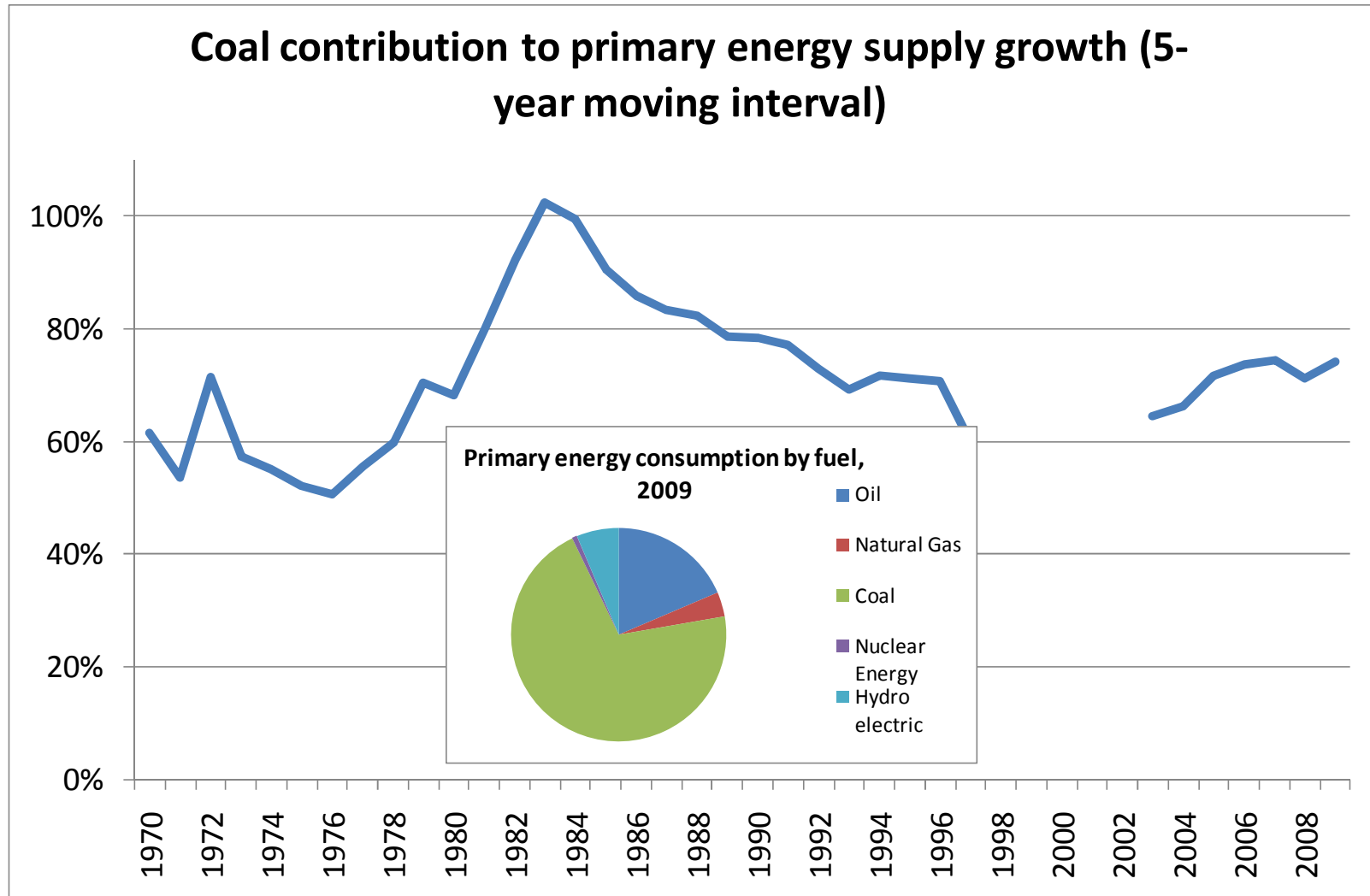
Data source: BP Statistical Review, 2010

