

Central Asia Redirects its Oil and Gas Exports: The Regional and International Energy and Geopolitical Implications of Sino – Central Asian Energy Cooperation



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Without a doubt, China is the rising superpower in the world's most economically vibrant Asia-Pacific region housing other major economic powers, namely, Japan, South Korea, and India, being regional powers with a claim to a higher status in an expanding multipolar international system. China's large and growing energy requirements to fuel its uninterrupted, impressive economic growth since 1978 cannot be fully met by its domestic energy production, resulting in a large and growing deficit that needs to be supplied by imports. In search of energy security, China has sought to increase the number of its oil and gas suppliers from different regions, near and far alike. Within this context, neighboring Central Asia with its significant oil and gas reserves has become a natural supplier. The regional oil (Kazakhstan) and gas (Kazakhstan, Turkmenistan, and Uzbekistan) exporters have also found in China a major reliable long-term market. Apart from its financial advantages, this market also helps them drastically decrease their reliance on Russia

for their oil and gas exports, a reliance with negative political implications for the Central Asians concerned about their loss of practical, though not nominal, independence. All indicators suggest the continuity and expansion of energy cooperation between China and Central Asia in the foreseeable future, and even beyond. However, this cooperation will have a negative effect on China's and Central Asia's bilateral ties with not only Russia but also the United States and the European Union, as it will decrease the power and influence of Moscow, Washington, and Brussels in this energy-rich and strategically important region.

China's Energy Situation

China has been experiencing growing energy demand since the late 1970s. The economic reforms started in that decade have since resulted in a vibrant economy with an impressive average annual GDP growth of 10%. Fuelling such an economy (now second only to the US), on the one hand, and the increasing energy consumption of the Chinese due to their rising living standards, on the other, resulted in a phenomenal energy demand of 2,177 million tons of oil equivalent (MTOE) in 2009, the most recent year for which statistics are available.¹ Today, China is the world's second-largest energy consumer, slightly behind the United States, whose energy

demand in the same year was 2,182 MTOE.² China's energy demand cannot be fully met by its domestic production of oil (3.79 million barrels per day [bpd] in 2009),³ gas (85.2 billion cubic meters [bcm] in 2009),⁴ and coal (1552.9 MTOE in 2009),⁵ which account for the bulk of its energy mix. Despite efforts to increase the production of renewable and nuclear energy, such energy accounted for only 13% of China's energy mix in 2008 (see <Table 1>), the most recent year for which detailed energy statistics are available.

<Table 1> Current and Projected Energy Demand of China in Million Tons of Oil Equivalent (MTOE)

| Fossil Energy | Energy Demand of China | | | | Percentage of Energy Mix* | |
|-------------------|------------------------|-------|-------|-------|---------------------------|------|
| | 1990 | 2008 | 2020 | 2030 | 2008 | 2030 |
| Coal | 534 | 1,413 | 2,104 | 2,422 | 66 | 62 |
| Oil | 114 | 369 | 567 | 698 | 17 | 18 |
| Gas | 13 | 71 | 179 | 270 | 3 | 7 |
| Nuclear | 0 | 18 | 124 | 174 | 1 | 4 |
| Hydro | 11 | 50 | 92 | 106 | 2 | 3 |
| Biomass and Waste | 200 | 203 | 191 | 184 | 10 | 5 |
| Other Renewables | 0 | 7 | 32 | 54 | 0 | 1 |
| Total | 872 | 2,131 | 3,288 | 3,907 | 100 | 100 |

*Figures may not add up to 100 percent due to rounding.

Source: Author's calculations based on IEA, *World Energy Outlook 2009*, pp. 670-671.

