2019

# Governing Chinese Engagement with the Hydrocarbon-Rich Countries; Examining Chinese Investment in the Hydrocarbon Sector of Canada and Russia

Anastasia Ufimtseva
ufim7950@mylaurier.ca

# GOVERNING CHINESE ENGAGEMENT WITH THE HYDROCARBON-RICH COUNTRIES; EXAMINING CHINESE INVESTMENT IN THE HYDROCARBON SECTOR OF CANADA AND RUSSIA

By:
Anastasia Ufimtseva

*PhD Candidate, Wilfrid Laurier University, Balsillie School of International Affairs*

Master of Arts in Political Science, University of Waterloo, 2014
Bachelor of Arts (Honours) in Political Science, the University of British Columbia, 2013

PHD DISSERTATION

Submitted to the Department of Global Governance

in partial fulfillment of the requirements for

Doctor of Philosophy in Global Governance

Wilfrid Laurier University

# Abstract:

China's global quest for energy has been one of the most fascinating developments of the past twenty years. As Chinese state-owned enterprises (SOEs) have increasingly gone 'global' in search of energy resources, scholars have explored the rationale and implications of China's investment abroad. However, existing studies have yet to examine the ability of Chinese SOEs to complete the intended investment projects. Several studies that have noted this gap suggest that researchers should examine the ability of Chinese SOEs to adapt to different institutional environments (Smith and D'Arcy 2013) and to analyze the responses of local stakeholders to Chinese SOEs' engagement (Abdenur 2017). Responding to their call, my study aims to explain how domestic political economy (more specifically, institutional arrangements and stakeholder relations) shapes the ability of Chinese SOEs to successfully participate in hydrocarbon projects in a host country.

To answer this question, I conducted a qualitative comparative study of Chinese engagement in the Canadian and Russian hydrocarbon sector. My research consisted of fieldwork, interviews, and library research in Canada and Russia. I utilized within-case studies – by looking at specific hydrocarbon projects where Chinese SOEs indicated interest to participate - to examine the reception of Chinese SOEs' investment and loans (or other finance) along the hydrocarbon chain in both countries. My analytical framework combined historical institutionalism with stakeholder theories to analyze the ability of Chinese SOEs to participate in hydrocarbon projects in host societies. My framework proposes that stakeholder politics are shaped by an intervening variable, inter-state relations, which influences the receptiveness of stakeholders toward Chinese SOEs.

My research finds that Chinese SOEs' participation – which includes direct investment, loans, and other finance – in the hydrocarbon industry is determined by host-country institutions and stakeholder politics. Relatedly, Chinese engagement/participation in the hydrocarbon sector varies on the basis of the local needs. I propose that inter-state relations influence the timing of Chinese engagement as they shape stakeholder strategies in recipient countries, while formal and informal institutions interact with stakeholder politics in shaping the ability of Chinese SOEs to participate in hydrocarbon projects. Ultimately, this study explains the responses of investment-recipient countries to foreign direct investment and loans from Chinese SOEs in the hydrocarbon sector. In doing so, it makes theoretical and empirical contributions to the existing scholarship on international business, comparative political economy, and China studies.

Dedication:

*I dedicate this thesis to my family who supported and encouraged me on this incredible journey of intellectual pursuit.*

## Acknowledgement:

This dissertation would not have been possible without the support and guidance of my family, supervisors, friends and colleagues.

I am eternally grateful for the support of my family, who have listened and encouraged me to do what I love. A special thank you goes to my mom, dad, grandmothers, and brother for always believing in me. I am very grateful that you have supported me on this journey of intellectual pursuit. You have been the light that guided me as I was carrying out my research and writing this dissertation.

I am also very grateful for the guidance, support, patience, and understanding, of my supervisor – Dr. Derek Hall. Dr. Hall, you allowed me to dream big while keeping me grounded and on track to complete this work and achieve other milestones along the way. I am especially grateful that you have always found time to discuss my work – be it in your office or through Skype across the world. So, thank you for always being there for me when I needed you. I am very grateful for your intellectual guidance and support.

A special thank you goes to my committee members – Dr. Hongying Wang and Dr. Bessma Momani. Dr. Wang, I am very grateful for your feedback and guidance. I still remember the first course I took with you during my Master's degree; I felt very inspired and wanted to learn more about China. Your valuable insights have encouraged me to pursue my research in this direction. I am also really grateful for your support and guidance with my doctoral project and other research pursuits. Dr. Momani, thank you for stepping in to supervise my dissertation and for your insights about my work.

I am very grateful for the intellectual community at the Balsillie School of International Affairs (BSIA). I would like to thank all of you for the wonderful discussions and experiences at the BSIA! A special thank you goes to people in my cohort and others in the PhD programme, who became my close friends without whom I cannot imagine going through this experience. From the first day of meeting everyone, I knew that I was as some say it "at the right place, at the right time". The stories that we have shared and the moments that we have experienced together have all seeped into this dissertation. Anton, Caleb, Clay, Diana, Justine, Karolina, Maissaa, Masaya, Melsen, Nisar, Sara, Skylar, Ousmane, Tahnee, Tina, Terry, and Tracey you guys are an amazing group of people!

I am very grateful for the support and guidance of professors at the Wilfrid Laurier University and the University of Waterloo, who always had their doors open for me! Thank you to Dr. Neil Craik, Dr. Andrew Cooper, Dr. Simon Dalby, Dr. Patricia Goff, Dr. Dan Gorman, Dr. Eric Helleiner, Dr. Jingjing Huo, Dr. John Ravenhill, and Dr. Andrew Thompson! A special thank you goes to Dr. Alistair Edgar for allowing me to work with him at the ACUNS as a book editor! I am so grateful that you gave me this opportunity and for your guidance and support! Dr. Patricia Goff, thank you very much for guiding me as I taught my first course at the Wilfrid Laurier University. Your advice made my teaching experience very enjoyable and memorable! Thank you also goes to the wonderful BSIA staff for making my time at the BSIA an incredible experience!

I am also thankful to the incredible people that have participated in the interviews, shared their stories with me, and otherwise inspired and guided my work! I am very grateful to Alex Gabuev, Dr. Jing Li, Dr. Paul Evans, McCarthy, Senator Yuen Pau Woo, Dr. Pascale Massot, Dr. A. Neil Campbell, Michael Laffin, Mark Biagi, Claudia Cattaneo, and Jia Wang. A special thank you goes to Dr. Olga Klaas who has invited me to her lecture at the Gubkin University and made me feel at home. I am also thankful to Dr. Leonti Eder who has made my stay at Novosibirsk University very productive and inspiring. A special thank you to Mikhail Krutikhin for his informative insights and for introducing me to the Oil and Gas community in Moscow.

Lastly, I am very grateful for the feedback provided on my dissertation by the external examiner – Dr. Gaye Christoffersen – and my internal examiner – Dr. Jörg Broschek!

As I know myself, these two pages could have been as long as my dissertation, however, to save the trees I will reduce this to say that I was very fortunate to receive the support of many others. So, this is to say, even if you do not see your name on this list, I am very grateful for your input.

# Table of Contents

# List of Figures

# List of Tables

## List of Abbreviations

| ***Abbreviation*** | **Meaning** |
|---|---|
| *APF* | The Asia Pacific Foundation of Canada |
| *BC* | British Columbia |
| *BCEAO* | British Columbia's Environmental Assessment Office |
| *BITs* | Bilateral Investment Treaties |
| *BRI* | Belt and Road Initiative |
| *BRICS* | Brazil, Russia, India, China, South Africa |
| *CAPP* | The Canadian Association of Petroleum Producers |
| *CDB* | China Development Bank |
| *CELAC* | China-Community of Latin American and Caribbean States |
| *CEO* | Chief Executive Officer |
| *CIC* | China Investment Corporation |
| *CNOOC* | China National Offshore Oil Corporation |
| *CNPC* | China National Petroleum Corporation |
| *COSIA* | Canada's Oil Sands Innovation Alliance |
| *CSR* | Corporate Social Responsibility |
| *CUFTA* | Canada-US Free Trade Agreement |
| *EIA* | Energy Administration Information |
| *ESPO pipeline* | Eastern Siberian Pacific Ocean pipeline |
| *EXIM Bank of China* | Export-Import Bank of China |
| *FAS* | Federal Antimonopoly Service |
| *FDI* | Foreign Direct Investment |
| *FIPA* | Foreign Investment Promotion and Protection Agreement |
| *FOCAC* | Forum on China-Africa Cooperation |
| *GONGOs* | Government-Organized NGOs |
| *IB* | International Business |
| *ICA* | Investment Canada Act |
| *IEA* | International Energy Agency |
| *KOGAS* | Korea Gas Corporation |
| *LNG* | Liquefied Natural Gas |
| *IOCs* | International Oil Companies |
| *MNCs* | Multinational Corporations |
| *MOFCOM* | Ministry of Commerce People's Republic of China |
| *MOU* | Memoranda of Understanding |
| *NAFTA* | North American Free Trade Agreement |

| | |
|---|---|
| *NDP* | New Democratic Party |
| *NDRC* | National Development and Reform Commission |
| *NEB* | National Energy Board |
| *NEP* | National Energy Programme |
| *NGO* | Non-Governmental Organizations |
| *NOCs* | National Oil Corporations |
| *PSA* | Production-Sharing Agreements |
| *RAIPON* | The Russian Association of Indigenous Peoples of the North |
| *Rosnedra* | Federal Agency for Subsoil Management |
| *Sinopec* | China Petroleum Chemical Corporation |
| *SASAC* | State Assets Supervision and Administration Commission |
| *SCO* | Shanghai Cooperation Organisation |
| *SIGTTO* | Society of International Gas Tanker and Terminal Operators |
| *SOEs* | State Owned Enterprises |
| *SRF* | Silk Road Fund |
| *TNCs* | Transnational Corporations |
| *TNK* | Tyumenskaya Neftynaya Kompaniya |
| *UN Comtrade* | United Nations International Trade Statistics Database |
| *UNCTAD* | |
| *UNESCO* | The United Nations Educational, Scientific and Cultural Organization |
| *UNOCAL* | Union Oil Company of California |
| *USD* | US/American Dollars |

# Chapter 1. Introduction

The rapid growth of China from the 1990s to the present has been unprecedented. China's integration into the global economy has been phenomenal. In the 21st century, China became the second largest economic power and one of the largest foreign investors. China's rise has fascinated social scientists across the world. Scholars have pondered about the implications of China's economic growth and cautioned that it may lead to shortages in domestic natural resources, including energy (Woo and Song 2000; Ma and Adams 2013). In light of possible energy shortages, energy security emerged as one of the central issues discussed by policy circles in Beijing. One method devised by policymakers to address energy insecurity rests on state support for corporate investment abroad under the "Go Global/Out" policy announced in 1999. As part of this policy, Chinese state-owned enterprises (SOEs) and private companies ventured abroad in search of energy resources. Hydrocarbons – or oil and gas – were one of the energy resources coveted by the Chinese SOEs abroad.

To acquire these resources, Chinese SOEs have invested in overseas assets, expanded their energy import contracts, and provided financial support, such as loans and aid, to energy-rich states. All of these strategies can be subsumed under the concept of engagement. Chinese engagement with energy-rich states has fascinated scholars, who noted the unique nature of the packaged deals extended by Chinese SOEs to host societies in developing countries. According to scholars, these packages consisted of political support, loans, and aid to make SOEs' investment bids more lucrative (Alden and Davies 2006; Zafar 2009; Alves 2013). This dissertation focuses on the ability of Chinese SOEs (as opposed to private Chinese energy corporations) to engage/participate (these two terms will be used interchangeably for stylistic variation) in hydrocarbon projects in the host countries through investment, loans, and/or other financial support.

In doing so, it builds on earlier scholarship on the internationalization[1] of Chinese SOEs that has focused on Africa and Latin America, often leaving out developed countries from the analysis. In comparison, the literature on Chinese engagement in developed countries is relatively scarce and focuses on individual investment-recipient countries. This is problematic not only due to the fact that Chinese energy quest is a global phenomenon, as demonstrated by a map of Chinese FDI in oil and gas in figure 1.1, but also because Chinese engagement strategy differs between developed and developing countries. In the former, FDI is more common than loans or aid. In the latter, Chinese SOEs adjust their engagement packages to local conditions to be able to participate in the hydrocarbon industry. As I argue in this dissertation, the differences in China's engagement can be explained by the political economy of host countries that determines the ability of Chinese SOEs to participate in hydrocarbon projects in a host country.

[1] Internationalization is defined as "the process of increasing involvement [of a domestic firm] in international operation" (Welch and Loustarinen 1988, 36).

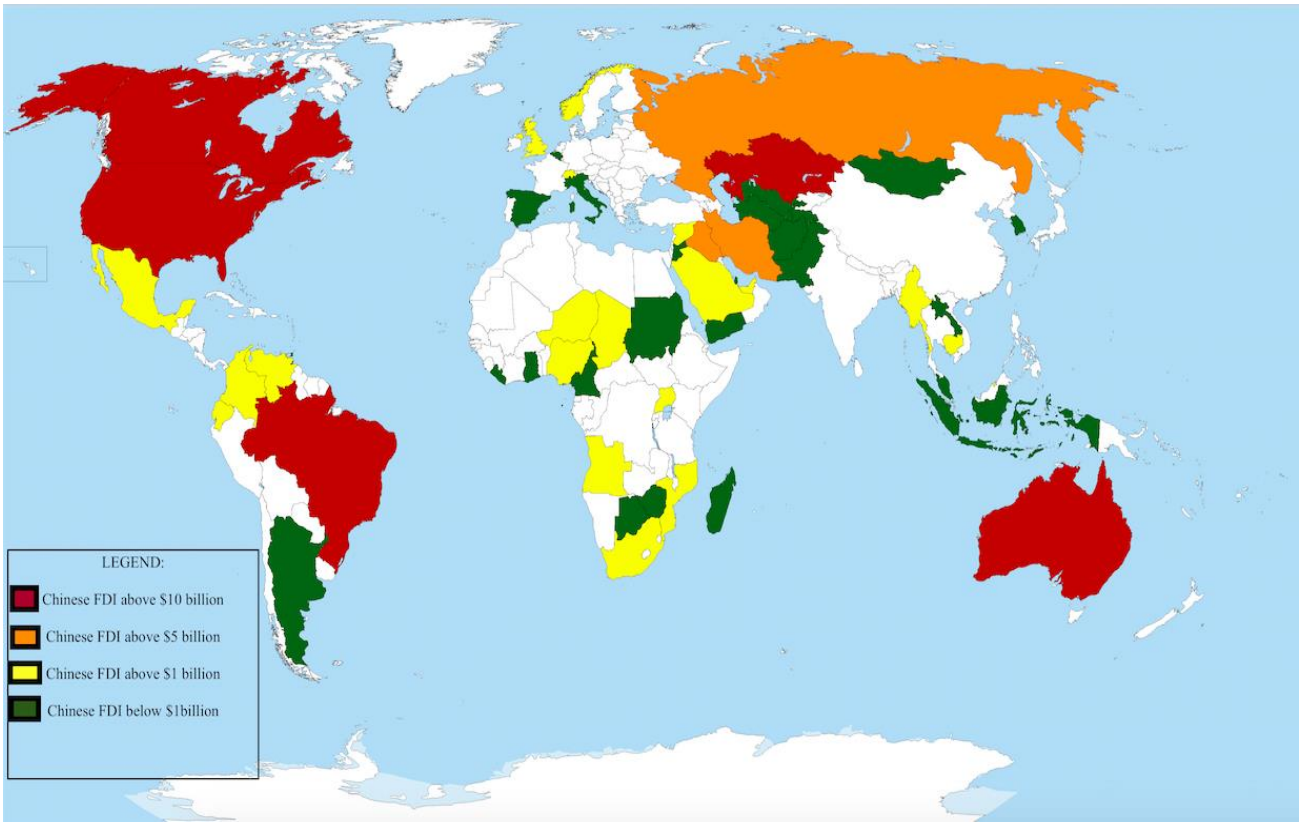



*Figure 1.1: The Global Spread of Chinese FDI in the oil and gas industry (China Investment Monitor; Scissors 2018)*

The map in figure 1.1 shows that Chinese investment in the oil and gas industry spans across Africa, Asia, Australia, Europe, South America, and North America. The map also reveals that Chinese investors have been very active (financially) in developed countries with stable investment regimes, such as Australia, Canada, and the United States. Chinese SOEs have also made substantial investments in emerging economies with less stable investment regimes, such as Brazil and Russia. Other countries in Africa, Europe, and Asia have likewise received Chinese FDI, yet the investment was substantially lower than in the aforementioned countries. While the quantitative data depicts a general image of China's global integration, it does not explain how China integrates into diverse host societies and whether its integration attempts are successful. On the basis of the data captured on the map, one may hypothesize that Chinese companies may find it easier to invest in Canada or the United States as the investment numbers in both are relatively high. However, such a conclusion will be misleading and premature, as it would not account for the fact that Chinese SOEs are, at times, unable to invest in some of the energy projects in these countries. Furthermore, it underestimates the total value of Chinese engagement in the hydrocarbon sector of host societies as it does not account for other forms of finance, such as aid, loans, and trade contracts.

My broader puzzle is based on the empirical data that is not picked up by the quantitative data on the FDI flows. The puzzling element rests on the evidence that investment made by Chinese SOEs in the same industry is treated differently across and within countries. On the one hand, Chinese SOEs investing in the energy industry are often met with rejection. Several cases can serve as evidence: Russia blocked China National Petroleum Corporation's (CNPC) acquisition of Slavneft in 2002; the United States blocked China National Offshore Oil

Corporation's (CNOOC) bid to acquire UNOCAL in 2005; in 2016, Australian government blocked State Grid Corporation and Cheung Kong Infrastructure company from investing in Ausgrid. On the other hand, Chinese SOEs have successfully acquired multiple oil and gas assets around the world. Some of the large-scale successful investments made by China include CNOOC's purchase of Nexen in Canada in 2013 and China National Petroleum and Chemical Corporation's (Sinopec) acquisition of Udmurtneft in Russia in 2005.

The diversity in the ability of Chinese SOEs to participate in hydrocarbon projects across and within countries is puzzling given that it occurs at different times and across different countries. After seeing these diverse outcomes in the success rates of Chinese SOEs, I began to wonder about what can account for this discrepancy. This has led me to the central question that motivated my research: how do host societies respond to Chinese investment and how does the domestic political economy of host societies, in turn, shape the ability of Chinese SOEs to participate in the oil and gas industry in host countries? My dissertation seeks to explain this observed variance in the success rates of Chinese engagement. In this process, it accounts for other factors, such as changes in China's engagement strategies, where Chinese SOEs shift their engagement packages that are composed of FDI, loans, and other types of finance (ex. long-term trade deals) to fit host country's needs. The difference in these engagement packages, at times, influences the success of Chinese SOEs.

## Literature Review and Contribution to the Existing Research

To answer the aforementioned question and explain the observed variance, I have turned to the existing studies on Chinese engagement for ideas. Researchers examining Chinese FDI have been preoccupied with establishing *why* and *where* Chinese investors venture abroad (Buckley et al. 2008; Kolstad and Wiig 2012; Li, Xia, and Lin 2017). After carrying out econometric studies, scholars have determined that Chinese investors are going abroad to acquire natural resources, managerial experience, and technology (Buckley et al. 2008; Lu, Liu, Wang 2011; Pietrobelli, Rabellotti and Sanfilippo 2011). Scholars have also examined *how* Chinese SOEs enter host societies and *what factors* influence their entry. They have identified multiple investment strategies adopted by Chinese SOEs (Cai 1999; Cui and Jiang 2009; Zhu 2018) and noted that these are often supplemented by financial support (aid or loans) (Alden and Davies 2006; Zafar 2009; Alves 2013). These studies have reaffirmed the notion that Chinese SOEs have developed different engagement strategies when seeking energy resources and relevant technology abroad.

Scholars have also examined the implications of Chinese engagement in host countries and analyzed broad geopolitical changes that can be triggered by China's growing energy demand. Since resource extraction has a negative environmental impact, scholars have noted that Chinese FDI in natural resources will exacerbate environmental problems and aggravate host societies (González-Vicente 2013; Gallagher 2016). At the same time, they also proposed that Chinese engagement may have a positive economic impact on the host societies (González-Vicente 2012; Gallagher 2016). Even though the impact of Chinese SOEs in host societies appears to be mixed, Chinese growing energy needs may have a significant geopolitical impact as it may reshape the geography of energy trade (Marketos 2009; Andrews-Speed and Dannreuther 2011). These studies suggest that China's investment provides a mixed bag of

benefits and concerns to host societies, yet does not answer the question about the success/failure of specific investors.

For my research purposes, I turned to studies that focused on the factors that shape Chinese investment strategies in the host society. One of these factors is related to home country institutions in China (Buckley et al. 2007, 2008; Lu et al. 2014; Lu, Liu, Wang 2011), while the second one is tied to institutions in investment recipient countries (Guillén and García-Canal 2008; Blomkvist and Drogendijk 2013; Beazer and Blake 2018). Their findings suggest that Chinese SOEs adapt to local circumstances in host countries (Morck, Yeung, and Zhao 2008; Alon, Leung, and Simpson 2015). Several scholars have also noted the importance of institutional compatibility between home and host countries (Guillén and García-Canal 2008; Beazer and Blake 2018; O'neill 2014). However, none of the studies that I have examined accounted for the adaptability of Chinese SOEs to different institutional environments. I also noticed that scholars did not engage in comparative case studies focused on Chinese SOEs operating within a single industry and across developed countries.

Cognizant of the gap in the current state of our knowledge, scholars have pointed out that new research should engage in comparative studies to analyze how Chinese SOEs operate within the same industries in different countries (Smith and D'Arcy 2013). Scholars also noted that future studies should examine how stakeholders in host countries respond to Chinese investment strategies and how Chinese investors engage with these stakeholders (Abdenur 2017, 192-194). Others proposed that new research should "analyze both successful and failed cases" of Chinese investment (Zhu 2018, 165). Following their suggestions, my doctoral dissertation contributes to the existing research by conducting a comparative study that explains why in certain cases Chinese SOEs successfully participate in the hydrocarbon sector, while, at other times, fail to attain their objectives. To answer this question, my dissertation analyzes the impact of stakeholder politics and institutions in host societies on Chinese FDI, loans, and other financial engagement in the hydrocarbon projects in a host country. In doing so, it broadens the narrow focus on investment, to include other types of financial engagement, such as loans or long-term supply contracts.

## My Proposed Solution to the Central Questions or the Overview of my Theoretical Framework and Arguments

In order to explain the observed variance in the success rate of Chinese SOEs in the hydrocarbon projects in host countries, my dissertation examines a set of projects where Chinese SOEs declared interest to participate in Canada and Russia. For the purposes of my study, the success rate is defined as the ability of an SOE to pursue a deal in a chosen country (i.e. to be able to invest or engage in the deal through other means, including loans and long-term energy supply contracts). My dissertation aims to develop a theoretical model that explains why foreign companies, including Chinese SOEs, succeed or fail to participate in a specific oil/gas project in a given host country. This model, which will be outlined in chapter three and adapted to the Canadian and Russian cases in chapters 4 and 6, provides unique theoretical insights and is one of my contributions to the existing research on Chinese FDI.

The theoretical model proposes that Chinese engagement/participation in the hydrocarbon projects in host countries will be determined by stakeholder politics and institutions in the investment-recipient state. I propose that stakeholders in a given society have a set of metaphorical licenses – indication of support for a project - that they may grant to a foreign company that they support. The notion of licenses rests on the idea of a social license to operate popularized by scholars. Social license can be defined as community permission or support given out to a business (or businesses) to carry out a specified project (see Gunningham, Kagan, and Thorton 2004; Prno and Slocombe 2012). My research expands the notion of the social license to operate by including political and market licenses. According to my theory, the ability of stakeholders to use these licenses depends on the distribution of power in a given society as dictated by local institutions. Institutional variable subsumes both formal and informal institutions in a host country. These two variables are the main independent variables that determine Chinese engagement in a host society. There is an additional intervening variable[2] – inter-state relations – that I add to my model because it shapes the responses of stakeholders to Chinese engagement. Ultimately, I propose that the ability of a Chinese SOE to engage in the hydrocarbon sector will depend on the interaction between these three variables. Each of these variables will be explained in more detail in chapter 3.

On the basis of this model, I have developed several propositions (or arguments) that will be explained in detail in my dissertation. First, individual stakeholders can influence Chinese engagement to a different degree across host societies. To illustrate, Chinese SOEs may find it harder to participate in hydrocarbon projects in a society with multiple license holders that are able to shape energy projects, than in a society with fewer stakeholders who are able to influence energy projects. Since inter-state relations shape the decisions of stakeholders on the ground, my second proposition states that stakeholders' responses to geopolitical changes in China's favour may make it easier for Chinese SOEs to engage in hydrocarbon projects in a host country. Conversely, when geopolitical relations are tilted against China, domestic stakeholders will be more likely to reject Chinese FDI or loans. Lastly, formal and informal institutions influence Chinese engagement in host societies. To test this theory, I have chosen to examine the engagement of Chinese SOEs in Canada and Russia by looking at formal and informal institutions and stakeholder receptiveness to Chinese engagement in specific projects in the respective countries.

## Why Did I Choose to Analyze Chinese Engagement in Canada and Russia and What Have I Found?

The three elements identified in this model can theoretically be applied to any foreign company and host country combination as they can be adapted to specific circumstances of host countries and investors. So why did I choose to analyze Chinese engagement in Russia and Canada? The empirical data on China's growth in the global hydrocarbon industry and the research gaps have motivated my study of Chinese participation in this industry. The choice of Russia and Canada for a comparative analysis rests on two factors: a) their global importance as major oil and gas producers, and b) active engagement/participation of Chinese SOEs in the

[2] An intervening variable is considered to be a "link between independent and dependent variable" (Abbott and McKinney 2013, 174).

hydrocarbon industry in both countries. The two countries are systematically important to China's energy strategy as the data, which I will discuss in detail in Chapter 2, indicate. For example, Canada is the largest recipient of Chinese FDI (Scissors 2018), while Russia is the largest source of Chinese oil imports (UN Comtrade 2018) and the largest recipient of Chinese energy loans (Global Development Policy Centre).

The two countries are unique in China's energy strategy given that they are two of the largest energy producers in the world. Both countries are also politically and economically significant global actors and fit within the characterization of developed or emerging economies. Since a majority of the existing studies have been preoccupied with the analysis of Chinese engagement in developing countries (Alden and Davies 2006; Bräutigam 2009; Gallagher 2016), my study adds new empirical data on Chinese engagement from the perspective of non-developing countries. Despite the fact that these two countries are systematically important in China's energy, scholars have only focused on either of the two countries in their analysis. Since no comparative studies have been carried out on the Canadian and Russian responses to Chinese SOEs' engagement in their respective oil and gas sectors my study will be the first one to undertake this task. In this way, I also provide an empirical contribution to the existing research.

The two countries are also well suited for comparative purposes because their responses to Chinese engagement have varied over time, which impacted the inflow of Chinese FDI, as figure 1.2 indicates. The figure captures two distinct trends. The first trend worth noting is that Chinese FDI in Canada was very high during the 2009-2015 period and declined thereafter. The second trend captures the growth of Chinese FDI in Russia from 2013 onward. The two trends chart an opposite picture, which, as I propose in my dissertation, can be explained by changing stakeholder attitudes and institutional innovation related to shifting inter-state relations (all of which are ultimately influenced by the informal institutions of a host state).

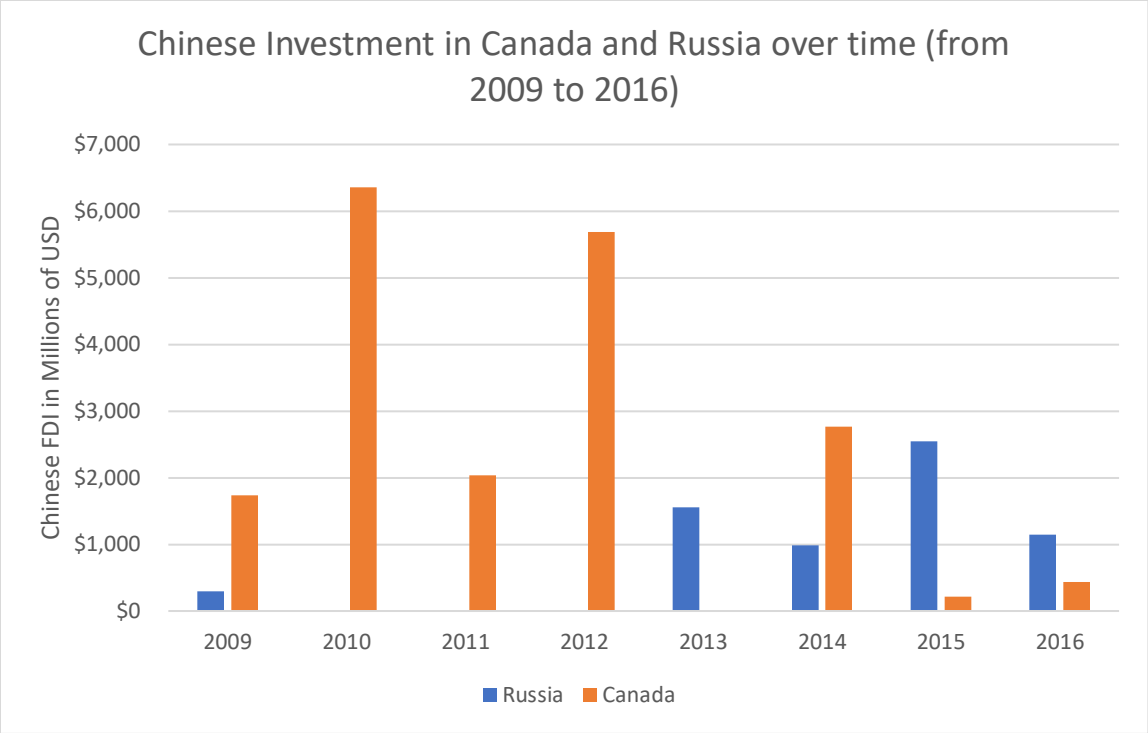



*Figure 1.2: Chinese Investment in Canada and Russia from 2009 to 2016 (China Investment Monitor; Scissors 2018)*

To test my theoretical model, I relied on qualitative comparative methodology focused on fieldwork, interviews, and desk research to compare Chinese engagement in Canada and Russia. I carried out field research and interviews in both countries. I interviewed experts and practitioners who have monitored Chinese SOEs' activities in the hydrocarbon sector. I combined interviews, media analysis, and secondary research in English and Russian to provide a rigorous analysis of Chinese financial engagement in both countries. As I briefly noted earlier, my analysis rests on a novel theoretical framework that I have developed by combining historical institutionalist theories with stakeholder theories. The combination of these two theories allows me to account for the role of individuals and institutions in shaping Chinese investment and other types of financial engagement in the hydrocarbon industry. I propose that sometimes the two variables interact in an unpredictable manner to produce unique outcomes that cannot be explained by looking solely at institutions or stakeholders.

My research findings reveal that Chinese participation in the hydrocarbon industry abroad is determined by the interaction between stakeholder interests and institutions in host societies. To demonstrate, in the Canadian case, the early success of Chinese FDI in the hydrocarbon sector has triggered a protectionist response. In the Russian case, we can observe the opposite scenario. Chinese investors were met with early setbacks and failed to acquire Russian energy companies. However, since the mid-2000s, Chinese investors have been successful in the major projects along the hydrocarbon chain, from oil production to gas liquefaction, and transportation. The shift coincides with a growing receptiveness of Chinese SOEs by key stakeholders in Russia. This phenomenon persisted despite the tightening of regulatory (formal) institutions, which are often flexible in the Russian case. In both cases, institutions and stakeholders determine the ability of Chinese SOEs to participate in hydrocarbon

projects and shape the nature of Chinese engagement in the hydrocarbon sector. These findings will be explained in detail in the core chapters of my dissertation.

My findings are subject to several minor limitations, which I will discuss in detail in chapter three. For the purposes of the introduction, I will provide a brief overview of these limitations. First limitation is related to the unreliability of quantitative data on Chinese FDI, loans, and other finance. Therefore, I have chosen to conduct a qualitative study. Yet, qualitative studies have several limitations that are worth noting. One of these, is related to the timing of my research, where some of the projects that I have analyzed are still ongoing. Given that several projects are still ongoing it was difficult to make predictions about their future. The third limitation is related to the nature of the interview process itself, as certain stakeholders – representatives of Chinese SOEs - declined to participate in the interview process. The fourth limitation is related to the selected cases. Given that I chose to study Canada and Russia, my research findings will not be generalizable easily to other cases. Nonetheless, the general model and ideas that I will outline in my dissertation can be applied to other countries and projects.

## Overview of the Dissertation

This dissertation is composed of eight chapters. The first three chapters set up the dissertation. In this introductory chapter, I have outlined key questions, puzzles, and concepts that will be explored throughout this study. The second chapter analyzes empirical information by relying on statistical data to provide a general picture of Chinese engagement and reviews the existing literature on the topic of Chinese FDI and broader engagement. Subsequently, the third chapter discusses the research design and provides a theoretical model that is used in the case study chapters (chapters 4-7). Chapters four and six adopt and modify this theoretical model to the Canadian and Russian cases. The modified model is subsequently tested in chapters five and seven, in which I analyze Chinese participation in hydrocarbon projects in three case studies across the hydrocarbon chain of both countries. Chapter eight summarizes the key ideas and develops relevant arguments based on my findings before concluding. The next paragraphs provide more information about the arguments advanced in each of the chapters.

Chapter two combines empirical information with a literature review. The first part of this chapter provides an overview of the Chinese quest for energy resources overseas. It links China's rapid economic growth with rising energy demand and traces policy implications. More specifically, it examines how China's growing demand for energy reduces China's energy security. As I propose in this chapter, China's policymakers are aware of this insecurity and have designed a set of strategies to reduce energy demand and increase energy supply. These strategies have implications for China's activities at home and overseas. As this chapter shows, domestic limits push Chinese companies to expand their search for oil and natural gas overseas. This section outlines their expansion through trade, investment, and loans. It analyzes statistical data to map Chinese engagement with hydrocarbon-rich countries by examining data on Chinese imports, FDI, and energy loans. The main contribution of this chapter is to provide a big picture of Chinese engagement with the hydrocarbon-rich countries and to refine the central puzzle of my dissertation that will be examined in the subsequent comparative theoretical and case study chapters on Canada and Russia.

The second part of chapter two situates my work within the existing scholarship on Chinese financial engagement in the hydrocarbon-rich countries. This topic has been central to numerous scholarly studies that span multiple fields of inquiry, including economics and political science. As I will illustrate in this chapter, economists and political scientists have been fascinated with Chinese economic expansion and its SOEs. As noted earlier, economists are predominantly focused on the internationalization of Chinese SOEs, while political scientists examine the implications of this internationalization for host countries. These two perspectives are my analytical starting points as they led me to ask novel questions that the literature has not raised. Specifically, existing studies have not looked at the question of the success/failure – operationalized by the ability of Chinese companies to participate in the hydrocarbon projects in a host country. This question has motivated my theoretical approach, which I discuss in the subsequent chapter.

Chapter three addresses my research design, theoretical framework, and research limitations. The goal of this chapter is to outline the theoretical and methodological approach adopted in this dissertation. In doing so, it articulates the central puzzle and rephrases key questions that I will address in my dissertation. These puzzles and questions seek to advance research on Chinese financial engagement in host countries in a novel direction that remains grounded in the existing literature. My research design borrows a theoretical framework from the scholarship on historical institutionalism and stakeholder theory. The combination of these two perspectives is a novel approach that I developed to study Chinese engagement in the host countries. As noted earlier, this framework is generalizable and can be used by other scholars to study the engagement of other businesses in other economic sectors. I combine this framework with the qualitative comparative methodology by focusing on the participation of Chinese SOEs in the Canadian and Russian hydrocarbon sector. In this chapter, I also discuss case selection and data collection strategies. The final section of this chapter outlines the limitations of my research. Overall, this chapter is designed to provide all of the building blocks that are utilized in the subsequent chapters.

Chapters four and five focus on Chinese SOEs' participation in the Canadian hydrocarbon sector. The first of these two chapters adopts my general theoretical framework to the Canadian setting. It examines the role of inter-state relations, formal and informal institutions, and stakeholder politics in shaping foreign engagement in the energy sector. In this chapter, I propose that the neo-liberal market ideology combined with supportive Sino-Canadian relations facilitate welcoming environment for SOEs. However, regulatory institutions and stakeholders can exert opposing force and block Chinese engagement in Canadian energy projects. I explore these dynamics in detail in chapter six. This chapter looks at specific hydrocarbon projects where Chinese investors indicated an interest to participate. This chapter examines three case studies of SOEs' investment along the hydrocarbon chain, including projects in oil sands (CNOOC's investment in Nexen), liquefied natural gas (LNG) sector of British Columbia (proposed investment by CNPC, Sinopec, and CNOOC), and pipeline infrastructure (SOEs participation in the Northern Gateway pipeline). The findings in this section show that China's engagement in the Canadian hydrocarbon sector is more complicated/difficult than the quantitative data suggest as it is influenced by stakeholders and regulatory tightening. In fact,

one may argue that Chinese SOEs have been struggling in the greenfield[3] energy projects in Canada, while their success in a project requiring brownfield investment[4] in the oil sands has led to stricter regulations that will limit subsequent investment by Chinese SOEs in this sector.

Chinese engagement in the Russian hydrocarbon sector is at the centre of chapters six and seven. Following the model that I developed in the Canadian case studies, chapter seven provides a theoretical framework to analyze Chinese SOEs' participation in the hydrocarbon projects in Russia. This chapter examines how the ideology of resource nationalism (informal institution) and historically-strained Sino-Russian interstate relations served as constraints to Chinese FDI. Likewise, it analyzes the impact of Russian regulatory institutions and stakeholders in shaping Chinese SOEs' participation in the energy sector. This chapter suggests that flexible regulatory institutions and stakeholder politics dominated by political and business elites may serve as constraints to Chinese engagement. Despite this generally unwelcoming investment environment and some early failures of Chinese SOEs to gain a foothold in the Russian hydrocarbon industry, Chinese enterprises were successful in multiple projects along the hydrocarbon chain since the mid-2000s. Chapter seven examines Chinese engagement in the Udmurtneft's oil extraction plant, the Yamal LNG plant, and the East-Siberia Pacific Ocean (ESPO) pipeline. By analyzing these cases, it traces how individual factors on the ground provide a flexible environment for foreign engagement in the energy sector. Thus showing, that China can be successful in countries with a restrictive investment environment that is adaptive to a changing geopolitical environment.

The concluding chapter (chapter 8) provides an overview of the main arguments and findings developed throughout this dissertation. This last chapter restates key questions, puzzles, and objectives of my study before discussing the main results. In doing so, it expands on the findings and provides a novel interpretation of the data by comparing the results of the two cases. This chapter also seeks to draw generalizable insights that can be applied by other scholars in future studies. Additionally, chapter eight outlines possible future research directions that can be pursued by scholars. Lastly, it summarizes research contributions that my dissertation makes and outlines how these findings may benefit scholars, policymakers, industry players, and civil society actors.

## Conclusion

The global expansion of Chinese SOEs in search of natural resources, including energy, has been one of the fascinating development in the last twenty years that fascinated social scientists. Presently, Chinese energy companies have spread their activities across the globe as they invested in oil and gas assets in Africa, Asia, Australia, Europe, Latin America, and North America. As the map in this chapter indicated, Chinese SOEs were especially active investors in the developed countries and emerging economies with abundant oil and natural gas reserves. The spread of Chinese SOEs is often accompanied by other types of engagement, such as aid, trade, financial support through loans, and political support. Despite this impressive growth of Chinese

[3] Greenfield investment indicates that a corporation will build its subsidiary from a ground up in a host country. Thus, creating a new company (by replicating itself and its activities) in a host country.
[4] Brownfield investment indicates that the company will take over existing plants/factories/facilities in a host country.

SOEs, some of the individual projects in the energy sector coveted by these enterprises did not materialize.

This phenomenon has thus far flown under the scholarly radar. Yet, multiple scholars have acknowledged this gap and proposed that further research is needed to analyze how Chinese SOEs operate within the same industries in different countries (Smith and D'Arcy 2013) and how local stakeholders respond to Chinese investment (Abdenur 2017, 192-194). As Zhu (2018, 165) has noted we still lack a study that accounts for the successes and failures of Chinese SOEs to participate in hydrocarbon projects. As I noted earlier, my dissertation seeks to tackle their questions by trying to account for the aforementioned puzzle - why do the projects proposed by Chinese SOEs in the energy sector of the host countries sometimes succeed, while at other times fail to materialize. My dissertation seeks to explain this observed variance by examining the impact of host country's political economy on Chinese engagement in the hydrocarbon sector. The political economy is operationalized by two independent variables –institutions, and stakeholder politics – and one intervening variable – inter-state relations. The latter variable of inter-state relations shape stakeholder responses toward Chinese SOEs. These three variables interact with each other to determine Chinese engagement in a given host country. By carrying out this research, my study goes beyond the quantitative data, which has been preoccupied with mapping the flow of FDI.

# Chapter 2. China's Growing Role in Global Energy Markets

China's rapid rise and shifting energy needs have shaped its integration into the global energy sector. China's integration into the global energy markets also influences energy-producing countries. In 2011, China became the largest energy consumer and producer in the world (EIA 2015; IEA 2016). As of 2017, the country ranks as the largest oil importer, a rising consumer of natural gas, an important producer and consumer of coal, and a leader in low-carbon technologies and renewable energy (OECD Publishing and International Energy Agency Staff 2018, 471). The IEA forecasts that China's energy demand will continue to grow over time (IEA 2016). This makes China one of the most influential players in global energy markets today. Chinese energy companies, such as CNPC and Sinopec, are currently competing on par with the international giants, such as BP (formerly British Petroleum/ now Beyond Petroleum) and ExxonMobil, for energy assets and market share across the globe.

The objective of this chapter is to outline China's role in the global hydrocarbon industry and to position my research in relation to the existing literature. To achieve this objective, this chapter is subdivided into two major sections. The first section of this chapter examines the empirical data on China's growing role in the global energy industry, while the second section focuses on reviewing the relevant literature. In doing so, the first part provides empirical information and demonstrates the scale and significance of China's engagement in oil and gas-rich countries. While the first part sets up the broader picture of China's engagement, the second part of this chapter identifies gaps in the existing research and positions my dissertation within the existing literature. This literature also helps me to construct the basic framework of the model that I develop in chapter 3.

## Tracing the Origins of Chinese Growing Role in the Global Energy Markets

Energy is an essential input for continuous growth and development of the Chinese economy. China's economic growth is the outcome of economic reforms initiated in the late 1970s. Starting with Deng Xiaoping's "Reform and Opening Up" policies in 1978, the economy turned to a resource-intensive model of economic development focused on export-led growth (White Paper 2012). As the consequence of this reform, the Chinese economy experienced rapid economic growth (around 10 per cent per annum) from 1978 to 2012 (World Bank 2018). While this growth has lifted millions of people out of poverty, it also placed pressure on domestic energy resources (OECD/IEA 2000, 7 and 13). The government has acknowledged that the "Reform and Opening Up" policy has also increased China's reliance on overseas petroleum (Wei 2009; Feng et al. 2012, 8). These phenomena are captured by the statistical data, which I will analyze in this section.

China's rapid economic growth coincides with a rapidly rising energy consumption. Examining the data provided by the National Bureau of Statistics of China, we can see that China's energy consumption grew by over 340 per cent from 1990 to 2016. The data are presented in Figure 2.1 that plots China's energy consumption (in 10 000 tons of standard coal equivalent) from 1990 to 2016. A steep upward sloping line on the graph indicates that China's energy consumption has been growing every year with a period of rapid acceleration in consumption around the early 2000s. The consumed energy comes from different energy sources, determined by China's energy mix.

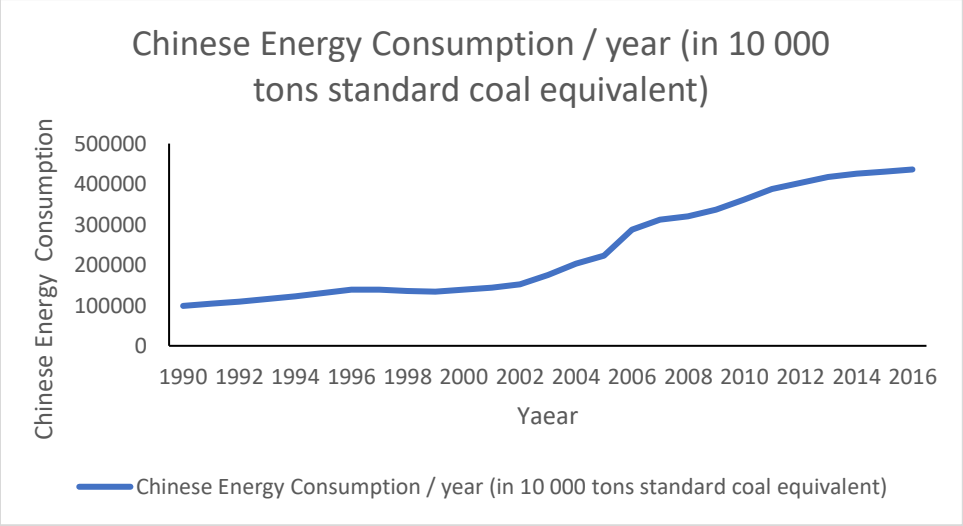



*Figure 2.1: Chinese Energy Consumption per Annum (in 10,000 tons standard of coal equivalent) (Source: National Bureau of Statistics of China)*

China's energy mix has been dominated by the consumption of coal, but the country is moving toward other sources of energy, such as oil and natural gas. As 2014 data, provided by the Energy Information Administration (EIA 2016), indicate coal dominates China's energy mix with over 66 per cent of energy needs satisfied by the burning of coal (see Figure 2.2). In the future, China's consumption mix will switch away from coal as the National Development and Reform Commission (NDRC) has committed to reducing China's coal consumption (National Development and Reform Commission 2016, 6). The second largest source of energy for China is currently oil, which accounts for 20 per cent of the energy used by China. Following the historical trend of 5.77 per cent growth in annual consumption of oil since 1993, China's oil consumption will likely continue to grow continuously (Liu et al 2012, 1). Although other sources for energy generation are used less prevalently in the current energy mix, with hydropower accounting for 8 per cent and natural gas for 5 per cent, Chinese policymakers are planning to increase the proportion of renewables and natural gas in the energy mix. To illustrate, the EIA (2015) projects that natural gas will likely account for 10 per cent of China's energy mix by 2020.

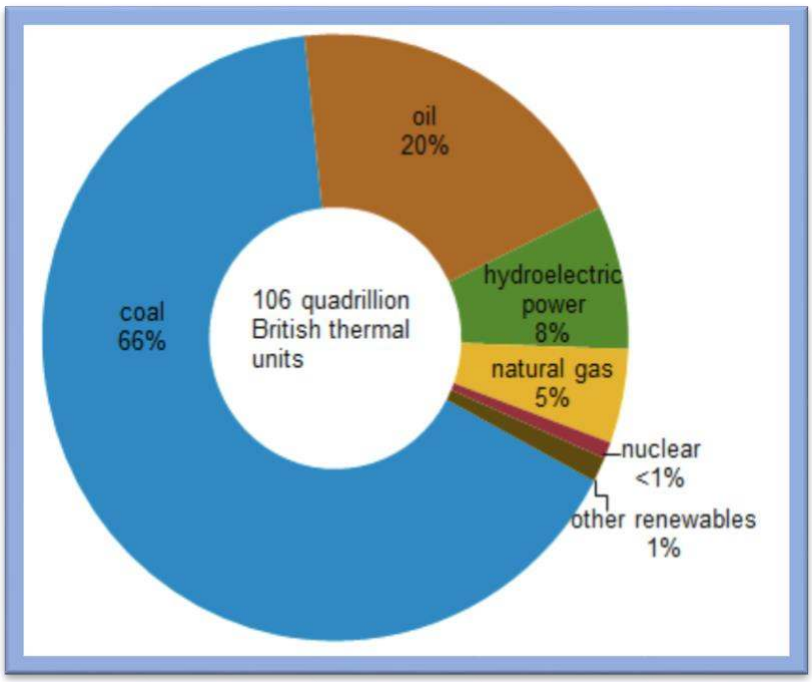



*Figure 2.2: Chinese Energy Consumption Mix (2014) (graphic from EIA 2016).*

The government has adjusted its policy to diversify the energy mix. In 2014, the State Council announced a policy to reduce the proportion of coal-generated energy. This policy was codified in the "Energy Development Strategy Notification Plan (2014-2020)" (2014). Since the implementation of this plan, the percentage of coal in China's energy mix has begun to drop. At the same time, China's consumption of non-coal energy sources, such as renewables and oil and gas continued to grow. Data indicate that China's demand for hydrocarbons continues to grow over time, especially for the oil and gas. This growth is depicted in Figure 2.3, generated on the basis of data released by the BP in 2018. The graph illustrates a steady growth in China's consumption of oil and natural gas (Figure 2.3). As Chinese consumption of oil and natural gas continues to grow, its reliance on these energy sources will expand. Thus, Chinese policymakers are becoming very sensitive to the question of oil security.

