

The Rise of China and Its Energy Implications: Key Findings

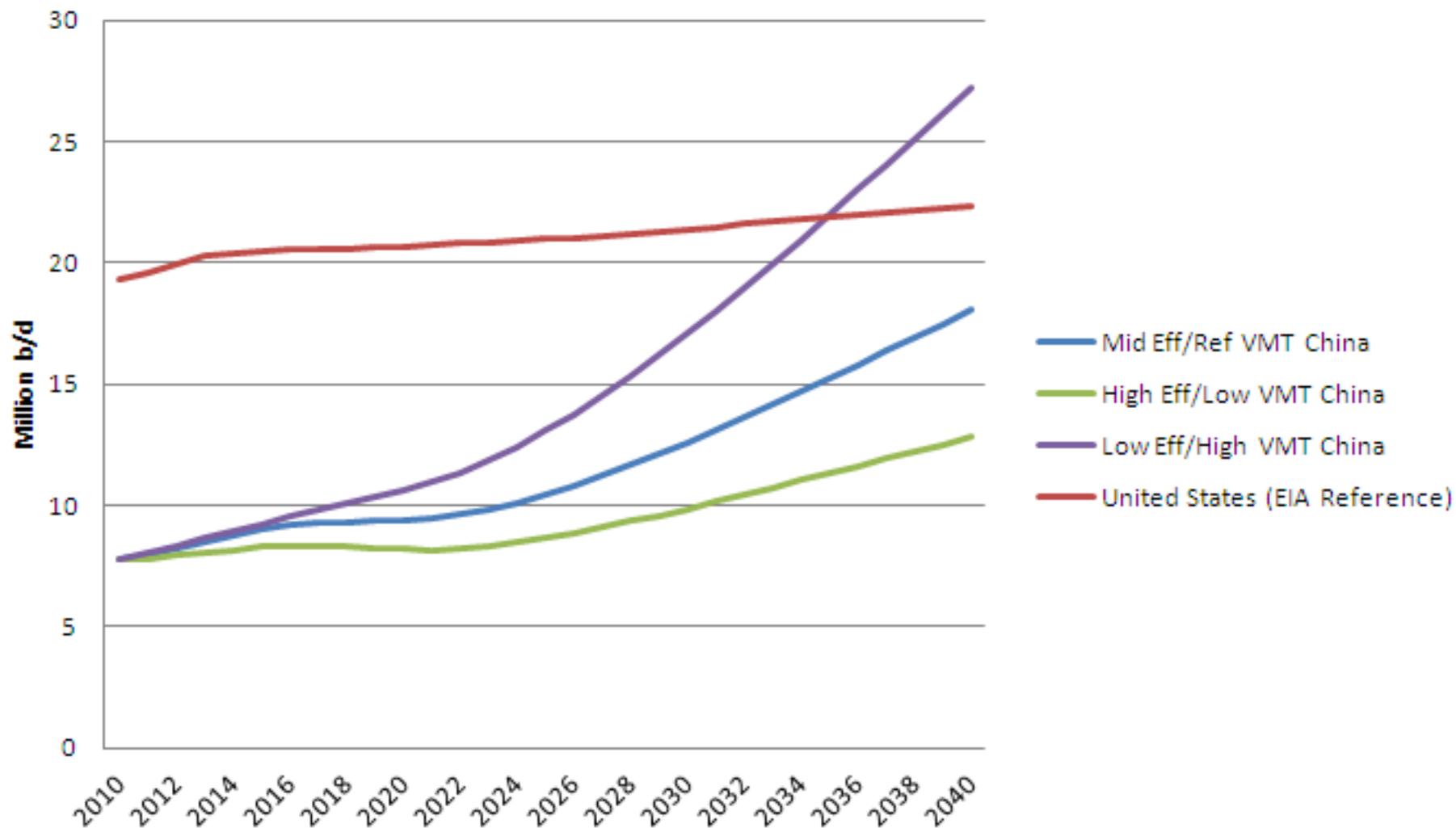
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December 2, 2011

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Projected Oil Use in the U.S. and China, 2010-2040



Key Findings

- China is unlikely to succeed in the creation of a highly effective, comprehensive central energy bureaucracy that can push forward major country-wide energy reforms.
- Rather, current system of informal networks will continue to influence state energy company and local government-led energy policy formation.
- China's "going abroad" program experiencing the same kinds of political risk as IOC investors, regardless of China's policy of non-interference in internal affairs of other countries.
- China, like the United States, has substantial potential shale gas resources but faces technical, regulatory and market infrastructure challenges that are likely to delay rapid development. Were China to mobilize investments in shale gas more quickly, it could greatly reduce the country's expected large import needs for liquefied natural gas (LNG) from Australia and the Middle East and contribute to a future glut in global natural gas markets.

US-China Relations

- China has tried to offset some of energy security risk by increasing investments in the United States and Canada, which could give the U.S. more leverage in seeking China's collaboration in international diplomatic matters.
- Ambiguity characterizes Sino-US relations as common interests, especially on matters related to energy, are often blurred by the incompatibility of US cultural orientation of American "exceptionalism" with China's sense of "national destiny."
- The US and China have more to gain from cooperation than rivalry where energy is concerned.
- Tensions over Iran remain a stumbling block to obvious synergies on strategic energy cooperation.