Current Situation, Challenges and Strategies of Energy International Cooperation for Local Government under the “Belt and Road”

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Abstract. International energy cooperation under the Belt and Road initiative plays a significant role in maintaining energy security and promoting economic and social development in China. This paper analyzed the current situation of energy international cooperation for local government, and stated the main challenges of energy international cooperation for local government under the “Belt and Road”. Finally, this paper puts forward countermeasures and suggestions to strengthen international energy cooperation for local government under the Belt and Road initiative.

Introduction

The construction of the Belt and Road is a major initiative made by the Party Central Committee with Xi Jinping as the General Secretary to respond to profound changes in the global situation and to coordinate the two major domestic and international situations. With the increasingly fierce competition in international energy, the global energy market pattern has become more volatile, and China’s external dependence on energy has been rising, which makes the international environment faced by China’s energy security and development more complicated and severe than the industrialization of developed countries.

Jointly building the “Belt and Road” (B&R) is China’s proposal and the common aspiration of China and other B&R countries. The impetus of the “Belt and Road” energy cooperation community will actively build an international energy cooperation platform by leveraging the comparative advantages of domestic local government, and continuously expand the scope and space of international energy cooperation.

Current Situation of Energy International Cooperation for Local Government under the “Belt and Road”

Building Cooperative Planning and Actively Promoting Cooperation

Xinjiang is a world energy resource enrichment area connecting countries along the Silk Road Economic Belt. It is also an important gateway to the west and an important energy strategic base for the country. In February 2018, Xinjiang implemented the “Silk Road Economic Belt Core Area (Xinjiang) Energy Planning”. The plan clearly defined the general thinking, implementing emphasis and corresponding safeguard measures for the energy development of the core area of the Xinjiang Silk Road Economic Belt. The plan also proposed to “bring in” oil and gas resources in Central Asia and meanwhile rely on the geographical advantages of Xinjiang to further strengthen international cooperation and energy interconnection with neighboring countries to realize the “going out” strategy and create energy output “Silk Road”.

Guangxi is an international gateway to ASEAN and an important gateway to the 21st Century Maritime Silk Road and the Silk Road Economic Belt. In September 2016, Guangxi introduced the “13th Five-Year Plan for Energy Development”. The plan proposed to strengthen cooperation with energy projects in ASEAN countries, adhere to pay equal attention to the “bringing in” and “going
out” and improve the level of energy opening up and cooperation level. Guangxi has vigorously built a “Belt and Road” energy resource cooperation channel, and has built a new pattern of natural gas simultaneous development in sea and land area and multi-gas supply by taking the China-Myanmar natural gas pipeline and the Beibu Gulf LNG landing as major projects.

Fujian Province has leveraged its port resources and geographical advantages to promote energy cooperation of oil, gas and coal in Southeast Asia and Oceania areas. Build a natural gas and high-quality coal import transfer base for docking the western Pacific in China’s Maritime Silk Road by strengthening the import of high-quality coal, introducing stable and reciprocal international natural gas resources, making good use of the free trade zone policies. Inner Mongolia has deeply implemented the national “Belt and Road” initiative, strengthened energy international capacity cooperation, supported Mongolia to develop coal deep processing, and encouraged substantial enterprises to invest in Russia, Mongolia and other countries to invest in modern coal mines, wind energy, photovoltaic power generation and other projects, thus driving the export of energy technical equipment with competitive advantages.

Deepening Cooperation Mechanism and Building Cooperation Platform
Xinjiang takes advantages of the “Belt and Road” initiative and the Shanghai Cooperation Organization (SCO) and the Central Asia Regional Economic Cooperation (CAREC) to deepen multilateral strategic partnerships and strengthen the good-neighborly relations and cooperation with the Central Asian countries at the macro level. Through deepening the China-ASEAN Energy Cooperation Mechanism and the China-ASEAN Biomass Energy Sustainable Development Forum, Guangxi has strengthened regional multilateral energy cooperation and exchanges through the establishment of multi-form communication platform, such as forum summits, high-level exchanges, and corporate exchanges.

