



Historical Overview of Russia-China Energy Relations

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ABSTRACT

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Purpose: This article aims to provide a comprehensive historical overview of Russia-China energy relations, focusing on oil, natural gas, and electricity cooperation between the two countries. The primary goal is to examine the progression of energy diplomacy and strategic interactions, particularly the development and outcomes of significant projects such as the East Siberia-Pacific Ocean (ESPO) oil pipeline and the Eastern Gas Pipeline. **Methodology:** The research utilizes a combination of historical analysis and case study methods to investigate the evolution of Sino-Russian energy diplomacy. By analyzing official documents, diplomatic negotiations, agreements, and key projects, the study assesses the current status and future outlook of energy cooperation. The examination also incorporates a review of secondary literature on energy diplomacy, particularly focusing on oil, gas, and electricity sectors. The case studies include the ESPO pipeline, the Eastern Gas Pipeline, and Russian electricity exports to China, providing concrete examples of energy-related diplomatic efforts. **Findings:** The study reveals that Sino-Russian oil diplomacy has been highly successful, as evidenced by the strategic importance and growing capacity of the ESPO pipeline. Natural gas cooperation has also progressed, particularly with the construction of the Eastern Gas Pipeline, though it faces short-term challenges due to pricing and demand factors. In the electricity sector, significant achievements include ongoing projects related to Russian electricity exports, nuclear power, and hydropower development. However, resistance persists in certain areas of gas diplomacy. The research concludes that, while energy cooperation has achieved notable results, future developments will reflect a combination of opportunities and challenges, shaped by geopolitical, economic, and environmental factors.

Keywords: energy cooperation, oil diplomacy, Chinese Russian relations, historical events, results, official activities

Introduction

Energy diplomacy refers to “formal diplomatic activities carried out by a country's central government and its specific functional departments on energy issues aimed at other governments, international organizations or multinational companies” (Chater, 2012). Therefore, the author's research will closely follow this concept to examine the history, current situation and future development trends of Sino-Russian energy diplomacy.

This article aims to answer the following three questions: First, what happened to the strategic dispute over the East Siberia-Pacific oil pipeline? Second, what is the current progress of Sino-Russian energy cooperation in oil, natural gas and power? What was the result of this? What is the policy approach to China-Russia energy cooperation? Finally, what are the future changes in China-Russia energy relations? For this reason, this article will answer the above questions from three angles: the relationship's history, current status and future developments.

1. Historical origins of Sino-Russian energy diplomacy

In the early 1990s, the collapse in crude oil prices due to the "oil conversion crisis" worsened the situation in Russia. In late 2002, Japan began intervening in oil pipelines in the Russian Far East. The Japanese

government launched a vigorous diplomatic offensive to pressure Russia into accepting the Anna Line Plan proposed by Japan. Minister Kawaguchi promised in June 2003 that Japan was prepared to invest \$7.5 billion in Siberian oil fields and set aside \$1 billion for social and economic reconstruction projects in the Russian Far East. In July of the same year, the head of Japan's Ministry of Economy, Trade and Energy visited Russia and announced Japan's intention to provide low-interest loans and technology to help Russia develop Siberian oil fields in. In addition, Japanese companies have invested \$8 billion in oil and gas projects in Sakhalin and hope to build oil and gas pipelines to the Sea of Japan as soon as possible. During this process, top officials such as Japanese Prime Minister Junichiro Koizumi and former Prime Minister Yoshiro Mori frequently visited Russia to lobby and try to persuade Russia to accept the Anna Line project.

In this regard, Russia has repeatedly weighed the Ananda Line plan and the Anna Line plan. The Andan-Dalian Line is designed to be 2,260 kilometers long and cost US\$ 2.2 billion. China and Russia are responsible for investment and construction of pipelines in their territories. Annual throughput is expected to be between 20 and 30 million tonnes. The only target country for oil exports is China, and Yukos - in Russia there are active forces advocating the construction of the "Angan-Dalian line".

All its pipelines run inside Russia; the Russian government was inclined to accept the Anna Line plan. A comparison of the advantages and disadvantages of the two options is shown in Table 1.

Table 1. Comparison of the advantages of the An-Dalian Line plan and the Anna Line plan

| | Anda-Dalian Plan | Anna Line Plan |
|-----------|---|--|
| Advantage | 1. The number of projects is small and the cost is low. 2. China shared part of the construction costs. | 1. Japan provides support for infrastructure construction; 2. There are many target countries for export. |
| Flaws | 1. The only target country for export is China; 2. Russia's transport capabilities and income are limited. | 1. Choosing a route bypassing Northeast China. 2. High price. 3. China's "betrayal" will have a negative impact on Sino-Russian relations. |

Source: author's own development

Russia desperately wanted to opt for the Anna Line project, but in order not to affect Sino-Russian relations, it exercised a "veto" on the Anna Line project and proposed to build an oil pipeline to Nakhodka. Facing competition from China and Japan, Russia found itself in a quandary. As a result, Russia adopted a "middle course".

