

## Energy Cooperation between China and Central Asia under the Background of New Silk Road Economic Belt

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**Abstract.** Deepening China and Central Asia energy cooperation is not only feasible, but also need to accelerate. Chinese economy is moving at an unprecedented rate, and demand for energy is increasing. Chinese domestic energy supply has been unable to meet the needs of sustained and rapid economic growth, therefore, the need for a large number of imported energy, in particular, need a lot of imports of oil and natural gas. Increasing dependence on energy sources, energy sources of imports are too focused on the long-term stability of energy supply and energy security requirements are detrimental. Only by implementing the "going out" strategy and establishing a diversified international energy supply system can we effectively diversify the risk of energy import to ensure the sustained growth of our economy and the national economic security.

### Introduction

China from the 20th century, 90 years and the Central Asian countries have energy cooperation. Subsequently, the Central Asian region in order to develop the advantages of resources industry and the construction of oil and natural gas pipeline, but also makes China in the Central Asian oil and gas resources in the geographical pattern occupies an important position.

In recent years, the countries of Chinese foreign trade commodity structure have not changed significantly, the main export commodities are still mineral and energy resources. Turkmenistan mainly exports natural gas, electricity, petroleum products, Kazakhstan's export commodities to natural gas, oil and other energy-based, Uzbekistan is the main export of natural gas. China and Central Asian countries complement each other's resource trade structure to promote bilateral economic and trade exchanges, Central Asian countries mainly from Chinese imports of textiles and other light industrial products, and Chinese imports from Central Asia, industrial raw materials, natural gas, oil and so on. In 2005 and 2014, Chinese total imports of energy from Central Asian countries increased year by year. As can be seen from Figure 4 on the next page, Chinese imports of energy in Central Asia in 2007 and 2010 increased significantly, mainly due to the 2006 Sino-Kazakhstan oil pipeline and in 2009, Central Asia, Chinese natural gas pipeline opened.

In the field of clean energy, cooperation projects between China and Central Asian countries have gradually increased, and the development prospects are good. August 2009 Uzbekistan Minmetals and Chinese Guangdong atomic energy company set up a joint venture company, began to cooperate in the development of shaft mine, in 2014 has been put into production. 2010 Kazakhstan Ulibinsk metallurgical plant has been completed in Chinese nuclear industry group under construction nuclear fuel components company's fuel uranium certification, Ulysse Bering Metallurgical Factory from 2014 onwards to China to export about 2 tons of fuel Uranium, after the plan increased year by year, by 2020 to achieve the export of fuel uranium 200 to 400 tons. In 2011, Kazakhstan AES Sogrinsk TETSLLP and China Tianchen Engineering signed a contract to rebuild the power of the Sogelinsk thermal power plant, plans to 25MW into 50MW, built after the power of 80 megawatts. In addition, other hydropower companies in Uzbekistan, the project is also under construction.

## **China and Central Asian Countries Energy Cooperation Problems**

The border between Central Asia and Afghanistan, violent terror, religious extremism and ethnic separatist forces posed a serious threat to the stability of the situation in Central Asia, and there are many destabilizing factors in Central Asian countries. Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan are among the 48th, 69th, 140th and 152nd of the World Bank's ranking of business environments in 190 countries worldwide in 2014. \$ 2014 Legal and regulatory environment map% (UK risk assessment firm Maplecroft announced) shows that Kazakhstan and Turkmenistan are poor legal and regulatory environment for high risk countries and extreme risk countries. In addition, the color revolution in Kyrgyzstan is the result of the United States in order to influence the political situation of the Central Asian countries, the economic and political support of the Central Asian opposition, the Central Asian countries, the results of the democratic transformation of the Central Asian countries Indirectly produced a negative effect. Therefore, the Central Asian countries social unrest, the investment environment is not optimistic, to bring considerable risk to the investment.

Central Asia is rich in oil and gas resources, the energy struggle between countries in Central Asia has been very intense, but Russia, the European Union, the United States have intervened in the energy development in Central Asia, leading to the region's energy distribution pattern is very complex, Chinese energy cooperation with Central Asia is very unfavorable. For a long time, Russia has controlled the production and transportation of oil and gas in Central Asia, monopolizing the production and distribution network of oil and gas resources in Central Asian countries. Russia has, for its own economic interests and geopolitical interests in Central Asia, The monopoly of the Chinese and Central Asian countries, energy cooperation more scruples. The EU has also been actively involved in energy development in Central Asia in recent years. Before 2007, the EU mainly from Russia to import natural gas, oil. A large part of Russia's oil and gas is also from Central Asia. In 2007, the EU, for its own benefit, was committed to establishing friendly relations with the countries of Central Asia to develop international energy policies and pledged to provide economic assistance to Central Asian countries. Development, in order to achieve their own energy security. In addition, the EU intends to build a direct cross-sea transport pipeline from Central Asia to bypass Russia. The United States has always controlled oil and gas resources in the Caspian Sea region as its long-term goal. The United States has launched a CPC pipeline project in Central Asia and projects such as the Karadan Gunnak Oilfield, Kasha Dry Oilfield and Tianjiz Oilfield to promote the implementation of the TAP (Turkmenistan # Afghanistan # Pakistan) natural gas pipeline program. On the one hand, the United States will be the Central Asian countries as its bargaining talks with OPEC, to diversify their energy sources to weaken the power of OPEC to ensure energy security; the other hand, hinder China from Central Asia to obtain energy, breaking the Russian Sub - exploitation of oil and gas resources control.

