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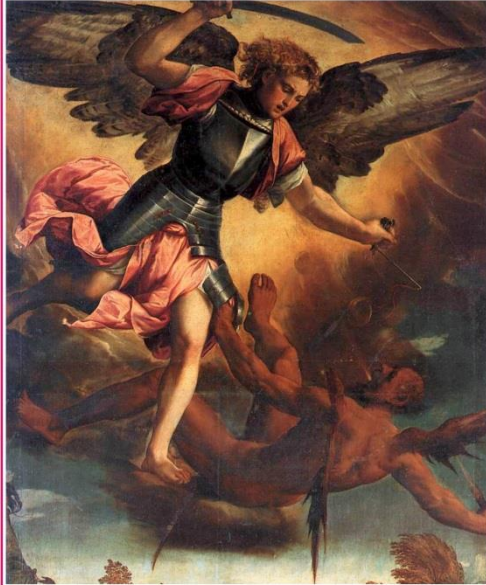
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Political and Legal Aspect of China-Russia Cooperation in the Asian Super Grid

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Abstract

The aim of the study is to investigate the political and legal aspect of China-Russia cooperation in the Asian Super Grid via comparative quantitative research methods. As a result, the key task of Russia, not only within a regional electric power cooperation project but also in the development of bilateral relations (especially with the PRC), is to provide conditions for the socio-economic development of Russian resource and transit territories. In conclusion, building up its own export potential in the electric power industry will allow Russia to strengthen its existing electric power complex in regions neighboring China.

Keywords: Grid, Russia, China, electricity, Asia.

Political and legal aspect of China-Russia cooperation in the Asian Super Grid

Resumen

El objetivo del estudio es investigar el aspecto político y legal de la cooperación China-Rusia en el Super Grid de Asia a través de métodos de investigación cuantitativa comparativa. Como resultado, la tarea clave de Rusia, no solo dentro de un proyecto regional de cooperación en energía eléctrica sino también en el desarrollo de relaciones bilaterales (especialmente con la República Popular China), es proporcionar condiciones para el desarrollo socioeconómico de los territorios rusos de recursos y tránsito. . En conclusión, la creación de su propio potencial de exportación en la industria de la energía eléctrica permitirá a Rusia fortalecer su complejo de energía eléctrica existente en las regiones vecinas de China.

Palabras clave: Grid, Rusia, China, electricidad, Asia.

1. INTRODUCTION

Currently, Russia's objective is to develop the Russian Far East which constitutes 36% of the entire territory of Russia. It is rich in resources and contains 30% of Russian reserves of coal, 20% of hydrocarbons, 25% of wood, and there are significant reserves of rare-earth and non-ferrous metals. However, less than 5% of Russia's population lives in this region. Therefore, although there is an enormous potential for natural resources, the role of this region in the

targeted literature is insignificant since unique opportunities remain practically untapped. The Russian border area still maintains its economic rather than encouraging communication (Rensselaer, 2013).

At the same time, it should be understood that the participation of countries in such an energy association is not possible without full trust between the partners and a favorable political environment, since such projects go beyond the standard agreements on energy export and import between countries. It seems that in this direction potential countries participating in the project have certain difficulties. For example, China's relations with South Korea are experiencing a decline after American missile defense systems are deployed on its territory. However, these obstacles are not fatal and the countries can overcome them in the foreseeable future. In September 2016, President of Russia Putin (2016) openly expressed his support for the concept of creating an energy super grid for the first time at the Eastern Economic Forum in Vladivostok. Putin (2016) noted Russia's readiness to provide a long-term competitive price for electricity in the Asia-Pacific region for the project partner countries for the long-term period.

The study presented in this article will start with understanding and analysis of approaches to the legal regulation of investment activities and legal provisions in the field of investment and their harmonization between Russia, China, Japan and South Korea with a review of the current state of cooperation with China and ways to deepen it, including through financial and investment interaction and

cooperation. In the next article we will look at cooperation with Japan and South Korea. The choice of China is conditioned by its leading role among these countries in the production and consumption of electricity, as will be shown below.

2. METHODOLOGY

The general state of the interstate electric power association of the countries of Northeast Asia – China, Japan and Korea, as well as Russia – is considered in the paper from the standpoint of production and consumption of electricity using the method of comparative analysis. The system analysis method and the structural and functional method are applicable when examining major basic trends of the national energy strategy of the People 's Republic of China (PRC) to identify the factors causing the need to deepen bilateral energy cooperation between the Russian Federation and China. It should be noted that the listed countries are significantly ahead of other regions of the world in terms of financial, industrial, energy and information resources, raw materials. Consequently, the share of these countries in the production and consumption of electricity is dynamically increasing (Figures 1 and 2).

