



A slightly different view of China

Posted by [Heading Out](#) on July 14, 2005 - 6:26am

As I began this post I happened to glance outside and watched as a careful set of parents shepherded a young child down the hill as they, all three, cycled through the neighborhood. And I thought how such a simple picture responds to James Kunstler's rejection of suburbia. Not that it is an absolute answer, but I still have the bike that I bought in the 70's and used for travel to work when gas was last around \$2 a gallon and it still works and since I paid for it in the gas that I saved back then it will be a free (pant! pant!) commute this time around.

Not of course that I envisage the whole country turning into an outsize version of Holland, Belgium or Denmark, but as an almost aside that points out that all our answers don't have to be that high tech. (In which regard it is apparently not that easy to get hold of a used Segway â€“ which I had thought might be a less personally energetic way into the future).

There was an instructive article today in the [Washington Post](#) about China's changing policy. One part that was, I thought, intriguing, was

For China's leaders, however, buying foreign oil and gas fields in the name of energy security has become a central mission. Throughout the 1990s, China made deals to lock in long-term supplies and buy installations from Africa to Latin America. In 2002, CNOOC became the largest offshore oil producer in Indonesia when it bought a field from the Spanish firm Repsol YPF SA.

And just recently we read that Indonesia has a [growing energy problem](#) of its own.

Indonesia may raise electricity prices, impose automobile taxes and use more natural gas in power generation to combat its growing oil demand and ease budgetary pressures, officials said yesterday,

A cash squeeze at state oil firm Pertamina, due to heavily subsidised retail prices, and fuel shortages at power stations have heightened the urgent need for oil conservation in Asia's sole member of the Organization of the Petroleum Exporting Countries (Opec).

One wonders, given the oft-quoted fungibility of oil, whether Indonesia, as it runs out of oil, is still supplying China?

Then there is

This year, China began work on a strategic oil reserve in coastal Zhejiang province that would allow the country to operate without imports for as long as three months. But the biggest emphasis has been on securing new stocks abroad, particularly in neighboring

countries such as Kazakhstan and Russia, to limit dependence on shipping lanes.

And in our continuing process of spreading gloom one then reads a [report](#) in which

Kyrgyzstan's ambassador to Russia said the United States must give up its base in the Asian republic, the Russian news agency Novosti reported. "The American base is losing its relevance, and this is an issue to be negotiated," Jumagulov said. "This was predictable."

He predicted the pullout would be gradual.

In 2000, China, Russia, Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan joined in the Shanghai Cooperation Organization, which aimed to counterbalance U.S. power in the area.

Given their recent appearance in Colorado, Canada and elsewhere one cannot help but feel that the Chinese are possibly taking this whole question about the world running short of cheap oil a lot more seriously than some other governments.

And while Ianqui just reported on their immediate drop in demand there is a piece noted by the Energy Bulletin that cites a [Planet Ark](#) article that states

Searing temperatures across booming China have driven up energy demand, exposed an over-reliance on coal and are taking a toll on industry, Xinhua news agency said.

Power shortages this summer should be "much more serious" than last year -- when China faced its worst energy crunch in two decades -- a source from the State Electricity Dispatching Centre were quoted as saying.

And

China's unbalanced energy structure was also to blame, because excessive reliance on thermal power meant coal shortages could "immediately lead to a terrible power generation breakdown", Xinhua said.

China has poured billions of dollars into expanding its power transmission and generation capacity, but the national power system is forecast to struggle to meet demand until 2006-2007.

Generators nationwide are expected to crank out 25 to 30 gigawatts less power than consumers want to use this summer with no end to the crippling heatwave in sight.

The question of China's strategic reserve and the initial estimate that they would begin filling this at the rate of 650,000 bd beginning in August, now appears to be more in doubt, as the current prices are [reported](#) to be causing a bit of a rethink on this issue, at the time where that particular increase in demand would otherwise have a major impact on the demand:supply balance through the end of the year.

"Last year, China imported 45% of its total crude oil, and this percentage is likely to go beyond 65% by 2020," said ESAI oil analyst Wenchao Su. In addition, China's import sources are highly concentrated, with 50% of imports coming from the Persian Gulf and 30% from Africa.

"With political instability in the Persian Gulf, potential conflicts with the US over Taiwan, strategic competition with Japan and India over energy, and the instability of Russian government policies, it is vital that China build the SPR in order to protect itself from any potential oil supply disruption," Su said.

At current crude prices, the Chinese government remains cautious about filling the Ningbo base storage. Chinese government officials expect other storage bases in Dalian, Zhoushan, and Qingdao to be completed by 2007.

In closing I might point out that while I find little to argue with in Matt Simmons presentations, the latest one, which Prof G just referred to, contains the comment that we are still short of tankers (slide 10). That situation is now changed with a significant new capacity now coming on line and there is, at least short-term, more than sufficient capacity to go around. This has been reflected in the drop in tanker shipping rates recently.

edited to add: PG here...isn't it interesting that the [last paragraph of this story reads](#):

"No matter if it's rogue's oil or a friend's oil, we don't care," said an energy adviser to the central government who spoke on the condition he not be identified, citing the threat of government disciplinary action. "Human rights? We don't care. We care about oil. Whether Iran would have nuclear weapons or not is not our business. America cares, but Iran is not our neighbor. Anyone who helps China with energy is a friend."

*doesn't that last sentence also mean that anyone who hurts China with energy is an enemy?
"May you live in interesting times..."*

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