

SINO-RUSSIAN ENERGY COOPERATION: OPPORTUNITIES AND CHALLENGES

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Abstract

Energy cooperation deepens Sino-Russian bilateral relations. Both have own interests that led to establish a 'win-win' cooperation. Geographical proximity become an accelerating factor in the installation of infrastructural network which is supported by huge Chinese investment and advanced technology. Russia's natural energy reserve ensure China for a sustainable energy supply. The cooperation provides an alternative of western market to both. Mutual interest turns into a strengthen energy cooperation. Additionally, Bilateral trust has been building with previous experiences that are based on the bilateral agreements, high level negotiations and economic potential. Simultaneously, the cooperation intervened by various internal as well as external pressures.

Keywords: *energy cooperation, geographical proximity, energy security, technological advancement, BRI*

INTRODUCTION

The changing scenario of international energy market increased vulnerability of natural energy. However, it is a well-known fact that Russia's natural energy storage increased substantially making Russia a leading exporter of energy, enhancing energy exports to a number of Asia Pacific countries. The "total exports of Russian crude oil to foreign countries increased from 6% in 2008 to 20.4% in 2012. The government projects that Asia Pacific-bound exports will represent up to 33% of total Russian crude exports by 2020." (IEA, Russia 2014).

The energy cooperation between China and Russia has positive influence on both nations. They also have favourable conditions for China and Russia as both countries have land access because they share common border. The energy cooperation facilitated mechanisms for deepening mutual understanding and also improved the strategic engagements between two partners. The energy cooperation mainly based on various agreements and deals brought stability in the energy supplies. The energy cooperation with China indicates Russia's significant strategic move toward East Asian countries which stimulates cooperation with numerous regional partners since 2002.

The energy cooperation has played a key role in the development of under-developed regions of both the countries. Infrastructure development in China's hilly regions of east and west as well as Russia's far eastern region brought considerable transformation. Russia has adopted strategy for economic investment in Siberian region which required the establishment of special centre for oil and gas in east Siberia and also the development of transportation infrastructure. Further major advancement in the energy cooperation marked by the installation of west-east gas pipeline project "to connect the Tarim Basin in Xinjiang Autonomous Region and Turkmenistan with the Yangtze Delta and Pearl Delta regions. The first west-east gas pipeline (WEPP I) opened in December 2004. Construction on the second pipeline (WEPP II) started in February 2008 and was completed in

December 2012. Ground breaking for the third pipeline (WEPP III) took place in October 2012 and the pipeline was constructed by August 2014. WEPP IV is still in the planning stage.” (West-East Gas Pipeline Project 2018).

Thus, energy cooperation became a factor in strengthening the dynamics of trade and economic relations between China and Russia. Russia is mainly focusing on the development of Eastern Siberia region as well as Far East region because these regions have strategic value in Sino-Russian energy relations. Its location provides easy connectivity with East Asian countries, particularly with China. It reduces length of oil and gas routes. It is crucial for China given its energy demand increasing by the day. “In 2009, China surpassed the United States to become the world’s largest energy consumer economy, largely because the impact of the economic crisis was less severe on China than on other parts of the world.” (IEA Seaboard 2011).

Chinese consumption of primary energies has been inclining upward with the development of transportation system between China and Russia benefits both counties domestically as well as globally. The energy cooperation has a significant impact on technological advancement, deepening relations between the two countries. At the same time, Sino-Russian energy cooperation is also facing challenges and risks.

The cooperation between the two countries has a long history of complexities of mutual agreement, risk of uncertainties and also some critical issues influencing export of energy resources. In the present context, energy cooperation between China and Russia has passed through various up and downs, witnessing serious impact on the energy cooperation in the past. The energy cooperation mainly faces the following obstacles. Firstly, lack of adequate transportation system in the Western Siberia and the far east region of Russia. Secondly, “The energy demand in China continues to grow rapidly. One of the challenges is the transition from a heavily fossil fuel dependent energy system to a more sustainable development path. This has led to a massive focus on alternative sources of energy in China, which will have a great effect on the energy market both in China and globally.” (Enrico 2014). Thirdly, the energy strategies drive both states to frame their policy differently due to their own interests which influence energy reform process and also energy market. Fourthly, there is an emerging issue of security arrangements for transnational pipelines and personnel. Fifthly, the implementation of energy cooperation from paper to reality. Sixthly, the energy cooperation has also the limitation of environmental hazards.

