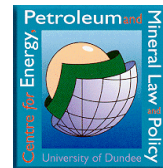


China's energy role in the Middle East and prospect for the future

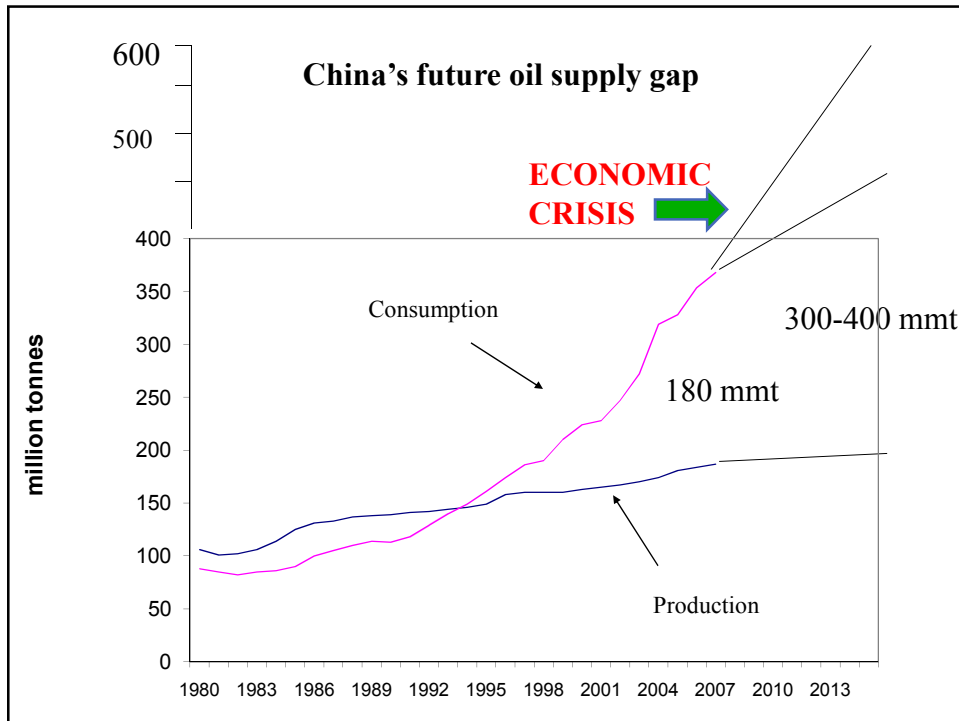
Philip Andrews-Speed

Centre for Energy, Petroleum and
Mineral Law and Policy,
University of Dundee

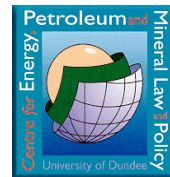


Structure

- What is China's energy role in the Middle East?
- What is driving this engagement?
- What may determine future developments?



Key elements of oil strategy



Domestic

- Maximise production
- Maximise refining
- Build pipelines
- Ports/shipping
- Build storage
- Coal to liquids, biofuels
- Fuel consumption standards

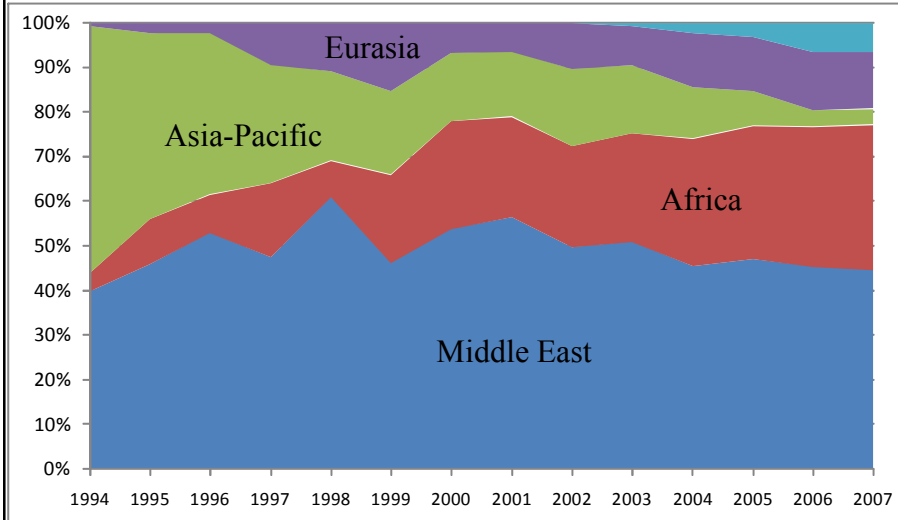
BUT

- Encouraging private road transport
- Fuel pricing/tax
- Agricultural sector

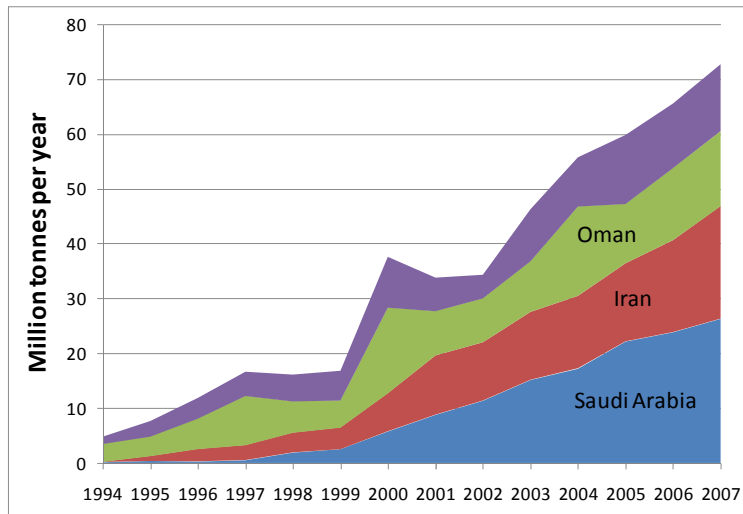
Overseas

- Diversify imports
 - Maximise crude imports of product imports
 - Long-term contracts/relationships
 - Overland import (pipe/rail)
- Overseas investment
 - Exploration & production
 - Refining
- Oilfield services & construction
- Inward investment from foreign NOCs
- 'Loans for oil'