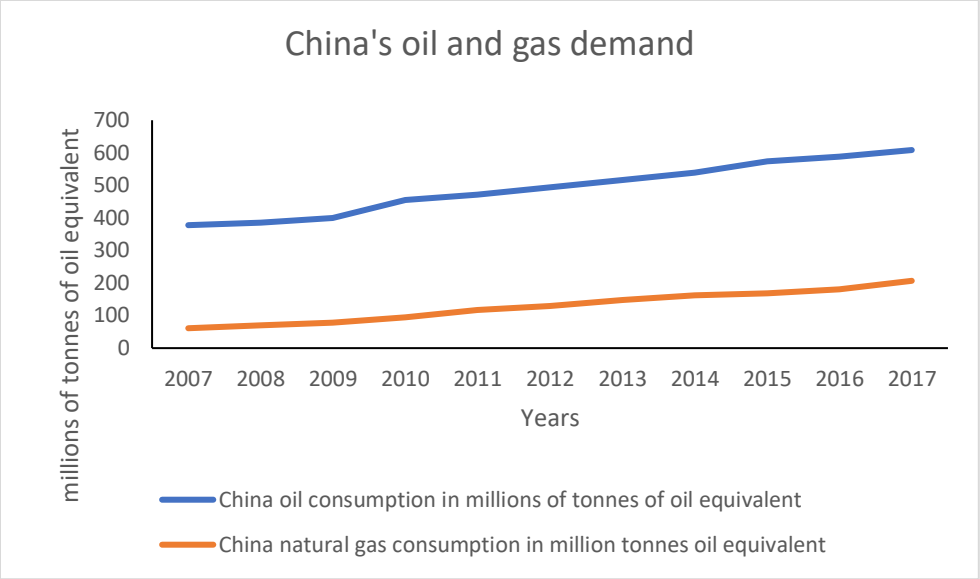



*Figure 2.3:China's Oil and Gas Demand Growth Data from 2007 to 2017 (source: BP 2018)*

China's government acknowledges that the rising demand for energy is negatively associated with China's energy security. Energy security, defined as a reliable supply of oil and gas resources at reasonable prices (IEA n.d.; Yergin 2006), is an important policy issue in China. While Chinese White Paper on "China's Energy Policy" (2012) does not provide a definition of energy security, it appears to draw on the international definition of the concept. For Chinese policymakers, security of oil supply has become a central issue as it is tightly linked with the legitimacy of the Chinese government (Zhang 2004, 164; Andrews-Speed and Dannreuther 2011, 1-4). In the official statements and White Papers, Chinese policymakers acknowledged the problem of energy insecurity. In the "China's Energy Policy" (2012), Chinese policymakers note that China is not well-endowed in natural resources, even though it is growing increasingly dependent on energy imports, which decreases China's energy security. According to the White paper on "China's Peaceful Development Road" (2005, III and V), China will rely on international markets to secure energy resources. In an official statement addressing China's growing energy needs, Zhang Guobao (2005), from the NDRC, has stated that "China will stick to the policy of opening up [to] the outside world and continue to strengthen energy cooperation with other countries" to ensure China's energy security in an environment of volatile oil prices.

## Attaining Energy Security

To satisfy its growing demand for oil and natural gas, China exploits domestic and foreign hydrocarbon reserves. In pursuit of oil and gas assets, the Chinese government converted former energy ministries to three large SOEs. The government created CNOOC in 1982, Sinopec in 1983, and CNPC in 1988 (Feng et al. 2012, 8). These SOEs originally served as "administrative entities" that had to oversee energy policy and manage state's energy assets (Zhang 2004, 6). Initially, SOEs were tightly controlled by the Chinese government (Andrews-Speed and Dannreuther 2011), but after the 1998 reform of the oil industry, Chinese SOEs began to pursue commercial interests (Liou 2009). Although there is evidence that Chinese SOEs are acting independently from the Chinese government and are driven by the commercial motives (Downs 2004; Liou 2009), there is still a debate to what extent are these SOEs independent from

the government (Burgos Cáceres and Ear 2013; Alon, Leung Simpson 2015). This debate is reinforced by the government's discussion to implement new SOE-related reforms in the future to turn SOEs into privatized entities as reported by the Xinhua news agency (2017).

Cognizant of the debate on the state-ownership of the enterprises, Chinese SOEs strive to behave like their Western competitors. Chinese SOEs have created subsidiaries to operate abroad, such as PetroChina or Sinopec. These subsidiaries are represented across the world; they operate oilfields, provide technical services, and build infrastructure (ex. refineries and pipelines) abroad (Feng et al. 2012, 33; Zhang 2004). Although these subsidiaries are listed on the international capital markets, they also rely on the support of the Chinese government and are regulated by the governmental agencies in China. Several governmental agencies supervise SOEs activities abroad, including the State Assets Supervision and Administration Commission (SASAC), the Ministry of Commerce (MOFCOM), and the NDRC. These agencies often provide directives for SOEs, including a requirement to obtain permission from the NDRC to invest in specific projects (Li 2010, 237-238). Furthermore, SOEs' overseas projects are often supported by loans extended by the Chinese policy banks, such as the China Development Bank (CDB) and the Export-Import (EXIM) Bank of China. Chinese banks also provide finance to hydrocarbon-rich countries through loans-for-energy packages, which will be discussed in the latter part of this chapter. However, before turning to China's engagement in the global energy markets, domestic resources and policy environment should be explored.

In partnership with SOEs, Chinese policymakers have developed multiple strategies to improve China's energy (oil) security. Drawing inspiration from the United States' model, China's strategy to attain energy security combines domestic and international solutions, including bilateral energy diplomacy, domestic energy conservation, and exploitation of new energy sources, among other techniques (Chen 2008). The model is based on the premise of energy security, where a strength of the state depends on its ability to control/own oil and gas assets in oil-producing regions (Chen 2008, 88). The model combines supply and demand side strategies to advance China's energy security. The supply-side strategies ensure China's uninterrupted access to energy supplies, while the demand strategies are designed to curtail domestic energy consumption. Both strategies can be pursued simultaneously domestically and internationally.

Domestic supply-side and demand-side strategies are designed to help China regain its energy self-sufficiency to ensure China's independence from global forces and actors (Liu et al. 2012, 1). In pursuit of the supply-side strategies, China seeks to expand oil production from new onshore and offshore fields (China's Policy on Mineral Resources, White Paper 2003, III; China's Energy Policy 2012, V) and build strategic oil reserves[5] to ensure that it has adequate supply of energy to withstand an energy crisis. As part of the demand-side strategies, China promotes energy efficiency and conservation (China's Energy Policy, White Paper 2012). The government also supports economic transition to renewable energy to reduce China's reliance on fossil fuels (China's Energy Policy, White Paper 2012, 1). Yet, domestic energy security strategies have their limits.

[5] The oil reserve has been commissioned by the Chinese government in the 10th Five-Year Plan (2001-2005). China finished constructing the first phase of the storage facilities in 2009 and has embarked on the second stage that is due in 2020 (Bloomberg News 2016).

The supply and demand strategies that China pursues at home are constrained by the geological and socioeconomic factors. The demand-side strategies are limited by a continuous economic growth and expansion of the middle-class, that is increasingly reliant on energy consumption, will likely reduce the effectiveness of China's demand-side strategies. As China's demand for energy continues to grow, China turns to supply-side strategies. Yet, these strategies are also negatively impacted by domestic conditions, including geological limits. The country possesses only 2.3 per cent of global oil reserves and only 0.9 per cent of global natural gas reserves (Zheng 2004, 163). These resources also have low recovery ratios and their development is complicated by complex geology (Liu et al. 2012, 18-24; EIA 2015). China has several large oil fields, such as Daqing, Changing, and Tarim. However, these fields are aging, and their output is declining (EIA 2015). Development of new oil fields is uncertain as some are located in the China Sea, which is currently a disputed area, and Tarim Basin, which is located in the Xinjiang Uygur Autonomous Region (OECD/IEA 2000, 23; EIA 2015). These regions are prone to conflict, which makes the investment in these fields risky.

Limits placed on domestic strategies to attain energy security push China to seek solutions to its energy dilemma overseas. Domestic factors make it increasingly difficult for Chinese companies to develop new hydrocarbon fields as they require large upfront costs and advanced technical expertise to recover resources in precarious fields (EIA 2015). Furthermore, to extract these hard-to-access resources, Chinese SOEs need to acquire expensive foreign technology and expand its investment in the domestic market (OECD/IEA 2000; EIA 2015; China's Energy Policy, White Paper 2012, V). Acknowledging the limits to domestic strategies, the Chinese government supports SOEs' acquisition of foreign technology that is needed to extract non-conventional oil and gas resources at home (China's Energy Policy, White Paper 2012, V). SOEs are also encouraged to invest abroad and transition to renewable energy generation techniques (China's Energy Policy 2012, V; Liu et al. 2012, 1). Since domestic strategies are limited, Chinese government officials and SOEs have turned to international markets to support energy security.

Chinese policymakers have developed a set of international strategies that are essential for attaining energy security. These strategies supplement domestic initiatives and provide China with a range of options, including diversification of energy suppliers, construction of energy transportation infrastructure (for example pipeline and maritime fleet), and expansion of economic relations with energy-exporting countries (Chen 2008). These strategies are part of the broader "Go Global" investment program, which was adopted in the 1990s. Under the "Go Global" framework strategy (and more recently BRI), Chinese SOEs rely on government's resources provided for Chinese companies to expand their presence abroad. There are a few core economic and political strategies under the "Go Global" framework to attain energy.

At the centre of these strategies is energy diplomacy. A general definition of energy diplomacy suggests that it is composed of a set of "foreign activities with explicit involvement of the central government…[which aims] to secure foreign oil and gas resources or promote interstate oil and gas business cooperation" (Chen 2008, 80). This version of energy diplomacy is pursued by the government of China to help its SOEs acquire oil and gas assets abroad. The goal

of China's diplomacy aspires to expand the amount of oil available on the international market rather than to acquire the sites for domestic purposes, which indicates a commercial logic of FDI (Chen 2008; Raphael and Stokes 2011). Thus, scholars note that Chinese energy diplomacy generally follows liberal premises (Ziegler 2006). In general, China's energy diplomacy combines political and economic elements. Political elements include diplomatic ties, use of veto power in the international organizations, and military support, such as the sale of weapons and other military technology to Sudan and Algeria (Paul 2010), while economic elements include trade, aid, and investment. The latter is also known as the "Yuan Diplomacy", a term coined by Kevin Gallagher (2016). China combines both dimensions of energy diplomacy to attain energy security, promote corporate development, and provide employment for Chinese labourers (Chen 2008). It does so on the bilateral, regional, and multilateral scale.

At a bilateral level, Chinese officials can secure oil deals during high-level state visits (Chen 2008; Andrews-Speed and Dannreuther 2011). Chinese officials can offer financial, military, or political support to its energy partners in exchange for oil contracts (Vivoda 2009; Paul 2010, 63-64). During these high-level visits, Chinese officials may also sign bilateral investment treaties. China has currently 110 active[6] Bilateral Investment Treaties (BITs). Twenty-three out of those 110 are signed between China and the oil/gas rich countries as indicated in the Table 2.1. BITs may be an effective mechanism to promote bilateral energy investment. Scholars find that BITs may increase bilateral investment as they reduce political risk by providing protections to investors (Comeaux and Kinsella 1994; Salacuse and Sullivan 2005).

| Chinese BITs with oil/gas rich countries | Important oil/gas producers missing from BITs |
|---|---|
| Algeria, Azerbaijan, Canada, Colombia, Congo, Ecuador, Iran, Kazakhstan, Kuwait, Mongolia, Myanmar, Nigeria (renewed and changed in 2001), Oman, Peru, Russia (renewed and changed in 2006), Saudi Arabia, Sudan, Syria, Thailand, Tunisia, Turkmenistan, United Arab Emirates, Uzbekistan (renegotiated in 2011) | Angola, Brazil, Iraq, Niger, South Sudan, Venezuela |

*Table 2.1: Chinese BITs signed with oil/gas-rich countries (source: Investment Policy, UNCTAD)*

China is also becoming more integrated into energy networks at regional and global scales. Regionally, China has created multiple fora and organizations to pursue regional economic collaboration that envisions closer energy trade and investment. China's membership across several regional economic fora/organizations that deal with energy has grown over time. China is now a leading player in several regional organizations, including the Forum on China-Africa Cooperation (FOCAC), the China-Community of Latin American and Caribbean States (CELAC), and the Shanghai Cooperation Organisation (SCO). In the past two decades, China has also grown from a regional to a global player in the energy sector, which reflects China's

[6] By active BITs, I refer to treaties that have been signed and are currently in force.

growing influence on the global energy market (Ziegler 2006). At the global/international level, China pursues energy diplomacy within global energy governance bodies, such as the IEA or the BRICS forum. China's active role in global energy governance indicates that China is becoming a more active actor both regionally and globally (Xu 2011, 161). China's integration into energy governance signals its growing interest in pursuing domestic energy goals through multiple channels.

Across all of the levels of analysis (from bilateral to global), Chinese energy diplomacy appears to be carefully crafted to support its energy strategy. Chinese policymakers acknowledge that China's energy security cannot be attained without engaging in international cooperation (China's Peaceful Development, White Paper III and V). In pursuit of this collaboration, China's energy strategy for the near to long-term, until 2025-2050, supports the expansion of Chinese SOEs overseas in partnership with foreign companies (Liu et al. 2012, 2). As part of the energy security strategy, SOEs are encouraged by their government to diversify oil suppliers (China's Energy Policy, White Paper 2012, V; EIA 2015). A policy supportive of SOEs overseas expansion indicates a close connection between political and economic aspects of Chinese energy diplomacy, where Chinese policymakers collaborate with SOEs to acquire energy resources abroad. This collaboration rests on lucrative economic packages that combine trade, investment, and financial support that are extended by SOEs (with the backing of the Chinese government) to the host countries.

Chinese SOEs are at the forefront of China's overseas expansion. CNPC, Sinopec, CNOOC, and their subsidiaries have established their presence across the world by spreading their operations globally. For example, CNPC has oil and gas assets in 37 countries across the globe. Feng et al. (2012) identify four "strategic development zones" where SOEs operate - the Middle East-North Africa, Central Asia-Russia, South America, and South Asia. As Chinese investment in the developed countries increases, I would argue that North America and Europe are also becoming key development zones for Chinese SOEs in the oil and gas sector. The global expansion of Chinese SOEs coincides with the diversification of supply routes for oil and gas (Van Der Hoeven 2013). By diversifying supply routes Chinese policymakers and companies try to avoid transportation risks along the maritime passages, such as Malacca or Hormuz Straits (Paul 2010; China's Energy Policy, White Paper 2012). While the security of individual routes is not guaranteed, diversification of import options increases China's energy security. By expanding globally, Chinese SOEs become active participants in several societies.

The engagement of Chinese SOEs with the host societies is one of the fascinating subjects that are explored by several scholars in political science. These scholars find that Chinese companies are actively engaged in host societies – through trade, investment, loans, and other financial assistance (Kolstad and Wiig 2011; Gallagher and Irwin 2014; Gallagher 2016). As noted in chapter two, scholars identified unique packages that Chinese SOEs offer in exchange for natural resources. These 'resources-for-infrastructure' deals are best known as the "Angola model", where Chinese corporations support the development of local infrastructure in developing countries (Alden and Davis 2006; Beseda et al. 2008; Bräutigam 2011; Habiyaremye 2013; Gallagher 2016). These packages are extended to the oil/gas-exporting countries to ensure that SOEs gain preferential access to oil /gas fields abroad. Since China's economic engagement

with hydrocarbon-rich countries is multifaceted, we need to consider each of the individual elements. The next section discusses each element of China's engagement, aside from aid.

## Chinese Companies Venture Abroad to Meet Domestic Oil and Gas Needs by Engaging with Hydrocarbon-Exporting Countries

A large portion of China's oil and gas demand is met by imports; however, these imports can be interrupted by economic or political conflict. As Chinese government and companies are cognizant of energy insecurity, they strive to acquire overseas energy resources to ensure that there is more oil available on the global market from different destinations in case a conflict occurs in one part of the world. In pursuit of energy security, Chinese companies acquire oil and gas fields by investing overseas (Alon, Leung and Simpson 2015, 297). Another strategy to improve energy security is linked to commodity-backed finance, where Chinese SOEs extend finance to hydrocarbon-rich countries in the form of loans for the construction/development of energy projects. The three strategies – trade, investment, and loans – are often a part of a packaged deal (sometimes combined with aid, when extended to developing countries) offered by Chinese SOEs to host countries.

This section provides empirical evidence of China's growing global energy engagement through trade, investment, and loans. This evidence is derived from statistical data published by the UN Comtrade database (to examine Chinese hydrocarbon imports), the American Enterprise Institute (to analyze Chinese FDI in oil and gas), and the Global Development Policy Center (to study China's energy loans). Each of these sources provides the most comprehensive data on Chinese finance in the energy sector. However, as noted by scholars working on China's finance (Gallagher and Bräutigam 2014), existing data on Chinese finance is prone to over or under-estimation of China's actual engagement. Despite this possible limitation, the data are helpful in charting general trends of China's global engagement in the global energy sector. In the next sections, this data will be utilized to examine Chinese hydrocarbon imports, FDI in the oil and gas industry, and energy-backed finance.

### Chinese Hydrocarbon Imports

Starting with trade statistics, we can observe that China is currently one of the largest importers of hydrocarbon resources in the world. The country became a net oil importer in 1993 and a net natural gas importer in 2007 (IEA 2016). Today, China relies on foreign energy markets to satisfy over 60 per cent of its oil demand (Paraskova 2017). As China's demand for oil and natural gas continues to grow, its imports of these commodities are expanding. In 2014, China became the largest oil importer and the third largest importer of liquefied natural gas (LNG) according to the EIA (2015). This upward trend in China's oil and gas imports is captured in a graph depicted in Figure 2.4 and 2.5, based on the UN Comtrade data. The graph in Figure 2.4 depicts Chinese imports of oil and natural gas (in billions of American dollars) from 1992 to 2017.

Analyzing the graph on Chinese imports of oil and gas (Figure 2.4 (in millions of dollars) and 2.5 (in millions of kilograms)), we can observe several important trends regarding China's imports of oil and natural gas. The blue line on both graphs indicates that Chinese oil imports

grew at a rapid rate from 2000 to 2013. During the mid-2000s, we can also observe a rise in imports of natural gas in the liquefied (orange line) and gaseous (grey line) state. As the graphs in figures 2.4 and 2.5 indicate, Chinese demand for natural gas (in both liquid and gaseous state) grew rapidly from 2010 to 2017. This growth in natural gas imports is associated with a broader shift in China's energy consumption mix from coal and oil to natural gas. The graph also captures a decline in oil imports from 2013; this drop may be associated with a global drop in oil prices and the increasing rise in imports of natural gas. Both figures also indicate that Chinese demand for oil rose slightly after 2016. At the same time, China's demand for natural gas rose steeply suggesting that China's energy mix may be switching to natural gas in the near future.

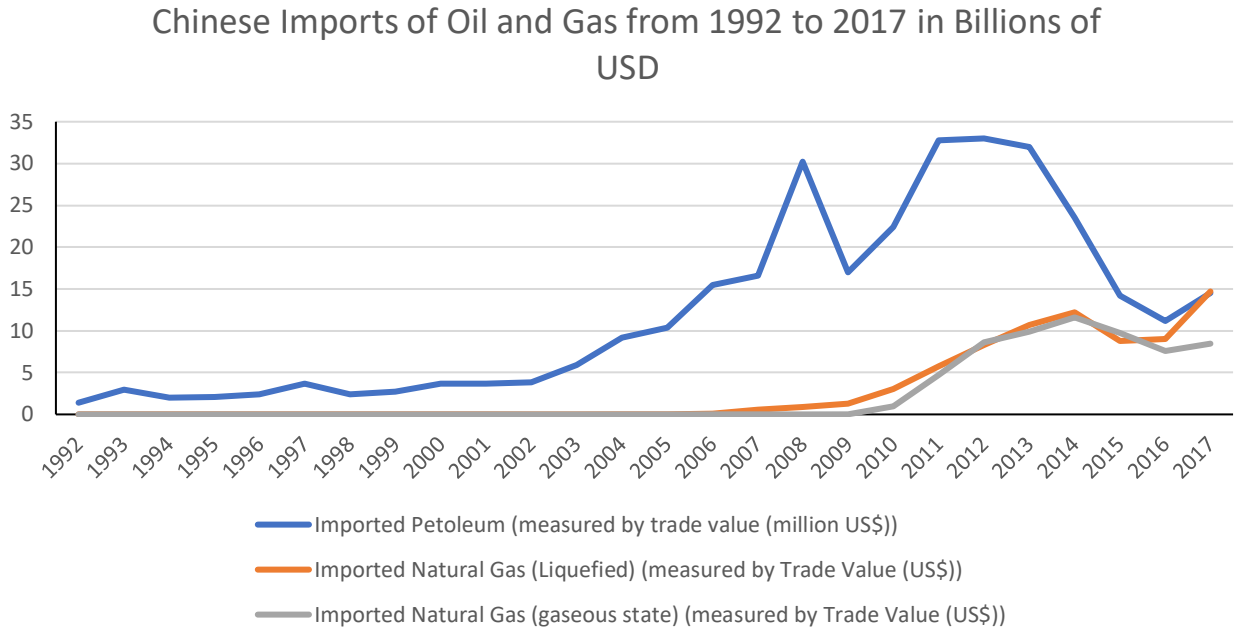



*Figure 2.4: Chinese Imports of Oil and Gas from 1992 to 2017 Measured in Billions of USD (source: UN Comtrade)*

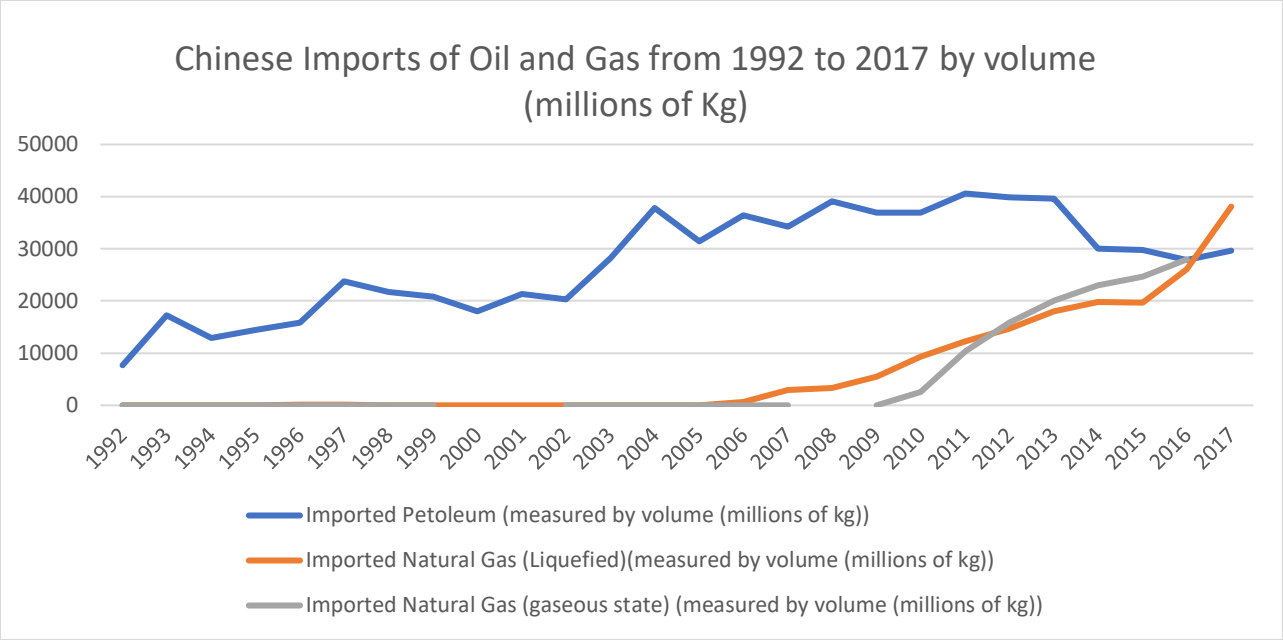



*Figure 2.5: Chinese Imports of Oil and Gas from 1992 to 2017 by volume (millions of Kg) (source: UN Comtrade)*

One may wonder where does China get its imported petroleum. Looking at the 2017 data, we see that China imported oil from 47 different destinations. Historically, the majority of China's oil imports came from Saudi Arabia, Russia, and Angola (EIA 2015). In 2017, China imported 38 per cent of its oil from three countries – Russia accounted for 14 per cent of imported oil, Saudi Arabia for 12 per cent, and Angola for another 12 per cent (Figure 2.6). Iraq, Oman, Iran, Brazil, Venezuela, Kuwait, United Arab Emirates, Colombia, and Congo were other major exporters of oil to China. The trends in the oil imports partially reflect Chinese long-term supply agreements with the individual countries. For example, Russia's predominance in the graph can be explained by several long-term supply agreements signed between Chinese SOEs and Russian National Oil Corporations (NOCs) in exchange for loans that will be discussed in more detail in the section on Chinese energy loans. However, before turning to loans, it is important to discuss Chinese investment in the hydrocarbon sector.

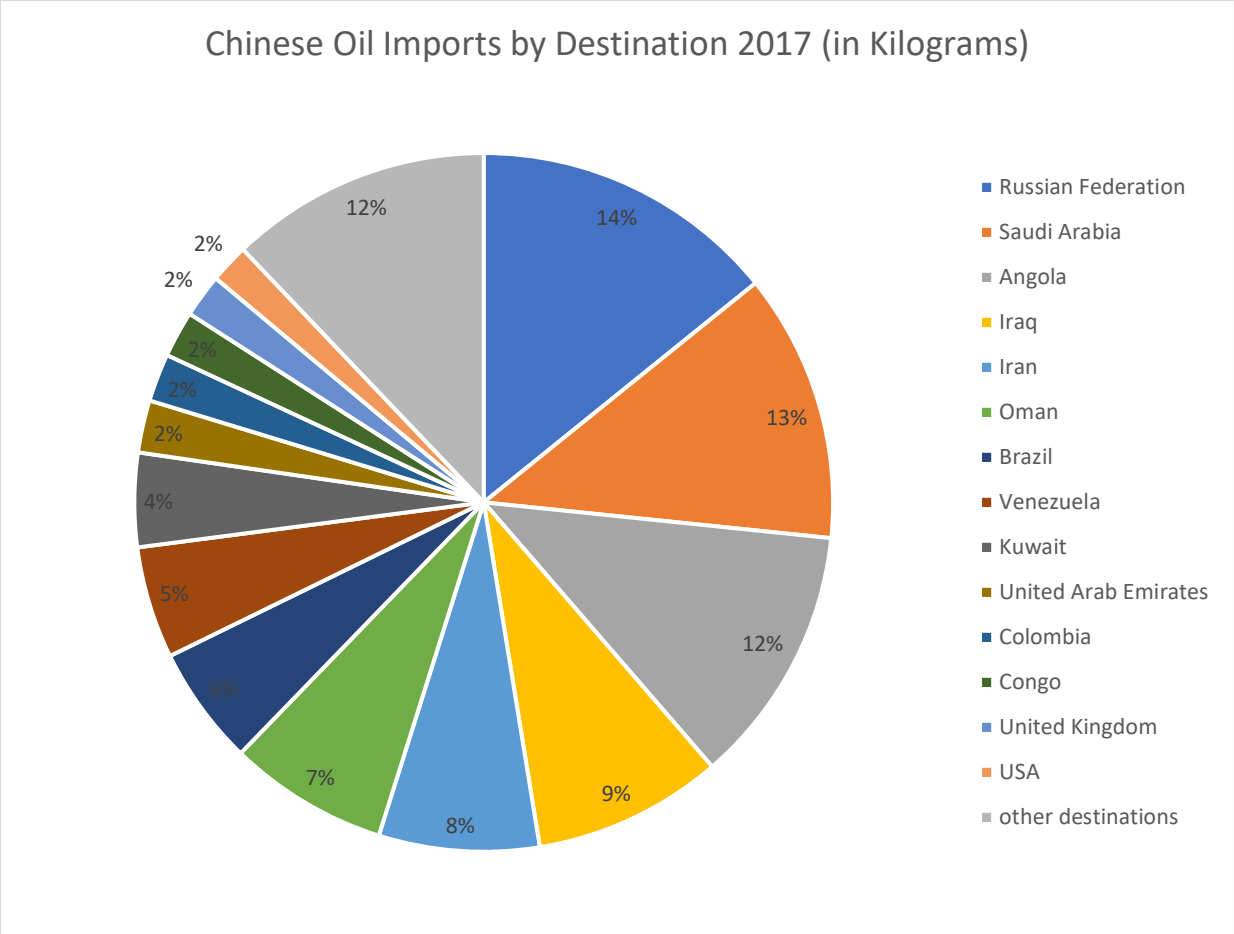



*Figure 2.6: Chinese Oil Imports by Country of Origin (focused on top 15 exporters) in 2017 (source: UN Comtrade)*

## Chinese Foreign Direct Investment in the Energy Sector

Chinese FDI in energy is the key aspect of Chinese financial engagement. Data indicate that Chinese FDI in the oil and gas sector has grown at a rapid pace. The growth in Chinese FDI has been closely monitored by the International Energy Agency (IEA), which has released two reports (2011; 2014) outlining the magnitude and locational preferences of Chinese investors. The latest report notes that Chinse SOEs have expanded their overseas investment geographically – across 42 developed and developing countries - and financially – from 2011 to 2013 they have invested an estimate of $73 billion USD (IEA 2014, 7). Although the report notes that Chinese SOEs are now globally integrated, it acknowledges that Chinese investors are "still small players and relative newcomers in the North American energy scene" (IEA 2014, 33). To analyze trends in Chinese FDI, I generated a dataset on Chinese FDI in oil and gas on the basis of the China Global Investment Tracker database developed by Derek Scissors at the American Enterprise Institute (AEI).

The AEI database includes data on Chinese mergers and acquisitions in the oil and gas industry from 2005 to 2018. The data set focuses on Chinese investment above $100 million and includes "[a]cqusition of stakes in companies [that] may not always technically qualify as direct investment" (Scissors 2011, 1-2). While the AEI provides the most compressive database on

Chinese FDI, it has one notable limitation. After checking several investments noted in the database through the triangulation process, I have noticed that the database was missing a few energy deals and some deals that were listed as FDI were never completed. It is thus possible that the graphs, that I have generated on the basis of the AEI data, have a margin of error. However, this is standard problem with large databases that measure Chinese FDI as noted by experts, such as Deborah Bräutigam and Kevin Gallagher (2014). Thus, the data is the best approximate figure that can be used to capture Chinese FDI.

I have used the AEI data to calculate the total amount of Chinese FDI in each investment-recipient country. I generated a bar graph in Figure 2.7 to capture the size of Chinese FDI in millions of USD accumulated by individual investment-recipient countries from 2005 to mid-2018. The data indicate that Chinese investors are active in 55 countries around the globe. The top five recipients of Chinese FDI in oil and gas are Canada ($19,750 million), Kazakhstan ($15,630 million), Brazil ($14,600 million), Australia ($10,600 million), and the United States of America ($10,070 million). Among the top 10 recipients, we have Iraq, Russia, Iran, Niger and Mozambique. In total, Chinese companies invested over $157 billion USD to acquire oil and gas assets (author's calculation based on data from the American Enterprises Institute).

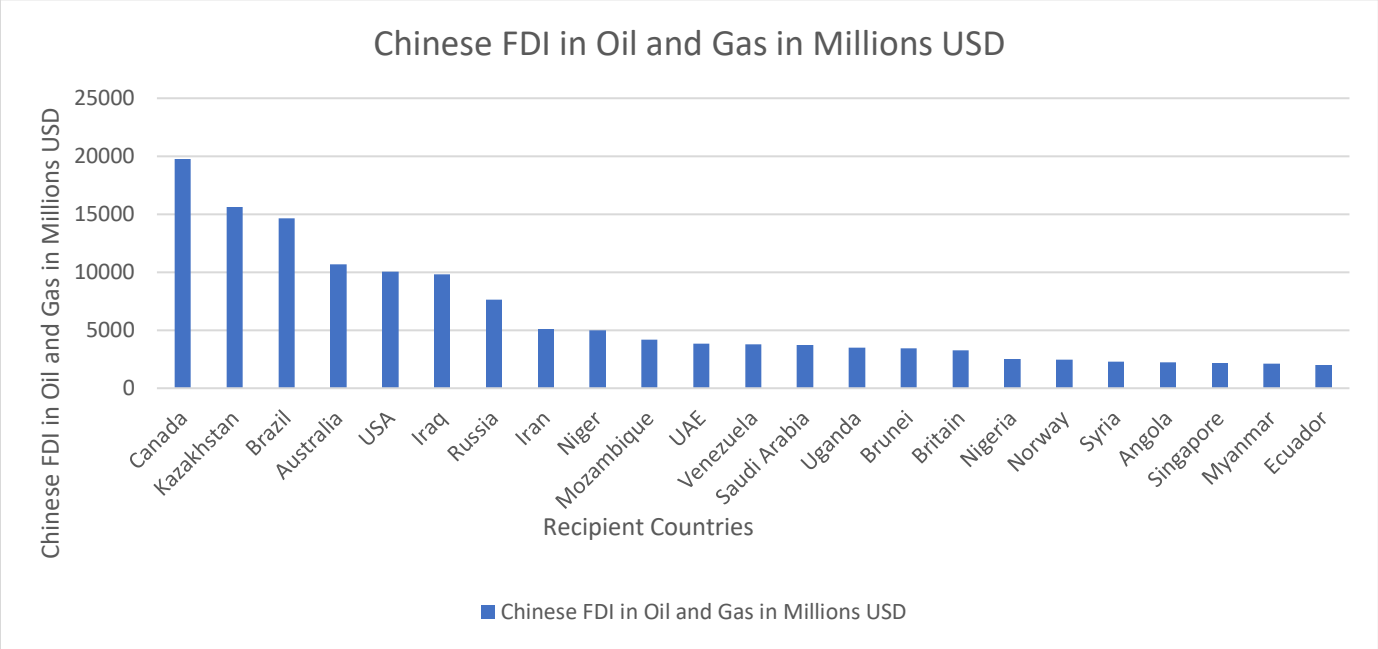



*Figure 2.7: Chinese FDI in Oil and Gas Across Investment-Recipient Countries Measured in Millions of USD; Reported Data Includes Only Countries where Chinese Companies Invested over $2 billion USD (source: AEI Database, Derek Scissors)*

Distribution of China's FDI in the oil and gas sector reveals several puzzling trends. First, it is interesting to observe that among the top five investment destinations we have three developed countries – Australia, Canada, and the United States - that have strict investment screening mechanisms and placed restrictions on Chinese FDI. As noted earlier, the United States and Australia have both rejected a few of the proposed investments by Chinese SOEs in the energy sector. A second trend worth noting is that Chinese investment in the hydrocarbon sector is substantive in the emerging economies, such as Brazil and Russia. Brazil and Russia are

among the top 10 recipients of Chinese FDI. The data brings an additional question – why is Chinese FDI in Canada larger than in Russia? A possible explanation is that Chinese financial engagement in Russia is not just composed of FDI but also includes loans and long-term oil/gas supply arrangements – that are absent in the case of Chinese financial engagement in Canada.

## Chinese Global Energy Loans

The third aspect of Chinese financial engagement in the global energy projects is loans. China became an important financier of energy projects around the world. China's global energy finance – operationalized as loans - has grown exponentially from 2000 to 2017 – from $149 million to $22.5 billion – according to data gathered by Boston University's Global Development Policy Center. The rise in Chinese global finance has attracted attention by scholars, who have noted that Chinese companies often use loans in exchange for a secure supply of energy resources – known as the 'loans for energy' packages or the "Angola model" deals (Alden and Davies 2006; Bräutigam and Gallagher 2014). According to Bräutigam and Gallagher (2014, 351), Chinese policy banks "have become major development financiers" as they extended $132 billion USD to African and Latin American countries with half of these assets tied to natural resources.[7] Yet, African and Latin American countries are not the only recipients of Chinese energy finance.

I used the database developed by the Global Development Policy Centre on Chinese energy finance from 2000 to 2017 focused on renewable and non-renewable energy finance to compile a dataset focused on Chinese energy loans to individual countries. Based on this dataset, I generated Figure 2.8 that depicts the top 15 recipients of Chinese energy finance abroad. The graph in Figure 2.8 shows that Russia, Brazil, Pakistan, Angola, and Venezuela are the top five largest recipients of Chinese loans. Looking at the data, we can also see that countries located in Asia dominate this list (6 recipients), followed by Latin America (4 recipients) and Europe (3 recipients). The data also reveal that most of the energy-related finance was distributed to emerging and developing economies. However, it is important to note that countries like Italy, Russia, and Ukraine are on the list of the largest recipients of Chinese energy loans. For the purposes of my research, Russia is the most interesting case.

[7] Natural resources include commodities other than oil and gas. Therefore, the number is larger than the earlier stated number on energy-backed loans.

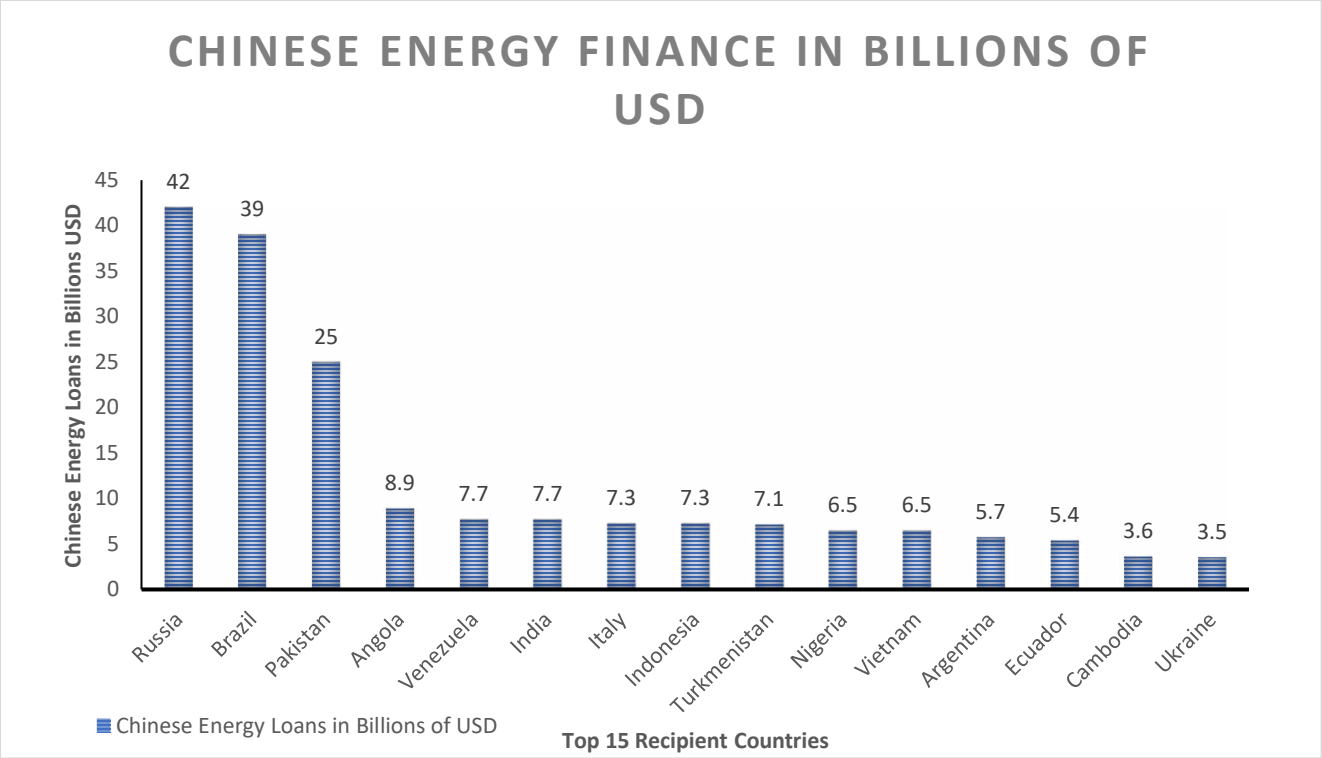



*Figure 2.8: Chinese Energy Finance Distributed Across the Recipients Measured in Billions of USD (source: Global Development Policy Centre, Boston University)*

As the largest single recipient of Chinese energy finance, Russia stands out from the list. Russian energy corporations received $42 billion USD in Chinese loans, most of these funds ($25 billion USD) were accessed in 2009 for the construction of the ESPO pipeline. Another large tranche of finance from Chinese policy banks was released in 2016 to finance construction of the Yamal LNG (Global Development Policy Center). Both loans came at a time when Russia could not access capital from the West; in 2009, Western financial markets were recovering from the 2007/2008 Global Financial Crisis, which made it difficult for Russia to borrow funds from the Western financiers; in 2016, Russia did not have access to Western finance again due to the post-Ukraine sanctions. The details of these loans will be explored in the chapters on China's investment in Russia's energy sector.

As this section has demonstrated, China and its enterprises are increasingly becoming integrated into global and regional energy networks through FDI, loans, and long-term trade agreements. It is likely that China will continue to expand its search for oil and gas resources abroad as its energy demand is projected to grow. This phenomenal growth in demand and its implications on host societies have been at the center of scholarly debates on Chinese FDI, which will be discussed in the next section of this chapter.

## Reviewing the Current State of Research on Chinese Engagement

Chinese engagement has been the subject of numerous studies spanning across multiple fields of inquiry, including economics and political science. Chinese FDI has been at the centre of this body of work. Scholars have made substantial progress in analyzing different aspects of

Chinese FDI from diverse theoretical and methodological perspectives. As noted in the introduction, scholars working in the field of international business have identified a set of motivating factors that explain why Chinese businesses invest abroad (see: Buckley et al. 2007; Cui and Jiang 2012; Paul and Benito 2017), while scholars studying international development have examined the impact of Chinese investors on host societies – predominantly located in developing countries (see: González-Vicente 2013; Gallagher 2016). Each of these fields of inquiry offers a set of unique contributions to our understanding of Chinese FDI and sometimes its broader engagement with host countries. Yet, they also speak past each other without engaging in interdisciplinary research. Thereby, they miss important questions and puzzles identified in my dissertation.

To highlight existing scholarly contributions on the topic of Chinese engagement, this section is divided into four parts. The first part tackles existing research on China's rise by focusing on geopolitical implications and the impact that Chinese engagement has on host societies. The second part of this section examines the rise of FDI from emerging economies. More specifically, it examines the distinct nature of Chinese SOEs and analyzes the engagement packages that Chines SOEs offer to host countries. The third section analyzes scholarly studies examining the reception of Chinese FDI. The last section identifies the gaps in the existing research and outlines my research contribution to the scholarship on Chinese engagement.

## Examining the Implications of China's Rise

Political scientists have been fascinated with the rapid rise of China and its SOEs. China's rise has made scholars ponder about the future of the geopolitical order (see: Ikenberry 2008; Acharya 2017) and relatedly about the geopolitical implications of China's rising demand for natural resources, including energy (Burgos Cáceres and Ear 2012; Andrews-Speed, Liao, and Dannreuther 2014). Geopolitical considerations have also shaped broader contours of scholarly debate on the implications of Chinese investment in the resource-rich countries (González-Vicente 2013; Gallagher 2016). What can we learn about the role of geopolitics in China's engagement in host countries? One possible answer is that geography is conducive to energy trade between countries that share borders (Marketos 2009, 88-89). Yet, geography is often complicated by a political climate that may not be conducive to investment, such as the case in Russia (Marketos 2009, 88-89).

In the Sino-Russian case, geopolitics are often used to explain why Sino-Russian energy partnership will be limited. Scholars specifically point out the changing relative distribution of power in the region makes China an unlikely energy partner for Russia, given that the latter does not want to become a resource appendix to the former (Downs 2010, 152; Bellacqua 2010, 160; Swanström 2012, 11; Lo 2012, 40). Yet, Russia may also see China as an alternative energy market in case geopolitical situation in Europe turned against Russia (Lo 2008, 139). In the case of Canada, geopolitical implications of energy engagement with China are less clear-cut given the geographic distance between the two countries. Ultimately, it appears that geopolitics, which is subsumed under my inter-state relations variable, play an important role in shaping China's engagement in host societies.

To analyze the implications of China's rise, political scientists, working on issues related to international development, place emphasis on the impact of Chinese corporate actors on host societies. Some of these studies focus on how host societies may benefit from Chinese engagement (Kaplinsky and Morris 2009), while others examine how host societies are affected by Chinese investment (González-Vicente 2012, 2013; Gallagher 2016). The latter studies often tap into the resource curse theory[8] to see if Chinese SOEs perpetrate negative outcomes associated with the resource extraction (González-Vicente 2011; Bader and Daxecker 2015). While these studies offer interesting insights, it is difficult to trace the impact of Chinese SOEs on the resource curse in extractive projects where they are only a minority investor, as is the case in Russia. Therefore, I do not analyze whether Chinese investment is associated with the resource curse in my dissertation. Instead, my dissertation examines the reception of Chinese SOEs in host societies. This research topic emerged from the literature that sought to explain foreign direct investment flows and its implications.

## Explaining FDI from Emerging Economies by Focusing on the case of China

FDI became an important topic of inquiry in economics in the 1960s. The core question motivating the research was why multinational/transnational companies (MNCs/TNCs), which are private, for-profit firms, generally from advanced industrialized democracies, with investments abroad, invest abroad? Economists began developing theories to explain a flow of foreign investment across borders in the 1960s and continued to refine these early theories in the 1990s/2000s (Nayak and Choudhury 2014). Theories developed by leading economists, such as Stephen Hymer (1960), Massiomo Motta (1992) and John Dunning (1977), explained why MNCs invest abroad. Hymer explained firms' decisions to invest abroad through market power theory; Motta looked at "tariff jumping" for an explanation of a firm's decisions to invest abroad; and Dunning developed an OLI (ownership, location, internationalization of advantages) or the 'eclectic paradigm' to explain FDI. Their insights have shaped the subsequent discussion on the internationalization of corporations investing overseas. While their theories were innovative at the time and had substantial explanatory power, they only captured the experience of MNCs/TNCs, which limited their applicability to foreign investors from developing and emerging economies.

Since the early FDI theories focused on MNCs/TNCs, scholars proposed that new theories should be developed to explain the investment patterns from developing and emerging economies, which behave differently than MNCs/TNCs (Nayak and Choudhury 2014). They argued that the firms behave differently as they pay lower wage, exhibit familiarity with local conditions, and provide a more suitable technology to host countries (Nayak and Choudhury 2014, 23-24). Given that these firms behave and operate differently, scholars have been preoccupied with testing and re-shaping these core theories of FDI to fit the emergence of new sources of FDI. Scholars were especially fascinated with the implications of the rise of a new

[8] The resource curse theory emerged in the 1980s/1990s in the works of Gelb (1988), Auty (1990; 1997), Sachs and Warner (1997; 2001), Karl (1997). After the theory was established several scholars have used it to outline several predictions about the resource-rich countries; several studies propose that resource-rich countries may suffer from slower economic development (Sachs and Warner 1995); political violence (Collier and Hoeffler 2004; 2006); low levels of human development (Ross, 2012); corruption (Leite and Weidmann, 1999); and economic inequality, rampant poverty, unemployment (Ross, 2003; Ross, 2012).

type of investors from emerging economies –SOEs. Scholars of international business have developed the most comprehensive research framework to analyze internationalization strategies of companies originating from the emerging economies. In a review of existing literature examining enterprises from emerging economies, Paul and Benito (2017, 93) posit that majority of the existing studies (67 per cent) in international business and management focus on Chinese FDI in particular, given China's rising importance as a global source of capital.

Chinese SOEs are new investors coming from a unique institutional setting defined as state-capitalism (Cai 1999), "bifurcated capitalism" (Hsueh 2016), or "Sino-capitalism" (McNally 2012). The model resembles a 'hybrid' between liberal ideals and interpersonal networks as it is characterized by "top-down state coordination, bottom-up entrepreneurial networks, and focused global integration" (McNally 2012, 765-766). This model is pluralistic as it allows for a variety of state-corporate relations that originate in investors' home countries and depends on the role of the state in managing the sector (Gu et al. 2016; Hsueh 2016). Still, the model remains "state-directed", where "the state's interests and priorities" are important, even though companies may be driven by corporate motives (De Graaf and Van Apeldoorn 2018, 127).

Since the domestic model of Chinese companies differs from the liberal market economies that produced MNCs/TNCs, scholars began to wonder what impact does the home state have on Chinese companies. Scholars analyzing Chinese FDI found that Chinese investors are motivated and behave differently than MNCs; therefore, they proposed that existing models explaining the investment behaviour of MNCs cannot be applied to study internationalization strategies of SOEs (Buckley et al. 2007; Buckley et al. 2008; Ramasamy, Yeung, and Laforet 2010). Scholars point out the specificity of Chinese investors by linking them to a domestic institutional environment that includes a supportive state that encourages FDI (Buckley et al. 2007, 2018; Lu, Liu, Wang 2011). This supportive environment at home may, according to Lu et al. (2014), be associated with higher risk-taking by Chinese companies when investing abroad.

As FDI from China has unique characteristics, scholars started developing new theories and explanations to account for the different experience of Chinese SOEs going abroad – or internationalizing. Current research is preoccupied with explaining where and why Chinese SOEs invest. The existing discussion on SOEs internationalization centers on the motives of Chinese SOEs to invest abroad (see: Deng 2007; Quer, Claver, and Rienda 2011; Alon 2010). Scholars studying motives for SOEs to go abroad have outlined factors that have "pushed" Chinese companies abroad (Alon 2010; Wang et al. 2012; Gaur, Ma, Ding 2018) and "pulled" them to specific locations (Deng 2007, 2009; Quer, Claver, and Rienda 2011, 2012; Amighini, Rabellotti, and Sanfilippo 2013; He, Xie, Zhu 2014).