# Everything up...



Data source: BP Statistical Review, 2010

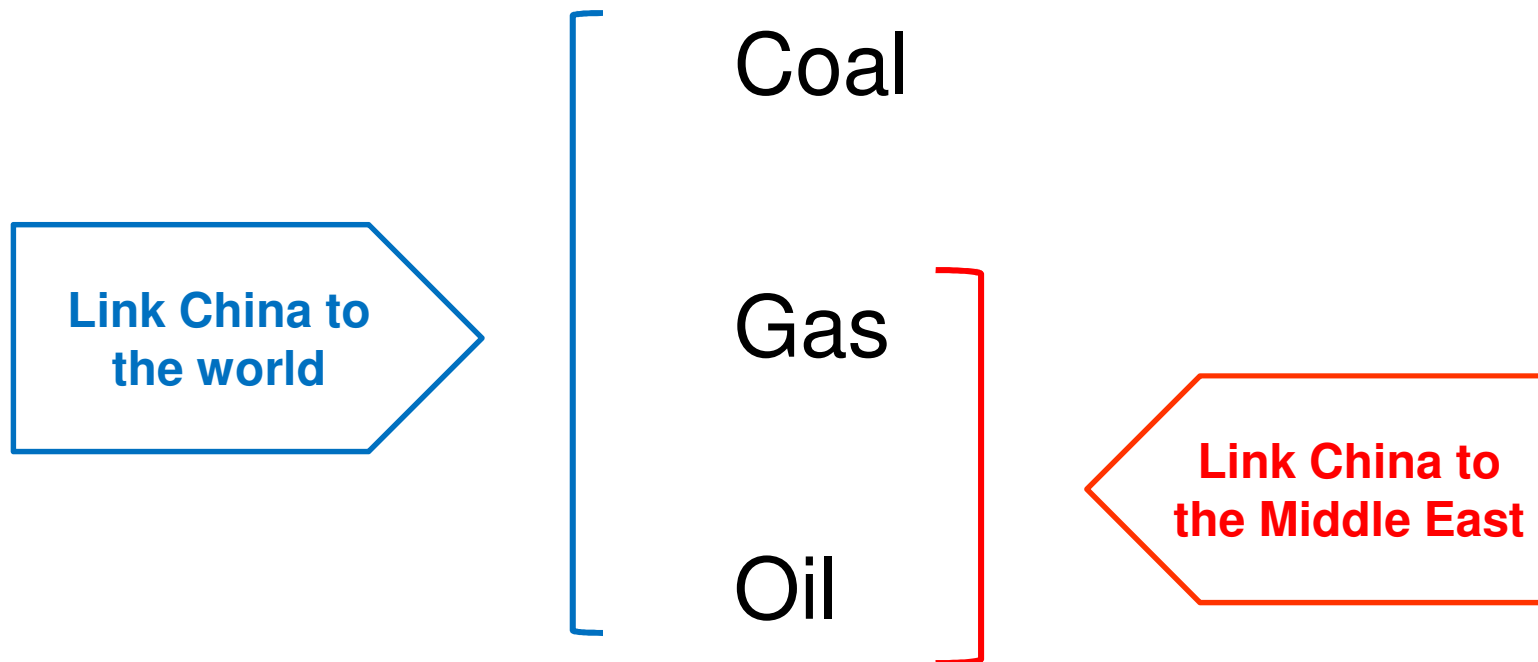
# but King Coal still rules China



Data source: BP Statistical Review, 2010

# China and world energy markets

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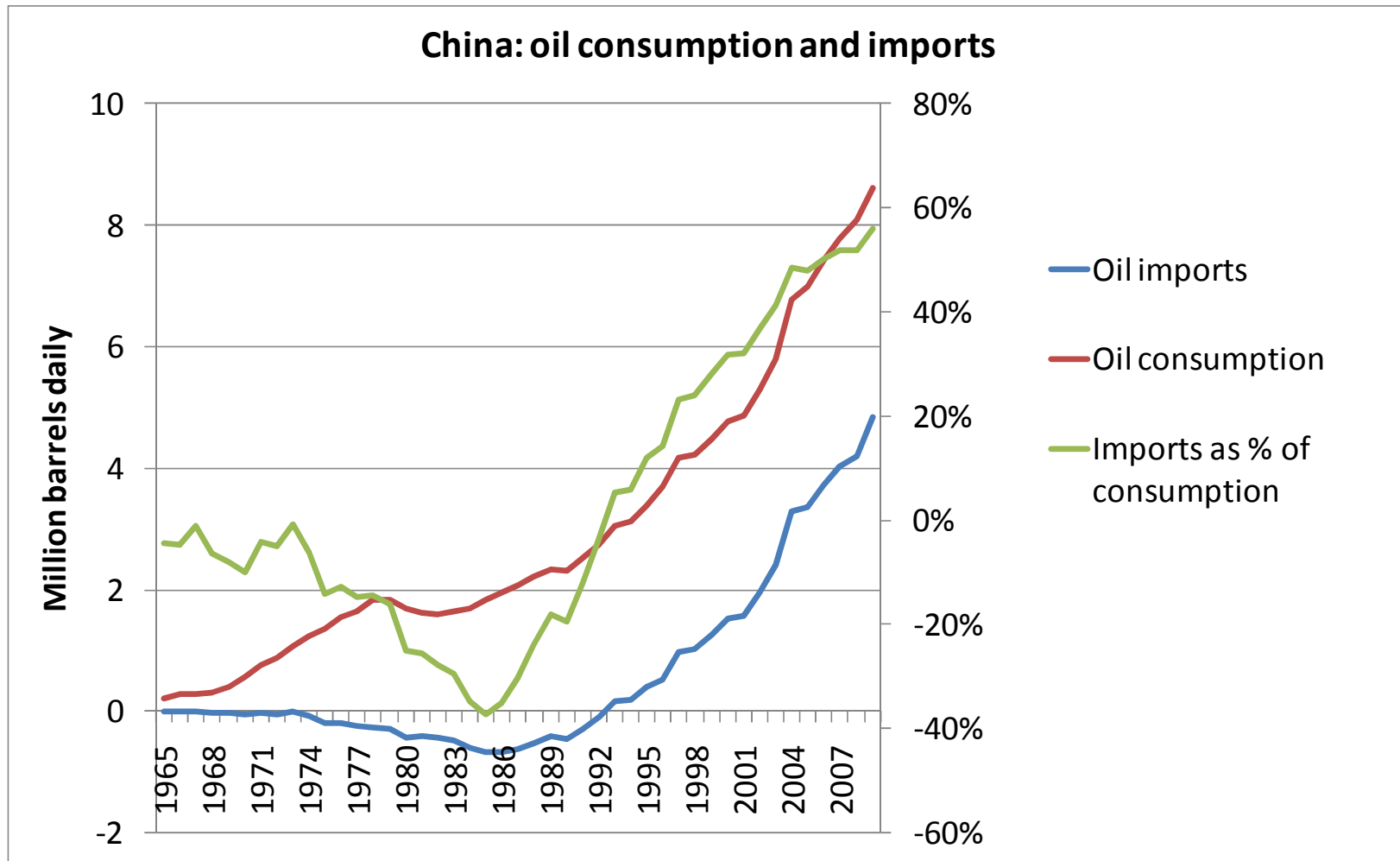
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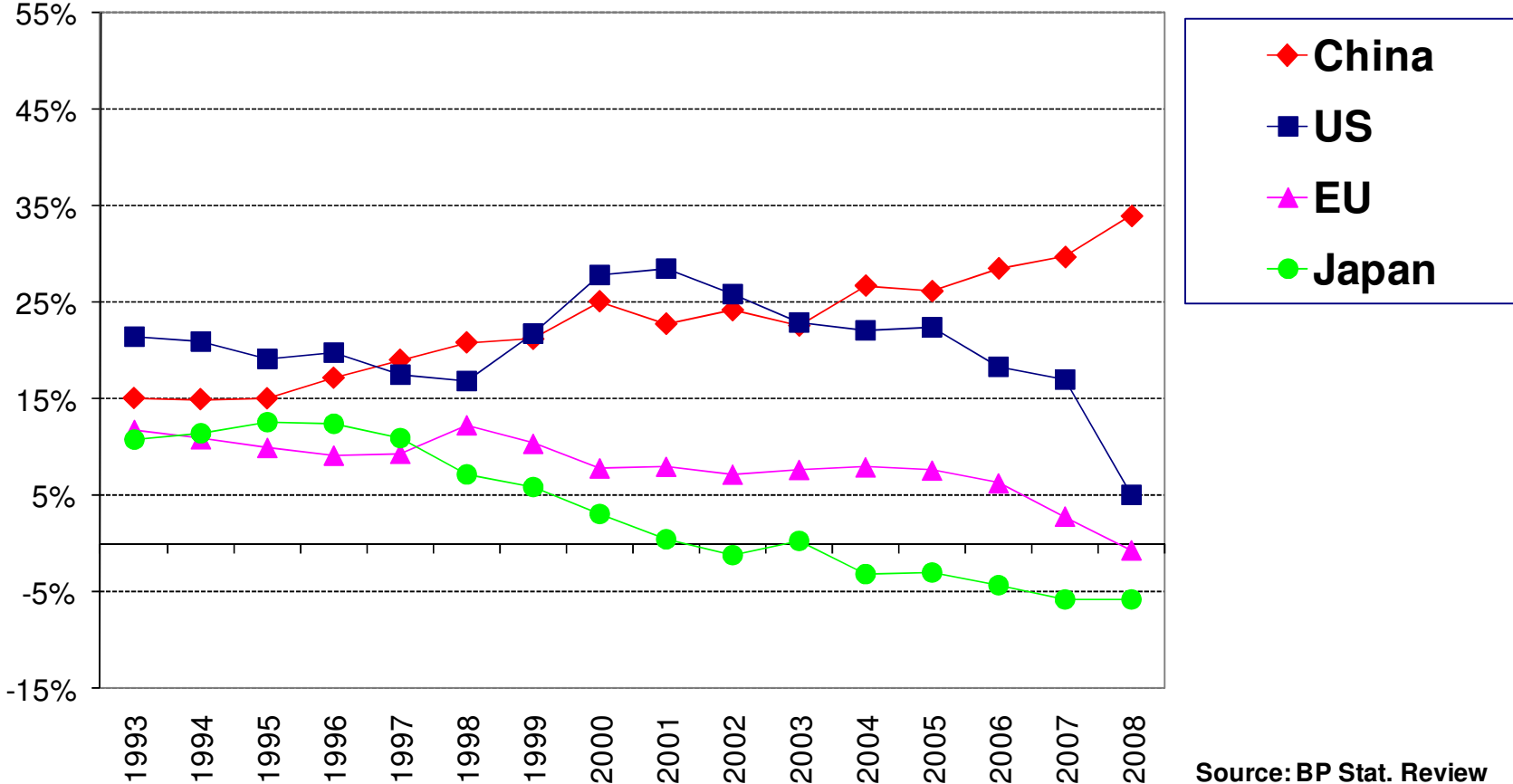
# Booming oil demand and imports



