

US-China Geopolitical Competition on Natural Gas: Conflicts and Opportunities

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Abstract: China and the United States are the world biggest energy consumers. In the past few years, the two countries are taking moves to upgrade their energy structure and securing controls on more energy sources, especially on natural gas, which is becoming increasingly important with strategic significance. In December 2022, China has just signed a mega deal with Qatar for a \$60 billion, 27-year purchase of liquefied natural gas (LNG). This is full of geopolitical and economic implications, and may have a long-lasting influence over the US-China competition in the Middle East. Therefore, the paper will mainly explore the major concerns of the United States about China's growing demand for natural gas and how the US will respond to the challenges posed by China on this issue. By adopting a case study on US-China competition for natural gas in the Middle East, the paper intends to shed some light on the potential conflict between the two major countries on natural gas and explain its cause from the US perspective. And by doing case study, the paper concludes that the US is not particularly worrying China's increasing natural gas demand from other countries, the two countries can work together to help maintain the stability of the world LNG market.

Keywords: The US-China relations, liquefied natural gas, geopolitical competition

1. Introduction

Since Russia waged a war against Ukraine in 2022, the world shuddered in face of surging energy prices. Energy, though important at any time, has never been so critical to countries across the globe and played such an indispensable role to national security and state survival.

Against this backdrop, it is noticeable that the world's top energy consumers, China and the United States, are taking moves to upgrade their energy structure and securing controls on more energy sources, including oil, natural gas, and other renewable energies. [1] Through the process, natural gas, which acts as "a bridge fuel in the transition to cleaner energies", becomes a type of fuel with strategic importance. [2] Being the world's top natural gas producer [3], the US is expected to see an over 3% increase of industrial natural gas consumption in 2022 [4]. And in December 2022, China has just signed a mega deal with Qatar for a \$60 billion, 27-year purchase of liquefied natural gas (LNG). [5] This action is full of geopolitical and economic implications, and may have a long-lasting influence over the US-China competition in the Middle East.

However, it is noticeable that current studies on US-China energy relations usually take oil and natural gas together. Yet, as the importance of natural gas gradually surpasses that of oil due to its

greener and cleaner entity, it deserves more separate analysis. Besides, the writer found that many studies on Sino-US energy competition in the Middle East are not updated, which didn't keep abreast of the current Russia-Ukraine War, making them a bit backward for policy recommendation and guidance. Last but not the least, most studies focused on China due to its huge appetite for oil and gas. But with the US increasing production of natural gas since the Shale Revolution, its growing export to the world energy market and its changing position in former energy supply regions with a possible different attitude are well worth studying.

Therefore, having observed these research gaps, this essay probe into the following two sets of questions: 1) What are the major concerns of the United States about China's growing demand for natural gas? And why does it have these concerns? 2) How will the US respond to the challenges posed by China on this issue? Is there any room (or opportunity) to ease the competition between the two countries in this area? By adopting a case study on US-China competition for natural gas in the Middle East, the essay intends to shed some light on the potential conflict between the two major countries on natural gas and explain its cause from the US perspective. The writer argues that the US is not particularly worrying China's increasing natural gas demand from other countries which may curb its export to the Chinese market because of its own massive LNG production, and China's closer ties to gas suppliers in the Middle East doesn't make it estrange from those countries. Thus, the United States may seek more cooperation with China in terms of natural gas purchase and supply, and the two countries can together help maintain the stability of the world LNG market.

2. Literature Review

Many scholars have already studied the US-China rivalry for energy security and in terms of natural gas. In terms of energy security, Zweig and Bi argue that China's increasing energy ties with countries like Iran and Sudan posed a threat to the US "moral hegemony", as those states are condemned by the US for certain issues. [6] But they think China's hunt for oil and gas worldwide won't hurt much of the US interests, as there is no direct competition for deals or markets. Meanwhile, the two countries have one common interest of maintaining sea-passage security for safe oil and gas transportation. Nyman shows the same attitude for cooperation between the two countries, she argues that the US and China collaborate on many energy-related issues (e.g. climate change and energy security). But she also believes that the extant cooperation is mostly on low-political energy topics that are not top on the agenda for countries' survival. [7] So the two countries should welcome more energy cooperation that touches upon high-politics, and she thinks the increasing cooperation on shale gas between the two countries is a good example to follow.