There are several pull factors that scholars identified as central in shaping the decision of Chinese companies to invest abroad. Several scholars have noted that Chinese SOEs invest abroad to obtain new (and, at times, sensitive) technology (Lu, Liu, Wang 2011; Pietrobelli, Rabellotti, and Sanfilippo 2011; Sauvant and Nolan 2015, 29). Chinese SOEs are also enticed by the abundance of natural resources in host countries (Buckley et al. 2008; Kolstad and Wiig 2012; Yang et al. 2018). Other studies also raise the importance of acquiring managerial expertise overseas (Wu and Chen 2001; Pietrobelli, Rabellotti, and Sanfilippo 2011). While

studies highlight the pull factors, such as natural resources, technology, and managerial expertise, that attract Chinese SOEs to invest abroad, they do not explain how Chinese SOEs enter host societies.

To answer the aforementioned question, scholars focused on Chinese investment packages. Scholars have found that Chinese SOEs have designed a novel engagement strategy that is distinct from other investors – as it combines trade, aid, and loans with investment - prompting scholars to identify a "Chinese model" of investment (Kaplinsky and Morris 2009; Wang 2011; Kolstad and Wiig 2011; Zhang and Daly 2011). Scholars have sometimes referred to this strategy as the "Angola model" (Alden and Davies 2006, Kaplinsky and Morris 2009) or the "infrastructure-for-resources loans" packages (Konjin 2014; Alves 2013). Scholars tend to agree that Chinese SOEs offer unique investment packages. These unique packages reflect SOEs' experience of a late-comer into international energy markets that lacked substantive overseas experience (Shankleman 2009; Economy and Levi 2014). Chinese companies thus differ from MNCs/TNCs investing abroad as scholars proposed. Although scholars have traced China's unique strategy to developing countries (Alden and Davies 2006; Kaplinsky and Morris 2009; Alves 2013), it is plausible that elements of this strategy may appear in different combinations in other countries. Thus, it is interesting to examine if this trilogy of China's engagement is replicated across host countries and under what conditions this replication process occurs.

The majority of existing studies on Chinese FDI in natural resources have focused on developing countries. Scholars examined the implications of China's engagement in Africa (see: Alden and Davies 2006; Zafar 2007; Kaplinsky and Morris 2009), Latin America (see: González-Vicente 2012, 2013; Gallagher 2016; Rosales 2016), and Asia (Swanström 2005). In their analyses, scholars examined individual countries (González -Vicente 2012) as well as regional trends (Alden and Davies 2006). Only a few studies have examined Chinese investment in the resource sector of developed countries, including North America (Zweig and Hao 2015; Jiang 2010), Europe (Clegg and Voss 2012; Kamiński 2017), and Australia (Drysdale and Findlay 2009; Wilson 2011). However, to my knowledge, there is only one qualitative study that engages in a comparison of Chinese broader engagement, which combines FDI with loans and aid, across the developed-developing country dichotomy – a recent book by Economy and Levi (2014).

The developed-developing distinction adopted by researchers makes it harder to make cross-comparisons between the two binary categories. Scholarly work on bridging this binary is still at the early stages, as the majority of scholars continue to focus on either developed or developing counties without engaging in cross-comparison. In their book, Economy and Levi (2014) tried to bridge this divide by tracing Chinese engagement around the world. The book provides a general comparison between Chinese engagement in developed and developing countries. At one point in their work, Economy and Levi (2014, 181) note that Chinese investment practices between developed and developing countries differ; thus, reinforcing the tendency of scholars to work on either developing or developed countries in a specific region. Therefore, comparative scholarship analyzing Chinese economic engagement across developed, emerging, and developing host countries is still in its early stages.

The only cross-regional study has been done by Bräutigam and Gallagher (2014). The authors of this study compared the role of Chinese loans across Africa and Latin America to see if there could be any insights drawn from the comparison. However, even their study followed the developed-developing dichotomy. My study builds on their work by engaging in a cross-continental comparison of Chinese engagement in Canada and Russia, which do not fall into the binary dichotomy. While Canada is considered as a developed country, Russia is perceived as an emerging or a developing country depending on the ranking system used to classify it.

In addition to the discussion of the investment strategies, my dissertation delves into the mode of entry preferred by Chinese SOEs by examining how Chinese enterprises enter Canadian and Russian energy markets. Scholars in international business (Cui and Jiang 2009) and political science (Cai 1999; Abdenur 2017; Zhu 2018) have examined SOE entry modes, such as joint ventures,[9] mergers and acquisitions (M&A),[10] and greenfield investments. While early studies found that Chinese SOEs prefer joint ventures (Cai 1999) or M&A when investing in developed countries (Zhu 2018), newer studies emphasized that China's entry mode depends on host country's institutions and is gradually shifting toward more complex categories by moving away from joint ventures to greenfield investments (Abdenur 2017). Some studies posit that Chinese SOEs bring their domestic practices when they invest abroad (Jiang 2009), this claim has been debated in the more recent literature, such as in the work of Alon, Leung, and Simpson (2015). Ultimately, studies examining the entry modes of Chinese investors emphasize that Chinese companies adjust to local institutional requirements (Alon, Leung, and Simpson 2015; Cui and Jiang 2010; Yu and Smith 2018), yet did not explain how Chinese SOEs are influenced by institutions in the host societies.

### Reception of China's FDI

Recent studies have begun to draw attention to host country's institutions as they may impact the inflow of Chinese investment. Scholars pointed out factors like 'psychic distance' (Blomkvist and Drogendijk 2013) and institutional compatibility (ex. weak home and host institutions) (Guillén and García-Canal 2008; Beazer and Blake 2018; O'neill 2014) as some of the possible explanations of China's decision to invest in a particular country. A study by Ramasamy, Young, and Laforet (2010) even suggested that a distinct nature of Chinese SOEs enables these enterprises to invest in risky political environments. Yet, their study does not account for the ability of Chinese SOEs to adapt to different institutional environments. Thus, further research is required to understand how Chinese SOEs adapt to different institutional environments and how they are shaped by them (Morck, Yeung, and Zhao 2008; Smith and D'Arcy 2013). To encourage such research, Smith and D'Arcy (2013) note that scholars should engage in comparative research on Chinese SOEs operating within the same industry but located in countries with different institutions.

---

[9] A joint venture is commonly defined as a new company that is created by two or more partners (that can be well known leading companies in the energy industry, for example) to pursue common business interests (such as exploit natural resources). An example of a joint venture is a TNK-BP collaboration in Russia).

[10] Mergers and acquisitions are two types of investment strategies, where a purchaser (a business entity) either acquires a share in the ownership of the existing company or acquires a whole company (acquisition) or agrees with other company to merge assets and work jointly.

Following Smith and D'Arcy's suggestion, my research embarks on a comparative study of Chinese FDI with a specific focus on the energy sector in two distinct institutional environments - Russia and Canada. I draw on insights developed by the earlier scholarship that identifies China as a growing foreign investor motivated by both domestic conditions and host society's environment (Deng 2009; Alon 2010). By focusing on FDI from Chinese SOEs, my work internalizes an assumption about a close connection between the domestic institutional environment in China and SOEs noted by scholars (Buckley et al. 2018). My work builds on the existing studies by differentiating why Chinese investors are successful in some projects while not in others even though both projects are in the same sector – energy. To my knowledge, this question has not been posed by scholars in the international business and provides a contribution to this branch of scholarship.

Furthermore, my work builds on the insights from studies examining the relationship between host countries and Chinese investors. Scholars examining the impact of host country's institutional environment on Chinese investment note that Chinese SOEs adapt to governance arrangements and development needs of host societies (Morck, Yeung, and Zhao 2008; Rui 2010). For instance, Morck, Yeung, and Zhao (2008) propose that China's institutional landscape prepares Chinese enterprises for investing in complex institutional environments abroad. Yet, the literature also finds that SOEs operate better in countries with high political stability, low corruption, and strong institutions (see: He, Xie, and Zhu 2015; Houser 2008). Scholars also note that SOEs' investment will generate more economic benefits in countries with transparent and competitive economies (Salidjanova 2015). Based on these propositions, one may deduce that Chinese investors will operate better in countries with stronger institutions as opposed to those with weaker ones. However, the existing research does not explain why Chinese SOEs may find it easier or harder to operate in a particular institutional setting. My research will problematize these assumptions, as Chinese investors face a set of different constraints in two instances: a) across investment-recipient countries, and b) within the same country but across different projects.

For my research purposes, I draw on studies that have examined the reception of Chinese SOEs by host societies. Scholars have noted that host states may change their regulations or turn toward protectionist measures to safeguard their extractive sector from foreign companies where it is perceived to threaten the local economy and businesses (Wilson 2011; Kamiński 2017). Scholars and practitioners analyzing Chinese FDI in strategic industries identify several concerns associated with this investment, including the following factors: a) it produces an unfair competition as Chinese SOEs receive economic and political support from the government (Schwanen 2012; Chen 2013; Klaver and Trebilcock 2013); b) the investment is closely connected to the Chinese state, which can lead to a politicization of energy production in a host country (Chen 2013; Du 2016); c) it may undermine national sovereignty over host country's energy resources acquired by Chinese SOEs (Burt, Crawford, Arcand 2012; Jiang, Zweig, and Kang 2015); and, d) the investment may negatively impact national security of investment-recipient countries (Dobson and Evans 2015, 12; Jiang 2010, 23). Scholars also point out that state support may also result in a lower legitimacy of SOEs in host countries (Meyer et al. 2018) that may lead to a rejection of Chinese FDI (Wang, Qi, and Zhang 2015). In light of these concerns, multiple countries have resorted to protectionist measures, while others permitted Chinese FDI.

The differences in China's ability to invest in a strategic industry varies not just across countries but also within individual countries. To illustrate, Russia rejected early attempts by CNPC to invest in Slavneft but permitted Sinopec's acquisition of Udmurneft a few years later. This difference is one of the key issues that is not explained by the existing studies and which I seek to explain in my study. As I will propose in chapter seven, in the Russian case the only difference between these two cases is the timing of the investment, which is associated with changes in stakeholder preference and the institutional environment. By accounting for temporal dimensions, my dissertation seeks to explain changing host country responses over time. While timing is an important factor, its salience is dependent on the changes in institutions or stakeholder politics.

Stakeholder politics may play an important role in shaping Chinese FDI according to recent scholarship in international law and political economy. Studies by Sauvant and Nolan (2015; 2017) and Wilson (2011) document the reception of Chinese FDI in host societies. While Wilson (2011) focuses on Australia's official response to Chinese FDI, Sauvant and Nolan (2015; 2017) focus on a set of broad global trends and identify the role of stakeholders - the media, the governments, the business community, and the trade unions – in influencing Chinese FDI. Their findings suggest that the responses of individual stakeholders differ, despite arguing that all stakeholders are generally cautious about Chinese investors as they may obtain subsidies from the government and may be driven by strategic motives such as the acquisition of sensitive technology or information (Sauvant and Nolan's 2015, 291). If their assumptions are true, then we would expect that Chinese investment in a new energy-related project will be easier than an investment in the existing energy plant.

The insights from the literature on Chinese interaction with host institutions brings us back to the idea that Chinese FDI strategies are affected by host countries' political and economic arrangements, as proposed by Alon, Leung, and Simpson (2015). This hypothesis is backed by the broader literature on FDI. The literature suggests that domestic institutional structures in the investment-recipient countries influence the nature of incoming FDI (Fiodendji and Kodjo 2015; Dam and Scholtens 2012). More specifically, scholars studying the strategies adopted by Chinese investors abroad find that there is a difference between Chinese investment in developed versus developing countries (see: Cheung and Quian 2009; He, Xie, and Zhu 2015). The difference in Chinese investment strategies may reflect a deeper trend where Chinese investors adapt to conditions present in a host country. However, it is also plausible that there is a reverse causality in the relationship as it is also possible that Chinese investment may impact the host country's institutions. Developed countries, for example, adopt additional regulations and oversight mechanisms to oversee investment from SOEs due to a growing suspicion about Chinese investment (Alon, Leung, and Simpson 2015). Thus, it is important to be cautious about a potential reverse causality that may occur.

## Identifying Research Gaps

Scholars have been fascinated with China's rise in part because it will have important geopolitical and economic implications for energy-rich countries (Andrews-Speed, Liao, and Dannreuther 2014). This chapter demonstrated that researchers, working in the fields of political

science and economics, have been preoccupied with explaining *why* and *where* Chinese SOEs invest (see: Buckley et al. 2010; Kolstad and Wiig 2012). As I noted earlier, they have identified domestic factors that drive Chinese companies to invest abroad – the push factors – and outlined the incentives - the pull factors - that exist in investment-recipient countries, such as an abundance of natural resources or new technologies. They also looked at *how* host countries perceive Chinese SOEs by examining the legitimacy of SOE investments overseas (Li, Xia, and Lin 2017).

Scholars have also analyzed the impact of Chinese investment on host societies to evaluate the response of locals to Chinese investment (González-Vicente 2013; Bräutigam and Gallagher 2014). Newer studies started to examine the impact of stakeholders (residing in a host state) on FDI (Sauvant and Nolan 2015, 2017). A common thread uniting multiple studies conducted by political scientists and economists is their emphasis on the role that the host country's institutions play on the internationalization of Chinese SOEs (Economy and Levi 2014; Buckley et al. 2018). However, neither economists nor political scientists explain how the host country's institutions interact with domestic actors (i.e. stakeholders) to determine the success/failure of Chinese engagement in the hydrocarbon sector. In other words, they do not explain why Chinese SOEs are sometimes successful in participating in hydrocarbon projects while at other times fail. Although researchers have identified key variables and issues related to Chinese investment, they failed to ask a very important question – what determines the success of Chinese SOEs in host countries. Specifically, a systematic analysis of the factors that determine the success of Chinese SOEs' in hydrocarbon projects overseas is absent in the existing scholarship.

My dissertation extends the existing research on Chinese SOEs conducted by scholars in three important directions. First, it goes beyond a binary focus on Chinese investment in either developed or developing countries by exploring Chinese investment across different regime types and institutional structures that exist in Canada and Russia. Since comparative studies conducted by scholars have not covered the difference between Chinese investment across regime types, my work will address the lacuna in the scholarly knowledge on this matter. Second, my work adds to the scholarly discussion on the on the responses of host societies to Chinese SOEs by focusing on how host societies react to growing investment/loans/finance offered by these enterprises. My work aspires to move the research further by explaining the variance in success rates of Chinese investment in the energy industry within and across countries, as this variance is not explained by the existing studies. In general, my work builds on the ideas advanced by the aforementioned scholars with an aim to understand how host countries impact the activities of foreign investors, and more specifically, the ability of Chinese SOEs to participate in the oil and gas sector.

## Conclusion

Empirical evidence shows China's growing global engagement in (and with) hydrocarbon-rich countries through trade, investment, and loans. Based on the UN Comtrade database, I have illustrated that China's imports of oil and gas have been growing over time. Data on Chinese imports for 2017 revealed that China imported oil from multiple countries dominated by Russia (14 per cent), Saudi Arabia (12 per cent), and Angola (12 per cent). Data

from the AEI's "China Investment Tracker" database (from 2005 to 2017) revealed that China is also an important source of FDI in the oil and gas sector. The data revealed that Canada is the leading recipient of Chinese FDI, while Russia is among top 10 recipients of Chinese FDI. I have also looked at Chinese financial engagement via loans granted for energy projects overseas. On the basis of the data provided by Boston University's Global Development Policy Center, I determined that Russia is the largest recipient of Chinese loans for oil and gas related projects.

The observed prominence of Canada and Russia in terms of Chinese engagement makes them interesting cases for my analysis. Canada is surprisingly the largest recipient of Chinese FDI in energy, yet one of the smallest exporters of oil and gas to China. Conversely, Russia scored relatively high in all indices; it is the largest exporter of oil to China, the largest recipient of Chinese loans, and among top 10 investment-recipient countries. The aggregate data, however, mask the dynamics on the ground as they do not capture how Chinese investors integrate into the host society and does not account for the obstacles that Chinese SOEs face investing abroad. For example, the aggregate data cannot explain why is Canada the largest recipient of Chinese FDI, even though most of the recent projects were less successful. Similarly, the data does not tell us why does Russia score relatively high across these indices.

To understand the patterns that emerge from the data, the second part of this chapter examined scholarly literature on the topic. The existing literature on Chinese FDI generally suggests that Chinese companies are attracted to abundant natural resources and advanced technology (Buckley et al. 2008; Lu, Liu, Wang 2011; Pietrobelli, Rabellotti, and Sanfilippo 2011), which partially explains why Canada and Russia rank high on the indices. However, based on the findings from the literature review, one may infer that the existing studies have not yet looked at the question of the success/failure of Chinese SOEs in establishing their operations in the oil/gas industry of a host country. This question has been identified as a critical gap in the current scholarship (Smith and D'Arcy 2013). My research, which is centered in comparative political economy, contributes to the aforementioned discussion by combining ideas from economics and political science to examine how Chinese SOEs, investing in hydrocarbon-rich countries are received and shaped by the investment-recipients.

My research draws on the insights from the aforementioned studies in deducing a list of assumptions about Chinese engagement in host countries. There are two core assumptions that shape my research: a) host country institutions shape the behavior of actors operating within a given society, including foreign investors; and b) Chinese investors operate in accordance with domestic institutional arrangements, as well as political and economic conditions present in an investment-recipient country. These assumptions are based on the reviewed literature that places emphasis on the fact that that large energy SOEs perceive the public image as important because they represent China (Cui and Jiang 2012). Additionally, in investment-recipient countries with stronger institutions that are reinforced by monitoring and high penalties for non-compliance, it is more likely that Chinese SOEs will conform to the institutions (Economy and Levi 2014). The next chapter develops a theoretical model and builds on these assumptions by explaining how institutions and stakeholders in the investment-recipient countries impact SOEs' investment in the hydrocarbon sector.

# Chapter 3. Developing a Theoretical Model and Discussing the Research Design

My research takes me into a realm of theory building and testing, as it seeks to understand the impact of the domestic political economy – operationalized in terms of stakeholder politics and institutions - in a host country on the ability of Chinese SOEs to participate in the hydrocarbon projects in a given country. As my literature review chapter demonstrated, the relationship between the two remains undertheorized. More specifically, we lack a theory that will account for the variance in the ability of Chinese SOEs to acquire or participate in oil and gas projects in hydrocarbon-rich countries. Thus, the aim of this chapter is to build a theoretical framework, which will explain how institutions and stakeholders in a host society influence Chinese financial engagement. In doing so, it goes over the research puzzle, research question, theoretical propositions, hypothesis, and central variables. It also describes the methodology used to test this theory, discusses case selection technique, and outlines limitations of the study.

## What is so Puzzling about Chinese Engagement in the Hydrocarbon Sector and How Do We Account for the Phenomena We Observe?

The puzzle, which I briefly outlined in the introductory chapter, is informed by the empirical evidence. Multiple studies have noted that Chinese SOEs have faced several setbacks in acquiring assets in advanced industrialized economies and developing countries alike (Economy and Levi 2014; Alon, Leung and Simpson 2015). At the same time, Chinese SOEs were also successful in acquiring assets in both types of countries (Liao and Zhang 2014; Wang et al. 2015). The observed variance in SOEs' success rate in acquiring oil and gas assets cannot be explained by the developed-developing dichotomy as China's success rates also vary within countries. For example, in Canada, Chinese SOEs successfully acquired Athabasca's oil sands but failed to complete two LNG projects. Thus, empirical evidence suggests that the success of Chinese engagement may not just be determined by the type of the investment-recipient country but may also be dependent on the nature of the project – brownfield or greenfield investment - and on the domestic political economy. This puzzling variation drives a set of central questions that I grapple with in my dissertation.

My research seeks to account for the elements that determine the ability of Chinese SOEs to participate in the hydrocarbon projects in the host countries. The central question of my dissertation – a novel contribution to the existing research on Chinese SOEs' internationalization - explores how domestic political economy (operationalized as institutional arrangements and stakeholder relations, in specific) affects the outcome of hydrocarbon projects supported by Chinese SOEs. My research thus seeks to explain the ability of Chinese SOEs to pursue selected hydrocarbon projects in a given country. I propose that the outcome – the success of Chinese SOEs in participating in a hydrocarbon project in a host country - can be explained by examining stakeholder politics and institutions. While the foremost goal of my dissertation is to explain the observed difference in the success rates of Chinese SOEs across and within countries by

accounting for domestic political economy, I also look at the engagement strategies[11] employed by Chinese SOEs to participate in hydrocarbon projects in host countries as these strategies may influence the success of Chinese participation.

On the basis of the earlier studies, one can deduce that Chinese SOEs, as new investors, have developed unique strategies to overcome their late-comer status in the hydrocarbon industry (Shankleman 2009; Andrews-Speed and Dannreuther 2011). One of these unique strategies is the aforementioned 'resources-for-infrastructure' package that combines loans, investment, aid, trade, and diplomacy into lucrative deals signed with leaders across Africa and Latin America (Alden and Davies 2006; Shankleman 2009; González-Vicente 2012). However, this engagement strategy cannot be easily transferred to other countries. For example, advanced industrialized countries are less likely to borrow money from Chinese SOEs or receive developmental aid from China. This generally fits with the assumption in the literature that Chinese SOEs adapt their strategies to fit the institutional environment in the host countries[12] (Economy and Levi 2014; Alon, Leung and Simpson 2015; Meyer et al. 2014). The adaptation of the Chinese investment, aid, loans, and trade packages to local conditions is a unique trait that differentiates Chinese SEOs from international oil companies (IOCs). The explanation for China's rationale to modify its investment package is still absent in the literature. Furthermore, the existing studies cannot explain the difference between Chinese success across different projects within the same country.

To explain this puzzling variance, I have developed a set of general propositions based on the theoretical propositions that arose from the literature. First, I propose that *foreign companies' engagement (i.e. the entry strategy composed of loans, FDI, and other finance) differs on the basis of the host country's political economy, where stakeholders and domestic institutions influence the nature of the investor's engagement.* Second, I propose that *domestic political, economic, and regulatory institutions determine the success rate of the projects in which foreign businesses engage financially by distributing power among stakeholders and determining the distribution of metaphorical licenses to operate within a given society.* My third proposition states that *in host countries where multiple stakeholders can challenge extractive projects, foreign investors will be less successful in completing their greenfield projects as there are more actors that can challenge these types of projects.* My fourth, and final, proposition suggests that *stakeholders may be influenced by inter-state relations that shape their receptiveness towards Chinese SOEs.*

Although these propositions are general and applicable to all foreign investors, Chinese SOEs are considered as a special case as they are perceived differently than IOCs. Stakeholders may perceive that Chinese SOEs are a source of unfair competition as they receive economic and political support from the home state (Chen 2013; Klaver and Trebilcock 2013) and are closely

[11] As noted in the introduction, the engagement strategies consist of the packages that Chinese SOEs provide to host countries and may include investments, loans, and trade contracts. The engagement itself is synonymous with the ability of Chinese SOEs to participate in the specific projects.

[12] Here host country category subsumes both developed and developing ones as Chinese SOEs adjust their packages to fit local circumstances.

connected to Chinese state, which may lead to politicization of energy production (Chen 2013; Du 2016). There are also concerns that Chinese SOEs may jeopardize sovereignty of host country's natural resources (Burt, Crawford, Arcand 2012; Jiang, Zweig, and Kang 2015) and negatively impact on national security (Dobson and Evans 2015, 12; Jiang 2010, 23). Therefore, Chinese SOEs are often subject to closer scrutiny by the host country's stakeholders than other investors.

In order to derive an overarching hypothesis regarding the ability of Chinese SOEs to participate in hydrocarbon projects by acquiring assets, providing loans, and/or setting up long-term agreements in hydrocarbon-rich countries, I have combined these five propositions into one overarching hypothesis. I hypothesize that *Chinese ability to participate in a hydrocarbon project in a host country is determined by the interaction between stakeholders (that are influenced by inter-state relations) operating within a particular institutional environment, where institutions that provide stakeholders with more avenues to influence extractive projects can make it more difficult for Chinese investors to engage in the hydrocarbon sector.* This hypothesis serves as the backbone in my theoretical model.

## Theoretical Framework

The theoretical framework (or model) seeks to establish a relationship between the political economy of host countries – composed of two independent variables, institutions and stakeholder politics - and the ability of Chinese SOEs to successfully participate in a hydrocarbon project in a host country (dependent variable). The relationship between these variables can be explained by unpacking the two independent variables – institutions and stakeholder politics. Institutions, commonly defined as "the rules of the game in a society or…the humanly devised constraints that shape human interaction" (North 1990, p 3), interact with the stakeholder politics in a specific country to determine the outcome of Chinese engagement (or the ability to participate) in hydrocarbon projects in a given country. The relationship between the two independent variables is complicated by an intervening variable – inter-state relations – that shapes the decisions of stakeholders regarding Chinese engagement in hydrocarbon projects. This model also has a feedback effect where an increase in Chinese engagement (or participation) in a host country may influence institutions and stakeholder politics in a host society. In this section, I will unpack each variable by discussing its operationalization and its role in the model.

The dependent variable, the ability of Chinese SOEs to successfully participate (or engage) in a hydrocarbon project in a host country, is the outcome that I am trying to explain. This variable is operationalized as a success or failure of Chinese SOEs to participate in a hydrocarbon project through foreign direct investment and loans (or other types of finance). The measure of success indicates that Chinese SOEs were either able to gain a stake in the project by acquiring shares in an existing project, participating in a project as part of a merger, purchasing a whole company, or contributing financially to a project (either through loans or other financial means). In light of this, the goal of my dissertation is to account for why some Chinese-backed projects in the host countries succeed (i.e. a project is implemented), while others fail (i.e. a project does not materialize). I propose that the answer to this question rests on the receptiveness of stakeholders and institutions to Chinese SOEs' declared interest to participate in a specific

hydrocarbon project. These two independent variables are very complex as they interact with each other to determine the outcome of interest.

Institutions are the first independent variable that is central to my theoretical framework. As noted earlier, institutions are the formal and informal rules that are utilized by organizations or agents in a given society. Formal institutions are "created, communicated and enforced through [official] channels", while informal institutions[13] can be defined as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of official sanctioned channels" (Helmke and Levitsky 2004, p 727). More specifically, the former institutions are based on codified regulations, while the latter is shaped by customs and history (North 1990; Helmke and Levitsky 2004; Jütting 2003). Property rights that are written into legal statutes exemplify formal institutions. Trust, on the other hand, is an example of an informal institution. The distinction between formal and informal institutions is important because formal rules that appear to be similar on paper "may generate dramatically different expectations, behavior, and outcomes" because compliance differs amongst countries (Levitsky and Murillo 2009, 126).

My theoretical model differentiates between institutions based on their function. Following the work of Holmes et al. (2011), I start with an assumption that each country has a set of economic, political, and regulatory institutions that may influence the activities of actors operating in that society. Regulatory institutions, such as property rights, regulate activities by domestic and foreign corporations operating within a given state by establishing formal rules and enforcement mechanisms (Holmes et al. 2011; Puffer, McCarthy and Boisot 2010). They stipulate laws/regulations/policies that shape the expected behaviour of actors. States can use regulatory institutions to block FDI from entering into a given economy through investment screening mechanisms. Therefore, formal institutions are operationalized through investment screening regulations and property rights.

Political and economic institutions exhibit different functions but can be united for analytical purposes. Jointly the two institutions define the distribution of power among public and private actors in a given society. Political institutions, such as democratic or autocratic governance systems, define political processes and distribute power within society (Holmes et al. 2011). In my model, political institutions shape relationships among stakeholders operating in society. For example, in democracies, multiple stakeholders are involved in policy-making as opposed to autocracies where only a subset of stakeholders wields enough power to participate in the policy-making. Economic institutions, such as property rights and the rule of law, reinforce political institutions by setting values that define economic activities in society (Holmes et al. 2011). In other words, they define state-corporate relations. In autocratic governments, a few powerful stakeholders wield a significant amount of power, which enables them to modify institutions and, at times, work around them. This becomes important when one thinks about the ability of the institutions to enforce regulations in society. The institutional function is thus one of the two measures that I adopt in my theoretical framework.

[13] Informal institutions may predate the formal ones or may emerge when the formal institutions fail to operate according to expectations (Helmke and Levitsky 2004).

As I noted earlier, the distinction between formal and informal institutions provides an analytical lens that can be used to interpret the relationship that exists between institutions and actors operating within a given society. Both types of institutions shape the behaviour and expectations of actors (or stakeholders, which will be discussed later in this section) by defining incentives and altering transaction costs (North 1990; Levitsky and Murillo 2009). The level of compliance with these institutions by stakeholder varies across countries. In countries where formal institutions are stable and enforceable, compliance to set rules is high (Levitsky and Murillo 2009). On the other hand, in countries where institutions are unstable and weakly enforced, compliance with the rules set out on paper is low. In other words, rules can be used as "window dressing", if compliance is not enforced (Levitsky and Murillo 2009, p 118; Dixit 2009). Thus, my model will take into account that institutions set out on paper – the formal institutions – may sometimes be disregarded in favour of informal arrangements, which may alter the investment dynamics.

Operationalization of informal institutions is more complex as it stems from customs and historical circumstances that shape society. I operationalize them through the variable of ideology. Ideology, as defined by Douglas North (1988, 15), is encompassed by "subjective perceptions that people have about what the world is like and what it ought to be", which are embedded into institutions. In other words, ideology can be institutionalized when it is embedded in society's set of values as an informal institution. In this way, concepts of resource nationalism or liberal markets may shape the norms and rules – that is the informal institutions – of a given society. Scholars also suggest that ideas underpin activities of individual stakeholders and shape the normative direction of the system (North 1988; Rosales 2018). Bearing this in mind, my model predicts that ideology will influence the actions of the formal institutions and stakeholders in a given country.

Ultimately, both formal and informal institutions are linked with the success/failure of Chinese businesses to participate in the hydrocarbon projects in a host country. Scholars identify a direct link between institutions and foreign investors. They propose that institutions determine the inflow of FDI, where stronger formal institutions[14] are associated with higher inflows of FDI (Acemoglu and Johnson 2005; Engerman and Sokoloff 2008; Menaldo 2016). To illustrate this relationship, scholars have found evidence that linked economic institutions, such as property rights and the rule of law, with higher inflows of FDI (Acemoglu and Johnson 2005; Sokoloff and Engerman 2008; Menaldo 2016). The institutional strength is important factor for Russia-Canada comparison given that institutional strength helps to account for the inflow of FDI into a host country. Similarly, political institutions, such as the political system, influence the inflow of FDI (Bayulgen 2010). For example, Bayulgen (2010) proposes that stable political regimes, such as democracies (ex. Norway) or autocracies (ex. Kazakhstan), are more attractive to foreign investors interested in investing in the hydrocarbon sector than mixed regimes (ex. Russia).

The second independent variable is captured by stakeholder politics in host societies, which, as noted earlier, interact with the institutional variable. Stakeholder politics are characterized by the interaction among stakeholders, or the actors operating in a given society. A standard definition of a stakeholder in the business management literature states that a

[14] Strong institutions are defined as stable regulatory (formal) institutions that are able to enforce laws independently of the political meddling (i.e. have strong political constraints) (Williamson 2009).

stakeholder can be "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freedman 1994, 46). Freedman et al. (2010, 163 and 170) note that stakeholder theory is helpful for strategical mapping of individual stakeholders that can be negatively impacted by the corporate activities. Following this practice, I borrow the stakeholder concept to map the key stakeholders in the energy industry that may be impacted by Chinese investment and trace their responses to Chinese engagement. For analytical purposes, these stakeholders are subdivided into four groups – government actors, businesses, civil society, and indigenous groups- residing in a society.

I propose that each of these groups can influence the ability of a company (either domestic or foreign) to operate in a given society. They do so by granting 'rights' or 'licenses' to domestic and foreign companies that make it easier for them to operate in a given society (Gunnigham, Kagan, and Thorton 2004; Prno and Slocombe 2012). Social license to operate has been popularized in the literature in international business, legal studies, political studies, and international relations (Gunningham, Kagan, and Thornton 2004; Owen and Kemp 2013; Wilburn and Wilburn 2014). The concept of social license to operate is, however, too narrow for my research purposes[15]. Therefore, I propose that the concept of licenses needs to be expanded to capture a multiplicity of licenses that a foreign company may need to acquire in a host country (or investment-recipient country) to ensure its successful integration into the hydrocarbon industry.

I propose that there are three 'licenses to operate' – social, political, and market. Each of these licenses is extended by a specific group of stakeholders; civil society and indigenous groups grant a social license, businesses grant a market license, and governments grant a political license. Each of these licenses has a specific function and role in shaping the participation of foreign firms in the hydrocarbon sector. Social license is perceived as broad community support for the project. If a foreign company fails to obtain a social license, then the society may engage in social action or file a lawsuit that will challenge the project by increasing its operational costs. A political license is simply governmental permission granted to businesses whose participation in the hydrocarbon project the government approves. The two licenses remain too narrow as they only capture an attitude exhibited by the society and the government. I propose that we need to add a third license to the mix – a market license to operate. The market license is an outcome of bargaining between foreign companies and domestic businesses. The number of licenses that the foreign company may likely need to acquire, in order to successfully operate in a host society, differs on the basis of two factors – the nature/type of a hydrocarbon project and political regime.

The first factor, the nature of a hydrocarbon project, can be conceptualized in terms of two categories – projects requiring greenfield investment and those requiring brownfield investment. The second factor, political regime, looks at whether the host country is leaning toward democracy or autocracy as regimes distribute the power amongst stakeholders within a society. Based on these two factors we can derive a set of propositions about the number of 'licenses' that a foreign company will likely need to obtain to operate in a given society.

[15] New research has already begun to reference political license as an important factor that shapes the ability of corporate investors to operate overseas (Shapiro, Vecino, and Li 2018).

In a democratic country with multiple stakeholders, the uncertainty[16] about whether a greenfield project will be approved is higher, given that there is a higher likelihood that a proponent of a project will be required to obtain all three sets of licenses before proceeding. Conversely, if a foreign company decides to participate in an existing hydrocarbon project in a democratic country, it will take over an existing social license (and potentially market license) from the previous owner. In this case, only a political license may be necessary for the project to proceed forward. Conversely, in investment-recipient countries leaning toward autocracies with fewer stakeholders the uncertainty of foreign company regarding its participation in a planned greenfield project is lower provided that the foreign business may only need to acquire a political and market license. A foreign company that is interested in participating in a brownfield project in an autocratic country will also likely need political and market licenses to operate. In both cases, a social license if often subsumed under the market license, given that foreign companies do not have to deal with the local civil society and aboriginal groups to obtain a social license These propositions are summarized in table 3.1. Ultimately, I propose that it will be harder for the proponent to implement a project that requires more licenses; and, by extension, it will be harder for Chinese SOEs to complete an intended project that requires more licenses.

| | **Democracy** | **Autocracy** |
|---|---|---|
| **Greenfield project** | Political<br>Market<br>Social | Political<br>Market |
| **Brownfield project** | Political<br>Market (sometimes may be transferred to a new firm from the previous owner)<br>(Social license may be transferred from the previous owner) | Political<br>Market |

*Table 3.1: Number of Licenses that a Business may need to Acquire to Operate in a Host Country*

The theoretical model will be however incomplete without adding an intervening variable – interstate relations – given that stakeholders do not make decisions in a vacuum. I propose that stakeholders not only respond to domestic issues; but, also to international events. Therefore, changing geopolitical factors will influence the receptiveness of domestic stakeholders to Chinese businesses. More specifically, changing geopolitical considerations affect calculations of stakeholders on the ground, who act on the premise of altered calculations. Therefore, inter-state relations play a key role in the decision of host countries to accept foreign investment from a particular country (Medvedev 2015). Scholars analyzing the relationship between inter-state relations and flows of Chinese FDI note that the existing explanations for the location choices of Chinese companies have failed to account for bilateral political relations and investment patterns (Li and Liang 2012). Econometric studies (Li and Liang 2012) and qualitative studies (Camba 2017) have noted that inter-state relations proved to be a significant determinant of the flow of Chinese FDI. By building on this literature, my model assumes that positive bilateral, inter-state

[16] This proposition is building on the definition of 'uncertainty' developed by Phillips, Tracey, and Karra (2009).

relations between China and the host country will increase the ability of Chinese SOEs to participate successfully in hydrocarbon projects in a given host country.

As my dissertation focuses on the hydrocarbon sector, I have thought about adding a variable examining the impact of the oil prices on the ability of Chinese enterprises to participate in the hydrocarbon projects in any given host country. However, the variable added little theoretical insight and did not behave as expected in the case studies. The fluctuation in oil prices appeared to have little impact on Chinese investment or loans in both Canada and Russia as the investment occurred during both low and high oil prices. However, at certain times, the oil variable appears to be causality important and significant. While I chose not to incorporate this variable to the general theoretical model, as more studies are needed to account for its centrality, I have kept this variable in the sections analyzing Chinese engagement.

Adding all of the variables together, we can derive a model captured in figure 3.1. The model theorizes about the causal relationship that links institutions and stakeholder politics with the ability of Chinese SOEs to participate in a hydrocarbon project of a host country. The stakeholder variable is also influenced by inter-state relations, which are an intervening variable in the model. As noted earlier stakeholder variable is operationalized through three sets of licenses that company may likely need to acquire in order to operate; political licenses granted by the government, social license extended by civil society and indigenous groups, and market licenses given out by market actors. The number of licenses that businesses will need to acquire depends on the political institutions – democracy versus autocracy – and the nature of the project – whether a project requires a greenfield or brownfield investment. The model thus suggests that stakeholder politics (independent variable) interact with domestic formal and informal institutions (independent variable) to determine the ability of Chinese SOEs to participate in hydrocarbon projects in a host society (dependent variable). Returning to the discussion of operationalization; informal institutions are captured by ideology and regime type, while formal institutions are operationalized by regulatory institutions, such as investment screening mechanisms and land rights.

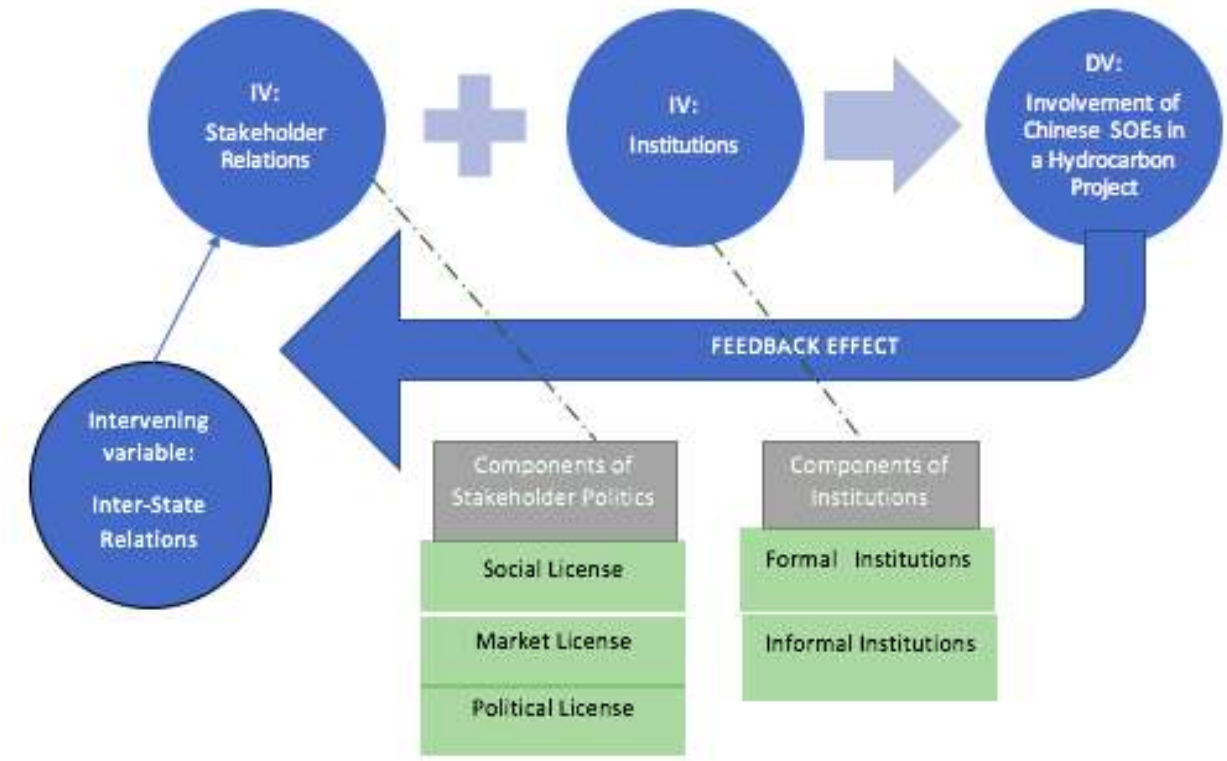



*Figure 3.1:Theoretical Model*

The model that is captured in figure 3.2 has a unique feature – a feedback effect – that allows the model to integrate a reverse causality. The existing research often assumes a static nature of the interaction between the domestic political economy and Chinese FDI, which I modify in my theory. According to scholars, institutions provide "elements of order and predictability" in repeated societal interactions (March and Olsen 2008). Building on March and Olsen (2008), I propose that repeated interactions between players and institutions set out a set of predictable actions and behaviours by developing typical 'pathways' of interactions. However, these pathways become altered when a new player enters established organizational patterns and disturbs this predictability.

If this pathway can be disrupted, then the proposed model should be altered to include reverse causality. Thus, I hypothesize that a new player may facilitate institutional change by galvanizing a 'critical juncture'. These junctures are defined as "relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of interest" (Capoccia and Kelemen 2007, p 348). I propose that during these periods (or 'junctures') we may observe changes in the regulatory landscape of a host country. In this way, my theory proposes a circular causality that links my independent variables (stakeholder politics and institutions) with the success of Chinese SOEs in participating in hydrocarbon projects in a given country. In other words, it accounts for institutional changes that result from a reverse causality as a result of reiterated interaction. It is important to note that this effect is rare and occurs under exceptional circumstances. Therefore, my dissertation is predominantly focused on the relationship between the domestic political economy, which I unpack in terms of

institutions and stakeholder politics, and the ability of Chinese SOEs to successfully participate in a hydrocarbon project in a host country.

There is one last additional factor that has not been discussed in the context of the theoretical model but may indirectly contribute to the ability of Chinese SOEs to successfully engage in the hydrocarbon industry of a host country – Chinese engagement strategies. Chinese SOEs engagement strategy differs on the basis of the host country's needs and stakeholders' interests. There is evidence that as SOEs expand their operations around the globe, they learn about adjusting their investment strategies to different political, social, and economic environments (Alon, Leung, and Simpson 2015). I propose that the change in the strategy of Chinese SOEs to fit into local circumstances can influence the success/failure of their engagement. For example, in developing countries, Chinese SOEs may offer loans or long-term supply contracts to gain a foothold in the oil and gas industry, while in democracies they may only provide FDI. These strategies are ultimately influenced by the host country's institutional framework and stakeholder politics. I conceptualize SOE strategies as a relevant factor that helps to account for the ability of Chinese SOEs to participate in hydrocarbon projects in host countries. However, it is secondary to the two independent variables – stakeholder politics and institutions – that ultimately determine the success/failure of Chinese SOEs in participating in a specific hydrocarbon project in a host country.

## Qualitative Comparative Method

My dissertation relies on a qualitative comparative method to determine a causal relationship between Chinese ability to participate in hydrocarbon projects, a dependent variable, and host country's institutions within which operate domestic stakeholders, independent variables. This method enables me to engage in hypothesis testing and theory building that lead to causal inference (Landman 2003). This method is ideal for the purposes of my dissertation due to two major factors that I will discuss in this subsection: a) the nature of the variables; b) the task of this project - to find a causal mechanism that links domestic political economy with the change in SOEs' engagement strategies.

The first advantage of qualitative methodology is that it captures the complexity of institutions and their interaction with stakeholders better than a quantitative study. Given that institutions are inherently complex phenomena, they make quantitative analysis difficult as it is difficult to determine appropriate measurements of institutions. Institutional variance is analytically tricky to capture by quantitative studies as similar institutions may operate differently across countries, while different institutions may have similar effects (Stevens and Dietsche 2008; Pajunnen 2008; Levitsky and Murillo 2009). This produces "causal complexity", since scholars may arrive at different results depending on how they measure and test for institutions (Pajunen 2008, 665). As institutions operate differently across countries, it is difficult for quantitative studies to capture the effectiveness and functions of institutions. Conversely, qualitative methods enable researchers to capture variables in a more nuanced way.

Qualitative studies can be used to account not only for the function of individual institutions but also capture the interaction between them. Since quantitative methodology fails

to account for temporal changes and focuses on ahistorical "parsimonious explanations", scholars propose that qualitative case studies are a better option (Stevens and Dietsche 2008, 64). Qualitative method also allows me to integrate a circular causality into my model. Due to circular causality a host country's domestic institutions (independent variable in the original conceptualization) can become a dependent variable as they respond to Chinese engagement (dependent variable in the original conceptualization). The switch in variables is only temporary as it is used to illustrate changes in the regulatory institutions, which subsequently continue to influence Chinese FDI.

The second advantage is that qualitative comparative studies allow scholars to examine causal mechanisms. Causal mechanisms are "a constellation of entities and activities that are organized such that they regularly bring about a particular type of outcome" (Hedström 2008, 322). These mechanisms can be used to demonstrate how causal relationships operate and explain how the cause is related to the outcome (Hedström 2008). By tracing causal mechanisms, I will be able to establish underlying causality that links my independent variables, institutions and stakeholder politics, with my dependent variable, the ability of Chinese SOEs to successfully participate in a hydrocarbon project in a host country. This relationship can be represented via a causal chain, which was depicted in Figure 3.1. As this causal chain reveals, the domestic political economy, operationalized by the host country's institutions and stakeholders, produces a unique business environment. As noted earlier, the model adds an inter-state relations variable that shapes the responses of domestic stakeholders to Chinese FDI.

To test for causal mechanisms, identified in my research design, I engage in process-tracing. This method "involves looking at the evidence within an individual case, or a temporally and spatially bound instance of a specified phenomenon, to derive and/or test alternative explanations of that case" (Bennett 2008, 705). I will apply a process-tracing approach to analyze a set of case studies to examine the relationship between the host country's institutions and Chinese engagement. Case studies are the best methodological tool for my research as they allow me to account for contemporary events, as I have little control over their occurrence (Yin 2003, 7). This analytical tool also makes it easier for a researcher to identify causal mechanisms and generate a hypothesis (Gerring 2009). Furthermore, case studies enable the researcher to engage in a multivariable analysis of factors and influences. Given that my research traces multiple variables across time and explains contemporary events by asking "how" questions, a case-study method is most suitable for my research purposes.

## Case selection

Case selection is one of the most important aspects of qualitative analysis. Therefore, I have designed a comprehensive set of criteria to maximize the likelihood that my results are replicable in future studies. First, I made sure that my case selection was non-random to capture the "variation along the dimensions of theoretical interest" (Gerring 2008, 646; also see: Seawright and Gerring 2008). This strategy is helpful as a comparison of two countries allowed me to analyze "multiple causal factors acting together" and reveal "nuances specific to each country" (Landman 2003, 29). Second, I relied on a most diverse case selection method, which

seeks to obtain a "maximum variance along relevant dimensions" to capture the diversity of outcomes (Seawright and Gerring 2008, 300).

I chose to analyze Chinese participation in the hydrocarbon sector in Canada and Russia. The two countries are distinct from other hydrocarbon producers as they are among top five oil and gas producers that are also economically and politically dominant global players. Both countries are also systemically important in China's global energy strategy. As I noted in chapter 2, Canada is the largest recipient of Chinese FDI in energy and Russia is the largest recipient of Chinese loans (and currently the largest oil exporter to China). Russia and Canada may thus be considered as hard cases for the model, given their unique position in China's energy strategy that may be due to their position as extreme examples of given phenomena. In light of this, they may exhibit unrepresentative patterns that may not occur in other countries as a result of their respective stakeholder politics, institutions, and inter-state relations. Both cases are understudied by scholars, despite the fact that they are very important hydrocarbon producers that partner with China. Despite choosing two systemically important countries, which can be considered as outliers due to their size and the scale of Chinese engagement, the hypothesis and theoretical model developed in my dissertation can be expanded to other countries where Chinese SOEs invest, provided that the elements of the model are adjusted to local conditions.

Although Canada and Russia may not be representative cases, the two countries are ideal for comparative purposes as Table 3.1 illustrates. They are similar in several factors that are not the central variables of interest but important for comparative purposes. One of the first similarities is that both have a large territory and are well-endowed with natural resources; they are both listed among the top five of the largest oil and gas producing countries. The second similarity is that both are dependent on a single export market for hydrocarbons. For Canada, the United States has been historically the largest export destination; for Russia, the European Union has been a recipient of the majority of Russia's exported oil and natural gas. Relatedly, for both, China is a relatively new energy partner given that the two have established energy relations with other regional powers. The Sino-Russian bilateral partnership against the hostile Western countries may make the dynamics of the partnership more strategic for Russia than we may observe in the Sino-Canadian relations. The two variables – oil-richness and inter-state relations impact the flow of FDI but generally do not explain the success of Chinese FDI in the two countries. Although, some may argue that in Russia changing geopolitical factors have increased the likelihood that Chinese SOEs will successfully participate in a hydrocarbon project, the variable influences stakeholder politics, which in turn jointly determine the success of Chinese SOEs.

