

Energy Charter Treaty and China in Northeast Asian energy cooperation

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Overview

In recent decades, economic growth in the overall Northeast Asia (NEA) region has been considerable and consumption of energy has grown rapidly. The major energy importing countries – China, Japan and Korea – make NEA the world's largest oil-importing region and it depends heavily on the Middle East's oil supply. The vulnerability of supply has become a common concern among NEA countries. In the wake of the Fukushima nuclear disaster, the importation of conventional fuels has become even more important as NEA countries seek to limit the use of nuclear energy. Therefore, there are many energy issues, such as energy supply security, transporting route line protection and environmental pollution, that potentially provide a basis for regional cooperation among NEA countries. This paper will examine what makes NEA countries seek to enhance energy security by nascent steps towards energy cooperation. It will also explore what lessons in institutional framework the ECT – of which China is an observer and Japan and Korea are full members – could give China in promoting global energy governance in Northeast Asia.

Methods

In order to understand the role of ECT and China in NEA energy cooperation, this paper will undertake a qualitative methodology that includes both policy research and unstructured interviews. A field trip to Beijing will be conducted to facilitate the interviews. Energy policy advisors to Chinese leaders, independent policy analysts and influential scholars from China are the primary interview targets.

Results

There is a growing need of a form of global energy governance in the region; in this respect, the Energy Charter Treaty (ECT) could be a potential instrument or model from which the Northeast Asian countries could learn. First, the legal framework of ETC can provide comprehensive protection to commercial activities on energy resources. A mature legal framework for international trade and cooperation is crucial to attract and encourage energy infrastructure investments. It has to be defined, accepted and known by different parties. As reflected by the aforementioned case on China, BITs cannot offer comprehensive protection to Chinese international trade and hence are unlikely to be able to protect energy cooperation in broader Northeast Asia. In this respect, ECT can be a feasible option. Second, ECT's Article 7 contains rules that address freedom of energy transit through pipelines and grids. Both natural gas and oil pipelines and cross-border electricity transmission grids in Northeast Asia involve complicated and long-term consultation and negotiation. ECT has been serving as a platform for continuation of the Russia-EU natural gas dialogue and it is expected to have a similar function in Northeast energy transit projects. Last but not least, ECT would promote green energies, energy efficiency and sustainable development, which are common objectives in Northeast Asia. Since China lacks relative energy technology, ECT-like framework can function as a secured international platform for China to participate in technology transfer and sustainable energy projects.

Conclusions

The paper has illustrated that ECT could be a feasible legal model for a pan-Northeast Asian energy framework. It raises the question why China remains as an observer of ECT. In general, China are reluctant in participating in

international energy platform, although China's transformation into the world's biggest energy consumer and biggest greenhouse gas emitter has already placed it into international energy policy agendas for issues such as meeting global energy demand, reducing greenhouse gas emission and transiting to a low-carbon economy. At present, mechanisms of global energy governance are carried out through institutional frameworks based on energy sectors such as the International Energy Agency (IEA), the International Energy Forum (IEF), the International Renewable Energy Agency (IRENA) and other intergovernmental governors and multilateral development banks. In general, these institutional frameworks are seen as inadequate and uncoordinated mechanisms with fragmented and unprioritised objectives in resolving energy problems. Global energy governance relies very much on governments' attitudes toward multilateralism. Currently, it is reasonable to argue that instead of working towards the ideology behind the international framework, China is attempting to avoid over-participation in and, as other powers do, maximise its national benefits from the system. Such conservative behaviour reflects its scepticism towards international systems dominated by the West and the insistence on state sovereignty . Meanwhile, China and its national energy companies believe that foreign countries, particularly in the West, often have a negative perception towards, and hence impose strict regulation on, their overseas energy and resource investment. For instance, Chinese oil company CNOOC dropped the bid to buy US oil firm UNOCAL in 2005 since the US considered such a deal as a national security threat and a violation of fair trade. Similarly, in the face of increasing FDIs from China, Canada and Australia impose a strict stance on state-owned energy investments in their recent investment guideline . As a result, China remains outside major international energy frameworks, which are dominated by the West, due to the lack of confidence in the capability of these international institutions in protecting its own national interests. However, China has not closed its doors to multilateralism, particularly in Northeast Asia when there are emerging signs of multilateral energy relations in aspects like energy markets, gas and oil pipeline systems, cross-border electricity transmission grids and technology transfer. Instead of joining existing international frameworks, China is seeking the establishment of an Asian international energy institute to manage energy problems and ECT is the international framework which China could learn from.

References