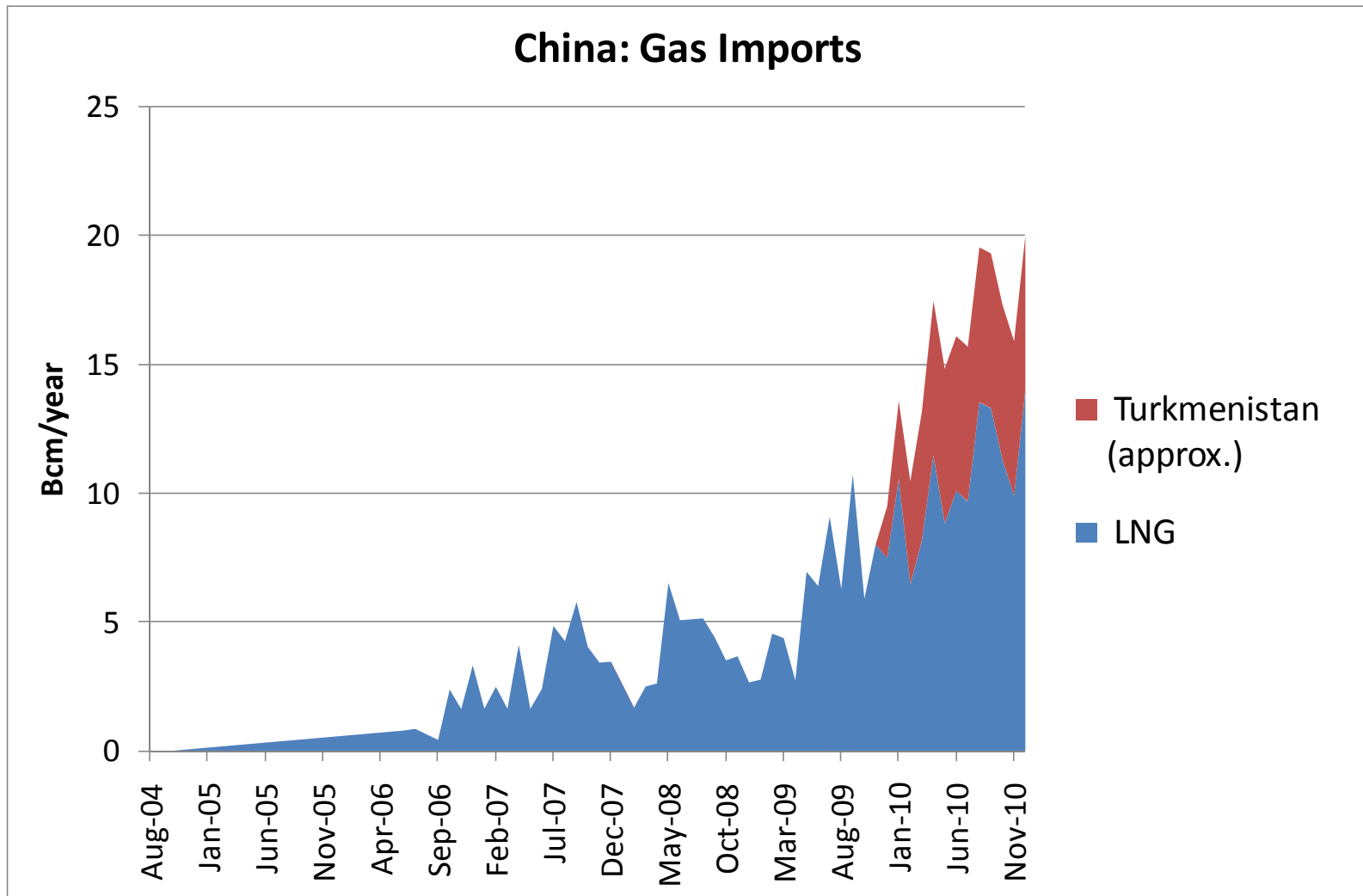
Data source: BP Statistical Review 2010

# China is a key driver of oil demand growth

Contribution to world oil demand growth (10 year sliding period)



