

Empowering the Belt and Road with Energy and Resource Cooperation

Shi Ze

The China-proposed Silk Road Economic Belt and the 21st Century Maritime Silk Road, as a grand initiative for deepening regional cooperation with countries along the routes, cover various fields including economics, society and culture. But among them, energy and resource cooperation is the most practical and feasible way for the Belt and Road to take root, given the economic endowment, development needs and complementary advantages of the various countries concerned, as well as the existing foundation and conditions for cooperation between China and countries along the routes. Therefore, energy and resource cooperation should be a focus and priority for China when exploring cooperation with the Belt and Road countries, and it should be advanced through concrete measures.

Significance of Energy and Resources Cooperation for the Belt and Road Initiative

As a major source of economic momentum, energy and resources are always a strategic priority and focus of a nation's development. For China and the other Belt and Road countries, enhancing energy and resources cooperation is of great significance for realizing the diversification of energy and resources supplies, the safety and facilitation of transportation, and the rationalization of the pricing mechanisms for energy and resources. It is also important for safeguarding energy and resources security, expanding development space,

Shi Ze is Senior Research Fellow and Director of the Center for International Energy Strategic Studies, China Institute of International Studies (CIIS).

and supporting sustainable and healthy economic growth. At the same time, the construction of relevant infrastructure along the Belt and Road, based on the complementary advantages of producer and consumer countries, helps the producer countries reinvigorate their energy and resources industries, and provides opportunities for the added value of capital and technologies, thus broadening the economic potential of Belt and Road countries. This is why energy and resources cooperation can be a long-term engine for development.

Energy and resources cooperation can also facilitate the building of a community of shared interests and shared future among the Belt and Road countries. Given the advantages in endowment and rich reserves of various kinds of energy and resources of countries along the Belt and Road routes the prospects are bright for energy and resource cooperation. Through cooperation with China, countries will be able to diversify their energy markets, introduce advanced technologies and investment, and accelerate the construction of relevant domestic infrastructure to boost their respective development. As the countries are highly complementary with China in terms of resources, market, capital and technology, deepening cooperation serves the interests of all and the common prosperity of the region. Meanwhile, cooperation in traditional and new energy, uranium, metal minerals, energy transportation, water conservancy and electricity, which is of strategic significance, has potential spillover effects in economic and social fields. Moreover, the complementary nature and mutual benefits of different countries will enable them to forge closer political ties, enhance mutual trust and knowledge, and create an amicable atmosphere for a community of both shared interests and shared future among countries of the Belt and Road.

The interdependent nature of energy and resources cooperation could serve as the ballast stone for peace on the Belt and Road. First, given the weak economic foundation and sharp social contradictions in some countries along the routes, this kind of cooperation, which concerns economic revitalization and social development, will produce positive effects on the political landscape in the region. Second, in the process of cooperation, historical disputes among some countries may be settled for the sake of

common progress, which further enhances mutual relationships. Third, as China's rapid development is still encountering misgivings from some neighboring countries, cooperation in energy and resources can provide a platform for China to practice the principle of "amity, sincerity, mutual benefit, and inclusiveness" in its neighborhood diplomacy and the policy of fostering an amicable, secure and prosperous neighborhood. China can demonstrate its genuine intention of pursuing a friendly, stable and mutually beneficial relationship to neighboring countries, in order to gradually mitigate their anxiety about China's rapid development and construct an environment of discourse conducive to regional peace and stability.

Last but not least, energy and resource cooperation facilitates the reform of international energy governance in a fairer and more reasonable direction. Originally the highland of global energy production and consumption, countries on the Belt and Road are unfortunately marginalized in the West-dominated international energy governance system, losing their deserved voice. Therefore, strengthening cooperation among the resources possessors, transit and consumer countries along the Belt and Road routes holds tremendous significance for elevating their status in global energy governance. A fair set of energy trading rules and pricing mechanisms between China and these countries along the Belt and Road routes would enable the principle of "freedom of transit, non-discrimination and no hindrance" in energy transportation to take root and facilitate the building of a regional energy cooperation regime. It would also be conducive to strengthening the say of the Belt and Road countries in global governance and moving the international energy order in a fair, reasonable and effective direction.

