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Geopolitics of Shale Gas: Influencing Factors, Iran, Venezuela and China



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Changing Internal Politics:

Opposition parties are more united for upcoming elections, now represent close to majority

Questions about Chavez' long term health

Chavistas lack a viable second candidate, Ramirez lacks public following

Uncertainty about how elections will transpire if Chavez has already passed away

New government might be more responsive to foreign investment and even same government might be more responsive to foreign investment but will take time before any new initiatives could be sold to public

Government expected to settle lawsuits with foreign investors but prepared for fight (Citgo bond holder holdings designed to limit equity exposure of a court loss)

Looming Sanctions and Continued Internal Problems:

President Sarkozy called for ban on Iranian oil in Europe

Squeeze on Iranian Central Bank making it harder to do business

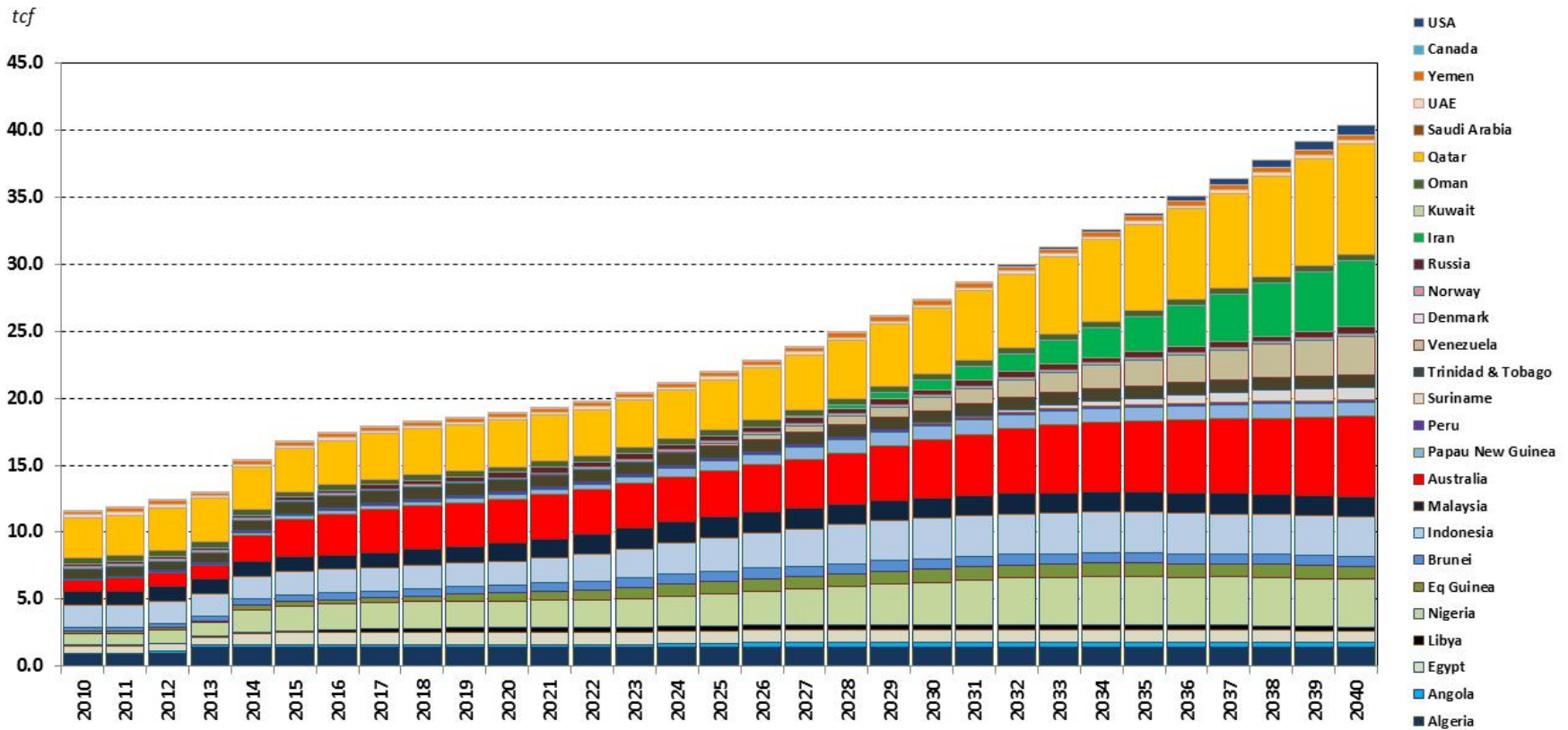
China slowing down investment to limit exposure, Iran no longer as reliable a supplier, China must hedge its bets