Yet, the two countries do have conflicts and competition for energy sources and for natural gas. Klare studied countries' struggle over oil and gas pipelines, and he arrived at a conclusion that geopolitics plays "a decisive role" in determining the routing of pipelines, and China is seeking a more direct connection to Caspian regions for less dependence on oil and gas from the Persian Gulf, a place used to be considered as under Washington's control. [8] Kurečić also studied geopolitical factors in Central Asia. He finds that China's goal for controlling the gas in the region is more about energy per se, while the US is more for the sake of containing China's influence to those gas suppliers, such as Kazakhstan, Kyrgyzstan and Tajikistan, for its own geostrategic advantage in the Middle East, the Caucasus and the Caspian Sea regions. [9] And apart from Central Asia, the South China Sea, with its estimated "some 11 billion barrels of oil and 190 trillion cubic feet of natural gas deposits" under the seabed, is a place of simmering Sino-US natural gas contest. [10]

Meanwhile, the Middle East is also a hotspot for Sino-US gas competition. According to Flynt Leverett and Jeffrey Bader, China's pursuit for more access of oil and gas in the Middle East makes it harder for the United States and other Western countries to achieve their geopolitical goals in this region, such as the US efforts to impose sanctions on Sudan for the country's genocide and to punish

Iran for its violations of nuclear nonproliferation deals. [11] And due to the US withdrew from those countries, China gets the chance to fill the power vacuum. Moreover, in the research by Scobell and Nader, they notice that due to the stagnant demand of the United States and soaring demand from China, Sino-Saudi energy cooperation leaps during these years, which has seen growing bilateral trade and investment on natural gas and even on nuclear energy, which makes the US influence and importance gradually diminish in the countries and the broader region. [12]

What's more, Grigas also discussed the geopolitical implications of China-US energy relations. She proposed that changing rules of natural gas trade and relationships among countries lead to the evolving natural gas market, and natural gas is now seen as "a strategic resource and tool of foreign policy." [13] She found that the US has evolved into "a global gas leader" while it is foreseeable that China will become "a key gas buyer" by 2021. For China, it can be easily fall into the politics of demand or politics of dependence due to its mega gas import, but if its sizable gas demand can be diversified, then it can utilize such demand to its own interests. [13]

So far, it can be noted that scholars usually hold two types of view on US-China energy (natural gas) relations: cooperation and competition. Indeed, it seems that in terms of infrastructure building, gas transportation, and environmental protection (energy transition for cutting carbon emissions), the two countries share some common interests and have broad rooms for cooperation. But still, geopolitics plays an inevitable factor when it comes to energy (natural gas) sources. In Central Asia and the Middle East, tensions between the two countries for more gas and control are always palpable.

3. Methodology

The paper is going to conduct a case study on US-China competition in the Middle East, with a focus on China's relations with the gas giant Qatar and the response from the United States. The statistics will mostly come from the US government websites, including the White House and the U.S. Department of State, and other data authorities such as Statista.

4. Case Study

4.1. Qatar Moving Closer to China

China has been engaged in the Middle East for decades since 1990s, and is quickly expanding its cooperation with mega gas producers in the region for more stable gas supplies. The three Chinese state-owned companies, China National Petroleum Corporation (CNPC), the China National Petrochemical Corporation (Sinopec) and China National Offshore Oil Corporation (CNOOC), are the major investors and buyers of these gas sources.

Standing as the top 2 exporter of liquefied natural gas (LNG) [14], Qatar signed five new deals for the North Field East (NFE), one of the world's largest gas fields shared by Qatar and Iran, in 2022, boosting its liquefaction capacity to 126 million tons per year by 2027 from 77 million, which makes it possible for long-term gas supplies. [15]

Therefore, strengthening partnership with Qatar meets with China's growing gas appetite. In November 2022, the two sides signed a twenty-seven-year LNG deal which is in \$60 billion worth. That means, 4 million tons of LNG will be exported to China per year. [4] With this contract, China is considered to have secured its foothold in Qatar's North Field East and will thus gain an unparalleled control over the world's biggest gas reservoir, as it has already taken hold of Iran's South Pars field. [16] Besides, China will also have the chance to obtain the global best standards with managerial and operational expertise. [4]

4.2. Response from the United States

One day before the Sino-Qatar mega LNG deal, the U.S. Department of State posted a Fact Sheet, *The United States and Qatar: Strategic Partners Advancing Peace and Security*. It is stated that “Qatar is one of the United States’ closest military partners in the region” and the two countries ongoing high-level discussions address issues on trade and investment, regional security and defense cooperation, with close cooperation on the issues that are central to the bilateral relationship. [17] Meanwhile, on March 10, 2022, the Biden administration published *the Memorandum on the Designation of the State of Qatar as a Major Non-NATO Ally*. [18] President Biden also claimed that the two countries enjoy a shared desire of “ensuring the stability of global energy supplies.” [19]

5. Discussion

Therefore, it can be seen that the United States is trying to forge closer ties with Qatar by showing a series of move to strengthen the bond. On the other hand, these acts may also indicate the major concerns of the United States about China’s growing demand for natural gas, which are mostly about how to prevent China from getting closer to the oil giant for both economic and geopolitical benefits. The Biden administration put great emphasis on the security relationship between the US and Qatar, and underscored the military cooperation between the two countries in maintaining regional security and global energy supply.

