

# **Dragon's Thirst for Canadian Oil: Implications for North America**

**Woodrow Wilson  
International Centre for Scholars**

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**Wenran Jiang, Ph.D.  
Director, China Institute  
University of Alberta, Canada**



# OVERVIEW

**I. China's hunger for energy:  
domestic & international context**

**II. Evolving Canada-China relations**

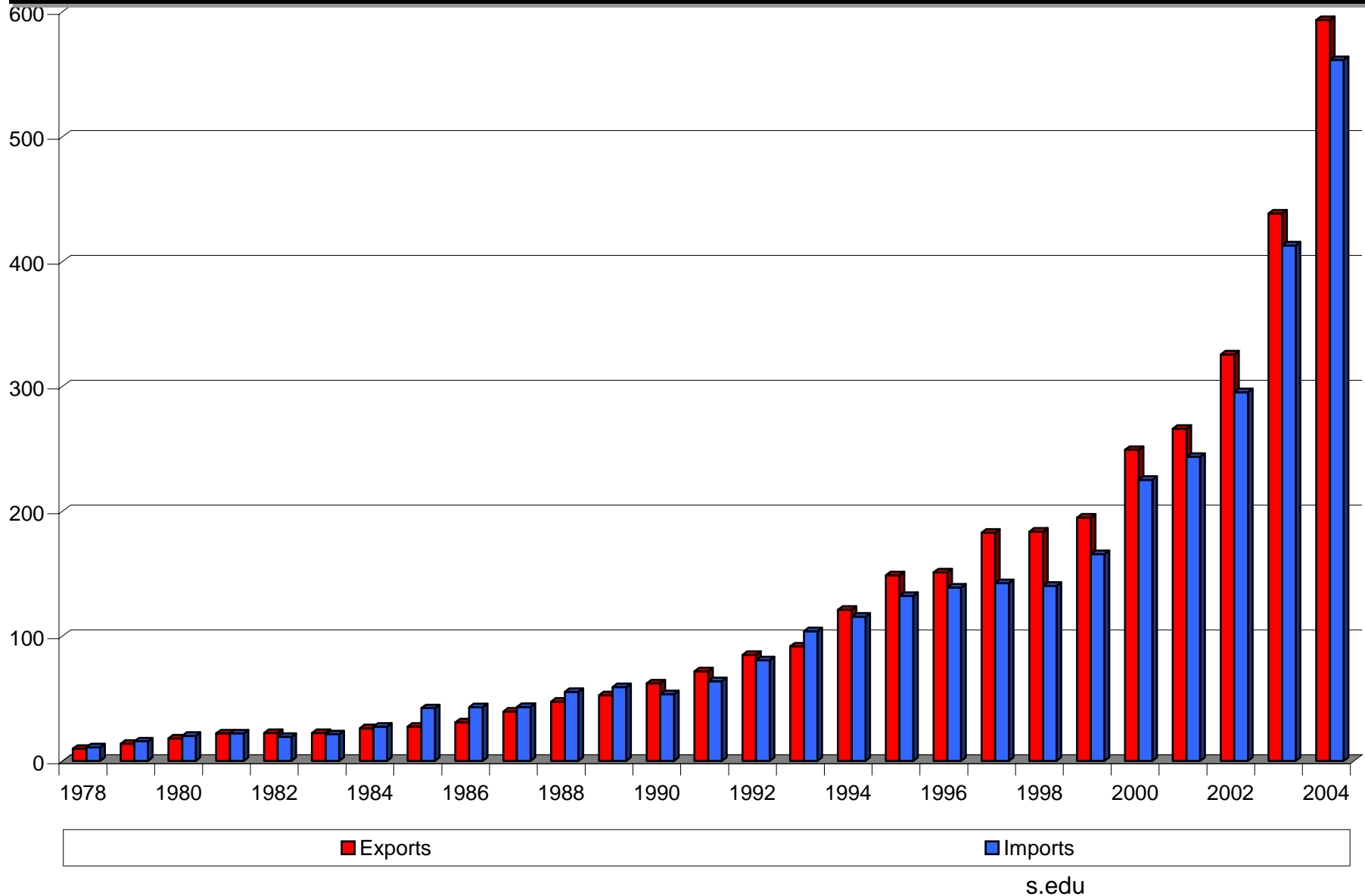
