



## Tech Talk - Tensions Over Oil in the South China Sea

Posted by [Heading Out](#) on August 12, 2012 - 12:39am

In the [introductory remarks](#) to these posts on Chinese energy supplies and usage, I mentioned that one of the concerns beginning to be evident lies in disputes over the ownership of some of the oilfields offshore. Disputes over ownership have been continuing for some time, and this week was no exception, with Chinese moves to create a new city, Sansha, on Woody Island and thereby strengthen their claim to the region. Woody Island, or Yongsing, lies in the Paracel chain of islands in the South China Sea.

**(The post has been slightly modified to recognize the speculative nature of the overall resource available.)**



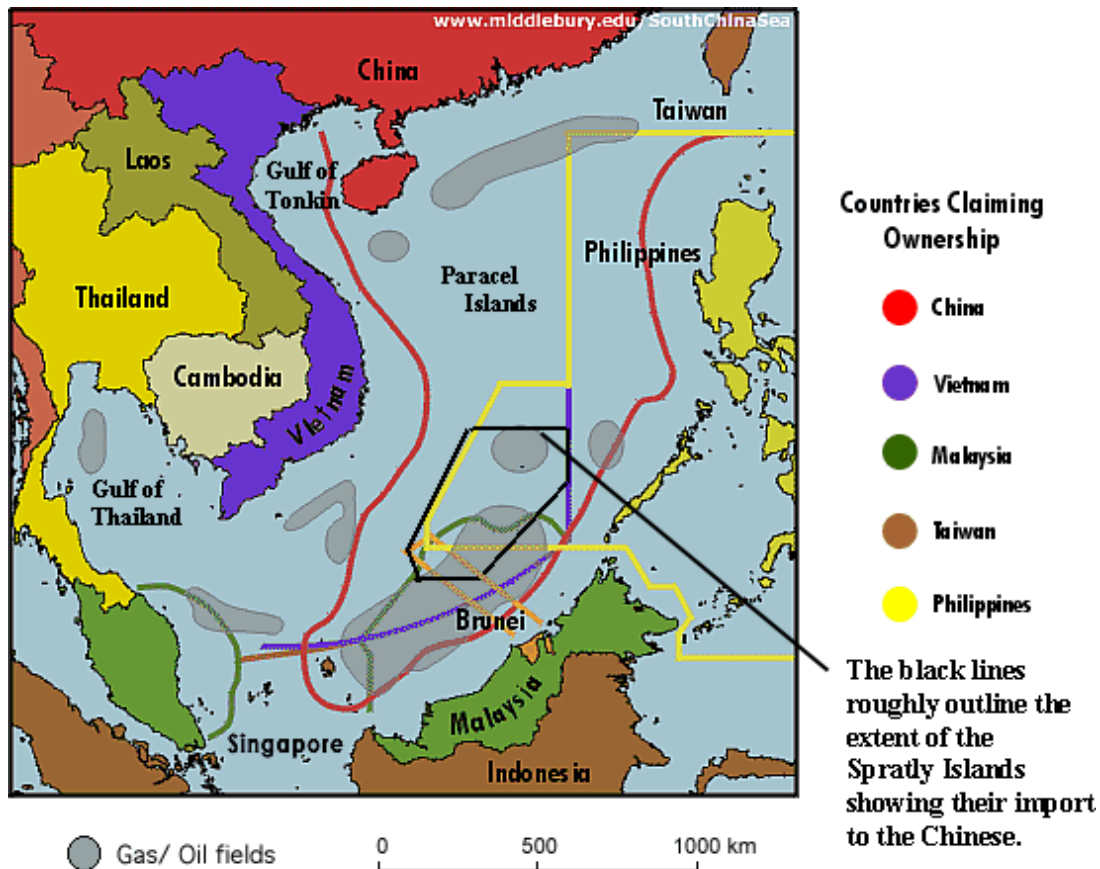
Figure 1. Location of the current region of dispute in the South China Sea ([Agency France Press](#))

Ownership of the territory and underlying potential hydrocarbon reserves, is a matter of dispute [between several countries](#), although China has administered the region since a 1974 conflict with Vietnam.

The Chinese government declared the establishment of Sansha last month, saying its role is to administer the disputed Paracel and Spratly archipelagos and surrounding South China Sea waters, which are believed to hold oil and natural gas deposits. The islands are claimed in whole or in part by Brunei, China, Malaysia, the Philippines, Taiwan and Vietnam.

The China National Offshore Oil Corp (CNOOC) has [recently sought foreign interest](#) in exploring nine blocks in the region, coming as close as a mile to the Paracel Islands – a region that [Vietnam claims](#) lies within its territorial waters, and which it used to occupy.

Further south, near the Spratly Islands, the dispute switches to include the Philippines with the latter already getting bids for some of the blocks, which the [Philippines also claims](#) lie within their 200-mile territorial waters. The benefit that China achieves by claiming the Spratly Islands can be seen by looking at the change that this brings to [their territorial waters](#), in contrast with those of the other adjacent countries.