Against this brief backdrop, this piece of study divided into the following sections. First, focuses on the background of the energy cooperation. Second, assesses the growing opportunities of this cooperation. Three, examines the challenges of the energy cooperation and lastly, conclusion that highlights key findings.

BACKGROUND OF ENERGY COOPERATION

The energy cooperation has reached the present level with various stages which have significantly broadened cooperation between the two countries. Sino-Russian energy cooperation can be understood in three phases.

Firstly, the energy cooperation between China and Russia began in the 1990s when Russia wanted to widen energy cooperation with China. Due to hostile condition, Russia, desired to encourage

multilateral relations at global level. After 1991 (disintegration of Soviet Union) Russian foreign policy proposed to use energy cooperation for economic stability. So, Russia focused on China but at that time Chinese industrial sectors were not suffering from scarcity as well as there was only railway 'connectivity which considered as a risk. Consequently, China responded negatively to Russian energy cooperation.

Secondly, China- Russia energy cooperation marked second phase from 1991 to 2005. During this phase Chinese energy infrastructure had been improving drastically. China and Russia had enthusiastically started negotiations for energy cooperation. In 2000, they moved further with the visit of Russian President Vladimir Putin to China. During the visit President had inked some fundamental agreements with Chinese President Jiang Zemin. In 2001, Chinese company CNPC and Russian Company Yukos had agreed for the installation of oil pipeline between China and Russia, a 2400 km long pipeline and to be completed by 2005. In 2002, took a major step in the direction of widening energy export to East Asian countries. Japan had come to Russia with the proposal of East Siberia-Pacific oil pipeline linking Russia to Japan, which slowed the speed of Sino-Russian energy cooperation. Thus, China decided to increase investment in Russian energy infrastructure.

Thirdly, this period of cooperation began from 2006 and continues to this day. In 2006, Russian President again visited China and participated in various talks with the Chinese President Hu Jintao. These bilateral visits had provided more opportunities for Sino-Russian bilateral relations along with expanded energy export to China. "The intensification of energy sector cooperation is particularly important. Both sides confirmed their intention to continue joint work on the construction of pipelines to deliver energy resources from Siberia to China." (Kremlin 2006). During this visit both the Presidents had signed fourteen agreements. In 2007, they had agreed for supply of natural gas. Gazprom had proposed a plan for the establishment of new gas pipeline between two countries and also a mechanism to fix price. In the same year, during the visit to Russia, Chinese President Hu Jintao had signed an agreement estimated at US\$4 billion which robustly enhanced the partnership as Russian president Vladimir Putin stated that "Today's negotiations once again confirm the strategic nature of Russian-Chinese partnership. Our diplomatic, business and humanitarian ties are getting stronger at a fast pace. The results of the recent Year of Russia in China were very fruitful. We both agree that it demonstrated the great potential of co-operation between the peoples of our two countries. Today we have discussed the ways of developing our co-operation, and this has resulted in signing of several agreements you have just witnessed". (RT News 2007). In 2008, despite change of Russian presidency, when Medvedev became the new President of Russia, energy cooperation had remained same as it was during the last regime. Both countries have strengthened bilateral relations through numerous high-level official meetings and visits. In 2009, both had agreed on an 'Action Plan for 2009 to 2012'. Its main goal was to execute the "Treaty of Good-neighbourliness, Friendship and Cooperation' between China and Russia. Both countries had agreed to construct oil pipeline between Skovorodino and Daqing. China's bank had also loaned to Russian companies 'Rosneft' and 'Transneft' worth estimated \$25 billion (\$15 billion to 'Rosneft' and remained \$10 billion given to 'Transneft'). In return the two companies agreed to provide 300 million tonnes of oil and gas and fixed annually about 15 million tonnes from 2011 to 2030. Prime Ministers of the two countries had also agreed for transmission of natural gas, hoped to begin by 2014 or 2015. In 2010, Russian President visited China to enhance bilateral relations and energy cooperation between the two

countries. He also inaugurated a pipeline for oil supply to China. In 2014, a significant improvement occurred in Sino-Russian energy cooperation with the signing of the of \$400 billion deal for gas export to China. After the Ukraine event and fear of losing European energy market, Putin was keenly looking to the east, particularly China. Putin stated that “This is the biggest contract in the history of the gas sector of the former USSR,” (Anishchuk 2014). In 2016, Putin visited China and inked various energy deals strengthening economic relations. In 2017, China signed a deal with Rosneft, the deal was estimated \$9 billion. In return, Rosneft would supply 60.8 million tonnes of oil for five years and to be operationalised from January 2018. China and Russia have also engaged with each other in various international for as, which have contributed to the deepening of Sino-Russian energy cooperation.