# Booming gas imports



Data source: Poten Partners (LNG); CNPC (Turkmenistan)

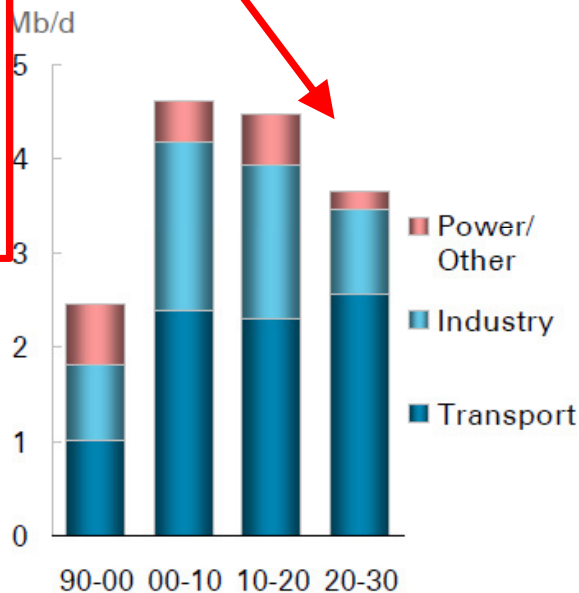
# China: oil in 2030 (BP projection)

**China oil consumption doubles by 2030 to 17.5 Mbd – Imports nearly triple**

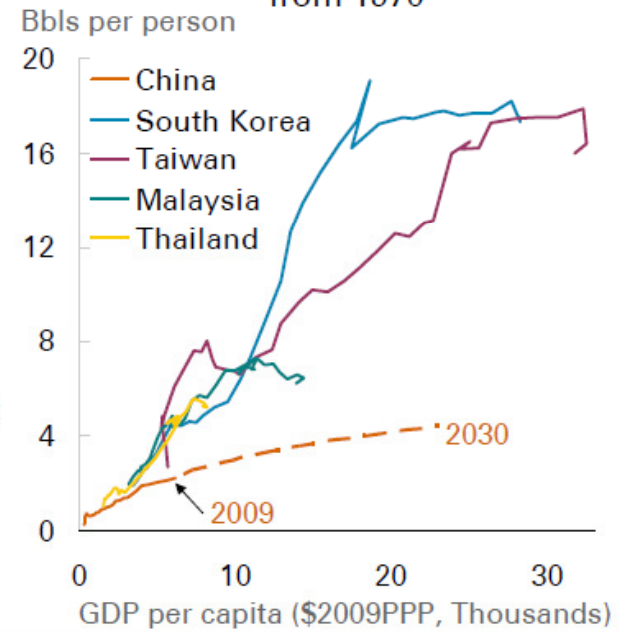
China remains a key component of oil consumption growth...