Drumbeat in Washington from conservatives

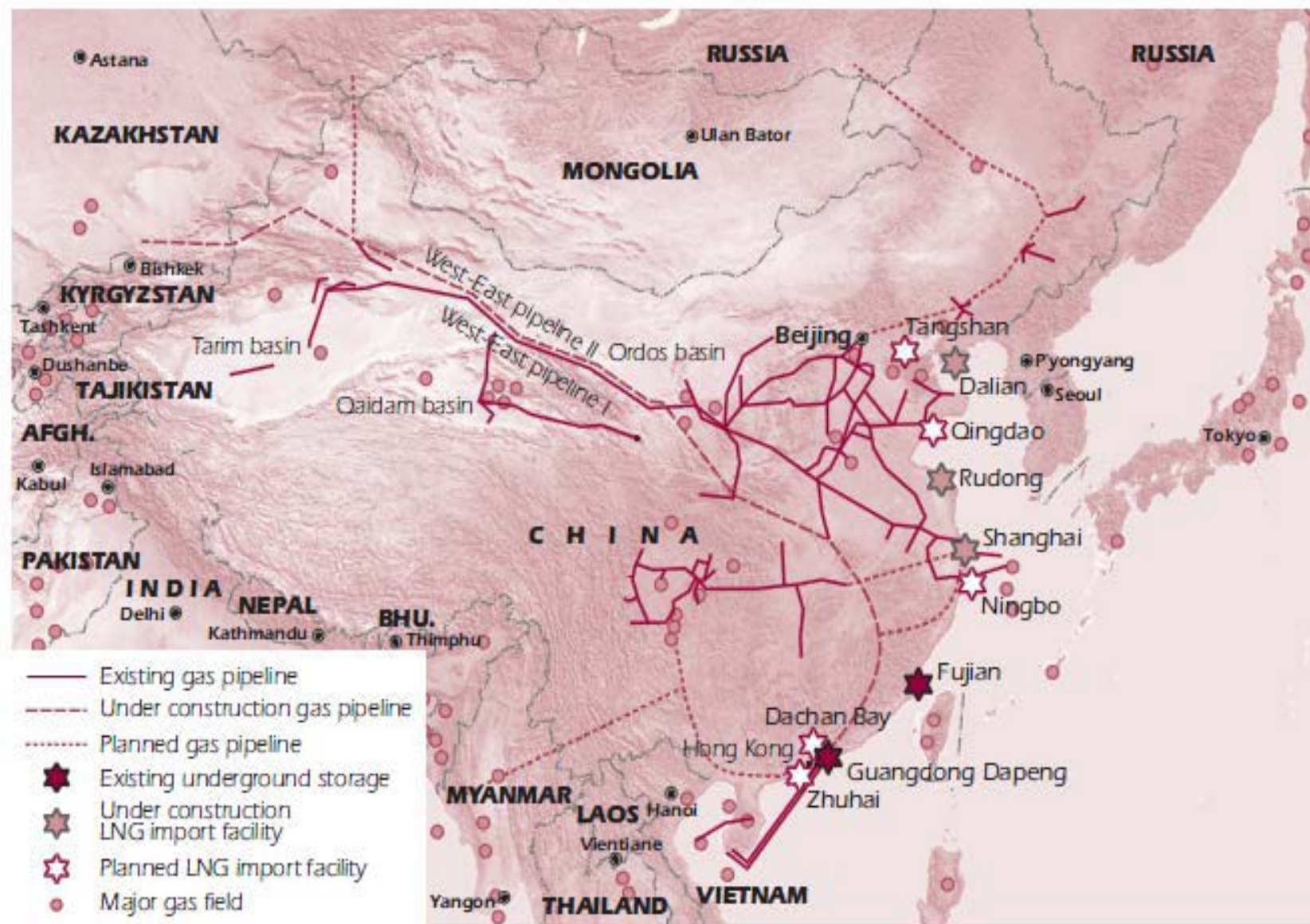
Still internal turmoil but prospects of regime change not predicted by Iran analysts