**III. Implications for North America**



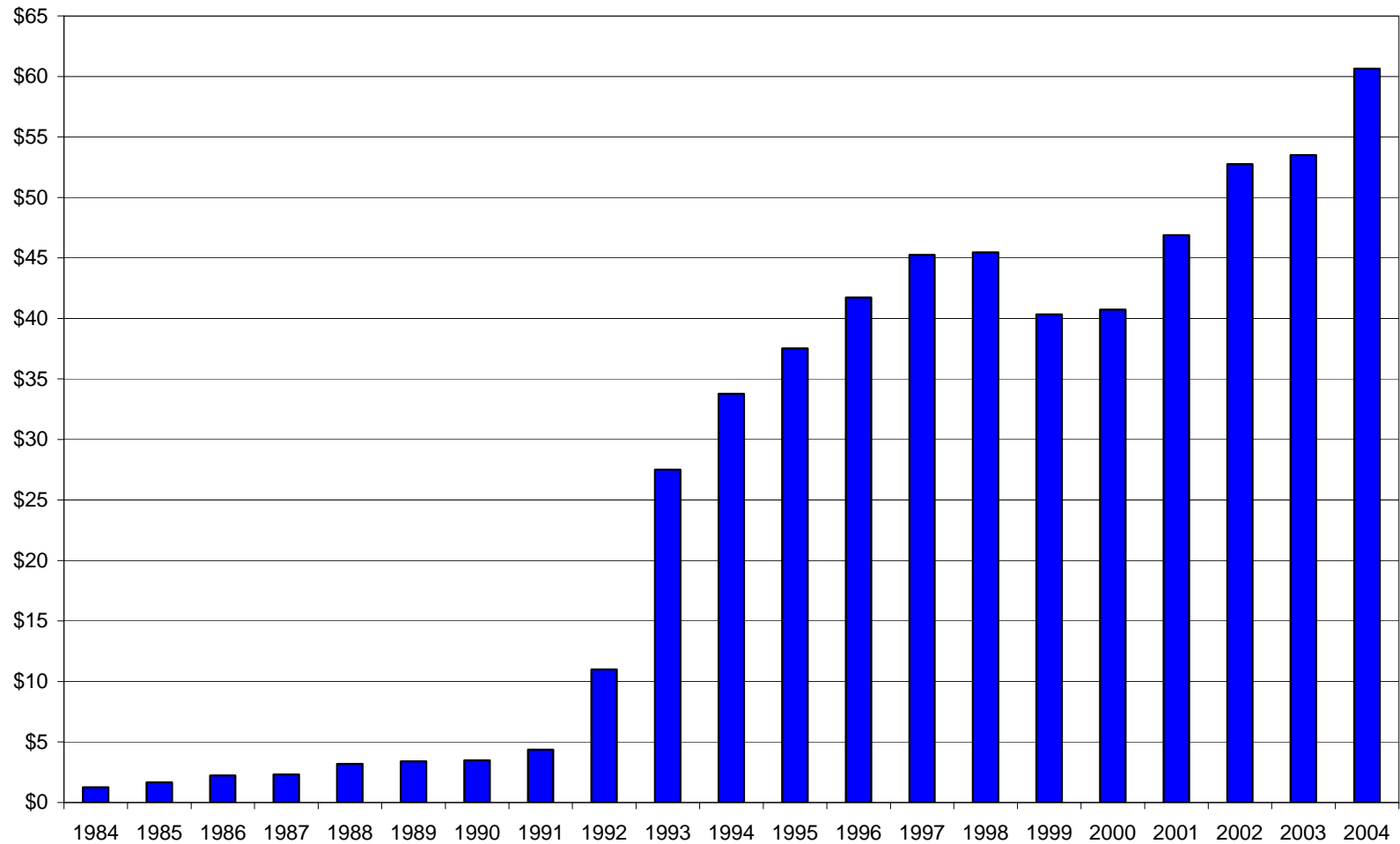
# **I. China's hunger for energy: domestic & international context**



# China's Exports & Imports 1978 – 2004 (billion US\$)

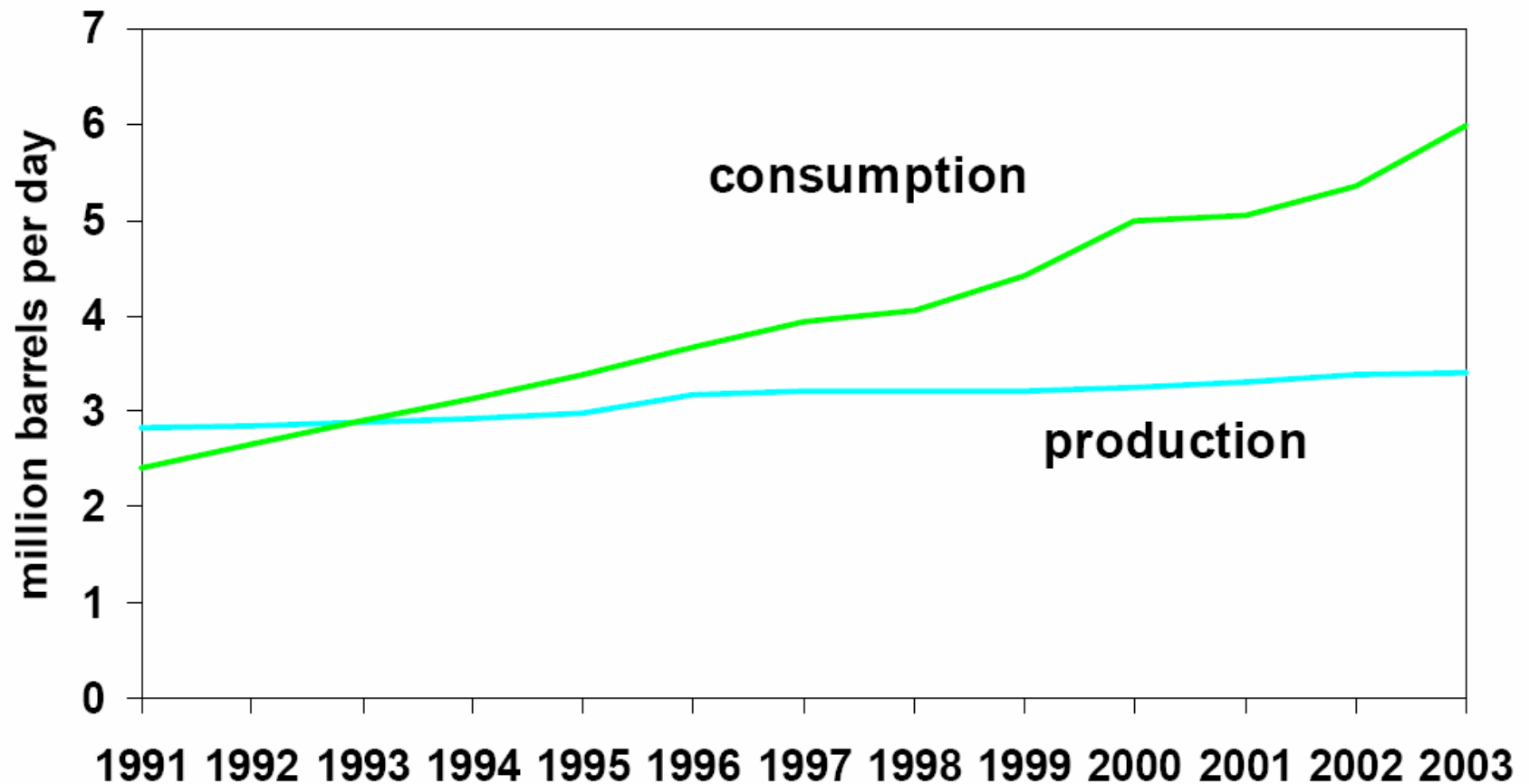


## Foreign Direct Investment in China 1984 – 2004 (billion US \$)



• Source: [www.olemiss.edu](http://www.olemiss.edu)