China's liquids demand growth



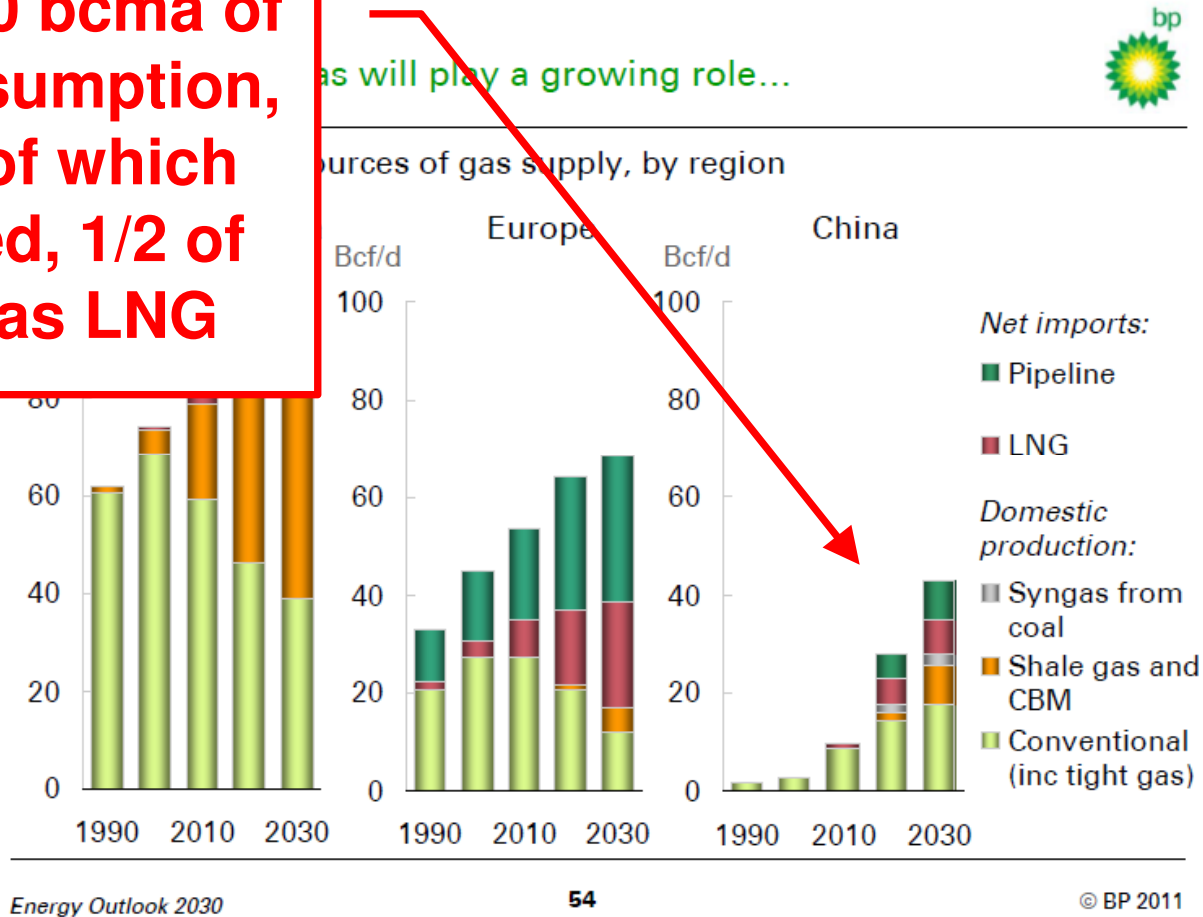
Liquids demand per capita from 1970



Source: slide from "BP Energy Outlook to 2030", 2011

# China: gas in 2030 (BP projection)

**2030: 430 bcma of gas consumption, a 1/3<sup>rd</sup> of which imported, 1/2 of which as LNG**



Source: slide from "BP Energy Outlook to 2030", 2011

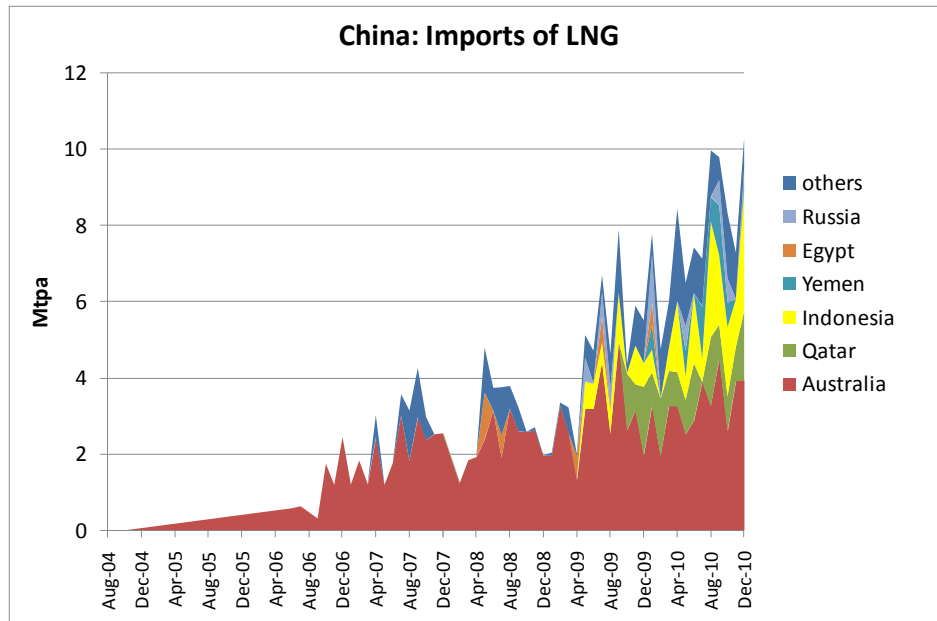
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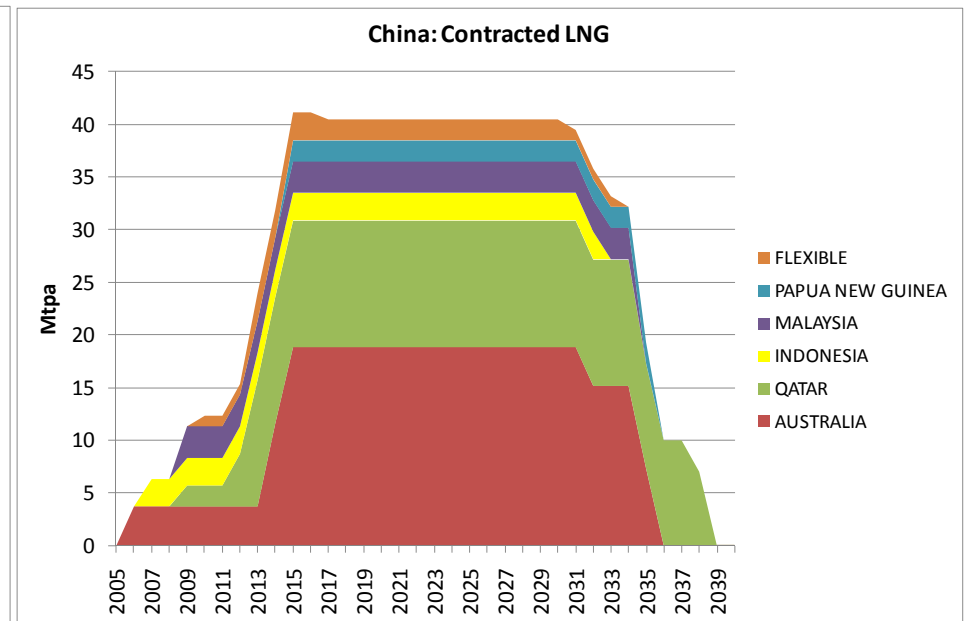
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# Gas: Middle East faces competition

from other LNG suppliers, piped imports, and Chinese production incl. non-conventional gas