Conveniently, the two cases differ in terms of two central independent variables – institutions and stakeholder dynamics (or the ability of specific stakeholders to influence policy making). In terms of institutions, on paper, both Canada and Russia appear to be federal states and constitutional democracies. Russia appears to be a mixed/hybrid-regime with autocratic elements (or a regime that is straddling a divide between democracy and autocracy) (Bayulgen 2010; Sakwa 2000). In this way, Russia is closer to China's state-capitalist institutional model of economic governance than to Canada's neo-liberal regime. In terms of stakeholders' ability to

shape decisions in the hydrocarbon sector, the two cases differ drastically. In Canada, multiple stakeholders are involved in making decisions, while in Russia the decisions are taken by a few high-level officials and corporate leaders. In summary, the two differ in the key variables of interest – institutional setup and stakeholder relations, which will be explored in the respective theory chapters (5 and 7).

| *Variables* | *Canada* | *Russia* | |
|---|---|---|---|
| *Systemically important and Oil-rich Countries* | Yes | Yes | |
| ***Inter-state relations**: Dependence on a single export destination (China a new partner)* | Yes; The United States; "diversification to Asia" | Yes; European Union; "Pivot to the East" | Geopolitical changes and alliance with China against the West |
| ***Institutions, ideology**, and regimes* | Democratic; neo-liberal regime (free markets) | Hybrid; state-capitalist regime (resource nationalism) | |
| ***Stakeholders*** | Multiple with capacity to challenge oil and gas projects | Multiple only those with access to power able to challenge oil and gas projects | |

*Table 3.2: Variance of Key Factors Across Russia and Canada*

To test how these differences impact Chinese engagement in host societies, I have selected three different hydrocarbon projects in Canada and Russia where Chinese SOEs expressed interest to operate. The case selection focused on the projects from 2005 to 2018 to ensure that the cases are representative of a particular historical time period in the global political economy. After identifying hydrocarbon projects where Chinese SOEs have declared an interest to invest in both Russia and Canada, I categorized them along two dimensions: a) type/function of the project (brownfield / greenfield; oil exploration, LNG plants, oil pipelines/infrastructure); b) relative size of the project (in terms of Chinese investment and their coverage in the press). Projects selected for further analysis were larger in terms of China's contribution than other available cases in the same category. While this may bias my analysis, by selecting the larger cases I was able to gather more information about each of the individual projects. Furthermore, larger cases are more likely to trigger opposition from the stakeholders, which is one of the key variables that I have examined.

These criteria helped me to select three representative cases in each country to analyze Chinese engagement. In the Canadian case, the three core case studies were selected on the basis of the four factors. First, I selected a variation in terms of investment type: Nexen is a brownfield investment; the LNG plants are greenfield joint ventures; and the Northern Gateway pipeline is

an arrangement for future investment in exchange for financial support. Second, I chose one representative project along the hydrocarbon chain: the CNOOC-Nexen deal represents hydrocarbon extraction; SOEs' investment in British Columbia's LNG industry relates to the processing of natural gas; and the Northern Gateway pipeline is an energy infrastructure project. The cases also captured different stages of Chinese engagement that I will discuss in the subsequent chapter. The third selection criteria were based on the size of the investment and the number of available cases in a given category. CNOOC's acquisition of Nexen was the largest investment made by a Chinese SOE in Canada, while the LNG projects and the Northern Gateway pipeline were the only available cases in their category. Finally, the investment deals selected for further analysis have all occurred during formative stages of Chinese investment in Canada (from 2005 onward) to ensure consistency of research findings across similar time periods in both countries.

In the Russian case, I followed a similar model. I ensured that the case studies varied on the basis of the FDI type and across the hydrocarbon chain. The first case, Sinopec's investment in Udmurtneft, is a brownfield investment in upstream oil extraction. The second case, the acquisition of shares in Yamal LNG by CNPC and the Silk Road Fund, is a greenfield investment in a joint venture to explore for (and process) natural gas. The third case, CNPC's financial support provided to Transneft and Rosneft to construct the ESPO, is a financial package extended by Chinese SOEs to support greenfield energy infrastructure. All of the selected cases are the largest of their kind, received wide coverage in the press, and stirred a political debate. As in the Canadian case, the Yamal LNG and the ESPO pipeline were the only available cases for analysis. The selected cases are summarized in table 3.2.

| ***Selected Projects*** | **Canada** | **Russia** |
|---|---|---|
| *Upstream Oil Exploration*<br><br>(brownfield FDI; M&A) | Nexen (CNOOC) | Udmurtneft (Sinopec) |
| *LNG Plants*<br><br>(greenfield FDI; JV) | Aurora LNG (CNOOC) / Pacific North-West LNG (Sinopec) / Canada LNG (CNPC)[17] | Yamal LNG (CNPC and Silk Road Fund) |
| *Pipelines*<br><br>(greenfield FDI / finance) | Northern Gateway Pipeline (CNPC / Sinopec / CNOOC) | East Siberia-Pacific Ocean Pipeline (CNPC) |

*Table 3.3: Selected Projects in Canada and Russia where Chinese SOEs Indicated an Interest to Participate*

## Discussing the Data: Data Generation, Analysis, Reliability, and Ethical Considerations

In order to analyze the selected cases, I have combined several data generation techniques. My research relied on desk research and fieldwork to gather data. The two techniques worked together seamlessly. Desk research was essential for gathering publicly

[17] Given the similar nature of these projects, I have decided to treat them as a unified case.

available data from the internet or university libraries, while fieldwork allowed me to gain an in-depth understanding of the selected cases. By employing both strategies, I was able to gather and combine information from primary and secondary data; this process is known as "triangulation" as I will explain later in this section. Given the nature of my project, I utilized data sources in both English and Russian languages to provide a balanced analysis of the information gathered during interviews and desk research.

As part of my desk research, I gathered and examined primary and secondary data sources in both English and Russian languages. Primary sources that I utilized are newspaper articles, legal documents, governmental and non-governmental publications, corporate reports, and statistics. I have also used secondary literature on the topic generated by scholars and examined grey literature, including reports, working papers, white papers, and evaluations. As I carried out research in Canada and Russia, I relied on website engines and libraries unique to each location. For example, for my research on Russia, I used search engines such as Yandex or Rambler, while in Canada I relied predominantly on Google.

I have supplemented my desk research with fieldwork in Russia and Canada. I travelled to Russia in the fall of 2016. As part of my trip, I visited Moscow, Novosibirsk Oblast, the Republic of Tatarstan, and the Udmurt Republic. I spent approximately two weeks in each location to conduct interviews (in English and Russian) and engage in participant observation. I spoke with experts, professionals, scholars, and civil society actors in Russia to understand the impact of China's engagement. I carried out similar research in Canada in the fall of 2017. I have spent time in British Columbia and Ontario[18] to conduct interviews with a range of actors and to engage in participant observation. Interviews with experts residing in the province of Alberta were conducted remotely via emails and phone conversations.

Semi-structured interviews were designed to conform to the ethical standards in my discipline. I obtained approval for my research from the Research Ethics Board at Wilfrid Laurier University. In consultation with my supervisor and the ethics committee I have developed a set of core questions, which are included in the appendix. These questions were designed to gain insight about individual participant's perception of the Chinese investment in their respective country. Generally, interviews took approximately an hour.[19] The participants were initially identified by an independent search of governmental, corporate, and university websites. I contacted those participants by sending out a set of recruitment emails asking them to participate in my study. The subsequent round of interviews was done by using a snowball effect, where the participants of the first round of interviews were asked to identify suitable participants for the second round of interviews.

The interviews were held in person or remotely via email or phone. I interviewed 13 participants in Russia and 14 participants in Canada. The participants were of working age, employed, and had substantial experience in the hydrocarbon sector. I interviewed scholars, policymakers, Indigenous representatives, local workers, researchers, lawyers, and journalists.

[18] I also conducted an interview in Saskatchewan in 2018.

[19] Interviewees had the option to interrupt the interview process at any point.

Participants were encouraged to share their experiences, beliefs, and perceptions about the topic. Interviewees provided their personal insight about China's economic engagement within their respective home countries. In confirmation with the Tri-Council Policy Statement for Ethical Conduct for Research Involving Humans (TCPS2: Core), I have stored and treated gathered information as confidential and ensured its secure storage on my laptop. All of the quotes used in this dissertation were obtained with the permission of the individual participants, who were consulted about using the specific quotes in the final draft of my dissertation.

Fieldwork proved to be a valuable tool for my research as it helped me to identify better measures of key concepts (Adcock 2001) and contributed to my causal inference (George and Bennett 2005; Brady and Collier 2004). For my study, field research was key for identifying causal mechanisms and for analyzing conditions under which these mechanisms operate (Wood 2007, 126). As part of my fieldwork, I engaged in what Wood (2007) identifies as "weld research", which is characterized by "personal interaction with research subjects in their own setting" (125), through interviews and observations. Interviews provided additional information that was inaccessible via other research means. Interviews also helped me to understand the rationale behind the issues that were not explained in publically available sources. Although interviews are criticized for being "imprecise…[and] subject to multiple interpretations", Rathbun proposes that interviews are "often the best tool for establishing how subjective factors influence political decision-making, the motivations of those involved, and the role of agency in events of interest" (687). Furthermore, in-depth interviews and participant observations are important to "uncover a deeper level of information in order to capture meaning, process and context" (Landman 2003, 19).

Ultimately, a combination of desk research and fieldwork allowed me to gather multiple sources of data. By using two strategies to generate data, I was able to "triangulate" information found across different sources to confirm the reliability of the findings (Wood 2007, 127). In this way, I was able to check the consistency of my findings and gain an in-depth understanding of the issues at hand. I used desk research throughout my dissertation; I relied on it to identify information gaps, key issues, and trends before conducting fieldwork. Subsequently, I engaged in desk research during fieldwork to gather additional data or to check the reliability of interviewees responses. Finally, I have turned to desk research after fieldwork to find supplementary information. Additionally, for the Russian-language sources, I supplemented information with publications written in English to check for data reliability.

To analyze the compiled data, I used qualitative and mixed-methods software, NVivo 10/11, Word, and Excel. NVivo is computer software for qualitative data analysis. It supports a systematic analysis of text-based and multimedia information. I have used the software to code/classify information and to examine relationships between individual data. The software improves the validity of research as the coding ensures its replicability in future studies. I used Excel to generate pie charts, line graphs, and bar graphs from the data. For example, I coded exports/imports of oil/natural gas, domestic responses to greenfield LNG plants in British Columbia, and the number of investments screened under the Investment Canada Act.

## Limitations

My study has a few limitations that may impact its replicability. One of these limitations is associated with time. Given the qualitative nature of my dissertation, the interviews that I conducted in Canada and Russia reflected interviewees' opinions at a particular historical time. Thus, the individual responses were influenced by structural and temporal factors. This impacted the interpretation of the results for some of the projects that are currently undergoing rapid development. The major obstacle was associated with acquiring and adding information about projects that are still ongoing. For example, the LNG chapters in both countries have shifted as the projects evolved and new data became available.

The second limitation is in the small number of interviews I carried out in both countries. The small number of respondents is the outcome of both temporal constraints (limited time for fieldwork) and the general unwillingness of respondents to discuss Chinese investment in the hydrocarbon sector, given its strategic nature. As a result, I was unable to consult managers of Chinese companies as they ignored my outreach emails inviting them to participate in my study. Relatedly, managers of CNPC, Sinopec, and CNOOC have been very cautious about media appearances. Therefore, both primary and secondary data on the responses of Chinese managers are limited. To compensate for these limitations, I have relied on secondary data to fill the gaps and focused on the visible changes in China's strategy or institutional responses.

The third limitation is inconsistent data availability across the six case studies in Canada and Russia. In general, Chinese proposed investment projects were better documented in Canada than in Russia. Still, in both countries, some projects were better documented than the others. Projects that are more recent had more sources of information and data available for analysis. Conversely, older projects had fewer available data. This may be due to the fact that projects that were recently completed or are currently under construction have a larger internet presence and have recently submitted their documents to the government. As the information available on the internet can be easily deleted, the older projects have fewer data than the more recent ones. A good example is the disappearance of information released by the proponent of the Northern Gateway after the project was suspended.

To mitigate this problem of information discrepancy, different sources of information were utilized to gather data. I have found information about these projects in articles written by scholars and in the media, grey reports, and documents prepared by local governments. Interviewees were especially helpful to discuss projects that were older with little secondary information available. To balance this information, I selected projects from the early to mid-2000s to present. Although temporal range gave me some flexibility, I had to carefully manage available information to focus on central indicators to ensure consistency across different data sources.

The fourth factor that has limited my research is the unreliability of the quantitative data which I have used to generate graphs in this section. Publically available data on Chinese investment is often unreliable given the general preference to keep the investments a 'low-profile' endeavor by Chinese SOEs. Scholars studying Chinese aid, loans, and investment, such

as Deborah Bräutigam and Kevin Gallagher, note that quantitative data are often unreliable and that there is a discrepancy between the databases used by different organizations and agencies. I have noticed data discrepancy in the AEI database, where the reported projects that were suspended by Chinese companies remained listed as a finalized investment. Similarly, several smaller investments were absent from the database as well. One of the problems is that researchers rely on the media to gather data on Chinese FDI in energy, which may over/under report certain projects. Given the multiple issues with quantitative data, I chose to focus my dissertation on qualitative data and to supplement large-scale databases with independent research in Canada and Russia.

Lastly, as noted earlier, Canada and Russia are systemically important hydrocarbon-rich countries which may influence my findings. Since the two cases are the extreme cases in terms of the scale and scope of Chinese engagement, it may be difficult to draw general conclusions from the qualitative studies that I have conducted. Further studies will be required to test the hypothesis and model in different settings. I will test this model by engaging in within-case analyses of hydrocarbon projects in Canada and Russia to showcase how the core variables respond to different background factors along the hydrocarbon supply chain. In doing so, I will test how the model can be applied to similar projects in different countries and to illustrate the adjustments that may be required to capture the dynamics of the model.

## Conclusion

This chapter discussed seven distinct elements of my research design. First, it reaffirmed the central puzzle and research question by stipulating that my study examines how domestic institutions along with stakeholders influence the ability of Chinese SOEs to participate in hydrocarbon projects in host countries. In doing so, it explains the discrepancies in the success of Chinese SOEs across the selected projects and countries. The first section of this chapter also restated a set of theoretical propositions that can be summarized in one over-arching hypothesis – that *Chinese ability to participate in a hydrocarbon project in a host country is determined by the interaction between stakeholders (that are influenced by inter-state relations) operating within a particular institutional environment.* This hypothesis also suggests that *in the recipient countries with the institutional environment that incorporates the desires of multiple stakeholders, Chinese SOEs' participation in the hydrocarbon industry may be met with more opposition than in countries where decisions about Chinese participation (which includes FDI, loans, and other finance) are made by the top leadership without consultation with the other groups.* Relatedly, one may assume that Chinese enterprises will find it more difficult to operate in democratic countries with multiple stakeholders than in autocracies, where a political license to operate often triumphs other considerations.

This general hypothesis informed the theoretical framework that I have discussed in the second part of this chapter. My theoretical framework relies on three moving pieces – Chinese SOEs desire to participate in the hydrocarbon projects abroad (and their willingness to modify their engagement to fit the needs of the host country); domestic institutions responding to their participation; and stakeholder politics that determine social, political, and economic dimensions

of bargaining in the society. Drawing on the historical institutional literature and international business literature, I combined theories on institutions and stakeholder relations to explain the success/failure of Chinese SOEs planned engagement in hydrocarbon projects abroad.

The second section elaborated on my theoretical contribution to the existing literature. As I proposed in this chapter, scholars need to expand the concept of 'licenses to operate', which is popular in the literature on corporate social responsibility (CSR). I propose that we need to include other types of licenses in this model. Therefore, I have added a market license to social and political licenses that are currently discussed by scholars. By expanding the notion of licenses in this chapter, I have proposed that foreign companies that want to establish their presence in democratic societies need to obtain multiple licenses to operate. In comparison, in autocratic societies, where the three sets of licenses are conflated and often subsumed under one overarching license – a political license to operate, foreign businesses may find it easier to establish their presence if they are supported by the party in power. These licenses are important when we consider two types of investment – greenfield versus brownfield FDI. As noted earlier, investors engaging in a brownfield investment do not need to obtain a social license, which was already granted to the project by a local community. This may make it easier for Chinese SOEs to participate in projects that require brownfield investment rather than in those projects that require greenfield investment.

The third section explained the selection of the qualitative conventional method for my analysis and discussed the operationalization of the dependent and independent variables. Since I chose a comparative case study analysis with an emphasis on fieldwork and observations, I had to identify a set of cases for my analysis, which I discussed in section four. In this section, I also explained the rationale for choosing Canada and Russia for comparative purposes and elaborated on the choice of specific projects in the hydrocarbon sector that were selected for an in-depth analysis. The last two sections of this chapter elaborated on my data collection technique and outlined limitations of my study. The research design has thus covered all of the elements that are essential for the analysis of my cases in Canada – chapters five and six – and in Russia – chapters seven and eight.

# Chapter 4. The Role of the Canadian Institutions and Actors in Shaping Chinese FDI in the Canadian Hydrocarbon Sector

## Introduction

Canada is one of the top hydrocarbon producers and exporters in the world. In 2015, Canada was ranked as the fourth largest producer and the third largest exporter of crude oil (Natural Resources Canada 2016, 28). The Canadian oil industry produced over 3.8 million barrels of oil per day in 2016 from conventional and unconventional sources (Canadian Association of Petroleum Producers). The majority of this oil (80 per cent) is produced in Alberta (Natural Resources Canada 2016, 30). Canada is also the fifth largest producer and the fourth largest exporter of natural gas (Natural Resources Canada 2016, 52). Canada's geological profile coupled with its stable politico-economic environment draws foreign investors into the

Canadian hydrocarbon sector. Among these investors, we find Chinese SOEs, which expanded their presence in the Canadian hydrocarbon sector in the 20th century.

Rapid growth in FDI by Chinese SOEs in the Canadian hydrocarbon sector has stirred a debate among policymakers, media, scholars, and the public. One of the central questions of this debate is how to regulate this investment. Scholars and practitioners are concerned that Chinese SOEs may be driven by political rather than by economic considerations (Dawson 2012; Chen 2013; Du 2016) and may undermine Canadian national security (Jiang 2010; Dobson and Evans 2015). These concerns motivated my central question: how is Chinese SOEs' participation in hydrocarbon projects impacted by Canadian institutions and stakeholder politics?

To provide an answer to the raised questions, I will construct a theoretical model that rests on three elements – inter-state relations, institutions, and stakeholder politics[20] - discussed in chapter 3 and will develop a set of theoretical expectations. The model applies the three elements to the Canadian setting by focusing on the reception of investment by Chinese SOEs in the Canadian hydrocarbon industry. In doing so, it unveils a complex system of interacting variables that have evolved to shape Chinese engagement in Canada since the 1990s. The theoretical model, which I will construct in this chapter, will be subsequently tested in chapter six by using empirical cases to demonstrate how each of the three elements affects Chinese FDI in Canada. The model will also account for institutional evolution in Canada, which is depicted by the changes in the investment screening mechanism in response to an inflow of FDI from Chinese SOEs.

## Inter-state Relations

Inter-state relations shape the broader political and economic landscape that influences the receptiveness of domestic stakeholders to foreign investment in the Canadian hydrocarbon sector. One example of this is the bilateral energy partnership between Canada and the United States. Canada's close energy relations with the United States have historically shaped and continue to shape the flows of energy-related trade and investment across the North American continent. Inter-state relations thus play an important role in directing the inflow of FDI. As noted in the methodology section, supportive inter-state relations are an insufficient but necessary condition that enables Chinese investors to acquire assets in the Canadian hydrocarbon sector. At times when Sino-Canadian bilateral diplomatic relations are supportive they act as an enabler of FDI as stakeholders are more supportive of Chinese SOEs. Relatedly, during periods of bilateral hostilities, this variable may restrict investment flows.

As I propose in this section, bilateral relations between states are complicated by the notion of energy security that is tightly linked with a desire to diversify energy partners. As the regional and global demands for energy change, countries seek to rebalance their trade and investment partnerships to reflect the altered reality. In the Canadian case, Sino-Canadian energy partnership is shaped by a mutual desire to diversify energy partners. This section examines geopolitical factors that shape Canada's energy security and analyzes Canada's strategy to

[20] As noted earlier, stakeholders are composed of four sets of actors – the government, businesses, civil society, and Indigenous groups.

diversify its energy partnerships by trying to reach Asian energy markets. The goal of this section is to examine how interstate relations influence the inflow of Chinese FDI into Canada. In doing so, this section first examines broader trends in FDI in the hydrocarbon sector and subsequently analyzes Canadian bilateral diplomacy with China.

## Foreign Investors, Geopolitics, and Energy Security

Foreign investment is an important source of capital for the Canadian hydrocarbon sector. Foreign ownership/control, where a majority (over 50 per cent) of a business is owned by a foreign entity, has been substantial in the Canadian hydrocarbon sector. Foreign control of Canadian oil and gas sector has been relatively high; in 2016, foreign control stood at around 42 per cent, which is similar to a 2004 figure (Natural Resource Canada 2018, 15). Data from Statistics Canada indicate that foreign investment in the Canadian oil and gas sector has been generally increasing from 1999 to 2016 (despite several episodes of falling investment during the periods of commodity downturns and economic crises – 2005/2006, 2002/2008, and 2013/2014). In general, FDI in the Canadian oil and gas sector grew substantially from C$17,619 million in 1999 to C$137,738 million in 2016. This rapid growth in foreign investment is captured by the orange upward sloping line in Figure 4.1, which depicts stock of FDI in the Canadian oil and gas extraction. This figure was generated on the basis of data released by the Statistics Canada. The blue line on the graph depicts American investment in the Canadian oil and gas sector.

There are two important trends captured in the graph below (Figure 4.1) that are consistent with my argument that close Canadian bilateral relations with the United States have shaped FDI patterns. The first trend that is worth noting is represented by the proximity of the orange and blue lines on the graph. The proximity of these two lines reveals that the United States was the dominant investor in the Canadian oil and gas sector during the early 2000s. In 2017, the United States accounted for 60.3 per cent of FDI entering Canada (Global Affairs Canada 2017). Until 2006 American investors accounted for almost all of the FDI entering Canada. Since 2006 foreign investment from other regions, such as Asia and Europe, has expanded. This expansion has reduced the proportion of FDI sourced from the United States.

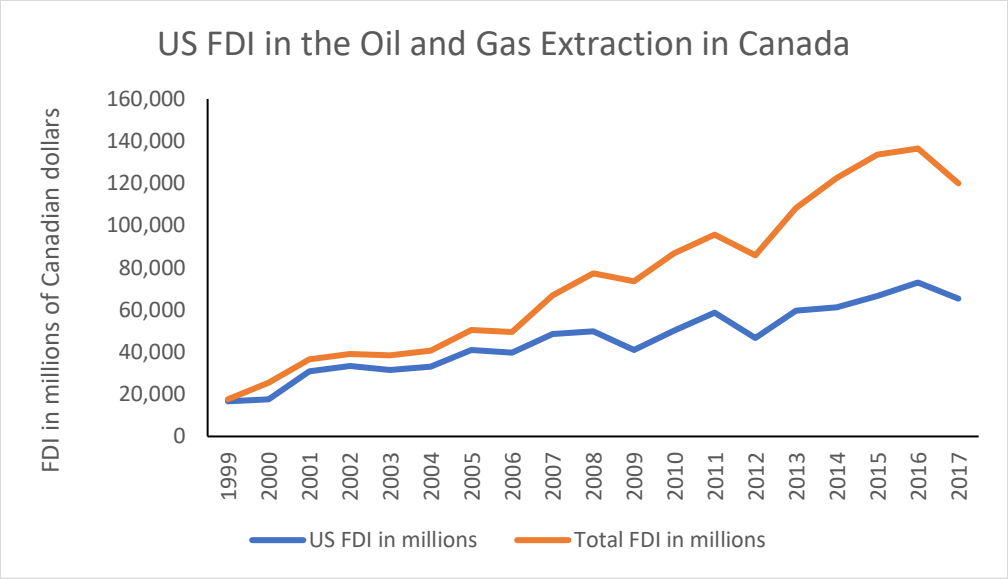



*Figure 4.1: U.S. stock of FDI in the Canadian Oil and Gas Extraction Compared to the Total FDI (source: CANSIM, Table 376-0052 (generated in 2018)*

In comparison, Chinese FDI in the Canadian hydrocarbon sector had a relatively slow start. It began to expand rapidly after the Global Financial Crisis, which coincided with a decline in investment from the IOCs. The inflow of Chinese FDI to Canada is depicted in figure 4.2. This figure shows that the stock volume of Chinese FDI has been rising and falling rapidly over time. The spikes coincide with the large investments made by Chinese SOEs in Canada, such as CNOOC's acquisition of Nexen in 2013. In 2009, Chinese FDI in the Canadian oil sands stood at C$1,741.5 million (stock measure). In comparison, in 2012, the stock of Chinese FDI in the Canadian oil sands sector was C$15,766.5 million (Global Data 2012). In 2011, Chinese investors owned 10 per cent of the Canadian oil assets (Global Data 2012; Coates 2014). To bring these numbers into perspective, around half of Chinese investment in Canada was in natural resources at the time (Grant 2012, ii). The rapid growth of FDI from China over the last few years is slowly chipping away at the American dominance in the Canadian hydrocarbon sector. Although Chinese investment in the Canadian oil and gas sector is growing, its impact remains relatively minor compared to the influence exerted by IOCs and other factors shaping the industry (Woo 2017, interview with the author).

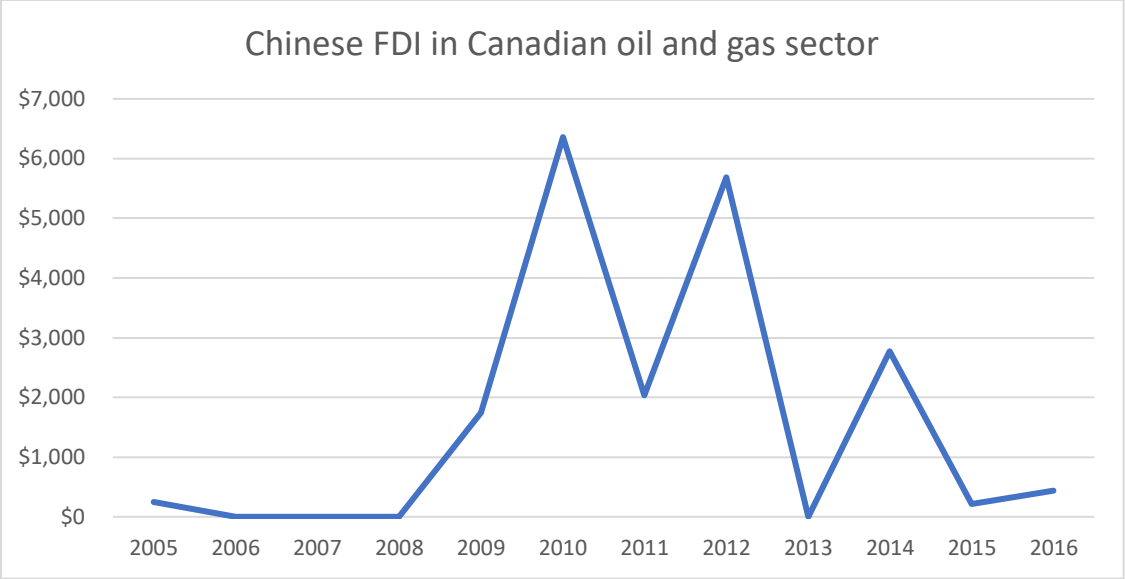



*Figure 4.2: Chinese FDI (measured in terms of flow) into Canada data generated based on the AEI, Scissors, 2018.*

One of the factors that shapes FDI in the Canadian energy sector is energy security. While a general definition of energy security focuses on the reliable supply of oil and gas at reasonable prices (IEA n.d.; Yergin 2006), a more nuanced definition of energy security rests on the premise that energy producing countries need to obtain investment to develop these resources. In the Canadian case, industry leaders and government officials from The Energy Council of Canada define energy security in terms of managed energy supply, reliable energy infrastructure, and satisfaction of current and future energy demand. If we expand their definition, we can arrive at a much more general concept of energy security that includes investment in the production of energy resources to meet anticipated energy demand.

Energy security has shaped Canada's position on issues related to energy investment and trade. Historically, Canada has pursued a regional energy security strategy by maintaining close investment and trade ties with the United States. Today, the two countries are united by bilateral trade and investment agreements, such as the Canada-US Free Trade Agreement (CUFTA)[21] (Hale 2014, 353). Market integration between the United States and Canada via the NAFTA (now USMCA) and the CUFTA helped to lock regional energy trade in place. Currently, Canada ships the majority of its oil and gas exports to the United States. Data on Canadian oil exports for 2014 indicate that over 90 per cent of exported energy – 97 per cent of oil and 100 per cent of natural gas – were shipped to the United States (Natural Resources Canada 2016). Close trade relations in the energy sector between Canada and the United States have determined broader investment patterns across the energy industry.

Canada's economic dependence on the United States has produced an integrated energy market, tied by a joint pipeline infrastructure running from Canadian hydrocarbon-rich provinces to American consumers and refineries. In comparison to the pipeline connection between Canada

[21] In the fall of 2018, Canada, Mexico, and the United States have signed a new trade agreement – the USMCA. Prior to the USMCA (from 1994 to 2018), the two powers have been united economically by the NAFTA.

and the United States, Canadian domestic pipeline infrastructure remains underdeveloped (CAPP 2018). The existing pipeline network locks Canadian producers to American energy markets and limits their ability to sell their products internationally. This dependence on the American demand for Canadian hydrocarbons makes Canada vulnerable to changes in American demand. Given that the pipeline connection between hydrocarbon suppliers in Alberta and ports in British Columbia is limited, Canada's attempt to shipments of hydrocarbons to Asia has been wrought with uncertainties (CAPP 2018, iv).

Canada's attempt to expand domestic cross-country infrastructure is complicated by logistical and political considerations. Politically, an effort to expand infrastructure to access Asian markets has been unpopular among different stakeholders. As I will elaborate in the subsequent chapter, stakeholder politics have blocked a recent proposal to build a new pipeline – the Northern Gateway Pipeline – from Alberta to British Columbia. As Canadian pipeline infrastructure remains underdeveloped, Canadian energy producers are locked into regional energy markets, which offer lower prices for the Canadian oil and gas (National Energy Board 2016b, iv). Therefore, Canadian policymakers emphasize the importance of energy diversification, which can be attained through the construction of new pipeline infrastructure. A recent example of the government's activities to develop pipeline infrastructure is the acquisition of the Kinder Morgan pipeline expansion project by the Trudeau administration to ensure that the pipeline will be built. Ultimately, inter-state relations may constrain the maneuverability of Canadian energy producers to pursue energy diversification as it may lock-in pre-existing trade and FDI patterns.

### Bilateral Diplomacy with China

Bilateral diplomacy is an important element that needs to be in place in order to support energy diversification. Scholars analyzing Sino-Canadian diplomatic ties find a correlation between political and economic relations (Nossal and Sarson 2013), where closer political ties are linked to higher energy investments (Jiang 2010). Considering these studies, one may expect that political ties between the Canadian political leadership and Chinese government officials may shape bilateral investment flows in the hydrocarbon sector. Empirical evidence appears to be largely supportive of this correlation. Scholars find that bilateral economic relations between the two countries have expanded gradually, since the time the former Prime Minister Pierre Elliot Trudeau established diplomatic relations with the People's Republic of China in the 1970s (Edwards 2009; Nossal and Sarson 2013). As the bilateral economic ties grew, so did energy trade and investment (Nossal and Sarson 2013).

Conversely, a deterioration of bilateral political relations during the Harper administration, driven by the skepticism about Chinese democratic and economic principles, is associated with a brief cancellation of bilateral diplomatic meetings and a decline in China's FDI from 2006 to 2009 (Nossal and Sarson 2013; 4-5; Jiang 2010, 16; Jiang, Zweig and Siqin 2015, 112). The brief decline in FDI was reversed after the Harper administration readjusted its official policy on China. This occured during Harper's second term in office. Empirical evidence indicates that Chinese investment in the hydrocarbon sector picked up and large deals followed after bilateral relations were stabilized. However, the announcement of the SOE-specific

guidelines by the Harper administration has acted as another roadblock for Chinese investors as I will explain in the next section on regulatory institutions. In general, evidence suggests that diplomatic relations serve as an indicator of economic collaboration between China and Canada in the sphere of energy. However, there are exceptions to these broader trends.

Economic and regulatory factors may counteract diplomatic efforts. We can observe this discrepancy in recent diplomatic missions carried out under Justin Trudeau's administration. Under Trudeau's leadership, the two sides have re-established a "strategic partnership" discourse in 2015 to showcase closer bilateral relations (Jiang 2010, 17). Both countries have also placed emphasis on energy cooperation in a *Joint Statement Between Canada and the People's Republic of China*, signed during Premier Li Keqiang's official visit in Ottawa in 2016 (Prime Minister of Canada 2016). A growing bilateral partnership between China and Canada is reflected in the official statements released by the Canadian government.

One of these statements was made by Jim Carr, Canadian Minister of Natural Resources. In his speech at the annual Energy and Mines Ministerial Conference in China, Carr has expressed Canada's interest in expanding relations with China after declaring that "Canada is open for business" and stating that "no partnership holds more potential than the one…[Canada] enjoy[s] with China" (Natural Resource Canada 2017b). Carr also emphasized that Canada is trying to develop pipeline infrastructure to reach China's markets, by alluding to the expansion of the Trans Mountain pipeline (Natural Resource Canada 2017b). The official statements culminated in a Memorandum of Understanding with China on "The National Energy Administration on Cooperation in the Field of Energy" (Natural Resource Canada 2017c). However, as I will illustrate in chapter six, energy trade and FDI did not expand as expected.

Despite the mixed evidence linking diplomacy to investment, Canadian federal and provincial governments continue to use diplomatic channels to entice Chinese investors to invest in Canada. At the provincial level, governments are actively seeking Chinese FDI in the energy sector. Alberta and British Columbia are among the most active Canadian provinces in this regard. Both provinces have established political and economic ties with China. These ties are partially facilitated by the Investment Promotion Agencies (IPAs). These IPAs attract Chinese FDI into Canada as they lower transaction costs associated with foreign investment by reducing information asymmetries and 'liability of foreignness'[22](Anderson and Sutherland 2015, 816). They do so by supporting trade missions and providing Chinese business with information about Canadian political, cultural, and economic environment (Anderson and Sutherland 2015). In Canada, the Canada-China Energy and Environment Forum, headed by Wenran Jiang and supported by the Canadian Department of Foreign Affairs and International Trade (DFAIT), has been very active since 2004 in promoting energy ties between the two countries. From 2004 to 2007, the Forum held bilateral conferences to promote bilateral energy partnership between China and Canada (Jiang 2010).

Other factors that may impact the inflow of FDI and restrict domestic regulatory institutions are BITs, such as the Canada-China Foreign Investment Promotion and Protection

[22] The "liability of foreignness" or higher costs of operating due to a lack of experience in operating in a host country (Boisot and Meyer 2008; Wong 2012).

Agreement (FIPA) that was signed in 2014. This agreement is however not analyzed in my work due to its limited analytical contribution to my argument as BITs do not explain why certain investment projects are approved while others fail to proceed. Bearing in mind the main arguments of this section, I propose that close diplomatic ties incentivize FDI but do not explain its success in Canada.

## Formal and Informal Institutions

Institutions are the second variable in my theoretical model that accounts for Canada's receptiveness to Chinese FDI. In this section, I discuss two institutional types – informal and formal institutions. As noted earlier, informal institutions are operationalized through the variable of ideology. Ideology forms the basis for societal interactions in a given country and is thus an important variable that operates in the background of my model to influence the activities of stakeholders in Canada. I have identified two key ideologies – liberal democracy and economic neoliberalism - that shape broader politico-economic institutions in Canada. Formal institutions are represented by the regulatory institutions that may influence operations of Chinese SOEs in the Canadian hydrocarbon sector. I focus on two types of regulatory institutions: those that regulate the inflow of FDI into Canada, and those that deal with the Canadian property rights and regulations. In the first category, we will find an investment screening mechanism, embodied by the Investment Canada Act (ICA). In the second category, we will find Canada's domestic regulations, such as property rights that include Aboriginal land title. The latter set of institutions (property rights and related regulations) become central after a foreign investor passes the ICA and establishes his/her operations in Canada.

Jointly domestic institutions produce a regulatory regime that restricts and modifies conditions under which FDI occurs and operates. As noted in the earlier paragraph, ideology provides a normative basis for societal interaction that enables certain types of behaviour and proscribes others. Canadian regulatory regime legally bound domestic and international corporations to comply with the established legal principles. Thus, rules laid down by these institutions influence the activities of Chinese SOEs operating in the Canadian hydrocarbon sector. In a case where a corporation does not follow Canadian norms and regulations, the non-compliant firm may be fined or stripped of its political license to operate. Assuming that Chinese SOEs are interested in retaining their operations in Canada, they will follow the rules set out by the provincial, federal, and territorial regulators. These ideas will be discussed in two sub-sections; the first will examine informal institutions, while the second will focus on the formal ones.

### Informal Institutions; Charting the Ideological Basis of the System: Liberal Democracy and Neoliberalism

Informal institutions are deeply embedded in the society and shape the activities that occur within it. Ideology is one manifestation of the informal institutions. Going back to North's description of ideology (1988), one should note that ideology percolates through institutions and affects how the economy is run and outlines what actions are permitted. In Canada, there are two central institutions that underpin the society – liberal democracy and economic neoliberalism -

that serve as the guiding posts shaping interstate relations and stakeholder politics. The ideals of liberal democracy and economic neoliberalism provide an overarching structure for rules and norms governing the Canadian society. These rules and norms become integral elements of the institutional environment within which domestic stakeholders and foreign investors operate. This brief section provides a general overview of the liberal democracy and economic neoliberalism in Canada.

In Canada, state-society and state-corporate relations are shaped by the principles of liberal democracy. At its essence, liberal democracy is based on electoral politics where citizens elect their representatives who in turn make and implement laws on behalf of the citizenry in a system of representative governance run by the majority (Dunleavy and O'Leary 1987, 4-6). The liberal element is based on the freedoms of expression and organization granted to the citizens (Dunleavy and O'Leary 1987, 5). This general definition of a liberal state envisions that citizens will influence policy indirectly. Since liberal democracy, along with the concept of liberalism, are applied differently across countries, the concept needs to be reinterpreted in the Canadian context. According to Shrivastava (2015), Canada's political system is based on a notion of "social liberalism" where the state addresses social and economic issues and promotes civil liberties, including party politics, elections, separation of power, and a representative government (8). This system envisions a constant renegotiation of the rules in response to societal demands where economic and political "losers" compete against the "winners" to attain an equitable policy (Shrivastava 2015, 10).

Canadian political institutions are closely tied with the economic ones. Canada is a liberal market-based economy, where economic actors pursue their objective of profit maximization.[23] In doing so, economic actors interact with the state to produce a joint regulatory framework that seeks to minimize social costs while maximizing economic benefits. Pursuing these objectives, Canada adopted a neoliberal approach to economic governance, which according to Shrivastava (2015) turned into a "roll-out neoliberalism"[24] under Prime Minister Stephen Harper and Premier Ralph Klein in Alberta. Neoliberalism can be "understood as a political ideology" or a "belief system" that justifies and explains the activities of actors operating in a system (Shrivastava 2015, 37). In Canada neoliberalism is characterized by a reduced role of the state in societal and welfare systems alongside the maintenance of "class privilege and market dominance" (Shrivastava 2015, 6). A "small state" coupled with a "strong market" shape corporate relations with the state, where the Canadian government assumes the role of a "neutral referee mediating among competing definitions of public goods" (Shrivastava 2015, 5).

In the oil and gas industry, neoliberalism shapes the relations between the Canadian government, domestic companies, and foreign investors. The industry is driven by multiple private for-profit enterprises, such as Suncor, Husky Energy, and Enbridge. These firms can unite under industrial associations, such as The Canadian Association of Petroleum Producers (CAPP), to champion their joint interests. The state, in turn, plays the role of a regulator, as noted earlier. The state-corporate relationship that exists today is guided by the liberal market

[23] It is important to note that other objectives, aside from profit maximization exist, but are not discussed given that they are not central to my research.
[24] Shrivastava borrows the term from Peck and Tickell (2002).

principles. Under these principles, domestic firms can sell their assets to foreign investors and form joint ventures with foreign partners in accordance with domestic regulations. Foreign investors, like Chinese SOEs, can acquire whole companies in Canada and invest in hydrocarbon assets without facing substantial limits on their participation, unlike in the countries where the government dominates the energy sector, such as Russia.

To summarize, the principles of the free market coupled with minimal regulatory interference have shaped the Canadian approach to governance of domestic hydrocarbon resources. As Canadian policymakers privilege market fundamentals and limit state interference in the economy, they enable free movement of capital into the Canadian hydrocarbon industry from both domestic and international actors. In general, Canada's openness to foreign investment and its preference for market principles attracts a substantial amount of FDI. At the same time, democratic principles allow multiple stakeholders – aside from the government and corporate actors - to shape the nature of the hydrocarbon industry, which, as I propose, may make it harder for foreign investors to invest and operate in Canada. As I will explore in the next sections of this chapter, the principles of neoliberalism and liberal democracy impact the ability of stakeholders to challenge projects in the hydrocarbon industry.

### Formal Institutions: Investment Screening mechanisms

Formal institutions complement and reinforce the informal ones. As noted earlier, the first domestic institution that influences FDI is an investment screening regime. This regime determines the accessibility of the Canadian hydrocarbon sector to foreign investors and formulates a set of conditions that must be met by foreign investors before entering Canada. The key regulatory framework for investment screening is outlined under the ICA. Under the ICA, the government reviews foreign investment entering Canada that is above a certain threshold.[25] For the purposes of the review, the ICA stipulates a set of conditions that a foreign investor must meet before investing in the Canadian hydrocarbon sector. For Chinese SOEs, the ICA is the first regulatory hurdle that they must overcome before investing in Canada. Although Canada is relatively open to foreign investors, it has a comprehensive investment screening mechanism to shield its economy from the new realities of the 21st century. Some of these new realities include global changes in economic conditions, terrorism, and fluctuating investment trends (Hale 2014). Ultimately, these issues incentivize regulatory innovation, which is made possible by an adaptable investment regime that allows Canada to adjust its policies.

Canadian policymakers can tighten the investment screening processes when foreign influence becomes dominant or when foreign ownership harms Canadian interests. The "Grey Report" (1972) and the "Watkins Report" (1968) were among the first guiding documents that shaped the investment screening regime. Both were fundamental in influenced the perception of Canadian policymakers regarding foreign investment as they justified policymakers' decision to tighten regulatory control over incoming FDI (Collins 2011, 143-144; Li and Zhang 2016, 20). At other times, regulatory reviews have led to a cautious opening, such as the expansion of threshold limits in the aftermath of the recommendations released by the Wilson Panel (2008).

[25] The threshold is dependent on the nature of the investor – state-owned or private enterprises – and increases on a yearly basis.

The "Compete to Win Report", published by the Wilson Panel, also served as an impetus to enhance investment oversight over any investment that may jeopardize Canadian national security.

Studying the Canadian investment screening regime, Geoffrey Hale (2014) identified four distinct periods in Canada's treatment of FDI: a) "resentment" of FDI (1973-1984); b) gradual liberalization (1985-1995); c) regime consolidation (1995-2008); and d) "incremental policy adaption to shifting global and domestic environments for international trade and investment" (2008-2014) (359). Although Hale wrote the article in 2014, the last period continues to be representative of the current investment screening regime.

The FDI 'resentment stage' identified by Hale was driven by protectionist sentiment in Canada and coincided with the existence of Foreign Investment Review Agency (FIRA). The agency channeled "nationalist sentiment" driven by the Canadians who wanted to limit foreign ownership of the Canadian companies (Woo 2014). The agency acted as a gate-keeper that dissuaded foreign investment from entering Canada by delaying FDI transactions, increasing administrative and legal costs, and imposing performance requirements (Dawson 2012; Woo 2014). Liberalization of the Canadian FDI regime was marked by the implementation of a new regulatory framework under the ICA, adopted by Brian Mulroney's government in 1985, that coincides with the "gradual liberalization" that was later "consolidated" and adapted to new conditions (Hale 2014).

The ICA rebranded Canada as a welcoming destination for foreign investors. The Act is set to provide minimal regulatory burdens and, as Dawson (2012) suggests, is based on a rule-driven, precedent-based, fair, and consistent regulatory system. The goal of the ICA is to review "significant investments in Canada by non-Canadians in a manner that encourages investment, economic growth and employment opportunities in Canada" and to screen investments that "could be injurious to national security" (Minister of Justice 1985). Ultimately, under the ICA, Canada has created an "open FDI regime" for foreign investors (Klaver and Trebilcock 2013, 141) that filters out threatening investment (Dawson 2012).

The ICA has been an important mechanism for reviewing any investment in the natural resource sector. To bring the importance of the investment review process into perspective; under the ICA's 'net benefit test', a substantial amount of FDI in natural resources has been reviewed. I compiled and analyzed data from the ICA's reports from 2010 to 2016 on the reviewed foreign investment in Canadian natural resources. Based on this data, I constructed a graph that depicts foreign investment deals reviewed under the ICA in billions of Canadian dollars (Figure 4.3). As illustrated in this graph, the volume of reviewed FDI was the highest in 2010 and 2011 with $6.4 billion of FDI in enterprise value[26] reviewed in 2010 and $7.8 billion

[26] Enterprise value, under the ICA, for publicly traded-entity is "capitalization of…entity plus its liabilities less its cash assets" and for non-publicly traded-entity it is "the gross book value of the assets" based on audited financial statements. (Clark et al. 2014, 6).

in 2011. The transactions in natural resources that were reviewed by the ICA dropped in 2012[27] and remained relatively modest until 2015.

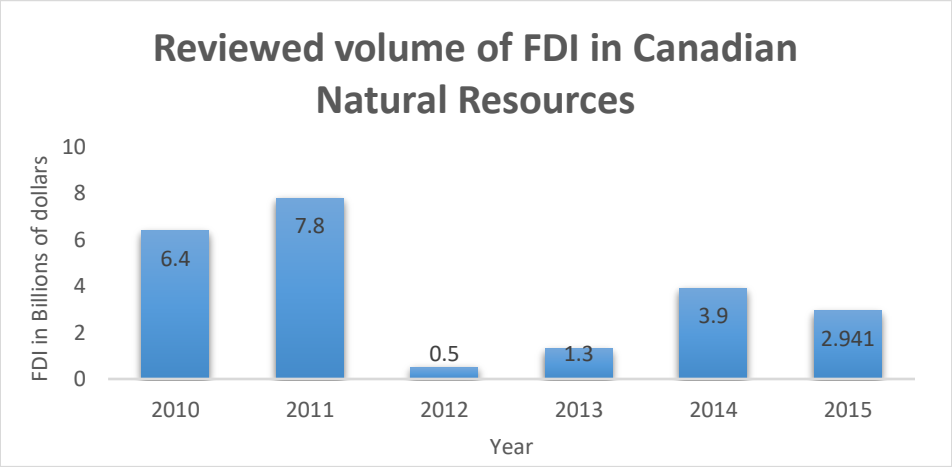



*Figure 4.3: FDI in Canadian Natural Resources Reviewed under the ICA in Billions of $CAD (data for 2015 are composed from enterprise value $2.49 billion and asset value $451 million) (source: ICA)*

The contemporary ICA regime rests on three pillars – the net benefit test (that includes guidelines for SOEs), the cultural review, and the national security test (added in 2009). Each of these pillars may be triggered when a foreign investor declares his/her interest to invest in a Canadian business. For investors in the hydrocarbon sector, only two tests apply – the net benefit test and the national security test. Each of the two tests is triggered under a set of specific conditions.

The net benefit test is triggered when foreign investment exceeds a specific threshold. For SOEs, the threshold in 2017 was $379 million in asset value, while for a non-SOE foreign investor whose country of origin is a member of the World Trade Organization (WTO), the review threshold was raised to $1 billion (Innovation, Science and Economic Development Canada 2017). The net benefit test can also be triggered when a foreign investor acquires over 50 per cent of voting interests in a corporation or an asset (Innovation, Science and Economic Development Canada 2017). The national security test is triggered when an acquired business is perceived as a security risk and/or when the acquirer may be deemed as a risky investor (depending on the investor's origin) (Campbell 2017). National security clause allows the Canadian government to review any FDI coming to Canada either before, during, or after the deal is made (Asaaf and McGillis 2013, 14).

Investors need to pass the 'net benefit' test to proceed with their investment in Canada. To pass this test, an investor must prove that his/her investment will be of 'net benefit' to the Canadian society by submitting corporate undertakings (or promises) that the corporation will implement after the investment takes place (Collins 2011, 147; Assaf and McGillis 2013). The

[27] A decline in the amount of reviewed FDI under the ICA can be explained by two factors. The first one is a general decline in commodity prices and associated fall in the FDI in this sector. The second factor may be related to a relaxation of FDI thresholds that were increased to allow foreign, non-SOE, investors to engage in more expensive transactions without triggering the review mechanism.

Canadian Minister of Industry applies "net benefit" guidelines to check whether a given investment has a potential to contribute to economic development of Canada. Specifically, the Minister considers a set of the following factors: a) investment's contribution to Canadian economic activity; b) Canadian participation in the acquired business or industry; c) investment's role in enhancing productivity and technological development/innovation; d) domestic and international competitiveness; and, e) investment's "compatibility…with national industrial, economic and cultural policies" (Innovation, Science and Economic Development Canada 2013).

To help foreign investors navigate the ICA's 'net benefit' test, Canadian officials have released a set of Guidelines. These Guidelines outline exemplary undertakings that foreign investors can use to convince the Minister that their investment will be of 'net benefit'[28] to Canada. These undertakings include the following factors: a) appointment of Canadian citizens as directors on the board or as senior managers; b) incorporation of the enterprise in Canada; and, c) the listing of corporate shares on the Canadian stock exchange (Investment Canada Act Guidelines 2017).