Potential of Belt and Road Energy and Resources Cooperation

While focusing on energy, the Belt and Road energy and resources cooperation can have much broader coverage. Besides fossil energy sources such as coal, oil and natural gas, alternative energy sources also include nuclear, wind, hydro, solar, geothermal, ocean, biomass and other non-fossil energy. On the other

hand, resources can be categorized into mineral and non-mineral resources: the former covers both fossil energy sources and different kinds of metal and non-metal minerals, while the latter includes not only non-fossil energy but also water and ecological resources (fisheries and forestry, for instance). The Belt and Road countries, with more than 70% of global energy reserves and facing arduous development tasks, harbor invaluable cooperation opportunities in energy and resources, especially in oil and gas resources.

From the perspective of industrial chains, the upper, middle and lower reaches of the energy and resources industry can all become areas for cooperation between China and other Belt and Road countries. Within the upper stream, there is natural complementarity between China's capital and technology and other countries' resources endowments. Energy transportation, as well as its safety, which is featured in the industrial mid-stream, is undoubtedly the common focus of all parties concerned. As for the downstream, the international energy market and high value-added industrial cooperation serves to closely integrate the interests of different countries. In this sense, cooperation between China and its Belt and Road partners is likely to provide momentum for Eurasian regional cooperation.

Characteristics of energy and resource cooperation

Energy and resources cooperation is first and foremost economic. As bulk commodities, the different kinds of energy and resources are not only produced and consumed on a large scale to promote the economic development and social progress of countries, but also an important source of international trade increments. The pricing mechanism, patterns of trade and settlement, and the transportation costs also have a profound influence on national socio-economic growth. In addition, oil has become a substantial part of investment portfolios, and the oil futures market and the oil pricing mechanism have grown into another arena of great-power competition. Since the Silk Road Economic Belt and the 21st Century Maritime Silk Road are home to a host of major energy producing and consuming countries, cooperation among them will inevitably have financial implications.

Second, energy and resources cooperation has spillover effects. International cooperation in this field mostly covers the trade of bulk commodities, construction of transportation and energy infrastructure, operation of cross-border oil and gas pipelines, and the formulation of pricing rules. It is able to spill over to cooperation in various economic industries as well as tariffs, financial and legal coordination and harmonization.

Lastly, energy and resources cooperation has strategic undertones. While for resource-rich countries the export of energy and resources brings significant revenues, for consuming countries the import of energy and resources concerns their socio-economic sustainability. Cooperation between the two sides therefore concerns national security and political stability, and thus is usually utilized as a strategic bargaining chip in attempt to realize some important policy objectives.

Patterns of energy and resource cooperation

The specific patterns of energy and resources cooperation between China and other Belt and Road countries can be sorted into two kinds: cooperation in concrete projects and the building of the “soft environment.” The former includes expansion of the scale of the trade in energy and resources, joint exploration and infrastructure construction, joint operation of oil and gas pipelines, cooperation in relevant transportation, processing and markets, as well as technical cooperation. In recent years, there have been several typical examples in this regard. China and Russia reached deals on expanding oil supplies and on launching gas supplies through the eastern route. China inked oil and gas cooperation agreements with Turkmenistan, Kazakhstan, Uzbekistan and Myanmar. Cross-border oil and gas pipelines have been successively built up in China’s neighborhood. And China has participated in joint construction of hydro and thermal power projects with Southeast Asian countries, Pakistan and Tajikistan. Practical energy and resources cooperation in an in-depth and broader direction will enrich the landscape of regional cooperation.

On the other hand, the building of the necessary “soft environment”

includes facilitation of trade and investment, localization of transaction currency, innovation of cooperation patterns, promotion of overall bilateral and multilateral relations, and creation of a positive international legal and public opinion environment. The petroleum and natural gas trading centers in Shanghai and Chongqing, respectively founded in 2015 and 2017, serve a significant step toward improving the cooperative “soft environment.”

Opportunities for Belt and Road Energy and Resource Cooperation

Addressing a seminar on neighborhood diplomacy in October 2013, Chinese President Xi Jinping pointed out: “With full vitality and obvious development advantages and potential, China’s neighborhood is generally stable. Friendliness and mutually beneficial cooperation is the mainstream of the relationships between China and its neighbors.”¹ The current international situation, still featuring peace, cooperation and development, provides an important opportunity for energy and resources cooperation along the Belt and Road, an area that covers China’s greater neighborhood.