Table 2. Comparison of Anda Line, Anna Line and Tyne Line plans

| | Period | A country | Length | Expenses | Transport capacity |
|-------------------|--------|-----------|-----------------|-------------------|--------------------|
| Andan-Dalian Line | 1994 | Russia | 2260 kilometers | \$ 2.2 billion | 30 million tons |
| Anna Line | 2002 | Japan | 3765 kilometers | \$ 5.2 billion | 50 million tons |
| Line Ten | 2004 | Russia | 4130 kilometers | US\$ 10.7 billion | 80 million tons |
| ESPO | — | Russia | 4670 kilometers | \$ 23 billion | 80 million tons |

Source: author's own development

Russia used its veto over the previous two projects under the pretext of "environment" and then the Russian Oil Transportation Company changed the Anna Line project and proposed the Tyne Line project. The pipeline between Siberia and the Pacific Ocean was built according to Tyn's design. A comparison of the key positions of the three lines is shown in Table 2. Trade turnover between Russia and China in 2019-2022 is represented in Figure 1.

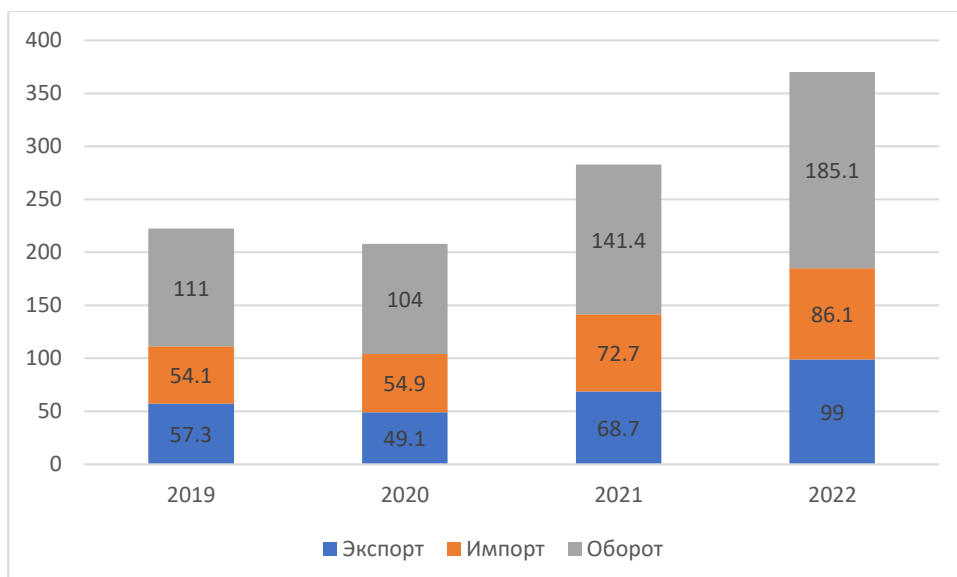


Figure 1. Trade turnover between Russia and China in 2019-2022

Source: author's own development based on (Han, 2023)

The strategy marks the beginning of energy cooperation between Russia and China in the Arctic latitudes (Figure 2).