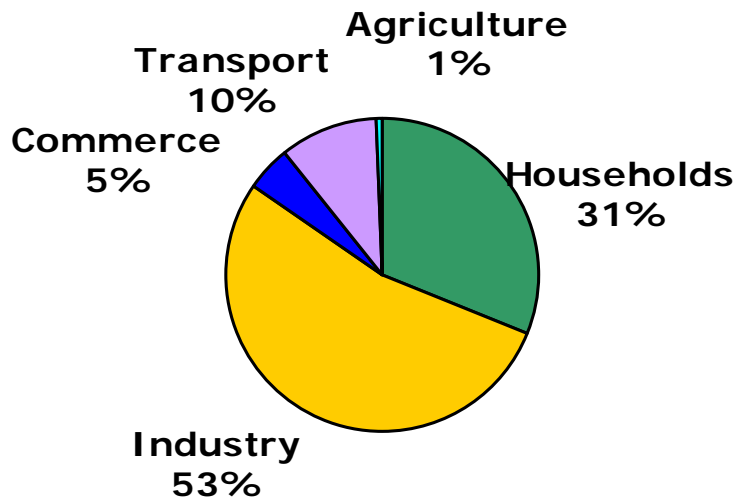
# China's oil security problem: consumption exceeds production...



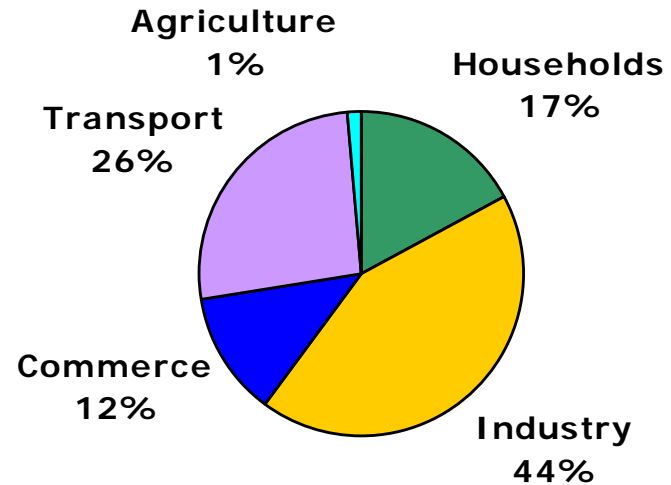
Source: *BP Statistical Review of World Energy June 2004*

# Comparison of the Energy Demand Structure (by sector)

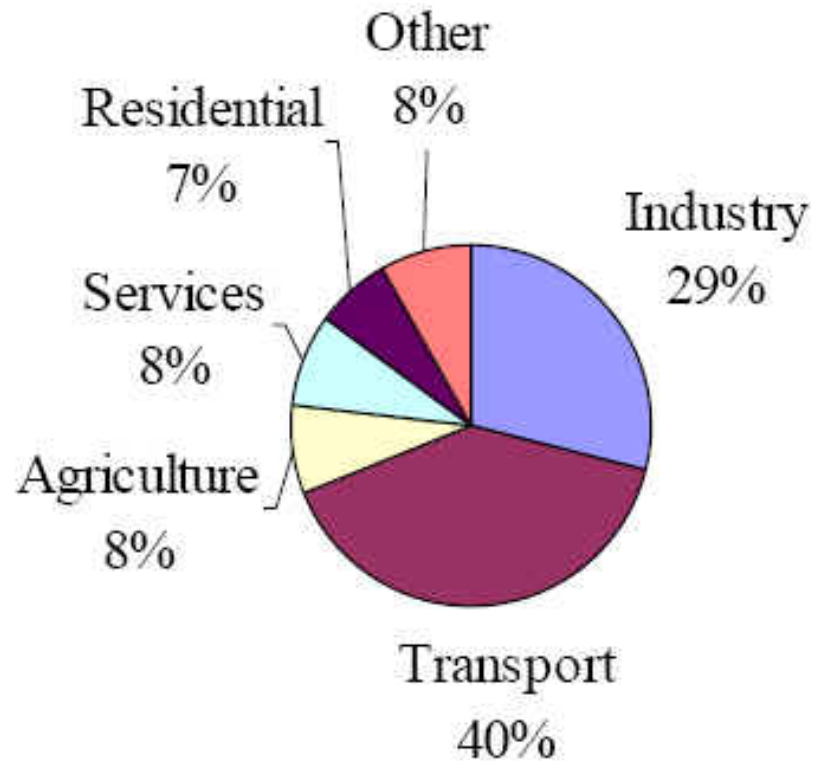
year 2000



year 2030



**Figure 4.1: Total Final Oil Consumption by Sector in China, 2000**



Source: IEA, *WEO 2002*.