Politically, China is deepening mutual trust with other Belt and Road countries, successively resolving historical border disputes with Russia, Kazakhstan, Kyrgyzstan and Tajikistan, and signing strategic partnership agreements with many others. This has laid a solid political foundation for friendly bilateral and multilateral relations. Whether with the members of the Association of Southeast Asian Nations, the Shanghai Cooperation Organization (SCO), the Arab countries or African nations, China’s efforts in enhancing amicable ties are bearing continuous fruits.

Economically, the Belt and Road countries, mostly prioritizing economic revitalization, are willing to realize common development and prosperity through cooperation. In the context of economic globalization, the cooperation

1 “Let the Concept of Shared Future Community Take Root in China’s Neighborhood: Xi Jinping’s Speech at the Seminar on Neighborhood Diplomacy,” Chinese Ministry of Foreign Affairs, October 25, 2013, http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1093113.shtml.

process in the Eurasian region has witnessed noteworthy acceleration. In recent years, China is forging closer functional cooperation with its Belt and Road partners in trade, energy, culture, society, environmental protection, and non-traditional security issues. The concept of “wide consultation, joint contribution and shared benefits” has become the consensus and practice of Belt and Road countries. The implementation of numerous projects is a testimony to the vitality of win-win cooperation.

In terms of security, the situation is generally under control, with the SCO playing a pivotal role in maintaining regional security. As India and Pakistan were admitted as new formal members, the organization will have even more crucial influence on the stability of Afghanistan and the broader region. Through the joint efforts of regional countries, the “three evil forces” of terrorism, extremism and separatism have been effectively suppressed. Moreover, the international terrorist network has largely been defeated in Syria and Iraq, and the civil war in Syria has witnessed some positive progress. For China, in spite of disputes with some of its neighbors, there is no intention among other regional countries to become the enemy of a rising power. Specifically, the signing of border cooperation agreement between China and India has facilitated the crisis management of the two countries’ territorial disputes.

Rising Chinese influence in the Belt and Road region

China is building increasingly closer trade connections with other Belt and Road countries. The upward momentum of Chinese economy and its gradually expanding contribution to the regional economy cannot be a more positive signal to neighboring countries. Now the largest trading partner of more than 120 countries and regions, China imports \$2 trillion of goods per year and creates large amounts of employment and investment opportunities.² In 2017, China’s trade volume with Russia reached \$84 billion, and with

2 “China Becomes World’s Largest Trading Nation in Terms of Goods,” Chinese Ministry of Commerce, March 3, 2014, <http://tzswj.mofcom.gov.cn/article/f/201403/20140300504985.shtml>.

India topped \$84.4 billion, both hitting an all-time high.³ More and more Belt and Road countries are willing to share China's development opportunities. Additionally, in contrast to the slow recovery of the US and European economies, China's emerging investment capabilities and its rich technical and management experience in manufacturing and infrastructure have provided impetus for cooperation.

China's high economic and social complementarity with other Belt and Road countries has contributed to their willingness to carry out energy and resources cooperation. The comprehensive China-ASEAN cooperation is progressing well with even more extensive content. Russia, at the critical period of economic development and national transition, is in urgent need of expanding its exports and introducing investment. Kazakhstan is implementing its industrial innovation strategy and beginning to shift its investment and cooperation focus to non-resources areas. Mongolia, as well as Central Asian nations, have made transportation, processing of minerals and agricultural products, light industry and the service industry the priority of economic development. The China-Kyrgyzstan-Uzbekistan railway is highly anticipated, and the China-Kazakhstan-Russia-Mongolia quadrilateral sub-regional cooperation mechanism has promising prospects. In South Asia, there is great potential for cooperation in infrastructure and technology. With the launch of the China-Pakistan Economic Corridor and the BCIM (Bangladesh, China, India and Myanmar) Economic Corridor, the entire region is to be more economically integrated and interconnected.

The transformation of the international energy structure has also elevated China's market position. As it accelerates its pursuit of energy independence, the United States becomes less dependent on oil and gas-producing Middle East and Central Asia. Since 2008, the United States' oil imports from trading partners in the Middle Eastern Gulf have declined by

3 "China-Russia Trade Volume Reaches \$84 Billion, Increases by 20.8%," Chinese Ministry of Commerce, January 21, 2018, <http://www.mofcom.gov.cn/article/i/jyj/e/201801/20180102701694.shtml>; "China Signs Major Trade Deals with India," EastDay, March 25, 2018, <http://news.eastday.com/eastday/13news/auto/news/finance/20180325/u7ai7553361.html>.