SINO-RUSSIAN ENERGY COOPERATION: GROWING OPPORTUNITIES

China’s energy cooperation with Russia is built on the growing opportunities within its domestic context as well as the global context. Chinese President Xi Jinping stated that China is committed “risks into opportunities and replace confrontation with cooperation and monopolies with win-win deals. China will always follow a path of peaceful development and an opening up policy featuring mutual benefit and win-win deals. The purpose of China’s foreign policy is safeguarding world peace and promoting common development. China is willing to expand common interests with Russia, build a new type of international relations with cooperation and mutual benefit as its core values” (Xi Jinping, Speech at the 95th Anniversary of the Communist Party of China 2018). China concentrates on its energy cooperation with Russia primarily to support its strategy of expansion of energy imports in its national interest and foreign policy. To realise this, “a series of policy advice has been offered such as strengthening the policy coordination, enhancing regional policy innovation, echoing with clean development mechanism, implementing process management, constructing market investment and financing system” (Peidong 2009). China has established various mechanisms such as “Energy security of the People’s Republic of China” to guarantee itself and its industries long- term access to sufficient energy and raw materials. China has been endeavouring to sign international agreements and secure such supplies; The National Energy Commission (NEC) is an agency established in 2010 to coordinate the overall energy policies for the People’s Republic of China. Its main aim is to maintain energy security. These organisations are constantly working to improve energy system. Chinese Energy experts claim that China needs energy collaboration with Russia for ensuring the following aspects:

- Energy saving and promoting energy security
- Acceleration of nuclear energy, renewable energy utilisation
- Encouraging use of green energy and clean energy
- Provisioning multiple uses of energy
- Improving technological advancement for better use of energy resource.
- Launching energy reform schemes, policies and regulations.
- Strengthening energy efficiency

The Chinese perspective on its energy cooperation with Russia revolves around energy security. Its current international economic growth fundamentally relies on the supply of energy. China’s inadequate domestic energy source forces it to explore other countries’ energy resources. In this context, China’s Belt and Road Initiative plays a key role in its energy cooperation with Russia.

ENERGY COOPERATION AND BELT ROAD INITIATIVE

While underscoring the importance of the Belt and Road Initiative, the Chinese President Xi Jinping observed that “The Belt and Road can be seen as an opportunity to promote transnational interconnection, improve trade and investment cooperation, advance cooperation in international capacity and equipment manufacturing to rebalance and stabilize the world economy, more specific Belt and Road policies should be worked out and major support should be focused on strategic projects including facilities cooperation, energy resource use and core technology research and development. Financial innovation and cooperation in building the Belt and Road, adding the initiative should include a stable, sustainable and risk-controllable financial security system.” (Huaxia 2016)

‘Belt Road Initiative’ (BRI) and Sino-Russian energy cooperation are complementary to each other. Both have especial importance in the foreign policy of China creating more opportunities for Sino-Russian energy cooperation.

In the context of long-term cooperation, both have signed some major agreements, which widen the scope of bilateral transactions. “Russia and China have signed a 30-year, \$400bn (£237bn) deal for Gazprom to deliver Russian gas to China in a deal that underscores Russia's shift towards Asia amid strained relations with the West. The contract to provide 38bn cubic meters of gas each year was signed by the state-owned gas companies Gazprom and CNPC (China National Petroleum Corporation), Vladimir Putin and Xi Jinping, at the end of Putin's two-day visit to Beijing.” (The Guardian 2018). The deal has revitalised the cooperation providing financial back up. Both countries are constructing pipelines, promoting investment in the development of greenfield, “The Chayanda and Kovykta gas fields are in eastern Siberia. The ‘strength of Siberia’ pipeline that will bring gas to China through Vladivostok will run 4,000km (2,500 miles) through swampy, mountainous and seismically active areas. According to Putin, Russia will invest \$55bn developing the project, while China will invest at least \$20bn.” The Guardian 2018). Moreover, Energy cooperation between China and Russia offers more scope of rewards which can achieve through regular negotiations between two states. It promotes vast supply of oil and gas, advancing the pipelines in the eastern part of Russia and north-eastern part of China. Both countries are actively participating in the cooperation, spreading the network of pipeline which has broadened the energy supply between two countries on the basis of mutual benefit.

