

Newsletter

# China's Gas Buying Spree Is About More Than Just Energy Security

A flood of LNG supply deals is giving the world's No. 2 economy more influence in the fastest-growing fossil fuel market.



Tugboats push an LNG vessel from Peru to a terminal in China's Jiangsu province. *Photographer: Xu Congjun/Barcroft Media via Getty Images*

By [Stephen Stapczynski](#)

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*Welcome to Energy Daily, our guide to the energy and commodities markets powering the global economy. Today, Senior Energy Reporter Stephen Stapczynski explores the reasons behind China's flood of gas deals. Listen [here](#) for Bloomberg's Big Take podcast on extreme weather in the US, and read [this](#) to learn more about Pakistan's deadly flooding. To get this newsletter sent straight to your inbox, you can sign up [here](#).*

“[Energy security](#)” has become a trendy phrase to explain many countries’ plans for building up fuel supplies. And it’s certainly a big reason behind China’s spending spree to procure natural gas for well into the future.

But there’s more to the nation’s strategy: The unrelenting pace of supply deals is bolstering the [influence](#) of the world’s second-largest economy in the fastest-growing fossil fuel

market.

For the third straight year, Chinese companies are agreeing to buy more liquefied natural gas on a long-term basis than any single nation. Importers are consistently signing some of the industry's longest and largest contracts, and the government is happy if they ink more.

These deals lock in LNG through the middle of the century to help avoid energy shortages – like the ones the country faced in recent years due to coal and hydropower supply crunches. At the same time, the push expands China's control over global gas supply.

You could see that second point in full swing last year. The country's LNG buyers turned into suppliers, playing a key role in balancing the market by reselling spot shipments to European importers rushing to replace pipeline gas from Russia.

China began its drive for long-term contracts in 2021 after relations with the US improved. While imports dipped last year partly due to weaker demand amid Covid restrictions, Chinese buyers renewed the effort after Russia's invasion of Ukraine cut pipeline gas to Europe.

This is China's go-to strategy when it comes to energy and commodities. From copper to rare earths, it tries to expand influence over the stuff that's vital to both the nation's economy and the world's. The country is on track to be the top importer of LNG in 2023, with demand set to roughly double over the next decade.

The LNG drive gives the nation a seat at the table for the global seaborne trade of gas, even though it's not an exporter. Plus, suppliers are eager to court Chinese buyers since no other importer will promise to buy gas for nearly 30 years.

The upshot: China can provide stability during periods of global shortages, but it could withhold supply and drive up prices if needs at home must be met. Either way, the nation will be shaping the future of the industry for decades to come.

--*Stephen Stapczynski, Senior Energy Reporter*

### **Chart of the day**

Changes to solar-panel technology are accelerating demand for silver, a phenomenon that's widening a supply deficit for a metal with little additional mine production on the horizon.

Solar's part of overall silver demand is forecast to make up 14% of consumption this year, compared with about 5% in 2014.

## Today's top stories

**Saudi Arabia** will prolong its unilateral oil production cut by one month, keeping a lid on supply even as the market is expected to tighten. Its OPEC+ ally Russia also announced fresh curbs on exports.

**China's early move** to tap new centers of lithium supply across Africa is reaping rewards, helping the top electric-vehicle battery producer navigate a tight market for the key metal.

**The cost to fix** Britain's failing water industry is expected to run into the hundreds of billions of pounds and to almost certainly fall on households.

**India's imports** of Russian oil reached another record last month as the South Asian nation potentially nears the limit of its buying splurge from the major OPEC+ producer.

**Japan is set to win** approval to discharge more than 1 million cubic meters of treated water from the Fukushima nuclear disaster site into the Pacific Ocean, a contentious plan that's soured ties with neighbors, including China.

## Weekly agenda

### Five Key Charts to Watch in Global Commodity Markets This Week

**Monday:** Caixin's China factory PMI for June, followed by S&P Global US manufacturing PMI and Eurozone manufacturing PMI; Bloomberg publishes the bulk of its country crude and condensate tanker trackers for June; Bloomberg also publishes its OPEC production survey for June

**Tuesday:** US holiday

**Wednesday:** 8th OPEC International Seminar in Vienna (through July 6); Tata Steel, AngloGold Ashanti and Voestalpine general meetings

**Thursday:** Eurogas renewable gas conference in Brussels – speakers include EU Energy Commissioner Kadri Simson; London Bullion Market Association annual general meeting

**Friday:** FAO food price index, monthly grains report

## Best of the rest

- Japan's plants for burning rubbish help the public believe the nation's waste strategy is "green," but in reality the facilities are generating greenhouse gases and providing the country with a convenient alternative to recycling, the Financial Times writes.
- Taking nickel from the depths of the ocean may be less damaging than digging up rainforests, the Economist argues.
- Wood Mackenzie's Energy Gang podcast digs into the controversies surrounding this year's COP28 meeting, including uncomfortable questions about the influence of fossil fuel producers.
- Shell Plc has continued to trade Russian LNG around the world after the invasion of Ukraine, ranking among the top five companies trading the fuel last year, Global Witness reports.

## Coming up

The Bloomberg Sustainable Business Summit returns to Singapore on July 26. The event will bring together business leaders and investors from around the world to discuss innovation and best practices. Register now to secure your spot.

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