*Figure 2. Disputed territories around the Spratly Islands, and the territorial waters in dispute. (EIA) The extent by which the Spratly's extend Chinese territorial waters can be understood from the location of the red line showing their claims.*

In more detail, the areas of dispute can be broken into more specific locations, names that will likely become more familiar as these disputes continue to fester. The actual amount of oil and gas that might be available is still relatively speculative, since there has been little actual drilling in the region, as yet. However, by some estimates, much of which is Chinese, the region is thought to hold up to [213 billion barrels of oil](#), more than that left in [the Saudi reserve](#). On the other hand, as Joules and Art have reminded me, the USGS estimates put the total at only on the order of 20 - 30 billion barrels. Only drilling into the putative fields will realize an answer to that question, but then this turns to the debate into who gets to sell the permits for such drilling.

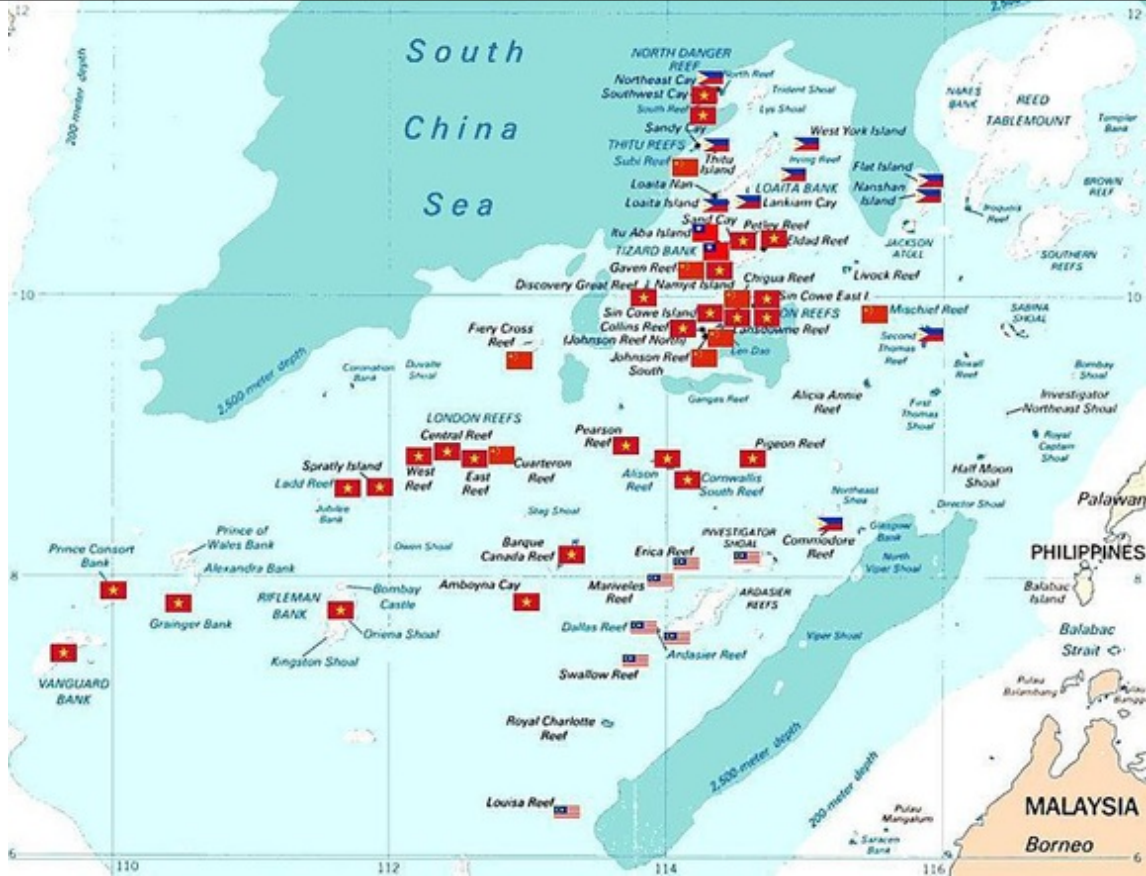


Figure 3. Regional identifying names in the South China Sea. ([Next Big Future](#))

The disputes are now moving to possibly bring in additional players, with China already [accusing the United States of meddling](#), and this just after Secretary Clinton had appeared to make some progress in [defusing the tensions](#).

These tensions in the region are not new, and in his book “[Resource Wars](#)” Michael Klare listed some of the conflicts that had taken place between some of the involved parties in the years to 2001, when the book was written. In several cases shots had been fired and people died, as the different nations tried to establish claims, most particularly to various, otherwise uninhabited islands in the Spratly Islands.

In 1974, [China seized the Paracel Islands](#) from Vietnam, and in the resulting conflict a Vietnamese naval vessel was sunk, and several soldiers were killed.

In 1988, the Chinese and Vietnamese navies exchanged shots at Johnson reef ([video here](#)) with Vietnam losing three ships.

In 1992, Vietnam accused China of landing troops at Da Luc Reef, and China seized 20 cargo ships in the ongoing dispute. Both parties have landed on different islands as a way of seeking to claim the territory and the Vietnamese Parliament has just (2012) passed a law [establishing sovereignty](#) over the Paracel and Spratly Islands. This has raised more tension with China.