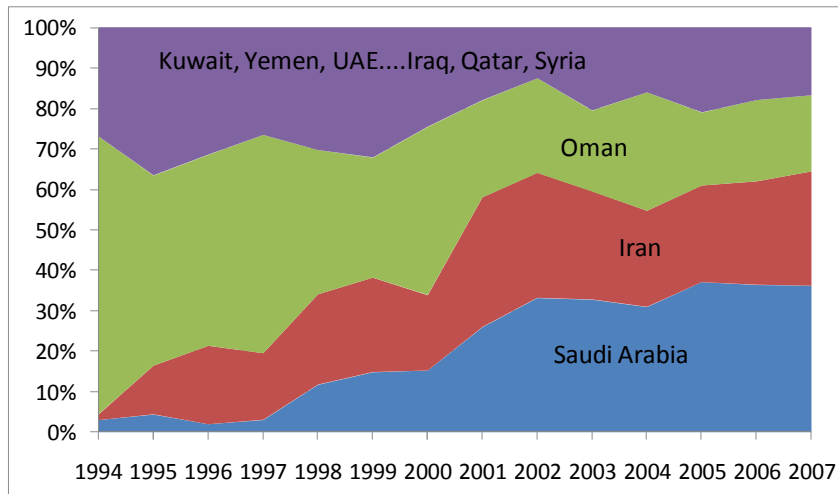
Sources of China's crude oil imports



China's oil imports from the Middle East



China's oil imports from the Middle East



China's international oil and gas investments

FSU	MENA	SSA	E, S & SE Asia/Aust	Americas
Azerbaijan	Algeria*	Angola*	Australia*	Bolivia
Kazakhstan*	Chad	Congo	East Timor	Brazil*
Kyrgyzstan	Egypt	Cote D'Ivoire	Indonesia*	Canada
Russia*	Iraq*	Equatorial Guinea	Mongolia	Colombia
Turkmenistan*	Iran*	Ethiopia	Myanmar	Costa Rica
Uzbekistan	Kuwait	Gabon	Pakistan	Cuba
	Libya	Kenya	Papua New Guinea	Ecuador
	Mali	Madagascar	Philippines	Peru
	Mauritania	Mozambique	Taiwan	USA
	Morocco	Nigeria*	Thailand	Venezuela*
	Niger	Sao Tome	Vietnam	
	Oman	Sudan*		
	Saudi Arabia	Tanzania		
	Somalia			
	Syria			
	Tunisia			
	UAE			
	Yemen			

China-Middle East oil & gas investments

CHINA'S INVESTMENTS IN THE MIDDLE EAST

- Large (upstream) projects in countries with large reserves
 - Iran + Iraq, Saudi , Kuwait, UAE
 - Secure:
 - Iran: Yadavaran
 - Iraq: Al-Ahdab
 - Iran: S and N Pars
- Smaller projects in countries with less reserves
 - Oman, Yemen, Syria

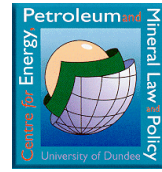
MIDDLE EAST INVESTMENTS IN CHINA

- Mainly Saudi Arabia & Kuwait
- Refining & petrochemicals

Overseas investment: Objectives

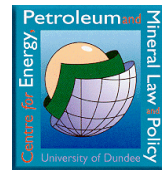
China's government	Host government
Energy Policy: "security of supply" Industrial policy: pillar industries Social policy: employment Financial policy: forex and tax Foreign policy	Energy policy: investment (?embargoed) Oil exports: market guarantees Economic policy: investment/aid Resource policy: regaining control Industrial policy: diversify investors Foreign policy: anti-West/USA
China's NOC	Host NOC
Reserves growth Profits Vertical integration Survival International ambitions Avoid price controls	Funds: investment, loans Cheap(er) oil field services Access to opportunities in China Vertical integration

Constraints: exogenous



- Global/regional trends and events
 - Political stability in the Middle East
 - Actions of outside parties in the Middle East
 - Changes in relations between China and the West concerning the Middle East
- Iran and Iraq as ‘test cases’
 - Tension between
 - China’s desire to ‘balance’ the USA
 - its desire to maintain effective working relations with the USA

Constraints: endogenous



- Host government – Chinese government
 - Deteriorating diplomatic/economic relations
- Host government - Chinese NOC
 - Change of government
 - Reluctance to be over-dependent on China
 - Poor performance of Chinese NOC
 - Poor/deteriorating investment conditions for China’s NOCs
- Host NOC - Chinese NOC
 - Diverging commercial objectives
- Chinese government - Chinese NOC
 - Financial losses by Chinese NOCs
 - Damage to China’s reputation from NOC activities
 - Changes in China’s diplomatic priorities