Reference Case: LNG Exports by Country, 2010-2040

- Regardless of any internal political changes that might take place in the next several years,

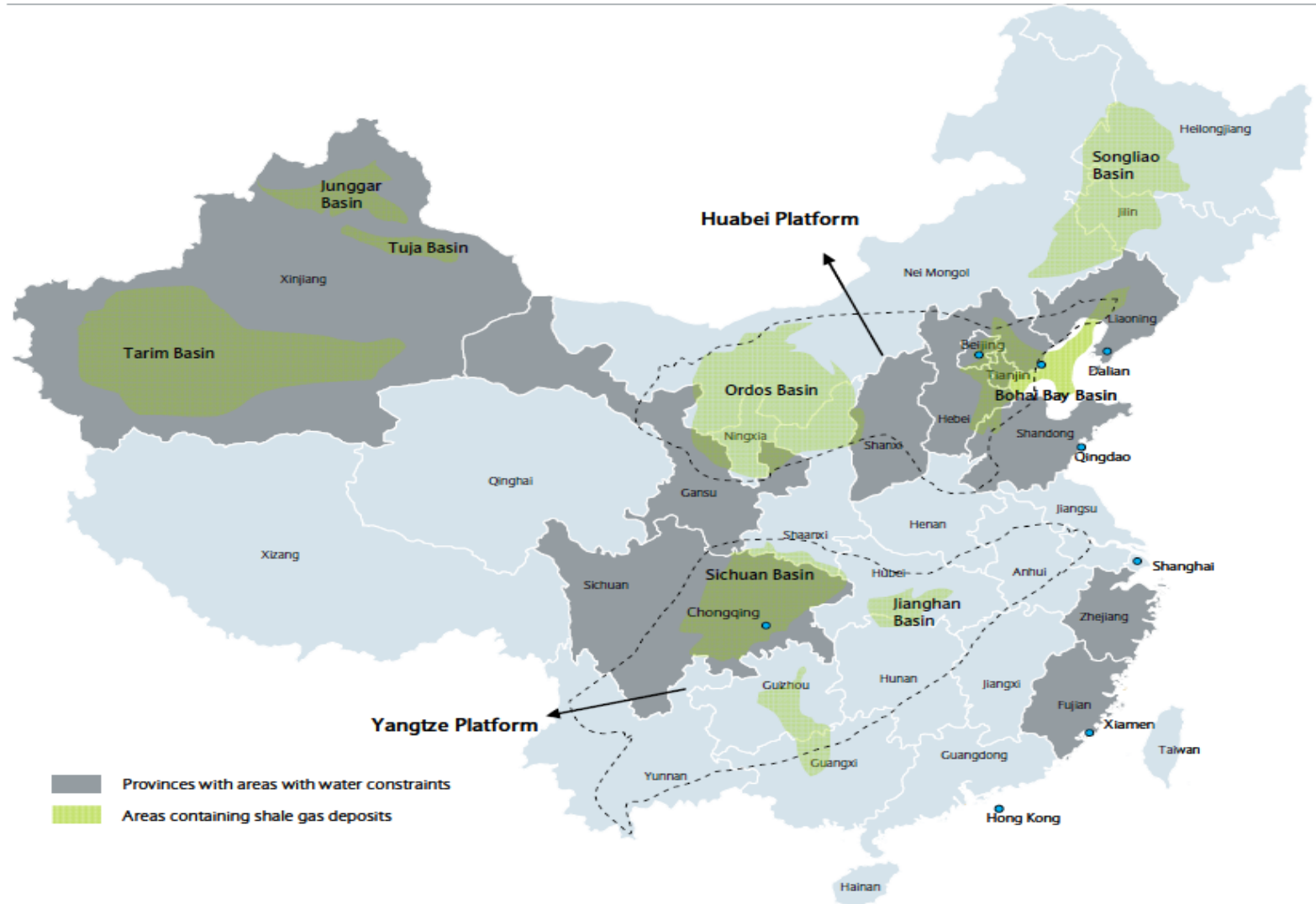






The boundaries and names shown and the designations used on maps included in this publication do not imply official endorsement or acceptance by the IEA.

Figure 4: Major shale gas resources and areas with water constraints in China



NOCs and Local Governments:

Local governments are the major investors in energy in China

Power industry, Coal industry, Coalgas

Local governments are major owners in industry, including most energy intense companies (concrete, ceramics, steel, aluminum)

Local governments are primary provider of assistance to laid off workers, including non-core production workers from NOCs

Local governments are primary actor in monitoring and cleaning up industrial environmental damage

Local governments receive little revenue, royalties from oil/gas

CNPC, Sinopec and CNOOC tied in to local Party

Three NOCs are self-insured for environmental disasters, not contributing to compensation funds

Tight gas counted as conventional gas in statistics in China

CBM ubiquitous; CUCBM monopoly on coalbed methane eliminated 2007, all three NOCs, foreign partners exploring shale gas

National Energy Policy Bodies:

- 老样子 (lao yangzi = nothin' new) in near future
- Non-expert National Energy Commission with unclear relation to National Development Reform Commission
- Under-powered National Energy Administration
- Non-expert regional development leadership small groups and NDRC
- Disproportionate relationships to NOCs and energy companies in Central Committee
- Disproportionate relationships to NOCs in Politburo