The energy cooperation between China and Russia witnessed a long struggle with regard the extension of transportation system. Currently, both are working on the installation of pipelines because the existing condition of connectivity is very poor and maritime route consumes extra time as well as money. So, constructing pipeline facilitates energy import efficiency and enables easy supply of energy to China. The construction of energy supply system connects Russia's Siberian and Far Eastern region to China's North-east region namely Daqing. In the long term. this connectivity opens up east Asian energy market for Russian energy supplies. The construction of transportation system provides a strong foothold for Russia in East Asia.

The energy cooperation between China and Russia requires advancement of the technological system which can boost energy supply for long time. The energy cooperation opens up opportunities for energy exploration and improvement of high-tech technology. It also highlights the importance of technological enhancement which has a key role in speeding up energy

exploration, extraction and supply. Both countries have a strong bonding in terms of mutual cooperation. China's huge financial aid contributes to the Russian energy enterprises to improve energy extraction process and on the other hand, Russia's huge energy supplies can maintain sustainable growth of Chinese manufacturing industries. The pipeline construction has increased trade between two countries. The technological innovation also plays a role in deepening of cooperation. Both countries are stressing on high-tech energy resources such as "wind energy and geothermal energy, solar energy, biomass energy, nuclear fusion energy and so on." (Li 2011). Both countries constantly strive to advance the transportation system because "Supply of oil is now estimated to peak at the latest around 2010-15, while demand – from newly motorising nations such as China, India, Brazil, Indonesia and Russia – will continue to increase. This cost increase in conventional fuels could increase the demand for alternative power-train technologies such as the hydrogen fuel cell." (Wells 2012). Therefore, China is investing capital in science and technology to advance technology, Russia is also very active in the process of development of high-tech mechanism for energy cooperation, which can create new opportunities, reducing misuse of energy and also innovate new ways of energy utilisation and recycling.

SINO-RUSSIAN ENERGY COOPERATION AND RUSSIAN ECONOMIC GROWTH

Sino-Russian energy cooperation is determined by several factors. One of the key factors is the benefit that the Russian economic system accrues. It improves Russia's domestic economic order, advances the inclusive productivity of the Russian energy industry, energy infrastructure and export efficiency and also determine the transmission of energy. Both nations give special attention to the energy deals. Russia's huge geographical expanse has witnessed uneven economic growth of eastern and western regions which adds opportunities as well as challenges for the Russian government. Therefore, Russia emphasises the development of energy manufacturing sector, implementing a strategy which shapes Russian approach towards Eastern Siberia and East Asia. Russian energy cooperation with China also depends on its abundant energy resources located in eastern Siberia and the Far East region. Due to weak financial condition, inadequacy of funds, lack of energy infrastructure Russia is looking for stable economic partner in China. In addition, Russia strives to resolve several issues relating to Far East and Eastern Siberia. The energy cooperation is aimed at addressing these challenges. It is also a key factor in regional economic development. China's financial aid would provide appropriate arrangement for the construction of eastern part of Russia. China's northeast industrial development is in dire need of appropriate supply system which connects to eastern parts of Russia. It reduces the transportation costs of oil and gas. It encourages the competitiveness of Russian energy tariff in the international energy market. Both countries treat energy cooperation as an opportunity. Russia's strategic decisions toward eastern parts addresses its economic crisis and China's close proximity with Russia in the northeast region facilitates its regional infrastructure development, and also ensures China's energy security.

DIVERSIFICATION OF RUSSIAN ENERGY SUPPLY

Russia has a key place in the international energy market. For instance, its energy cooperation with European Union (EU) is a reflection of this phenomenon. Russia has a significant place in the energy market of EU. Russia exports large quantities of oil and gas to EU. These countries provide a huge market for Russian energy industry. "In 2015, about 25.8 % of the EU-28's (members) imports of solid fuels were from Russia: it became the principal supplier of solid fuels in 2006, overtaking South Africa. Russia's share of EU-28 solid fuel imports rose gradually from 20.2 % in 2005 to a

