

China's Presence in International Oil Markets

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When international politics, the world economy and other key issues are considered, any arguments that fail to cover China's presence make no sense now. This is the same case with energy and environmental problems. For example, China's primary energy consumption in 2009 totaled 2.18 billion tons oil equivalent, almost equal to the figure for the United States that is the largest energy consumer in the world. China's share of global primary energy consumption was the same as 20% for the United States. China was the second largest oil consumer and importer after the United States, accounting for 10% of global oil consumption and imports. It was the largest coal consumer, capturing a dominant 47% share of global coal consumption.

Changes in China's shares of energy consumption indicate a very rapid increase in China's presence. China's share of the global market rose from 10% in 2000 to 20% in 2009 for primary energy consumption, from 6% to 10% for oil consumption, and from 28% to 47% for coal consumption, demonstrating a steep expansion. Japan's share fell from 6% to 4% for primary energy consumption and from 7% to 5% for oil consumption, showing its declining presence in the global energy market. The substantial enhancement in China's presence has been backed up by the rapid expansion of its domestic energy market. The growth of China's domestic energy market has led to increases in energy import, aggressive resources acquisitions and diplomacy, and consolidation of its bargaining power at talks on energy and environmental problems.

Needless to say, high economic growth is the direct driving force for the substantial expansion of China's domestic energy market. Particularly from 2003 to 2007, China continued double-digit annual growth as the "factory for the world". In the meantime, income levels rose gradually. Particularly in coastal regions, "wealthy people" emerged. Although the Chinese economic growth slowed down in the wake of the 2008 Lehman Shock, its growth in 2009 came back to 9.1% thanks to a 4 trillion yuan economic stimulus package, indicating that China now serves as the driver of the world economy. China's economic growth and energy demand expansion

in 2009 marked a contrast with the OECD countries' negative economic growth and energy demand decline, pushing up China's presence in the world.

It has become a top priority and an urgent challenge for Middle Eastern oil producers, Russia and other energy resources exporters to enhance access and expand sales to the growing Chinese market. Whenever I exchanged views with experts in resource-rich countries in recent years, I was impressed with their strong interests in China's future. For resource-rich countries that have traditionally given strategic priority to European and U.S. markets, however, the enhancement of their access to China (and other emerging countries including India) may entail a kind of "a paradigm shift". Such changes in the area of energy issues are important from the standpoint of international political and economic relations, given that they may affect the balance of power among China, resource-rich countries, Europe and the United States.

For all industrial countries including Japan, strengthening of relations with China has become more and more important. Since Japan and China as energy consuming countries share the goal or challenge of international energy market stability in common, Japan must develop mutual understanding and cooperation with China in the area of promoting energy conservation, alternative and clean energy development, oil reserve system development, etc. The International Energy Agency has given a priority to the enhancement of cooperation with China as an indispensable challenge for the stabilization of international energy markets. This is a typical indication that strengthening ties with China has gained growing importance. It has become a matter of pressing concern for energy companies in industrial countries as well as non-industrial nations to approach the expanding Chinese energy market and find business opportunities there.

China's presence is significant not only for the stabilization of international energy markets for energy security but also for international discussions on the global warming issue. In 2009, China was the world's largest carbon dioxide emitter, accounting for 24% of global emissions. At a time when China is expected to inevitably expand carbon dioxide emissions further on its energy demand growth, the world is questioning if China as "a responsible power" would engage in global warming prevention measures that would serve global interests.

Meanwhile, we should also pay attention to various problems and uncertainties with regard to sustainability of China's growth. They include fears of asset bubbles amid economic overheating, pressures on China to reevaluate the yuan, and the future course of the yuan revaluation, growing upward pressures on wages, urban-rural gaps, minority races and the aging population.

How will China with these domestic problems address global problems after increasing its

presence in the international arena? How will China's strategies, policies and actual actions cope with these problems? How will the world, including Japan, face, respond to and cooperate with China? These questions represent inescapable challenges for the key global problems in the 21st century including energy and environmental problems.

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