Hence, China has had to import a large and growing amount of oil, gas, and coal. Its oil and gas imports in 2008 and 2007, the most recent years for which statistics are available, were 3.6 million bpd and 4 bcm, respectively.⁶ As demonstrated in <Table 2>, the projections for the benchmark year of 2030 are 12 million bpd of oil and 117 bcm of gas.⁷

<Table 2> China's Current and Projected Demand for Fossil Energy Imports

| Fossil Energy | Year | Imports |
|--------------------|------|---------|
| Oil in million bpd | 2008 | 3.6 |
| | 2030 | 12 |
| Gas in bcm | 2007 | 4 |
| | 2030 | 117 |
| Coal in MTOE | 1007 | 41 |
| | 2030 | 89 |

Source: Author's calculations based on IEA, *World Energy Outlook 2009*.

Against this background, the need to satisfy its energy shortages through imports has become a major concern of China's energy security policy. The Chinese authorities have sought to remove the uncertainty of energy supplies even under the worst-case scenario, by adopting a policy of diversification. This policy prescribes multiplicity of suppliers, supply routes, and means of transportation of supplies (sea tankers and pipelines). It also recommends geographical diversification of suppliers to avoid overreliance on one region whose instability could lead to a total or partial stoppage in oil and gas supplies. To achieve this objective, China today has a large number of oil, gas, and coal suppliers. This is particularly impressive in the case of the first two fossil energy types, which are more affected by regional and global developments, particularly intra- and interstate political and military conflicts. China now imports oil and gas from suppliers in just about every energy-producing region, namely, the Asia-Pacific (Australia, Indonesia, and Malaysia), the Persian Gulf (Iran, Oman, Qatar, Kuwait, the United Arab Emirates, and Saudi Arabia),

¹ BP, *Primary Energy: Consumption*, BP Statistical Review of World Energy June 2010 (BP: London, June 2010), p. 40.

² Ibid.

³ BP, *Oil: Production*, BP Statistical Review of World Energy June 2010 (BP: London, June 2010), p. 8.

⁴ Ibid., p. 24.

⁵ BP, *Coal: Production*, BP Statistical Review of World Energy June 2010 (BP: London, June 2010).

⁶ IEA, *World Energy Outlook 2009* (Paris: IEA, 2009).

⁷ Ibid.

North Africa (Algeria, Egypt, Libya, and Sudan), Southern Africa (Angola, Congo, and Nigeria), Eurasia, including Russia and Central Asia (Kazakhstan, Turkmenistan, and Uzbekistan), and Latin America (Venezuela).⁸ It is now showing interest in the Southern Caucasus's only oil and gas exporter, Azerbaijan, and Latin America's other oil and gas exporters (e.g., Bolivia and Ecuador).

In short, achieving its energy security objectives has become a major factor in shaping China's foreign policy. This has been reflected in its expanding relations with many oil- and gas-exporting countries on unfriendly or hostile terms with the Western powers (USA and EU) without regard to the latter's objections. These countries include its current suppliers (Iran, Sudan, Libya, Myanmar, and Venezuela) and its potentially future ones (Bolivia and Ecuador).

Central Asia's Energy Situation

Oil and gas account for this region's most important export item along with cotton. Apart from energy-poor Kyrgyzstan and Tajikistan, the other Central Asian countries have significant oil and gas resources. Based on 2009 statistics, Kazakhstan has the region's largest oil reserves (39.8 billion barrels, hereafter bb)⁹ with significant gas deposits (1.82 trillion cubic meters, hereafter tcm).¹⁰ It is self-sufficient in these items although it has to import gas from Turkmenistan for certain parts of its

territories due to various factors, including distribution problems. Turkmenistan possesses the region's largest gas reserves (8.10 tcm)¹¹ with small oil deposits (0.6 bb)¹² making it self-sufficient in both items and also providing for its large gas (as well as small oil) exports. Uzbekistan's oil reserves are not large enough to provide for major oil exports (0.6 bb).¹³ Their annual production has fluctuated on both sides of the self-sufficiency level since 1999. However, Uzbekistan's substantial gas deposits (1.68 tcm)¹⁴ enable it to export large volumes of gas. To conclude, the Central Asian oil and gas exporters have the export capacity to meet some of China's growing energy needs unmet by its domestic production.