When a foreign enterprise commits to these undertakings, it is bound to carry them out in practice. Experts note that investors are expected to uphold the proposed undertakings for three years unless they are an SOE for which this period is undefined and may remain in force for a longer period (Campbell, Men, and Wortley 2013, 502; Campbell 2017). This is an informal practice as it is not codified in the ICA's regulations and adds an additional layer of protection in case the investment does not perform as expected.

The ICA appears to be an effective manager of incoming FDI in terms of its ability to implement the guidelines and block foreign investment that does not meet them. In the resource sector, a few notable cases failed to pass the ICA's review. Among these cases are BHP's failed acquisition of Potash Corporation in 2012 (as it failed to meet the net benefit test) (Stobbe 2010); Minmentals' unsuccessful attempt to purchase Noranda in 2004 (due to the human rights abuses, related to Minmetals' use of forced labour, that have likely impacted the government's decision about the deal) (Dhir 2006), and Alliant Techsystems Inc's failed bid to take over the MacDonald, Dettwiler and Associates Ltd. corporation in 2008 (on the basis of a net benefit decision) (Industry Canada 2008). In 2018, the federal government blocked CCCC International Holding Ltd's bid to acquire AECON, a large Canadian construction company, due to national security considerations (Blatchford and Bronskill 2018).

The ICA can also be used to punish foreign investors that do not follow the undertakings that they stipulated in their review packages. Officials from the Investment Review Division of the Industry Canada conduct post-investment reviews[29] to ensure that foreign investors comply with the undertakings and monitor investors' overall contributions to the Canadian economy (Investment Canada Act Guidelines 2017). In a case of non-compliance, the government has the power to enforce the undertakings submitted by foreign investors. An example of a successful

[28] For the net benefit test corporations may re-appeal the decision by submitting new undertakings within a 30-day appeal window. An example of a successful appeal was launched by Petronas, which subsequently acquired Progress Energy.

[29] The review is usually performed 18 months after an acquisition takes place as per ICA, section 40(2). However, new legislation stipulates that foreign investment can be reviewed at any time after the acquisition took place.

non-compliance litigation occurred in 2009 when the Canadian government sued the United States Steel Corporation for failing to fulfill its commitments listed in the undertakings (Collins 2011, 115-157; Asaaf and McGillis 2013). In the aftermath, the US Steel Corporation had to pay the fines stipulated by the Canadian judiciary.

Given that the ICA's guidelines are very broad and encompassing, from the outset Chinese FDI was shaped by these general considerations, which became more specific over time. The general 'net benefit' guidelines for FDI were established on the basis of Canadian experience with the IOCs; thus, the ICA had no specific clauses set out to regulate investment by Chinese SOEs (Li 2017). A first set of SOE specific guidelines was developed by Canadian regulators in 2007 as a response to a rapid rise in FDI from SOEs in the early 2000s. The new guidelines sought to provide clarity on the treatment of foreign investment made by SOEs in Canada. The Directives defined an SOE as "an enterprise that is owned, controlled or influenced, directly or indirectly by a foreign government" (Investment Canada Act Guidelines 2017). Under the directives, SOEs are prompted to disclose their connections with the government and to "demonstrate their strong commitment to transparent and commercial operations" (Innovation, Science and Economic Development Canada 2017b). In 2012, the Canadian government has tightened the Guidelines by adding specific restrictions for SOEs' FDI in the oil sands and placed the onus on SOEs to prove that they will pass the ICA test. The two sets of guidelines are outlined in table 4.1.

| 2007 Guidelines | 2012 Guidelines |
|---|---|
| - **General**<br>- Response to an increase in FDI by SOEs | - **Sector Specific (with general provisions)**<br>- Response to an increase in FDI by SOEs in the ***oil sands*** |
| - Guidelines for Minister of Industry for review of FDI by SOEs to determine their net benefit | - Guidelines for investors<br>- Places "burden of proof on foreign investors" to meet the "net benefit" test |
| - Concern: to address the risks associated with SOEs' FDI | - Goal: to reinforce the position of private firms in the oil sands;<br>- "acquisition of control of a Canadian oil sands business by a foreign SOE to be [of] net benefit to Canada on an ***exceptional basis only***" |
| - Concern (1) monitored by the Minister of Industry:<br>o political influence by home state<br>- Rationale:<br>o "may be inconsistent with Canadian national industrial and economic objectives" | - investor's concerns:<br>o prove commercial orientation<br>o free from political influence<br>o adherence to Canadian laws and standards<br>o "sound corporate governance and transparency"<br>o support productivity and efficiency of Canadian industries |

| | |
|---|---|
| - Concern (2) monitored by the Minister of Industry:<br>  o "adverse effects on efficiency, productivity, and competitiveness" of acquired companies<br>- Rationale:<br>  o may negatively affect Canadian economy | - Minister of industry responsible for:<br>  o Monitoring SOE transactions<br>  o Checking if meet 'net benefit' test<br>  o Check influence of SOEs on the Canadian business and industry pre-acquisition<br>  o Political influence over SOE<br>  o Protect "private sector orientation of an industry" |

*Table 4.1: SOE Specific Guidelines under the ICA*

Since Canada had no specific SOE-related guidelines until 2007, SOEs' investment has grown at a rapid pace. This rapid growth of investment sparked a protectionist sentiment against SOEs amongst Canadians that spurred further regulatory measures in 2012. The regulatory expansion is an example of the circular causation that I noted in the earlier chapter, where the regulatory guidelines have tightened in responses to the inflow of Chinese FDI. According to Woo (2014), these regulations marked the 'First Phase' of anti-SOE scrutiny in the Canadian FDI-related regulations. Under the new guidelines, the regulators will examine whether SOEs conform to Canadian corporate governance principles and reporting; adhere to Canadian laws and practices; provide economic contribution; have limited ties with their home state; and operate on a commercial basis (Investment Canada Act Guidelines 2017). While these new guidelines released to regulate SOEs investing in Canada apply equally to all investors, anecdotal evidence suggests that Asian SOEs, in particular, those from China, were targeted by the new set of regulations. However, Neil Campbell (2017), an expert on the ICA regime, suggests that ICA's guidelines do not target investors on the basis of their country of origin instead these regulations are directed at all SOEs.

In summary, the ICA serves as a gatekeeper that filters and shapes foreign investment entering Canada. Under the ICA, Chinese SOEs acquiring assets over the given threshold must pass the 'net benefit' test. They may also be required to pass the 'national security' test if the investment threatens Canadian security. If Chinese SOEs pass these tests they will be able to acquire hydrocarbon assets in Canada; however, it is likely that their acquisition strategy will be shaped by the undertakings that they have submitted to the ICA for review. Summing up, I propose that the investment by Chinese SOEs will be shaped by the ICA, which itself is changing in response to rising investment from SOEs.

### Formal Institutions: Domestic Regulations and Property Rights

The second set of regulatory institutions that influence Chinese FDI in the Canadian hydrocarbon sector are domestic laws and property rights. This sub-section will briefly outline a set of laws and statutes central to the hydrocarbon sector in Canada before discussing property rights. Both sets of institutions are legally enforceable and can be utilized by the Canadian stakeholders to challenge FDI across hydrocarbon projects, which may negatively impact investment decisions.

Canadian federal and provincial governments have passed various laws and statutes that apply to the hydrocarbon sector. At the federal level, there are several acts, such as the *Canada Oil and Gas Operations Act of 1985,* which was designed to govern licensing, operations, and production of hydrocarbons that are not governed under provincial legislation or the Aboriginal title. At the provincial level, individual provinces have developed laws to govern their hydrocarbon industry. An example of a provincial Act governing hydrocarbons is Alberta's *Mines and Minerals Act* (Revised Statures of Alberta 2000, Chapter M-17, 2016). The various laws are implemented and revised by a set of regulatory agencies and departments. The National Energy Board (NEB) and the Natural Resource Canada, among others, govern hydrocarbon resources located in federal jurisdictions. Individual provinces also have several ministries and bureaus, such as British Columbia's Ministry of Energy and Mines and Alberta's Energy Regulator, that manage hydrocarbon industry across their respective jurisdictions. These regulatory institutions provide a set of central guiding principles for the hydrocarbon industry.

The set principles are shaped by stakeholders that can challenge hydrocarbon projects on the basis of property rights, which define legal ownership over property, including land and natural resources. There are two types of property holders – landowners and Indigenous groups – whose interests are protected by the legal system in Canada. In Canada, Indigenous groups hold extensive property rights under the Aboriginal land title that was first acknowledged under the Canadian Constitution Act of 1982. This Act has acknowledged and reaffirmed "[t]he existing aboriginal and treaty rights" (Constitution Act 1982, Section 35-1). The 1982 Act was reaffirmed by the Supreme Court of Canada in the landmark case of Calder v British Columbia (1993). As the Supreme Court clarified in its later resolutions, the Aboriginal title gives First Nations' communities "the right to exclusive use and occupation of the land held pursuant to that title" (Delgamuukw v. British Columbia 1997). In a 2014 court case between Tsilhqot'in Nation and British Columbia (2014, SSC 44), the application of the law expanded as the Court has stipulated that the title "is not confined to specific sites of settlement but extends to tracts of land that were regularly used for hunting, fishing or otherwise exploiting resources and over which the group exercised effective control at the time of assertion of European sovereignty".

The land title provides Indigenous groups with legal protections that can be used to defend their title to the land. In 2004, the Supreme Court of Canada has established that the Crown has a duty to consult the Indigenous peoples and accommodate their concerns about activities that will have an impact on their land (Haida Nation v. British Columbia 2004; Taku River Tlingit First Nation v. British Columbia Supreme Court 2004). Thus, the process of consultation and accommodation is firmly enshrined in the Canadian legal documents that form a precedent for subsequent court cases.

Since Indigenous groups hold a title to their lands, the Crown must consult and accommodate their interests when proposing to develop new hydrocarbon projects that will be built on the land that belongs to specific Indigenous groups. Although the Crown may delegate the duty to consult and accommodate to corporate actors[30] (Terry, Helbronner, and Lax 2015), it

[30] Delegation process, as it is currently institutionalized, does not diminish the Crown's responsibility to consult with the Indigenous groups. On the contrary, delegation is meant to supplement consultation that will occur between the Crown and the Indigenous groups.

remains responsible for overseeing the process. If the process of consultation and accommodation implemented by the companies is inadequate, the government intervenes and takes over. Additionally, Indigenous peoples can use legal avenues to delay and frustrate new projects, but this is often prohibitively expensive for the community (Sarson 2018). As Sarson (2018) noted in the interview, this process can significantly increase costs for the proponent and stall projects beyond the point of visibility. If the court rules that the proponent has not fulfilled obligations related to the duty to consult, the proponent is obligated to halt the project until sufficient consultation can occur (Sarson 2018).

The legal system thus provides a set of institutional mechanisms for the Indigenous communities and other right-holders to govern FDI in the hydrocarbon sector. In practice, Indigenous groups can rely on the Canadian legal system to initiate litigation against the Canadian government or a private corporation when either of them infringes upon the Aboriginal title. Indigenous groups may also resort to international law and United Nations statutes, such as the *United Nations Declaration on the Rights of Indigenous Peoples*, that protect the rights of Indigenous people. These institutional mechanisms provide Indigenous communities with a political leverage required to influence extractive projects and ultimately influence foreign investment in the hydrocarbon sector. As noted earlier, Indigenous groups are not the only stakeholders that can influence extractive projects as I will demonstrate in the next section.

## Stakeholders

Stakeholders are the final component of my theoretical model. They are composed of individuals or groups that drive policy forward by interacting with domestic institutions and foreign investors. As noted earlier, there are four stakeholder groups that influence political decisions in my model – the Canadian government, the public/civil society, the Indigenous Peoples, and the industry/corporate players. Each of these broad categories subsumes smaller entities that can unite to form multiple groups within a single unit. For example, the category of the Canadian government hides several subgroups, such as different levels of government (i.e. the federal and provincial government branches), individual departments, political parties, and members of parliament. The public is composed of all individuals living in Canada, and, thus, is the broadest category that may include members that belong to other categories. Indigenous peoples are a more straightforward category that subsumes individual groups and associations with distinct land claims and cultures. Lastly, the industry refers to businesses that are related to the hydrocarbon industry or those that are impacted by it. This section traces how each of the four stakeholders may impact Chinese FDI in Canada by examining a set of metaphorical licenses that each of the groups grants to foreign investors.

As I indicated in the methodology section in chapter three, foreign investors need to obtain three sets of licenses to operate in Canada -– a political license, a social license, and a market license. A political license is granted by the Canadian government and can be conceptualized as a political support for the project. In Canada, a political license alone is insufficient for a company to carry out a hydrocarbon project. Domestic and foreign companies also require a social license, which is granted by the civil society and Indigenous groups. A market license is also important in Canada, where competing businesses can challenge foreign

investment in a given project. If a foreign investor lacks a social or market license to operate, Canadian stakeholders can appeal to regulatory institutions to challenge the investment. In this way, each of the stakeholders holds sway over policy on Chinese FDI.

To understand how these licenses can be evoked by each of the stakeholders, I explore how each of these groups may influence Chinese FDI. While doing so, I also identify state-society and state-business relations to explore how the Canadian government, civil society actors, and businesses interact to influence the final decision on Chinese FDI. This section will be divided into four components – each focused on an individual stakeholder group. In the first of these four sections, I will discuss the role that the Canadian government – both federal and provincial – plays in the governance of natural resources. Second, I will examine the role of the Canadian public in influencing the government's decisions about Chinese FDI. In the third section, I will focus on Indigenous groups that can challenge hydrocarbon projects located in the segments of land for which they hold a title. Finally, I will analyze the role of corporate actors in shaping government's decisions about extractive projects in Canada. As I argue in this section, each of the stakeholders can mobilize and use political institutions as a mechanism to shape decisions about the specific investments and projects in the extractive sectors. In light of these dynamics, this section seeks to understand how these mechanisms are applied and what are their implications for Chinese SOEs investing in Canada.

### The Canadian Government and Political License

The Canadian government is at the pinnacle of the decision making and regulatory pyramid as it provides a political license or permission for foreign and domestic corporations to operate in the Canadian hydrocarbon sector. This power is distributed unevenly among the various agencies and bureaus of the government. Since Canada is a federal parliamentary democracy, the power is divided among federal, provincial, and territorial governments by the Canadian Constitutional Act of 1867. This Act determines individual responsibilities across the different levels of government and serves as a guide for dividing governance responsibilities. Given such distribution of power, this section discusses the role of individual governments in regulating FDI and managing exploration of Canadian natural resources.

The federal government influences foreign investment by determining inter-provincial and national trade issues, dealing with cross-jurisdiction pipelines, developing environmental regulation, and regulating natural resource exploitation in the Canadian North, the offshore marine areas, and on the Indigenous lands. More specifically, the federal government oversees resources located outside the provinces and deals with issues that cross provincial border (Constitutional Act of 1867, Section 109). The legislative branch of the Canadian government also develops and drafts regulations and laws that are re-interpreted by the Canadian policymakers, who formulate decisions about foreign investment. The executive branch of the federal government and its agencies are, in turn, responsible for assessing foreign investment coming to Canada through the ICA. As noted in the earlier section, the ICA allows the federal government to manage FDI by either blocking foreign investment from entering Canada or shaping a proposed investment through a set of undertakings that foreign investor promises to

undertake. The activities of the federal government are supplemented by provincial and territorial governance bodies.

Provincial and territorial governments regulate the development of the hydrocarbon resources found on their territory and extract revenue from their development as per the Constitutional Act of 1867 (Section 109). For example, both governments set taxation policies among other things. Both types of governments also run the bidding process and grant exploration licenses for hydrocarbon fields located on their territory. As there are ten provinces and three territories among which hydrocarbon regulation differs, foreign investors must adjust to the rules that exist in each of the political divisions. Provincial governments interact with the federal government to manage the exploration of natural resources and regulate FDI by designing and implementing relevant regulations. In this process, the state along with its various agencies interacts with the society and corporations appealing to the aforementioned principles of neoliberalism.

It is important to note that there are internal tensions among the individual political parties on some of the major issues. Canadian leadership at the provincial and federal level appears to be divided on the topic of Chinese FDI. At the federal level, there is opposition to large-scale Chinese investment from the New Democratic Party (NDP) and the Green Party. The division will be illustrated in the subsequent chapter when I analyze the government's position on the CNOOC-Nexen's takeover that resulted in a rift among the Canadian federal parties. The provincial divide will be explored in detail in the case of LNG in British Columbia in the next chapter. Finally, it is important to note that the government's decisions are not just shaped by policymakers and members of the parliament as both are influenced by public opinion, which shapes their final decision.

### The Role of the Society and Social License

Canadian society/public provides a social license for businesses to operate in Canada. The public is the broadest category that encompasses multiple stakeholders. Due to its size and multiplicity of beliefs, associations, and cultures, it is difficult for this group to organize. However, some members of the public can unite into groups/organizations around specific issues and interests, which may underpin a concrete strategy. Relatedly, segments of the public can coordinate voting strategies to sway electoral mechanisms in pursuit of a common agenda, such as "vote anyone but X" campaigns. However, coordinated voting and group activities are not practiced by all of the members of the public. Given the breadth of the category, individuals hold a multiplicity of beliefs and associations that make generalizations impossible. The members of the public, who are united around a single cause, can use several mechanisms to sway political decisions – write letters to the government, sign petitions or exercise their democratic power by voting out the party that adopted a specific policy. Generally, the most vocal groups are the ones that may be suffering from environmental or societal implications of foreign investment in the hydrocarbon sector.

As noted in the previous section, public opinion can sway government's decisions on important topics, including extractive projects and Chinese FDI. Michelle Luk, a researcher at the Oil Group, notes that "local communities are becoming more relevant in the governance of

energy development in Canada, playing a key role in policy decision making" (2016, 1). Conversely, Hale (2014) cautions that the public is not the "primary factor… leading governments to veto major takeovers,…[however,] its influence may become decisive if Canadian governmental or business elites are deeply divided on the merits of particular transactions" (359). Nonetheless, the government and polling agencies closely monitor the attitude of Canadians on a set of hot-button issues, such as Chinese investment in Canada. In this instance, public opinion about a specific foreign investor may serve as an indicator of an approach the government may adopt to regulate a given investor.

Canadian polling agencies have conducted several surveys to measure the attitude of Canadians toward Chinese investment. The most comprehensive surveys measuring the perception of the Canadian public toward Chinese investors were carried out by two Canadian polling agencies, the Asia Pacific Foundation (APF 2016) and the Abacus Data (Anderson 2016). APF's (2016, 7) poll results indicate that Canadians are "distrustful of foreign state-owned enterprises…investing in Canada". The survey data suggest that the majority of Canadians polled (80 per cent) by the APF (2016) are opposed to the investment by Chinese SOEs in Canada. Data generated by Abacus indicate that 39 per cent of Canadians are not supportive of Chinese investment in the oil sector, 44 per cent are conditionally supportive of Chinese FDI in the oil sector, while the remaining 17 per cent indicated their full support for Chinese investment (Anderson 2016). Similar numbers can be observed when respondents were asked about Chinese investment in the extraction of natural gas; 35 per cent of Canadians indicated that they are against Chinese FDI in natural gas, 47 per cent appeared supportive provided that the investment met certain conditions, and the remaining 19 per cent declared that they are supportive of Chinese FDI in natural gas (Anderson 2016).

The two polling agencies also indicate that the polled Canadians were generally opposed to Chinese ownership of hydrocarbon assets in Canada. Abacus's data indicates that Canadians are generally against Chinese ownership in the oil (53 per cent) and natural gas (55 per cent) sectors (Anderson 2016). The results also reveal that only 15 per cent of those polled indicated that they support Chinese investment in the oil and gas industry, while the remaining percentage of those polled have indicated that they may conditionally support Chinese investment – 33 per cent were conditionally supportive of Chinese investment in the oil sector and 31 per cent in the gas sector. Based on this data, one can conclude that Canadians are very suspicious about Chinese investment in the hydrocarbon industry. Interestingly, APF's poll indicates that Canadians who participated in the survey are generally supportive of selling oil and gas resources to Asia, with 56 per cent in support of natural gas sales to Asia (APF 2016, 34). Since China is geographically part of Asia, one can conclude that Canadians may also support oil and gas trade with China. Based on these data, one may conclude that Canadians are more supportive of closer trade relations and are more sceptical of China's growing FDI in the Canadian energy sector.

Given the observed hostility of the Canadian public toward Chinese investment, one can anticipate that the public will be very skeptical about Chinese SOEs' investment in Canada. This skepticism may cause problems for Chinese investors as the public may form into organized groups that will lobby the Canadian government against Chinese investment. As noted earlier,

individual members of the public can sway political opinion by raising their concerns during a public consultation period about specific projects or by convincing politicians via correspondence to block a certain investment deal. In the past, Canadian citizens have been very active in self-organization and have staged several demonstrations against specific projects that they did not support. The anti-Northern Gateway protests, which will be explored in the next chapter, demonstrated the power of the Canadian public in shaping final investment decisions.

Individual members of the public may also create and run NGOs or protest groups that can lobby the government to facilitate a policy change in response to rising FDI. Thus, one can conclude that the Canadian public has a set of strategies to influence government's decision about Chinese investment. This power is especially acute when some members of the public unite and organize a campaign around a specific issue. It should be noted that public opinion and perception is not constant and changes over time. As an illustration, the opinion of Québécois Canadians about Canada's engagement with China has improved in the post-Trump environment as indicated in a recent article by Evans, Li and Massot (2018). Therefore, it is possible that the members of the public may shift their position regarding specific projects over time.

An anonymous interviewee (2018) suggested that the Canadian government is responsive to the electorate's perception as it follows public and internal polling data when making a policy decision about approving/rejecting foreign investment. Thus, as the interviewee (2018) reveals that changes in public opinion have an important impact on the government's relative openness to investment from China. As the Canadian public becomes more open to closer economic relations with China, the Canadian government has more leverage to pursue bilateral investment and trade deals with China. Thus, the public perception is a very important consideration when examining political and social license as the two are closely interrelated in democratic countries, like Canada. As mentioned earlier, the public influences decisions made by the government but does not generally hold a veto power over that decision. The only exception to this is found in the case of the Indigenous groups, which can resort to a legal action to wield a veto power over specific greenfield hydrocarbon projects.

### Indigenous Peoples and Social License

Indigenous groups are endowed with a legally potent power to influence the governments' decisions regarding natural resources. Canadian institutions have evolved over time to provide Indigenous groups with the power to shape environmental governance (Grant et al. 2014; Maclean, Robinson and Natcher 2015); yet, that is not to say that these rights and privileges are universal and apply to all Indigenous peoples across Canada (Maclean, Robinson, and Natcher 2015). The rights and privileges of Indigenous groups are defined by their relations with the provincial and federal branches of the Canadian government (Rossiter and Wood 2015; Maclean, Robinson, and Natcher 2015). The broader ideology of neoliberalism often clashes with the Aboriginal title, especially in the provinces with an "unstable property" regime, such as British Columbia, where the courts have stepped in to reinforce Aboriginal rights to the land (Rossiter and Wood 2015, 901). Despite these ambiguities in the Aboriginal title, Indigenous groups have gained "priority rights" over natural resources located in their territories and should

be consulted prior to the commencement of any new extractive project (Climate Action Network Canada 2012).

Indigenous groups can resort to regulatory institutions, which were discussed in the previous section, to ensure that their rights are upheld by the Canadian legal system. Scholars examining participation of Indigenous groups in the governance of natural resources have identified two types of strategies that these groups can use to influence policymaking: a) "consensus building", when they collaborate with the government to develop common solutions to the problems; and, b) "constructive conflict", where Indigenous groups seek to produce a change in the existing regulations through protest or other modes of action that express their dissatisfaction (Maclean, Robinson and Natcher 2015). In addition to these two methods, Indigenous groups can resort to institutional mechanisms, such as consultation and accommodation along with the impact-benefits agreements that are firmly enshrined in the Canadian legal statutes and court proceedings that provide a precedent for legal action. The legal system is an institutional mechanism that Indigenous communities can use to govern FDI in the hydrocarbon sector. Hence, Indigenous communities play a very important role in shaping extractive projects in Canada.

In general, Indigenous groups have presented a largely coherent message – that of the Indigenous peoples' stewardship of the land - across different institutions and fora. They have expressed a desire to protect the Canadian environment from the extractive projects that will damage the livelihood of future generations. While there is a single coherent message that ties the Indigenous communities together, each of the Indigenous communities may choose to take a different stance on specific regulatory issues or projects. Some communities emphasize the benefits of the extractive industries for their communities, while others are concerned about the impact of resource extraction on their livelihoods. To pursue their goals, Indigenous groups have often partnered with NGOs, who advocate on their behalf domestically and internationally. However, the advocacy aspect has been problematic in the past as the anti-development messages that NGOs champion may at times misrepresent interests of the Indigenous groups, which want to partner with extractive companies to develop natural resources (Cattaneo 2017).

### The Role of Market Actors and Business License

The last stakeholders that will be discussed in this section are the Canadian-based hydrocarbon companies. These companies can influence decisions of the Canadian government regarding extractive projects. As a liberal market economy, Canada is shaped by commercial principles of competition, deregulation, and "regulatory neutrality" (Hale 2014, 355-356). This produces a "firm-centered, shareholder-oriented regime for corporate governance, including rules governing its relatively open, competitive market for corporate control; and the accommodation of constitutionally entrenched provincial natural resource regimes" (Hale 2014, 368). In this system, hydrocarbon firms are financially powerful actors that compete against each other and use economic resources to influence political decisions related to the hydrocarbon sector through monetary channels.

Generally, actors in the hydrocarbon industry are very coherent in pursuing their objectives. Industry players have a set of mechanisms to advance their interests. Organized under

the industry union, CAPP, the main actors in the hydrocarbon industry often champion a coherent message about their goals/interests. Aside from the CAPP, individual oil and gas corporations have lobbyists that support corporate goals, which are advanced by specific firms or by the industry in general. Oil lobbies are quite active in Canada as they influence the government's decision on specific projects and initiatives in the hydrocarbon sector (Nikiforuk 2010; Cayley-Daoust and Girard 2012, 2). A report by the Polaris Institute, released in 2012, estimated that between July 2008 and November 2012, twenty-seven oil corporations and eight industry associations[31] met with the public office holders through lobbyists (Cayley-Daoust and Girard 2012, 2-3).

In addition to the lobbying efforts, market actors provide financial contributions to specific political parties or to the community programs. Fraser, Mannani, and Stefancik (2015) find that corporations operating in the Canadian oil and gas sector are important donors to political parties in Canada (147). Financial links to the government combined with the lobbying efforts may shape political decisions that the government makes. It is also possible that businesses can challenge their competitors through these lobbying efforts and campaigns. For instance, businesses worried about their competition may ask the government for additional protections or support as I will demonstrate in the case study section. Therefore, it is important for foreign companies to acquire a market license to operate. One way to do so is by partnering with local companies.

Financial contributions to local communities through stakeholder management programs may also sway public opinion. Therefore, companies often engage in CSR practices and programs that center on voluntary contributions to local groups. Companies also focus on stakeholder engagement strategies to gain public support. These programs and strategies are adjusted to the needs of local societies. For example, in Canada, SOEs are expanding their consultation with the Indigenous communities and taking over an aspect of the "duty to consult" from the shoulders of the government (Wanvik 2016, 524). These social campaigns and political campaign carried out by oil companies are useful tools to gain a social and political license to operate in a given society.

Ultimately, corporate actors play a secondary role in the political decision-making process. They can transmit their preference about a specific project or foreign investor to the Canadian policymakers through a lobbying campaign or a consultation process, such as the one organized by the NEB. Still, the government's decision is ultimately the outcome of a bureaucratic deliberation process that takes into account the viewpoints of all stakeholders in Canada. As noted in this section, businesses can use targeted campaigns or extend financial packages as part of the impact-benefit agreements or CSR campaigns to persuade civil society and Indigenous groups to support their project. Corporate actors can not only influence decisions of other stakeholders, they can also withhold a market license from Chinese SOEs. Therefore, it is important for Chinese SOEs to ensure support from Canadian companies when investing in the hydrocarbon sector.

[31] These numbers include both IOCs and SOEs.

## Bringing the Actors Together

By bringing together the four sets of stakeholders – the government, civil society, Indigenous groups, and corporations – operating within the Canadian political institutions we uncover a complex interaction between the individual groups. In pursuit of their objectives, individual stakeholders or groups interact with each other to produce unique outcomes that are reinforced by regulatory institutions. A foreign investor interested in establishing his/her businesses in Canada must acquire support from the Canadian government, which issues a political license for a business to operate. This license is shaped by inter-governmental debates, public opinion, and corporate lobbying efforts among other factors. A foreign investor will benefit from also obtaining a social and market licenses to operate; the former is granted by the Canadian public and Indigenous groups, while the latter is extended by the Canadian businesses.

The foreign/domestic company that acquires all three sets of licenses - political, social, and market – will find it easier to operate in the Canadian hydrocarbon industry. This is not to say that the company has to acquire all three sets of licenses as the business may be able to operate even if it has only obtained a political license. However, if it lacks the other two licenses there is a likelihood that the political license can be revoked. In this case, the government can withdraw its support for Chinese investment in the hydrocarbon projects. Relatedly, if the political license has not been granted yet, the government may choose to withhold this license from the investor in the face of a widespread opposition staged by civil society and/or market actors

The complex interaction between the four sets of stakeholders increases the uncertainty for foreign investors as they cannot predict whether their project will be permitted given that it must pass these three metaphorical hoops to acquire political, market, and social licenses. The four stakeholders are interacting with other variables in my theoretical model. Domestic stakeholders interact with (and, at times, reshape) domestic regulatory institutions that regulate FDI. As noted earlier, policymakers and bureaucrats are responsible for applying and modifying the ICA in response to changing corporate/public needs. Likewise, stakeholders can appeal to a legal institution to dispute any infringement on their property rights or title. Additionally, bilateral economic relations between the investors' home and host state are also an outcome of domestic interests and factors championed by individual stakeholders.

## Conclusion: Assembling the Theoretical Model

The objective of this chapter was to develop a model to explain why Chinese SOEs are sometimes successful in establishing their operations in Canada's hydrocarbon sector and at other times not. Since Chinese SOEs predominantly participate in the Canadian hydrocarbon industry through FDI, the model focuses on the reception of their investment. The model proposes that the ability of Chinese SOEs' to participate in the Canadian hydrocarbon sector will be determined by three factors –inter-state relations, formal and informal institutions, and stakeholders. Institutions – regulatory and ideological - and stakeholder politics are central to my explanation of the ability of Chinese investors to operate in the Canadian hydrocarbon sector. The remaining factor - bilateral inter-state relations – is a variable that creates a favourable

environment for FDI but does not explain its success. These three variables are captured in the model depicted in figure 4.4.

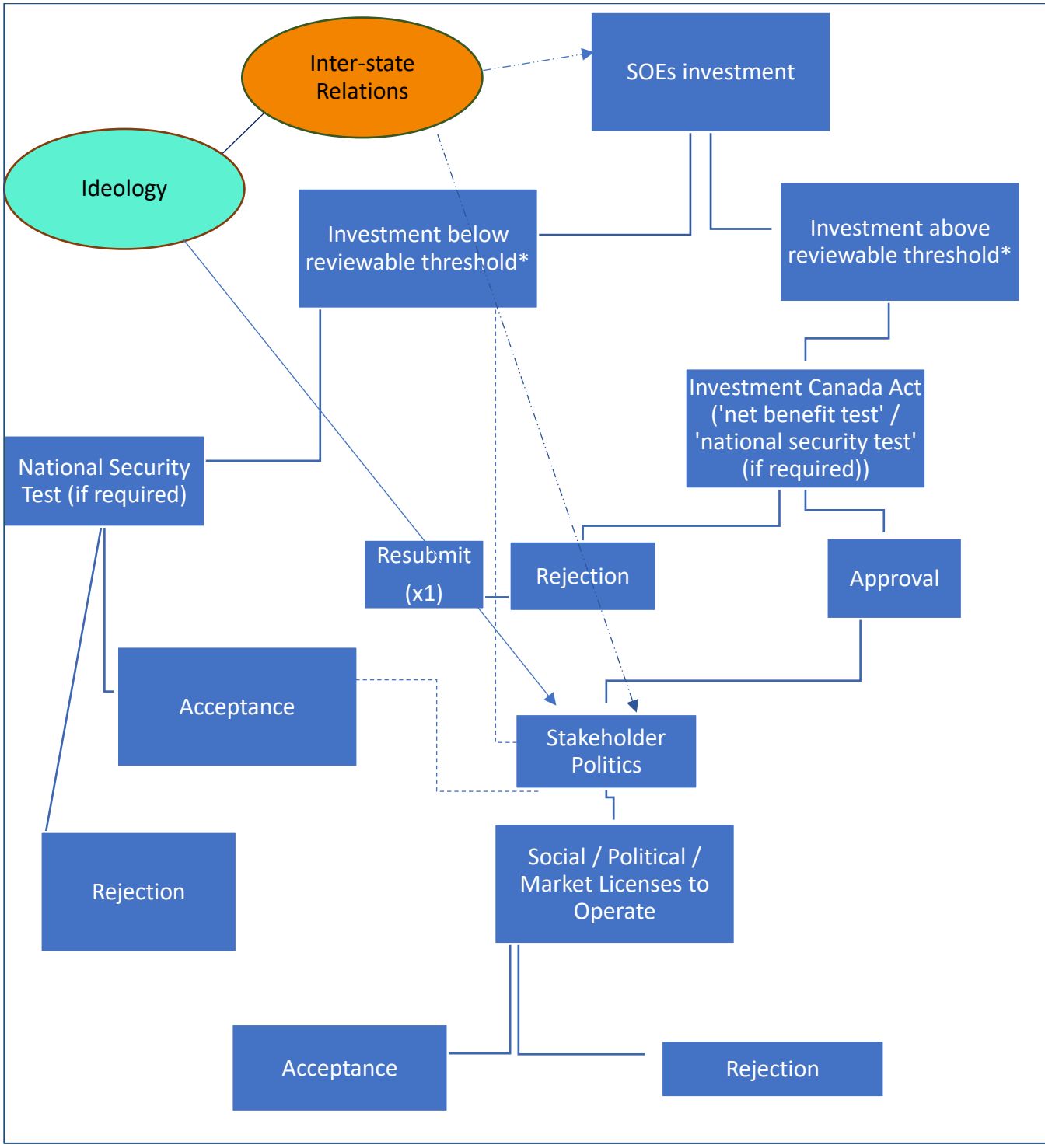



*Figure 4.4: Model for a Review of SOE investment in Canada (•Reviewable threshold for 2017: $379 million) (the graph does not include the Competition Act under the assumption that most of the investment from China will increase competition in Canadian hydrocarbons.*

Inter-state relations, which are depicted by the orange oval in the graph, is the first factor that impacts the inflow of Chinese FDI into Canada because it shapes the stakeholders' perception of Chinese SOEs. As investment decisions can be an outcome of political negotiations, bilateral efforts to promote collaboration in specific industries may predetermine the inflow of investment into specific sectors of the Canadian economy. For example, British Columbia's recent trade and investment mission to promote the LNG sector is associated with a rise of Chinese FDI in the LNG projects across the province. Inter-state relations may explain the timing of the flow of Chinese FDI into Canada. While this variable explains the timing of the entry, it cannot explain why Chinese SOEs sometimes succeed in completing their proposed investment in the Canadian hydrocarbon sector, while at other times fail. To explain the failed cases, we need to analyze the role of institutional factors and stakeholder politics.

I have divided institutions into two distinct groups – informal and formal. The informal institutions in Canada are captured by the ideology of liberal democracy and neoliberal market principles that distribute power among the stakeholders and shape their interaction within the institutional environment. Ideology, which is depicted by the turquoise-coloured oval in the graph, shapes the decisions of stakeholders. The impact of ideology may be manifested in two ways. In the first instance, Chinese investors should be able to operate in Canada with minimal interference from the state. In the second instance, the investor should be free to acquire any business he/she likes, unless this investment threatens national security or will not be of 'net benefit' to Canada. The ideology will help me to explain the nature of Chinese entry and account for the relations between domestic stakeholders and institutions.

The formal institutions are operationalized by investment screening mechanisms and property rights (both are regulatory institutions), which play an important role in shaping Chinese FDI. Regulatory institutions, along with the stakeholders, are captured by a set of boxes in Figure 4.4. Based on the theoretical model, Chinese investment may take one of two trajectories. Under the first trajectory, SOE's investment falls below the ICA's reviewable threshold and is exempted from the 'net benefit' test. The investment is thus able to proceed without regulatory scrutiny, provided that it does not threaten Canada's national security. Under the second trajectory, the investment exceeds the reviewable threshold and will need to pass the 'net benefit' test.

As I mentioned in the section on the regulatory institutions, to pass the 'net benefit' test the investor must submit a set of undertakings to prove that his or her investment will be of 'net benefit' to the Canadian economy. At the review stage of the proposed investment, the Canadian Minister of Industry may reject any investment that does not meet the test. If the investment is rejected, the investor can submit an appeal that may include additional undertakings. Thus, the 'net benefit' test is the first hurdle that influences Chinese FDI entering Canada. If the Chinese SOEs pass the 'net benefit test' (and the 'national security test', if necessary) the investment will gain a permission to proceed. These two tests – the 'net benefit' and the 'national security' tests – shape the nature of FDI even before it enters Canada. Any investment that passes these tests is already molded into a particular shape by the regulatory institutions.

The final modification of foreign investment occurs at the societal level, where stakeholder politics are the ultimate shapers of foreign investment that occurs in Canada. At the

core of the stakeholder engagement is a set of metaphorical licenses – political, social, and market ones - that foreign (as well as domestic) businesses need to acquire to operate successfully in the Canadian hydrocarbon sector. The political license denotes a political support from the provincial and the federal government for the investment. It also indicates that the project will be more likely to pass the regulatory hurdles during the investment review process. The second license that the investor should obtain is the social license to operate. A social license to operate signals public's "acceptance and approval for [specific] projects" in the hydrocarbon sector (Luk 2016, 5). This license is bestowed upon the business by the civil society and Indigenous groups. Often business obtain the social license through consultation and accommodation process with the impacted communities and groups. Lastly, there is a market license to operate granted by the business community or industry to the investor. The project's proponent must gain the support of the industry players to obtain this license.

As noted earlier, an investor will find it easier to operate in Canada if he/she succeeds in obtaining all three licenses, however, under the current conditions, the investment can proceed with only the political one. Although a project can proceed without a social license to operate, any project that lacks this license is prone to suffer due to public resistance. This resistance can manifest itself through protests. In extreme cases, a lack of social license can result in a legal action against the investor's project. A legal action launched by the civil society (ex. NGOs or Indigenous groups) may alter or halt the project or alter its nature/conditions. Similarly, a project that is missing a market license to operate will be likely met from corporate opposition, which may lobby the government against the deal.

Based on this model, I propose that a foreign investor will find it easier to operate in the Canadian hydrocarbon sector if he/she manages to obtain all three of the licenses. Therefore, Chinese SOEs interested in investing in the Canadian hydrocarbon sector must be prepared to engage with all four sets of stakeholders to obtain these licenses. As Li (2017) notes, both political and social licenses are "critical for any firm operating in the resource sector". Thus, Chinese SOEs have an incentive to get involved with the local communities and Indigenous groups to obtain a social license (Li 2017). Since Chinese SOEs do not have to engage with local communities in China, they "need to develop capabilities to deal with the other stakeholders" in Canada (Li 2017). Given that Canada has a different set of institutional conditions it is theoretically harder for Chinese SOEs to integrate into the Canadian resource sector. An expert on Chinese FDI, Michael Laffin (2017), who is a former Asia Region Chair at Blake, Cassels & Graydon LLP, has noted that the approval processes regarding First Nations, environmental, and investment Canada approvals may complicate Chinese FDI in the hydrocarbon sector, yet they do not deter Chinese investors from coming to Canada and pursuing investment in the oil sands.

Ultimately, I propose that Chinese participation in Canada will be determined by the three factors identified in my model –inter-state relations, institutions, and stakeholder politics. There are three core theoretical expectations that I have noted in this chapter; a) inter-state relations influence the timing of the inflow of Chinese FDI[32], where close Sino-Canadian ties

[32] Li and Liang (2012), Sarson and Nossal (2016) and Camba (2017) suggest that close bilateral political relations lead to an increase in the IFDI from China to host countries. Conversely, during political tensions, Chinese IFDI tends to fall as data from China Investment Tracker illustrate (Houlden 2019).

will increase the scope and scale of Chinese FDI in Canada, as it shapes stakeholder's receptiveness toward Chinese SOEs; b) Canadian formal and informal institutions, such as investment screening mechanisms and principles of liberal market economy, will determine the conditions under which Chinese SOEs will enter Canada and thus influence the ability of Chinese SOEs to acquire assets in the Canadian hydrocarbon sector; c) stakeholder politics influence the ability of Chinese investors to acquire assets in the Canadian hydrocarbon sector through a set of licenses – social, political, and market – that become more salient when Chinese SOEs invest in greenfield oil/gas plants. This general model that I have built in this section will be tested in the subsequent section that focuses on a set of case studies focused on specific investments made by Chinese SOEs in the Canadian hydrocarbon sector.

# Chapter 5. Exploring Chinese FDI in Canada: China's Engagement in the Oil Sands, LNG facilities, and Pipelines

## Introduction

Chinese SOEs have become integrated players in the Canadian hydrocarbon sector. At the time of my analysis, Chinese SOEs had investments (or had attempted to invest) across the entire chain of the hydrocarbon industry, including extraction (of conventional and non-conventional hydrocarbons), infrastructure, and refining. This chapter will use three case studies – the CNOOC-Nexen deal; SOEs' attempted investment in British Columbia's LNG plants; and a failed attempted investment of Chinese SOEs in the Northern Gateway pipeline - to examine why Chinese SOEs have a mixed investment success rate across different parts of the hydrocarbon industry in Canada. In doing so, I will apply the theoretical model constructed in the previous chapter.

Based on this model, I argue that stakeholder politics operating within the Canadian institutional environment have played a central role in influencing the success of Chinese SOEs in the Canadian hydrocarbon sector. Specifically, I propose that Chinese SOEs had trouble acquiring the three licenses – social, political, and market – to operate in the Canadian hydrocarbon sector. These licenses enable me to account for the difficulty faced by Chinese SOEs in participating in greenfield projects in Canada. As noted earlier, foreign companies participating in projects that require greenfield investment need to obtain all three sets of licenses to proceed with the planned investment. On the other hand, Chinese SOEs' participation in brownfield investment projects, where they acquire pre-existing social and market licenses, helped Chinese SOEs to establish and expand their operations in Canada. Thus, the greenfield and brownfield investment distinction encapsulates the number of licenses an investor will need to obtain to operate in the Canadian hydrocarbon sector.

My argument is based on the data from fieldwork and interviews that I carried out in Canada in the spring/summer of 2017. The argument is formulated across three case studies of Chinese FDI that were selected to illustrate the power of stakeholder politics in shaping Chinese investment in the Canadian hydrocarbon sector. In the first case study, I examine CNOOC's acquisition of Nexen, a Canadian-based oil company, for $15.1 billion USD. I chose to analyze

this case because CNOOC's acquisition of Nexen is the largest investment deal completed by a Chinese SOE in the Canadian hydrocarbon sector. The second case examines the involvement of Chinese SOEs in British Columbia's nascent LNG industry. This case is composed of three LNG projects proposed by Chinese SOEs. I chose to analyze all three available cases of Chinese FDI in the LNG industry as at the time of my fieldwork all of the projects were in pre-implementation stage. The final project that I examine in this section is the financial support for (and attempted acquisition of stakes in) the proposed Northern Gateway pipeline extended by CNPC, Sinopec, and CNOOC. I selected the Northern Gateway case as it is the only available case of Chinese investment in the Canadian pipeline infrastructure. My analysis of these cases provides a unique empirical contribution to the existing research as scholars have not examined Chinese engagement across these projects in a systematic fashion.

This chapter is organized into five sections to trace these propositions. These sections are divided into two broad parts – one focuses on Chinese engagement in Canada in general, while the other focuses on the aforementioned case studies. The first section provides a brief outline of Chinese engagement in the Canadian energy sector, while the second gives a general overview of the strategies adopted by Chinese corporations investing in the Canadian hydrocarbon sector. The second part of this chapter focuses on the three case studies. The CNOOC-Nexen case illustrates a relative (or failed) success of a brownfield investment made by a Chinese SOE in Canada. The second case study, which focuses on the three LNG projects supported by Chinese SOEs, illustrates the complexity of stakeholder politics involved in a set of proposed greenfield investments in Canada. The last case study focuses on the social and political factors that have led to the failure of the Northern Gateway pipeline. The goal of these case studies is to uncover the role played by the Canadian stakeholders and institutions in determining the success of Chinese investors in acquiring assets in the Canadian hydrocarbon sector. The final section of this chapter provides a set of concluding remarks that reflect the nature of Chinese SOEs' participation in the Canadian hydrocarbon sector.

## Tracing Chinese Investment in the Canadian Hydrocarbon Sector

In order to situate Chinese FDI in the Canadian hydrocarbon sector, this section reviews the stages of Chinese investment over time. Canada has substantial potential to establish a closer relationship with China on the energy front. Empirical data that I gathered during my fieldwork and desk research reveal that Chinese investment in the Canadian hydrocarbon sector[33] has been sporadic and came in waves over time. To understand the dynamics and identify the trends associated with Chinese investment, this section will trace the investment made by the Chinese SOEs and private corporations in the Canadian hydrocarbon sector. It links Chinese FDI with the broader theoretical model that I have outlined in the previous section. As this section demonstrates, there are four stages (or waves) of Chinese FDI in Canada – the exploratory, learning, expansionary, and contractionary stages (in chronological order). These stages broadly correspond to corporate strategies of Chinese businesses investing in the Canadian oil and gas

[33] In this case, Chinese investment refers to FDI by SOEs and private oil companies.

sector and reflect the specific alignments of inter-state relations, institutions, and stakeholders at a particular time.

The foray of Chinese SOEs into the Canadian hydrocarbon sector is led by three large SOEs – CNOOC, CNPC, and Sinopec – and their subsidiaries – Phoenix Energy Holdings Limited (CNPC), Brion[34] (CNPC), Sinopec Canada (Sinopec), and more recently Nexen (CNOOC). From 2009 to 2013, these three enterprises invested C$35 billion – which is equal to a third of FDI coming from China to Canada during that period (Jiang 2015). Over a third of this amount can be attributed to CNOOC's acquisition of Nexen. These companies have predominantly acquired capital-intensive, unconventional resources, such as the oil sands, while liquefied natural gas and conventional oil appeared to be of secondary importance to Chinese investors.

Individual investments by Chinese enterprises in the Canadian hydrocarbon sector are depicted on a timeline in Figure 5.1. The timeline runs from 2003 to 2017 and includes names of individual investors, acquired corporations/projects, and lists shares in terms of the percentage acquired by the Chinese investor. In a single year, there may be multiple investments by Chinese companies in Canada; these are separated by a slash on the timeline. The timeline is based on the data I compiled from media, corporate documents, databases, grey literature, and journal articles. I have selected only the investments confirmed by multiple sources to ensure that the reported investments have indeed occurred. These investments correspond to the four stages of Chinese investment noted earlier – the exploratory, learning, expansionary, and contractionary.

[34] Phoenix Energy and Brion were subsumed under the large SOEs in Canada in 2017 and trace of their corporate activity is no longer publicly available.