Data source: Poten Partners

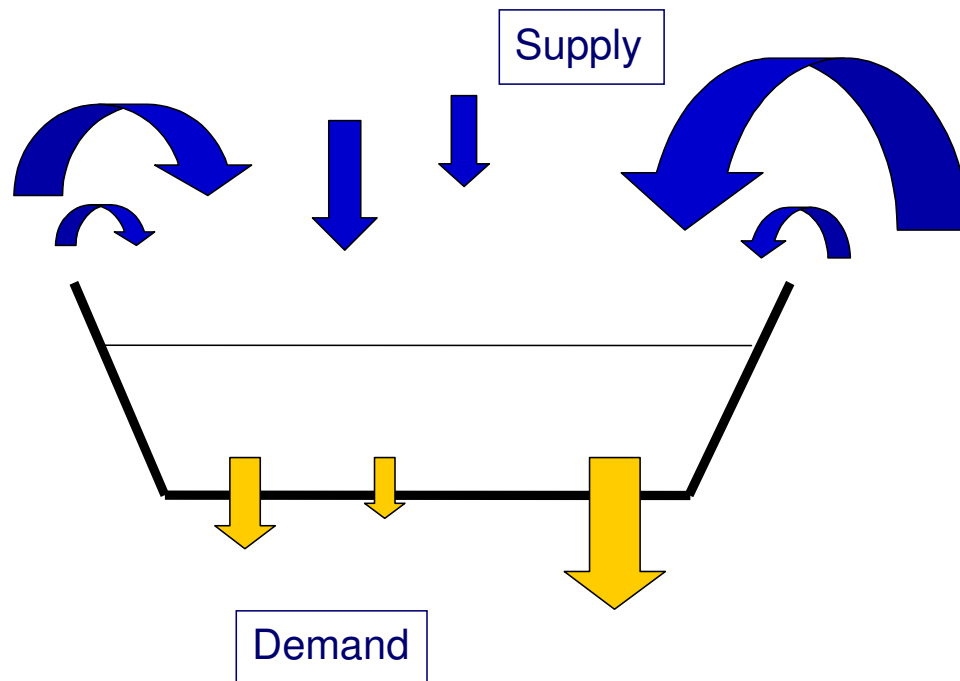


Data source: Bloomberg LNG Contract Database

Qatar may need China more than  
China needs Qatar

# Oil: the market is globally integrated

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## Three key implications

1. No need to 'access' ME oil
2. China depends on the global market – and crucial sea lanes
3. Disruptions in ME exports are felt by all consumers

## Two key issues

1. World dependence on the Middle East
2. Security of the Middle East and sea lanes



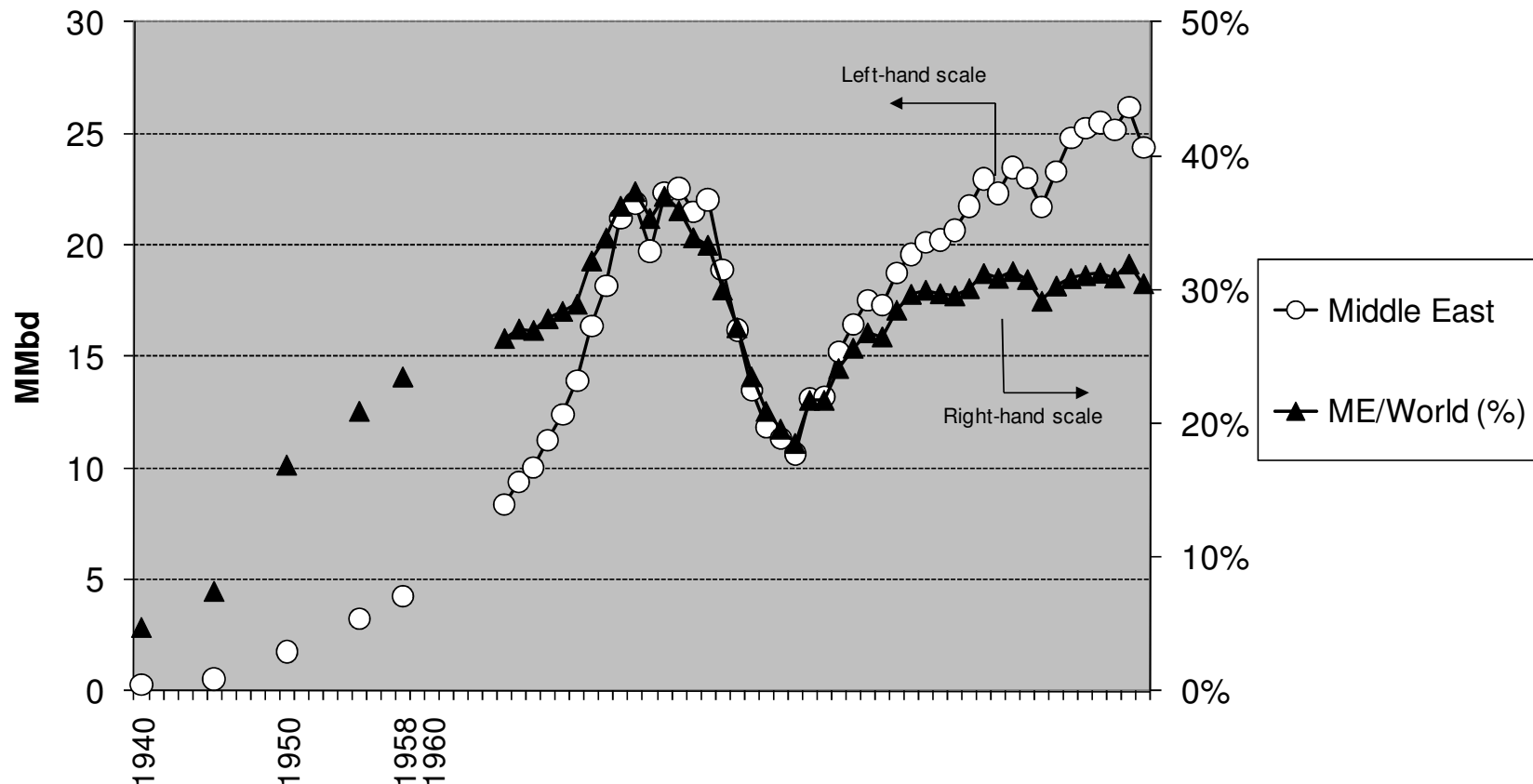
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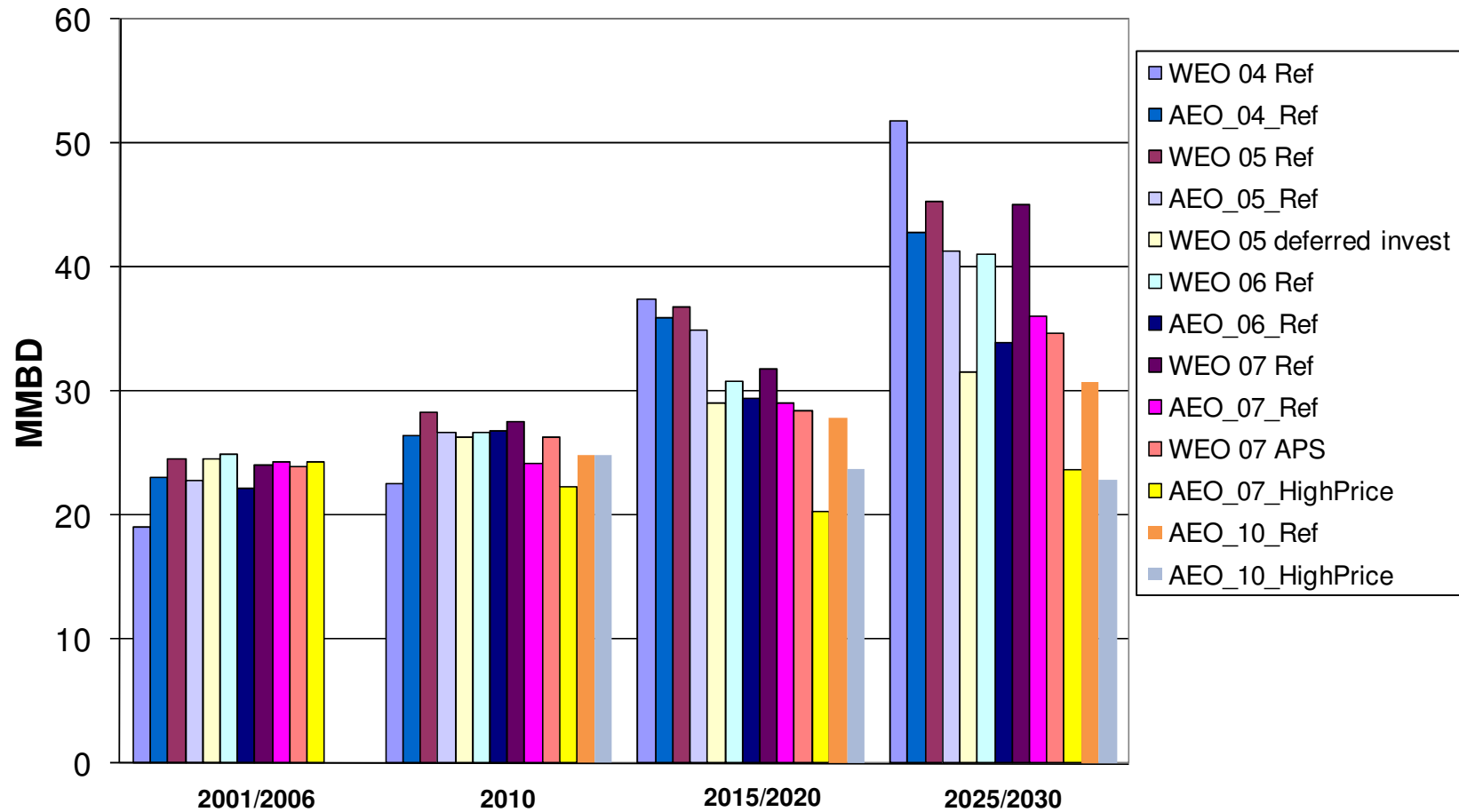
# World dependence on ME oil is not growing

