Oil security is widely recognized as one of the policy priorities of national development. Furthermore, the oil industry is the least stable among all energy sectors.\textsuperscript{1} Because oil is limited and unevenly distributed across the world, oil supply and demand has become a function of political ideology, technology, and market forces, all of which influence the type and rate of oil consumption.\textsuperscript{2} Differences in political ideology, economic influence, and access to technology and markets often lead to confrontation among countries over the management of oil. Today “oil politics” has been exacerbated by geopolitical and market factors such as oil price hikes, geopolitical instability, surging demand among the developing countries, oil supply competition, OPEC production cuts, and natural disasters.\textsuperscript{3}

According to \textit{International Energy Outlook 2007} (IEO 2007) issued by the Energy Information Administration (EIA) of the U.S. Department of Energy (DOE), world demand for crude oil is projected to increase by 57 percent from 2004 to 2030, and the energy demand of the emerging Asian economies in the non-OECD Asia region is projected to grow at an average rate of 3.2 percent per year, more than doubling over the 2004–2030 period and accounting for more than 65 percent of the increase in energy use for the non-OECD region as a whole.\textsuperscript{4} Non-OECD Asia accounts for 43 percent of the overall increase in world liquids consumption, with projected increases of
6.5 million barrels per day from 2004 to 2015 and another 8.5 million barrels per day from 2015 to 2030. China, India, and the other nations of non-OECD Asia are expected to experience combined economic growth of 5.8 percent per year from 2004 to 2030, the highest rate among all the world regions. Among these emerging Asian countries, China is expected to satisfy its domestic demand in the global oil market on the basis of robust economy and limited oil resources. Following this rational line, China fears a sudden interruption in supply, which would undermine economic development, China’s foreign relations, and the legitimacy of the ruling Chinese Communist Party.

As its manufacturing base has continued to expand rapidly, China has become a major importer of petroleum products and other strategic minerals. Oil has become China’s second largest primary energy source (accounts for coal is the largest; see figure 4.1) since 1990s. In order to fuel its rapidly growing economy, China’s huge demand for oil has caught worldwide attention in the world oil market. In 2003, China surpassed Japan to become the world’s second largest oil consumer (behind the United States), and the third largest oil importer (behind the United States and Japan). In 2004, China accounted for 36 percent of global oil consumption growth, although this growth has diminished in 2005 and 2006.

China’s thirst for energy has prompted Beijing to reshuffle domestic energy institution and to secure its energy supplies through diplomatic, economic, and political measures. At the time of writing institutional reforms are still ongoing. Externally, since 2000 China has stridden in areas such as Central Asia, Latin America, Africa,

![Figure 4.1](http://www.eia.doe.gov/cabs/China/pdf.pdf)

**Figure 4.1** China’s total energy consumption by sector today.