



Asia Times: The foundations for an Asian oil and gas grid (or, No Increased Consumption Here!)

Posted by [Prof. Goose](#) on December 8, 2005 - 12:31pm

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NEW DELHI - Stung by the rising international price of oil and domestic shortages coupled with high requirements of a growing economy, India has revived a plan for an oil and gas grid for the Asian continent.

The grid is part of a two-fold strategy by the two top Asian oil guzzlers, China and India, to ensure reliable delivery networks and energy security. The other element involves acquiring stakes in production and exploration projects for which New Delhi and Beijing continue to cooperate as well as compete.

The emphasis on the grid comes in wake of reports that India and China, the most aggressive shoppers for oil and gas assets in the world, are coming together to put in a joint bid. The China National

The New Rush

Petroleum Corporation (CNPC) and the Oil & Natural Gas Corporation (ONGC), two of the most high-profile emerging global oil companies in the past year, could jointly bid for Petro-Canada's \$1-billion oil and gas fields in Syria. Both India and China feel the strategic need to diversify their energy sources from the current dependence on West Asia.

Asia is no longer marginal to the global oil and gas economy, said India's Petroleum Minister Mani Shankar Aiyar in his inaugural address at the ministerial round table on cooperation between North and Central Asian producers in New Delhi last week.

"The era when our production was controlled by others is now behind us, the era when the bulk of consumers lived in other continents is also over," he said. "Already, two-thirds of the oil extracted from the bowels of West Asia and Southeast Asia finds its way to the markets of Turkey, India, China, Korea, Japan and other consumption centers in Asia."

The round table, the second being hosted by India, has brought together oil-producing countries including Russia, Turkey, Uzbekistan, Kazakhstan and Azerbaijan in dialogue with the principal Asian consumer nations - China, Japan, Korea and India.

This is not the first time India has raised such a proposal. At an Asian gas-buyers meeting in New Delhi in February, Aiyar exhorted assembled nations, including China

and Saudi Arabia, to build a pan-Asian gas grid and end "the wretched Western dominance".

Reiterating India's resolve, he said producers and consumers could jointly invest in infrastructure to gain energy security for the region. "We can together invest in exploration, production, transportation, shipbuilding and shipping, in ports and terminals. We can together build refineries and gas-processing plants and power-generation stations and petrochemical units; in short, we can together take on the world. That would be true energy security."

South Korea, Asia's fourth-largest oil consumer, has backed India's efforts to create an Asian oil and gas order by setting up an inter-state oil and gas-transportation system.

"Trade in oil within Asia remains marginal," Korean Minister of Commerce, Industry and Energy Hee Beem Lee said. "The work that is urgently needed is a master plan that links all the points in Asia through what can be called, the Inter-Asia Oil and Gas Transportation System.

"To solidify this effort, I propose that a working group be established with all the countries in Asia represented, and its first meeting be held in the first half of next year in Korea. North and Central Asia, which includes Russia and the Caspian Sea region, were increasingly important to global oil supply. Large oil fields with pipelines are being developed, and with it Central Asia is emerging as a major oil resource region. But the unresolved problem of transporting the oil is holding back the full potential of oil trade within Asia."

Meanwhile, Aiyar said a Japanese proposal to study the possibility of networking the countries of Central, South and East Asia and elsewhere as well as an initiative to promote a sustainable and flexible energy system (SAFE) were endorsed. It was agreed that practical steps be taken bilaterally and regionally, as well as globally, for networking the knowledge base of participating countries in the development of the Asian oil and gas sector and the energy economy in general.

The importance of mutual cross-investment to reinforce mutual trade in oil and gas and associated downstream industry was emphasized as the optimal means of promoting stability, security and sustainability in the Asian oil and gas economy, he said. "It was emphasized that environment-friendly investment in upstream and downstream projects should be encouraged."

Asia has emerged as a major oil consumption center, with current consumption about 40% of the world total of about 82 million barrels per day. Against the increase in global oil consumption of about 3.3% in 2004, Asian consumption increased by more than 5%. Asia is projected to continue to be the dominant oil-consuming center in the next 20-25 years.

Beijing imports a third of its oil supplies, accounting for as much as 7% of the world demand at 5.46 million barrels a day. India, on the other hand, imports as much as two-thirds of its oil needs, consuming about 2 million barrels a day.

According to estimates, if the Indian economy maintains its robust growth, by 2025 it could be consuming 7.4 million barrels a day. Indian Prime Minister Manmohan Singh has stated that emphasis on energy security is second only to food security for the

country. New Delhi has also been zealously pursuing its bid to access international civilian nuclear-energy technology, post the far-reaching pact signed with US in July.

China, India as partners?

Indeed, hopes of pan-Asian cooperation have resulted in New Delhi and Beijing trying to work out matters instead of engaging in a cutthroat competition for energy resources that jacks up bid prices. Beijing is still quite stung by its experience in the US earlier this year when CNOOC (China National Offshore Oil Corporation), China's third-largest oil producer, withdrew its bid for Unocal's energy assets, citing political opposition in the United States.

In January, India hosted the first-ever meeting of oil ministers from the major Asian oil importers and Middle Eastern exporters. The conference supported India's call for an Asian oil market. The next month the Third Asia Gas Buyers' Summit was held in New Delhi. India and China are partners in Sudan.

Both China and India have used these forums to work out joint actions. China's oil delegation leader stated: "We [China and India] have agreed not to compete with each other ... We will be coordinating and cooperating with India and possibly joint bidding on a case-by-case basis."

"India and China don't have to go through fratricide in order to arrive at the conclusion that it is better to cooperate on energy security," Aiyar said. "Of course there will be competition where the market dictates."

The competition is stiff and analysts continue to predict that cooperation will be difficult. In its ongoing quest to boost its overseas energy reserves, India's giant public sector ONGC is bidding for a stake in a Nigerian offshore field with an estimated value of \$1 billion.

The stake in the undeveloped Akpo oil and gas field was put up for sale earlier this year by the Nigerian firm, South Atlantic Petroleum Ltd. The bid is a new push by ONGC after being beaten by Chinese firms in the takeovers of the \$4.2 billion PetroKazakh and the \$1.4 billion Ecuador oil field sale by North American producer EnCana.

China in October outbid ONGC in an exploration deal in Angola. China holds a 50% share in Iran's Yadavaran field, while India holds a 20% share. In a Sudanese producing field, CNPC is the concession leader while ONGC holds a one-fifth share. China has also snapped up exploration blocks in Myanmar.

Commenting on the possible first joint bid in Syria, Gavin Thompson, China manager for Wood Mackenzie research and consulting has said: "This would be something one-off. It does not represent a major strategic partnership. But it is an interesting development."

However, in keeping with the spirit of trying to work together, India and China are likely to sign an "overarching agreement" on cooperation in the oil and gas sector during a visit by Aiyar to Beijing expected in mid-January.

"Around four to five memorandums of understanding are expected to be signed. The talks with Chinese representatives during various meetings this year have indicated that cooperative relations are not only possible but desired by the Chinese companies," he said following sessions last week with a team led by Chinese ambassador Sun Yuxi.

"We are proposing an overarching agreement that would set out aims and objectives, including institutional mechanisms to carry forward the cooperation, including in research and development," Aiyar said. While China has suggested its National Development and Reform Commission (NDRC) as an umbrella body to facilitate long-term cooperation, India has been asked to identify a similar institution.

He also indicated that Syria could be one of the countries India could tie up with China to jointly bid for exploration blocks for the first time.

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(thanks to "Oil" for pointing this out...)



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