Middle East Oil Production, 1940-2009



Sources: American Petroleum Institute, "Petroleum Facts & Figures", 1958 ; BP Statistical Review of World Energy, 2010

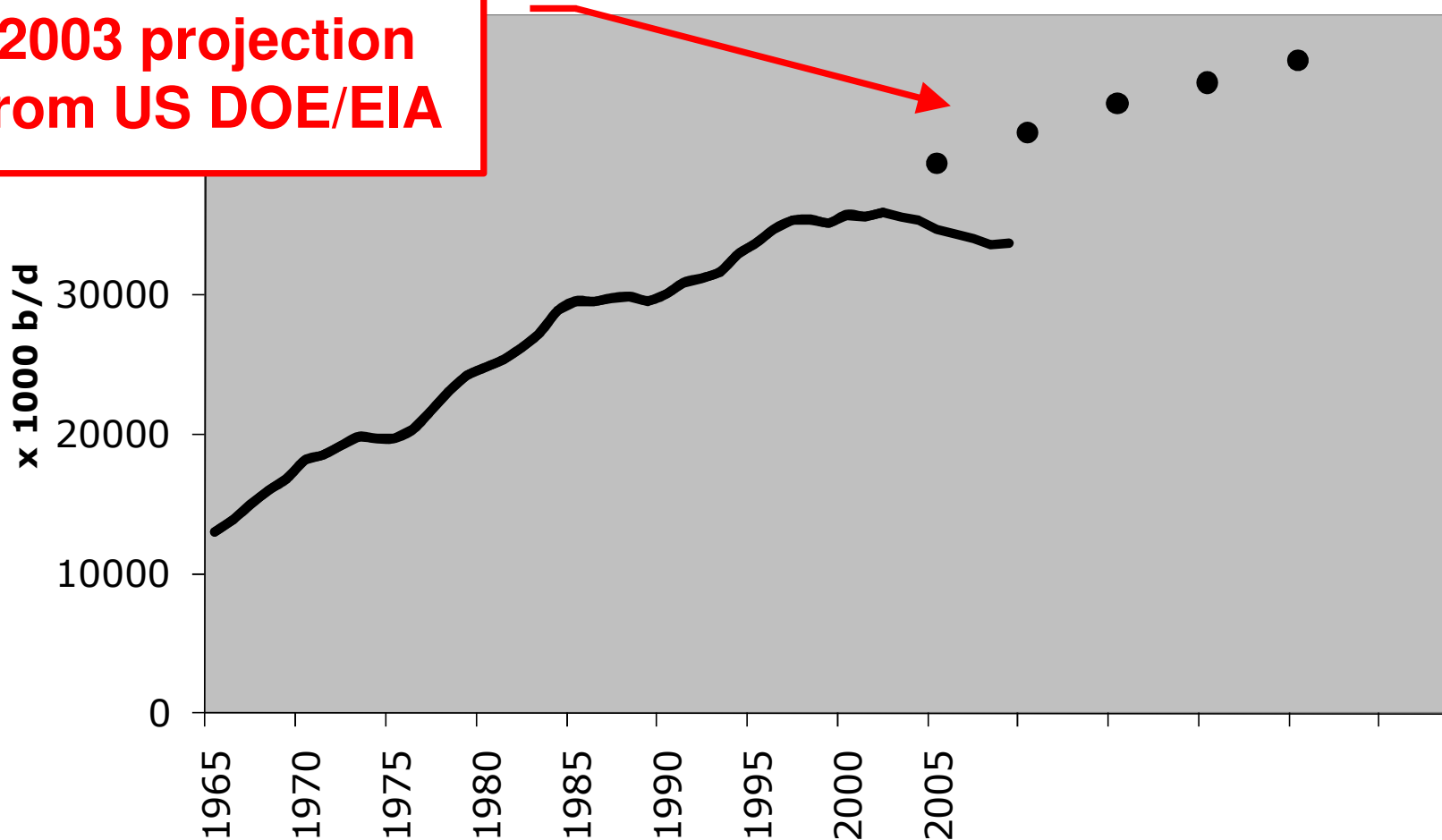
# and may not grow significantly in the future