## **The Way to Promote Energy Cooperation between China and Central Asian Countries**

Although China has now become the world's second largest oil importer, but Chinese impact on international oil prices is less than 0.1, which means that China does not grasp the international pricing power of oil, not the ability to resolve the international energy trade in the market Risk, and the inability to protect themselves in the international energy trade market interests. For a long time, due to political, economic and other factors, the Middle East exports to different regions of the same crude oil using different pricing standards: Europe and the United States to implement a unified pricing, Asian countries, individual pricing, resulting in Asian countries to bear the European countries Higher crude oil costs, which is the so-called energy "Asian premium" (Asian Premium). Asian oil consuming countries pay an average of 5 billion to 10 billion dollars a year to oil-producing countries, seriously affecting the economic competitiveness of Asia. In 2003, China imported 28.47 million tons of crude oil from the Middle East, compared with Europe and the United States, the average "Asian premium" 2.56 US dollars / barrel, which calculated that Chinese imports of oil over the year to pay the premium cost of 540 million. By contrast, the United States has received

considerable benefits because it does not have to pay the "premium". China to get rid of the "Asian premium" adverse effects, we need to deepen China and Central Asian countries, energy cooperation, for international oil pricing.

Direct import of oil and natural gas is the traditional way of cooperation between Chinese overseas energy trade; (2) direct participation in the development of oil and gas fields in Central Asian countries, mainly due to the development of oil and gas in China and Central Asia. Through the share of oil, that is, Chinese oil projects in Central Asian countries in the project or equity investment, the annual oil output from the project to take a certain share. In the current high oil prices, for China, it is clear that go out to buy oil as go out to oil. (3) equity participation, acquisition or acquisition of Central Asian oil and gas field assets, which is conducive to diversification of risk to ensure oil supply; (4) joint venture construction and (3) joint venture construction and (5) the flexible combination of the above-mentioned ways, such as mining, the purchase of liquefied petroleum gas in exchange for the development rights of the Central Asian countries, and so on. Regardless of the mode of cooperation, the purpose of the Chinese side is to increase oil imports as much as possible, to obtain overseas share of oil, to expand imports of oil channels. In the course of future cooperation, China and Central Asian countries can be jointly developed through investment. China has unique theoretical advantages and technological advantages in the field of oil and gas exploration and development. It has the comprehensive advantages of engineering project feasibility study, technical consultation, design, equipment procurement, general contracting and management service in petroleum and petrochemical engineering field. China and Central Asian countries can explore new opportunities and modes of cooperation under the principle of mutual benefit and win-win, which can include aspects of crude oil trade, oil and gas exploration and development, petroleum engineering services, contracting of refinery and engineering and scientific and technological cooperation.

The current energy reserve is mainly for oil reserves, and is one of the effective ways to deal with the impact of short-term oil supply (large-scale reduction or disruption). The experience of countries has shown that the establishment of energy reserves is the necessary measure to ensure energy security. The United States and Japan have used the oil strategic reserve to safely survive the oil crisis of 1973, and in the new round of oil rally in 2006, Japan was also much less economically affected because of its abundant reserves. For oil-importing countries, the main economic role of energy reserves is to reduce the oil prices by increasing the possibility of rising oil prices by reducing the pressure on the market by releasing the reserve oil to the market to reduce the pressure on the overall economy. In addition, the oil reserves have the following effects: (1) to adjust the mode of economic growth, especially energy consumption for time; (2) can play a deterrent effect, so that the impact of artificial supply will not happen or occur frequently. Due to the interdependence of the economic development of different countries in the international economic system, the beneficiaries of a national energy reserve include all oil consuming countries. From this perspective, energy reserves are also one of the ways to expand multinational cooperation in energy and other economic fields. The International Energy Agency (IEA) requires its member countries to establish a 90-day strategic reserve for their respective efforts to maintain the interests of international oil-consuming countries in international oil price volatility through a multinational reserve network. For China and Central Asian countries, strengthening cooperation in the field of energy reserves is also of great significance. Energy reserves are the hardware advantages of the international energy game process. Only to achieve stable supply of energy and price stability in order to achieve regional economic stability, so as to provide a stable environment for national economic development, but also to achieve regional energy security, economic growth and environmental protection trinity of long-term energy development strategy.

## **Conclusion**

Chinese demand for oil and natural gas continues to increase, and energy dependence will continue to increase in the next decade. The result of causality test shows that there is a balanced relationship between oil and gas demand and economic growth in China, which is a causal

relationship between energy demand and economic growth in one direction, and the relationship is long-term stable.

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