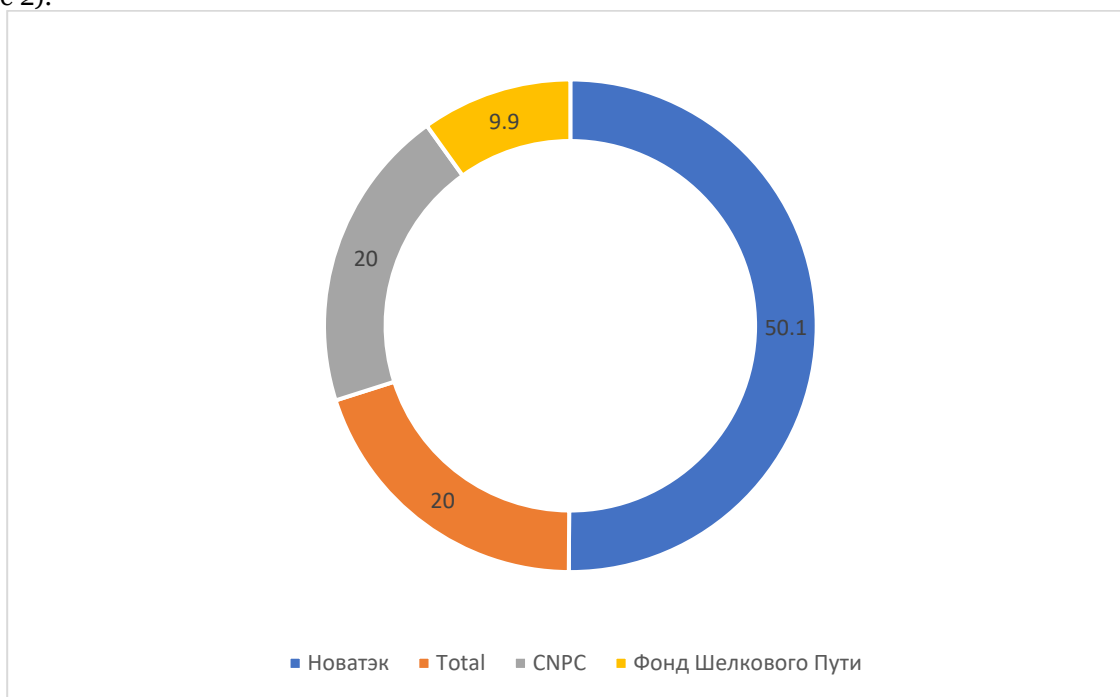


Figure 2. Cooperation between Russia and China in the Arctic, %

Source: author's own development based on (Han, 2023)

The scientific literature on Arctic geopolitics sees what can be schematized as a classic conflict between liberals and realists (Pic et al., 2020). The tenants of the first camp, praising an “ Arctic exceptionalism ” (Heininen et al., 2015) and emphasizing the strength of Arctic cooperation despite geopolitical tremors elsewhere on the planet, seemed in recent years to have gained the upper hand over the pessimists. Arctic cooperation was hailed as an unprecedented success, with interactions between the different actors who were once enemies supported by a large number of solid institutional frameworks . Many researchers welcomed the stability of the region, in particular because of the economic, political, environmental and social interests shared by the eight Arctic states . Neither the invasion of Crimea in 2014 nor the unprecedented refusal of the United States to sign the CA Joint Declaration in 2019 seemed to them to have altered the climate of cooperation that had prevailed in the region since the end of the Cold War. However, the speech by US Secretary of State Mike Pompeo (2019) on the sidelines of the 2019 CA ministerial meeting had broken with the usually consensual climate, by castigating Moscow's aggressive rearmament in the region. At the same ministerial meeting, the United States had refused to sign the joint declaration stating the consequences of climate change. Trump's United States had then been singled out as the bad pupils of Arctic cooperation in view of the good will of the seven other

member states to cooperate (Escudé, 2019). The 2021 ministerial meeting, which marked the handover of the rotating presidency of the Council to Russia (Canova et al., 2021), and the new Biden presidency seemed to mark a return to normal.

Russia's invasion of Ukraine on 24 February 2022 therefore disconcerted many observers of the region. In the days following the outbreak of the war, reactions multiplied in Arctic cooperation bodies. On 3 March 2022, the Western countries of the Arctic Council, the Nordic Council of Ministers and the Council of the Baltic Sea States suspended activities with Russia. " *Given Russia's flagrant violation of these principles, our representatives will not travel to Russia for Arctic Council meetings* ," states the joint statement of seven of the eight member states of the AC (United States Department of State, 2022). The "Arctic 7", or "like-minded" as the Arctic states "minus" Russia are now called, condemn the invasion of Ukraine and raise " *the serious obstacles to international cooperation, including in the Arctic, that Russia's actions have caused* ." Following the cessation of the AC's activities, statements from indigenous peoples have multiplied, calling for not forgetting commitments to the permanent participants. For example, the Russian section of the Saami Council published a statement on February 28 calling for international cooperation (Russian section of the Saami Council, 2022). As for the Russian association of indigenous peoples, the " *Russian Association of Indigenous Peoples of the North* " (RAIPON), it officially supported the invasion of Ukraine in a letter dated March 1 addressed to President Putin (RAIPON, 2022).

In the wake of this, March 8 marked the suspension of the activities of the Northern Dimension of the European Union, and March 9 that of the Barents Euro-Arctic Council. These bodies still exist and continue to function, for the moment without Russia. In the days and weeks following the invasion of Ukraine, the members of the Arctic Council declined their invitation to the " *Arctic Territory of Dialogue* " conference in St. Petersburg in mid-April. The Arctic360 conference " *Strengthening the North American Arctic* " was held in Toronto from March 9 to 11 without the Russian delegation and was the scene of strong criticism of Russia (Nilsen, 2022). No person affiliated with a Russian institution was on the program either for the " *Arctic Circle* " conference in Nuuk at the end of August 2022, or for the one in Reykjavik in October 2022, and it is likely that this trend will continue for a long time to come.

On June 8, 2022, the Western countries of the Arctic Council announced that they would resume their activities within the Council, but in a " *limited* " manner, " *in the context of projects that do not involve the participation of the Russian Federation* " (United States Department of State, 2022). As such, none of the other member states will travel to Russian territory to attend preparatory work of the AC and its subsidiary bodies, and all meetings are suspended until further notice. However, Russia remains a full member of the Council, and is not excluded from it. The following question then arises: does the end of Arctic exceptionalism lie in the suspension of cooperation with Russia in the Arctic Council?