relative peak of 26.2 % in 2009, before falling rapidly in 2010 and then subsequently rebounding to 25.9 % in 2013, after which its share remained almost unchanged. In the following two years Russia was also the principal supplier of EU's crude oil imports. Its share stood at 30.5 % in 2005 and rose gradually to a peak of 32.8 % in 2011, before falling to 27.7 % in 2015." (Eurostat Statistics 2017). The trade between Russia and EU countries highlights the importance of Russian energy in the EU energy markets but the Ukraine incident has affected this cooperation. In May 2014 "the European Commission released its Energy Security Strategy which aims to ensure a stable and abundant supply of energy. It also took short-term measures looking at the impact of a halt to Russian gas imports or a disruption of imports through Ukraine, the strategy addressed long-term security of supply challenges and proposed actions in five areas, including: increasing energy production in the EU and diversifying supplier countries and routes, and speaking with one voice in external energy policy. In 2015, the European Commission released a Communication concerning a framework strategy for a resilient energy union with a forward-looking climate change policy which argued that one important element in ensuring energy security (in particular for gas) was full compliance of agreements related to buying energy from non-member countries. This was followed in February 2016 by European Commission proposals for new rules on EU gas supply security and new rules for energy agreements between EU and non-EU countries" (EUS 2017).

The European approach has strengthened diversification strategy of Russia, concentrating on the East Asian market. Western relations and growing demand in China have played a vital role in the Sino-Russian energy cooperation.

THE EAST ASIAN ENERGY MARKET AND RUSSIA

The scope of Sino-Russian energy cooperation is quite wide given the dynamic of mutuality. Their needs compel them to cooperate with each other. The initiatives of Russian government to develop Siberian and Far Eastern region needs external support, financial and technological advancement which boost economic inflows, diminish unevenness of growth and diversify energy export and import. Moreover, Russia is extending energy supply to the Asian Pacific energy market which boosts Russian energy price in the international market. Availability of huge energy resources makes Russia as an energy player and its supply establishes sustainability in the energy security of China. It has significant role in the Chinese manufacturing sectors which offer constant efficiency in the Chinese economy. This region heading to growth with the enormous Chinese investment. Russia considers the Chinese energy market as a major opportunity for energy supply. Russia frequently interacts with the Chinese leaders to broaden energy cooperation. Cooperation with China enlarges the scope of Russian energy market for further improvement. East Asia has a huge market for Russian natural energy and "Stage-by-stage construction of the gas pipeline system in the Eastern Siberia and Far East for the purpose of gas supply to the countries of the Asia-Pacific region, first of all, to the Republic of Korea and China, with the possibility of connection, should it be economically efficient, to the unified system of gas supply, will be performed in the context of implementing the program of the unified gas supply system formation in the Eastern Siberia and Far East." (Ministry of Energy of the Russian Federation, 2010:79). Russian energy has a huge and wide space in the Chinese market as well as open the door for the Japanese and Korean energy market. These countries have developed their manufacturing industries vastly using large quantities. Thus, they concentrate on Russian energy to maintain growth. Russian energy exports have been strengthening the energy security of China. Sino-Russian energy cooperation has also

been enhancing the position of Russia in the East Asian energy market.

SINO-RUSSIAN ENERGY COOPERATION: CHALLENGES

Sino-Russian energy cooperation has its impact on their economy, trade, energy security and also maintenance of ecology in the region. The energy cooperation has significantly broadened bilateral relations. China's high demand for energy played a key role in its emergence as one of the biggest energy importers of Russian energy resources. There is no doubt about advantages of this cooperation, but the cooperation has also some challenges which hinder energy cooperation. There are various issues that emerged affecting energy cooperation. Generally, though China signs a deal to ensure energy supply for long term, market's twists and turns create an uncertainty in the partnership. Some other factors such as construction of pipeline, price fixation and, investment as well as global interests that have been affecting the bilateral cooperation. In the realm of energy cooperation, China primarily stresses on the regular supply of oil and gas, because of low domestic capacity of energy source. With limitations such as geopolitical intervention, complexity of implementation of energy reform, Chinese and Russian governments spent considerable time to reach at mutual agreement which required a series of bilateral talks at different levels. These agreements, provide stability, security and, substantiality. Consequently, the price determination, supply system and, geopolitical factors poses challenge that need extra attention from both in the years to come.