**Accompanying this heavy industrial structure is the tremendous waste of energy. To generate every US\$1 of GDP, China uses three times or more as much energy as the global average, 4.7 times higher than in the U.S., 7.7 times higher than in Germany and 11.5 times higher than in Japan.**

# Energy: “bottlenecks”

1. Coal
2. Electricity
3. Oil
4. Transportation



# Policy initiatives

1. More Production
2. Diversification
3. Conservation
4. "Going-out"



# Oil Import Dependency

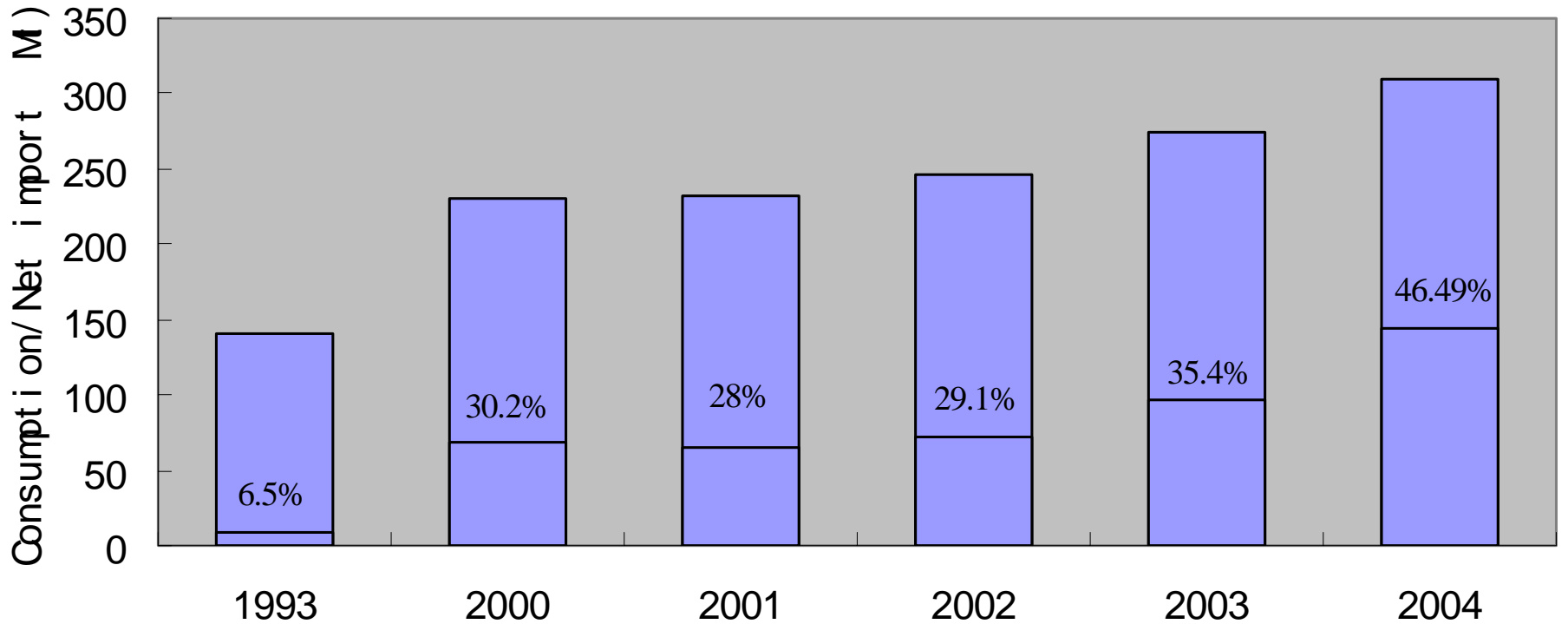
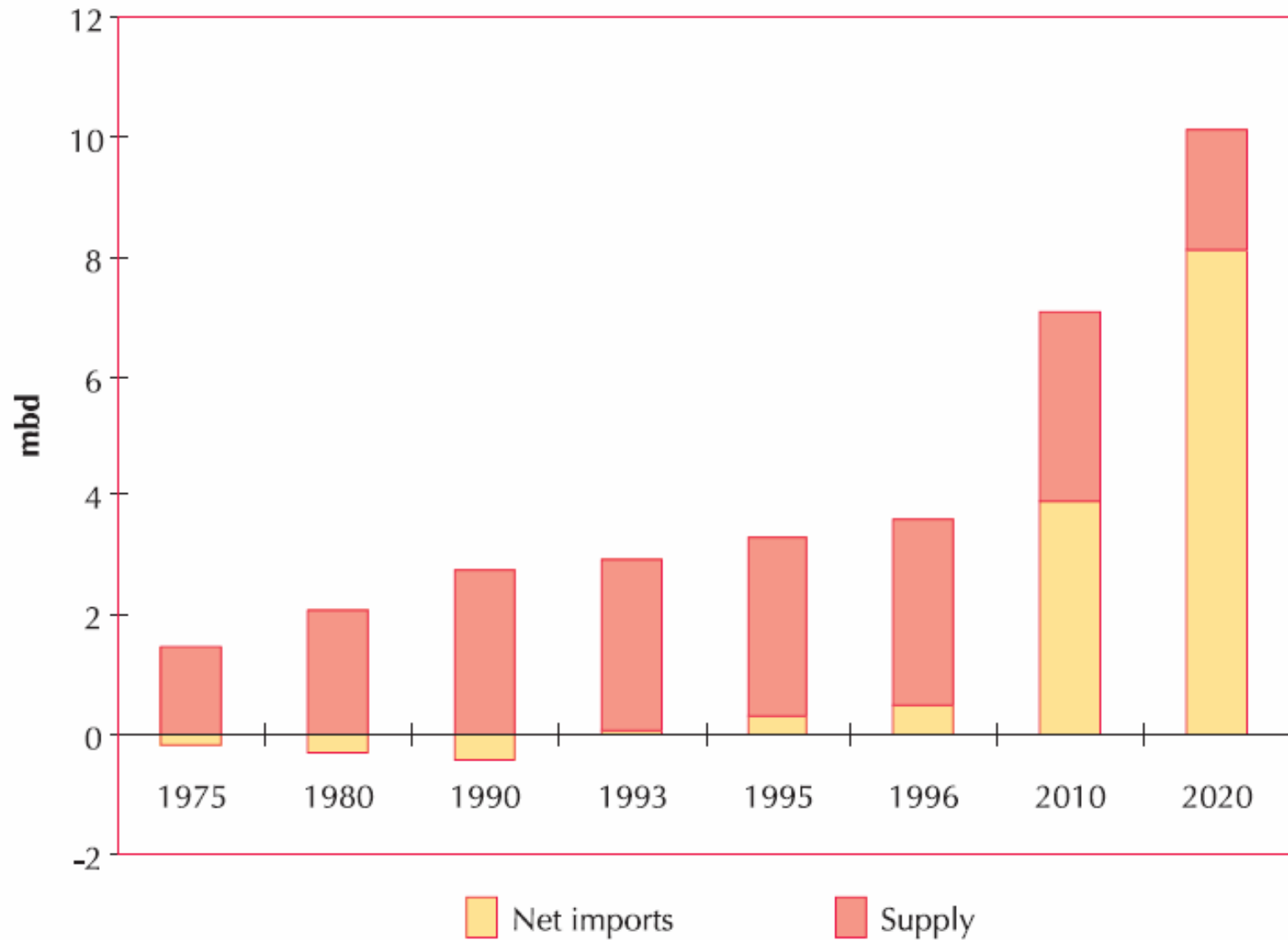
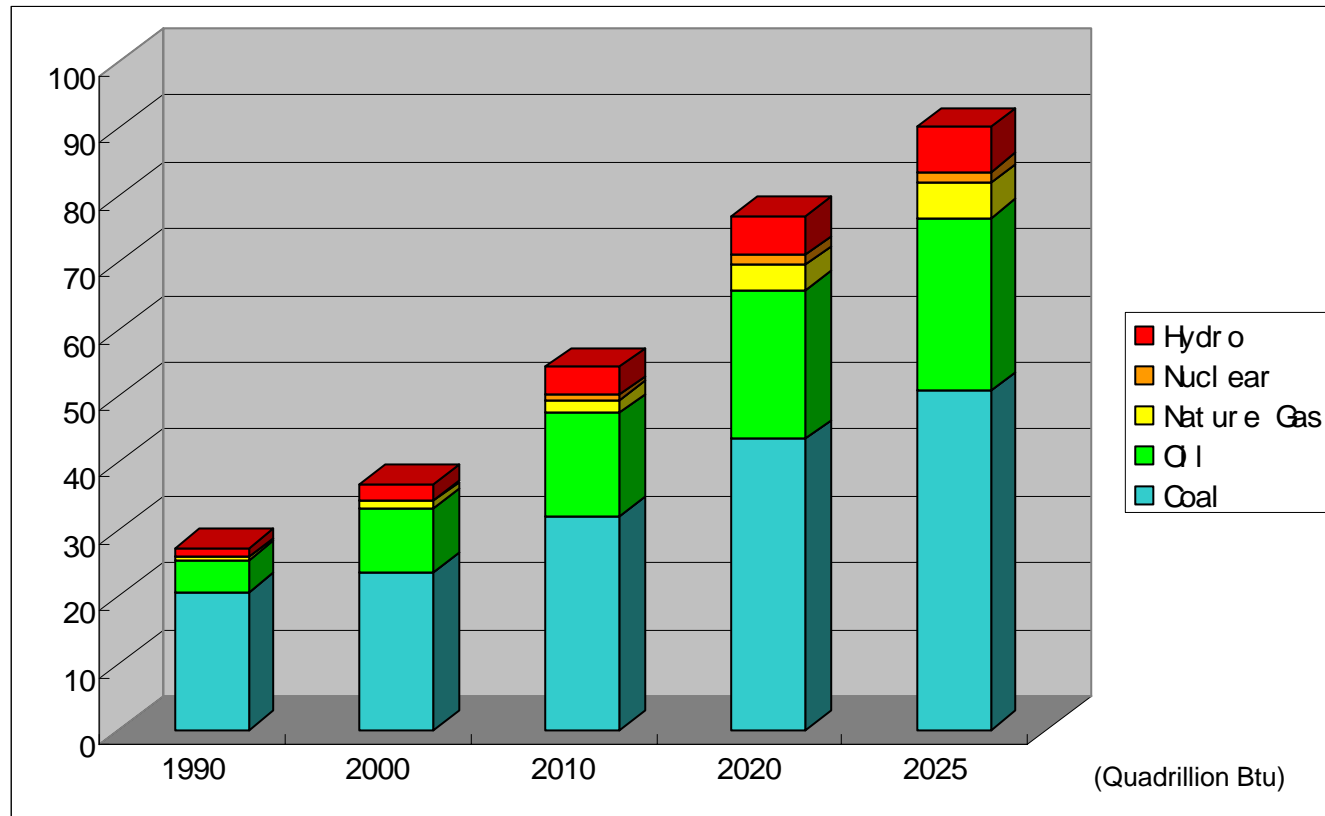