11 May 2023 marked the handover from the Russian to the Norwegian Presidency of the AC. Negotiations took place for many months between Russia and Norway to find a solution for the meeting to take place in accordance with the Council's Rules of Procedure and the principles of the Ottawa Declaration, while keeping it at the lowest possible level of diplomatic representation. The role of the AC Secretariat, responsible for ensuring compliance with the Ottawa Declaration and the AC's Rules of Procedure, was key in this regard. The meeting, unusually short, was held in Salekhard, Russia and by videoconference, a convenient way to circumvent diplomatic incidents. Russia was the only country to send a Minister in the person of Sergey Lavrov, while Norway was represented by its *Senior Arctic Official* (SAO), who is the Ambassador for Arctic Affairs. Given the circumstances, it was not a ministerial declaration that was signed but a simple " *statement* " as in 2019, and in the absence of ministers, the meeting was simply called "13th Meeting of the Arctic Council". The jointly signed document is very short and simply " *recognizes the end of the Russian chairmanship of the Arctic Council* " as well as " *the historic and unique role of the Arctic Council for constructive cooperation, stability and dialogue between the peoples of the region* ".

The objective of the Norwegian Presidency is to ensure the survival of the AC. In order to initiate the resumption of work, many diplomatic strategies had to be deployed due to the consensual nature of the AC. The resumption of the activities of the working groups is based on the SAO report adopted in May 2021 at the Reykjavik Ministerial Meeting and the AC Strategic Plan (2021 - 2030) which were approved by the eight Arctic States before the start of the war in Ukraine. However, since then, several solutions have been found to envisage a resumption of work theoretically including all Arctic States and Permanent Participants. In June 2023, all the Chairs and Executive Secretaries of the Working Groups met to plan the work to be undertaken during the Presidency. It should be noted, however, that there were no Russian representatives, as the SAOs were not invited and no Working Group Chairs were Russian. The meeting marked the beginning of a real resumption of work and at the end of August, the Arctic States, in consultation with the Permanent Participants, approved the guidelines on the modalities for the resumption of work. This was a crucial step for the Council: the working groups can finally launch new projects and resume their collaboration with observers and external experts who provide essential input to the Council's projects. In October, the Norwegian Presidency organised a meeting with the six indigenous peoples' organizations with Permanent Participant status in the AC and a new initiative on wildfires was launched in October.

In another sign of the AC's resurrection, new SAOs were appointed and observer states met in the "Warsaw

format” in October 2023, for the first time since 2019. The United States and Canada appointed two new SAOs, and the SDWG and EPPR working groups also changed chairs. The Warsaw format is a meeting format initiated by Poland, an observer since 1998, to improve dialogue between the AC presidency, observer states and the European Union, and the AC working groups. It met on an *ad hoc* basis, often on the margins of the SAO meeting preceding the ministerial meetings. Poland convened this format again on 28 September 2023 in hybrid . Photos posted on Twitter show the participation of the EU, Italy, Germany , the Netherlands, Korea, Singapore, the United Kingdom, and China. The Polish Arctic Ambassador, Piotr Rakowski, expressed his willingness to hold a next meeting in 2025 ahead of the ministerial meeting at the end of the Norwegian Presidency, thus signaling his hopes for the effective resumption of the AC's work and political meetings. Furthermore, a meeting involving the Norwegian Presidency and the next two States to take over the Presidency , the Kingdom of Denmark and Sweden, took place in November, indicating that the resumption of the AC's activities is envisaged in the long term.

However, no resumption of dialogue at the political level is currently envisaged and there has been no SAO meeting since November 2021 in Salekhard. This will be the most difficult part for Norwegian diplomacy in the coming months. This *status quo* is a way to avoid questions of format: will China participate if Russia is not invited? Many argue that an Arctic Council without Russia's participation makes no sense. But will the United States or European countries and the EU be present if Russia is invited? (Pic and Canova, 2022).

While Russia did not withdraw from the AC, it did withdraw from the Barents Euro-Arctic Council (BEC), which was established in 1993 to facilitate cross-border contacts between the northernmost regions of Finland, Sweden, Norway and northwestern Russia. Normally, Finland would have transferred the chairmanship to Russia at the ministerial meeting scheduled for 24 October 2023, but was diplomatically unable to do so given the cessation of the BEC's activities with Russia in condemnation of its war against Ukraine. Moscow therefore announced its withdrawal from the Council in an official statement from the Ministry of Foreign Affairs. The statement places the blame for the collapse of the Barents Sea Cooperation architecture squarely on its Nordic and Arctic “partners”: “ *Due to the fault of the Western members of the council (Denmark, Iceland, Norway, Finland, Sweden, EU), the activities of the CEAB have been virtually paralyzed since March 2022. Under the current conditions, we are forced to announce the withdrawal of the Russian Federation from the Barents Euro-Arctic Council . We are convinced that the current political situation guiding our northern European neighbors does not correspond to the long-term interests of the inhabitants of the Arctic .* ”

However, Russia’s withdrawal from the CEAB has not triggered as much debate in conferences and academia. At the *Arctic Spirit conference* held in Rovaniemi, Finland in November 2023, the focus was on the “successes” of the Finnish chairmanship of the Barents Euro-Arctic Council (BEAC) but again very little on Russia’s withdrawal. The general attitude seems to be to consider this departure as a non-event. A solution was found to continue the work of the CEAB despite the departure of one of the founding members: a new transitional chairmanship structure was announced during the conference in which Norway, Sweden and Finland will jointly exercise a “*trio presidency* ” for one year (BEAC, 2023). However, this solution, while keeping the Council alive, empties it of its initial *raison d’être*. In fact, it was created in 1993 following the Murmansk speech, precisely to promote cooperation between the regions of Northern Europe and North-West Russia (Kirkenes Declaration, 1993).

