

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

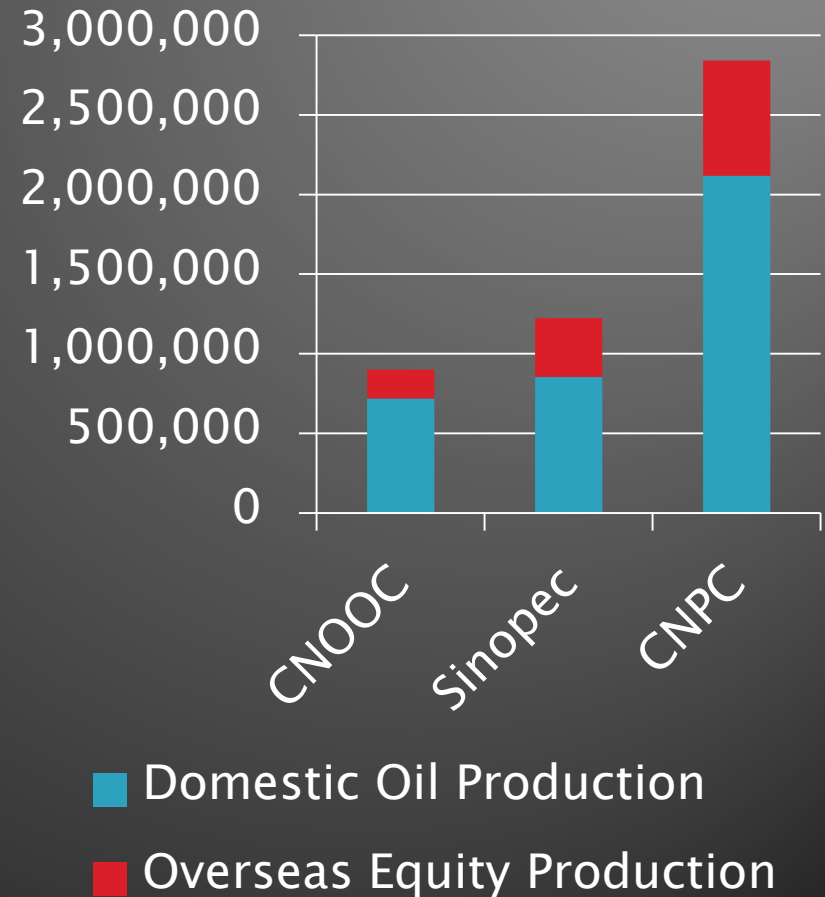
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Main Points

- ▶ 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
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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, unconventional)



...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)