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**Sino-Russian energy cooperation: background and development conditions****Sergei A. Sergeev**

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**Abstract**

The study aims to overview the current situation in Sino-Russian energy cooperation, to underline the key aspects, which structure the framework of bilateral cooperation. Sino-Russian energy cooperation, in addition to the specifics of the development of the energy sectors of both countries, has a common economic and political background, which affects the current state and prospects of interaction between two countries in the energy sector. For a better understanding of the role of energy cooperation between Russia and China, it is necessary to study a number of political and economic factors that determine the level of bilateral interaction in the studied area.

A period of anti-Russian sanctions made Russian government to look for an extra way to diversify its economic and energy risks. Moreover, a growing demand for energy resources on Chinese market can be that one chance to gain a foothold in Asian-Pacific Region. Russia needs to strengthen its energy cooperation with China in order to ensure the development of the Far East Region. On the other hand, Chinese energy security policy implies a diversification of the energy resources' import. With Russian "Power of Siberia" project (a part of "Pivot to Asia" initiative) China has a chance to restock its reserves and get an additional support for "Belt and Road" project.

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**Keywords**

Russia, China, Sino-Russian energy cooperation, Energy sector, Pivot to Asia.

## Introduction

In the current conditions, the development of the Chinese economy is taking place against the backdrop of deep international and domestic changes that provide the country's government with a chance to implement their strategic initiatives. Russian economy also runs into a problem of rethinking its role in a new global economic environment. Against the backdrop of stagnation of the world economy, aggravation of political and socio-economic problems, deepening of Russian-Chinese energy cooperation is a key vector in the development of relations between the two countries. The study *aims to* overview current trends in the development of Sino-Russian energy cooperation. To achieve this goal, a number of *objectives* were identified, including:

1. Analysis of the conditions of interaction between the two countries at present stage;
2. Study of the issues of the development of bilateral cooperation;
3. Study of the political and economic interests of two countries;
4. Analysis of the energy policies of Russia and China.

## Methodology

During the current study, the basic methods of theoretical research were used, including analysis and synthesis of the received information. Different studies of Russian and Chinese economists were used as the main sources of theoretical information on the current state of Russian-Chinese energy cooperation.

## Results

At the present stage, more and more attention is paid to global foreign policy processes as one of the key factors affecting the overall vector of international energy cooperation. In recent years, the interaction of the Russian energy sector with foreign partners is mostly determined by the sanction processes on the part of the United States and the European Union. Anti-Russian sanctions against the energy sector of the Russian economy destabilize the position of the country on international energy markets and make it difficult to form a global energy space with the participation of the Russian Federation. Despite the fact that in the short term, the oil and gas industry of the Russian Federation is not subject to serious structural shifts caused by anti-Russian sanctions, in the long term, the Russian energy sector may encounter serious difficulties that can have a significant impact on the Russian economy [Sidorova, 2016, 144]. That is why the sanctions is considered to be one of the main aspects that can affect the development of the Russian energy sector as a whole, and the foreign economic cooperation of the Russian energy sector in particular. Nowadays sanctions became a mechanism, which stimulated Russian government to make changes in the framework of the all-Russian energy strategy [Livintsova M, 2016, 16]. And such changes included an increasing Russian-Chinese cooperation in the energy sector: anti-Russian sanctions in the mid-2010s prompted the Russian side to search for alternative markets for fuel and energy products and to reorient the main export flows from Europe to Asian markets. The key direction of diversification of Russian energy exports can be found in increasing of the volume of hydrocarbons supplied to Asian markets [Sidorova, 2016, 145]. At the same time, the People's Republic of China is seen as the main partner in the Asia-Pacific region. In many respects this was facilitated by the fact that at the time of the aggravation of the geopolitical situation, credit-rating agencies of China assigned PJSC Gazprom the highest rating, which helped to attract additional investments in the Russian refinery sector from the territory of the Asia-Pacific

countries. In addition, China is the main consumer of energy resources in this region, which means that the negative economic effect from a decrease in exports to European markets will be offset by an increase in energy supplies to the Chinese domestic market.