Figure 1.2: Domestic Supply and Net Imports of Oil



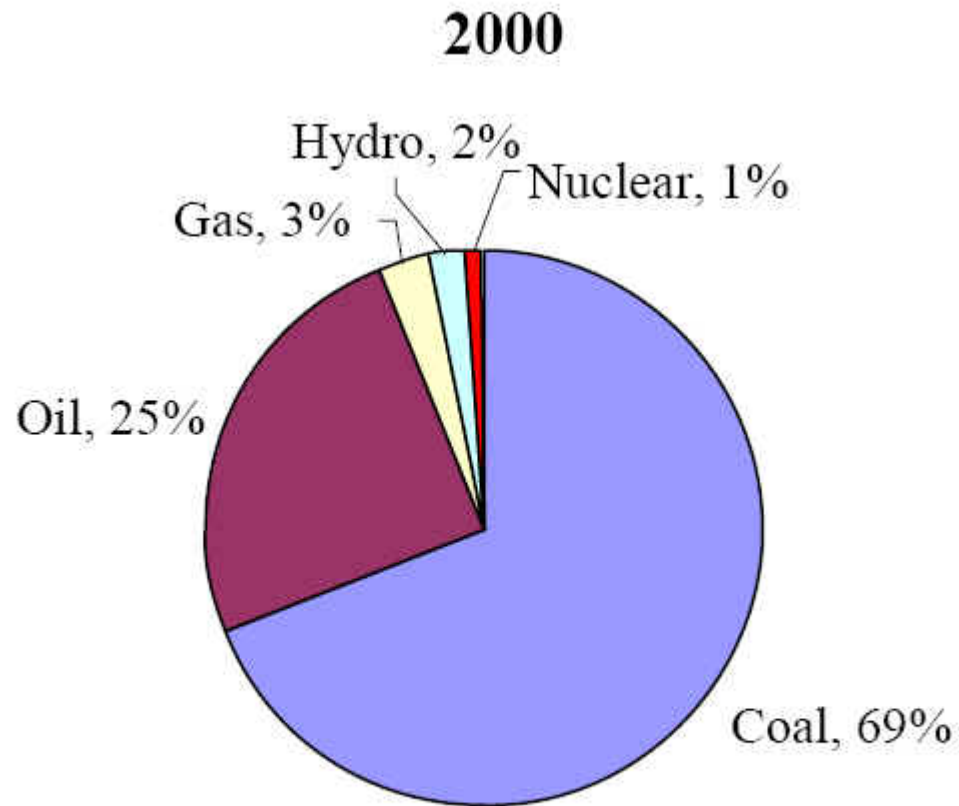
# China's Energy Growth Potential



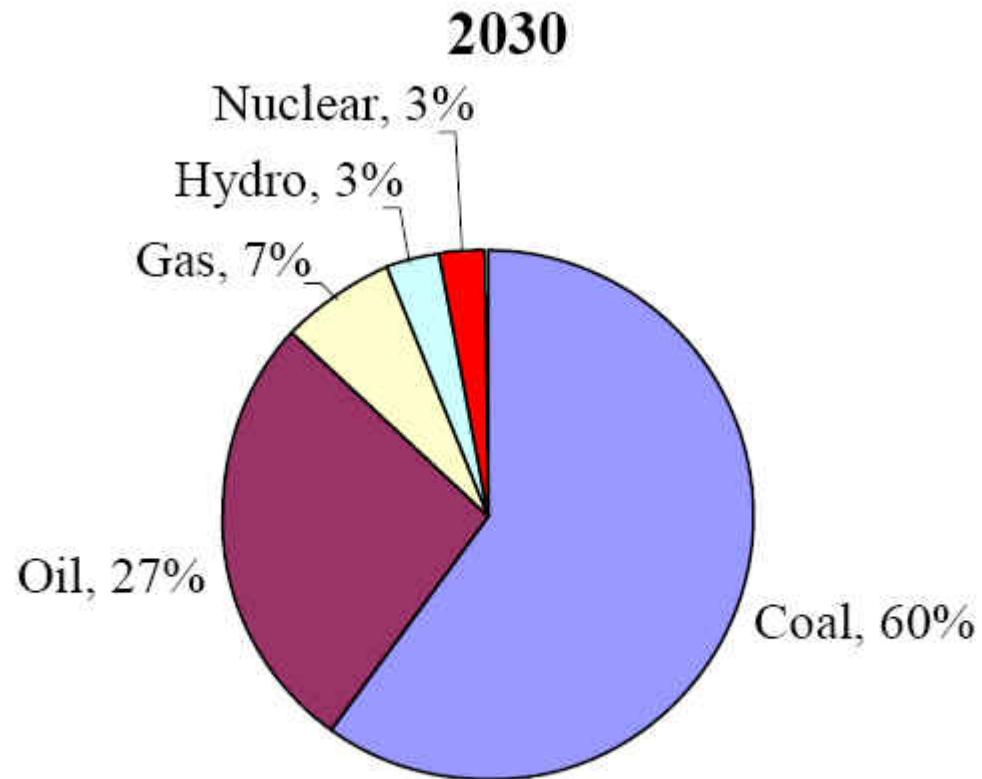
Source: calculated from EIA (2004)



# China's Energy Structure



# China's Energy Structure



# Primary Energy Mix

Source: China Energy Research Society, Energy Policy Research, 2003.6

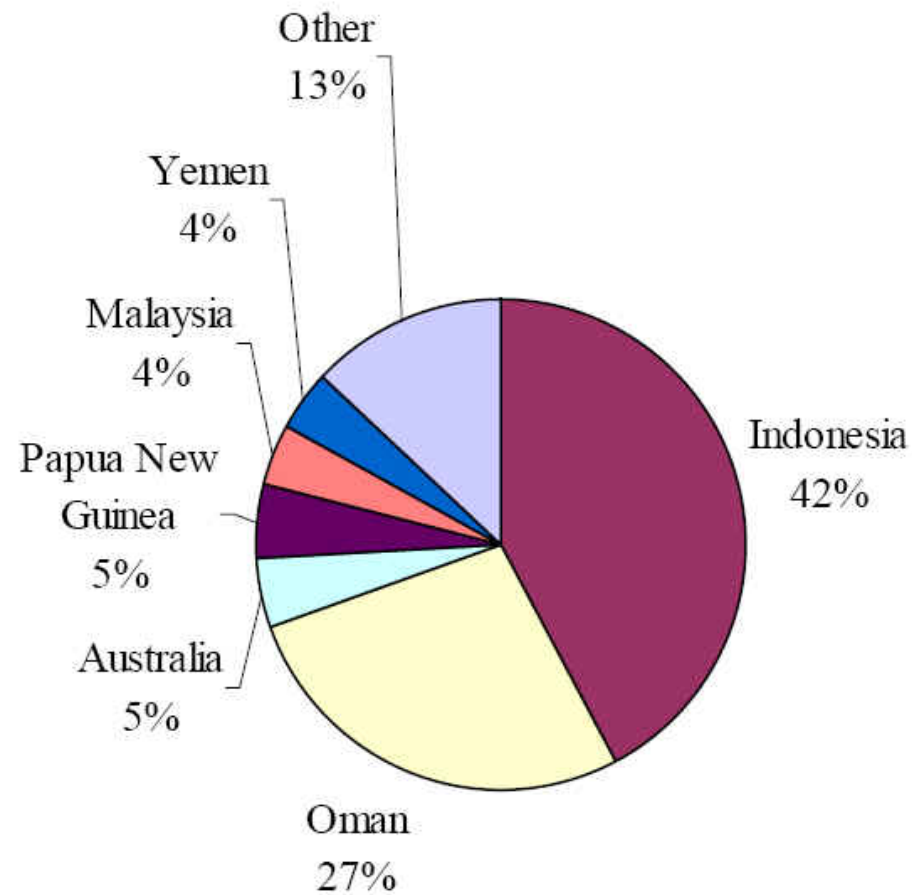
	China				World
Year	1980	1990	2000	2003	2003
Coal	72.2	76.2	66.1	67.1	26.5
Oil	20.7	16.6	24.6	22.7	37.3
NG	3.1	2.1	2.5	2.8	23.9
Elec.	4.0	5.1	6.8	7.4	12.3