Oil and gas exports are a major (Uzbekistan) or the major (Kazakhstan and Turkmenistan) source of revenue for the three Central Asian energy exporters, depending on the volume of their exports. However, given the region's geographical location as a landlocked territory, the regional oil and gas exporters have had to rely on Russia for the bulk of their exports. Russia has access to the international markets through its open seaports and extensive pipeline networks connected to those of Central Asia, a Soviet era's inheritance. Needless to say, such dependency has put them at the mercy of Moscow capable of controlling their oil and gas exports to a large extent and thus affecting their economic/financial capabilities for a long period of their post-independence era. Not only has this had a negative

⁸ EIA, *China's Energy Profile* (EIA, July 2009).

⁹ BP, *Oil: Proven Reserves*, BP Statistical Review of World Energy June 2010 (BP: London, June 2010), p. 6.

¹⁰ BP, *Natural Gas: Proven Reserves*, BP Statistical Review of World Energy June 2010 (BP: London, June 2010), p. 22.

¹¹ Ibid.

¹² BP, *Oil: Proven Reserves*, p. 6.

¹³ Ibid.

¹⁴ BP, "Natural Gas: Proven Reserves," p. 22.

implication for the Central Asians' economies by adding an element of uncertainty to their oil/gas-generated revenues, it has also had political and security ones given its granting the Russian government the ability to extract political, economic and military/security concessions from them. Concerned about this reality, they have all sought to reduce their reliance on Russia for their energy exports through diversifying their export routes and markets to be discussed below.

Sino – Central Asian Energy Ties: Setting the Stage

Within the context of multidimensional relations, the Sino – Central Asian energy cooperation is surely a trend of the 21st century. The Soviet Union's collapse and the subsequent independence of the five Central Asian states paved the way for Sino – Central Asian bilateral relations. Eager to remove the barriers to such cooperation, both sides settled most of their border disputes of the Soviet era mainly in the first decade of the post-Soviet era. The growing ideological and political gap between the Soviet Union and China caused by their competing and self-serving ideological arguments pitted them against each other over the Eastern Block's leadership. Against this background, these disputes provoked bloody skirmishes along their long common borders especially in the 1960s; the two sides were on the verge of escalating those skirmishes to a total war late in that decade.

Thus, the three Central Asian states (Kyrgyzstan, Kazakhstan, and Tajikistan) and China concluded a series of agreements, including bilateral ones, in the 1990s.¹⁵ These agreements provided for redrawing their common borders and putting in place confidence-building measures such as withdrawing their troops from certain border areas and not deploying them within 100 kilometers of their common borders. Although there are still unresolved issues, these are not significant enough to create major tensions and conflicts in their bilateral relations.

Being the chief source of the potential conflicts inherited from the Soviet era, the settlement of the bulk of the border disputes set the ground for tension-free Sino-Central Asian relations, the necessity prerequisite for their cooperation on various issues, including energy. After about two decades, the two sides now enjoy multidimensional relations in different sectors such as trade and investment, industry, and agriculture in addition to their renewed political and security ties. The most blatant manifestation of the latter is the membership of the Central Asian states (excluding Turkmenistan) in the Shanghai Cooperation Organization (SCO), a regional security organization involving China and Russia meant to deal with the three "evils" of extremism, terrorism, and separatism.¹⁶ While this sectoral cooperation was important for both sides, the major area of cooperation has been energy, primarily fossil energy (oil and gas).

¹⁵ For the specific details of these agreements, please see "Central Asia: Military Background," in Hooman Peimani, *Regional Security and the Future of Central Asia: The Rivalry of Iran, Turkey, and Russia* (Westport, CT: Praeger, 1998), pp. 66-69.

¹⁶ For an account on SCO and the objectives of its membership, please see "Shanghai Cooperation Organization SCO," in Hooman Peimani, *Conflict and Security in Central Asia and the Caucasus* (Santa Barbara, CA: ABC-CLIO, 2009), pp. 319-326.