Meanwhile, the US didn’t take any countermeasures so far after China’s progressive move in Qatar’s gas field – it seems that the country didn’t really get agitated when China grabbed the chance to have more oil and gas access within its traditional influence sphere.

To understand the US calmness, the essay seeks to find answers in two respects: LNG production and geopolitical situation in the Middle East.

First, the LNG production. The United States is now the world’s top LNG exporter, even a bit ahead of Qatar. [20] And according to statistics, China has become the second largest buyer of LNG from the US, and the US is also the second largest supplier of LNG to China. Moreover, Chinese companies signed eight sales and purchase deals with US LNG enterprises for 13-20 years, which are in long terms. [21] Therefore, the study assumes that though the United States may be already alert about what happened, the country believes that it is still in the upper hand in the competition and is not going to take immediate reactions.

Besides, the US LNG also has a price advantage. This is because the LNG produced by the US is indexed to the US Henry Hub natural gas prices, while the price of other sources of LNG is mostly linked to oil prices. [21] In light of this, it can be concluded that the US currently doesn’t have much fear for China’s new cooperation with Qatar, or other major gas supply countries.

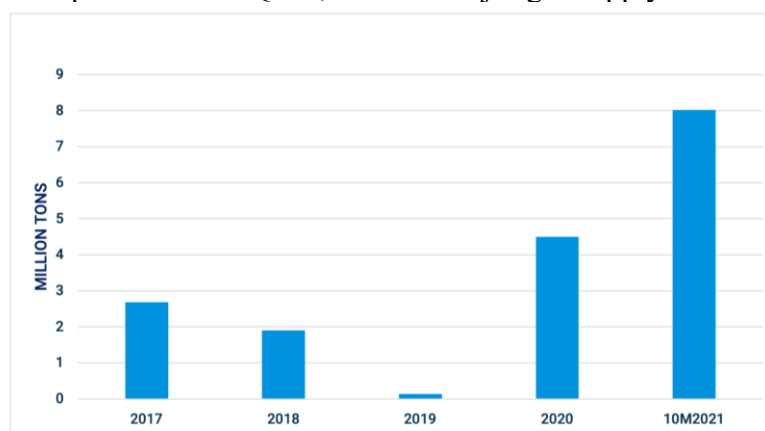


Figure 1: US LNG exports to China [22].

Second, the geopolitical situation in the Middle East. Since the US may not have the need to compete for natural gas resources in the region because of its self-sufficient LNG, it can be noticed from President Biden's speeches and government documents that the United States now puts more attention on the region's security, and how it can better strengthen its ties with those countries as non-NATO allies. Like China, the United States also seeks better relationship with Qatar in face of Russia's "Special Military Operation" in Ukraine, as Qatar can be a critical supplier of gas to the US NATO allies. For instance, Qatar has just made its LNG deal with Germany for 15 years in November, 2022, a week later from China's gas deal. [23] Therefore, China's deal with Qatar doesn't have a huge influence to the US national interests, and may not influence the US LNG export to the Chinese market.

6. Conclusion

This study arrives at a conclusion that the United States is not particularly worrying China's increasing natural gas demand from other countries which may curb its export to the Chinese market because of its own massive LNG production, and China's closer ties to gas suppliers in the Middle East doesn't really make it estrange from those countries.

Thus, it is suggested that the United States may seek more cooperation with China in terms of natural gas purchase and supply, and it can better utilize its price advantage to help its company take higher market shares. What's more, the two countries can also work together to help maintain the stability of the world LNG market.

Therefore, by these analyses, the paper intends to make a contribution to the research on China-US competition on (liquefied) natural gas, and gives some reasons from the US perspective. But still, since the data and other first-hand sources related to the case study are not abundant, the research result may not be comprehensive. Yet, hopefully it will shed some light on the energy competition between the two big countries, as energy is becoming an increasingly crucial topic and energy transition is a process that all countries, especially top carbon producers, now face.

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