Under the frameworks of the cooperation mechanism of the Greater Mekong Subregion (GMS) power cooperation mechanism and the BCIM Economic Corridor, Yunnan strengthens bilateral and multilateral energy exchanges and cooperation with key energy cooperation countries such as China-Laos, China-Thailand, Bangladesh-China-India-Myanmar to deepen interest integration and promote win-win cooperation. By actively building a platform for exchanges and cooperation between energy companies and neighboring governments, enterprises and international financial institutions, Yunnan has achieved multi-participation, cooperation and mutual benefit.

Ningxia proposed to rely on the platform and influence of China—Arab States Expo and focus on the “Belt and Road” strategy to accelerate the promotion of the energy enterprise’s bringing in and going out, support energy enterprises in the region to participate in Middle East and Central Asia energy cooperation development and industrial park construction and actively introduce Arab countries’ large-scale enterprise groups cooperative construction of energy and chemical project. Through the cooperation platform such as the China-Arab Energy Cooperation Forum, Ningxia facilitates more extensive cooperation between China and Arab.

Making Energy Trade Smooth, Strengthening Investment Capacity
The local governments closely follow the construction of the “Belt and Road”, strive to further innovate, enhance the way of local energy cooperation. They exert their own advantages, focus on development strategy and demand docking, broaden cooperation areas, and strive to create a better business environment for both companies and cultivate new kinetic energy for energy cooperation and development.

Xinjiang actively builds a regional oil and gas trading center. In October 2016, the National Energy Administration proposed to promote the establishment of a Xinjiang-centered Oil and Gas Trading Center to study and establish the Xinjiang International (Central Asia) Energy Trading Center. In April 2017, the preparation work for the Xinjiang Oil and Gas Trading Center was officially launched. In December 2017, Xinjiang proposed to introduce the rich crude oil and natural gas resources in Central Asia via the platform built through the trading center to supplement the
resource gap in Xinjiang and promote Xinjiang’s advanced technology, equipment and petroleum and petrochemical products to go out, and through a large number of import and export trade and information consultant services to build Xinjiang Oil and Gas Trading Center as the first comprehensive cross-border oil and petrochemical platform in the country, and gradually form a price center in Central Asia.

Guangxi has expanded its energy cooperation field into energy infrastructure, new energy equipment and technology, and actively participated in energy and power projects in ASEAN countries such as Vietnam, Laos and Malaysia, expanding exports of new energy equipment in wind power, solar energy and developing technical cooperation with Malaysia, Indonesia and other areas rich in biomass raw materials. Yunnan Province promotes the cooperative development of overseas energy resources, focusing on Thailand, Myanmar and Sri Lanka to promote the cooperative development of solar energy and wind energy; and relying on alternative planting to promote the cooperative development of biodiesel, fuel ethanol and other biomass energy. Yunnan actively develops energy engineering contracting, technical services, and energy equipment exports; actively attracts the introduction of world advanced enterprises such as energy equipment manufacturing and shale gas exploration and development.

The Challenges Faced by Local Government Energy International Cooperation Actuality under the “Belt and Road”

The local governments’ promotion of the “Belt and Road” energy cooperation community construction is still in the stage of cultivation and development, and the foundation is relatively weak. It faces certain difficulties and realistic constraints in the overall energy cooperation strategy coordination, strategic planning of energy international cooperation and international cooperation.

Overall Energy Cooperation Strategy of Coordinating with the Central Government

Under the existing political system of our country, the international cooperation behavior of local governments should comply with the overall strategic guidance of the central government. The international cooperation behavior of local governments also cooperates, supplements and supports the central government’s foreign energy international cooperation strategy. However, in terms of international cooperation in the energy field, there are problems of nature difference and inconsistent direct goals between the local government and the central government, especially when there is a deviation between the economic interests pursued by the local government and the political interests demanded by the central government. How to better coordinate the relationship between the two to not only better realize the interests of local governments, but also ensure the political and strategic interests of the central government is the main challenge faced by China’s foreign energy international cooperation.