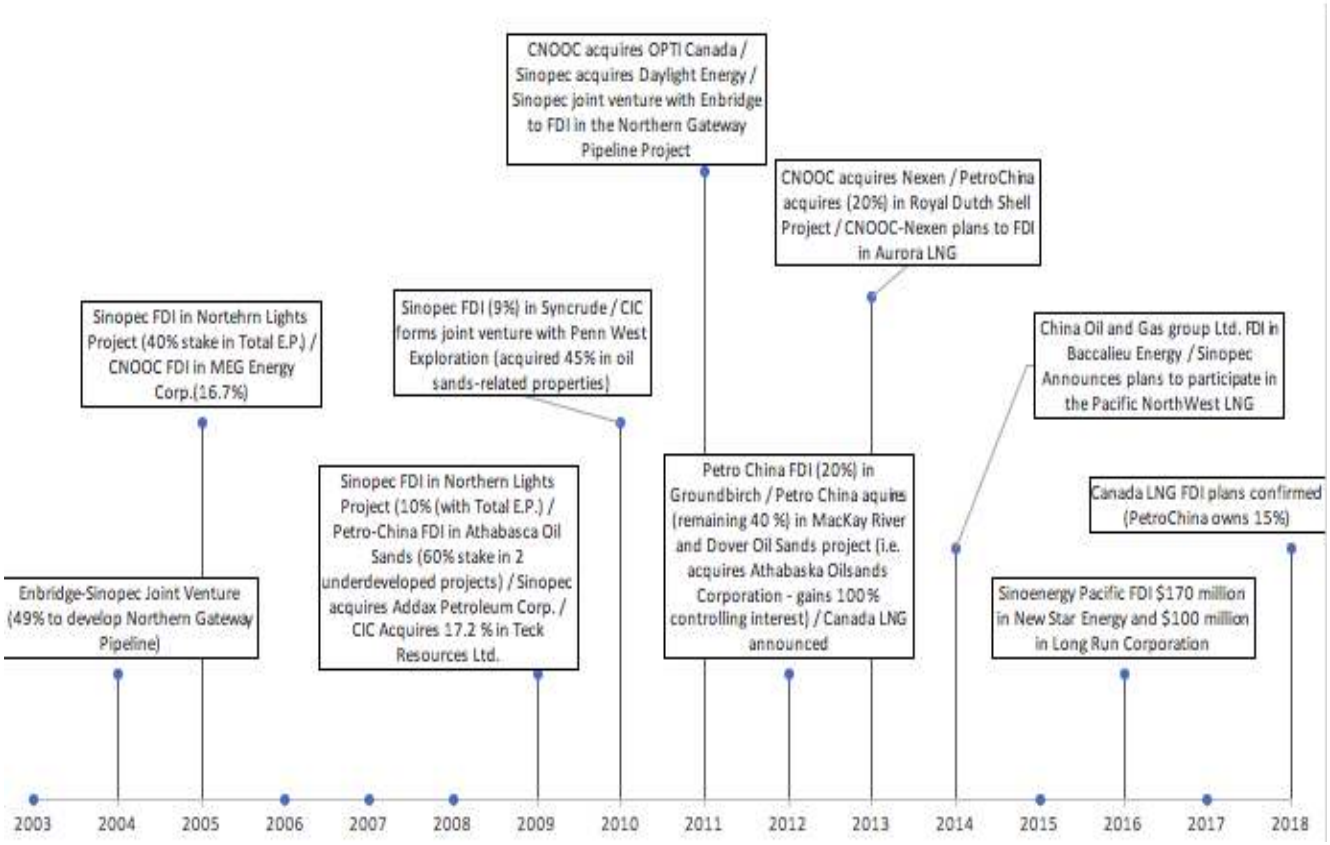



*Figure 5.1: Timeline of Chinese Investment in Canada*

An exploratory stage of Chinese investment began in the late 1990s and ended in the early 2000s. This stage was marked by a first wave of Chinese investment into Canada. During this stage, the investment was relatively small and was led by a single SOE – CNPC. In 1992, CNPC registered its operations in Canada and set up an oil and gas exploration company. Subsequently, in 1993, CNPC acquired shares in eight oil and gas blocks in Alberta and Saskatchewan. In the following year, CNPC acquired 15.8 per cent shares in the North Twinning Oil Field project and 11.5 per cent shares in a natural gas processing plant (China National Petroleum Corporation 2017). In total, China acquired oil reserves worth C$11.64 million in Canada during those two years (Downs 2006). At this stage of Chinese investment, Sino-Canadian relations were expanding under Prime Minister Mulroney's leadership as noted in the earlier section. The other two variables from my theoretical model – stakeholder politics and institutions – were likely either supportive or indifferent about Chinese investment at the time. As evidence suggests, at the early stages of Chinese investment in Canada, Chinese SOEs benefited from "broader acceptance" as they were compared to other SOEs from Norway or Brazil (McCarthy 2017). This explains why the initial reaction of the Canadians to large investment deals by SOEs was generally perceived as positive (McCarthy 2017).

Chinese SOEs waited for almost 11 years[35] after the initial investment foray before initiating their second stage – the learning stage - of investment into Canada. The term learning stage indicates that both Chinese SOEs and Canadian stakeholders have been adjusting their strategy towards each other as Chinese investment expanded. This stage of Chinese FDI into the Canadian hydrocarbon sector lasted from 2004 to mid-2012. It is characterized by multiple, smaller-scale investments in existing business and hydrocarbon operations (i.e. brownfield investment). Investment transactions initiated at this stage fit under the framework of mergers and acquisitions (M&As) and joint ventures; some corporations also acquired shareholding interests in the existing projects. During this stage, all Chinese hydrocarbon SOEs, as well as other Chinese investment bodies, participated in the investment process. This stage witnessed several minor investment deals by each of the SOEs. Jointly these deals helped Chinese investors to expand their presence in the Canadian hydrocarbon sector.

During the 'learning period', Sinopec exponentially expanded its presence in Canada. In 2005, Sinopec acquired 40 per cent of the Northern Light project developed by Total E.P. After working on this project with Total E.P. for four years, Sinopec acquired another 10 per cent in the project boosting its ownership of the project's shares to 50 per cent in 2009. In the same year, Sinopec also acquired Addax Petroleum Corporation. Next year, in 2010, Sinopec invested in Syncrude. First, Sinopec acquired 9 per cent of the company's stake for $4.75 billion (Natural Resources Canada 2016). In the following year (2011), Sinopec expanded its activities in the Canadian hydrocarbon sector by acquiring Daylight Energy and forming a joint venture with Enbridge to develop the Northern Gateway pipeline.

CNOOC also played an important part during this wave of acquisitions. In 2005, it invested $150 million in MEG Energy Corporation to acquire 16.7 per cent of the firm. In 2011, CNOOC acquired a failing Canadian company – OPTI Canada – for $2.2 billion (Natural Resources Canada 2016). By assuming its obligations, CNOOC pre-empted OPTI's bankruptcy at the time. CNOOC has also acquired interests in multiple upstream projects in Canada, including Aurora oil sands (7.23 per cent of shares), Hangingstone (25 per cent of shares), Long Lake (100 per cent of shares), MacKay River (100 per cent of shares), Meadow Creek East (25 percent of shares), and Mildred Lake (7.23 per cent of shares) (BMI Canada 2017). It took CNOOC just a few years in the mid-2000s to build a diversified portfolio of hydrocarbon assets in Canada.

At this stage, CNPC also remained an active participant in the Canadian hydrocarbon industry. In 2007, CNPC won exploration rights to 11 oil sands projects and purchased its first controlling stake in the oil sands. In 2009, CNPC's subsidiary, PetroChina, invested $5 billion in Athabasca oil sands to acquire 60 per cent stake in two underdeveloped projects. In 2012, PetroChina (represented by Phoenix Energy Holdings Limited / Brion Energy) acquired 20 percent of Groundbirch tight gas and bought 40 per cent of shares in MacKay River oil sands project for $670 million. After acquiring the 40 per cent of the shares for MacKay River project,

[35] There is no publicly available information that explains the 'waiting period' between China's first investments in the energy sector in the early-1990s and the subsequent wave of FDI. One plausible explanation is that the 'Go Global' has not been launched until 1999/2000 and it is possible that Canadian energy sector at the time was not a priority.

PetroChina became the sole owner of the project. During the same year, PetroChina also acquired 49.9 per cent of Encana's Duverney shale gas project for $2.2 billion (Natural Resources Canada 2016). As part of this shopping spree, CNPC purchased an interest in Grand Rapids Pipeline in 2012, where it holds a 50 per cent interest in a non-operational joint venture with TransCanada. During this stage, CNPC's portfolio in Canada diversified substantially and now includes multiple hydrocarbon assets.

Following Chinese oil and gas SOEs, Chinese investment agencies also decided to join the global investment spree in the hydrocarbon sector. The China Investment Corporation (CIC) became very active in the Canadian oil sands in the mid-2000s. In 2009, the CIC acquired 17.2 per cent of Teck Resources Ltd. for $1.7 billion Canadian dollars. In 2010, the CIC formed a joint venture with Penn West Exploration. In exchange for the CIC's investment, Penn West offered the CIC a 45 per cent stake in the oil sand properties, Seal Main. The CIC also participated in the acquisition of shares in the Sunshine Oilsands Ltd in 2012 along with other institutional investors. The CIC focused its investment on the acquisition of shares in oil projects, which was likely a part of a grander strategy to diversify its investment portfolio. It is plausible that the CIC saw these investments as an opportunity to learn about investing in the Canadian hydrocarbon sector.

This second wave of Chinese investment into Canada's hydrocarbons was characterized by SOEs' attempt to acquire minority positions in the existing projects and business. After acquiring a minority position in a Canadian-based hydrocarbon firm or in a project run by an established company in Canada, Chinese investors became "strategic partners" to their Canadian counterparts. Majority of investments made by Sinopec, CNPC, and CNOOC during this stage fell into this category. An analyst looking at Chinese investment strategy during this period speculated that this strategy was adopted "to avoid the political problems of assuming control of resource projects" (Grant 2012, ii; 14). The analyst's assumption correctly underscores the importance of political factors in Canada in shaping Chinese investment. In this case, a minority position allows Chinese corporations to take a back seat and to learn about the local policies and stakeholder relations before taking a more prominent position in the Canadian companies.

Although Chinese investors have generally invested in projects where they were minority players, they also took over failing businesses by acquiring whole companies. In the majority of cases where Chinese SOEs acquired a full-ownership of a Canadian hydrocarbon firm, the acquired company was undergoing financial difficulties (Grant 2012, iii). An example of this type of acquisition is PetroChina's investment in Athabasca's MacKay River and Dover projects. In both projects, PetroChina started out as a minority investor but promised that it will acquire the rest of the business in the future. For Athabasca's assets, PetroChina's acquisition of the MacKay River and Dover projects coincided with the economic downturn that has pressured the original owners to sell Athabasca's assets to the Chinese investors. A similar strategy was used by Sinopec to acquire the Daylight project. Another exception to the "minority investor" trend was when CNPC invested in the oil assets that were not tied to an existing oil company.

Canadian stakeholders have adjusted their strategy to growing FDI from Chinese SOEs. Initially, Chinese SOEs received corporate and political support from the Canadian stakeholders

as Chinese investment helped to maintain the productivity of the hydrocarbon sector and occurred in politically and economically insignificant projects. The ideology of open markets has facilitated the growth of Chinese investment that was initially supported by close bilateral relations. However, over time these trends begun to reverse, at least temporarily after the election of Prime Minister Stephen Harper. In 2006, then-Prime Minister Harper noted that "Canadians [would not] want…[the government]…to sell out important Canadian values" referring to his opposition to human rights issues in China (Fitz-Morris 2012). Harper's political stance toward China lasted until 2009 (Fitz-Morris 2012), during that time Canada adopted SOE-specific guidelines under the ICA. The first set of SOE-specific FDI guidelines were implemented in 2007. This brief political stalemate can be linked to falling FDI flows into the hydrocarbon sector (Nossal and Sarson 2013). Chinese investment has begun to flow into Canada again as the Sino-Canadian bilateral relations have begun to improve. Still, regulatory transition indicates a more cautious stance adopted by the Canadian stakeholders toward China that was reinforced during the third stage of Chinese FDI.

The third, 'expansionary', stage of Chinese investment in the Canadian hydrocarbon sector began in mid-2012 and ended in mid-2014. This stage was short-lived as it was interrupted by a change in the Canadian regulatory environment and broader shifts in the global energy market coupled with changes in stakeholder preferences in Canada. The 'expansionary' stage of Chinese FDI in Canada is connected to the preceding stage of Chinese FDI as the exceptional cases from the second stage - the outright acquisition of Canadian businesses by Chinese SOEs - became the norm. At this third stage, Chinese SOEs acquired full ownership of multiple Canadian oil and gas businesses. CNOOC's acquisition of Nexen was a defining moment of this stage. The deal overshadowed other minor acquisitions made by PetroChina and Sinopec during 2014, such as PetroChina's acquisition of Athabasca's remaining assets for $1.23 billion that gave PetroChina (represented by Brion Energy) a 100 per cent controlling position in the MacKay River and Dover Oil Sands projects. The Nexen-CNOOC deal, as I will explain in the subsequent section, was also partially responsible for the new regulatory measures adopted by the Canadian government in 2012 that have led to a tightening of the Canadian FDI regime. This tightening of regulatory regime continues to impact SOEs' investment in the oil sands today.

The last stage started in mid-2014 and is predominant today. It is defined by a smaller set of acquisitions made by a set of relatively unknown Chinese oil and gas corporations. At this stage, we can observe a change in the investment strategy of the large SOEs. CNPC, CNOOC, and Sinopec have shifted away from the oil sands and moved into other projects focused on conventional oil and natural gas (predominantly the LNG sector). At the same time, we can see the emergence of FDI from private Chinese firms that were not previously well-established in Canada. A good example is China Oil and Gas Group Ltd.'s investment in Baccalieu Energy in 2014. This pattern of investment continued in 2016 when Sinoenergy Pacific invested $170 million in New Star Energy and another $100 million in the Long Run Corporation. These trends will likely dominate Canadian hydrocarbon sector in the near future as regulatory institutions have made it more difficult for Chinese SOEs to acquire Canadian businesses operating in the oil sands.

As noted in the previous section, SOEs are not the only source of Chinese FDI in Canada. Private businesses and individual investors are actively involved in the Canadian hydrocarbon sector. Chinese private businesses are often operating at a smaller-scale as they invest in minor energy projects. Investments by private Chinese enterprises in the Canadian oil sands has been on the rise according to media reports (Franson 2017; Lewis, Jones, and Vanderklippe 2017). In a *Globe and Mail* article, Lewis, Jones, and Vanderklippe (2017) trace the investments made by private Chinese investors in Canada. They conclude that "a handful of well-connected Chinese financers and oil executives…[have] spent nearly $2-billion in a series of deals" in the Canadian oil sands (Lewis, Jones, Vanderklippe 2017). These private investors have acquired a set of "small to mid-size oil and gas producers", such as Spyglass Resources Corporation, New Star Energy Ltd., Twin Butte Energy Ltd., and Hyperion Exploration among others (Lewis, Jones and Vanderklippe's 2017). The change in the investment dynamics from state-owned investors to private ones will likely impact regulatory innovation in Canada in the future.

Empirical evidence discussed in this section indicates that Chinese investors have acquired shares or gained ownership over several oil and gas companies that are located across Canadian provinces. The majority of Chinese energy investment, in terms of number of deals, went to Alberta with 91 deals, closely followed by British Columbia with 34 deals[36] (China Institute 2017). The uneven spread can be explained by geological distribution of oil and gas reserves across Canada. As the largest oil and gas reserves are in Alberta, the province received a large proportion of Chinese energy-related investment. In fact, Alberta's oil and gas sector attracted over 75 per cent of the total Chinese FDI in this sector in 2012, closely followed by Saskatchewan with 16.5 per cent, and British Columbia with 16.3 per cent (KPMG 2013, 11). In monetary terms, Alberta has been a recipient of C$29,611 million[37] from mainland China, while British Columbia received only C$746 million (The Asia Pacific Foundation 2017b). This distribution of investment reflects differential resource endowment and political situations across the Canadian provinces. Despite the unequal distribution of Chinese FDI across Canada, all of this investment is driven by a set of similar strategies as will be revealed in the next section.

## Chinese FDI Strategies in Canada

Chinese SOEs have implemented three core strategies to gain access to the Canadian oil and gas projects: they engage in acquisition of shares in the Canadian oil and gas companies; form joint ventures, consortia or mergers with other companies operating in the Canadian hydrocarbon sector; and acquire Canadian-based corporations outright. Chinese SOEs have invested in both greenfield and brownfield projects. As greenfield projects involve construction of new hydrocarbon plants and facilities, they are inherently riskier as they require societal, corporate, and political support. To mitigate the inherent risk, SOEs can focus their activities on brownfield projects by acquiring shares in existing companies, participating in mergers and

[36] The other provinces have only a few deals: Ontario 9 deals, Quebec 2 deals, and Saskatchewan 1.
[37] The data may underrepresent investment from Chinese SOEs not domiciled in the mainland China and does not include investment that has occurred before 2003. In comparison to these numbers, data released by the Alberta's government (2015) reveal that Chinese SOEs – Sinopec, CNPC, and CNOOC – have invested $35 billion into Alberta's hydrocarbon sector (Alberta Government 2015).

acquisitions, or acquiring full ownership of an established company or project. Each of these strategies has implications for the operations of Chinese enterprises in Canada and differs based on a degree of participation and influence (or control) a Chinese enterprise has over a Canadian business. The next few paragraphs describe these differences in more detail with a specific focus on the types of FDI, which have an impact on the ability of Chinese SOEs to acquire specific assets.

The first strategy, based on the acquisition of shares in Canadian businesses, allows SOEs to practice a hands-off management approach. In this case, a Chinese SOE relies on its Canadian counterpart to manage the day-to-day activities of their joint business and relies on the domestic company to manage stakeholder relations. In return for the financial commitment (where an equity investor provides financial capital to a Canadian firm), Chinese shareholders receive a share of profits from the revenue generated by a Canadian hydrocarbon firm. This approach has been popular among Chinese financial institutions, which rely on the managers of the Canadian companies to steer their joint businesses (Jiang 2015, 16). An example of this strategy is CIC's acquisition of shares in Teck Resources Ltd. in 2009 and in Penn West Energy in 2010. This strategy allows Chinese investors to distance themselves from bilateral relations, stakeholder politics, and host-states' institutions.

The second strategy rests on a more hands-on approach as it relies on joint ventures, consortia, and mergers. This model is based on a partnership between two or more companies that form a single independent firm to take on a joint project. This strategy allows corporations to pool common financial resources, divide risks, share technology and/or expertise, and distribute profits. This strategy has been popular in the context of the Canadian LNG sector where it is used to diversify risks associated with the greenfield investment and to share technology and expertise. The Aurora LNG, the LNG Canada, and the Pacific NorthWest LNG are some of the examples that utilized this strategy. According to Jiang (2015, 16), who is an expert on Chinese SOEs operating in the Canadian energy sector, PetroChina has been one of the most active SOEs in forming joint ventures in the Canadian oil sands and natural gas projects. Given that joint ventures are created to develop greenfield energy projects, they are heavily influenced by inter-sate relations, stakeholder politics, and institutions in Canada.

The last strategy used by Chinese SOEs is a direct acquisition of an existing Canadian business in the oil and gas industry. This strategy provides Chinese investors with an ultimate control over a Canadian hydrocarbon enterprise that they acquire. The CNOOC-Nexen takeover fits perfectly under this last category of SOEs' investment strategies. There are other deals that fit under this category; as noted earlier, Chinese SOEs have purchased financially-struggling Canadian hydrocarbon corporations that were facing bankruptcy. For example, PetroChina has acquired Athabasca's assets to gain full ownership of the project after the latter began suffering from financial problems. In these cases, Chinese SOEs became the ultimate owners, operators, and managers of the selected hydrocarbon projects in Canada. This strategy requires favourable inter-state relations, supportive stakeholders, and regulatory approval.

Each of these strategies is likely driven by a different motive. The acquisition of shares in the Canadian hydrocarbon companies is likely motivated by profits. Other investment strategies

may be motivated by gaining access to the Canadian hydrocarbon resources, learning from the Canadian management expertise, and acquiring brands or technology that can be re-used by the SOEs in the future to upgrade their products and move up the chain of production (Klaver and Trebilcock 2013, 126-129). More specifically, Chinese SOEs are interested in gaining "management skills and technical know-how of extracting heavy oil and shale that the Canadian firms possess" (Jiang, Zweig, and Siqin 2015, 114). One of the technologies of interest to the Chinese investors may be the Steam Assisted Gravity Drainage Technology (SAGDT). SOEs can use the SAGDT in China to extract unconventional or hard-to access oil and gas (Global Data 2012). Although an investment in the Canadian hydrocarbon sector is costly and the acquired assets may lose value over a short period of time (Jiang 2015), strategically the investors gain technology and expertise that make the investment attractive despite the perceived high-costs.

In general, it appears that Chinese investors operating in the Canadian hydrocarbon sector are still learning how to operate in the advanced industrialized countries, like Canada. In an interview, Jing Li, professor of international business and Canada Research Chair in the Global Investment Strategy, has noted that Chinese SOEs see their investment in Canada as a unique opportunity to learn about Western corporate standards (2017). It appears that Chinese SOEs willingly pay "tuition fees" to participate in the Canadian hydrocarbon sector (Li 2017). Another expert on China, Paul Evans (2017), revealed that to gain business knowledge, Chinese companies were at first willing to engage in 'bad deals' that were less profitable. Today, Evans (2017) argues that Chinese SOEs became "more sophisticated", where "any premium would be justified less on new knowledge of a sector than acquisition of technology that is perceived to be of special research or innovation advantage". The interviewed experts and scholars, studying Chinese engagement in Canada, appear to agree that Chinese SOEs are learning by engaging with the Canadian hydrocarbon companies and other stakeholders. Although learning is not explicitly discussed in my dissertation, it can be pursued by future studies as an important factor in China's engagement with host societies.

The next part of this chapter focuses on the activities of Chinese SOEs by examining the three aforementioned projects – CNOOC's acquisition of Nexen; SOEs' investment in the LNG sector; and, SOEs' engagement in the Northern Gateway pipeline. The issues raised in this part will assist in explaining the dynamics discussed in each of the three projects.

## The CNOOC-Nexen Case Study

CNOOC's acquisition of Nexen, which is a Canadian hydrocarbon company headquartered in Calgary, Alberta, in 2013 marked the peak of Chinese investment in the Canada oil extraction. The deal, worth of $15.1 billion, is the biggest acquisition made by Chinese SOEs in the Canadian energy sector (Vanderklippe 2012). Although this deal involved a brownfield investment that in general does not entail elaborate consultation and accommodation with local stakeholders, its sheer scale in terms of the monetary value and the significance of Nexen in the Canadian oil sands sector have stirred a protectionist sentiment among several stakeholders as I will illustrate in this section. The objective of this section is to analyze how the CNOOC-Nexen deal was influenced by the Canadian stakeholder politics and regulatory institutions to

understand why the deal was approved and how it affected SOEs operations in the oil sands. In doing so, it draws on the inter-state and informal institutional variables that have shaped the responses of the Canadian stakeholders to CNOOC's acquisition of Nexen.

This section will examine the conditions that shaped CNOOC's acquisition of Nexen to understand why this successful deal has negatively impacted future Chinese investment in the oil sands. In this way, one may reinterpret this deal as a 'failed success' as it achieved its objective but compromised future investments by the SOEs in the oil sands. As I will argue in this section, the scale of the CNOOC-Nexen deal, combined with a fear of the growing involvement of Chinese SOEs in the Canadian hydrocarbon sector, incentivized a regulatory expansion of the Canadian investment screening regime. The deal was also influenced by stakeholder politics, informal and regulatory institutions, and shifting bilateral relations. Ultimately, this chapter reveals the importance of stakeholder engagement and lobbying efforts in the North American energy markets (Hall and Welsch 2012).

To explore these propositions, this section is sub-divided into four core parts: overview, stakeholder receptiveness, regulatory influence, and conclusion. Ultimately, this section argues that the deal was an outcome of a specific alignment of inter-state relations and institutional arrangements that have shaped the activities of the Canadian stakeholders, who in turn triggered a regulatory modification of the investment screening regime.

## Overview of the CNOOC-Nexen deal

CNOOC revealed its intentions to acquire a full ownership of Nexen in 2012. At the time, the deal sparked debates among policymakers and the broader public across Canada. The debate was partially driven by the scale of the proposed investment. Media projected that it will be the "second-biggest energy deal" and the "sixth-largest takeover" in Canada, not to mention that it will be the largest acquisition by a Chinese SOE in the world (Vanderklippe 2012). Media also reported that the deal was the "most ambitious push" made by the Chinese SOEs into the Canadian hydrocarbon sector as it was "nearly equivalent to total Chinese investment in the province of Alberta, excluding real estate" (Hall and Welsh 2012). The reporters also noted that CNOOC's acquisition of Nexen helped SOEs to "build a 'bridge' to the energy markets of the developed world" by showing that "China can work with very developed legal and social system" MacKinnon 2012a).

The deal was seen by the media as a symbol of "increasing assertiveness by Chinese firms" at the global level (Vanderklippe 2012) and signified "China's growing comfort level [in] operating in the developed world" (Hall and Welsh 2012). Others suggested that it may become "a model for Chinese enterprises 'going out'" (MacKinnon 2012b, refers to Xinhua's news report). In general, the deal was a bold step, given that previously Chinese SOEs only acquired minority stakes in the Canadian hydrocarbon industry (except for their investment in corporations undergoing financial difficulties). The financial scale of the deal combined with the size of the acquisition has sparked a series of concerns in Canada that were mitigated by the nature of the acquisition target – Nexen.

Nexen, previously known as the Canadian Occidental Petroleum Ltd. founded in 1969, has assets in conventional and unconventional oil and gas projects, including the oil sands and shale gas, in Canada and across the globe (Global Data 2012, 2). Prior to CNOOC's acquisition, Nexen established itself as a mid-sized Canadian company and developed its brand. Although Nexen is a Canadian company and has investments in multiple hydrocarbon projects at home, its operations are international. The company has stakes in projects in the North Sea, West Africa, and the Gulf of Mexico (Global Data 2012, 2). In fact, about 72 percent of Nexen's hydrocarbon-producing assets are from its overseas projects (Sustainalytics 2012, 2). The remaining 28 percent of Nexen's petroleum assets are produced in Canada. Thus, Nexen does not even make it into the top twenty of Canadian oil and gas producers as it has access to less than 1 per cent of Canada's total hydrocarbon reserves (McLellan 2012). It could be argued that the international distribution of Nexen's assets made CNOOC's bid more politically tolerable in Canada as the deal would not threaten national security.

### How did Canadian stakeholders react to CNOOC's bid to acquire Nexen?

CNOOC's proposal to acquire Nexen triggered a debate between individual stakeholders that influenced the outcome of the bid. This section examines the responses of the federal and provincial governments, Alberta's citizens, and the industry to the CNOOC-Nexen deal. By mapping their responses, we will be able to understand how the Canadian politico-economic environment shaped the outcome of the deal. Together, these stakeholders, operating within politico-economic institutions, have influenced the response of the regulatory institutions that will be discussed in the second section of this case study.

The *inter*party divisions at the federal level of the Canadian government occurred between the three major parties in the parliament – the Conservative, the Liberal, and the NDP. Individual parties adopted a polarized perspective on CNOOC's proposed bid for Nexen. While the Liberal Party supported the deal on the grounds of growing economic relations between China and Canada (Berthiaume 2012), the NDP vehemently opposed CNOOC's growing influence in the Canadian hydrocarbon sector. The NDP criticized CNOOC's environmental practices (Lunau 2012; Galloway and Tait 2012; Henton 2012), human rights records (Galloway and Tait 2012), and close connections to the Chinese state (McCarthy 2012c). The NDP also suggested that CNOOC's takeover may come at the expense of Canadian jobs (Galloway and Tait 2012; Henton 2012) and could undermine national security (Henton 2012). National security was likely at the centre of the polarized debate (Berthiaume 2012) related to the foreign ownership of Canadian natural resources (McCarthy 2012f). The Conservative party, which was in power at the time, found itself in the middle of this polarized debate and tried to find a balanced approach to the proposed deal.

Changing inter-state relations played an important role in shaping the political calculus of the Canadian policymakers. The deal came at the time of improving Sino-Canadian relations. The Conservative party, under the leadership of the Harper administration, which was generally critical of China's engagement in Canada, decided to support CNOOC's bid to acquire Nexen. Their support can be traced to changes in bilateral relations, which coincided with Prime Minister Harper's trade and investment mission to China. During this mission, Canada and China

signed a series of bilateral agreements and initiatives covering multiple issues, including energy (Government of Canada 2012). Therefore, this mission created a political momentum conducive to large-scale transactions that would have faced a regulatory pushback otherwise (McCarthy and McNish 2012, citing Oliver Borgers, a lawyer with McCarthy Tetrault). Statements from the Canadian officials at the time confirmed the importance of this timing. To illustrate, the Canadian Minister of Finance, Jim Flaherty, noted that the rejection of the CNOOC's bid would have negatively impacted Canada's relationship with China (McCarthy 2012e).

Despite the conducive timing, the Conservative party had to balance internal discord regarding the proposed acquisition at the cabinet and caucus levels (Morgan 2012; Ibbitson 2012; McCarthy and Vanderklippe 2012; McCarthy and Curry 2012; Berthiaume 2012). Aware of the delicate nature of the CNOOC-Nexen deal, Prime Minister Harper was very cautious about navigating multiple interests of the Canadian stakeholders. Thus, Harper chose a middle ground and joined a "pragmatists' camp" (McCarthy and Curry 2012). In doing so, he acknowledged that the transaction will have "significant implications for the Canadian economy" and that it will likely shape Canada's "long-term policy direction" (The Globe and Mail 2012). The balanced approach adopted by the Harper administration has signaled that the hydrocarbon deals with China will remain on the table, yet they will likely be subject to increased regulations.

A polarized debate, which occurred at the federal level, was less prominent in the province of Alberta. In fact, Alberta has opened its doors to Chinese investment in the hydrocarbon industry. At the time of the bid, Alberta's Premier, Alison Redford, the leader of the provincial Conservative party, publicly expressed her support for CNOOC's acquisition of Nexen (Henton 2012; McCarthy and Curry 2012; McCarthy 2012d). Redford suggested that the project should be approved if it will generate socioeconomic benefits for the province of Alberta and for Canada at large (Wheeler 2012; Henton 2012). She stipulated that CNOOC should maintain Nexen's CSR program and management style and retain Nexen's employees based in Canada (Henton 2012). These conditions were likely designed to quell any public opposition to the deal in Alberta. As the next paragraphs will demonstrate, public's division about Chinese FDI also motivated a cautious response adopted by the government toward the deal.

As noted in the theory section, the Government's position may be swayed by the public opinion as the Canadian government is receptive to the viewpoints of its electorate. Since Nexen's headquarters are in Calgary, the opinion of Alberta's residents has been closely monitored by scholars and policymakers alike. At the time of the deal, media revealed that Alberta's residents voiced concerns about Chinese investment in the Canadian natural resource sectors (Cryderman 2014; Cattaneo 2013b; Bolger 2012; McCarthy 2012b). To map public opinion about the deal, I used data published by *The China Institute of Alberta* (2011; 2012; 2013; 2014; 2015; 2016; 2017). I have categorized these data into four categories, which correspond to four sets of tables. Table 5.1 charts Albertans' receptiveness to Chinese investment in energy and natural resources. Table 5.2 captures the responsiveness of Alberta's citizens to SOEs' FDI in the energy sector. Subsequently, table 5.3 depicts Albertans' opinion about Chinese ownership of the Canadian businesses. Finally, Table 5.4 examines whether the Albertans' are supportive of tougher regulations on Chinese SOEs.

| *Statement:* | Agree | Disagree | Neutral |
|---|---|---|---|
| Alberta should welcome Chinese investment in energy and other resource sectors of the province (2011) | 52 | 25 | 23 |
| Alberta should welcome Chinese investment in energy and other resource sectors of the province (2013) | 43 | 34 | 23 |
| Alberta should welcome Chinese investment in energy and other resource sectors of the province (2015) | 42 | 31 | 27 |
| Alberta should welcome Chinese investment in energy and other resource sectors of the province (2017) | 51 | 22 | 27 |

*Table 5.1: Public Survey of Albertans on whether the province of Alberta should welcome Chinese FDI into energy and natural resource sectors*

As these data on Chinese investment in energy and natural resources reveal, Alberta's residents are relatively open to Chinese investment in these sectors with over 40 per cent of citizens on average responding positively to Chinese FDI in energy and natural resources. In 2017, the number of Albertans supportive of Chinese FDI in these sectors rose above 50 per cent, as table 5.1 indicates. Still some of the polled residents remained opposed to Chinese FDI. The number of citizens opposed to Chinese FDI in the energy and natural resource sectors ranges from 25 per cent to 34 per cent. This indicates that Albertan citizens are not concerned about the Chinese investment in Canada in general. However, the picture becomes more complicated when we consider investment by foreign SOEs in the energy sector.

| *Statement:* | Agree | Disagree | Neutral |
|---|---|---|---|
| FDI in Alberta's energy by SOE acceptable (2012) | 24 | 53 | 23 |
| FDI in Alberta's energy by SOE acceptable (2014) | 22 | 59 | 19 |
| FDI in Alberta's energy by SOE acceptable (2016) | 27 | 55 | 18 |

*Table 5.2: Public Survey of Albertans on whether the province of Alberta should welcome SOEs' FDI into energy sector*

The data reveal that Alberta's citizens appear to be more concerned about SOEs' FDI in the energy sector than by the Chinese investment in energy and natural resources presented in table 5.1. As table 5.2 reveals majority of the respondents (over 53 per cent) do not think that SOEs' FDI in Alberta's energy sector is acceptable. In comparison to table 5.1, Alberta's residents are more supportive of FDI by Chinese private companies compared to SOEs' FDI. This is an interesting result because it indicates that Albertans are more likely to oppose investment by a specific investor – an SOE – rather than FDI by a specific investor based on a country of origin, such as China. In light of the concerns related to SOEs' investment, the Canadian government has incorporated SOE-specific guidelines into the ICA. In general, public's concerns are likely associated with the close relationship between SOEs and their home state (Globerman and Shapiro 2009; Deng 2012; Hsueh 2016) that can lead to politicization of FDI in a host country (Cuervo-Cazurra et al. 2014; Hsueh 2016).

Additionally, the analyzed data shows that the public is very concerned about Chinese investors seeking to acquire full ownership of the Canadian companies. As data in Table 5.3 indicate, at the time of the proposed CNOOC-Nexen takeover, a majority (64 per cent) of the surveyed Albertans expressed that they are against investment deals that grant Chinese firms full ownership of the Canadian businesses. On the other hand, the public appeared to hold a mixed

opinion about partial ownership of the Canadian companies by the Chinese SOEs. Data in Table 5.3 indicate that the respondents were roughly equally split between supportive/opposed/neutral stance toward partial ownership.

| *Statement:* | Agree | Disagree | Neutral | *Statement:* | Agree | Disagree | Neutral |
|---|---|---|---|---|---|---|---|
| **Chinese FDI partial ownership acceptable (2012)** | 37 | 36 | 27 | **Chinese FDI full ownership acceptable (2012)** | 15 | 64 | 21 |
| **Chinese FDI partial ownership acceptable (2014)** | 40 | 40 | 20 | **Chinese FDI full ownership acceptable (2014)** | 15 | 69 | 16 |
| **Chinese FDI partial ownership acceptable (2016)** | 44 | 34 | 22 | **Chinese FDI full ownership acceptable (2016)** | 21 | 63 | 16 |

*Table 5.3: Albertans response to Chinese ownership of Canadian business (partial versus full ownership)*

Finally, the public appeared to be divided on the question of the Canadian regulatory oversight over SOEs' FDI in Canada. As Table 5.4 indicates roughly a third of the surveyed wanted to expand regulations related to SOEs' FDI, while the majority of Albertans appeared to be neutral or confident in the existing regulations. Drawing a conclusion on the basis of these three tables it appears that Albertans would have been opposed to CNOOC's acquisition of Nexen as they were generally against Chinese investment in the energy sector, especially if a Chinese state-owned acquirer will gain the whole company. Interestingly, the data also indicate that Alberta's residents did not see the necessity to change regulations to prevent SOEs' FDI in the Canadian oil sands.

| *Statement:* | Agree | Disagree | Neutral |
|---|---|---|---|
| More regulation for FDI from SOEs than for other investors (2014) | 32 | 44 | 24 |
| More regulation for FDI from SOEs than for other investors (2016) | 36 | 42 | 22 |

*Table 5.4: Albertans view about regulation of investment from SOEs*

Economic players have likewise influenced the government's position on the CNOOC-Nexen deal. Media reports and industry polls capture a growing concern among the Canadian industry players about SOEs' investment in the Canadian hydrocarbon sector. According to the media reports, Canadian companies exhibited nationalist sentiment when they urged the government to adopt tougher regulations on foreign investment coming from Chinese SOEs into the Canadian hydrocarbon sector (McCarthy and McNish 2012; McCarthy 2012b). Media have also reported that the Canadian corporate executives have "waved the Canadian flag over the oil sands" (Cousineau 2012). Even the executives that backed the deal have made their support for the deal conditional on the government's promise to adopt tougher regulations for SOEs investing in the oil sands (Coates 2014, 43). In this move, the Canadian corporate actors have

argued that Canada "needs strong domestic companies in key sectors such as the oil sands" (McCarthy 2012b).

Overall, it appears that the industry expressed a nationalist sentiment during the ICA's review period of the CNOOC/Nexen deal. This sentiment is backed by the industry polls. In a C-Suite survey of business executives, half of the surveyed corporate executives revealed that they opposed the CNOOC-Nexen deal, while 42 per cent of the executives indicated their support for it (Blackwell 2012). The survey also revealed that several executives wanted to place conditions on CNOOC's acquisition of Nexen and to adopt clearer rules for the investment screening, especially for the deals in the strategic sectors, such as oil and gas (Blackwell 2012). Unfortunately, the data in the C-Suite survey do not distinguish surveyed executives in terms of their affiliation. Thus, it is difficult to assess whether those that were against the deal were in direct competition with CNOOC. However, as noted in the earlier paragraph, it appeared that even those that were supportive of the deal wanted to place restrictions on SOEs' FDI.

Industry's growing calls for protectionism coincided with a mixed public attitude toward the CNOOC-Nexen deal. The proposed takeover obtained support from the Nexen's shareholders and the Liberal Party of Canada, yet failed to convince the NDP and other corporate players of its benefits. The public at the time also appeared to be concerned about the deal. In light of this, several stakeholders expressed their desire to protect the oil sands from future foreign investment by SOEs given that the oil sands are a strategic asset for Canada. The general protectionist sentiment has shaped the broader political debate, which has incentivized the government to adopt a more cautious response to future investment of this kind. Since CNOOC's acquisition of Nexen did not envision the construction of a greenfield hydrocarbon-related project, the deal did not involve complex stakeholder negotiations as the project has already obtained a social and gained a political license to operate after passing the investment screening tests that will be discussed in the subsequent section.

Ultimately, a protectionist tendency among Alberta's citizens and industry players, exposed in this section, has served as an impetus for tighter regulations. In this case, political institutions have helped to channel the interests of specific stakeholders into regulatory institutions. As the next sub-section will propose, regulatory institutions shaped CNOOC's strategies via 'undertakings' as part of the ICA. At the same time, as will be explained in the next section, regulatory institutions were reshaped to respond to political concerns that arose during the deal.

### Regulating CNOOC's acquisition

The ICA provided a key regulatory framework for the Canadian policymakers to evaluate large-scale acquisitions of the Canadian businesses by foreign investors, such as the CNOOC's bid to acquire Nexen. As the CNOOC's acquisition of Nexen exceeded the reviewable threshold, it triggered the ICA's 'net benefit' test. To pass this test, the acquirer, in this case, CNOOC, had to submit a set of legally-binding commitments regarding finance, employment assurances, and corporate responsivity targets. These commitments, as I will demonstrate in this section, subsequently shaped CNOOC's activities in Canada. On the basis of the documents submitted by

CNOOC to the ICA, including the commitments, the Minister of Industry and a set of relevant agencies decided to permit the acquisition. In CNOOC's case the approval, granted by the Canadian Minister of Industry, can be reinterpreted as a 'failed success' as I will propose in this section.

To meet the ICA's 'net benefit test', CNOOC promised to pay $15.1 billion USD for Nexen, which exceeded the market valuation by 61 per cent, and to take over Nexen's debt of $4.3 billion USD (CNOOC 2013). CNOOC also assured the officials reviewing the deal that it will establish regional headquarters in Calgary, retain Nexen's current employees, expand Nexen's capital expenditures, list corporate shares on the Toronto Stock Exchange, increase social and community spending, and continue to support Canada's Oil Sands Innovation Alliance (COSIA) (CNOOC 2013). CNOOC has also committed $5-$8 billion for the development of the North American hydrocarbon sector and agreed to expand investment in the oil sands (McCarthy, MacKinnon, and Jordan 2012; Vanderklippe 2013). It also promised to expand financing for Nexen's projects and provide investment for social programs (Sustainanalytics 2012, 2). These commitments appear to be a product of a back-and-forth discussion between CNOOC's corporate leaders and the Investment Canada officials (McCarthy 2012).

These commitments/undertakings can be interpreted as one aspect of China's localization strategy under which Chinese SOEs embrace a set of new business practices to fit into the Canadian corporate environment. An expert on China's corporate internalization, Jing Li (2017) has noted in an interview that a well-developed localization strategy is the best way for Chinese SOEs to succeed in advanced industrialized countries. As Li (2017) has pointed out this strategy functions via an exchange of economic benefits (granted to the local companies and residents) for a social license to operate. If carried out properly, a localization strategy can generate a positive image for an SOE in a host society.

CNOOC's leadership appears to recognize the importance of the localization strategy. Li Fanrong, the CEO of CNOOC, has noted that his company wants to "become [one of the] qualified local citizens" and an integral "part of Canadian society" by supporting a growing Sino-Canadian cooperation in the hydrocarbon industry (Wheeler 2013). In a pursuit of the localization strategy, CNOOC decided to retain Nexen's CSR strategy. Under CNOOC's leadership, the company also contributes to COSIA and supports local communities to "earn and maintain…[a] social license to operate" in Canada (Nexen 2015, 7). Some of the past examples of CNOOC's commitments to local communities include CNOOC's financial support to the Western Canada Summer Games held in Alberta, a donation of $15 million to Calgary's public library, and a set of scholarships and training packages offered to students (Government of Alberta 2017; US Official News).

Despite CNOOC's attempt to localize its operations, some of the commitments that CNOOC submitted to the ICA as part of the review package were not upheld. For example, CNOOC did not keep its promise to retain Nexen's former employees. After the acquisition was approved, CNOOC downsized Nexen's activities and dismissed some of the staff; it also closed Nexen's crude-oil trading desk (Lewis 2015; Jones 2015) and dismissed 400 employees of whom 300 were employed at the Calgary office (Stephenson 2015; Healing 2016). The media estimated

that approximately 21 per cent of Nexen's employees were affected by this restructuring (Cattaneo and Lewis 2014). According to the media, the most affected by CNOOC's changes were the employees at the executive level, where almost half of the senior executive board were dismissed after the acquisition of Nexen took place (Cattaneo 2014). Although the layoffs have run counter to CNOOC's commitments under the ICA, it had limited impact on the company's activities.

Layoffs in the hydrocarbon industry are not an unusual practice; in fact, they are considered by experts to be an "industry standard" in the large-scale hydrocarbon mergers and acquisitions (Vanderklippe 2013, cites Chen Wi Dong, CNOOC's chief energy research). Although corporate restructuring and layoffs surprised many Canadians and generated media backlash, they did not violate ICA's regulations. CNOOC was not reprimanded for the dismissal of Nexen's employees as it did not run counter to market practices. Quinn Wilson, Nexen's senior vice-president for human resources and corporate services, asserted that the dismissal of Nexen's employees did not violate conditions of the takeover stipulated by the Industry Canada as it was "commercially" motivated (Stephenson 2015). The motive is linked to "an erosion of nearly 60 per cent in the price of [Canadian] commodities" (Stephenson 2015). Since the dismissals had a commercial rationale, the Industry Canada, which monitors CNOOC's compliance with the undertakings, did not intervene to stop the downsizing (Cattaneo and Lewis 2014; McCarthy 2015). This example suggests that the ICA continually monitors Chinese FDI in Canada, yet it also suggests that some of the commitments submitted by SOEs to the ICA are reversible if based on commercial motives, rendering some of the commitments ineffective.

While commitments submitted to the ICA apply to a specific company and its activities, the CNOOC-Nexen deal had a more systemic impact on SOEs operating in Canada. The deal can be considered as a "limbo deal" which occurred during a time of policy reorganization – where the government tried to balance political pressure with the economic needs as Neil Campbell (2017), an expert on the ICA, noted in an interview. Although the deal was approved on February 25$^{th,}$ 2013 by Christian Paradis, Canadian Minister of Industry at the time, as CNOOC's acquisition has met the 'net benefit', it acted as a motivation for the government to tighten Canadian regulations regarding SOEs' investment in the hydrocarbon projects. The regulatory tightening occurred in response to growing stakeholders' concerns about SOEs' expanding influence in the Canadian hydrocarbon sector. Media revealed that the deal stimulated a political debate about foreign investment in the Canadian strategic industries; in the case of SOEs, the concerns were even more amplified (Ibbitson 2012; Healing 2014). Analyzing the political debate, Hale (2014) noted that the dynamics of the project's approval exposed how "competing interests and objectives [among Canadian stakeholders] facilitated an outcome consistent with pluralist brokerage politics" (368).

Given the above-mentioned discord among stakeholders about the CNOOC-Nexen deal, Canadian policymakers responded by expanding the scope of regulatory institutions that will impact future deals made by the SOEs in Canada. As a result of regulatory re-balancing, the government approved Bill-C60, which produced a more stringent regulatory regime that targeted SOEs. As noted earlier, tighter regulations appear to be partially motivated by close relations between Chinese SOEs and their home state (Chen 2013; Du 2016). Commenting on the

CNOOC-Nexen deal, Prime Minister Harper noted that "Canadians have not spent years reducing the ownership of sectors of the economy by our own governments, only to see them bought and controlled by foreign governments instead" (Vanderklippe, McCarthy and Mcnish, 2014). This speech not only revealed a growing protectionist sentiment but also exposed that Canada is aware and sceptical about a close link that exists between the Chinese state and its SOEs. In the aftermath of the deal, Harper announced that SOEs' attempts to acquire a majority of shares in the Canadian oil sands projects will be approved "on an exceptional basis only" (McCarthy and Chase 2012).

Harper's statement has been codified in the *Statement Regarding Investment by Foreign State-Owned Enterprises* released by the Canadian department of Innovation, Science and Economic Development (2012). Under this document, the government stipulates that SOEs' investment in the oil sands will be considered for review only in an "exceptional basis". The document also highlights that "given the inherent risks posed by foreign SOE acquisitions in the Canadian oil sands the Minister of Industry will find the acquisition of control of a Canadian oil sands business by a foreign SOE to be [of] net benefit to Canada on an exceptional basis only" (Innovation, Science and Economic Development Canada 2012). Observers have suggested that these regulations will make it increasingly prohibitive for Chinese SOEs to acquire projects in the oil sands (McCarthy and Tait 2013b; Hale 2014, 349). Thus, one may conclude that under the new, more stringent regulations CNOOC-Nexen deal may not have been approved.

Although the Canadian policymakers implemented tighter regulations on SOEs' FDI in the oil sands, they have left the back door open for exceptional deals. The meaning of the "exceptional basis" remains to be clarified. Since clarification of the phrase is pending, investors and policymakers can exploit legal and political ambiguity to serve their purposes. For policymakers, an arbitrary interpretation of the term opens the door for regulatory expansion, where they can clarify the applicability of the "exceptional basis" concept against further investment (Dobson 2014; Ibbitson 2012). For investors, it provides a loophole through which they may challenge the applicability of the term to their investment. Notwithstanding these constraints, Chinese SOEs still have "room…to do smaller things" as they can "take significant but not controlling stakes" in the oil sands (Campbell 2017; McCarthy and Tait 2013b; Campbell, Men, and Wortley 2013, 505). Additionally, SOEs can indirectly acquire hydrocarbon resources, make investments below a reviewable threshold, form joint ventures with the Canadian companies, or obtain a minority stake in an existing project (Campbell 2017). Nonetheless, the regulatory change reduces the maneuverability that Chinese SOEs have in the oil sector and ultimately rules out a possibility for Chinese SOEs to attain full ownership over Canadian-based projects in the oil sands in the future.

### Lessons Learned from Chinese Acquisition of Nexen

This section examined CNOOC's ambitious takeover of Nexen. The deal was a major step toward expanding SOEs' operations in North America, in general, and in the Canadian oil sands, in specific. Reporters noted that CNOOC's acquisition of Nexen helped SOEs to "build a 'bridge' to the energy markets of the developed world" by showing that "China can work with

very developed legal and social system"[38] (MacKinnon 2012a). It appeared as though the CNOOC-Nexen deal aspired to provide credibility for SOEs' future acquisitions of hydrocarbon resources in the advanced industrialized countries. However, the deal had multiple unintended consequences, including regulatory changes that now constrain SOE-led FDI in the oil sands.

As I argued in this section, the CNOOC-Nexen deal is an outcome of several confluent variables – closer Sino-Canadian relations under Prime Minister Harper's second leadership term, rising concerns about an FDI by SOEs in the oil sands among Canadian stakeholders,[39] and regulatory reorientation. To assuage their fears, CNOOC has submitted a set of undertakings to meet the ICA's 'net benefit' test. If we think in broader terms, the deal had wider ramifications for other SOEs interested in investing in the oil sands. The general concerns, held by multiple stakeholders about the deal, have generated momentum for a regulatory innovation in Canada as I argued above.

Ultimately, this case study showed how stakeholders, interacting with regulatory institutions and the government, have determined the nature of CNOOC's acquisition of Nexen at a time of improving Sino-Canadian relations. As I argued, CNOOC's acquisition of Nexen can be reinterpreted as a 'failed success'. More specifically, I have proposed that the approval of the deal, which is a 'success', has triggered a regulatory reaction ("exceptional circumstances" clause) that will negatively impact future deals of a similar nature in the oil sands, which is a 'failure'. This failure is an outcome of a growing protectionist sentiment that emerged in Canada as a response to an upsurge in investment by SOEs. The rise in protectionism may have also been motivated by a clash between the Canadian neoliberal economic ideology and SOEs' state capitalist background.

The ideological difference between the political and economic institutional systems of Canada and China can increase the wariness of Canadian stakeholders towards investment from an enterprise that operates under a different set of politico-economic institutions. Stakeholders may object to FDI from Chinese SOEs on the grounds that these companies may engage in unfair competition as they receive economic and political support from their home state (Chen 2013; Klaver and Trebilcock 2013). As noted earlier, stakeholders may also be worried about close connections between SOEs and the Chinese state, which may lead to a politicization of energy production in a host country (Chen 2013; Du 2016). In light of these concerns, there is an increased likelihood that stakeholders will be more cautious about approving FDI from Chinese SOEs in the Canadian hydrocarbon sector. Institutional differences thus make it harder for Chinese SOEs to invest in Canada. The dynamics exposed in this case study reflect the experience of Chinese SOEs in acquiring brownfield assets in Canada, which is relatively easier, than a greenfield investment, as I will show in the subsequent section on Chinese investment in the British Columbia's LNG industry.