16%.⁴ In the meantime, emerging economies such as China and India have witnessed stable growth in energy consumption, contributing the most to the additional global total and becoming the most important strategic buyer of Middle Eastern and Central Asian oil.⁵ It is in this context that the regional oil producers express intention to open oil and gas upstream industries to China, and expand economic ties pioneered by energy cooperation to facilitate their own structural adjustment and transition. On the other hand, China's moderate opening of downstream industries and market will also have much appeal to those countries. Moreover, the sanctions against Russia by the United States and European countries in the wake of the Ukraine crisis have resulted in energy exports from Russia decline, which forced Russia to look to the east and deepen energy cooperation with China.

Sound foundation of energy and resource cooperation

First, there have been relatively mature institutionalized arrangements of practical cooperation between China and other countries along the Belt and Road. Economic and trade ties have been deepened under the SCO framework. The negotiations on the Regional Comprehensive Economic Partnership and on the China-Japan-ROK free trade area have made positive progress. China is actively working with other Belt and Road countries in multilateral mechanisms such as APEC, the G20 and BRICS. The continued development of regional energy and resources cooperation has enriched and will further enrich the existing international cooperation and consolidate its basis.

Second, regional countries have more and more recognized China's peaceful development, leading to a substantial improvement in the regional political discourse. China's neighborhood diplomacy, featured by the abovementioned principle of "amity, sincerity, mutual benefit, and

4 Energy Information Administration, "U.S. Net Imports by Country," http://www.eia.gov/dnav/pet/pet_move_netl_a_epc0_IMN_mbbldpd_a.htm, quoted in Elizabeth Rosenberg, "Energy Rush: Shale Production and U.S. National Security," Center for a New American Security, February 2014, p.17, <http://www.ourenergypolicy.org/wp-content/uploads/2014/02/Shale-Production.pdf>.

5 Brookings Institution, "Energy and Security: Strategies for a World in Transition," February 2014.

inclusiveness” and the policy of fostering an amicable, secure and prosperous neighborhood, aims at creating a regional environment where all nations are equal with mutual trust, open to mutual learning, and cooperating for mutual benefits. The image of China as an inclusive, open and responsible major country, and the concepts it has proposed to promote a peaceful neighborhood and a harmonious world, build a new type of international relations, and foster a community of shared future for mankind, have been understood and accepted by an increasing number of countries.

Third, there have been fruitful achievements in Belt and Road energy and resources cooperation. Energy cooperation between China and Russia has reached a new height. The two sides have vowed to build a solid bilateral partnership in energy. In October 2013, an agreement was reached between Rosneft and CNPC to deliver Russian crude oil to CNPC’s Tianjin Refinery under a long-term contract of prepayment.⁶ Other deals struck by the two countries in recent years include the expansion of the crude oil supply from Russia, provision of Russian natural gas through the eastern and western pipelines, and the launch of giant Yamal liquefied natural gas (LNG) joint project inside the Arctic Circle.⁷ China’s oil and gas trade volume with Central Asian countries is also increasing year by year. The four oil and gas pipelines that span Central Asia into China are either complete or under construction. With traditional oil and gas producers in the Middle East, the trade statistics have also witnessed steady growth. All these have laid a good foundation for further cultivation of common interests among Belt and Road countries.

Challenges of Belt and Road Energy and Resource Cooperation

While opportunities abound, further advancing energy and resource cooperation in the Belt and Road region faces challenges which the parties

6 “Rosneft and CNPC Agree Key Principles of Tianjin Refinery Commissioning Schedule and Crude Oil Deliveries for Refining at Tianjin,” Rosneft, October 22, 2013, <https://www.rosneft.com/press/releases/item/24363>.

7 “China, Russia Jointly Launch Yamal LNG Project in the Arctic,” *People.cn*, December 11, 2017, <http://en.people.cn/n3/2017/1211/c90000-9302698.html>.

involved cannot simply underestimate.