Since China’s “Belt and Road” initiative proposed, more energy companies and investors in China started to make expansion in overseas, and all these activities have been carried out under the unified control of the central government, but the real implementers and practitioners in practice are local governments and businesses. As local governments become more involved in international affairs, it will inevitably increase the number of international affairs that need to be dealt with. This will require the central government to communicate, coordinate and dispose of the needs of other governments in foreign international cooperation. The increase in affairs has led to a more complicated situation between the central government and other governments, between the central government of China and other local governments, between the central government of China and local governments in China, and ultimately it will bring more problems and challenges to China’s foreign energy international cooperation activities.
International Cooperation Planning Need Strengthening

At the first “Belt and Road” International Cooperation Summit held in Beijing in May 2017, the “Promoting the Silk Road Economic Belt and the 21st Century Maritime Silk Road Energy Cooperation Vision and Action” was formulated and released. And it was proposed to strengthen the “Belt and Road” energy cooperation to jointly create an open and inclusive energy community of shared interests, a community of shared responsibility and a community of shared future that benefit all, increase regional energy safety level, improve regional energy resources optimization and allocation capabilities, achieve deep integration of regional energy markets, and promote regional energy green and low-carbon development to meet the growing demand for energy consumption in various countries and promote the rapid economic and social development of all countries.

As the sub-national government international body, the local government actively cooperates with the neighboring countries of the “Belt and Road” which can contribute to the promotion of building energy cooperation community. Although local governments including Xinjiang, Yunnan, and Ningxia actively participate in energy international cooperation, there are not many high-level forms. Most local governments have not formed plans for international energy cooperation, and there is a lack of institutionalized energy cooperation mechanisms. International cooperation is even carried out in accordance with the so-called “conventions” or “customs”, which greatly increases the cost and risk of cooperation, and also restricts the cooperation between the two sides to a higher level and a wider field.

The Field of Energy International Cooperation Needs Expansion

For a long time, the local government’s foreign energy cooperation is more like a vertical energy cooperation model. Taking Xinjiang as an example, with its unique resource advantages, regional advantages and policy advantages, Xinjiang plays an extremely important role in the development of the Silk Road Economic Belt Strategy. However, Xinjiang’s participation in oil and gas development in Central Asia still depends on large central enterprises such as PetroChina and Sinopec. Due to the restrictions on capital, technology, and financial systems of energy cooperation between Xinjiang and Central Asia, Xinjiang has played a more important role as a bridge between the energy cooperation processes with Central Asia. Xinjiang has obvious advantages in cooperation in the upstream oil and gas industry, however the oil and gas processing and oil and gas chemical industry in the middle and downstream are not competitive. They have not fully utilized Xinjiang’s unique geographical advantages for the oil and gas industry cooperation of oil and gas deep processing and fine chemical engineering in the middle and downstream, resulting in the current Xinjiang and Central Asia’s cooperation is extremely narrow.

The implementation of the “Belt and Road” strategy is based on bilateral and multilateral cooperation projects. In the energy field, the multi-field cooperation is carried out through energy infrastructure construction, energy industry investment, energy resource development, energy project investment and financing cooperation, and energy technology, talent and think tanks, etc. This requires make energy cooperation as the core, and energy infrastructure construction and energy trade investment as key point, vigorously expanding the construction of energy transportation channels, powerfully promoting the introduction of oil and gas, coal and other energy resources, and then driving upstream and downstream industries, engineering construction, technical equipment and related service industry development.

Countermeasures and Suggestions for Local Governments to Promote “Belt and Road” Energy International Cooperation

Local governments need to strengthen their adherence to the central government’s dominant position, strengthen local coordination, strengthen cooperation planning, build cooperation and
coordination mechanisms, expand cooperation scale, and promote cooperation channels to promote the further development of the “Belt and Road” energy cooperation community.