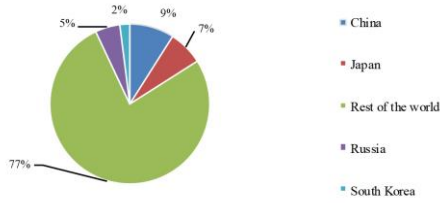


Figure 1: The share of countries in the production of electricity in 2000

Source: Compiled by the authors on the basis of the WCS data, 2018

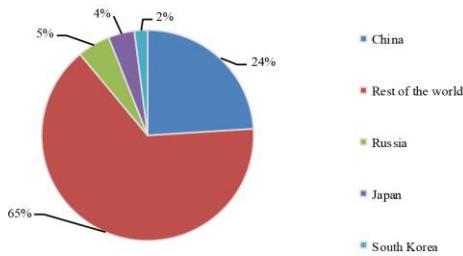


Figure 2: The share of countries in the production of electricity in 2016

Source: Compiled by the authors on the basis of the WCS data, 2018

Thus, the indicators illustrated in these graphs allow establishing that, against the background of the rapid growth of the Chinese economy over the past 16 years, the production of electric power in this country has been 3 times higher. Consequently, electricity consumption by the population and industry has increased on a similar scale (Figures 3 and 4).

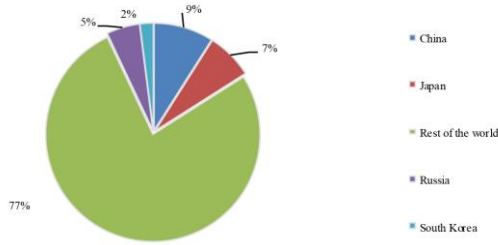


Figure 3: The share of countries in the consumption of electricity in 2000

Source: Compiled by the authors on the basis of the WCS data, 2018

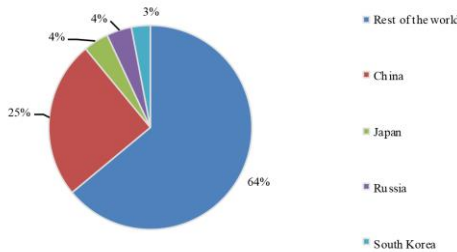


Figure 4: The share of countries in the consumption of electricity in 2016

Source: Compiled by the authors on the basis of the WCS data, 2018

This data shows a significant increase in power consumption in China, which is the locomotive of the economic life of the region. It was possible to achieve a similar balance in the provision of electricity by the adoption of the Program for the Development of the Electric Power Industry and Power Engineering in 2004. According to the

program, the state allocated USD 120 billion to build new power plants with modern, powerful power units, which made it possible to eliminate problems in the electricity supply and overcome the backlog of the country’s electricity sector (Austin, 2005). At the same time, the electric power industry remains the subject of close attention of the leadership to modern China, which is connected with the main source of electricity – coal (Figure 5).

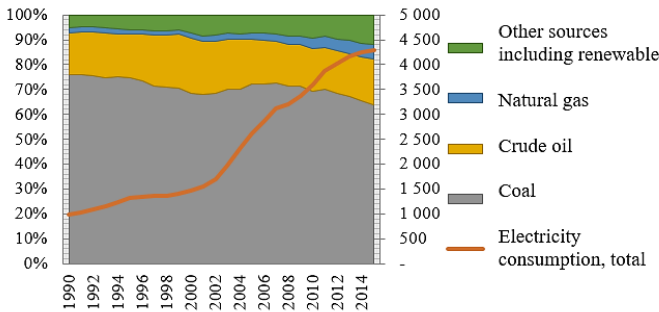


Figure 5: The dynamics of total electricity consumption by China in million tons of the energy management system (EMS) and the share of sources of electricity for 1990-2015.

Source: Compiled by the authors on the basis of the CSY

The main problem in meeting the domestic demand for electricity from coal is that, firstly, its deposits are dispersed throughout the country. At the same time, there are only 17% of coal reserves in the east and southeast of the country, which accounts for half of China’s GDP. As a result, more than 60% of coal is transported by rail, which causes congestion, frequent accidents and supply disruptions. Secondly, coal-fired power plants cause significant

damage to the environment. In this regard, China pursues a policy of gradually reducing the share of coal among other sources of electricity, including by increasing the use of renewable energy sources (solar and wind power).

In turn, the refusal of Russia to participate in the project will reduce the efficiency of the operation of the electric power grid by 40% (Yang et al., 2019; Soo et al., 2019).

Power pool	Installed capacity, bln. kWh	Power generation, bln. kWh	ICUF
Unified power system of Russia	2070.37	1071.80	51.8%
Central unified power system	463.22	236.60	51.1%
Middle Volga unified power system	236.55	106.30	44.9%
Ural unified power system	447.91	258.40	57.7%
North-West unified power system	206.49	107.30	52.0%
South unified power system	180.47	96.20	53.3%
Siberia unified power system	455.26	206.90	45.4%
East unified power system	80.47	36.80	45.7%

Table 1: Installed capacity utilization factor (ICUF): production / installed capacity

Source: Compiled by the authors on the basis of the Minenergo data, 2018.