In general, anti-Russian sanctions led to a revision of the foreign policy of the Russian Federation and formed the so-called “Pivot to Asia” policy. And if at first such a policy was considered to be a way to mitigate the negative impact of the sanctions regime on the economy of the Russian Federation, now the “Pivot to Asia” has transformed into an independent foreign policy direction, which can be singled out as a separate aspect that affects Russian-Chinese energy cooperation. In the 21st century, the energy sector of the People’s Republic of China is considered to be one of the most promising markets both in terms of the capacity of the national market and development potential. Today, China is not only the country with the fastest growing economy in the world, but also a key consumer of global energy resources, which accounts for almost 23% of global demand [Dyomina, 2016, 47]. Through the implementation of the “Pivot to Asia” policy, the Russian government is not only going to ensure a way out of the period of stagnation, but also to overcome the peculiar political isolation that has formed in the international community over the past few years. The economic rationale for the “Pivot to Asia” process can be found in attracting of foreign direct investment in various sectors of the national economy, expanding trade relations with the Asia-Pacific countries, and also in establishing close relations in the energy sector. Moreover, the effectiveness of such a policy, according to some experts [Ma, 2017, 82], completely depends on the state of the current bilateral energy cooperation between Russia and the Asia-Pacific countries, and that is why energy cooperation with China is extremely important for the current development of the Russian economy.

Another factor determining the interaction of Russia and China in the field of energy is the energy security policy of the Russian Federation. In 2015, the Minister of Energy of the Russian Federation, Alexander Novak, formulated an updated concept of national energy security policy, the key feature of which is to re-balance the interest of producers and consumers in a way of “a fair distribution of risks and the sustainability of long-term investment processes” [Mastepanov, 2015, 7]. For the Russian government an energy security acts as a key element of the national security system, and the main meaning put into this concept is the constant uninterrupted supply of all interested parties with the necessary amount of fuel and energy resources. The quality of such resources should meet the needs of consumers and the price should also be fair. At the same time, one of the long-term goals of the energy policy of the Russian Federation is to formate and preserve the energy balance in relations with key geopolitical centers of the world - the USA, China and the EU - as well as the development of energy cooperation with the above countries.

Speaking about the national energy security of the Russian Federation, the issue of preserving national interests when interacting with the countries of East Asia seems especially urgent. So, special attention should be paid to the expansionist nature of the external energy ties of the People's Republic of China. While maintaining a shortage of energy resources in PRC, the Chinese government is pursuing a policy of penetrating foreign energy markets in order to form the most beneficial energy cooperation. That is why the Russian side needs to pay attention to upholding national interests in bilateral cooperation with China in the field of energy. At the same time, the possession of the necessary fuel and energy resources allows Russian national fuel and energy industries to penetrate deeper into Chinese markets and form an energy security system not only at the country level, but throughout the Asia-Pacific region. [Kashulin, 2016, 188].

Speaking about the formation of an energy security system within the framework of the Asia-Pacific region, then Russian-Chinese energy cooperation is capable of taking economic and energy

cooperation in North-East Asia to a new level. The key conditions for this changes are the formation of energy infrastructure using the capabilities of Russia and China, the combination of the national interests of Asian countries with regional interests in the energy sector, and the exclusion of monopolies in the energy markets of the Asia-Pacific region. When these goals are achieved, the Russian Federation and China will be able to form an effective system of energy security in the region and increase the effectiveness of bilateral energy cooperation [Golobokov, 2017, 169].

Against the background of ensuring energy security, another factor determining modern Russian-Chinese energy relations is the energy policy pursued by the Chinese government. Among the geopolitical interests of China, another long-term issue is the problem of providing the economy with energy resources. When choosing the vector of China's energy policy today, economic interests are subordinate to political ones, and the foreign policy vector of energy policy is directly based on domestic policies. This is expressed in the implementation of a competent policy on the use of imported energy resources, as well as the redistribution of emerging risks [Michnevich, 2015, 88].

While shaping a modern energy policy, the Chinese government is actively applying the "soft power" methodology to promote its own interests in the energy sector. As part of the implementation of the national energy security strategy, the People's Republic of China expands its geopolitical influence in order to diversify the supply of fuel and energy resources for the domestic needs of the economy. Including the energy policy of China is closely tied to interaction with the fuel and energy complex of the Russian Federation [Khlopov, 2015, 126]. Based on the similar position of the Chinese government, Russia can use energy cooperation with China to strengthen its economic and foreign policy influence in the Asia-Pacific region, as well as strengthen its position in international energy markets.