Arctic Frontiers (AF) and *Arctic Circle Assembly* (ACA) remain the two conferences attracting the largest number of participants in 2023. At AF in January 2023, discussions focused mainly on the future of the CA with the presence of Nordic and Arctic political figures, standing out of the dramatic and flashy atmosphere of ACA 2022, which boasted of being a forum where “geopolitics plays out live.” However, similar trends are being observed at both conferences, with the increasing visibility conference directors. We can also note the holding of AF Scotland in March 2023, the first extra-regional edition of AF on the model of ACA and its many Asian forums. The rivalry between the two conferences is accompanied by a rivalry between Tromsø (seat, among others, of the CA and the recently created *Arctic Mayor Forum*) and Reykjavik (announcement of the creation of the Norduslod center in October 2022) as capitals of Arctic governance. The increased role of conferences and in particular of the ACA in Arctic governance had raised fears of a weakening of the central role of the AC, in particular thanks to the important place given to non-Arctic actors and non-state actors in conferences. The ACA 2023 was held from 19 to 21 October in Reykjavik. Last year, discussions about the potential death of the CA during the conference had particularly irritated Arctic diplomats. It is therefore interesting to see that this year the CA seems to have used the ACA for the purposes of promoting its activities and the diplomatic success of the (limited) resumption of its activities. The entire CA secretariat was present and every opportunity to highlight the Norwegian presidency and the activities of the working groups was taken: speech by the Norwegian presidency in plenary, reception on the occasion of the launch of the initiative against forest fires, presence of a stand with a selection of goodies, brochures, numerous sessions on working groups.

In addition, 2023 was a year of other Arctic conferences that provided opportunities for informal and formal diplomatic meetings on the sidelines of the programmed (Steinveg, 2021). The EU organized *the EUArctic forum* in Nuuk in February. The Barents Euro-Arctic Council Sami Summit was held for the first time at the European Parliament in Brussels under the Finnish Presidency of the BEAC. The *Arctic encounters symposium was held in Alaska in Anchorage on 29-31 March 2023. Finally, in April, the High North dialogue* conference was held in Bodo, Norway. In November, *Arctic Spirit* closed the 2023 conference cycle.

2. Historical evolution and progress of Sino-Russian energy diplomacy

As a result, Russia has become the largest producer of crude oil in China, the newspaper cited China's website. Russia has overtaken Saudi Arabia to take the number one spot from 2018. China's oil imports will increase by almost a quarter by 2023. These statistics illustrate the ineffectiveness of what the West has imposed on Russia. Although the Sino-Russian oil pipeline dispute ended with the demolition of the Andatli pipeline, Sino-Russian oil relations have taken several significant steps since then. During his visit to China in August 2006, President Putin inaugurated a joint venture between the Chinese oil company and Rosneft, which led to a new oil-related cooperation between China and Russia. Together, CNPC and Rosneft formed the "Eastern Energy Company" with 49% and 51% shares respectively. The company is primarily engaged in research, development and other activities in Russia. At the same time, PetroChina and Rosneft formed the Sino-Russian Oriental Petrochemical Company with 51% and 49% shares respectively. The company is mainly involved in oil production in China (Erokhin, 2018). In October 2008, during the meeting of ministers of China and Russia, the government of the two countries signed a cooperation agreement in the oil industry, and oil company China Oil. The companies have signed cooperation agreements with the Russian Oil Pipeline Transport Company in the oil sector. "Fuel field."

The main dispute between the two sides is the price of natural gas, where Russia focuses on export prices to Europe (\$400 per 1,000 cubic meters), while China dominates some Central Asian countries at \$235 per 1,000 cubic meters. As a result of the negotiations, Russia gave substantial concessions. The parties signed a contract at a price of approximately \$350 per 1,000 square meters. At the moment, for the first time, China is developing a four-layer gas pipeline, of which the internal gas pipelines in eastern China and Russia are important. The actual details of the gas contract between China and Russia are shown in Table 3 (Fadeev, 2021).