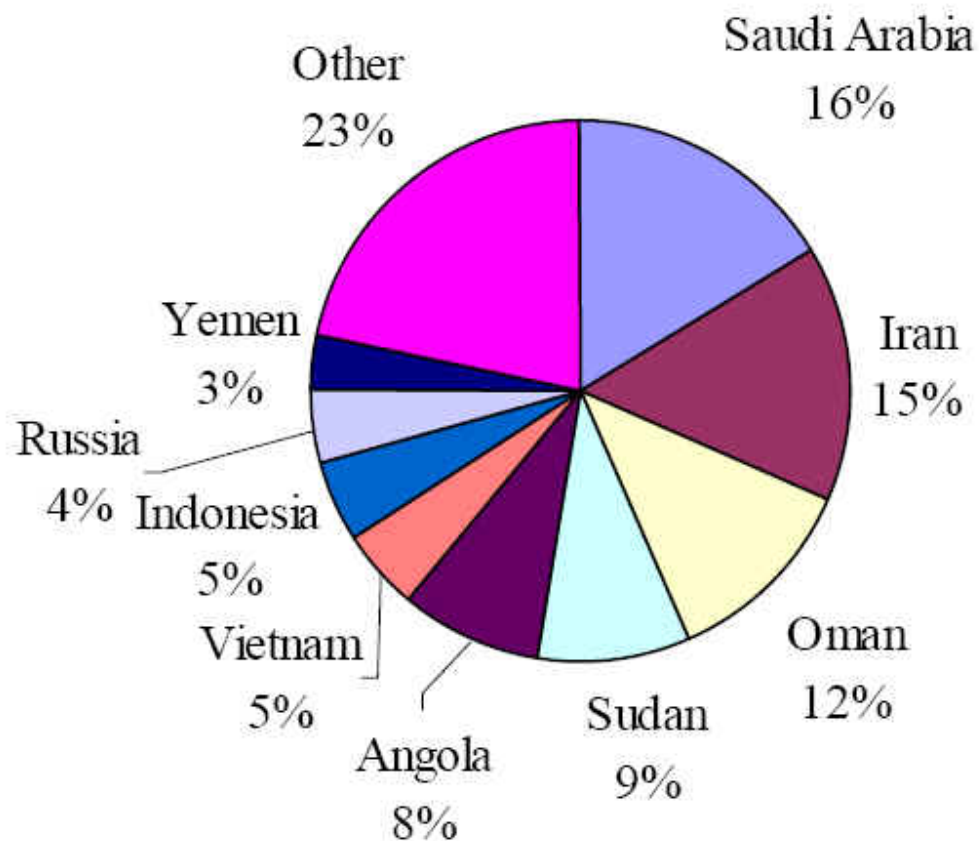
# Energy security: “going-out” strategy



**Figure 3.1: Chinese Crude Oil Imports by Source, 1992**



**Figure 3.2: Chinese Crude Oil Imports by Source, 2002**



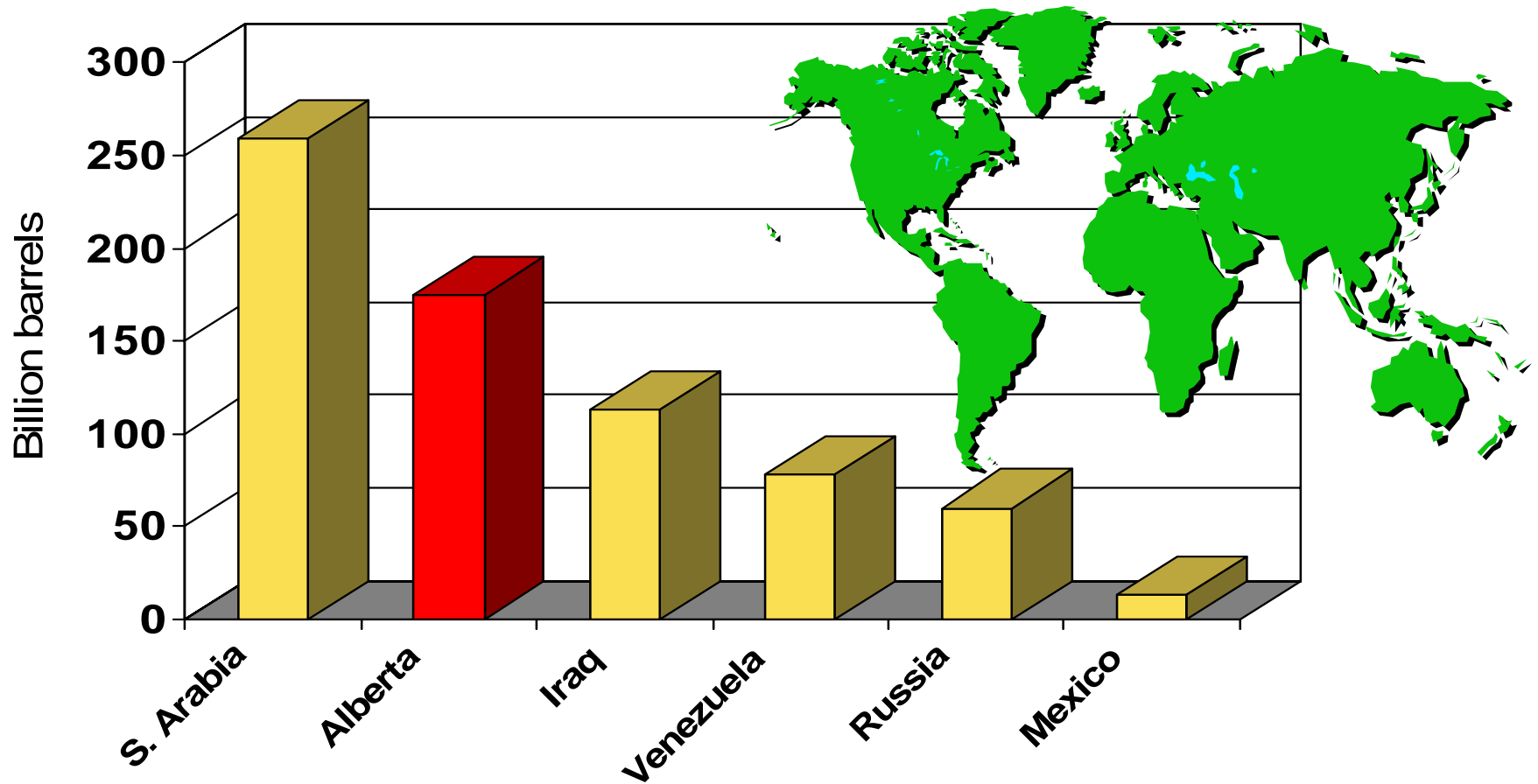
## II. Evolving Canada-China Relations





# World Crude Oil Reserves

*Ranked as the second largest crude oil reserve in the world, next to Saudi Arabia.*



Sources: Oil and Gas Journal – Dec 2002

- 1970 - Establishment of diplomatic relations**
- 1994 - Team Canada visiting China (nuclear cooperation)**
- 1996 - NRCan Minister visiting China**
- 2001 - A range of energy related activities**
- 2003 - Two CANDU 6 Nuclear reactors delivered to China**
- 2003 - Strategic Working Group Initiative**
- 2004 - Alberta Premier calling for Chinese investment**
- 2004 - NRCan - NDRC Working Group first session**
- 2004 - Canada-China Energy Cooperation Conference (U of A)**
- 2005 - *Canada-China Statement on Energy:  
Cooperation in the 21st Century***
- 2005 - China-Canada Energy Cooperation Conference (Beijing)**

# Chinese firms coming to Canada

Fall, 2004 -- China Minmetals tried to buy Noranda

2004 -- China became Canada's second largest trading partner

April, 2005 -- CNOOC took 17% stake in MEG with \$150 mil.

April, 2005 -- PetroChina & Enbridge Gateway pipeline MOU for \$2.5 bil.

June, 2005 -- Sinopec took 40% holding in Synenco with \$149.7 mil.

Summer 2005 -- CNOOC failed in its bid to buy Unocal

Sept. 2005 -- President Hu visiting Canada, "Strategic Partnership" formed

Sept. 2005 -- Andes Petroleum got EnCana's Ecuador assets for US\$1.42 bil.

Oct. 2005 -- CNPC bought PetroKazakhstan for US\$4.18 bil., largest ever

Dec. 2005 -- CNPC & ONGC got 37% of Petro-Canada's Syrian assets for \$676 mil.

Jan. 2006 -- Sinopec is reportedly looking into buying Nations Energy for US\$2 bil.

# Canada-China Energy Relations

1. Canada as an opportunity for China -- still the case
2. Much talk, little action -- less talk, some action