Sino – Central Asian Energy Cooperation

The Sino – Central Asian energy cooperation has been multidimensional since it started about a decade ago. China has gradually increased its presence in the Central Asian energy sector by investing in infrastructure and oil/gas development projects, purchasing a major energy company (Petro Kazakhstan), and financing the regional oil and gas exporters' development of their oil and gas fields and oil/gas export capability to China, in particular. One of the major agreements between China and the Central Asian fossil-energy exporters recently includes the framework agreement signed between the China National Petroleum Corporation (CNPC) and the Uzbekistan oil company, Uzbekneftegaz, on June 10, 2010, to buy 10 bcm of natural gas annually.¹⁷ Among others, China and Turkmenistan also signed a package of documents on June 29, 2009, including an agreement on providing a loan of \$4 billion for the Turkmen State Corporation (for purchase and sale of natural gas), purchase and sale of additional annual 10 bcm of gas, and extraction of gas and condensate on the Bagtyyarlyk contracted territory.¹⁸ China and Kazakhstan also signed a \$5 billion Oil Loan Agreement on April 16, 2009.¹⁹ In return for this loan, China secured the possibility of its oil companies acquiring a 47% stake in Kazakhstan's oil firm, Mangistaumunaigas.²⁰

Unsurprisingly, as is evident above, importing oil and gas has become the focus for China in its energy cooperation with Central Asia. This is due to its growing need for oil and gas imports and China's concerns about its overreliance on sea routes for such exports when it lacks a blue sea navy to ensure the security and uninterrupted operations of these routes. China has therefore sought to secure oil and gas supplies through pipelines from countries in its close land proximity. Such pipeline operations can be secured by China and its suppliers, and cannot be affected by a third country on ill terms with China, unlike its oil and liquefied natural gas (LNG) sea tankers. Within this context, as a neighboring region with a long common border with China, Central Asia is an ideal oil/gas supplying region for the Chinese. It is eager to export large quantities of oil and gas to China, not just for its obvious financial advantages but also to reduce its heavy dependency on Russia for such exports to nonregional countries, as discussed earlier. Within this context, since 1997, four major export projects have helped Central Asian fossil-energy exporters to gradually reduce their export dependency on Russia, while helping China meet its unsatisfied oil and gas needs. In December 1997, the first Turkmen – Iranian gas pipeline, namely, the Korpezhe – Kurtkui Pipeline (KKP), was inaugurated to supply Iran with 8 bcm of Turkmen gas annually.²¹ Despite Iran having

¹⁷ Kuwait News Agency, "China, Uzbekistan Sign Natural Gas Supply Agreement," October 6, 2010 (<http://www.kuna.net.kw/newsagenciespublicsite/ArticleDetails.aspx?id=2093624&Language=en>; accessed on February 10, 2011).

¹⁸ Ayan, "Politics: Turkmenistan, China Sign Gas Agreement," September 26, 2009 (<http://www.turkmenistan-business.com/en/politics/446-turkmenistan-china-sign-gas-agreement.html>; accessed on February 12, 2011).

¹⁹ "China, Kazakhstan Sign US\$ 5 Bln Oil Loan Agreement," *Caijing.Com.CN*, April 17, 2009 (<http://english.caijing.com.cn/2009-04-17/110148469.html>; accessed on February 10, 2011).

²⁰ Ibid.