Table 3. Key developments in Sino-Russian natural gas negotiations

| Year | Event | Year | Event |
|------|--|------|---|
| 1994 | The governments of China and Russia signed a Memorandum of Understanding on the construction of the gas pipeline. | 2012 | Russian President Vladimir Putin visited China and Sino-Russian oil and gas negotiations resumed. |
| 1999 | Gazprom and PetroChina have reached an agreement on the deliberate export of natural gas. | 2012 | Gazprom and PetroChina confirmed their intention to implement the Western Route project and agreed to begin a dialogue by mutual agreement. |
| 2008 | China and Russia have established a traditional approach to natural gas negotiations at the vice-presidential level. | 2013 | Russia and PetroChina have reached a major agreement on pricing for gas exports to China and said the two countries could sign a gas supply agreement by the end of the year. |
| 2011 | The Chinese and Russian prime ministers held their 16th regular meeting, but the talks failed because they could not agree on a price. | 2014 | President Putin visited China and China and Russia signed the Eastern Gas Cooperation Agreement. |

Initially, the China-Russia East-West Gas Pipeline is decided to be constructed simultaneously. Both sides expect that once the two pipelines are completed, annual natural gas transport will increase to 68 billion cubic meters has been established. The main reason is that China National Petroleum Corporation believes that the price set by Gazprom is too high compared to the Eastern Route plan. Slower economic growth and the completion of the Central Asia Gas Pipeline could lead to "over" natural gas production (Jansen, 2023).

The project has been divided into several phases and the main achievements are:

1. Central section (Changling–Yongqing): This section was completed and commissioned in 2020, connecting Changling and Yongqing in Hebei province.
2. Yangtze River Crossing: One of the most challenging sections of the project, the Yangtze River Branch Road, was completed in December 2022. This tunnel is the key to connecting the north and south sides of the gas pipeline.

The pipeline is seen as a way to take advantage of Russia's abundant natural gas reserves and the huge demand of the Chinese market and strengthen Sino-Russian energy cooperation. This cooperation is especially important in the wake of rising global energy prices and geopolitical tensions.

3. Institutional form of Chinese-Russian energy diplomacy

Institutionalized intergovernmental energy diplomacy is an important guarantee of Sino-Russian energy cooperation. The institutional form of Sino-Russian energy diplomacy can be divided into three levels depending on the administrative levels of the participants: the level of heads of state and heads of government,

the level of vice premiers, and the level of departments and bureaus. First of all, the mechanism of energy diplomacy at the level of heads of state and government mainly consists of China and Russia.

A mechanism for exchanging visits and a mechanism for regular meetings between prime ministers. The annual exchange of visits between heads of state and regular meetings of prime ministers are the most important mechanisms for high-level general diplomatic cooperation between China and Russia. Although these two mechanisms are not professional platforms for energy cooperation, since major energy projects are discussed and decided personally by the country's top leadership, the important role of these two mechanisms in Sino-Russian energy diplomacy is obvious. Since China and Russia established the mechanism for annual exchange of visits between heads of state and the mechanism for regular meetings between prime ministers, the two countries have carried out a number of major cooperation projects in many fields, including energy, through the above two mechanisms, and have achieved fruitful results.

In April 1996, the heads of state of China and Russia reached an agreement in Beijing to institutionalize exchanges between the top leaders of the two countries. Subsequently, in order to implement this agreement, fully exploit the potential of Sino-Russian cooperation and improve the effectiveness of cooperation, both sides decided to establish a mechanism for regular meetings between the prime ministers of China and Russia. In December 1996, Premier Li Peng made a working visit to Russia. A mechanism for regular meetings between the two prime ministers was officially launched. After the establishment of a regular meeting schedule, the next meeting of the Chinese and Russian prime ministers began to be held once a year.

Table 4. Results of energy cooperation in the scheduling of regular meetings of the Prime Ministers of China and Russia

| | Period | Prime Ministers of China and | Contents and results |
|------|----------------|------------------------------|---|
| 1st | December 1996 | Li Pengyi Chernomyrdin | We signed the "Agreement on the principles of the framework contract for the Lianyungang Nuclear Power Plant" and established a committee of regular summit meetings with the subcommittee on energy cooperation. |
| 2nd | June 1997 | Li Pengyi Chernomyrdin | |
| 3d | February 1998 | Li Pengyi Chernomyrdin | |
| 4th | February 1999 | Zhu Rongji Primakov | |
| 5th | November 2000 | Zhu Rongji Kasyanov | |
| 6th | September 2001 | Zhu Rongji Kasyanov | Discussions and consultations on the Ananda Line plan |
| 7th | August 2002 | Zhu Rongji- Kasyanov | |
| 8th | September 2003 | Wen Jiabao- Kasyanov | |
| 9th | September 2004 | Wen Jiabao 1 Vladkov | |
| 10th | November 2005 | Wen Jiabao- Vladkov | |
| 11th | October 2013 | Li Keqiang and Medvedev | |

Source: Author's own work.