---

[38] In this quote, Mark MacKinnon refers to Mr. Xu's, the chair of the World Energy Research Project at the Chinese Academy of Social Sciences, a government-run think tank, statement.

[39] The Canadian public, industry players, and governmental actors were deeply concerned about the deal. Indigenous peoples were not deeply involved in the CNOOC-Nexen deal as it was a brownfield investment that did not require the approval of the Indigenous peoples to proceed.

## Liquefied Natural Gas (LNG) in British Columbia

Canadian coastal provinces announced plans to develop an LNG industry in the mid-2000s to take advantage of high hydrocarbon prices on international markets. British Columbia's provincial government is among the most active proponents of the LNG industry. However, this industry will require substantial greenfield investments from domestic and foreign companies. After British Columbia announced plans to develop the LNG sector, both foreign and domestic investors submitted ambitious plans to build LNG plants to liquefy natural gas along the Pacific Coast. However, their plans are complicated by the politics associated with greenfield investment in Canada as proposed greenfield projects undergo a rigorous review process that involves consultation and accommodation of multiple stakeholders in Canada. In this section, I argue that the process of stakeholder accommodation and consultation made it difficult for Chinese investors to advance their planned LNG projects.

This section will examine three LNG projects backed by Chinese SOEs in British Columbia to understand why some of these projects never materialized. I will analyze the role of stakeholder politics in each of the three deals to explain why two of the three Chinese investors decided to scrap their investment plans. I will argue that SOEs' planned investments in the LNG sector were complicated by political, corporate, and social actors involved in the approval of the proposed projects. More specifically, I will demonstrate that Canadian stakeholders have wielded power over the decision making regarding greenfield investments in the LNG sector by appealing to the institution of land ownership and property rights. In this case study, I will also show that accommodation and consultation processes play a central role and have likely impacted China's engagement strategy in this sector.

In doing so, I will examine the responses of local stakeholders to the individual projects to explain why certain projects became unviable. I will focus on the role played by the stakeholders in shaping the approval process for the projects and examine investors' decision to proceed with the investment or to abandon it. The central argument of this section is that two of the three LNG projects in which Chinese SOEs participated failed despite gaining political support because stakeholder issues and economic factors made their projects costlier than originally expected. To explore this argument, this section will begin by situating the three LNG projects – LNG Canada, Pacific NorthWest LNG, and Aurora LNG – in terms of their key players and characteristics. Subsequently, I will analyze politico-economic factors by focusing on stakeholder responses to these projects. In this part, I will go over the role played by the industry, British Columbians, and the provincial government. Finally, I will examine the role of regulatory institutions in shaping the final investment decisions made by Chinese SOEs.

### Situating the Three LNG projects backed by Chinese SOEs

Since the plans to develop the LNG industry in British Columbia were announced in the mid-2000s, industry players have proposed to develop 19 LNG projects along the provincial coastline. Out of these 19 projects, listed in Table 5.5, three had obtained provincial approval to proceed at the time of writing, three were at the review stage, three were shelved, and ten were at the conceptualization stage. Of these 19 projects, three have secured funding from Chinese

SOEs, which joined these projects through joint venture agreements. Two of the projects funded by Chinese SOEs obtained licenses from the provincial government to proceed with the project, yet only one of these – Canada LNG - moved forward with the investment.

As noted earlier, joint ventures enable investors to distribute financial risks among the investors that minimize costs to individual investors. Following this strategy, PetroChina (Brion Kitimat LNG Partnership) acquired 20 per cent in the LNG Canada that it jointly owns with Shell (Shell Canada Energy) (50 per cent), Korea Gas Corporation (KOGAS Canada LNG ltd.) (15 per cent), and Mitsubishi Corporation[40] (15 per cent). The LNG Canada plant is expected to be built in Kitimat, British Columbia.[41] Similarly, the Pacific Northwest LNG project is managed by a group of Asian-based companies - Petronas (owns 62 per cent of shares), Sinopec/Hudan (owns 15 per cent of shares), Japex (owns 10 per cent of shares), Indian Oil Corporation (owns 10 per cent of shares), and PetroleumBrunei (owns 3 per cent of shares). The proponents of the Pacific NorthWest LNG picked Lelu Island, District of Port Edward, as a location for their natural gas liquefaction plant. The last project under consideration, the Aurora LNG, was a joint venture between Nexen (60 per cent), which was at the time owned by CNOOC, and two Japanese hydrocarbon firms – Inpex and JGC (split the remaining 40 per cent in half). Nexen and its partners chose to locate the Aurora LNG plant on the Digby Island, off the coast of Prince Rupert in the North-Western British Columbia.

| Proposed (Not Submitted) | Proposed (shelved) | Preapplication / Review Stage | Approved |
|---|---|---|---|
| **1. Canada Steward Energy Project**<br>**2. Cedar LNG**<br>**3. Discovery LNG**<br>**4. Kitsault Energy Project**<br>**5. NewTimes Energy LNG**<br>**6. Niga'a LNG**<br>**7. Orca LNG**<br>**8. Steelhead LNG: Malahat LNG**<br>**9. Steelhead LNG: Sarita LNG**<br>**10. Watson Island LNG** | 1. Triton LNG<br>2. Pacific NorthWest LNG*<br>3. Aurora LNG* | 1. Grassy Point LNG<br>2. WCC LNG Ltd.<br>3. WesPac | 1. Kitimat LNG<br>2. LNG Canada*<br>3. Woodfibre LNG |
| ***indicates participation of Chinese SOEs in a project** | | | |

*Table 5.5: Proposed LNG projects in BC as of 2018*

Chinese investors took on a minority position in the proposed LNG plants (except for CNOOC/Nexen) to shift the burden of stakeholder negotiation/engagement onto their corporate partners. As this section will illustrate, both CNPC and Sinopec adopted this strategy when they entered into joint ventures in their respective LNG projects. In both cases, SOEs relied on the

[40] It is known as Diamond LNG Canada Ltd.
[41] It is the territory of the Haisla Nation.

support of local advisors to navigate stakeholder politics in Canada. CNOOC/Nexen is the only exception to this trend as the company owned a majority of shares in the proposed Aurora LNG plant. As of 2017, Pacific NorthWest LNG and Aurora LNG proponents have renounced their investment plans. The only project that remains under consideration is the LNG Canada plant, which is backed by a major international oil corporation, Shell. This begs the question of whether Shell's participation in the project can account for the success of the deal, given Shell's experience with the local stakeholder politics.

Before examining stakeholder responses to individual projects, it is important to note their similarities for the purposes of cross-comparison. The three projects share several characteristics in common as all of them involve greenfield investment and all of them were announced after 2010. For each of the proposed plants, proponents were expected to build a liquefaction plant, marine terminals, and surrounding infrastructure (Stantec Consulting 2013; Stantec 2013b). All of the projects promised to bring substantial economic benefits to the province, including higher revenue and GDP growth. The proponents also promised to create new jobs in the province – the Pacific NorthWest LNG was expected to create 650 full-time jobs in BC (BC Environmental Review Office 2014), while Aurora LNG was supposed to generate around 2650-5000 short-term construction jobs in the first phase and around 3000 permanent jobs to maintain plants operations (Nexen 2017).

Geographical location is another important factor that needs to be considered in the discussion of the proposed LNG projects as it shapes the discussion of land rights. Aurora LNG, Pacific NorthWest LNG, and Canada LNG are depicted in Figure 5.2. The location of these plants infringes on the lands of Indigenous groups and other landholders. The holders of these rights determine who can have access to a given land and how the land will be utilized. In Canada, Indigenous peoples and private landowners can claim the land that they inhabit. Since LNG plants trespass upon territories that are currently (and have been historically) inhabited by the Indigenous groups and private landholders, proponents of the LNG projects need to gain permission from the title holders to build LNG plants on the landholders' territory. Even the proponents whose projects are located on the federal lands, such as the Pacific NorthWest LNG, are expected to consult with Indigenous groups that may have used these lands in the past for sustenance and economic activities and may still claim rights to these lands (Clark 2013; Stantec 2013). In most of these cases, the land rights necessitate consultation with the landholders about the proposed LNG projects.

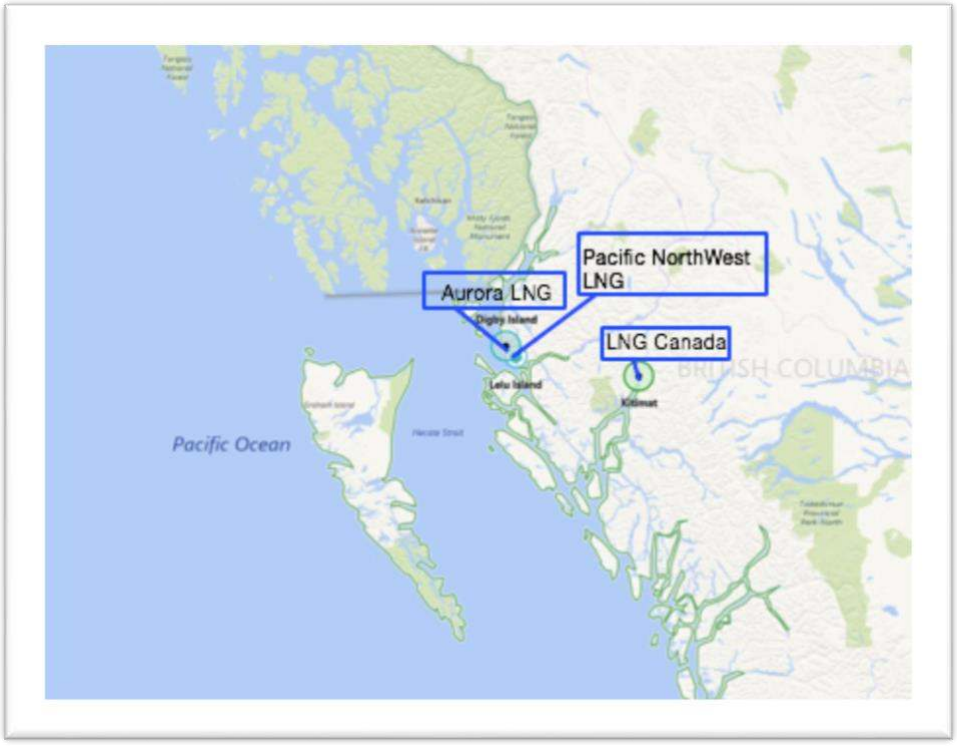



*Figure 5.2: Location of the LNG plants (generated by Bing maps in 2017)*

Given that SOEs are still mastering the strategy of community engagement, they may find it difficult to address community backlash over the plant's proposed location. The Aurora LNG and the Pacific Northwest LNG projects both ran into complex negotiations with the landowners over the proposed locations for their plans. Although proponents of the Aurora LNG plant obtained the right to use the Crown Land from the provincial government in 2013 (Timetric 2016), they failed to obtain local support for the plant. The Dodge Cove community has opposed the location of Aurora LNG project as the expected boundary of the plant would have been located within 0.5km of their community, which is against international standards released by the Society of International Gas Tanker and Terminal Operators (SIGTTO).

According to the SIGTTO standards, the boundary of an LNG plant should be 3.5km away from a residential area (Environmental Assessment Office 2016). This distance should minimize the expected damage to the communities residing in close proximity to the LNG terminals which may pose hazards to local residents. Scholars find evidence that LNG terminals have negatively affected communities through natural gas leakages and spills that may lead to explosions and create a fire hazard (Sovacool 2008). Given that LNG plants are dangerous, local communities have multiple concerns that can be alleviated through a consultation and accommodation process. Land ownership issues, as the next subsequent section will show, complicate the development of new LNG projects in the province.

## Approving LNG projects politico-economic institutions

British Columbia's provincial government, under the leadership of Premier Christy Clark, actively supported the development of the LNG industry. The province declared that the development of the LNG industry was "a key priority" for the government in 2011 (Environmental Assessment Office 2015b). The government released *British Columbia's Natural Gas Strategy* in 2012 with a goal to make the province into "a global leader" in the LNG industry (British Columbia's Natural Gas Strategy 2012). The *Strategy*'s goal was to help British Columbia's LNG producers to reach new markets and establish strong partnerships with new energy consumers (Environment Assessment Office 2015b). This plan sought to expand the provincial trade with the Asian energy consumers to remedy the expected drop in prices due to falling demand for natural gas on the North American market (Moore et al. 2014; Gomes 2015). To support the growth of the LNG sector, the province set a target to have three operational LNG facilities by 2020 in *The BC Jobs Plan* (Ministry of Energy, Mines, and Natural Gas 2013). In light of this plan, the LNG industry has enjoyed sustained political support from the province's Liberal government.

Political support for the LNG industry rested on a governing coalition led by the former premier of British Columbia, Christy Clark. Clark championed the LNG industry, which became a large part of the provincial platform during Clark's final term as the Premier of British Columbia. In one of the public comments, Clark revealed that, if the approval of LNG plants depended on her, the province "would have five [LNG projects] by 2020" (Thomas 2013). To achieve this plan, the Liberal Party looked for financial support overseas and organized several trade missions to Asia to attract investment for the nascent LNG industry. The province has also cut down regulatory red-tape by modernizing the *Oil and Gas Activities Act*, negotiating *Impact Benefits Agreements* with Indigenous groups, and streamlining the environmental review process by signing a substitution agreement with the federal government under the *Canadian Environmental Assessment Act of 2012.* British Columbia's Lieutenant Governor, Judith Guichon (2016) praised these efforts by noting that the "government has done everything it set out to do to attract investment for the cleanest LNG in the world".

Political support for the LNG industry may, however, diminish in the upcoming years as a new political coalition emerged in the summer of 2017. The change in political leadership that occurred in British Columbia may impact the future of the LNG industry. The NDP-Green party coalition that took over the leadership reins in the fall of 2017 holds a more hostile stance toward the LNG industry. The Green party, especially, continues to be opposed to the LNG development, while the NDP, which has won more seats in the parliament, has stated that it will (conditionally) support the industry. NDP's support for the industry hinges on a set of political conditions, including a corporate guarantee to provide local employment and training, grant a fair share of profit to the province, operate in an environmentally friendly manner, and engage with the Indigenous groups (Bailey 2017). The agenda of the new government on the subject of LNG will likely be re-defined over the next couple of years, yet it is likely that the new government will remain supportive of the industry as it is projected to have substantial benefits

for the province. Ultimately, the government's attitude toward the LNG sector will likely be influenced by the corporate actors and province's residents in the upcoming years.

Industry players are very enthusiastic about the emergence of the LNG sector in British Columbia. In anticipation of the LNG industry, corporate actors have formed a *BC LNG Alliance* to support the development of the LNG industry in the province. Their support rests on the expectation that the LNG industry will bring substantial economic benefits along the supply chain (Blyschak 2016). In a recently released research paper on the supply chain benefits, Paul Blyschak (2016), a corporate lawyer at Blakes and an advisor to Shell Canada Energy's LNG Canada project, identifies several beneficiaries of the new LNG industry in the province, including natural gas producers, pipeline companies, natural gas liquefaction facilities, transportation companies, and downstream LNG buyers.

Each of these corporate actors has a different set of incentives to support LNG projects in the province. The actors involved in the upstream hydrocarbon industry – natural gas producers – are supportive of the new LNG projects because these projects will provide producers with access to global natural gas markets. Businesses operating in the midstream of the hydrocarbon industry (that engage in processing, marketing, and transportation) are the main proponents of LNG as they will build the plants and obtain the largest benefit from their operations. Businesses in the downstream industry – the refiners and distributors - will also benefit from having access to new markets for their processed products. It is also likely that the benefits from these new plants will expand to other associated industries, such as service companies that produce components for LNG plants and pipelines.

Although LNG projects are supported by the government and the industry, public opposition serves as an important roadblock for the investors. Public's response to the proposed LNG projects can be analyzed by examining comments submitted by individuals or groups to the British Columbia's Environmental Assessment Office (BCEAO) during the consultation process conducted for each of the reviewed LNG projects. I analyzed and coded public comments (available on the BCEAO's website) for the projects in which Chinese SOEs participate, to examine the public's responses to Aurora LNG, Canada LNG, and Pacific NorthWest LNG. I have coded the submitted responses based on two sets of criteria: 1) public's receptiveness to the project as - supportive, request for more research, concerned, or against; and 2) concerns voiced by the public - environmental concerns (damage to flora and fauna, climate change, and pollution), social concerns (health, noise, and community lifestyle), and regulatory concerns (information deficit and regulatory gaps). I will discuss public receptiveness toward each of the LNG projects and outline publics' general concerns in the following paragraphs.

The public has responded differently to each of the three LNG projects proposed by the Chinese SOEs. Based on the BCEAO's data, the LNG Canada project received the most support from the public. The data, presented in Figure 5.3, reveal that out of the 51 comments submitted to the BCEAO (2014) over half of the respondents (53 per cent) expressed their support for the project, while only 4 per cent of the respondents expressed their sentiment against the project. Even though 36 per cent of the comments called for more research to determine the project's impact, the public appeared to be widely supportive of the LNG Canada plant.

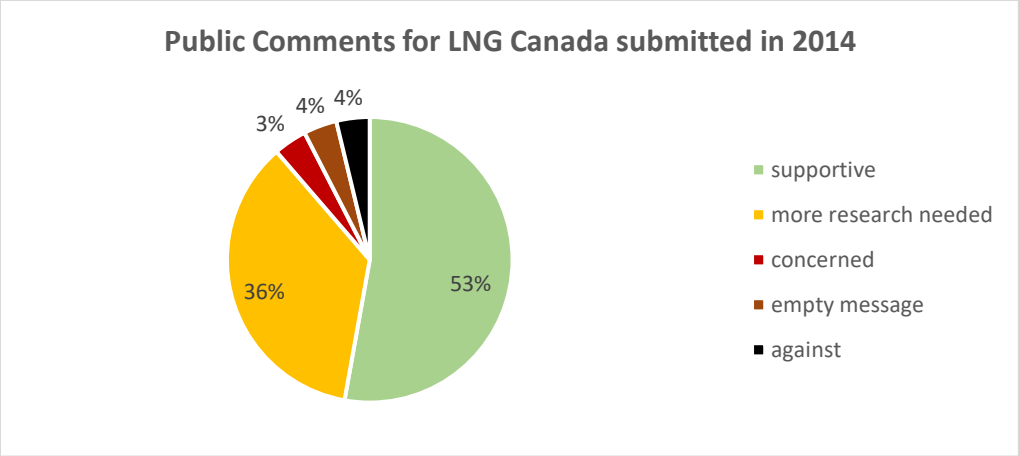



*Figure 5.3: Public reception of the Canada LNG project (BCEAO 2014)*

The Pacific NorthWest LNG project appears to be a more polarizing project for the public. Even though the BCEAO has received only 45 comments from the public regarding the project, the majority of the comments appeared to be concerned about the impact of the proposed plant. As the pie chart in Figure 5.4 demonstrates, almost half of the comments (48 per cent) submitted by the public expressed concerns about the project, while a third (29 per cent) indicated opposition to the project. Only 20 per cent of the respondents indicated their support for the Pacific NorthWest LNG plant. Overall, BCEAO's data shows that a majority of comments submitted by the public about the proposed plant were negative as over half of those comments questioned the project's impact on the local environment and society.

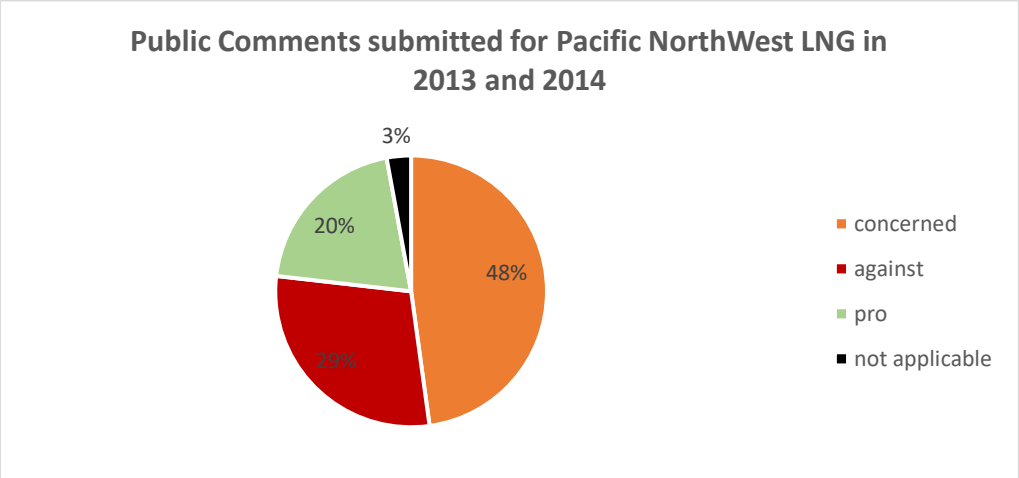



*Figure 5.4: Public reception of the Pacific NorthWest LNG project (BCEAO 2013 and 2014).*

The Aurora LNG plant appears to be the most controversial among the three projects. It is the only project that has received 1186 comments, which is 12 times higher than the number of comments provided to the other two projects combined. A majority of the submitted comments (69 per cent) in regard to Aurora LNG indicated community's opposition to the project. The pie chart in Figure 5.5 illustrates that another 22 per cent of respondents expressed concerns about the project, while only 3 per cent of the respondents indicated their support for the Aurora LNG

plant. The opposition to the Aurora LNG is substantively large in comparison to the other two projects. The question is what caused this negative response? To answer this question, I looked into individual responses submitted by the public in regards to the three projects.

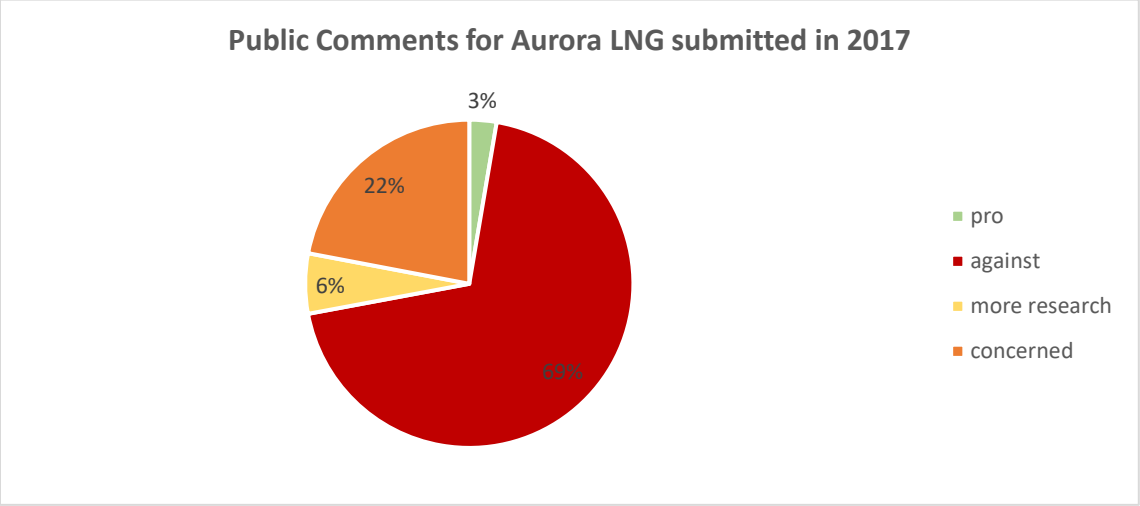



*Figure 5.5: Public Reception of Aurora LNG (BCEAO 2017)*

Canada LNG received the most supportive feedback in comparison to the other two projects. The project was specifically praised for its public engagement strategies. The comments submitted by the public to the BCEAO expressed their approval of Shell's leadership and community engagement. Some responses praised Shell for being a reliable and supportive partner for the local communities (BCEAO 2014). The comments also revealed that the public believed that the LNG Canada project will bring substantial economic and social benefits to their community, such as local employment and training. On the other hand, the public's comments about Aurora LNG have focused on the negative aspects of the project. The proponents of Aurora LNG were subject to a sustained criticism and opposition. As noted earlier, residents of the Dodge Cove community opposed the location of the project because it did not follow the SIGTTO international standards discussed earlier. The community argued that, if the project is built, it will negatively impact "community cohesion", environment, heritage, lands, and water (Environmental Assessment Office 2016). Residents have also expressed their dissatisfaction with the Aurora LNG project and proposed that "the only acceptable solution…[will be a] relocation of the proposed Project away from Digby Island" (Environmental Assessment Office 2016).

Several public comments submitted to the BCEAO voiced specific concerns about the foreign ownership of the Aurora LNG plant. A few comments noted that they are against Chinese ownership; some of these claimed that Chinese SOEs may not abide by the local regulations. The anti-China sentiment expressed in these comments may reflect the fact that the majority of shares in Aurora LNG were owned by Nexen (CNOOC), which has been under public scrutiny since 2012. While the concerns about foreign ownership have focused on Chinese corporate behaviour, they remained sporadic and may not have swayed general sentiment of the

public. Faced with a strong public opposition, the proponents of Aurora LNG had to suspend the Environmental Review process in 2017 to address environmental issues, including air quality, human health, wetland/fish habitat, wastewater discharge, marine disposal, flare design, aviation, noise, and water supply (Janko 2017). In a letter requesting a suspension of the environmental assessment review, Darcy Janko (2017), Regulatory Manager for Natural Gas Division at Nexen Energy, noted that Aurora LNG needs to resolve the aforementioned concerns before resuming the review process. These concerns delayed the project, increased the costs of the consultation process, and derailed the proponents' plan to build an LNG terminal in British Columbia.

The public had a set of broad concerns about each of the projects that they noted in the comments they submitted to the BCEAO's website. I coded individual concerns raised in the comments and created bar graphs documenting the results for each of the projects. These graphs are included in the appendix. The graphs reveal that the public was predominantly concerned about environmental degradation associated with the LNG industry. The top three environmental concerns that the public raised were the impact of LNG plants on local flora and fauna, associated climate change, and air/water/land pollution. Societal impacts of the LNG industry were also listed as one of the main concerns by the public as individual respondents worried that these projects will negatively impact their health and disrupt their local life (BCEAO). The public also noted that they are concerned about the quality of information provided by the proponents and about the deficiencies in the regulatory standards in the LNG industry.

Indigenous groups and NGOs were especially concerned about the environmental ramifications of the proposed LNG plants. Several NGOs, including the Pembina Institute (2017) and David Suzuki Foundation (Bryant and Kadowaki 2012), have noted that the proposed LNG plants will have negative environmental and societal consequences. Similarly, Indigenous groups voiced their concern about the environmental aspects of these plants. Their opposition to the Pacific NorthWest LNG provides a good illustration of this phenomenon. Indigenous groups - Metlakatla (Wilson 2015a), Lax Kw'alaams (2016), Métis Nation of British Columbia (2016), and Kitsumkalum (Biagi 2017) – questioned Pacific NorthWest LNG's environmental impact. The groups noted that the project may destroy local salmon habitat and the Flora Bank due to its precarious location (Biagi 2017; Lax Kw'alams 2016). The Métis cautioned about the negative impacts that the plant will have on local flora and fauna (2016).

If the representatives of the Pacific NorthWest LNG had consulted with the Indigenous Peoples and environmental groups about the proposed location, they would have likely chosen a different site for their LNG facility. The environmental concerns that the indigenous communities and NGOs raised, are universal concerns and apply to all of the proposed LNG projects. A Kitselas representative whom I interviewed in 2017 noted that Indigenous groups are predominantly concerned about the local environmental and societal impact that the proposed LNG projects have on the local environment and society, notwithstanding the ownership of the these plants.

Concerns raised by the broader public and Indigenous groups illustrate that Pacific NorthWest LNG and Aurora LNG failed to obtain a social license to operate from the impacted communities. Conversely, Canada LNG has secured social support for its project. In the case of

Canada LNG, it is possible to assume that the community's support was linked to Shell's CSR strategy and relevant experience in working with the Canadian stakeholders. The stark difference in social support is one of the central explanatory factors for why Chinese SOEs decided to abandon the two other LNG projects despite having obtained a political and market license to build a plant in British Columbia.

A lack of social support does not always mean that the domestic/international companies will pull out from a project as they may engage in prolonged consultation and accommodation to obtain this support. However, the project's proponents may choose to pull out from a project when a lack of social support is combined with other factors, such as decreasing hydrocarbon prices. To illustrate, investors that championed the Pacific Northwest LNG project have cited changes in the "macro-economic environment" that made their project unprofitable as a reason for abandoning the project (Jiang 2017). In this case, the two factors combined to make the project economically unfeasible. Yet, by itself, the macroeconomic environment, does not explain why the proponents of LNG projects choose to proceed with the investment or to withdraw from a project. A case in point, is the LNG Canada plant, which is currently being built, as the proponents chose to proceed with the investment despite changing macroeconomic conditions. The only variable that differed between the LNG Canada project and the two other LNG projects (Aurora LNG and Pacific Northwest LNG) was stakeholder support for the project. Furthermore, the legal action launched by indigenous and environmental groups against Pacific NorthWest LNG would have likely delayed the implementation of the project and increased its overall investment costs.

As this section illustrated, the provincial support along with the corporate backing proved to be inadequate for Aurora and Pacific NorthWest LNG projects. Thus, one can conclude that in the LNG sector social license, granted by the Indigenous groups and landholders, was an important factor as without it foreign investors struggle to operate in the Canadian LNG sector. In the LNG cases that I have analyzed, we can observe that landholders and rights holders, Indigenous groups and landowners, can cooperate with the broader civil society groups to delay an extractive project that requires greenfield investment through regulatory institutions as I will demonstrate in the subsequent section

### Regulatory Institutions

As the Pacific NorthWest LNG and the Aurora LNG plants failed to acquire a social license to operate, Indigenous groups resorted to legal mechanisms to stop these projects. As noted in the theoretical section in chapter five, the Crown has a duty to consult with the Indigenous groups that hold title to the lands that may be negatively impacted by an extractive project. Judicial precedents indicate that inadequate consultation may be used as reasonable grounds for legal action. If the legal proceedings are launched, they may potentially put a halt to an extractive project. In the case of the Pacific NorthWest LNG project, Gitga'at, Metlakatla, and The Allied Tsimshian Tribes of Lax Kw'alaams voiced their concerns about inadequate consultation process launched by the proponents of the project (see: Cardinall 2014; Wilson 2015a; The Allied Tsimshian Tribes of Lax Kw'alaams 2016). Mark Biagi, a Fish and Wildlife Operations Manager for Kitsumkalum Indian Band, revealed in an interview that the project's

proponents were "not listening" nor talking to the Indigenous stakeholders about their project. Considering the implications of the legal action, Biagi noted that if the First Nations decide to follow a legal route against an LNG plant, the proposed project will be delayed for several years (Biagi 2017).

As the Pacific NorthWest LNG project failed to meet the consultation and accommodation principles, the Indigenous groups decided to act. Indigenous groups joined forces with environmentalists to file a lawsuit against the Pacific NorthWest LNG project in 2016 with a goal to protect the local environment (Ananthalakshmi 2016; Biagi 2017). If this lawsuit went ahead, it could have overturned the government's preliminary approval of the project. Thus, it is plausible that the legal action could have complicated the Pacific NorthWest LNG project. Indigenous nations and communities regularly stall extractive projects and complicate approval procedures for proponents in response to perceived violations of their land title, autonomy, and other Aboriginal rights (Sarson 2018 interview). This process can make extractive projects economically unfeasible by raising operational costs for the proponents (Sarson 2018 interview). Since there are multiple Indigenous groups in British Columbia that can be impacted by extractive projects, consultation and accommodation processes become a very important element in corporate considerations when investing in the province.

Businesses can pre-empt legal action by engaging in proper consultations with Indigenous peoples. Consultation process allows corporations to learn about potential environmental and societal impacts from the people that know the area well. Biagi notes that First Nations have experts that study the environment of the area and can help businesses interested in building an LNG plant to find the best location (interview with the author 2017). In fact, Biagi notes that First Nations support LNG development when these plants are based in environmentally-friendly locations. Therefore, Biagi (2017) advises businesses to stop using 'divide-and-conquer tactics' and cautions them against giving out financial rewards that often "pit First Nations against each other". As Biagi reveals, these strategies create an atmosphere of "mistrust and anger" that hinders meaningful consultation (2017). Instead, Biagi (2017) suggests that companies should be prepared to invest in a "deeper consultation" with Indigenous groups to ensure that their chosen location for an extractive project is appropriate and their environmental mitigation strategy is sound. Without the support of the stakeholders, business will face a difficult operating environment and may be forced to abandon their proposed project, as we saw in the case of the Aurora LNG and the Pacific NorthWest LNG.

### Lessons Learned from Chinese Investment in the LNG sector in British Columbia

As this section illustrated, two of the LNG projects supported by the Chinese SOEs were halted due to a complex mix of factors that cut into the proponents' financial bottom lines. Media suggested that the Pacific NorthWest LNG project failed to proceed due to unfavourable market fundamentals (Jones 2017), however the decision to abandon this project was likely influenced by the broader political and social factors. In an interview, Biagi (2017) revealed that the opposition voiced by Indigenous and Environmental groups against the Pacific NorthWest LNG project has likely factored into corporate decision to abandon the project. This conclusion is supported by Petronas' – the largest investor in the Pacific NorthWest LNG - recent

announcement according to which it is currently considering alternative options to purchase a minority stake in the LNG Canada project (Jang 2017). If indeed the market fundamentals were unfavourable as the media has suggested, then we would not expect to see a leading investor in the Pacific NorthWest project seeking to invest in another LNG venture.

This section also revealed that the Aurora LNG and the Pacific NorthWest LNG underestimated the role of political, societal, and economic actors in shaping greenfield investment projects in the Canadian hydrocarbon industry. As noted earlier, greenfield investments are characterized by the uncertainty that underlines unpredictability of the outcomes produced by regulatory and political institutions in Canada. This uncertainty can lead to cost overruns that may reduce the competitiveness of the Canadian LNG industry (Gomes 2015). These cost overruns may jeopardize all of the proposed projects noted in this section. Media cite regulatory environment and social license to operate among the key factors that make it difficult for the LNG sector to materialize in the province (Tao 2014, 21; Gomes 2015, 1).

As this section argued, stringent regulatory environment and complex stakeholder politics, that are embedded in the Canadian political and regulatory institutions, have hindered several LNG projects where Chinese SOEs participated. Although projects in which Chinese SOEs participated were approved by the government and regulatory institutions, the support of the provincial government (or the political license to operate) is often inadequate for a project to move forward. As I demonstrated in this section, the BCEAO granted licenses to two out of the three projects backed by the Chinese SOEs. However, without the social license to operate, which is granted by the Indigenous groups and the broader public, projects face regulatory delays that put a strain on their financial resources. Thus, by stalling projects and increasing their operating costs, opponents may block the development of the LNG industry. The prime example was the court appeal launched by Indigenous groups to challenge specific projects by launching legal action against the developer. As I proposed in this section, businesses can mitigate this opposition by relying on local partners to manage corporate engagement with stakeholders.

## Building Pipelines to China

Canada may benefit from expanding its cross-country pipeline infrastructure as it may improve its access to international oil markets. Due to historical factors, Canadian hydrocarbon products are closely tied to the North American regional energy market. This is supported by data on export volumes indicating that 97 per cent of the Canadian exported oil is going to the United States (Natural Resources Canada 2016). Canada's dependence on the regional markets does not conform to "new realities" of the global energy market, characterized by slowing demand for energy in the United States and growing energy demand in Asia (Holden 2013). In response to the shifting global energy demand, two Canadian energy transportation companies – Enbridge and Kinder Morgan – proposed to expand existing pipeline infrastructure from Alberta to the coast of British Columbia in the mid-2000s.

Both projects submitted plans to bring hydrocarbons from the Canadian producers to the Asian market. Kinder Morgan submitted a plan to expand an existing Trans Mountain route to increase its carrying capacity. Enbridge, on the other hand, submitted an ambitious proposal to

construct a new pipeline – The Northern Gateway – to transport unprocessed bitumen and synthetic crude from Alberta to British Columbia. Both projects aspired to reach the Asian energy market; Enbridge even succeeded in gaining financial support from Chinese SOEs for its project that would have turned to FDI. However, as I will argue in this section, despite Enbridge's success in attracting Chinese finance, the project failed to gain a social license and subsequently lost its political license to operate.

In this section, I examine the failure of Enbridge to construct the Northern Gateway pipeline that was financially backed by CNPC, CNOOC, and Sinopec. I propose that the failure of the Northern Gateway project exposed the interlaced relationship between politico-economic and regulatory institutions that influences greenfield projects in Canada. In exploring this idea, this section will first identify strategies adopted by Chinese SOEs to participate in construction of the Canadian pipeline infrastructure. More specifically, it will examine the implications of a hands-off strategy adopted by Chinese SOEs in this project. The second part of this section will outline the roles played by individual stakeholders within politico-economic institutions. This discussion is closely connected to the third part of this section that will examine the regulatory institutions that are shaped by the interests of Canadian stakeholders. This section will conclude by examining the constraints that foreign investors face when investing in greenfield projects in the Canadian hydrocarbon sector.

### Chinese SOEs' Strategy to Support Development of the Canadian Pipeline Infrastructure

Chinese SOEs are participating in the development of infrastructure to transport commodities around the world as part of the BRI. Although Canada is currently not directly involved in the initiative, Chinese SOEs appear to be willing financiers of pipeline infrastructure in Canada as they are interested in shipping the oil produced in Alberta to the world markets. Thus, Chinese SOEs were very hopeful in the early- to mid- 2000s that the pipeline infrastructure connecting their petroleum assets in Alberta with the British Columbia's ports will be developed (Wang 2017). To assist with this development, Chinese SOEs indicated their interest to support Enbridge's Northern Gateway pipeline. The Northern Gateway pipeline project, championed by Patrick Daniel, Enridge's president and chief executive, was supposed to reach "the real market, the world market" (Greenspon 2012) and re-route an estimated one-third of Canadian energy exports to China (York 2005; Holden 2013).

The proposed pipeline attracted Chinese SOEs that became important financiers of the project. CNOOC (represented by Nexen) and Sinopec (represented by MEG Energy) both contributed $10 million to cover Enbridge's pre-construction expenses that included costs related to regulatory approval of the project. Jointly the three SOEs provided around $30 million to cover pre-implementation expenses. These financial contributions extended by Chinese SOEs came with some strings attached. For example, Sinopec's financial contribution was conditional on "a right to invest into…[the] pipeline" once it becomes operational (Solomon 2012). It is plausible that other SOEs stipulated similar condition in their deals with Enbridge. If this was the case, then Chinese SOEs would have been partial owners of the pipeline. This assumption is consistent with a media report, which noted that the Northern Gateway pipeline was to be the "first major pipeline in Canada [to be] partially owned by Chinese interests." (VanderKlippe

2012). Although evidence suggests that Chinese SOEs would have invested in the pipeline, no data are available to assess the extent of investment as it did not occur. Chinese companies were also expected to sign long-term oil trade contracts according to CNPC's memorandum of understanding with Enbridge, where the two parties agreed to ship 200,000 b/d of bitumen to China (York 2005; Oil Daily 2006).

Chinese SOEs adopted a hands-off strategy that relied on Enbridge's local managers to guide the development of the pipeline. A hands-off strategy appears to be a preferred option selected by SOEs when they operate in an uncertain environment with complex regulations and complicated stakeholder politics. This strategy enables Chinese SOEs to take a back seat and to refrain from getting involved in social and political aspects of the project. Instead, they rely on a local company, which takes on a responsibility to promote a given project in Canada and to obtain political and social support for it.

In the case of the Northern Gateway pipeline, Enbridge took an active role in formulating a set of commitments to the Canadian stakeholders that included economic benefits, like employment, investment, and financial support for local communities (Northern Gateway 2016). Enbridge also developed a specific package of incentives to gain Indigenous support for the project. In exchange for support from the Indigenous groups, Enbridge promised to provide First Nations and Métis groups with an equity stake (33 per cent of the controlling interest) in the Northern Gateway venture via *Aboriginal Equity Partnership* (Northern Gateway 2016). Enbridge also proposed to create a mechanism for joint governance of the pipeline that will enable Indigenous communities residing along the pipeline's route to manage local operations (Northern Gateway 2016). These strategies were developed by Enbridge to obtain a social license to operate for the Northern Gateway pipeline.

Although Chinese SOEs initially believed that Enbridge would succeed in building the Northern Gateway pipeline, the odds were stacked against the project. First, the Northern Gateway pipeline was a greenfield investment project, which, as noted earlier, is politically and socially complicated. Since Canada has a complex approval process that hinges on multiple stakeholders and institutions, it increases the uncertainty of investors about the success of a proposed project. In other words, it is harder for a greenfield energy project to obtain social and political licenses to operate. In the Northern Gateway project, a political license was especially important as it is required for projects to be successfully implemented in Canada. One may propose, that it may have been easier for Chinese SOEs to invest in the Trans Mountain expansion project that envisioned an expansion of the existing pipeline. However, even that project is currently being blocked by social protests and is stalled by a court's decision initiated on the basis of this opposition (Smart 2018). While initially Kinder Morgan's project looked like a safer bet, targeted social protests against pipelines are an obstacle to pipeline development in Canada in general.

## Charting Stakeholders' Positions on the Northern Gateway Pipeline

The Northern Gateway pipeline proposal generated controversy among and between stakeholders. The proponents championed financial and economic benefits of the project, while

the opponents questioned its economic and social sustainability. In this section, I examine positions regarding the Northern Gateway project taken by individual stakeholders. This section begins by examining the internal discord among the industry players, who held opposing views about the project. Subsequently, this section analyzes public's response to the project with a specific focus on the role played in the project by Indigenous groups and NGOs. Lastly, this section examines the government's response to the project in light of the interests presented by societal and business actors.

From the outset, the industry players were divided about the Northern Gateway project and its benefits. The project's proponents and several hydrocarbon producers championed the economic benefits of the pipeline. They stressed that the project would contribute to the diversification of Canada's hydrocarbon exports, which will improve Canada's energy security (Lemphers 2010, 3; Calgary Chamber 2012). Conversely, the opponents challenged market fundamentals of the project and suggested that it may generate economic losses. The refining industry, some petroleum producers, and direct competitors were opposed to the project (Lemphers 2010; CITGO 2010). The opponents claimed that the export of raw bitumen would lower employment opportunities for Canadian labourers in the refining and upgrading sectors (Lemphers 2010, 24). Critics also argued that the Northern Gateway project will result in an "excess of crude oil pipeline capacity", which will increase the cost of tariffs/rates across individual pipelines as they are not used at their full capacity (CITGO 2010). Similarly, Kinder Morgan representatives have pointed out that the project directly competes with their Trans Mountain expansion project and worried about the ability of the market to utilize the new supplies of oil (Oslert, Hoskin & Harcourt L.L.P. 2010a).

The competition among the two pipeline projects makes it harder for either actor to acquire a market license as the evidence suggests. As both projects are competing for the same customers and markets, it makes it harder to obtain widespread support from the industry. In fact, economic competitors appeared to be aligned against the Northern Gateway pipeline. Since Canada is an open market economy, businesses operating in Canada must compete in a marketplace that may not have room for all projects devised by the corporate actors. Therefore, the Northern Gateway project lacked a market license to proceed and failed to obtain a social license as I will discuss in the next paragraph.

Civil society actors joined industry players that were opposed to the project. NGOs, including the Citizens of the World, Greenpeace, and the West Coast Environmental Law Group, among others have questioned economic and environmental aspects of the projects. They challenged the economic benefits of the project (Lee 2012); exposed environmental dangers associated with the project (Lee 2012; West Coast Environmental Law 2012) and outlined the adverse impacts that the project may have on the Indigenous groups (Joint Review Panel for the Enbridge Northern Gateway Project 2013; West Coast Environmental Law 2009). Additionally, NGOs vehemently opposed an associated increase in tanker traffic and pipelines in British Columbia due to the environmental risks associated with oil spills, which can destroy local environment and wildlife (West Coast Environmental Law 2012). In their protests against the Northern Gateway pipeline, NGOs have adopted a set of diverse strategies, including public

protests and a targeted occupation of the Northern Gateway offices in British Columbia organized by the Greenpeace (2010).

Canadian residents, especially British Columbians, were generally opposed to the Northern Gateway pipeline project. Bloomberg-Nanos conducted a poll in 2014 to survey Canadians across the nation about the pipeline. The poll revealed that 34 per cent of the polled Canadians wanted to block the pipeline, 33 per cent wanted to delay the project, and only 29 per cent were supportive of the project (Bloomberg-Nanos 2014). This data indicates that a majority of those surveyed (67 per cent) were concerned about the project. Another poll carried out by the Forum Research Inc. (2012) revealed that over half (52 per cent) of the polled British Columbians were opposed to the pipeline.[42] Data from both polling agencies indicate that the public was generally not supportive of the project. Public and NGO opposition undermined the social legitimacy of the Northern Gateway project and raised a set of questions about the ability of the project's proponents to acquire a social license to operate. In order to acquire this license, the proponents of the pipeline had to convince British Columbian residents and Indigenous groups that the project will be beneficial to the environment and society.

One of the main roadblocks to the Northern Gateway project was Indigenous groups' opposition to the project. The proposed pipeline was expected to pass through territories claimed by hundreds of Indigenous groups, including treaty and non-treaty First Nations, Métis, and other Indigenous groups, councils, and organizations (Atkins n.d.). Proponents of the Northern Gateway project needed to consult and accommodate the interests of the Indigenous peoples residing along the proposed route in order to gain their approval for the project. From the outset, multiple Indigenous groups were opposed to the project. Indigenous groups were concerned about four key aspects of the pipeline: 1) land issues; 2) environmental impact; 3) pipeline spills; and 4) the socio-economic impact of the project (Neufeld 2005). In light of these concerns, a Pembina Institute report on the issue noted that "[n]o First Nations communities have officially expressed their support for the pipeline" (Lemphers 2010). Since the project lacked support from indigenous groups, the groups could have resorted to regulatory institutions and pursued legal avenues to challenge the project as it did not meet their demands.

Canadian federal and provincial governments consider multiple factors aside from the public opinion, including bilateral political and economic relations, when considering new pipeline projects. At the time of the Northern Gateway proposal, Canadian energy relations with the United States had begun to deteriorate as the Obama administration rejected a Keystone XL expansion project (Grant 2012; Hale 2014, 354). Considering the altered energy landscape, the Canadian Minister of Natural Resources at the time, Joe Oliver, revealed that Canada will "intensify…efforts to sell the oil elsewhere" (Investor's Business Daily 2011). As the Prime Minister, Stephen Harper, revealed in interview Canada was "very serious about…selling… energy products off to Asia" (Investor's Business Daily 2011). As relations between Canada and the United States have begun to deteriorate, Canadian policymakers turned to the Asian markets.

[42] A survey carried by Ipsos Reid (2012) (commissioned by Enbridge) has produced a different set of data with 32 per cent British Columbians against and 42 in support of the pipeline. Given that the survey was commissioned by the proponent of the pipeline, the numbers should be assessed critically.

To get hydrocarbons to Asia, the federal government and Alberta's provincial leadership, headed by Premier Alison Redford, expressed their willingness to back the Northern Gateway Project. Their enthusiasm about the pipeline was not shared by the political leadership in British Columbia. The Premier of British Columbia at the time, Christy Clark was notoriously opposed to the pipeline stating that it was "not very good for British Columbia" as the province will take on the "vast majority of the risk…[for minimal] benefits"[43] (Wingrove and Taber 2012). This discord led to the interprovincial disagreement between Alberta and British Columbia about the pipeline.

In response to the inter-provincial tensions over the pipeline, the government of British Columbia released a set of five conditions that the Northern Gateway had to fulfill in order to obtain political support from the province. These five conditions outlined that the proponents of the Northern Gateway had to pass an environmental review, develop an emergency preparedness plan to address oil spills, gain acceptance from the Indigenous groups, and outline its economic contribution to the province (Minister of Environment 2012). The inter-provincial debate was halted briefly when Premier Redford and Premier Clark agreed on the "Canadian Energy Strategy" in 2013. Under this Strategy, Alberta's leadership stated that it was supportive of British Columbia's five conditions (Alberta Government 2013).

The political support for the project was, however, short-lived. The project lost political momentum after the election of new provincial and federal leadership. Newly elected provincial and federal leaders – Premier Rachel Notley and Prime Minister Justin Trudeau - had struck down the proposed project (Smith 2015; Stone 2014). After Trudeau and Notley took over their respective leadership positions, the media declared that the "Northern Gateway is probably dead" (Hunter and Tait 2015). The media were right. In 2016, the federal government announced its decision to block the pipeline and impose a tanker moratorium on crude oil tanker traffic expanding the de facto moratorium of 1988 (Cattaneo 2016; Trumpener 2015). All of these policies were implemented shortly thereafter, and the Northern Gateway pipeline lost its political license.

### Regulatory institutions

The Harper administration provided substantial political backing for the Northern Gateway project from the outset. In support of the project, the administration cut down the red tape and expedited the approval process for the project. As part of this process, the federal government approved a controversial Bill C-38, the "Responsible Resource Development" act, in 2012. This Bill C-38 was criticized by experts, scholars, and NGOs in Canada as it curtailed the environmental review process to 18 months, confined consultation process only to the "directly affected" groups, and enabled auditors to review the charitable status of environmental NGOs, thus limiting their activity (Le Billon and Vandecasteyen 2013, 49-50). A more relaxed regulatory environment coincided with a favourable political momentum created by the federal

[43] This view was backed by the official opposition party, the NDP, Adrian Dix, who declared that the pipeline is "not in the public interest" as it may "cause significant adverse environmental effects" (Dix 2012, 1). The NDP was concerned about oil spills, greenhouse emissions, and loss of refining jobs among others (Dix 2012, 1). For Dix (2012) "environmental, economic and social risks…simply outweigh the benefits" (3).

government under Prime Minister Harper and Alberta's provincial government led by Premier Alison Redford.