²¹ Hooman Peimani, "Global Report," *World Pipelines* (Surrey, UK), Vol. 10, No. 12, (December 2010), pp. 14-15.

the world's second-largest gas reserves, its gas consumption (now the world's third largest) lags behind its production (now the world's fourth largest), resulting in its importing gas. The KPP symbolically ended Turkmenistan's and, by default, Central Asia's exclusive dependency on Russia for gas exports. This was followed by the 2006 opening of the Kazakhstan – China Oil Pipeline (with an initial annual capacity of 10 million tons and by 2011 of 20 million tons),²² which terminated the region's dependency on Russia for oil exports. Russia's preeminent role in the regional gas exports was also severely damaged in December 2009 when the Central Asian Gas Pipeline's first phase became operational to provide for annual gas exports from Turkmenistan (30 bcm) and Kazakhstan and Uzbekistan (10 bcm in total) when it reaches its maximum export capacity by 2014.²³

Finally, the January inauguration of the Dauletabad – Sarakhs-Khangiran Pipeline (DSK) was a major development not just because of the pipeline's specifics, but especially for its significance.²⁴ Having initial and final capacities of 6 bcm and 12 bcm, respectively, the pipeline connects Turkmenistan's Dauletabad gas field (in which Iran has invested) to Iran's Shahid Hasheminejad Gas Refinery in Khangiran. The DSK will enable Turkmenistan to increase its gas exports to Iran from 8 bcm through the KKP to 20 bcm when it reaches its maximum capacity.

The mentioned projects have helped Central Asia to decrease significantly its reliance on Russia for gas exports and to some extent for oil exports. This is a major achievement for the three regional fossil energy exporters as they now have access to a neighbouring large and long-term market with a growing demand for oil and gas (China), apart from their access to the Iranian energy market. This reality has helped them decrease their need to export to far markets. The latter is costlier than its exports to China and has associated political and security challenges stemming from its involving passage of Central Asian oil and gas through different territories on their way to their targeted markets. The mentioned achievement has put Kazakhstan, Turkmenistan and Uzbekistan in a much better bargaining position vis-a-vis Russia in their export negotiations with Moscow. Apart from their importance due to the magnitude of exports, the four mentioned projects have clearly indicated the possibility of larger exports to the neighbouring countries, particularly China, for the three oil and gas exporters to decrease further their dependency on Russia for energy exports.

Impact on China's Bilateral Relations with Powers Having Stakes in Central Asia

Although Sino – Central Asian energy cooperation is a source of jubilation for both

²² *Xinhua*, "Kazakhstan-China Oil Pipeline Opens to Operation," July 12, 2006 (http://news3.xinhuanet.com/english/2006-07/12/content_4819484.htm; accessed on February 10, 2011).

²³ *Reuters*, "UPDATE 3-China's Hu Boosts Energy Ties with Central Asia," December 12, 2009 (<http://uk.reuters.com/article/2009/12/12/china-kazakhstan-idUKGEE5BB01D20091212?sp=true>; accessed on February 19, 2011).

²⁴ Peimani, "Global Report," pp. 14-15.

sides, certain regional and nonregional powers are becoming concerned about the long-term impact of such relations on them. As a neighboring regional power, Russia sees Central Asia as a “natural” sphere of influence for Moscow with political, economic, and military/security importance. In addition to this, the presence of large Russian ethnic communities living in the five Central Asian states provides a natural link between Russia and Central Asia and makes this region also socially significant to Moscow. In the case of Kazakhstan, it houses the largest regional Russian community accounting for about 40% of the country’s population. Additionally, Russian is one of the major regional languages in Central Asia, spoken by non-Russians as well. Signifying the region’s social significance for Russia, this factor provides another natural link between Russia and Central Asia.

As Central Asia was part of the Russian and Soviet states for about two centuries, there are still many political, economic, military/security, ethnic, cultural, and religious ties between the two sides despite the Soviet Union’s disintegration in December 1991, which made these regional countries independent. After a short period of disinterest in this region, Moscow switched back to it in early 1990s for all its mentioned importance added to its being disillusioned about Western-provided economic/financial assistance. An additional motivation for the Russians was their concern about the growing Western and, particularly, America presence in Central Asia mainly, but not exclusively, for its oil and gas resources in addition to geostrategic

