China’s rapidly growing demand for imported oil has become a much-debated issue among academics and policy analysts, many of whom have paid particular attention to China’s hunt for African oil. This paper examines Chinese presence in three major oil-producing countries in Sub-Saharan Africa: Nigeria, Angola and Sudan. It attempts to put China’s role in the African oil sector into perspective, questioning the assumption that China represents a major threat to good governance and anti-corruption efforts in Africa’s oil-producing countries.

Over the last four years China’s annual GDP growth rate has exceeded 9 percent. Such an unprecedented economic growth has been accompanied by an equally exceptional growth in energy consumption. With a demand in 2005 of nearly 7 million barrels per day (bpd), China’s oil consumption has doubled in a single decade. As the following chart shows, China first became a net importer of oil in 1993. In 1995 China imported only about 350,000 barrels of crude oil per day, whereas a decade later imports had grown to nearly 3 million bpd, comprising more than 40 percent of the total Chinese oil consumption.

Despite its rapid growth, China’s demand for oil is currently only a third of the demand of the world’s top oil consumer, the United States, where oil consumption reached 20.6 million bpd in 2005. Figures for net oil imports by country are presented in the following chart. The differences in consumption patterns become even more evident if we consider the figures on a per
China’s imports of 3.1 million bpd are shared by a population of 1.3 billion, as compared to US imports of 12.4 million bpd consumed by a population of only 298 million, or roughly equivalent Japanese imports of 5.2 million bpd by a population of 127 million.

With the current instability in the Middle East, Chinese policymakers see the need to diversify the sources of China’s oil imports, so as to avoid over-reliance on Persian Gulf oil. When China’s major oil companies have turned to African oil reserves in their efforts to “go global,” this is linked to China’s energy security concerns as well as the business interests of China’s state-owned but semi-independent oil companies. This said, how important is China’s role in oil trade and production on the African continent? African trade with China has been growing at an amazing pace. In 2000 Sino-African trade totaled USD 10 billion, but within the next five years it had reached more than USD 30 billion. This was still only half the trade volume between the United States and Africa, which totaled close to USD 60 billion in 2004.

Nigeria, Angola and Sudan are the largest oil producers in Sub-Saharan Africa. As of 2005 Nigeria produced roughly 2.5 million bpd of oil, while Angola produced 1.3 million bpd and Sudan’s average production was about 400,000 bpd.

Nigeria
The majority of Nigerian crude oil exports go to markets in the United States and Western Europe. As of 2004, nearly half of Nigeria’s total exports (an average 1.15 million bpd) went to the United States, while the second largest export partner, India, purchased only 8 percent of Nigerian exports. Companies involved in the Nigerian oil and gas industry include BP, Chevron, ExxonMobil, Petrobras, Royal Dutch Shell and Norwegian Statoil, in addition to China’s Sinopec. ExxonMobil alone produces more than 750,000 bpd of oil in Nigeria, and is currently planning to increase the company’s Nigerian production to 1.2 million bpd.

As for the Chinese actors, in late 2004 Sinopec and the Nigerian national oil company NNPC signed an agreement to explore and develop two blocks in the Niger Delta. Since then discoveries of hydrocarbons have been made in more than a dozen
exploration wells, and in 2005 China and Nigeria reached a trade agreement in which Nigeria will supply China with 30,000 bpd of crude oil over the next five years.

Angola
China plays a much more significant role in Angola. China and the United States are the major buyers of Angolan oil, both importing approximately 500,000 bpd as of late 2006. China is thus the buyer of nearly 40 percent of Angola’s total oil production, which also makes Angola the largest source of Chinese crude oil imports, surpassing Saudi Arabia as the largest source in 2005.

The Angolan national oil company Sonangol is the sole concessionaire for oil exploration and production in Angola. Major international oil companies operating in Angola include BP, Chevron, Devon Energy, ExxonMobil, Maersk, Occidental, Roc Oil and Total. China’s Sinopec entered the scene as late as 2006, after Sonangol’s announcement of a new licensing round. Although Sinopec has now acquired licenses for oil development in Angola, their oil production projects will actually be operated by Total. Angola is also developing plans for a new 200,000 bpd refinery in the coastal city of Lobito. In March 2006, Sinopec agreed to finance the Lobito refinery project, which will be built by Sonangol Sinopec International (SSI) and is planned to be operational by late 2009.

In late 2004 the Chinese Export Import Bank approved a USD 2 billion “soft loan” to Angola for infrastructure support, including railway and road construction and a fiber-optic network. The loan has a favorable interest rate, at 1.5 percent over 17 years. However, one of the conditions is that only 30 percent of the construction work will be subcontracted to Angolan firms, in effect leaving 70 percent of the work to Chinese firms. Critics believe that the availability of the Chinese loan has encouraged Angola to resist pressure from the IMF and Western countries to improve the transparency of its oil sector and make other reforms. Improper use of the loan has in fact become a concern for the Chinese lenders as well, after reports that some of the money was to be spent on government propaganda for the 2006 general election. This led to Chinese intervention to ensure that its assistance was not put to improper use.

