

# India-China-US and the Energy Conundrum

**Siddharth Srivastava**

## India-China-US and the Energy Conundrum

**By Siddharth Srivastava**

NEW DELHI: It is the hottest issue concerning Indo-US relations in which both the countries have an equal stake. It concerns the give and take as well as push and pull over energy security in the face of growing prices and depleting oil resources.

A crisis is brewing with India, China and USA identified as the future powerhouses competing for control of far more oil than they can possibly produce. Oil prices have sky-rocketed to \$50-60-a-barrel, with petrol and diesel prices undergoing another round of hikes last week in India. China and other Asian nations have raised fuel prices in recent months but India Asia's fourth-largest economy postponed it for weeks due to opposition from the ruling coalition's communist allies. The rise in prices, however, is expected to do no more than reduce demand in the short-run.

It is estimated that by 2025, today's global demand for 84 billion barrels of oil per day will have grown to 121 billion to 130 billion barrels a day. The United States is the world's largest energy consumer. US demand for oil is about 21 million barrels per day, compared with 7.4 million barrels per day projected this year for China, according to the US Energy Department. India's oil consumption was 2.2 million barrels per day in 2003 and is projected to grow to 2.8 million by 2010, according to the department. No amount of digging domestic resources in Alaska will yield the US

requirements. China and India too will have to import considerable quantities of crude oil to fuel not only industrial growth but also surging numbers of automobiles. India imports 70 % of its crude.

US energy secretary Sam Bodman said this week that it will take years to close the gap between increasing world oil consumption and the ability of oil producers to meet that demand.

It is in this context that natural gas has emerged as a more environmentally sound, cheaper and easily available substitute to oil. When compared to oil at current prices of \$50-60 a barrel, an equivalent amount of gas costs only in the region of \$20. Experts predict that gas which was once considered a wasteful by-product of oil exploration will turn into the number one fossil fuel in the future.

The problem, however, is that the US, India and China, particularly the first two as well as Japan and the European Union countries, are all situated at some distance from major reserves of gas in countries such as Iran, Qatar, Yemen, Russia, Central Asia, Nigeria, Angola and Venezuela. Then there is the added problem of these nations facing unstable political situations. The gas from fields in these countries will be required to be carried through disturbed and often contested territories.

Enter China and India who want to quickly tie-up with these countries to assure future requirements with the US trying to balance the growing Asian demand with its own rising requirements. India has signed a US \$22-billion deal to buy liquefied natural gas, or LNG, from

Iran over a period of 25 years starting 2009 after protracted negotiations. India recently signed a LNG deal with Qatar as well to tide over its energy shortages.

Scores of Indian officials including deputy chairman of the planning commission Montek Singh Ahluwalia, foreign secretary Shyam Saran and India's national security advisor, Samuel Bodman, have been involved in conveying to the US India's concerns. This includes divesting the linking of Iran's nuclear programme with needs of energy security. Till now USA has been playing tough on the issue. Last month, Ahluwalia and Bodman traveled to Washington to launch a new bilateral "India-US Energy Dialogue."

"The energy dialogue will build upon the broad range of existing energy co-operation between the two countries as well as develop new avenues of collaboration," a joint statement said.

US President George W. Bush said recently that the US will encourage China and India to become more efficient users of oil: "It's in our economic interest and our national interest to help countries like India and China become more efficient users of oil. That would help take the pressure off global oil supply, take the pressure off prices here at home," he said.

The real story as well as conflict of interest, however, lies elsewhere. If the invasion of Iraq was about controlling oil, it is unlikely that the US will cede control over major sources of gas.

This week, Bodman said US natural gas supplies remain "very tight" and consumers and businesses will face high gas prices from some time. "This is a trend that, as far as I can tell, seems likely to continue," he said.

It is in this context that one can read the resistance of the US to allow a go-ahead to the 1,600 mile long gas pipeline from Iran through Pakistan to India, despite the three countries agreeing to go ahead with the massive project. While the US has been harping on the Iranian nuclear programme, it has threatens Pakistan with sanctions if it gives the project the go-ahead. Clearly, this is a case of killing two birds with one stone. Similar US pressures have been placed on China which in October, 2004 struck a \$100 billion 25-year deal for Iranian liquid natural gas as well as oil.

Reacting to the new US threat, Iran's oil minister Bijan Zanganeh said: "It is unreasonable to prevent India and Pakistan from accessing Iranian gas. Energy markets should be depoliticized. We sell crude oil and LNG. Why can't we be allowed to sell piped gas."

Writing in the Times of India, foreign editor Chidanand Rajghatta observes that if the geopolitics of south Asia vis-à-vis the US was about wheat in the 60s and 70s, it is about controlling the transportation and consumption of energy, more specifically natural gas today.

*Siddharth Srivastava is a New Delhi-based journalist. Posted at Japan Focus June 30, 2005.*