



View Point

China and India Compete for Energy in the Arctic

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After some very successful bids for stakes in oil and gas fields in Brazil, Colombia, Congo, Cuba, Egypt, Iran, Libya, Myanmar, Nigeria, Russia, Sudan, Turkmenistan, Venezuela, Syria, and Vietnam, ONGC Videsh Limited (OVL) global search has now taken it to the Arctic. There are reports to suggest that OVL has approached Rosneft, a major state-run Russian energy company, for exploration in the Yamal peninsula in Arctic Russia that is estimated to have gas reserves of over 50 trillion cubic meters and can produce 360 billion cubic meters annually for many years.

OVL is keen to expand its commercial relations with Rosneft and wants to 'join forces to bid for the strategic oil fields located in the north Arctic [Yamal].' The auction bid for the Titov and Trebs gas fields located on Yamal is estimated to be worth \$586 million. However, Rosneft spokesman has noted that there have been "no specific talks with ONGC concerning the highly coveted deposits" but Indian companies have been in touch with Rosneft. In the past, OVL and Rosneft have been in partnership for the Sakhalin I project with 20 percent stake each in the operating company.

During his visit to India in March 2010, Prime Minister Vladimir Putin had offered India stakes in energy exploration in Yamal peninsula. However OVL was keen to invest in Sakhalin-3 and Vankor oil fields in Russia's Far East and East Siberia. Apparently, Yamal has only gas while the OVL is keen to invest in oil projects and hence Yamal does not figure prominently in

OVL's priority. Besides, the project is capital intensive. Earlier, in November 2009, Prime Minister Putin had invited major international oil companies ConocoPhillips, Exxon Mobil, Petronas of Malaysia, Statoil of Norway, including OVL to invest in the Yamal gas fields.

Russia has once again offered OVL to jointly bid with Russian companies in the energy sector. After his meeting with Mr. Putin in June 2010, Mr Anand Sharma, Commerce and Industry Minister has noted that "We have enormous interest in enhancing investments in Russian oil and gas assets, including Sakahlin-3 project, and an ONGC team will be visiting Russia shortly to assess the Yamal gas fields offered by Moscow," The above developments are significant and must be capitalized by OVL.

Meanwhile Russia has invited China to invest in joint energy projects in Yamalo-Nenets Autonomous Area in northern Siberia where foreign investment had touched \$1 billion in 2009. The region is known to hold over 90% of Russia's natural gas output and 12% of oil production. In May 2010, at the World Expo 2010 Exhibition held in Shanghai, Dmitry Kobylkin the regional governor offered China to jointly develop energy and mineral resources and offered Yamal 'as an investment target'.

At another level, the melting Arctic ice has provided an opportunity to a Russian gas company to send its cargo to China via the Northern Sea Route (NSR). A consignment of gas condensate loaded on board Baltica, a 100 000 tons tanker, was shipped in August 2010 from Murmansk for China. The vessel is escorted by three nuclear powered ice breakers Rossiya, Taymyr and 50 years of Victory. This is the first ever large cargo to be shipped through the NSR and the shipping company is taking all precautions to respond to any oil spill. It has embarked onboard one of the ice breakers oil pollution specialist and oil spill clean-up equipment. Sydvaranger, a Russian mining company based in Kirkenes has also drawn plans to transport iron ore to China via the NSR in September. The NSR can be expected to emerge as the shortest route for transporting critical energy resources from the Arctic to Asia albeit for a short period of two months during summers.

It is true that both China and India are energy deficient and must ensure sustained supplies of energy for continued economic growth. Both Asian giants have been bidding in the international energy market and have acquired jointly energy assets with exploration and production (E&P) rights in Syria, Sudan, Colombia, Iran and Peru. At times China has outbid India inviting domestic criticism on account of lack of proactive bidding strategies in international energy markets. China is surely making inroads and continues to consolidate itself in the Arctic resource market by investing in energy and mining projects.

China is also engaged in integrating the NSR in its Arctic strategy that pivots on the idea that in about three to four decades, Arctic would be ice free and can offer China several opportunities for shorter transportation. Also, it will be possible to engage in exploitation of other sea based living and non-living resources.

It will be prudent for India to start developing an Arctic strategy that goes beyond scientific, atmospheric and oceanographic research. The Arctic will be the future energy lake and Arctic waters new fishing grounds that would merit sophisticated resource diplomacy and infrastructure capacity.

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