CHAPTER TWO

EU-CHINA ENERGY RELATIONS AND GEOPOLITICS: THE CHALLENGES FOR COOPERATION

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Abstract: Beijing’s rapidly rising import dependencies on energy and raw materials have numerous consequences for foreign, security and defence policies, as its policies to the EU or to the Iranian nuclear question have demonstrated during the last years. The EU, China, India and others may compete for the same energy resources in the Middle East, Russia and Central Asia. Whether they follow a ‘market strategy’ or a ‘strategic approach’ may ultimately decide whether they are able to cooperate for regional and global energy security or whether they will increasingly compete.

Keywords: European Union, China, Geopolitics, Cooperation

1. Introduction

During the last years, China has replaced the United States as the center of the world’s raw materials market and as a price setter for these industrial raw materials (Hale 2004). In 2009, it is expected to even surpass Germany as the largest exporter of goods in the world. Since 2000, China has accounted for 40 percent of the world’s crude oil demand. In 2003, it already displaced Japan as the world’s second largest energy consumer, and surpassed even the United States and Japan as the second and third largest exporter (after Germany). While having the third largest coal reserves worldwide, China only became a net importer at the beginning of 2007. Domestically, China’s heavy reliance on coal in its primary energy consumption has raised enormous environmental problems and costs that increasingly threaten its future economic growth. According to an analysis of the Environment Assessment Agency of the Netherlands, China has already replaced the U.S. as the world’s largest emitter of greenhouse gases (GHG) in 2006 (Netherlands Environmental Assessment Agency 2007).

As a consequence of its hunger for energy and industrial raw materials, China has become ever more dependent on imports from distant,
often politically unstable parts of the world. It was forced to conduct much more pro-active foreign and security policies on the regional as well as global levels—reflecting China’s self-perception of its energy insecurity. In the last 15 years, the economic rise of Asia, and above all of China, has created an enormous regional and global energy demand that raises not only important economic issues, but also countless foreign and security policy issues for both regional and global stability (Umbach 2003: 122–150; Umbach 2004).

Like many other Asian countries (with the exceptions of South Korea, Japan, Singapore, and Hong Kong), China has long subsidized energy consumption. The result has been an increasing inefficiency: China consumes up to five times as much energy to produce each dollar of economic output—which is an often underestimated factor in the government’s energy forecasts. China’s energy (foreign) policy seems to be based on a strategic approach (but with an increasing market orientation), thereby focusing on guaranteeing the rising energy imports for its socioeconomic stability and, therewith on its supply security. Yet, until very recently, it rather neglected energy conservation, economic efficiency factors, and environmental costs. At the same time, China has experienced an acute shortage of energy since 2003, which severely disrupted its industrial output and electricity supply.

The emergence of PR China as the world’s leading consumer (over-taking the U.S. in 2004) and as one of the largest importers of oil, gas, and many industrial raw materials, had been overlooked in Germany and many other EU member states until 2004. But in the years and decades ahead, the EU, China, Japan, India, and other great powers may compete for the same energy resources in the Middle East, Russia, and Central Asia. Although China’s deepening access to Africa’s oil and gas resources, for instance, is often not the result of highly-coordinated government strategies to ensure China’s energy security (Downs 2007), Beijing’s energy foreign policies have been perceived as undermining U.S. and European foreign and development policies to promote good governance, human rights, and democratic political systems as well as Western hopes of China becoming a “responsible stakeholder” in global order and governance. As a Chinese expert admitted in 2006: “China must now view energy security in terms of economic threats and market solutions rather than military threats and diplomatic responses” (Daojiong 2006: 181).