In the framework of modern foreign policy of the PRC, it is worth highlighting the Belt and Road project, which in the near future should become one of the most ambitious economic projects in China. In order to ensure trade and logistics processes within the framework of the emerging integration association, it is necessary to create a full-fledged energy structure capable of uninterruptedly supplying energy to various projects within the Belt and Road initiative. At the same time, the scope of energy cooperation is not limited only by cooperation within the oil and gas industry, but also includes cooperation in the field of coal, nuclear and electric power. The Belt and Road initiative can significantly expand the existing interaction between Russia and China in the energy sector. And although today the cooperation between the two states in the fuel and energy sector is complementary, the two states need to deepen these ties in every possible direction. So, within the framework of the project, Russia and China can strengthen relations in the field of development of energy technologies and services, as well as organize separate projects aimed at developing the energy structure in border regions [An, 2019, 12]. In addition, the two sides need to pair their own energy structures with the overall energy system of the project, which will, in particular, achieve a synergistic effect in the interaction in the energy sector [Zoidov, 2015, 57].

Within Belt and Road initiative, China also intends to establish cooperation in the framework of developing the energy structure of Siberia and the Far East, which is undoubtedly Russia's priority and is another factor that can influence the development of energy cooperation between the Russian Federation and China in the near future.

The regions of Siberia and the Far East play a significant role in the formation of trade and economic cooperation between the Russian Federation and the countries of the Asia-Pacific region. These territories have special advantages in comparison with other regions of the country:

- 1) geographical proximity to the rapidly developing markets of Asia;

2) a rich fuel and energy resource base;

3) the diversity of natural and climatic zones, allowing the use of various methods for energy production.

At the same time, the disadvantages that do not allow to fully reveal the full potential of the regions include low population density, poor infrastructure, insufficient communication with other Russian regions and poor development of the domestic market. For the development of the Far Eastern region, Russian experts suggest focusing efforts in two main areas: creating large investment projects that can attract additional funds from the territory of the Asia-Pacific region, as well as accelerating the development of transport and energy infrastructure [Golobokov, 2017, 16].

For the development of Russian-Chinese energy cooperation, the regions of Siberia and the Far East are extremely important. These territories have sufficient volumes of electricity, which in the future makes it possible to export to the territory of the People's Republic of China. So, one of the most promising projects in this area is the so-called "Energy Ring" project between the countries of North-East Asia. In general, the expert community believes that Russian-Chinese energy cooperation has significant prospects provided that the energy industry of the regions of Siberia and the Far East is developed, however, today, accelerated development of energy resources of Siberia and the Far East is almost impossible without the participation of Chinese capital [Stroganov, 2016, 1070].

Thus, in the near future, Russian-Chinese energy relations are expected to develop positively with increasing interaction points at various levels of interaction on issues of fuel and energy cooperation. Based on the level of political interaction between the two countries, the Chinese leadership will provide the Russian side with support in international energy projects. If, for some reason, the positions of the two states do not coincide, the political forces of China will adopt the position of respectful non-interference, as prescribed in the joint political statements. Moreover, it is expected that in the coming decades Russia will complete the modernization of its own economy and the national energy sector, which will lead to an increase in trade and economic interaction between the countries as well as an increase in the attractiveness of the Russian fuel and energy complex for Chinese investors.

## Conclusion

Russia and China have great prospects in constructing a strong energy partnership based on historical and political ties. Most modern experts are of the opinion that cooperation in the energy sector has great prospects and is generally productive for both countries. However, this opinion in scientific circles did not always prevail. At various stages of the Russian-Chinese energy interaction, Russian scientists have different points of view regarding the prospects for cooperation with China in the energy sector. In the course of changing the geopolitical and economic situation in the Asian region and the role of China in the economic and energy life of Russia, various approaches to the development of energy interaction with a neighboring state arose.

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## **Предпосылки и условия развития российско-китайского энергетического сотрудничества**

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### **Аннотация**

Статья посвящена изучению современного состояния и особенностей двухстороннего сотрудничества России и Китая в области энергетики. Предметом настоящего исследования выступают политические и экономические предпосылки, оказывающие прямое влияние на формирование двухсторонних отношений в среднесрочной перспективе. В качестве основных методов исследования в работе применяются такие общенаучные методы как синтез, сравнение, анализ. Российско-китайское энергетическое сотрудничество, помимо специфики развития топливно-энергетических комплексов обеих стран, обусловлено общим экономическим и политическим фоном, влияющим на текущее состояние и определяющим перспективы взаимодействия двух государств в сфере энергетики. Для лучшего понимания роли энергетического сотрудничества между Россией и Китаем необходимо изучить ряд политических и экономических факторов, определяющих уровень двустороннего взаимодействия в изучаемой сфере.

### **Для цитирования в научных исследованиях**

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**Ключевые слова**

Россия, Китай, Российско-китайское энергетическое сотрудничество, Топливо-энергетический комплекс, Поворот на Восток

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