PRICE DETERMINATION

For China, the issue of energy price is "compounded by two other uncertainties related to its energy policy. The first concerns the timing and intensity of the gasification program announced by authorities; the second question is whether China will opt for importing gas by sea or by land. Currently, one LNG plant is operating, two others are under construction, and several more could be installed if this dilemma is solved in favour of liquefied gas. The inland option would require the construction of pipelines capable of transporting gas over long distances." (Fernández, 2011). The debate on energy price determination has created serious questions impacting energy supply as well as bilateral relations. Both countries are accentuating the settlement of energy purchase because energy access has series of consequences like energy extraction, utilisation of infrastructure, construction of pipeline, projection of energy plans, establishment of mechanisms for further growth. Sometime, there is also a lack of consensus on certain projects which affects cooperation, "Over the past decade, the waxing of China's interest and the waning of Russia's interest in finalizing agreements for these pipelines is due to several factors, including the fall and rise of world oil prices and the inability of both countries to agree on oil and natural gas pricing formulas. Russia's use of energy exports and pipelines as a foreign policy tool, mutual mistrust between the two countries, struggles between Russian energy and transportation companies for control over energy deliveries to China, and a lack of understanding by energy officials and companies in both countries about how their counterparts operate" (Downs 2010) are some of the complexities involved in the process. Russia's main concern includes supply of crude gas, oil and other necessary energy resources which are more than determined price under agreement. The transportation of energy is a complicated issue which creates obstacle in the execution of energy projects.

Partnership with China brings stability to the Russian economy. Therefore, Russian government

negotiates with China over the energy price. In 2014, Chinese government signed agreement to secure energy supply for long term at lower tariff, particularly in coal sector. “Price is undoubtedly a factor with Russian anthracite coal having a landed price in China of \$101.25 a tonne, well below the \$129.71 of Australian cargoes. Price is also a factor in the other area of Russia’s coal success in China, namely coking coal. Chinese imports from Russia have jumped 108 percent to 3.14 million tonnes in the first eight months of 2017 from the same period a year ago, with the August landed cost at \$119.96 a tonne. This is well below the \$153.12 a tonne for Australian cargoes” (Reuter 2017).

EXPORTS AND IMPORTS

China emerged as one of the largest energy consumers at the global level but its domestic capability of energy source is comparatively less than its demand. Particularly, “China is a major force in oil markets, and the gap between rising demand of 11.5 million barrels per day (mb/d) in 2016 and falling production of 4 mb/d has made China the largest oil importer in the world.” (IEA, World Energy Outlook 2017: China, 2017). Its growing consumption and utilization rate compels China’s import of oil and gas from Russia and other countries. “World Energy Outlook-2017 includes a special focus on China, where economic and energy policy changes underway will have a profound impact on the country’s energy mix and continue to shape global trends. A new phase in the country’s development results in an economy that is less reliant on heavy industry and coal.” (IEA, A World in Transformation: World Energy Outlook 2017, 2017). China’s oil consumption increased import level at 64.4 percent in 2016 which is more than past year and experts also estimate that it will increase in future. According to CNPC Institute Economic and Technology’s Report, “2016 output of China’s two largest oilfields, Daqing in Heilongjiang province and Shengli in Shandong province fell by over 5 million tons compared with 2015. Daqing posted crude oil production of 36.56 million tons and Shengli 23.9 million tons, this is a decline of 1.826 million and 3.2 million-ton compared with 2015.” (Xin, 2017).

China’s cumulative energy demand is doubling in less than two decades. “In 2004, Chinese oil imports totalled 3.40 million barrels a day (m/bd). Today, the PRC consumes approximately 7.85 m/bd. It is estimated that China will increase oil its imports to as high as 13.50 m/bd by 2020, and 16.10 m/bd by 2025.” (Hayward, 2009). Its current consumption rate is higher than the expectations. To control skyrocketing energy demand, China is implementing innovative energy policies which play a vibrant role in addressing rapid consumption rate of energy. China’s maritime route of energy passes through Malacca Strait from West Asia, Central Asia and Africa. This route adds financial burden and security pressure on China. Sino-Russian energy cooperation reduces some of these risks and significantly enhances energy security of China.

