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## **Analysis of challenges and perspectives of Chinese-Russian relations in the field of energy trade**

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### **Abstract**

Current study is focused on energy cooperation as an important component of a comprehensive strategic partnership between China and Russia. It is also the driving force source for the development and the maintenance of China-Russia relations sustainable development. Nowadays, there have been fundamental changes in the structure of world energy. The energy problem is one of the most acute socio-economic and political problems of the modern world. Due to the limited availability of hydrocarbon resources among the importing countries, competition for their ownership is exacerbated. At the same time, exporting countries use energy resources as an instrument of pressure in international relations. In current paper, main challenges of energy sector, further prospects in this sphere, and new concepts of cooperation between two countries are analyzed.

*Keywords:* Energy cooperation, energy resources, China, Russia, energy trade;

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### **1. Introduction**

Recently, fundamental changes in the structure of world energy have occurred, and mainly manifested in the following aspects: due to imbalance between supply and demand oil prices came down; the proportion of traditional fossil energy resources is gradually decreasing, and the proportion of non-traditional energy resources is increasing [3]. In addition, there is a transformation in energy sources sphere, which goes from high-carbon to “green” and “clean” low-carbon resources. Moreover, the structure of trade in oil and gas sphere began to develop in the opposite direction: production of oil and gas moved to the West, consumption shifted to the East, the centre of trade from the American-European region moved to the Asia-Pacific region [1]. Production and cooperation of gas and oil field on the Eurasian continent have shown good results, so the Eurasian continent has become a new world oil and gas centre. Such fundamental changes in the international energy situation and architecture inevitably affected the cooperation between China and Russia, which are two modern energy powers in modern world.

### **2. Main challenges for Chinese-Russian relations in the energy field**

Firstly, it is a blow that caused by low oil prices to China-Russia cooperation in the oil and gas sector. The collapse in oil prices led to a reduction in Russia foreign exchange earnings and financial difficulties; moreover, it blocked the prospects for the oil and gas development strategy.

China was under a double influence, as low oil prices have reduced the cost of foreign oil and gas assets bought by China at a high price [4]. A large amount of imported oil stayed in storage facilities with no chance for further use, which led to idle equipment and employees of the oil and gas industry. It is very disadvantageous for Chinese enterprises, which operation goes according to the strategy of “going outside” [3]. However, low oil prices strengthened China's negotiating positions, lowered the buying cost of oil and gas, and especially reduced foreign exchange costs. The fall in oil prices dragged down the price of other energy resources, for example, iron ore, coal, etc.;

Secondly, under the impact of low oil prices, Russia's strategy of import substitution in the oil and gas sector may have a certain impact on the export of Chinese enterprises, especially oil and gas equipment manufacturing enterprises;

Thirdly, the trend of diversification of energy resources development, and the fact that Russia, due to the impact of low oil prices, has faced financial difficulties, exert psychological pressure on bilateral large-scale projects on cooperation in the oil and gas sector.

### **3. New opportunities for Chinese-Russian energy development**

Nevertheless, radical changes in the international energy situation brought many opportunities for the development of energy cooperation between China and Russia. Firstly, the centre for the development of the global economy is increasingly shifting to the Asia-Pacific region, supply and demand proportion is becoming even closer in the space of Eurasia, and the status of the region in the global energy structure is clearly increasing. Secondly, new common interests has become evident. Thirdly, factors of cooperation internal driving forces were unprecedented [2].

The directions of the China-Russia energy cooperation are the following:

1) “Climb the mountain and look into the distance”, it means the updating of the cooperation.

2) The complementarity of economies is a main strength source for bilateral cooperation, as well as the long-term strategic choice made up by the two countries. Correct regulation of interests of both parties. First, to coordinate the policy of China and Russia in Central Asia, the second, to coordinate all the links of industrial cooperation in the field of energy and financial reserves;

3) Coordination between China and Russia about discrepancies in energy prices;

4) Deepening and enriching the content of China-Russia strategic cooperation in the energy sector. China and Russia signed a Joint Statement on Cooperation in Combining the Construction of the Eurasian Economic Union and the Economic Belt of the Silk Road, which is of strategic importance for the two sides. The two countries need to continue effective developing in energy cooperation sphere and revealing the enormous potential and complementarity of cooperation.

In the future, it is possible to continue deepening cooperation on the following aspects: the implementation of existing agreements, and the continued expansion of trade. Both sides should accelerate negotiations on the price of oil and gas on the terms of mutual benefit, they should further expand cooperation in the field of electric and nuclear energy, and in the coal sector as well [2]. Moreover, Russia and China should implement the already signed agreements on trade in energy resources, and strengthen the achieved results of cooperation. At the same time, through negotiations on energy issues, which are held within the framework of the mechanism of two countries heads of government regular meetings, both sides should promote the expansion of trade in energy resources between the enterprises of the two countries in order to deepen interdependence.

#### **4. Required directions for China and Russia in the energy sector**

Search for new conditions for investment cooperation. Both sides should find new points of linking financial complementarity between the two countries, in order to open new conditions for investment cooperation systematically [2].

Strengthening the relationship in the field of energy resources. Accelerating the progress of the implementation of the plans for the construction of the western pipeline, promptly begins deliveries via the eastern gas pipeline, and facilitate the conclusion of a new agreement on the construction of the pipeline. At the same time, jointly build the China-Russia energy bridge, realize the concept of energy networks in South-East Asia, significantly increase transport capacity for the delivery of energy resources. It is important to conduct a study on the construction of the offshore oil and gas transport corridor, to diversify the ways of transporting energy resources, and to ease the pressure in transport safety issues through pipelines.

Deepen the development of cooperation in the field of energy technologies. Chinese technology in the exploration and development of shale oil and shale gas is now continuously developing; there are large financial forces in this sector. As there are huge reserves of shale oil and shale gas in Russia, so there is a clear advantage regarding the size of reserves in relation to the size of the production.

Cooperation in the field of nuclear energy. It is possible to promote projects in the field of reactor technologies, floating nuclear power plants and fast neutron reactors. In the field of new Chinese-Russian energy technologies application, there are also many opportunities for cooperation.

Enterprises of the two countries should also pay great attention to the issues of innovation in energy cooperation models, as they need to adapt to the reality of the ever-expanding scale of energy cooperation and its acceleration. For example, in the sphere of trade calculations, methods and channels of financing, exchange of interests and projects, research work in the field of technologies and equipment

#### **5. Conclusion**

To conclude, beneficial cooperation between China and Russia is gaining momentum, acquiring the character of long-term priority accords. Cooperation in the energy sector is one of the most important components of a comprehensive strategic partnership and interaction between China and Russia; it is of great strategic importance for the joint development and prosperity of the two countries.

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