Negative impacts of major-power competition

First, the United States has drastically adjusted its global strategy. The latest US national security strategy, national defense strategy, and nuclear posture review have demonstrated a shift of strategic focus from countering terrorism to containing the so-called revisionist powers of Russia and China that supposedly threaten the national security of the US. Claiming that the source of East Asian regional instability is the rapid expansion of Chinese military power and the increasing assertiveness of Chinese diplomacy, the deepening misgivings and biases of the US against China is on the rise. As early as 2013, the US had indicated in its report on Chinese military power, “China publicly states that its rise is ‘peaceful’ and that it harbors no ‘hegemonic’ designs or aspirations for territorial expansion. However, China’s lack of transparency surrounding these growing capabilities has increased concerns in the region about China’s intentions.”⁸ Some US scholars suggested at that time that the US strengthen its alliance with Japan in terms of military deployment, technology and energy in order to balance China’s influence.⁹ With regard to the Taiwan issue, the United States has also taken hardline measures that have exacerbated bilateral relations, as it has broken the long-standing promise since the two countries established diplomatic relations that it would not conduct official exchanges with the administration on the island. The newly passed Taiwan Travel Act has relaxed the restrictions on US-Taiwan official exchanges, which greatly damaged the political foundation of China-US relations. Economically, Washington has unilaterally launched a trade war against China, imposing and claiming to further impose punitive tariffs on large amounts of Chinese imports. Besides, the United States’ increased military deployment in

8 “Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2013,” US Department of Defense, https://www.defense.gov/Portals/1/Documents/pubs/2013_China_Report_FINAL.pdf.

9 Michael D. Swaine, Mike M. Mochizuki, Michael L. Brown, Paul S. Giarra, Douglas H. Paal, Rachel Esplin Odell, Raymond Lu, Oliver Palmer, and Xu Ren, “China’s Military & the U.S.-Japan Alliance in 2030,” Carnegie Endowment for International Peace, May 2013, http://carnegieendowment.org/files/net_assessment_full.pdf.

Afghanistan in the wake of a new strategy in 2017 and its active intervention in Central Asian affairs through the “5+1” mechanism have to some degree created noise for a cooperative political environment in the region. Moreover, its condemnation of China-led projects in South and Central Asia on grounds they are damaging to the environmental and local cultural heritage has obstructed the smooth implementation of these much-needed projects.

Second, despite agreement on the synergy of the Silk Road Economic Belt and the Eurasian Economic Union, Russia, China’s largest neighbor in the north, still has concerns about the deepening energy and resource cooperation between China and Central Asian nations, which it worries will undermine its Eurasian economic integration process. For example, Russia is alarmed by the China-Kyrgyzstan-Uzbekistan railway using standard gauge instead of the Russian broad gauge, which it fears will empower the centrifugal tendencies of Central Asian countries. Similar concerns are also present when China and Central Asia reach big energy deals, expand cooperation in upstream and downstream industries, and jointly promote interconnectivity. It is thus a challenge for Chinese diplomacy to avoid malign competition and realize a win-win outcome with Russia in Belt and Road energy cooperation, which would help elevate the economic cooperation and development level of the entire Eurasian region.

Third, India is also concerned about China’s rising position in the region, and the two countries are competitors in terms of the international energy trade. New Delhi also highly values its influence in South Asia, and has been actively forging ties with Central and Southeast Asian nations.¹⁰ It is natural for India, as a major developing power, to want to advance energy and resources cooperation with other Indo-Pacific countries, so competition with China is practically inevitable. What is noteworthy, India still holds a negative attitude toward the Belt and Road Initiative, and despite its new identity as a SCO member, is working with the United States, Japan and Australia to form an “Indo-Pacific Alliance” targeted at China. Therefore, China needs effective energy diplomatic

10 Nitin Gokhale, “India’s Rising Regional Military Engagement,” *The Diplomat*, February 2014, <https://thediplomat.com/2014/02/indias-rising-regional-military-engagement>.

work to avoid a zero-sum or even negative-sum game with India.

Border and water resources disputes

With a broad land and maritime neighborhood, China is faced with several unresolved border and maritime disputes with neighboring countries, which has been complicated by some of the neighboring countries being easily susceptible to influence from external powers and the geopolitical situation. Japan is provoking China over the sovereignty of the Diaoyu Islands; the legitimate jurisdiction of China in the South China Sea is distorted and denounced by hostile forces with ulterior motives; the border dispute between China and India remains unsettled and still causes frictions on some specific occasions despite the overall restraint of both sides. Aside from the disputes involving China, territorial disputes also exist between Japan and South Korea, Japan and Russia, and among some Central Asian nations, which are a source of regional instability. Moreover, some countries along the Silk Road Economic Belt are involved in disputes over water resources. There are cross-border water resource issues between China and Kazakhstan, and long-standing disputes among South Asian countries and among Central Asian nations that risk escalation into real conflict.