Sudan
The discovery of large oil reserves in southern Sudan in the late 1970s contributed to a renewed outbreak of conflict between the southern rebels and the Government of Sudan in the early 1980s. Initial investments in southern Sudan were made by several US and European companies, some of them forced to withdraw as conditions deteriorated. In 1996 China National Petroleum Corporation (CNPC) was among the companies that bought into the Greater Nile Petroleum Operating Company (GNPOC), which is now the major operator in Sudan. CNPC currently holds a 40 percent share in the consortium - the largest single share. In the 1990s international human rights organizations accused the Sudanese government of mass displacement of civilians from areas where oil fields and pipelines were being developed. The United States imposed economic sanctions against Sudan in 1997, prohibiting trade between the two countries and investment by US companies in Sudan on the grounds that oil revenues might fuel the conflict. The sanctions, however, did not apply to the parent companies of GNPOC, which included Calgary-based Talisman Energy, Malaysia's Petronas, and CNPC. Despite the US sanctions, in 2003 a consortium of Austrian OMV, Swedish Lundin Oil, Petronas of Malaysia, and Sudapet of Sudan announced that it was renewing oil exploration activities in Sudan after having suspended operations a year earlier due to safety concerns and logistical problems. At the same time Talisman, under heavy pressure from human rights organizations, sold its 25 percent in GNPOC to India’s Oil and Natural Gas Corporation (ONGC).

In January 2005, after years of negotiations, the Government of Sudan and the Sudan People’s Liberation Army signed the Comprehensive Peace Agreement (CPA), which among other things stipulated the 50/50 sharing of oil revenues and a referendum on secession by the South after a six-year transition period. After the signing of the CPA, oil companies Total, Marathon Oil Corporation, and the Kuwait Foreign Petroleum Company renewed their exploration rights in southern Sudan. Meanwhile, in the western region of Darfur, Sudanese pro-government militia groups were launching attacks against civilians, displacing nearly 2 million people and causing an estimated 200,000 to 400,000 deaths. This did not stop ABCO corporation, 37 percent owned by the Swiss company Clivenden, from conducting exploration drilling in Darfur, reportedly discovering substantial oil reserves in the region in 2005.

China is the largest export partner of Sudan, purchasing 65 percent of Sudanese oil exports, roughly half of which is equity oil.
Although GNOPC is China’s largest overseas oil project, Sudanese oil made up only 1 percent of China’s oil imports in 2006. Citing its policy of “non-interference,” China abstained from UN Security Council voting on measures against Sudan in March 2005 and April 2006, the latter against Sudanese officials accused of involvement in continuing violence in Darfur. However, in a very recent turn of events (April 2007) a visiting Chinese senior official has reportedly persuaded the Sudanese government to accept a UN peacekeeping force in the region to supplement the AU forces.

**In pursuit of energy security**

China is actively exploring ways to strengthen its cooperation with Africa, chiefly through foreign direct investment (FDI), trade and aid, often packaged together. Backed by generous government support including preferential loans, China’s “heavyweight” state-owned enterprises have been encouraged to look for strategic investment opportunities beyond national borders, marking a shift away from a purely export-led strategy toward an emphasis on outward FDI, mergers and acquisitions by Chinese enterprises. In 2004 more than half of Chinese FDI went to the extractive industries, and primarily to oil and gas exploration. In pursuing its so-called “Go out” policy, China is fostering ties with oil-rich countries all over the world, but especially with countries where Chinese oil companies have a chance to compete with the multinationals. Chinese firms have thus increased their presence across Africa, even in remote and politically unstable locations that have previously attracted little investment. It is evident that Chinese companies are willing to take relatively high risks when dealing with repressive regimes, but it could also be argued that they are forced to do so for lack of better alternatives. As noted by Global Witness in their recent report *Oil Revenue Transparency*, developing oil-producing countries still prefer Western multinationals over Chinese or Indian oil companies, for the better technology and higher oil extraction potential they can provide, especially when it comes to deep off-shore oil and gas extraction.

China has been condemned for its provisions of unconditional aid and investment, and its policy of “non-interference” in African countries where government accountability is weak and human rights are frequently violated. Some of China’s aid projects have sparked criticism from Western donor communities for being inappropriate to the needs of recipients. China has also been criticized for tying its aid to the purchase of Chinese goods and services, and to oil deals. China’s unconditional aid has no doubt made it possible for some African countries to refuse conditional aid from other countries and international organizations.

Is China guilty of promoting corruption and ignoring transparency in its African ventures? Figures from Transparency International reveal that most resource-rich African countries receive low scores on perceptions of corruption and bribery, whereas other African countries receive more favorable scores. It is worth noting, however, that these scores have remained stable in recent years despite a stronger Chinese presence in already low-scoring countries such as Angola and Nigeria. This suggests that rather than blaming Chinese oil companies for lowering global standards, the focus of attention should be on the role of the extractive industries in general, the vulnerabilities that accompany a heavy reliance on oil revenues and the particular challenges of combating corruption and mismanagement in developing oil-producing countries.

Global energy security ultimately means providing sufficient energy from renewable sources, which we can only hope to achieve through a massive technological development effort. In the meantime, energy security can best be safeguarded by universal acceptance of and adherence to transparency standards such as those promoted by Global Witness and the Extractive Industries Transparency Initiative (EITI). For the extractive industries, this means to “publish what you pay,” whereas for the governments of oil-producing countries it means to “publish what you earn” from oil and mineral revenues, as well as to “publish what you spend.” These standards are of no less importance to the energy security of China and other emerging oil importers as they are to our own. Revenue and budget transparency is vital to the promotion of good governance and social stability in developing countries. There are no good excuses for opposing transparency standards, not even the “China threat.”

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