Global Energy Security and Win-Win Efforts by China and the U.S.

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China’s Policies toward the Issue of Global Energy Security

China attaches great importance to the question of global energy security, maintaining that the proper handling of this issue concerns the interests of all countries and people and affects the future of human society.

China’s energy strategy can be summarized as follows: Give high priority to conservation, develop diverse energy resources, protect the environment, step up international cooperation for mutual benefit, and ensure the stable supply of economical and clean energy.

As a developing country, China, on its own, solved the problem of providing energy for 22 percent of the world's population. China is a major energy consumer, but China is also a major energy producer. Since the 1990s, China has met over 90 percent of its energy needs with domestic supply. China has rich coal reserves and two-thirds of its hydropower resources remain untapped. The development of nuclear, wind and bio-mass power in China has just started and there is great potential for expanding energy supply from domestic sources.

China's plan for its economic and social development between 2006 and 2010 calls for doubling the 2000-level per capita GDP while reducing by 20 percent the amount of energy consumption per unit of GDP used in 2005, by 2010. China will make proper use of the international energy market and strengthen win-win cooperation with other energy producers and consumers on the basis of equality and mutual benefit to jointly safeguard global energy security.

The energy issue is closely related to the economic and financial situation. In the face of the complicated changes in the current international economic environment, China has promptly adjusted its macroeconomic policy and made efforts to maintain stable and relatively rapid economic development. An important part of China’s macroeconomic policy adjustment is forming an organic combination between expanding domestic demand, promoting economic growth and structural adjustment, carrying out energy saving and emissions reduction, and ecological environmental protection, building a stable, economical, clean, and safe energy supply system, and using sustainable energy development to support sustainable economic and social development. Specific efforts include:

--Increasing energy conservation and reducing emission as well as increasing energy efficiency
--Adjusting the energy structure and increasing the security of the energy supply
--Addressing problems in the course of energy development by taking reform measures

The energy issue is a global issue. Accelerated economic globalization has intensified
interactions and links among various countries and regions. Every country has the right to fully develop energy resources to promote its development. But few countries can achieve energy security without joining international cooperative efforts. Against the backdrop of the international financial crisis and the uncertainties in regards to global energy security, the international community needs to increase dialogue and cooperation and take a comprehensive approach to address the problem. A new energy security concept should be developed and implemented, which features mutually beneficial cooperation, diversified forms of development and common energy security through coordination. Specific efforts could include: stabilizing the financial markets, maintaining economic growth and promoting the healthy development of the energy market, enhancing energy dialogue and cooperation while taking into account the interests of both energy producers and consumers, realizing globalization and diversification of energy supply and maintaining a reasonable energy price, ensuring security in international energy shipping routes and preventing geopolitical conflicts from disrupting energy supply, increasing exchange and cooperation in energy technology, professionals and management with a view to upgrading energy development, conservation capabilities and levels. The developed countries should increase their assistance to developing countries in both technology and funding.

China-U.S. Win-win Cooperation in Energy Security

The Sino-U.S. relationship has been transformed considerably over the past decade, becoming more interdependent in nature in recent years. Energy is one of the elements of strategic importance in determining how the interdependent bilateral relationship will proceed. It serves both sides’ interests to cope with common challengers in energy security.

China is the world’s largest developing country and is in a stage of fast economic growth. The U.S. is the world’s biggest developed country with advanced technologies and extensive experience in enhancing energy efficiency, developing clean energy, exploring and developing oil and gas resources, and preserving the environment. There is a broad scope for potential co-operation between China and the U.S. in energy and the environment. Stronger co-operation between the two countries in energy and the environment will enable China to respond better to energy and environmental issues and will also bring about tremendous business opportunities and handsome returns for American investors. The two countries should focus their cooperative efforts on energy, pollution reduction and protection of natural resources.

With regards to future Sino-U.S. energy cooperation, efforts should be made in four directions.
First, energy security should be placed high up on the agenda of Sino-U.S. cooperation as an issue of strategic importance. Neither country can hope to achieve much without the support of the other. In order to make the energy issue a cause for cooperation rather than an obstacle between the two countries, the two must narrow their differences and reduce distrust, managing mutual anxieties and reassuring each other in geo-strategic terms. A common agenda for energy cooperation in the bilateral relationship should be developed.

Second, given the important strategic common interest between the two countries, China and the U.S. should engage each other in serious policy dialogues on energy security issues. Mechanisms such as the Sino-American Energy Policy Dialogue (EPD) in the China-U.S. Strategic Dialogue (SED) framework should be used to increase mutual understanding of each other’s energy policies, programs, and priorities and help create a policy environment for Chinese national oil companies and U.S.-based international oil companies to conduct productive cooperation. In addition to consultation and co-ordination, the existing multilateral and bilateral dialogue mechanisms and exchange platforms could be used to conduct joint training and academic exchanges of technical personnel, promote exchanges among NGOs and build a database for energy and environmental information sharing for the benefit of the two sides.

Third, the two governments need to put in more effort toward producing concrete measures to advance Sino-U.S. energy cooperation and to ensure energy security for both countries in practical ways. The following issues could be addressed:

-- Both sides need to take more substantial steps toward facilitating cooperation in developing clean sources of energy and energy efficiency. Companies from both sides could be encouraged to develop, share, and commercialize technology and to make the cooperation sustainable. Joint laboratories or research and development centers for energy and environmental protection technologies should be built. Efforts should be made to promote the development of platforms for engineering applications of technologies, experiment centers for industrial applications of technologies, and intermediate experiment centers for technologies. Priority should be given to the R&D of technologies for the efficient use of fossil fuels, energy conservation, environmental protection and development of renewable energy sources.

-- Both countries should continue to cooperate on how to address the challenge of climate change. The two should work together with other parties under the principle of “common but differentiated responsibilities” to ensure the success of the Copenhagen Conference scheduled at the end of 2009.

-- The two countries should act together to jointly formulate and implement fiscal, tax, financial and trade policies that encourage innovation and co-operation in, and transfer of,
energy-conserving and environmentally-friendly technologies. Efforts should be made to put in place and improve mechanisms for venture investment in high-tech start-ups in the fields of energy conservation and environmental protection, promotion of technology standards regimes in these areas, enhancement of intellectual property protection and implementation of government procurement policies that favor energy-efficient and environment-friendly products. The U.S. government and American companies should play a more positive role in helping China develop energy efficiency and green-energy technology.

Fourth, the two countries should work together to help maintain a sound political climate favorable to energy security and stability. Global peace and regional stability are critical to ensuring global energy security. The two countries should join hands to safeguard the stability of energy-producing countries and regions, the Middle East in particular, to ensure security in international energy shipping routes and to prevent geopolitical conflicts from disrupting energy supply.