Instability and security concerns along the routes

First, the Belt and Road covers the regions of South Asia, Central Asia and West Asia, all situated on the Eurasian “arc of instability.” With complicated social conditions, superimposed conflicts, and fermenting terrorist threats, these regions are not unfamiliar to hotspot security issues. In Afghanistan, competition is intensifying among various forces inside and outside the region. To make things worse, the remnants of the Islamic State group have dispersed with some entering into Afghan territory and they are fighting for a sphere of influence against Taliban. New training bases set up by the Islamic State in the Afghan-Pakistan border area have made the spillover of the Afghan conflicts more likely. In China, the so-called East Turkestan and Tibetan separatist forces at home and abroad echo each other, conducting sabotaging activities through

a combination of political subversion and violent confrontation. The security risks facing the oil and gas pipelines which span Central Asia to China, as well as the personnel working on these projects, will pose a overall challenge that will have an impact on China's socio-economic stability.

Second, the complicated ethnic, religious and political infighting during periods of government transfer in some countries is likely to breed further conflicts. Despite a peaceful change of government in Uzbekistan, Kazakhstan, another major power in Central Asia, is at the critical moment of power handover that will have considerable influence on the regional situation. The environment for energy and resources cooperation and construction of major projects might also be overshadowed by problems in some pairs of bilateral relations, such as between Kazakhstan and Kyrgyzstan, between Tajikistan and Iran, and more notably between Saudi Arabia and Iran.

Third, looking at the Northeast Asian region, although there have been signs of reduced tensions over the North Korean nuclear issue, the positions of different parties are still far from convergent, adding more uncertainties to the situation. Besides, the source of the tensions on the Peninsula is also yet to be addressed. The emergence of Japanese militarist forces, the consolidation of the US-Japan alliance, and the looming of a US-Japan-Australia-India quadrilateral bloc, are all constraining factors for Belt and Road energy cooperation.

Lack of discourse power in international energy system

The current international energy system is composed of energy organizations at different levels and with different functions. China, which only started transnational energy cooperation after the launch of reform and opening-up 40 years ago, is a latecomer to the global international system. Despite being a member state or an observer of several global energy organizations and a series of regional organizations that cover the topic of energy and resource cooperation, the level of cooperation between China and these organizations is generally low with limited substantial results and inadequate discourse. And there are still energy organizations in which China does not have a position. Russia and countries in Central Asia and the Middle East, though

important players in energy production, also have a weak voice in the West-led international energy system. Looking back on past practices of global energy cooperation, different parties have demonstrated distinctive interests. While importing countries try to guarantee a sustainable energy supply and withstand the risk of price fluctuations, exporting countries seek a constant demand and reasonable price for their energy exports. What the transit countries want is energy transit revenues and the right to use the oil and gas products transported through their territories. For international energy organizations, their goal is to protect the interests of their respective members in negotiations with other actors and help stabilize the global energy market. Large transnational companies also play an essential role. The basic characteristic of international energy cooperation is the diversity of participants and interests involved, which makes it a complex arena. Therefore, besides addressing the geopolitical risks, the Belt and Road energy cooperation should take revenue, transportation and environmental risks into account. While expanding the geographical coverage and scope of cooperation, China should also work on quality and depth. From a long-term perspective, it has become imperative to establish an energy cooperation platform for Belt and Road countries.

Focus of Belt and Road Energy and Resource Cooperation

For the Belt and Road energy and resources cooperation to advance, it is a prerequisite to stick to the concept of win-win outcomes. There exist broad common interests, but the different national conditions and priorities of different countries may inevitably lead to different interests. Cooperation calls for seeking common ground while putting aside differences, but also requires relevant countries to resolve their differences. In the face of the new energy situation, low-level bilateral energy cooperation should gradually give way to multi-level synergy that features both bilateral and multilateral ties. The conventional focus on fossil energy exploitation needs to be shifted toward green and low-carbon-oriented cooperation along the energy industrial chain. Past practices where China takes the initiative and advances projects alone should

be changed into multilateral efforts where different countries jointly plan and promote cooperation. The government-dominated and state-owned enterprise-led approach in energy cooperation needs to be transformed into market-oriented participation by companies with different systems of ownership.