3. China is yet to strike a major deal -- not yet
4. The American factor -- even stronger today
5. China's concerns -- more today
6. Canada's market-oriented response -- sort of
7. Strategic issues -- intensified
8. Canadian export to Asia contributes to security

## **Canadian oil export to Asia:**

**The amount of crude oil & products which pass the Straits of Malacca will increase from 9.2 mb/d in 2003 to 12.8 mb/d in 2115.**

**Canadian export to Asia will reduce 2.1 mb/d of oil passing through S of M from 12.8 mb/d to 10.7 mb/d, which will mitigate congestion from 4,687 VLCC vessels/yr of passage to 3,987 vessels/yr.**



### **III. Implications for N. America**

- 1. What is the real China threat?**
- 2. How to assess China's energy need?**
- 3. What if China consumes like US?**
- 4. What has China learned from the Unocal bid?**
- 5. What if China invests \$100 bil. in Canada?**
- 6. In which areas should we engage China?**

**We live in an age disturbed, confused, bewildered, afraid of its own forces, in search not merely of its road but even of its direction. There are many voices of counsel, but few voices of vision; there is much excitement and feverish activity, but little concert of thoughtful purpose. We are distressed by our own ungoverned, undirected energies and do many things, but nothing long. It is our duty to find ourselves.**

**Woodrow Wilson**

**---Baccalaureate address as**

**President of Princeton University, June 9, 1907**



# Thank you



**Dr. Wernan Jiang**  
**Director, China Institute**  
**University of Alberta**  
**110D TELUS Centre**  
**87 Ave. & 111 St.**  
**Edmonton, Alberta T7G 2R1**  
**Tel. 780.492-9898**  
**Fax. 780.492.8200**  
**Email: [wenran.jiang@ualberta.ca](mailto:wernan.jiang@ualberta.ca)**  
**Website: [www.china.ualberta.ca](http://www.china.ualberta.ca)**  
**Personal Blog: [www.wernan.blogspot.com](http://www.wernan.blogspot.com)**

**China Institute**  
**University of Alberta**