The conflicts are not just between China and Vietnam - in 1995, the Philippine government discovered that China had built a military base at Mischief Reef, which lies some 150 miles from Palawan Island, and as Michael Klare notes, well within the 200-mile territorial waters of the Philippines (which extend 200 miles – to simplify the explanation of the nuances of maritime law). Given that there are mutual defense treaties between the USA and the Philippines (dating from 1951) and that China militarily rebuffed the Philippine ships sent to investigate, created new

tensions in the region. An [Army War College review paper](#) has noted the military buildup that is now occurring:

Aside from China's long-term modernization plan for both her Army and Navy, Brunei, Malaysia, and Indonesia have purchased aircraft from the United Kingdom. Malaysia bought guided missile frigates from the United Kingdom and Indonesia purchased sixteen corvettes from the former East Germany. Even the financially strapped Philippines is acquiring Italian aircraft and is also considering an additional \$14 billion for defense modernization. The possibility of a regional arms race is clearly very real, if not already underway.

The situation at Mischief Reef has continued to evolve. As [Strategy World notes](#):

For over three decades China has been using a gradual strategy that involves first leaving buoys (for navigation purposes, to assist Chinese fishermen), followed by temporary shelters (again, for the Chinese fishermen) on islets or reefs that are above water but otherwise uninhabited. If none of the other claimants to this piece of ocean remove the buoys or shelters, China builds a more permanent structure to aid passing Chinese fishermen. This shelter will be staffed by military personnel who will, of course, have radio, radar, and a few weapons. If no one attacks this mini-base, China will expand it and warn anyone in the area that the base is Chinese territory and that any attempts to remove it will be seen as an act of war. The Vietnamese tried to get physical against these Chinese bases in 1974 and 1988 and were defeated both times.

Since the initial incident, the small base at Mischief reef has been expanded into a more substantial military base whose presence is now being used to justify a Chinese objection to the Philippine authorized drilling for oil off Palawan Island. The Chinese have also prepared to start drilling around Palawan Island, bringing the Philippine Navy [back into the dispute](#).

And further north the Chinese Drilling Ship the CNOOC 981 has begun (in early May) to [drill around the Paracel](#) Islands. This is the first deep water well that the company has drilled itself, the fifteen earlier such wells being [drilled by CNOOC partners](#). The exploration vessel Ocean Oil 708 is now also working in the disputed region.

Although the tensions have not accelerated as swiftly as Michael Klare anticipated when he wrote "Resource Wars" over a decade ago, they are nevertheless indicative of the aggressive position that China is taking to secure as much oil and gas as it can for future needs. With the [modernization of their navy](#) there some quite serious concerns developing over their future plans, since territorial issues can lead on to much greater conflict that we have seen so far in the region.

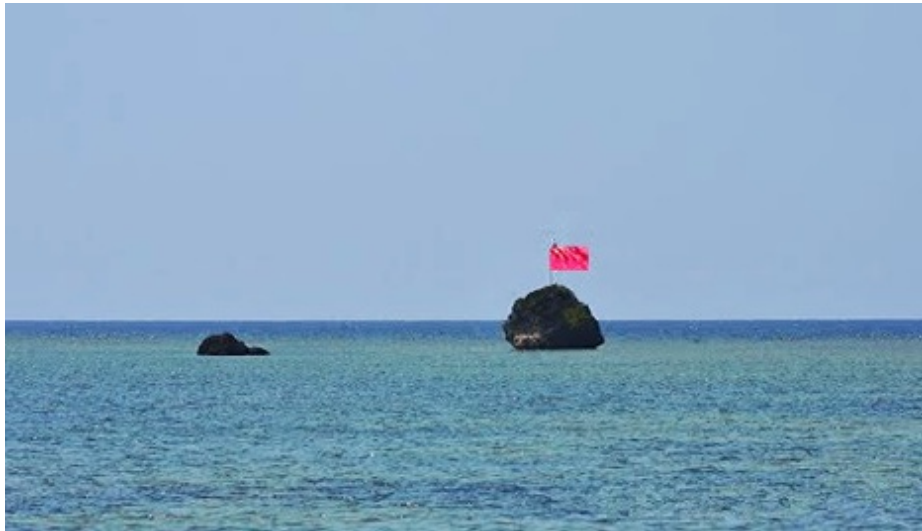
The disputes has now spread to [Scarborough Shoal](#) where an initial arrival of Chinese fishing vessels has been followed by support vessels from [Chinese government agencies](#). Scarborough shoal lies [124 miles from the main Philippine island](#) of Luzon. However

China insists it has sovereign rights to all of the South China Sea, even waters close to the coast of other countries and hundreds of kilometres from its own landmass.

This makes claims for even the smallest piece of land projecting from the sea more critical.



*Figure 4. Raising the Philippine flag over part of Scarborough Shoal. ([News Com](#))*



*Figure 5. Chinese flag flying over Scarborough Shoal (or Reef) (Huang Yang Dao Google Earth)*



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