

## YOUNG PROFESSIONALS

# The rise of India and China – history’s next big chapter?

**How will the relationship between two of the world’s largest growth markets for energy affect the industry in the future? Dr Jonathan DT Ward gives his geopolitical view, in this second of a series of articles from EI Young Professionals Networks.**

The *BP Energy Outlook 2018* has just been released, and India and China feature heavily as they have in prior years. But how ready are energy executives for an emerging competition between the world’s two most populous nations? And how well do they understand the role of other major players in this shifting geopolitical balance, especially the US?

The new *Energy Outlook*, which projects trends out to the year 2040, explains that ‘China and India account for half of the growth in global energy demand’. Based on a variety of scenarios, it sees China as ‘expected to be the largest growth market for energy’, though it is ‘likely to be overtaken by India’ as we reach 2040.

While the rise of these two nations is likely to transform global energy markets over the coming decades, what must be understood is that India and China are rivals for

power and influence, above all in maritime Asia. Importantly, a good deal of this competition is driven by the geography of energy demand and energy security.

Is the energy industry prepared to navigate these new tectonic shifts in geopolitics?

#### Trade routes

China’s territorial claims and military activities in the South and East China Seas are well known to the world. What is less known is the country’s long-term dependency on the Indian Ocean region. Nearly 80% of China’s imported oil passes through the Strait of Malacca, only two miles wide at its narrowest, after transiting Indian Ocean sea lanes.

Using a combination of its ‘Belt and Road Initiative’ – a Chinese global infrastructure building programme – and rapid military build-up, especially of its naval

power, China seeks to overcome choke points like Malacca, securing its access to the Indian Ocean and the sea lanes that are vital to Chinese energy and trade security. China’s dependence on this region is likely to last decades, reaching out as far as, and likely beyond, the *Energy Outlook’s* 2040 timeframe.

Chinese influence is growing in Pakistan, East Africa, Southeast Asia, and in Indian Ocean island nations like Sri Lanka and the Maldives, through massive infrastructure and investment programmes, many of which have been revealed to leave host countries deeply indebted to China. In Sri Lanka, for example, China recently claimed 99-year ownership of the port of Hambantota, leading to alarm about the geostrategic objectives behind Chinese financing and infrastructure projects under the Belt and Road.

Additionally, China has

## EI South Western South Wales Young Professionals Network

This second instalment of the Energy Institute Young Professionals Network (YPN) series is brought to you from the South Western and South Wales branch (see the March magazines for an introduction to the series from the London and Home Counties YPN).

The South Western and South Wales YPN is the EI’s largest by geographical scope. It contains three ‘hubs’, in Oxford, Bristol, and in Cardiff, with plans for an Exeter hub in the south-west. The YPN was established in 2015 with the support of the EI’s wider South Western and South Wales branch.

In its first year its speakers programme in Oxford brought a range of energy professionals, including Sir Christopher Llewellyn Smith, former Director General of CERN, Dr Gordon Drummond,

Director of the National Subsea Research Initiative, Professor Roger Cashmore, Chairman of the UK Energy Authority, and Steve Cowley, former head of the Culham Centre for Fusion Energy – as well as experts and authorities on issues ranging from Russian energy strategy to nuclear power.

The Cardiff hub launch event took place in November 2017, where Ian Beynon FEI spoke on his work at Amber Energy. This was followed by an event in Cardiff where David Clubb, Director at RenewableUK, spoke on energy in the UK and Wales.

The YPN is organising a networking event in Bristol in April, details of which will be available at [bit.ly/2Fspbla](http://bit.ly/2Fspbla)

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Networking at the YPN’s Cardiff hub launch in November 2017



*The world of 2040 may sound like a long way off, but the trends that will take us there have already begun*

**Dr Jonathan DT Ward**

established its first overseas naval base in Djibouti, on India's western flank, and is conducting repeated naval exercises with Pakistan, with the stated goal of protecting another Chinese-built port, Pakistan's Gwadar.

China's government has announced three 'marine economic passages' under the Belt and Road Initiative, which will connect Asia, Africa, Oceania, and Europe back to China – one passing through the Indian Ocean Region, and the other two linking the Arctic and South Pacific back to China.

All of this has led to tensions between India and China, and Delhi is cautious over Belt and Road – with concerns about its ultimate intent.

#### **Energy and geopolitics**

As both the Chinese and Indian economies grow, a trend which will lead to unprecedented levels of global energy demand, the interlocking geography and strategic interests of these two countries is likely to make competition a long-term trend.

Chinese strategy prioritises access to the waterways of maritime Asia – namely the Indo-Pacific, a region stretching from the South Pacific to the Indian Ocean, with the South China Sea at its centre. India is also in the process of expanding

its influence in the Indo-Pacific Region and building its naval cooperation with other maritime democracies including the US, Japan, Australia, and Indonesia.

The waterways of Asia have long been taken for granted by numerous industries, but global trade has produced a new epoch in the global balance of power. As China expands its military presence from the South China Sea on out, and India builds up its own naval capacity, the US has also taken on a new outlook, identifying the Indo-Pacific as a vital strategic region.

So as India-China relations head towards long-term competition, and the US begins to recognise the challenge that China presents to its own power, a new balance may be taking shape, with major democracies such as India and the US working together, as China – and Russia, its authoritarian partner – both push to expand their influence.

Energy is often regarded as the world's most strategic industry. The operations of its largest players span the planet, the regional expertise of its major actors is second to none, and its companies are often global in outlook – and keenly aware of long-term trends. However, the smooth sailing of globalisation's recent decades may now be coming to an end as a more competitive world begins to take shape, with

nation states of unprecedented size at the heart of the competition.

Navigating this new epoch will challenge even the industry's most innovative and forward-thinking groups and individuals. And little can be taken for granted: the world of 2040 may sound like a long way off, but the trends that will take us there have already begun. ●

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