Data sources: IEA & DOE/EIA, various years

# However, non-OPEC non-FSU has peaked

**2003 projection  
from US DOE/EIA**

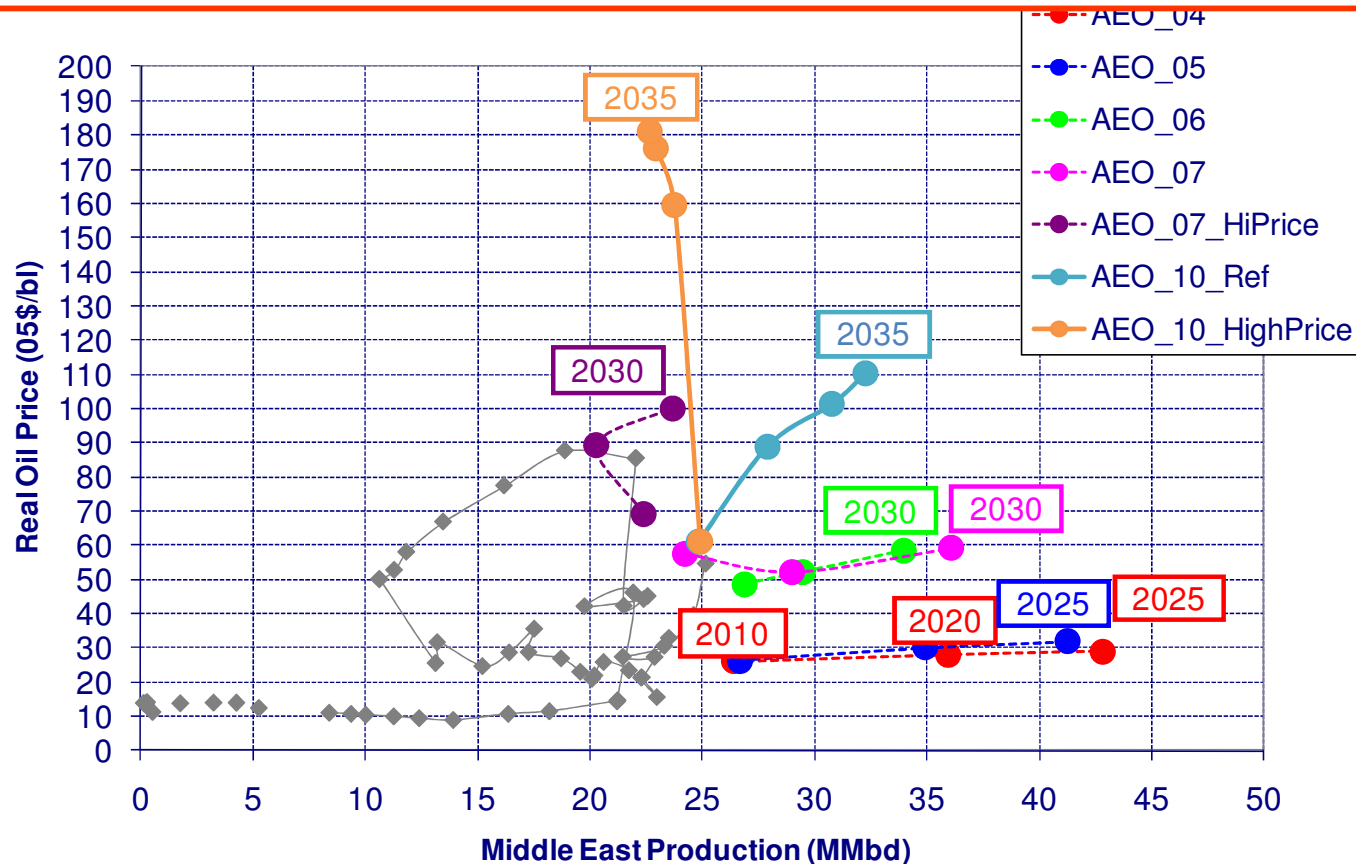


Sources: BP SRWE 2010; EIA IEO 2003 (Reference case)

Data sources:

...which means the price will be higher

Can China make Middle East producers produce and export more? Probably not.



Data sources: DOE/EIA, Annual Energy Outlook, various years

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# Securing the oil market

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- Security of the Middle East (esp. Saudi Arabia)
- Security of the export sea lanes, especially towards Asia
- For now, mostly American-led 'responsibility'
- China does not *need* to play a role in securing the market – *but it is inconceivable that it will not*
- Can world oil security become a US-China responsibility?
- Future of global (and especially Asian) oil security depends on future Middle East security architecture, and US-China security co-operation in Asia
- One can be optimistic, or not...

# Conclusion

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China's energy security may depend more on



than

