

# **EAST ASIA SCIENCE SECURITY NETWORK REPORT, JULY 19, 2006**

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### **1. PRC Energy Security and US Policy**

The National Bureau of Asian Research (K. Lieberthal, M. Herberg, "NBR ANALYSIS. CHINA'S SEARCH FOR ENERGY SECURITY: IMPLICATIONS FOR U.S. POLICY," April 2006) released this report which "examines China's global search for energy security, draws implications for U.S. global energy and security interests, and recommends policies that will allow the United States to respond more effectively to China's expanding global energy impact." Further, "this paper proposes a sober U.S. policy that will enhance trust and strengthen multilateral, regional, and bilateral cooperation on energy issues."

[Read the report](#)

Visit the NBR website at: [www.nbr.org](http://www.nbr.org)

### **2. NE Asia Refining Industry Outlook**

The Institute of Energy Economics, Japan (Kensuke Kanekiyo, "NORTHEAST ASIA REFINING INDUSTRY OUTLOOK," June 2006) released this presentation in response to the need for expanded and upgraded NE Asian refining capacity in this era of PRC driven growth in demand for oil. The author notes that refineries should prepare for an increase of imported crude and the need for deep-water ports, more sophisticated facilities for cracking and desulfurization, and oil stock piling against import disruptions. Further, refining business trends are expected to include oil demand convergence to lighter products and increased availability of middle distillates from Japan and Korea.

[See the presentation](#)

### **3. Foreign Bids for Exploration in PRC**

Agence France Presse ("CHINA TO ALLOW FOREIGN EXPLORATION IN KEY OIL, GAS BLOCKS," July 14, 2006) reported that PRC will allow foreign companies a rare chance to conduct exploration for oil and gas in parts of the resource-rich Tarim Basin in the northwest of the country, the

country's top energy company said Friday. The China National Petroleum Corp (CNPC), the nation's largest oil and gas producer, said it will invite bids from foreign companies for exploration in nine potential oil and gas blocks in the basin.

[Read the article](#)

#### **4. PRC Strategic Oil Reserve Facilities**

Agence France Presse ("CHINA TO COMPLETE FOUR STRATEGIC OIL RESERVE FACILITIES THIS YEAR," July 10, 2006) reported that PRC will complete construction of four strategic oil reserve facilities this year, boosting its storage capacity by up to 12 million tons, state media reported Monday. Ma Kai, minister of the National Development and Reform Commission and director of the National Energy Office, said four petroleum bases with a total storage capacity of between 10 and 12 million tons will be completed this year, Xinhua news agency reported.

#### **5. Kazakhstan-PRC Oil Pipeline**

Asia Pulse ("KAZAKHSTAN-CHINA OIL PIPELINE BEGINS COMMERCIAL OPERATIONS," July 12, 2006) reported that Crude oil from Kazakhstan poured into a petroleum tank in Alataw pass, Northwest China's Xinjiang Uygur Autonomous Region at 18:45 Tuesday through a cross-border pipeline, marking the beginning of commercial operations for PRC's first direct oil import pipeline. Experts say the move will help enhance PRC's oil supply and provide an ideal outlet for Kazakhstan's oil exports.

#### **6. PRC Fuel Alternatives**

Xinhua News Agency ("CHINA TO DEVELOP COAL GAS AS DIESEL ALTERNATIVE," July 12, 2006) reported that the PRC government is to support the development of dimethyl ether (DME), a gas derived from coal, as a possible alternative to diesel. A circular from the National Development and Reform Commission (NDRC) said standards for the use of DME as a civil fuel were being drawn up. A gas under normal pressure and temperature, DME could be compressed into a liquid and used as an alternative to diesel. Its low emissions made it relatively environmentally friendly.

[Read the report](#)

#### **7. Japan-Russian Oil Pipeline**

Agence France Presse ("STATE GUARANTEES ON PIPELINE TO JAPAN 'INAPPROPRIATE': PUTIN," July 16, 2006) reported that Russia considers it "inappropriate" to offer state guarantees sought by Japan on the Siberia-Pacific pipeline project, Russian President Vladimir Putin said here late Saturday. "The Japanese want an inter-governmental accord, while we consider this to be a commercial project. It is inappropriate to give state guarantees," the Russian leader told a news conference on the sidelines of the G-8 summit he is presiding over in Saint-Petersburg. Putin confirmed during a visit to Tokyo last November that Japan would have access to central Siberia's oil resources by way of the future pipeline.

[Read the report](#)

#### **8. G8 Energy Policy**

Agence France Presse (C. Boian, "G8 PUSHES OPEN MARKETS TO EASE ENERGY SECURITY FEARS," July 16, 2006) reported that eight world powers pledged Sunday to promote "open, transparent" energy markets in a step that may ease friction between Russia and European consumers of its vast energy resources. They also vowed to pursue development of alternative energy sources, including nuclear power, to address "serious and linked challenges" in the energy sector including soaring oil prices and limited fossil fuel reserves. "Ensuring sufficient, reliable and environmentally responsible supplies of energy at prices reflecting market fundamentals is a challenge for our countries and for mankind as a whole," G8 leaders said in a statement.

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