reasons. Therefore, the growing economic and, especially, military presence of the Americans and their European allies under different pretexts further motivated the Russians to seek to restore their extensive pre-1991 ties with Central Asia. Concerned about Russia’s long-term objectives and the loss of their real not nominal independence, the Central Asians were initially reluctant to restore fully ties with Russia added to their need for Western investment and technology for developing their energy resources. Yet, like the Russians, they became disillusioned in the 1990s with the insufficient assistance and lack of interest the West showed in addressing the region’s numerous economic, financial, and infrastructural problems. Instead, the United States and its European allies only focused on the region’s oil and gas sector dominated by the Western companies. The US-backed colored revolutions in the three ex-Soviet republics,²⁵ namely, Georgia (Rose Revolution of 2003), Ukraine (Orange Revolution of 2004), and Kyrgyzstan (Yellow Revolution of 2005), also increased concern about Washington’s long-term objectives. They seemingly include its desire to replace the Central Asian governments dominated by the Soviet-elite-turned-nationalists with pro-American ones. As a result, since the late 1990s, the Central Asian countries have sought a more balanced foreign policy to help expand their multidimensional relations with Russia, while maintaining relations with the Western powers, namely the United States and the EU, needed for their oil and gas sector. Against this background, Russia is becoming concerned about China’s growing influence

²⁵ Peimani, *Conflict and Security in Central Asia and the Caucasus*, pp. 50-57, 86-89, 180-182, and 277-279.

in Central Asia where Russia seeks to restore its previous influence lost to a great extent to the Western powers. In particular, Beijing's expanding energy cooperation with the three regional states has increased its presence in an important field of interest to Russia. Apart from seeking a stronger presence in other energy-related activities, Russia has particularly sought to have a lion share of the region's oil and gas exports by turning itself into its only and, when that project failed in 1997, the main export route to the international energy markets.

In search of restoring its superpowers status requiring major investment in its economy, infrastructure, educational systems and military to name a few, Russia has two main sources of revenue to finance such projects: arms exports, accounting for a small share of its revenue, and energy exports. The latter has been the main source of income for Russia. In particular, Russia has strived to become the energy superpower for its obvious economic importance and also for its helping finance its project to regain fully its lost power and status, drawing on its large oil and gas reserves. For this matter, it is crucial for its turning itself into the energy export route for Central Asia for its financial rewards in transit fees and also controlling the region's energy exports. Such control will grant it a stronger say in the global energy markets, apart from its uplifting Moscow's political influence in Central Asia. By opening its large and growing energy market to the Central Asians, China's drastically decreasing their reliance on Russia for exporting oil and gas is of course not a source of jubilation in Moscow. Rather, it has contributed to a growing concern especially because of China's rising as a superpower along the Russian borders. It should be

pointed out that, in spite of sharing certain common interests such as opposition to a US-led unipolar international system, Beijing and Moscow are rivals regionally and globally notwithstanding their large annual trade.

China's expanding influence in Central Asia and, especially, its growing energy ties with it are also a source of concern for the Western powers, the United States and the EU. They have looked for other oil and gas suppliers to decrease their reliance on the Persian Gulf in case of a sudden interruption in supplies from that region. Instability in the Persian Gulf could seriously damage their energy security, given their heavy dependency on its oil suppliers. Energy interests constitute the single major reason for the Western powers entering Central Asia in the aftermath of the Soviet Union's collapse. Therefore, their energy companies have focused on export routes for Central Asia's oil and gas to Europe and the United States, introducing a westward direction to such exports. However, China's growing need for oil and gas has offered a large and expanding market right next to the Central Asians, who have redirected eastward their energy exports to a large extent. Such redirection could, and most probably will, expand due to the ease and higher profitability of such exports compared to their westward exports. This is due to China's vicinity to Central Asia, which reduces the Central Asians' export costs and the absence of multiple countries on their way to their targeted market, a major factor complicating the Central Asian exports through Russia with associated security, financial and political challenges. The redirection has left less oil and gas for exports to the Western countries in need of

new suppliers to improve and/or achieve their energy security objectives. Being a likely scenario, larger exports in the predictable future will further decrease the availability of Central Asian supplies for the Western markets, a clear source of concern and unhappiness in the Western countries relying on such supplies for parts of their energy requirements.