The China-Russia Energy Cooperation Forum (chaired by Zhang Gaoli and Dvorkovich) is not a specially created instrument for high-level energy cooperation, but a committee with regular meetings with senior ministers (Wang Yang and Rogozin). Three committees hold regular meetings between the Chinese and Russian prime ministers: the China–Russia People's Committee (Liu Yandong, leader of both countries, Gorodets), and the China–Russia Economic Cooperation Committee (Zhang Gaoli, the both countries).

It should be noted that China's State Council has not created a ministry of energy. The National Energy Administration has a small staff and low level, which does not allow it to effectively carry out energy diplomacy in the process of energy diplomacy. Russia faces not only the problem of inequality of levels, but also the

dilemma of insufficient administrative resources (Itoh, 2022).

In contrast to the common practice of filling demand gaps through direct purchases of oil on the international market, China prefers to “lock in” oil supplies by signing long-term contracts for the purchase of oil and allowing the national oil company to implement this contract. Therefore, China will likely consider further expanding oil imports from Russia and building new oil pipelines.

The East Central Roruto Gas Pipeline has an estimated capacity of 38 billion cubic meters per year. Once completed, the China-Myanmar gas pipeline will have a capacity of 12 billion cubic meters. It can be concluded that the above four major routes can meet China’s natural gas import demand in the long run.

In addition, natural gas prices in the Asia-Pacific region are much higher than in the United States, so there is an “Asia premium.” Thus, natural gas exporters have several incentives to export natural gas to Asia via LNG transport. Asian countries are also increasingly interested in buying the low-cost natural gas LNG.

Conclusion

Energy relations between China and Russia will be very strong in the future. Meanwhile, Russian “territorial aspirations” complicate power relations between China and Russia.

Cooperation between Russia and China in the energy sector has great potential for development (Onel, 2022). Despite the complexity of the Arctic governance legal environment, both sides are not only dealing with a wide range of issues, but are also transferring their actions from paper to a practical form.

The Yamal LNG project marks the beginning of cooperation between the two countries in the Arctic. It is important to note that no other country in the world, with the exception of the Russian Federation, is allowed to export oil except through the Northern Sea Route. Cooperation between Russia and China in the field of energy can not only contribute to industrial development in the framework of the development of joint energy projects, but also social and economic development in the Arctic, therefore, becoming more dynamic and complex, highlighting the importance of the commercial sector (Zhou, 2020).

Cooperation also has political consequences: Russia and China have established new geopolitical boundaries in the energy sector, underscoring the importance of cooperation and collaboration. Therefore, Russia can develop a strategy for the Arctic in general (Oztarsu, 2024). At the same time, it is important that the organization serves the interests of the organization, which are reflected in the primary source of resource allocation (Peshkova, 2017).

Russian Federation has become China's largest supplier of crude oil, China's Central Information Agency reported. Russia has overtaken Saudi Arabia to take the top spot from 2018. Chinese oil imports will rise by almost a quarter by 2023. These figures illustrate the ineffectiveness of the so-called “fixed price” imposed on Russia by the West. Although the Sino-Russian oil pipeline dispute ended with the abolition of the Andatali Line, Sino-Russian oil relations have acquired many important milestones since then. During his visit to China in August 2006, President Putin promoted a joint venture between China National Petroleum Corporation and Rosneft, marking the beginning of a new Sino-Russian oil cooperation. Together, CNPC and Rosneft formed the “Oriental Energy Company” with 49% and 51% shares respectively. The company is mainly engaged in geological exploration, development and other activities in Russia. At the same time, PetroChina and Rosneft co-founded the Sino-Russian Oriental Petrochemical Company, with 51% and 49% of the shares respectively.

The company is primarily involved in oil refining in China.

The biggest dispute between the two sides is the price of natural gas, with Russia focusing on the price of exports to Europe (\$400 per 1,000 cubic metres), while China focuses on the from Central Asian countries \$235 per 1,000 cubic meters). As a result of the negotiations, Russia gave substantial concessions. The parties signed a contract at a price of approximately \$350 per 1,000 cubic metres. Currently, initially, China is developing natural gas import routes in four corridors, of which the China-Russia Eastern Natural Gas Corridor is an important part.

At the same time, the Russian government’s total control over the oil and gas industry and its repeated privatization and nationalization policies are also raising political risks for Sino-Russian energy cooperation in the 19th century. Thus, many obstacles remain for Sino-Russian energy negotiations.

In the oil industry, Sino-Russian oil cooperation may have improved significantly in recent years. In 2016, China’s daily oil production was around 4 million barrels, and daily oil consumption was around 12 million barrels the cost of the decrease. Several credible organizations estimate that China’s oil production has passed “Peak Herbert”.

Policy Recommendations and Future Outlook for Sino-Russian Energy Cooperation

To further enhance the energy cooperation between China and Russia and address the challenges that persist in their bilateral relations, several policy recommendations are proposed. These recommendations focus on improving the institutional framework, overcoming current challenges, and ensuring the long-term sustainability of Sino-Russian energy diplomacy.