Establishing a comprehensive energy cooperation mechanism

The Asian Premium and a lack of discourse are common problems faced by Asian consumer countries. Given the underlying political, economic and historical factors, the Asian Premium cannot be solved overnight, nor can it disappear with the effort of a single country. For the moment, it is recommended that the Belt and Road countries coordinate on price negotiations through the Shanghai Oil and Gas Exchange, which will facilitate the building of a common oil and gas market and a pricing mechanism agreed to by all sides. Energy consumers and countries on the supply side, such as Russia, Central Asian and Middle East nations, can also set up cooperation mechanisms.

As the operational safety of oil and gas pipelines becomes an increasingly prominent factor influencing national energy security, China can choose to moderately open its downstream energy industries to oil producing and transit countries, thus integrating the interests of different stakeholders and encouraging their efforts to protect the pipelines. In the future, as the constructed oil and gas pipelines form a network, a structure of multiple suppliers and multiple consumers at the two ends of the pipelines will gradually take shape. The diversification of sellers and buyers consolidates pipeline safety and will further facilitate an international agreement in this respect.

Reform of domestic energy regime

The strength of a country in the international market fundamentally lies in the maturity of its domestic market and technological level. To adapt to the profound changes in international energy structure, China must promote breakthroughs in the marketization reform of domestic energy regime. Pilot projects can be launched on specific routes for importing overseas natural

gas before expanding to domestic gas. The proportion of market-oriented pricing of refined oil products can also be gradually increased. Based on the abovementioned measures, the Belt and Road countries can establish a price negotiation mechanism between suppliers and demanders.

In terms of energy equipment and technology, while China has achieved major breakthroughs in recent years, its equipment and technology for exploiting hard-to-recover reserves is still insufficient to participate in the upstream industrial chain of resource-rich countries. Given this, it is suggested that the government invest, through the National Major Science and Technology Special Project, in the research of oil and gas exploitation and high-quality refinery in extremely cold, deep water, and unconventional conditions, in order to lay a technical foundation for in-depth energy cooperation with other Belt and Road countries.

Risk management of overseas energy assets

Energy plays a critical role in the global economy and international strategy. Its exploitation, development, storage and transportation are all highly capital intensive. China needs to utilize its available financing mechanisms, such as its tremendous foreign exchange reserve and the Silk Road Fund, in a coordinated manner, and enhance its capability to invest the capital in overseas energy development projects. This would help Chinese energy enterprises win high-quality oil and gas assets along the Belt and Road and diversify China's energy sources. In the meantime, China should step up its cooperation in response to the geopolitical and non-traditional security threats in the countries concerned, formulate a tracking and assessment mechanism for implemented projects, and design a set of quantitative risk assessment standards to avoid loss of overseas energy assets. More broadly, China should continue working on cooperation with Southeast Asian, South Asian, Middle East and African countries, and conduct preventive diplomacy for the sake of regional peace and stability. A comprehensive assessment on the trends and prospects of the global oil and gas industry would serve as a preventive measure against future risks.

Promoting multi-faceted interconnectivity

The Belt and Road Initiative involves policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds. Specifically, the Belt and Road energy and resources cooperation requires the free flow of goods, high-quality financial services, and effective intergovernmental coordination. It would be a feasible approach to integrate energy cooperation in the comprehensive Belt and Road cooperation between China and relevant countries. Based on complementary interests and broad consensus, deepening energy cooperation would accelerate the transition of energy structure in response to climate change, realize the common development of all parties, and facilitate the building of an energy community of interests featuring solidarity, mutual risk shouldering and benefit sharing, and win-win cooperation.

Conclusion

Enhancing energy and resources cooperation in the construction of the Belt and Road is consistent with the trend of the times and serves the interests of all parties involved. Practice has demonstrated an important approach for the sustainable development of such cooperation: establishing an open platform that covers countries along the Belt and Road, ensuring unimpeded communication channels at all levels, carrying out a scientific overall arrangement, formulating feasible rules and standards, and identifying appropriate projects. Currently, opportunities and challenges coexist for advancing energy and resources cooperation. As an area that bears strategic implications and requires long-term efforts, Belt and Road energy and resources cooperation needs our continuous exploration besides the down-to-earth advancing of specific projects. 