- Continued use of nomenklatura system of Party control over NOCs
- Unclear leadership transition approaching 2012: will CPC poach more NOC leaders for Politburo, CPC-CC?
- Unclear future of political reform as Wen Jiabao retires
- Unclear influence of popular opinion: civil society, NGOs, protest and microblogging

Xinjiang SAR and Shale Gas:

Higher water constraints

Low local economy demand but high energy economy influence

Mainly long-distance pipeline to East

Higher political risk from ethnic/separatist movement

High CNPC, Sinopec and central government influence

Sichuan Province and Shale Gas:

Some Water constraints

High local economy demand, but already extensive conventional natural gas

Very developed gas distribution/transmission network

Low political risk, high political influence of agriculture (fertilizer)

Potential competition from Myanmar/Yunnan pipeline,
Hydropower from Three Gorges Dam

High autonomy of Sichuan Oilfield Administration

Near-term high central government influence from earthquake relief; strong local ties to individual coastal provinces

Shaanxi Province and Shale Gas:

Low water constraints

High future local economy demand and energy economy influence

Long-distance pipeline to Northeast, East and South

Low political risk, high potential influence of agriculture

High CNPC, central gov. influence, influential oilfield subsidiary

Inner Mongolia SAR and Shale Gas :

Low water constraints

Low local economy demand (low urbanization), undeveloped gas network and energy economy

Low political influence of agriculture (fertilizer)

Potential competition from central coal enterprises

High central government influence, low political risk

High future local government energy economy development

NOCs influence low: CNPC in transit