

ABSTRACT

Rapid economic growth poses energy demand challenges for China. It is the second largest energy consumer just behind the US. China is blessed with rich energy resources but indigenous supplies fell short to meet its energy demands. Coal is dominant source in China's energy mix. She wants to wean itself from coal and to replace it with renewable energy sources.

Currently China's oil consumption is 8.65 million barrels. More than half of its oil demand is met by imports. Oil and natural gas imports are expected to grow in coming years. To meet its present and expected future demand, she decided to invest in global energy markets. She is emerging as a major player in global energy markets. Its global energy activities are creating new challenges for other energy consumers.

It is also matter of concern for energy analysts that China is investing in the global oil market where the leading international oil companies already present. Geographically, China's future oil and natural gas imports depend heavily on the Persian Gulf, Africa, and Latin America for maritime shipping and on Myanmar, Central Asia and Russia for its overland pipeline system.

Despite the diversification, still China's soaring energy needs continue to foster a heavy dependence upon Arabian Gulf and Africa. China has concerns about security of supply route. There is a concern within China, the US and India are uncomfortable with China's rising power. China perceives both as potential threat to its energy supply. Particularly, the US can disrupt the supply of imported energy if China interferes in Taiwan.

The Government of China intends to secure an energy supply that avoids the American controlled, Sea Lanes of Communications. China is strengthening diplomatic relations with littoral states and building naval bases and ports along the shipping lanes from the Persian Gulf to SCS. It is known as the "String of Pearls" strategy. This strategy is

planned to protect China's energy supply. India has concern over China's growing influence in the region.

This study proposes all nations generally and the US, India and China particularly should develop trust and strengthen bilateral, regional and multilateral cooperation on energy issues. China and the US as the world largest energy consumers share common interests in the energy sector. Both countries can benefit if cooperation replaces the current behavior toward a competitive energy relationship. Because both countries share an interest in avoiding global supply disruptions, maintaining stability in the Persian Gulf, accelerating the development of new oil and gas resources, expanding the development and use of clean coal technologies, increasing global energy supply diversification and managing the environmental issues.