Adhering to the Central Leading Position and Strengthening Local Coordination

In the process of building the energy cooperation community under the “Belt and Road”, while giving full play to the leading position of the central government, the coordination with local governments should also be strengthened so that the two sides can coordinate and cooperate with each other and take into account the interests of local governments, which make central and local governments integrated into the energy community construction process involving multiple layers of interaction and multi-actor participation. When China moves from the participants of the energy international system to the makers of the rules of the energy cooperation system, the local government should have a sense of the overall situation and cooperate with the central government’s international energy cooperation strategy to actively promote the construction of the “Belt and Road” energy cooperation community.

Under the impetus of local governments participating in energy international cooperation, build a system of external cooperation with clearer powers and responsibilities and reasonable structure focusing on the core work of local governments participating in the construction of energy cooperation communities. In fact, it needs a more reasonable and clear central—local relationship structure. And the distribution and coordination of power between the central and local governments is actually to build a system of external cooperation that has both division of labor and cooperation, maintaining the authority of the central government and giving full play to the positivity of the local government, which will enable China to review the situation in a multi-layered interactive and multi-actor international system, and maintain and realize national interests in a multi-pronged manner.

Strengthening Energy Cooperation Planning and Build a Cooperative Coordination Mechanism

In the process of building the energy cooperation community under the “Belt and Road”, local governments should base on the strategic needs of their own economic and social development, formulate clear macro plans for international cooperation, and strengthen the regulation and guidance of international energy cooperation. The energy international cooperation strategy should mainly establish cooperation priorities and optimization sequences in terms of policies and cooperation entities in accordance with the trend of international energy development and the needs of local government energy development.

The main body of the energy cooperation community under the “Belt and Road” comes from all aspects, including the senior leadership of the municipal government, the diplomatic and economic and trade authorities, and enterprises. In order to form an overall join force, it is necessary to establish a coordination mechanism for coordinating the strategic objectives and policies of international energy cooperation. On the one hand, it is necessary to strengthen coordination and cooperation with national ministries and commissions such as the Ministry of Science and Technology and the Ministry of Commerce, sort out and integrate energy international cooperation policies, and jointly promote the development of strategic goals of energy international cooperation. On the other hand, it is necessary to strengthen institutional innovation, deeply study of energy international cooperation coordination mechanism measures, and actively explore long-term mechanisms for energy international cooperation. Actively carry out technical exchanges and cooperation between cities, relevant authorities, and energy companies, organize various forms of symposiums and seminars, and promote energy economic and trade cooperation and capacity cooperation.
Expanding the Scale of Cooperation and Promoting Cooperation Channels

The strategic positioning of the local government in the process of building the energy cooperation community under the “Belt and Road” is based on promoting energy diversification and low carbonization, establishing a new safe, economic and reliable energy production and supply system, and continuously expanding the fields of cooperation, and expanding the scale of cooperation gradually and continuously increasing cooperation channels.

First of all, we must actively promote the smooth flow of energy trade. Actively promote the convenience level of traditional energy trade such as oil, natural gas and coal, reduce transaction costs, optimize the allocation of energy resources, and enhance the anti-risk capability of energy supply. Second, improve energy investment cooperation. Encourage local enterprises to deepen energy investment cooperation through direct investment, mergers and acquisitions, government and social capital cooperation modes. Encourage local financial institutions to actively participate in energy cooperation projects and form a good energy “industry + finance” cooperation mode. Third, strengthen energy production capacity cooperation. Vigorously carry out energy equipment and energy engineering cooperation with the countries along the “Belt and Road” area, implement joint research and development of high-end key technologies and equipment in the energy field, and jointly promote the innovation and development of energy science and technology. Fourth, strengthen the interconnection of energy infrastructure. Continuously perfect and expand the scale of oil and gas interconnection channels along the “Belt and Road” and maintain the safety of oil and gas pipelines. Fifth, promote international cooperation in new energy, and rely on the continuous development of new energy to meet the growth of energy demand.

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References