The decreasing role of the Western countries in Central Asia's oil and gas exports will also reduce their importance for the region to a significant extent. Not only will such scenario have a negative impact on their energy security, it will also decrease their political influence in a region of importance to them. Its importance is geared not just to its fossil energy resources, but also to its geostrategic importance for certain reasons. These are its proximity to Russia, a nuclear state en par with the United States in terms of nuclear capability, and also three Asian nuclear states, China, Pakistan and India. Its neighbouring Iran, a rising non-nuclear regional power, is of course another reason. Apart from India being a longer-term source of concern for the Western powers, others are on the latter's black list for different reasons. China's rise as a superpower is surely a major source of long-term concern happening when Asia is rising as the world's largest economy and energy consumer. China is now drawing on its vast mineral and energy resources and large and growing population to expand its economy and achieve superior technological and military capabilities. Russia is slowly re-rising as superpower to regain its lost global status only to pose a major challenge to the Western powers once this objective is achieved. Finally, Iran is rising as a dissatisfied regional power in the energy-

rich West Asia. Having a claim to a higher status, it has made an inroad in other regions of importance for the Western powers (Middle East and Latin America). Being concerned about their rise to varying extent and for different reasons for their weakening the Western powers' power and status, the Western powers consider Central Asia as an important place for "containing" the mentioned rising powers because of its geographical location. Hence, China's growing influence in Central Asia as reflected in part in its expanding energy cooperation with the regional energy suppliers is surely a source of concern to the Western powers and of course Russia.

In short, China's growing influence in Central Asia, as reflected in part in its expanding energy cooperation with the regional energy suppliers, is surely a source of concern for the Western powers and, of course, Russia.

Prospect of Sino-Central Asian Cooperation and Future Challenges

Evidence suggests the continued Sino – Central Asian energy cooperation in the foreseeable future especially in the field of oil and gas. The contributing factors to the continuity of an environment suitable for such cooperation include the absence of any major source of tension and conflict in their bilateral relations and both sides' interests in friendly and tension-free relations, as they need a few decades of peace to address their shortcomings. Their major area of cooperation will likely remain supplying oil and gas to China by the region's three main energy players, Kazakhstan, Turkmenistan and Tajikistan. This is notwithstanding both sides' interest in a range of activities in the

energy field to include China's more extensive investment in the regional energy sector (i.e., oil and gas development projects, infrastructure development and technical cooperation). Central Asian exports to China are and will remain beneficial to both sides. As for China, its energy ties with Central Asia helps it address its energy security concerns by securing long-term oil and gas suppliers in a neighbouring region providing land energy routes through pipelines. This feature reduces China's heavy dependency on sea routes for its crude oil and gas (LNG) by sea tankers when it lacks naval superiority to ensure the availability and thus the security of sea supply routes and sea tankers. In this regard, the Chinese are especially concerned about the closure of such routes by the American navy being currently an unrivalled and unchallenged sea power in the case of their major political and/or military conflict with the Americans or, more likely, their friends and allies, particularly Taiwan. Washington is officially committed to its security. In the case of a military conflict or even a major political conflict with a threat of war, it will certainly help Taiwan through direct and indirect military assistance and by employing measures to force China cease an undesirable political or military move. Such measures include blocking the sea routes leading to China and thereby denying it imported oil and gas necessary for its survival and growth.

In conclusion, despite the mentioned benefits of Sino – Central Asian energy cooperation for the involved parties, their cooperation will certainly damage their ties with Russia, the United States and the EU. Accordingly, the predictable future will likely witness tensions and conflicts in the two sides

bilateral relation caused by such cooperation with implications for the energy markets and regional and international peace and stability.