Mounting Political Tensions as the US, Russia and China Compete for the Control of the World's Oil and Gas Reserves

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China's completion of an historic natural gas pipeline with Kazakhstan bypassing Russia this week tightens the Asian behemoth's grip on energy resources needed to fuel a burgeoning economy, a desire also forcing it on a quest for oil and gas wealth in other corners of the globe.

China is not alone in this scramble for energy security. Hungry for oil and gas, world powers like Russia and the United States are also relying on different strategies to grab resource treasures but their efforts have raised questions about conflicts down the road.

The U.S. Energy Information Administration describes China as the second largest energy consumer behind the United States . Taking advantage of the world's financial crisis, the Asian powerhouse has tapped currency reserves to invest in both Russia and Central Asia , helping to construct power plants and other domestic infrastructure in return for long-term oil and gas supplies, said Ben Montalbano, a senior research analyst at the Washington-based Energy Policy Research Foundation.

Lacking energy reserves, China has been "working hard to lock in" investments in Africa, Central Asia and Venezuela , Montalbano told OilPrice.com. The country has also sought natural gas to satisfy increasing consumption and built many liquefied natural gas receiving terminals over the last year, he added.

"Cut off from African natural resources . . . China 's growth stops," warned Peter Pham, director of the Africa Project at the New York-based National Committee on American Foreign Policy and an associate professor at James Madison University in Harrisonburg , Virginia .

This intensive bid for energy, however, has caused friction with the world community. Under an investment strategy in Africa, China "wins over very easily governing elites but doesn't necessarily win over the populace," Pham charged.

Chinese state-owned companies tend not to invest in exploration but prefer to offer "inducements," he said. China's offer of multibillion-dollar credit facilities to Angola was pivotal for the African nation to get "off the hook" from negotiating with the International Monetary Fund and the World Bank to meet "serious reform and certain conditions" before the organizations granted such facilities, he argued. China then bought stakes from the Angolan state oil company, he said.

China, moreover, has helped the Khartoum government to evade United Nations sanctions by assisting in the building of at least three weapons factories in Sudan , he said.

Not to be outdone, Russia has returned to Africa in "considerable force" pursuing natural resources in part to recover its "great power status," said Pham. Russian firms are trying to "lock in partnerships" with resource producers to form, for example, the "stream of a natural gas OPEC," he said.

Russia holds the world's largest natural gas reserves and the eighth largest oil reserves, according to the U.S. Energy Information Administration. Next year, its federal budget will be nearly 50 percent derived from oil and gas exports, emphasizing a reliance on gas exports to “feed the budget,” Montalbano of the Energy Policy Research Foundation told OilPrice.com. To some extent, China and Russia have worked together in the oil and gas domain. Earlier this year, China announced a $25-billion loan to Russian firms in return for a 20-year supply of crude oil.

Russia is not the “behemoth of financial reserves” it was two years ago and has a “fairly weak” banking system and industry, Montalbano maintained. While the country is discussing certain projects with Iran and potentially with Iraq , it is mainly concerned with opening up huge Arctic gas fields because its existing fields are declining, he noted.

Russia and other northern countries have increasingly turned to the melting Arctic but the region is “still up for delineation,” said Boyko Nitzov, director of the Eurasia Energy Center at the Atlantic Council in Washington . “The Arctic is still fairly off limits for large-scale production of oil and gas” and difficult to access especially during the winter, Nitzov explained.

For American oil companies, an over-reliance on the Middle East for energy needs has shifted its attention to Africa, a major energy supplier over the last several years edging out the Persian Gulf in energy imports to the United States , Pham explained. U.S. firms tend to forge production-sharing agreements or explore resource development, but lack carte blanche in their pursuit of oil riches in places like Africa due to U.S. government sanctions and public pressure, he said. This puts the United States at “a slight disadvantage” relative to Russia and China , he added.

Competition for energy assets will probably not lead to open conflict but rather to increasing political tension, predicted Africa expert Pham. Leading African organizations, Europe and the United States never recognized Guinea ’s military coup last year, which led to a subsequent massacre of opposition members. Yet China signed a deal with the military junta, risking a perception as a “rogue operator in the single-minded pursuit of resources,” he warned.

Although Russia and China, meanwhile, have both benefited from joint oil and gas investments, making conflict doubtful in the forseeable future, “10, 20 years down the road, who knows,” Montalbano added.

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