3. RESULTS

A retrospective analysis of Russian-Chinese cooperation in the power industry proves the interest of the PRC, which, as an intensively developing economy, requires significant energy resources in the development of the Asian Super Grid project. In turn, the key task of Russia, not only within a regional electric power cooperation project, but also in the development of bilateral relations (especially with the PRC), is to provide conditions for the socio-economic development of Russian resource and transit territories, as well as to realize economic and geopolitical interests of the country (Unescap, 2018; Siagian et al., 2019).

4. DISCUSSION

In the long term, the Chinese factor is of the highest priority among the many opportunities for developing economic ties in the Asian sector, since strengthening the position of the country within this region largely depends on its relations with China. The growing geopolitical influence of the PRC makes the Chinese factor one of the key components of long-term political, global, and regional

forecasting. In the current situation, it appears that cooperation with China in the Asian sector will not only help Russia solve the problems of ensuring the economic and technological development of its Asian part, primarily the Far East, but will also help strengthen its position in the European, Atlantic region. Consequently, the project of an interstate energy association under consideration is increasingly becoming a factor of mutual growth and co-development for the future. Similar to the West, Russia is developing an alternative (conflict) model of energy interaction (Indriastuti, 2019; Oroszlányová et al., 2017).

The cooperation program was signed by D.A. Medvedev, the president of the Russian Federation, and Hu Jintao, the PRC Chairman, on September 23, 2009 at the UN General Assembly in New York. The document consists of the main part and the annex. Upon signing it, there were 205 key cooperation projects in Appendix – 94 projects related to Russian territory and 111 projects to Chinese. A detailed analysis of the list of key cooperation projects leads to the conclusion that the list of projects from the Chinese side has been worked out at a higher level. Thus, the Russian side proposed projects mainly for the development of its natural resources, for example, the development of the Berezovsky iron ore deposit, etc., and projects for non-primary production, for example, the establishment of a plant for the deep processing of soybean in Birobidzhan, etc.

These were only partially considered. Conversely, the Chinese side proposed projects related to mechanical engineering and the manufacturing industry, for example, the production of mining machines and copper sheets in Chifeng, etc. In addition, the projects proposed by the Chinese side included indicators such as the exact location and annual capacity of the enterprise. This kind of elaborated nature is not typical for Russian projects, which led to a highly controversial assessment of the document by domestic sinologists. It seems that the first version of the Cooperation Program was clearly lobbying Chinese interests. Therefore, the Ministry of Regional Development of the Russian Federation began large-scale work to correct the apparent imbalance in the Cooperation Program, including eliminating several projects.

In addition, when analyzing the Cooperation Program, the projects – with a focus on market needs – which can be implemented by interested Russian and Chinese participants in the foreign economic activity need to be addressed, provided they agree on technical, economic, financial, and other parameters of cooperation (Section 6 Key Projects of Regional cooperation). Proceeding from this, it follows that the implementation of projects is possible only taking into account the interests of both economic parties, i.e. in the presence of a relationship of interests of companies, representatives of local and central authorities of the Russian Federation and the PRC. It seems that this paragraph excludes the possibility of negative consequences in the implementation of a project that does not meet national interests.

In turn, the assessment of Russia's economic benefits from sales under the terms of this agreement reflected in the doctrine shows that in 2012 Russia sold electricity to China more expensive than the domestic market, while China bought cheaper than it produced itself (Poliakova, 2016). We believe that the export of electricity at this price, given the isolation of the energy system of the Far East and the presence of excess generating capacity, which in idle discharges flood adjacent territories, is definitely beneficial to the Far Eastern generating companies and network companies receiving additional income (Belikova et al., 2017; Soleymani et al, 2014).

The visit of Putin (2016) to China in May 2014 served the catalyst for the further development of the Russian-Chinese energy partnership, which, as has already been established, is of a strategic nature for the two countries because of both political and economic factors. In the framework of this visit, Putin (2016) signed a package of documents to expand the development of Chinese investors in various sectors of the Russian energy industry (Shapiro Bengtson, 2017). For example, in 2011, the Russian Energy Agency, PJSC Inter RAO UPS, the National Bioenergy Company of China (NBE) signed a framework agreement on the establishment of the Russian Federation by the end of 2011 in Russia as part of the state visit of China President of the Russian-Chinese joint venture Green Energy Corporation.

5. CONCLUSION

According to the agreement on cooperation, the activity of the company covers the following areas: 1) construction of power plants operating on various types of biomass for the production of heat and electrical energy, biogas; 2) updating of already existing coal and mazut power plants with low rates in the production of electricity; 3) creating factories for the production of pellets from peat, wood waste and other biomass; 4) attracting investments for the implementation of priority projects.

6. ACKNOWLEDGMENT

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