GEOPOLITICAL INTERVENTIONS

Russia and China are active players in international politics. “The strengthening of China-Russia ties in the post-Cold War period means both countries are paying greater attention to each other’s core interests and concerns, as well as their geopolitical strategic cooperation and economic exchanges, as part of their efforts to rise above the China-Soviet Union relationship, which was bogged down by Cold War mentality and geopolitical entanglements” (Sun 2017). Since 2008, Russian domestic economic conditions have given chance to other global players to intervene in the Russian internal and external affairs. Sino-Russia energy relations have also been affected by

global economic crisis, sanctions on Russia. In this context, mutual cooperation between China and Russia shows a strong and bold partnership. The energy cooperation includes features of mutual support in the field of political and economic decisions which prepare a wide platform for further expansion of energy cooperation.

In the beginning of 1960s and 70s, Russia had very close cooperation with some of the European countries and had a thriving energy cooperation. The geographical proximity between Russia and European Union enabled them to forge robust political and economic collaboration. But different political and international interests guided them to support different international priorities which weakened bilateral relation as well as energy cooperation. Thereafter, Sino-Russian energy cooperation experienced several twists and turns partly because of the external players. It starts with Ukraine crisis which began in 2013 when Ukraine's President could not withstand the military intervention of Russia. "Russia's reaction on a possible Ukraine closeness to EU could be explained by having in mind the close and durable economic and political relations between the two neighbouring countries. Ukraine has been considered as part of Russian influence but its support ended with the annexation of Crimea from June 2014." (Poladian and Drăgoi 2015). Further, annexation of Crimea led to external intervention in Russia. European Union, United States and other Western countries-imposed sanctions which are primarily of three kinds: "a ban on the provision of technology and equipment for deep-water, Arctic offshore and shale oil and gas exploration; a ban on mid- and long-term credit to Russian oil companies and state banks; and travel bans for prominent Russians considered to be involved in the annexation of Crimea or close to President Vladimir Putin." (Overland, 2017). On the imposition of sanctions, China took a neutral stand but with time it "tilted moderately towards the Russian position on Crimea. On 6 June 2014, the Secretary of the Russian Security Council and former Director of the Federal Security Service, Nikolai Patrushev stated that China and Russia had arrived at a common understanding of the Ukrainian crisis and in February 2015 the Chinese Ambassador to Belgium, Qu Xing, expressed support for the Russian point of view and encouraged the West to end its quarrel with Russia (Overland, 2017). It was indirect support of China to Russia. Recently China had signed various agreements with Russia which reduce the impact of Western sanction on Russia.

Though the present geopolitical atmosphere widely affected Russia, Sino-Russian energy cooperation is deepening. According to energy experts such as Lin Boqiang, Wang Jianliang, Li Junchen and Anishchuk Alexei, energy cooperation would advance energy infrastructure, stabilise economy as well as provide confidence and ensure prosperity of Russia. One of the most significant positive outcomes of Sino-Russian energy cooperation is that it positions Russia as a global energy player.

CONCLUSION

Sino-Russian energy cooperation has two key components, opportunities and challenges. Both countries approach energy cooperation rather differently. China is developing rapidly which necessitates vast supplies of energy and Russia has abundant natural resources to supply. Energy supply has significant role in the growth of infrastructure development in both the countries. At present, Sino-Russian energy cooperation is robust that influence regional and global geopolitics. A major change unfolded in the international market after global economic crisis opening new vistas of energy cooperation that helped some of the East Asian Countries like China, Japan and Korea.

It is in this context that paved the way for a robust energy cooperation between China and Russia. Both promoted their domestic as well as international interests. The cooperation is made easier by geographical proximity, bilateral economic complementarity and win-win approach. Though Russia is not a member of OPEC, it has a major place in the international energy market. This is one of the reasons that fostered Sino-Russian energy cooperation. As China's economy is growing, demand for energies is also accelerating. China understands the existing condition of Russia, which works positively for Chinese energy market. China wants to collaborate with Russia but on its own terms, constantly holding dialogues with Russia for lowering price of oil and gas.

Despite these issues, both countries cooperate with each other and broaden energy cooperation. Russian pivot to Asian market targeted mainly China, China's energy demand also pushed China to invest in Russian energy sector. Russia's Far Eastern region which shares border with China with huge natural resources is one of the main factors in Sino-Russian energy cooperation. Chinese financial support to Russia stimulates overall growth of Russian energy infrastructure, and prosperous society. Sino-Russian energy cooperation has distinctively encouraged mutual cooperation. Despite numerous challenges, China and Russia deepen bilateral relations, promoting high level political, economic and technological partnership.

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