China’s Global Energy Deals: Different Actors, Different Interests

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Main Points

- What’s good for Chinese firms is not always good for the Chinese government
- Sometimes, the tail wags the dog
- State financial support for China’s oil companies has yielded mixed results
Overseas upstream investments are working for China’s NOCs...

- External investments help meet some corporate goals:
  - Grow reserves and production
  - Become global players
- And are aimed at achieving others:
  - Acquire new capacities (deepwater, LNG supply chain, unconventionals)
...but not for national energy security

- 海外找油：即没赚油也没赚钱 (01/04/2012)
  “Overseas search for oil: neither oil nor money earned”
- Recognition in China that NOCs’ external investments are not enhancing China’s energy supply security
- Most overseas equity barrels not sent to China
- NOCs are losing money on external investments
- So, why are they supported by Beijing?
Sometimes, the tail wags the dog

- The Chinese government encourages external investments, but...
- China’s energy and mining firms are good at playing the “resource security” card
  - Link parochial to national interests in a bid for diplomatic and financial support
- The firms occasionally take the government to places it would rather not be
  - Investments often create diplomatic challenges
  - Diplomats called on to clean up the mess
State financial support has yielded mixed results

- China Development Bank (CDB) has extended energy-backed loans of $85 billion+ since 2008
- Some successes in China’s near abroad
  - Russia: ESPO pipeline spur to China
  - Turkmenistan: South Yolotan role for CNPC
- Loans have not yet helped China’s NOCs acquire upstream assets
“Loans–for–energy” deals not just about energy security

- Different participants had different motivations
  - State Council
    - Energy supply security
    - Export diversification
  - CDB
    - Expand global business portfolio
    - Maintain privileged position in banking system
  - NOCs
    - Upstream assets
    - Discounted oil and natural gas supplies (in some deals)