1. Strengthening Institutional Mechanisms for Energy Diplomacy:

- **Expanding the Role of Energy-specific Committees:** While the current institutional structure for Sino-Russian energy cooperation includes various committees at the leadership level, there is a need for more focused, energy-specific platforms that can effectively address sectoral challenges. Establishing a high-level Sino-Russian Energy Cooperation Committee, consisting of key energy ministers, could help streamline decision-making and speed up the implementation of energy projects.
- **Enhanced Technical Cooperation:** Given the technological challenges associated with major energy projects like oil and gas pipelines, nuclear energy, and Arctic energy development, it is critical to foster deeper technical cooperation between China and Russia. This could involve joint research and development programs, shared technical expertise, and capacity-building efforts to address environmental and logistical challenges.

2. Diversifying Energy Cooperation Beyond Oil and Gas:

- **Investment in Renewable Energy:** While oil and gas dominate the Sino-Russian energy relationship, the two countries should look toward expanding cooperation in renewable energy sectors, such as wind, solar, and hydropower. Collaborative initiatives in these areas can not only enhance energy security but also align with global sustainability goals.
- **Nuclear Energy Collaboration:** Nuclear energy could play a pivotal role in addressing China's long-term energy demands. Expanding cooperation in nuclear energy, including reactor construction and fuel supply chains, would provide mutual benefits, with Russia's advanced nuclear technology and China's growing demand for clean energy.

3. Expanding Infrastructure and Energy Transportation Networks:

- **Expanding Pipeline Networks:** As China seeks to diversify its natural gas sources, expanding the China-Russia Eastern Gas Corridor and other pipeline routes is essential to meet growing demand. Increasing the capacity and efficiency of these pipelines would enhance energy security for both nations. Furthermore, exploring new pipeline routes, such as through Central Asia, could mitigate geopolitical risks and expand market access for Russian gas.
- **Development of LNG Infrastructure:** The growing interest in LNG in the Asia-Pacific region presents an opportunity for Sino-Russian cooperation in the development of liquefied natural gas (LNG) infrastructure. Russia could benefit from establishing LNG export terminals along its Pacific coast, which would diversify its energy exports and allow China to tap into a flexible and scalable source of energy.

4. Navigating Geopolitical and Political Challenges:

- **Managing Political Tensions:** Despite the strong energy ties between China and Russia, geopolitical tensions and territorial disputes can complicate their cooperation. Both nations need to ensure that energy negotiations remain insulated from political rivalries and focus on mutual economic benefits. Transparent and regular dialogue at the highest levels of government will help manage these risks and reduce uncertainties.
- **Addressing Energy Pricing Disputes:** The ongoing disputes over natural gas pricing highlight the need for greater flexibility and understanding in negotiations. Both parties could explore long-term pricing mechanisms that provide stability, but with built-in flexibility to account for fluctuations in global market prices. A more structured approach to pricing negotiations, with clear escalation clauses, would help manage future disagreements and reduce the risk of energy shortages or supply disruptions.

5. Fostering Regional Cooperation and International Partnerships:

- **Cooperation in the Arctic:** The Arctic represents a new frontier for Sino-Russian energy cooperation, particularly in the Yamal LNG project and other Arctic energy exploration. Given the geopolitical importance of the region, China and Russia must establish clear governance frameworks that promote sustainable development while protecting the environment. Additionally, fostering international partnerships in the Arctic, including with other stakeholders such as the United States, Canada, and Norway, would enhance the legitimacy and global support for their energy ventures.
- **Engagement with Multilateral Energy Platforms:** China and Russia should engage more actively in regional and international energy forums such as the Shanghai Cooperation Organization (SCO), BRICS, and the Asia-Pacific Economic Cooperation (APEC). These multilateral platforms offer opportunities for expanding cooperation beyond bilateral channels and for addressing global energy challenges, such as climate change, energy security, and technological innovation.

To ensure the sustainability of their energy cooperation, China and Russia should work toward developing a long-term energy strategy that aligns with the broader geopolitical and economic goals of both countries. This strategy should prioritize diversification of energy sources, investment in emerging technologies, and alignment with international environmental standards.

Establishing educational exchange programs and professional development initiatives in the energy sector will help build a shared understanding of energy challenges and opportunities. This people-to-people diplomacy can support the development of a skilled workforce, foster innovation, and improve bilateral relations in the energy domain.

Sino-Russian energy cooperation is poised for continued growth, driven by strong institutional frameworks, mutual energy needs, and a shared desire to improve economic and geopolitical standing. However, challenges such as political risks, fluctuating energy prices, and territorial disputes must be carefully managed through strategic planning, deeper institutional cooperation, and greater transparency in negotiations. By addressing these challenges and exploring new opportunities for collaboration, China and Russia can solidify their energy relationship and set a global example for successful international energy diplomacy.

The future of Sino-Russian energy cooperation will hinge not only on the successful implementation of existing projects but also on both countries' ability to adapt to new technologies, markets, and geopolitical realities. This flexibility and forward-thinking approach will be key to sustaining their partnership for decades to come.

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