Despite the political backing and supportive institutional environment, the Northern Gateway pipeline, had to undergo a complex approval process, given that it was a greenfield investment project. The National Energy Board formed a joint review panel with the Canadian Environmental Assessment Agency in 2006 to review the project's impact on the Canadian economy, society, and environment based on the *Canada Environmental Assessment Act* of 2012 and the *National Energy Board Act* (National Energy Board 2013). The Panel consulted independent specialists, representatives of the project, business actors, Indigenous groups, and other stakeholders. After prolonged consultations, the Panel stipulated 209 conditions to be met by the proponents to ensure that the project produces substantial benefits to Canada (National Energy Board 2013, 71). In its concluding statement, the Panel determined that it was "not persuaded that construction and routine operations of the project would have [a] negative effect on [the] social fabric" and on the Indigenous communities, noting that any adverse effects will be temporary and confined (National Energy Board 2013, 21 and 25).

The preliminary decision to conditionally approve the project was repealed in 2016 by the National Energy Board. The decision to rescind the approval came in the aftermath of the Court Proceedings carried out by the Federal Court of Appeal in the case of *Gitaxaala Nation v. Canada* (2016). As noted in the theory section, Indigenous groups can launch an appeal when a new project fails to adequately consult and accommodate the impacted groups on the grounds of the *Aboriginal Title and Rights* (West Coast Enviornmetnal Law 2009; Stueck 2012). As the legal precedent of the Tsilhqot'in First Nation ruling (2014) shows, Indigenous groups can successfully use legal avenues to assert their title on the land. Based on these precedents, the Court has found that "Canada has not fulfilled its duty to consult" Indigenous communities [8] and that the Certificates granted by the National Energy Board to the project "are…a nullity and must be quashed" [333] (Gitaxaala Nation v Canada 2016). In the aftermath of this Court case, the Board has rescinded the Certificates issued to the Northern Gateway's proponents (NEB 2016). In this case, the Canadian legal system has upheld the rights of Indigenous groups, and in doing so it demonstrated that stakeholders can rely on the regulatory institutions to challenge unpopular pipeline projects.

This decision also undermined the project's political license extended under the Harper administration. As noted earlier, after the Harper-Redford political coalition was replaced by Trudeau and Notley, the state-corporate bargain has lost its momentum. Thus, we observed that the new political coalition, representing the interests of the electoral majority, has repealed the decisions made under the previous government by rescinding a political license granted to the Northern Gateway project under the previous administrations. Without the political license, and with the court order to stop the project, the Northern Gateway proponents were unable to carry out the project.

## Lessons Learned from Chinese Engagement in the Northern Gateway Pipeline Project

The Northern Gateway project for which Chinese SOEs provided around $30 million for the pre-construction expenses did not go according to plan. The project never obtained a social license to operate and, in the end, lost the political license which was granted under the Harper administration. This section has examined several factors that led to the demise of the project. First, the project failed to obtain support from the industry players. Although the project was backed by the Chinese companies and a few domestic corporate actors, the other industry players questioned the economic rationale of the pipeline. Second, Indigenous groups' opposition to the Northern Gateway project can be perceived as one of the main roadblocks for the project's implementation. Since Indigenous groups have a recourse to the Canadian legal system to resolve controversial projects, they wield a substantial power in determining the fate of greenfield investments in the Canadian hydrocarbon sector. Their power is reinforced by the 'duty to consult' the Indigenous groups before approving any new projects that will pass through Indigenous territories. Third, the project did not manage to obtain a lasting political license. The election of a new federal and provincial administration that did not support the project made it clear that the project's political license was not permanent. In the end, the Northern Gateway project failed to obtain the support from the key stakeholders that was required to proceed forward.

The case study of the Northern Gateway pipeline exposed the instability and uncertainty that greenfield hydrocarbon projects face in Canada. As this section has revealed, projects that fail to obtain public support can lose political support when the election brings new political parties into power. One may conclude that there is an indirect linkage between electoral institutions and project's approval; where elections can be used as a mechanism for the public to 'vote out' unpopular projects in the hydrocarbon sector. Although the link is indirect, the responsiveness of the Canadian policymakers to civil society's interests has been likely an important contributing factor to the failure of the Northern Gateway. At the same time, this section also demonstrated that Indigenous and NGO groups play an important role in shaping extractive projects in Canada. In the case of the Northern Gateway, Indigenous and NGO opposition has made the pipeline "a no-go politically" as both groups can appeal the government's decision to permit the project through the legal system (Argitis and Mayeda 2014). Based on this evidence, one may conclude that Canadian stakeholders can rely on institutional mechanisms to block unpopular pipeline projects. Ultimately, stakeholder opposition has stymied Chinese SOEs' agenda to expand Canadian pipeline infrastructure that is necessary to support hydrocarbon trade with Asia.

Despite the uncertainty about the future of Canadian pipelines, SOEs are not in a "rush to exit" the Canadian hydrocarbon sector as they see Canadian energy resources as a "part of [their] global investment portfolio" (Woo 2017). Therefore, Chinese SOEs operating in Canada are willing to ship their oil to where they can earn greater profits; in the case of Canada the market remains localized and focused on the domestic and American energy consumers (Lemphers 2012, 4). Furthermore, Chinese SOEs may support the expansion of the Trans Mountain pipeline as Wenran Jiang proposes (Cattaneo 2016). Enbridge's failure to implement the Northern Gateway project serves as a learning experience for Chinese SOEs as it demonstrated that

greenfield energy projects in democratic countries require a social, economic and political license before proceeding.

## Conclusion: Wrapping Up the Case Studies

This chapter provided an overview of Chinese investment in the Canadian hydrocarbon industry. By reviewing this investment, I was able to chart a general picture of Chinese FDI in the Canadian hydrocarbon sector that I explored deeper in the three case studies. The three in-depth case studies revealed that Chinese SOEs face a relatively challenging operating environment in the Canadian energy sector. While expanding diplomatic ties have resulted in stronger trade and investment links between the two countries, this section has illustrated that domestic stakeholders and institutions have blocked closer collaboration in several of the proposed investment deals. After investing in Canada, Chinese SOEs have learned that individual stakeholders have substantial power in shaping the fate of new hydrocarbon projects. As I argued in this chapter, stakeholder politics influence foreign investment in the Canadian hydrocarbon sector through a series of mechanisms that are related to political, social, and market licenses to operate.

The findings from the case studies illustrated that Chinese SOEs participation in the hydrocarbon sector was influenced by political, social, and economic demands of the Canadian stakeholders. Investors that did not satisfy stakeholders' demands lost their licenses to operate and had to abandon their projects. This was illustrated by the two LNG projects – Aurora LNG and Pacific NorthWest LNG - where Chinese SOEs participated and by the shelved Northern Gateway pipeline. The relative success of the CNOOC-Nexen deal illustrated that Chinese SOEs can buy into an existing business (brownfield FDI) that has obtained the necessary licenses to operate in Canada. In this case, Chinese SOEs adopt the pre-existing stakeholder engagement strategies of the acquired enterprise. I have also proposed that institutional differences between Canadian and Chinese corporate and governance cultures, may lead to a rise in protectionism in the host society. One example of rising protectionism in Canada, was the government's decision to expand the SOE-specific Guidelines in the aftermath of CNOOC's acquisition of Nexen. This suggests that Canada's neoliberal ideology may protect itself from the inflow of SOEs that are governed on the basis of state-capitalist ideology.

Another interesting finding that emerged from my interviews with the experts on Chinese FDI in Canada is an aspect of learning by Chinese SOEs. This aspect will require further investigation and analysis that is beyond the scope of my research. However, it is interesting to note that several studies suggest that SOEs are not used to operating in a business environment where they are constantly under the watchful eye of civil society that may influence corporate activities (Zhao 2013; Mayer et al. 2018). Preliminary empirical evidence along with my interviews indicate that Chinese SOEs and Canadian stakeholders have engaged in mutual learning through collaborative efforts. An example of this mutual learning is a regulatory adaptation. To illustrate, Chinese SOEs have learned not to underestimate the processes of accommodation and consultation in Canada, while Canadian policymakers used their learning experience to alter domestic regulations (Wang 2017).

Therefore, SOEs are becoming increasingly cautious about their operations in Canada given that they are closely watched. To reduce the pressure on their activities, Chinese SOEs are trying to adapt to the Canadian corporate and governance standards, including labour regulations and consultation processes, however media reports suggest that they are having a hard time adapting (Cattaneo 2017). It is difficult to evaluate the progress that Chinese SOEs have made over time as their operations are less transparent than those of the international oil companies operating in Canada (Cattaneo 2017; McCarthy 2017). In an interview, Cattaneo (2017) revealed that information about activities of Chinese SOEs in Canada is scarce and emerges only when they run into problems in the Canadian hydrocarbon sector.[44] According to Cattaneo (2017), Chinese SOEs operating in Canada may be less successful than international oil corporations because they find it difficult to adapt to Canada's "highly competitive environment" that is shaped by a set of regulatory and environmental standards, which are influenced by a set of complex stakeholder relations.

Thus, it is not surprising that SOEs have predominantly adopted a more hands-off strategy in Canada, where they partner with local corporations to learn from their Canadian counterparts. Cattaneo (2017) suggests that because SOEs remain isolated from the communities where they operate and rely on local partners to manage stakeholder relations, their learning progress may be slow. To ensure a successful implementation of future hydrocarbon projects, Chinese SOEs should pay close attention to stakeholder relations in Canada and other advanced industrialized countries. In the advanced industrialized countries, Chinese political influence is less prominent because SOEs cannot prop their deals with loans and infrastructure packages as they do in developing countries (Li 2017). Given that these packages helped Chinese SOEs gain a political and social edge in developing countries, without them Chinese SOEs need to compete with other businesses on the level playing field in countries like Canada. In this case, SOEs must operate according to the established political and social standards to obtain a social and political license to operate (Li 2017). As Chinese SOEs desire to be "global players" and want to expand their operations across the world (McCarthy 2017; Wang 2017), this learning experience helps them to build an image of a skillful operator that can interact with a complex set of stakeholders with a diverse set of demands.

Overall, the in-depth case studies, discussed in this chapter, illustrated that Chinese SOEs have at times miscalculated the importance of the Canadian stakeholders and institutions. According to McCarthy (2017), SOEs had little experience engaging with First Nations and did not appreciate the importance of doing so. They only learned about the power of Indigenous groups in Canada after the Northern Gateway was blocked (McCarthy 2017). This argument is backed by the results of my LNG case studies, where Chinese SOEs have found it difficult to negotiate the proposed LNG projects with the local communities. This can be explained by an institutional distance between SOEs home and host states. As Jia Wang (2017) suggested in an interview, in China, stakeholder politics and court challenges are rare, which indicates that SOEs have to face a "steep learning curve" in Canada. Even in the case of Nexen, where CNOOC succeeded in acquiring the company, Chinese SOEs were met with a resistance in the form of

[44] I have stumbled upon a similar problem when doing interviews in Canada as none of the SOEs I approached for an interview has answered my repeated requests to participate in a semi-structured interview for my research.

regulatory constraints on future FDI by SOEs in the oil sands. It is plausible that this was not anticipated by CNOOC at the time that the deal was proposed. Therefore, I argue that this case can be interpreted as 'failed success'.

On the basis of my interviews and field work, it appears that Chinese SOEs are adapting to the Canadian environment; the learning process, however, does not come cheap as Chinese companies have made several suboptimal deals in Canada (Li 2017). The learning aspect also explains why Chinese SOEs continue to invest in Canada despite a string of failures that they experienced. An example of this learning process is visible from a recently announced partnership between Sinopec and Indigenous groups to build a joint refinery (Morgan 2018).

# Chapter 6. Chinese engagement in Russia: Toward a Theoretical Model

## Introduction

Like Canada, Russia is abundantly endowed with fossil fuels, which are exported regionally and internationally. According to BP's (2017) estimate, the country has the largest proven natural gas reserves and the sixth largest oil reserves in the world. Russia is also the largest producer of oil and the second largest producer of natural gas, according to EIA's (2017) 2016 data. On average, Russia exported over 7 million barrels per day and 7.5 trillion cubic feet of gas in 2016 (Energy Information Agency 2017). Majority of these exports –72 per cent of Russian oil exports and 93 per cent of natural gas exports - are transported to Europe (Energy Information Agency 2017). In comparison, China accounted for only 18 per cent of Russia's total oil exports and a negligible amount of natural gas in 2016 (Energy Information Agency 2017). Given Russia's large export capacity, countries, like China, are interested in establishing stronger energy ties with Russia through economic collaboration via investments, loans, and long-term supply agreements.

Since the turn of the 21st century, the Sino-Russian energy partnership has reached an unprecedented level. Some scholars even posit that today the Sino-Russian energy collaboration has attained a "strategic" level (Petersen and Barysch 2011; Røseth 2017). These growing energy ties are premised on geographic and economic complementarities that are reinforced by a shared border (Downs 2010). Despite these complementarities, early attempts to establish Sino-Russian energy collaboration were impeded by Russia's fear of becoming a 'resource appendage' to China (Downs 2010, 152; Bellacqua 2010, 160). Chinese investors were also pushed away by high investment barriers imposed by Russian formal institutions, which discouraged foreign investors from coming in (Heinrich, Kusznir, and Pleines 2002). While Russia remains afraid of China's growing economic and political power in the region, it needs foreign partners to help its struggling oil and gas companies, which lack finance and technology (Henderson 2015). This inherent tension between welcoming Chinese FDI and protecting domestic resources is one of the factors that shapes Chinese involvement in the Russian hydrocarbon sector. In light of this, the central question posed by this chapter is: how do Russian institutions and stakeholders influence the ability of Chinese SOEs to participate in the Russian hydrocarbon sector?

The answer to this question rests on the interaction between Russian stakeholders and institutions that jointly determine the ability of Chinese SOEs to join projects and determine the nature of their participation – through investment, loans, or trade deals[45]. I capture this interaction in a theoretical model, which I will develop in this chapter along with a set of theoretical propositions that will be tested in the subsequent chapter. This model captures how interstate-relations, domestic institutions, and stakeholder politics determine Chinese engagement in the Russian hydrocarbon sector. The first element of this model is captured by the changing geopolitical factors, including an exodus of foreign investors from Russia and the imposition of Western sanctions, that impact inter-state relations. Inter-state relations provide a more nuanced argument about the timing of the inflow of Chinese FDI into the Russian hydrocarbon sector as they shape stakeholder politics. The second element of the model rests on informal and formal institutions. In the Russian case, state capitalism and resource nationalism underpin the ideology of the informal institutions. While these variables may make it harder for foreign businesses to invest in the hydrocarbon sector, I argue that in the Russian case these factors are surprisingly conducive to Chinese FDI. Stakeholder politics are the last but most important component of the model. These politics are shaped by power differential that favours the state and large NOCs.

According to this model, the success of Chinese SOEs in the Russian hydrocarbon sector depends on institutional environment and stakeholder politics which are influenced by inter-state relations. On the basis of this model, I will identify several testable propositions and general principles in this chapter that will be further explored/tested in chapter eight that examines Chinese engagement in specific projects in the Russian energy sector. One of the theoretical propositions that will be explored in this chapter is that favourable alignment of these variables produced a conducive environment for the success of Chinese participation in the Russian hydrocarbon sector in the mid-2000s.

To analyze this argument and to develop a model of Chinese engagement in Russia, this chapter is subdivided into four sections. The first section examines inter-state relations by focusing on Russia's cooling energy partnership with Europe that is tied with the Russia's "Pivot to the East". It also explores growing Sino-Russian diplomatic relations that are conducive to closer energy collaboration. The second part of this chapter focuses on the role played by institutions – informal and formal - in shaping Chinese participation in the hydrocarbon projects. The final part of this chapter focuses on the role of stakeholders in influencing the success of Chinese energy projects in Russia. After analyzing each of these factors individually, the last section ties everything together and outlines a set of expectations that will be examined in the subsequent chapter.

## Inter-state Relations and FDI

The first building block of my model is represented by inter-state relations between Russia and its foreign partners in the energy sector. As in the Canadian case, inter-state relations

[45] Unlike in the Canadian case, Chinese SOEs are not only investors but also financier of energy projects, which allows them to participate in multiple projects.

shape stakeholder's receptiveness of foreign companies, including Chinese SOEs, and thus influence trade and investment patterns in the Russian oil and gas industry. During the Cold War period, Russia became deeply integrated into the European energy market (Högselius 2013). Europe's growing dependence on Russian energy has affected the flow of energy-related trade and investment. As an illustration, the data on Russian energy exports, presented in the introduction to this chapter, indicated that majority of Russian exports (over 70 per cent of oil and 90 per cent of natural gas of the total exports as per 2016 data) are transported to European countries (Energy Information Agency 2017). It is plausible that Sino-Russian bilateral relations will have a similar impact on trade and investment flow, especially in light of the changing energy demand and geopolitical factors that are currently aligned in China's favour.

This section examines how changing geopolitical factors and shifting energy demand may influence Chinese engagement in the Russian hydrocarbon sector. I propose that these two factors are shaped by the energy security considerations. Jointly energy security, shifting energy demand, and changing geopolitical factors are expected to reshape the existing patterns of energy investment and trade. To explore these arguments, the first part of this section will focus on the geopolitical changes, while the second part will examine emerging trends in the Sino-Russian energy partnership.

## Foreign Investors, Geopolitics and Energy Security

Energy security is a central pillar of the Russian political system and economy. Energy security, conceptualized as the security of supply for the domestic use (Minister of Energy of the Russian Federation 2010), plays a central role in the energy calculus of the Russian policymakers given the government's political and economic dependence on the energy sector. According to the official statistics, gathered in November 2017, the oil and gas sectors accounted for 39.7 per cent of federal budget revenue[46] (Ministry of Finance of the Russian Federation 2018). The concept of energy security is one of the core principles outlined by the Russian government in the *Energy Strategy of Russia; For the Period Up to 2030*. The *Strategy* states that energy security is central to Russia's "national security", which is under threat from "external (geopolitical, macroeconomic, market) factors" and internal domestic issues (2010, 28).

The *Energy Strategy of Russia* outlines two aspects of energy security. The first aspect rests on the premise that the existing hydrocarbon resources can satisfy domestic supply and honour the "obligations under the international export contracts" (*Strategy* 2010, 30). In the second instance, energy security means that energy resources can generate enough revenue to support government's activities. The *Strategy* outlines that one way to do so is through "international cooperation in the energy sector" (*Strategy* 2010, 30). The objective of this collaboration is to develop new energy infrastructure and to obtain the necessary technology to enable energy extraction. Therefore, energy security considerations in Russia envision closer cooperation with international oil companies and oil-importing states.

[46] In the past, the government's reliance on the hydrocarbon sector was even higher; an IEA report (2014, 18) indicated that over 50.2 per cent of Government's budget were generated by oil and gas in 2013.

Russia has established close energy relationship with Europe focused on energy trade and FDI to ensure that it can support domestic resource extraction. European consumers have formed strong investment ties with Russia. Accordingly, British IOCs - BP and Shell (part Dutch) - held a dominant position in Russia in terms of investment and corporate presence until the mid-2000s. Integrated energy trade and investment patterns have produced an interdependent energy partnership between Europe and Russia that was reinforced by the regional energy infrastructure. One of the examples is the Russian relationship with Germany that has been reinforced by the construction of the Nord Stream gas pipeline[47] that connects the two countries directly through the Baltic Sea (Svyatets 2015).

Despite strong bilateral relations with Europe, changing geopolitical realities over time have instigated the exodus of Western corporations and finance from Russia's hydrocarbon sector. One of these geopolitical changes is linked to the European plan to diversify their hydrocarbon suppliers in hopes to reduce their dependence on Russia's energy exports (see: Proedrou 2016). If European demand for Russian hydrocarbons declines, Russia will need to find other consumers. Therefore, Europe's diversification policy motivated Russia's search for new energy consumers. One factor that has contributed to Europe's policy shift is the prolonged disagreement over natural gas between Ukraine and Gazprom that begun in 2005. This disagreement has escalated into a "gas crisis" during which Russian suppliers reduced deliveries to Europe that negatively impacted local consumers (Stern 2006). This crisis increased Europe's energy insecurity thus prompting it to look for energy supplies elsewhere. In turn, Europe's shift in demand has likely acted as an impetus for the Russian energy producers to seek new export markets elsewhere.

Russia's shift to other energy consumers was reinforced by the "Pivot to the East" – or Russia's turn toward the Asian markets. I propose that the "Pivot" is directly related to China's growing presence in the Russian hydrocarbon sector, which is linked to two major events – the Global Financial Crisis of 2007/2008 and the Western sanctions in the aftermath of the Ukraine crisis. Scholars posit that the Global Financial Crisis was one of the first significant markers for growing Sino-Russian partnership, where a decline in Western finance was replaced by finance from Chinese lenders (Pale 2013; Kaczmarski 2016, 418). Subsequent Western sanctions, in the aftermath of the Ukraine conflict, served to reinforce Sino-Russian collaboration as Russian oil and gas companies have lost access to finances and technology created by the Western firms (Weitz 2014, 83; Yilmaz and Daksueva 2017, 6; Henderson 2015; Kaczmarski 2016, 418). The loss of Western finance and technology has negatively affected Russian companies as capital and technology are required for domestic oil firms that seek to develop new, hard-to-access hydrocarbon fields (The Economist Intelligence Unit 2015).

The loss of Western technology and finance brought Russia closer to China. Given that Russia's existing oil and gas fields are aging, Russian oil companies need to develop new deposits to maintain domestic energy security and safeguard their international export position. However, to develop new hard-to-access deposits they need international finance and technology (Henderson 2015). One method to generate finance is by borrowing money from domestic banks

[47] It was opposed by the European countries and the United States at the time of construction.

or by requesting support from the government. However, a Russian banking expert whom I interviewed in 2016 has noted that domestic banks lack financial capital required to finance risky new projects (Anonymous 2016). Since domestic banks lack finance, Russian oil companies have to rely on the sale of oil and gas on the international markets to generate capital. Since the timing of the Global Financial Crisis coincided with the falling oil prices that reduced profits, Russian companies were pushed closer to China (Li and Wang 2015). As Western IOCs left Russia and oil prices began to fall, the Russian government and companies needed an alternative source of finance and technology, which they found in China. In this way, the timing was conducive to a closer Sino-Russian collaboration in the energy sector.

As this section revealed, Russia's hydrocarbon industry has reoriented itself from the Western-centric export strategy to one that focuses on Asian markets. Some scholars even argued that Sino-Russian energy collaboration is an outcome of re-aligned geopolitical and geo-economic interests that brought the two regional powers together (Yilmaz and Daksueva 2017, 23). Ultimately, the temporal dimension that opened the door for China to enter has also exposed the uncertainties present in the Russian hydrocarbon industry. As noted earlier, Overland's (2011) analysis exposed that the Russian government creates a hostile investment environment by using institutions to challenge foreign firms, such as IOCs, that fall out of government's favour. Given the importance of time in the Sino-Russian relationship, one wonders if China's success is only a temporary phenomenon. It is plausible that this success may only last as long as the factors that are currently conducive to closer energy partnership remain favourable. While this question cannot be addressed in this dissertation as it is difficult to make predictions, it is still important to understand how Sino-Russian bilateral diplomacy influences the ability of Chinese SOEs to participate in the Russian hydrocarbon sector.

### Bilateral Diplomacy

Bilateral diplomatic relations are a formative factor in Sino-Russian energy collaboration. Historically, Sino-Russian energy ties were hindered by a mutual suspicion that led to an arms race and border violence in the 1950s and the 1960s that culminated in the "Sino-Soviet split" (Dittmer 2001; Anderson 2013). The history of this political standoff and mutual mistrust have blocked economic collaboration between the two sides in the past (Downs 2010; Bellacqua 2010; Eder 2016), despite the economic compatibility and geographic proximity of the two countries (Lo 2008; Herman 2008; Paik 2012). As Sino-Russian tensions de-escalated in the 1980s, their bilateral relationship began to improve under Yeltsin's administration, albeit the improvement centered predominantly on rhetoric rather than on concrete action (Anderson 2013). One of the reasons that held Russia back from selling its energy to China was the rapid economic rise and regional expansion of the latter that threatened Russian "national security" (Downs 2010, 160). Russia was especially afraid that it will become a "raw materials appendix to the Chinese colossus" (Lodgaard 2012, 22-23; Bellacqua 2010; Downs 2010; Eder 2016). This generated "commitment fears" (Downs 2010, 146) and hindered early attempts at collaboration between the two powers (Herberg 2009; Perovicc and Orttung 2009; Lain 2015).

In Russia, as in any resource rich-country, the debate about welcoming Chinese investors into the energy sector is complicated by the idea of resource nationalism. In the case of the Sino-

Russian relationship, the history of the political standoff in the aftermath of the Sino-Soviet ideological split that occurred in the 1960s made Russia cautious about China's investment in the energy sector in the 1990s (Mitrova 2016). Thus, China's early attempts to acquire Russian hydrocarbon resources were blocked due to strategic and political fears (Krutikhin 2016). Therefore, under the Yeltsin administration, an early wave of energy collaboration between the two sides amounted only to trade (Norlign 2009). Even though the hydrocarbon industry was privatized by Yeltsin at the time, the earlier tensions along with politico-economic instability pre-empted FDI in the 1990s and early 2000s. Despite the slow start, Sino-Russian energy relations improved under the Putin and Medvedev administrations. Reflecting on closer energy relations with China, Russian President, Vladimir Putin announced that while Russia is "generally very careful [about]…the admission of…foreign partners" into the energy sector, "there are no restrictions for our Chinese friends" (Tarasov 2014).

Putin has been a key figure in forging stronger energy ties with China. Under Putin, the two sides agreed to promote closer bilateral collaboration in the energy sector. Closer bilateral ties were established under the *Treaty for Good Neighbourliness and Friendly Cooperation* (Ministry of Foreign Affairs of the People's Republic of China 2001, Article 16). This treaty served as the basis for other agreements and Memoranda of Understanding (MOUs) that followed. The two sides signed multiple agreements to promote energy collaboration, including 15 bilateral agreements signed in 2006 to promote energy trade and investment (The State Council of the People's Republic of China 2006). The two sides have also outlined a joint commitment to construct pipeline infrastructure from Russia to China and establish joint ventures between Chinese SOEs and Russian NOCs (Jing 2006). The timing of these agreements coincides with the aforementioned disagreement about gas deliveries to Europe that arose between Gazprom and Ukraine.

The first set of energy-related agreements was reinforced in 2009 during a bilateral discussion of the progress achieved since the *Treaty for Good Neighbourliness and Friendly Cooperation*. During the meeting, the two neighbours signed MOUs on natural gas cooperation and ratified the China-Russia Investment Cooperation Framework to encourage investment in multiple sectors, among them the energy industry (Ministry of Foreign Affairs of the People's Republic of China 2009). The timing of these agreements also coincides with another major global event that impacted Russia's energy sector – the Global Financial Crisis. The crisis lowered oil prices, forcing Russian companies to look to China to sell more oil and to obtain financial support in the form of loans for projects, such as the ESPO pipeline.

During the 2009 meeting, the two sides signed another important energy-related agreement in 2014. After the long period of negotiations, Gazprom and CNPC have signed an agreement for 38 billion of cubic metres of gas deliveries worth of $400 billion for 30 years (Luhn and Macalister 2014). According to the media, the Sino-Russian gas deal "underscores Russia's shift towards Asia amid strained relations with the West" in the aftermath of the Russian conflict with Ukraine (Luhn and Macalister 2014). These instances increase the likelihood that Sino-Russian energy ties are closely linked with the changing energy calculus.

Closer bilateral ties have also extended to regional fora and organizations. Sino-Russian energy collaboration has been institutionalized at multiple regional fora, including the SCO and the BRICS summits. Policymakers incorporated clauses on energy collaboration into joint Sino-Russian statements released during regional and international summits, such as the BRICS summits and the SCO meetings. Although the SCO is generally perceived as a security organization that promotes Eurasian political, economic, and security alliance, it has several initiatives focused on energy specifically. SCO's member states, including Russia and China, have reaffirmed the importance of energy collaboration at a recent summit by implementing joint projects in the energy sector (Shanghai Cooperation Organization 2018). Similarly, at the BRICS summits, the emerging economies have placed emphasis on collaborative energy relations to ensure energy security and to stimulate energy-related investment (BRICS information Centre 2008, clauses 8 and 9).

The two sides have also incorporated mechanisms for bilateral energy collaboration into their broader diplomatic initiatives within the region. One of the key bilateral mechanisms to resolve issues related to energy collaboration between Russian companies and their Chinese counterparts is the Russian-Chinese energy commission under Putin and Wen Jiabao in 2008 (Christoffersen 2012, 141; Guobao 2018). The commission supported political dialogue between the two sides on energy issues at the political level (prime ministerial-level) designed to promote energy collaboration (Christoffersen 2012, 142). The commission's meetings are scheduled based on the needs of the two parties and are often tied to the negotiation of new energy projects (Guobao 2018).

More recently, the two have created other bilateral initiatives to promote broader economic collaboration - China's Belt and Road Initiative (BRI) and Russia's "Pivot to the East". The BRI was designed by the Chinese government to facilitate closer economic collaboration with countries positioned along the route, including Russia, through infrastructure development. In China's official documents, the government outlines cooperation in energy exploration and in the construction of energy infrastructure as a central element of the BRI (The State Council of the People's Republic of China 2015). The BRI coincides with Russia's "Pivot to the East" initiative, which aims to expand Russian economic relations with Asia. As mentioned earlier, the "Pivot" is backed by the Russian *Energy Strategy* that advises Russian producers to diversify their export destinations and to increase energy exports to the Asia-Pacific region in specific (Ministry of Energy of the Russian Federation 2010).

Both initiatives were announced in 2013 with an aim to develop closer energy collaboration. Under the BRI, Sino-Russian collaboration in the development of energy infrastructure appears to be one of the joint priorities (Zhang and Serdar 2017). As an illustrative example, the Silk Road Fund has begun funding Russian hydrocarbon projects in the Arctic as part of the Polar Silk Road. Similarly, under the "Pivot", Russia aims to establish closer energy ties with China by expanding energy infrastructure and trade relations (Hill and Lo 2013). I propose that both initiatives appear to open an avenue for foreign investors to engage in bilateral investment, in this way they act as enablers of FDI, but do not guarantee it. Ultimately, the evidence presented in this section reveals that diplomatic ties have been an important factor in the Sino-Russian energy collaboration.

## Regulatory Institutions

Institutions are the second building element of my theoretical model as they shape the interaction between domestic and international actors that are operating in the Russian hydrocarbon sector. This section focuses on the role of formal and informal institutions. The formal institutions will be subdivided into two groups – those that affect the entry of foreign investors and those that influence their operations within the host country. The former institutions are represented by the investment screening laws, while the latter institutions are embodied by domestic laws and rules. The informal institutions are captured by the variables that shape the ideology of the state. I identify two informal institutions in Russia: state capitalism and resource nationalism. This section discusses how each of these variables shapes political arrangements in the Russian economy and influences the distribution of power among the stakeholders. After discussing each of these factors, this section draws propositions about their impact on Chinese SOEs' participation in the hydrocarbon sector.

As I will propose in this section, formal and informal institutions influence Chinese SOEs ability to engage in hydrocarbon projects at different times and at varying degrees. The investment screening laws impact the entry of foreign investors, which influences their subsequent operations in Russia. Domestic legal statutes, in turn, shape Chinese FDI only after it establishes its operations in Russia. The two regulatory institutions can be adapted and re-modeled to respond to changing flows of FDI. The informal institutions, as I will propose in this section, play a central role in influencing Chinese FDI as they determine state-business arrangements in the energy sector. Therefore, one of the hypotheses proposed in this section is that Chinese investors may be at the mercy of specific political-business alignment that may shift at any moment. In order to analyze these dynamics, this section examines how formal and informal institutions influence foreign investment in the Russian hydrocarbon sector. Before discussing these propositions, this section will outline historical factors that have led to the emergence of informal institutions in Russia. Subsequently, I will analyze the role played by the formal institutions in the Russian hydrocarbon sector.

### The emergence of informal institutions in Russia; understanding the implications of state capitalism and resource nationalism

Russia's domestic institutions have been in flux since the fall of the Soviet Union. After the institutional collapse, Russia had to create a new set of formal and informal rules. Theorizing about this change, Poussenkova and Overland (2018) identify two temporal periods – the 1990s and post-2000s – that have produced two types of power alignments that affected decision-making in the hydrocarbon sector. One can extend their argument beyond the oil sector as the two periods are roughly representative of broader politico-economic changes in the Russian society. During the first period, Russian leaders took it upon themselves to rebuild the state. The hybrid regime that emerged in the 1990s combined authoritarian and democratic elements under a single political framework (Sakwa 2000; Levitsky and Way 2002; Taylor 2011). Under this new power arrangement, the government proceeded to design a set of formal rules, which will be discussed in the latter part of this section. However, according to scholars, the Russian

government failed to create a system of rules with a "credible commitment" and thus was unable to exercise its authority to enforce the new laws (Robinson 2000). While the rules existed on paper, they were seldom and selectively enforced.

In the absence of strong formal institutions, actors sought alternative arrangements to fill the void left by formal institutions. In Russia, a politico-economic transition that occurred has facilitated the emergence of informal institutions that were designed by actors to regulate their interactions in the market (Robinson 2000; Ledeneva 2006). However, informal institutions may create greater instability in a society. As Ledeneva (2006) notes, informal practices and personal networks are used by "competent players to manage and manipulate the system to their…advantage" (1). In this way, political and economic power became tied together in a way that allowed businesses to influence decisions made by the central government. This, in turn, led to political "capture [of the state] by economic interests" (Gordon 2000, 125). In the 1990s, these arrangements enabled economic actors to benefit from "privileged treatment" and to "control entry to the economic arena" (Gordon 2000, 127).

The transition in Russia's political regime has affected existing arrangements in the hydrocarbon sector. The formative years of the Russian Federation coincided with the development of new regulations for the oil and gas industry (Overland 2011). From the 1990s until the early 2000s, the Yeltsin administration embarked on the privatization of the hydrocarbon industry – otherwise known as the 'shares for resources' (also known as 'loans for shares') scheme. Under this scheme, NOCs (aside from Gazprom) were sold to the interested domestic bidders, who later became known as the oligarchs, such as Mikhail Khodorkovsky who was the owner of Yukos oil company (Eder, Andrews-Speed and Korzhubaev 2009, 221; Poussenkova and Overland 2018, 262-264). The timing was conducive for the expansion of oligarchs as they benefited from regulatory gaps coupled with a weak legal system where they could use their privileged position in the economy for personal enrichment (Eder, Andrews-Speed and Korzhubaev 2009, 221). According to Poussenkova and Overland (2018, 262-264), the 1990s was an era of "gangster capitalism" led by oligarchs who lobbied the government to privatize the oil sector and decentralize policymaking. This period signified a transition from state ownership of the strategic industries that was characteristic of the Soviet Union's economy. An oligopolistic oil industry emerged in the aftermath of this transition.

During this period, Western IOCs were the leading foreign investors. The IOCs were permitted to form joint ventures with Russian oil and gas companies, participate in the Production-Sharing Agreements (PSAs), and engage in equity investment provided that they had a Russian partner (Heinrich, Kusznir, and Pleines 2002, 496). While IOCs expanded their presence in Russia, the period was not ideal for FDI as it coincided with policy uncertainty, which ensued in the aftermath of rapid privatization that produced regulatory chaos. The chaos that ensued was the outcome of the government's failure to develop a strong legal system with a comprehensive energy strategy capable of regulating the newly independent oil and gas companies (Eder, Andrews-Speed and Korzhubaev 2009, 221). Selective regulatory enforcement that was normal during this time has deterred multiple foreign investors from expanding their operations in the Russian hydrocarbon sector (Overland 2011, 154). Given the unstable politico-

economic environment, unexperienced investors, such as Chinese SOEs, avoided investing in the Russian hydrocarbon sector at the time.

The institutional environment that emerged in the 1990s could not support the new system where powerful corporate players and a weak state produced an unstable environment for FDI (Locattelli 2006). During this period, market institutions, transported to Russia from the West, coupled with the government's inability to develop domestic institutions to reinforce the market system, produced a conflict of interests among the oligarchs and policymakers. This conflict led to a systemic "fragility and lack of credibility in the market institutions" as it could not guarantee property rights and enabled "arbitrary action by public powers" (Locattelli 2006, 1077). The instability of the liberal market system in Russia that emerged due to the government's weakness and a general absence of the rule of law produced conditions ripe for the emergence of informal rules (Locattelli 2006; Locatelli and Rossiaud 2011). The failure of the market institutions to stimulate the development of new oil fields coupled with the government's inability to tax the oil sector produced incentives for renationalization of the oil sector in the 2000s (Locattelli 2006).

These dynamics have changed in the 2000s under Putin's leadership. Russia's economic privatization and liberalization did not last beyond Yeltsin's administration. The liberal economic model, developed in the 1990s, did not fit with the vision of a new President of the Russian Federation, Vladimir Putin. After Putin took the presidential post in 2000, the federal government embarked on a renationalization program that was formalized under the "Energy Strategy of Russia"[48] (2003). The Strategy stipulated that the federal government should expand its control over the energy industry due to its strategic nature (Eder, Andrews-Speed and Korzhubaev 2009, 223). The plan to expand government's power in the energy sector, developed during the first few years of the Putin administration, had gathered its full speed in 2004. During the same year, the economic and political power of oligarchs declined, and tensions among domestic and international oil companies emerged (Overland 2011, 136).

This coincides with the ideology of resource nationalism that emerged in Russia at the time. Resource nationalism is conceptualized by social scientists in terms of the following criteria: a) maximization of governmental profits at the expense of the corporate actors, which leads to a reduction in corporate profits; b) state-guided resource development; and c) reduced corporate autonomy (Haslam and Heidrich 2016, 1). In Russia, resource nationalism has manifested itself through a renationalization of the oil industry in the hands of a few large Russian NOCs at the expense of foreign investors (Bremmer and Johnston 2009; Vivoda 2009; Orttung, Perović, and Wenger 2009). Government's renationalization of Yukos, which was a private oil company, through its incorporation into Rosneft, which is a NOC, in 2006, is perceived by scholars as an example of growing state power over the Russian energy sector (Vivoda 2009; Domjan and Stone 2009). Empirical evidence supports this idea as state ownership in the Russian hydrocarbon sector grew substantially over time; in the early 2000s around 90 per cent of the extracted oil came from private enterprises, in contrast, in the mid-

[48] This was an early formulation of the current Energy *Strategy* mentioned in the earlier part of this chapter.

2000s private enterprises accounted for only 20 per cent of the total number of oil barrels produced (Maniruzzaman 2009).

As an ideational factor, resource nationalism shapes the ideas and norms that guide the activities of actors and institutions in a given country (Rosales 2018). In Russia, resource nationalism is used to justify government's expanding control over domestic natural resources that is accompanied by growing protectionist tendencies against foreign investors. Scholars note that foreign companies face a difficult operating environment in Russia as their activities are constrained by the Russian state (Perović and Orttung 2009, 125). Analyzing Western IOCs' engagement in Russia, Indira Overland (2011) notes that IOCs have been involved in a "high-stakes conflict" with the Russian state and corporate actors. As part of this conflict, foreign investors have suffered from "blatant attacks on foreign capital by the Russian authorities" (Overland 2009, 135). As resource nationalism has grown in popularity in Russia over time, it has prevented several IOCs from entering Russia's energy sector (Downs 2010, 155). In fact, due to the deteriorating business climate, the Russian hydrocarbon sector has relatively few foreign companies (Klaas 2016).

The 2000s were emblematic of a growing state presence in the hydrocarbon sector that coincided with the renationalization of the oil and gas assets. Poussenkova and Overland (2018) refer to this period as "authoritarian capitalism", where NOCs began to expand, civil society weakened, and state intervention in the economy grew (265-266). This temporal dichotomy provides a very important analytical leverage for discerning the power dynamics and for identifying the 'movers and shakers' of public policy. This period is characterized by a complex interplay between a regulatory capture and growing state influence over the hydrocarbon sector. Scholars find that a regulatory capture remains a pervasive factor in the hydrocarbon sector in Russia as the NOCs are closely connected with the state (Victor and Sayfer 2012). However, under the new system, privileges of corporate actors are curtailed by a more powerful state under Putin's leadership. Therefore, the influence of the state over the businesses needs to be interpreted on a case by case basis.

The transition toward stronger state control over the economy is based on a set of informal institutional arrangements under state capitalism which, according to Ian Bremmer (2009, 41), is "a system in which the state functions as the leading economic actor and uses markets primarily for political gain". Russian state capitalism is defined by close relationship between the government and the corporate players (Bremmer 2009; Klimina 2013). Due to close state-corporate relations, "any large business [that wants to succeed in Russia] must have favourable relations with the state" (Bremmer 2009, 40). Under this system, the elite actors control important businesses and appropriate the generated wealth (Klimina 2013, 550), while the state oversees economic activities by controlling the market and economic actors (Tsygankov 2014, 117). As the Russian government embraced control over the market, it moved away from "the liberal, market-based economic model" (Tsygankov 2014, 118).

By distancing itself from a free market, the Russian government reinforced its power over the economy. Under this model, the Russian state becomes an "active participant" in the economy by picking and choosing losers and winners of the economic process (MacDonald and

Lemco 2015). State intervention appears to be concentrated in the strategic sectors of the economy, where large NOCs operate. According to Ian Bremmer (2009), policymakers and CEOs of energy NOCs are interconnected in such a way that policymakers can become CEOs of NOCs and relatedly CEOs of NOCs can become government officials (2009). The model is very similar to the one practiced in China, where managers on the SOE boards have a spot reserved in the government after they retire from their position (Jiang 2012).

Ultimately, the transition of the Russian politico-economic institutions toward state capitalism and resource nationalism has arguably brought Russia closer to China in terms of institutional complementarity. This growing institutional complementarity between the two sides is theoretically conducive to economic integration in the energy sector, which has been observed in other cases of Chinese FDI in energy, including the study by Lv and Spigarelli (2015). The temporal distinction identified in this section helps to explain the timing of the inflow of Chinese FDI into Russia, while the role of informal institutional arrangements explains the nature of closer collaboration. Therefore, I propose that the new informal institutional arrangements shaped by state capitalism may determine the success of Chinese investment in the Russian hydrocarbon sector. Yet, as noted earlier, informal institutional arrangements are not acting independently from the formal institutions that often adapt to the informal ones.

### Investment screening mechanism

One of the formal institutions is the investment screening mechanism. In Russia, the legal regime to oversee FDI emerged in the late-1990s/early-2000s and continues to evolve under Putin's administration. In 1999, Russia adopted a Federal Law on Foreign Investment, which has since been amended several times. The law guarantees investors' rights in Russia in accordance with domestic legislation and stipulates that the government can block or restrict incoming FDI only to protect constitutional rights, health, national defense, and state security (Federal Law No. 106-FZ 1999, Article 4.2). This law provides a basic framework for the governance of incoming FDI in the hydrocarbon sector. Since this law did not place any specific restrictions on FDI by SOEs or for FDI in strategic industries, the government decided to implement additional laws. The decision to implement additional laws was a response to FDI that was perceived to threaten national security. There was a particular case in which the government noticed regulatory loopholes for FDI. The case that triggered regulatory innovation was Siemens' (a German conglomerate) proposed acquisition of the Russian firm Power Machines that produced around 90 percent of turbines in Russia in 2007 (Bam 2013). In the aftermath of this proposed deal, the Russian government adopted new regulatory mechanisms to pre-empt similar deals.

In 2008, the Russian government implemented the "Law on the Procedure of Foreign Investment in Business Entities Having Strategic Importance for the Defence of the Country and the Security of the State" (or the "Strategic Law"; N57-FZ) that restricted FDI in 'strategic industries'. The "Strategic Law" requires government's approval for any investment above a designated threshold. On the basis of this law, private (i.e. non-state) investors can acquire 25[49]

[49] This is an increase from 10% outlined under the 2008 guidelines (Article 7; 5).

percent or fewer of the voting shares in a strategic sub-soil[50] industry without triggering a review process (Federal Law No. 57-FZ, 7.2). Although the law emerged as a response to FDI by private companies, it had singled out SOEs by putting stricter guidelines on their investment. The SOEs cannot acquire more than 5 per cent of the voting shares in a strategic sub-soil industry without obtaining government's permission (Federal Law No. 57-FZ, 7.5). Therefore, any foreign investment that is above the stipulated threshold will need to acquire a permit from the Russian government to proceed.

Investors need to obtain the permit from the Russian Federal Antimonopoly Service (FAS) and the Government's Commission on Monitoring of the Foreign Investment, which is overseen by Prime Minister Dmitry Medvedev and the Ministerial Committee[51]. The Commission reviews incoming foreign investment to ensure that it does not undermine Russian national security. Since the Commission's inception, it has reviewed 229 individual FDI cases; out of this number, only 5 per cent failed to pass the review (Russian Government 2018). Incoming FDI is also screened by the FAS that investigates whether a foreign investor may pose a threat to Russia's national security. Jointly the two bodies act as the gatekeepers that screen incoming FDI, yet as the statistics indicate the majority of FDI proceeded unimpeded, which suggests that the regulatory tightening had a limited effect.

Under the "Strategic Law" the institutional arrangements privilege domestic corporations over the foreign ones by limiting foreign participation in the 'strategic industries'. This law is consistent with the government's general tendency to protect strategic resources, such as oil and gas, from foreign investors. Given that the government considers hydrocarbons as one of the strategic sectors (The Subsoil Law of the Russian Federation 1992), foreign participation is generally restricted. Yet, there is also evidence that the government favours foreign investors that are willing to partner with local companies by acquiring minority stakes in the Russian firms (BMI 2009, 91).

If the legal framework is a decisive determinant of incoming FDI, then one would expect that Chinese SOEs will find it difficult to participate in large and strategically important hydrocarbon projects in Russia as they cannot acquire more than 5 per cent of voting shares without the support of the Russian government. While we have observed a regulatory tightening on paper, the statistical data from the Government's Commission on Monitoring of the Foreign Investment indicates that the majority of FDI has been approved. However, one may expect that when the investment does not fit the Commissions' agenda, it will likely be rejected by the policymakers reviewing the deal. This suggests that the legal framework is flexible and can be adapted to the needs of the Russian state and corporations reinforcing the earlier proposition that Chinese investment will be subject to the political and economic variables that shape the policymakers' decisions to permit FDI. Some analysts even go as far as to propose that the existing laws allow Russian policymakers to "pick favourites" by exploiting the loopholes in the regulation in doing so (Bam 2013, 49).

[50] The limits are higher for the strategic industries that are not linked to sub-soil assets.

[51] In 2018, the committee was composed of: Minister of Finance (A. Siluanov), Deputy Minister of the Russian Federation (M. Akimov), Head of the Federal Antimonopoly Service (I Artemyev), and Minister of Energy of the Russian Federation (A. Novak) among others.

## Domestic Regulatory Institutions – Property Rights, Indigenous Peoples, and the legal system

Once foreign investors enter Russia, they are bound by Russia's domestic rules and regulations. As minority investors, Chinese SOEs can rely on their local partners to handle domestic matters, including regulatory approvals for their joint projects. Specifically, foreign investors in joint ventures rely on their local counterparts to deal with the acquisition of licenses while foreign investors provide financial and technological contributions (Heinrich, Kusznir, and Pleines 2002, 496). Relatedly, local partners are responsible for obtaining political approval for the construction of greenfield hydrocarbon plants, dealing with Indigenous communities, and following regulatory guidelines. Even though Chinese investors distance themselves from day-to-day management of the company, they are still impacted by the local conditions and regulations, including property rights.

Property rights – especially, land ownership - are a significant factor in Russia's extractive industry as they determine which stakeholders can influence extractive projects. In Russia, land and sub-surface resources are owned by the state and cannot be purchased (Fondhal and Poelzer 2003; Stammler and Forbes 2006, 54). Although Russia has private property provisions for land ownership, the government retains ultimate power to redistribute the privatized land provided it compensates those individuals that had to relocate. Since the state owns the land, it is free to redistribute it to the extractive companies (sometimes even without consultation with the Indigenous groups and landholders) (Novikova 2008). Land redistribution, in turn, impacts Indigenous rights in Russia.

Indigenous rights are enshrined in the federal laws that provide a set of protections for Indigenous groups against the extractive industry. Russia has two[52] legal statutes that protect Indigenous groups' right to land – "On Guarantees of the Rights of Indigenous Peoples of the Russian Federation" (Federal Law No. 82-FZ 1999) and "On the Territories of Traditional Nature Management of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation" (Federal Law No. 49-FZ 2001). The former law stipulates that the government will protect lands and natural resources inhabited by the Indigenous groups (1999, Article 5-2) and will compensate for any damages to natural habitat caused by the industrial activities and resource extraction (Federal Law No. 82-FZ 1999, Articles 5-11 and 8-8). The latter law also stipulates that any land expropriated from the Indigenous groups by the government will be compensated for by another land plot of an equivalent value (Federal Law No. 49-FZ 2001, Article 12). These protections should, in theory, provide a legal basis for Indigenous groups to influence the extractive activities and relatedly foreign investment inflows into new extractive projects.

Legally, Indigenous groups are entitled to land and natural resources located within their territories (Obshchinas) free of charge for eternity (or until the land is repossessed by the government) (Fondhal and Sirina 2006, 64). Although Indigenous groups can register tracts of

[52] Some scholars, such as Tomaselli and Koch (2014), identify three laws that protect Indigenous rights to land in Russia. The third of these laws – "On General Principles of Organization of Obshchina of Numerically Small Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation" is however too broad for the purposes of my work and therefore I do not include it into the main discussion.

land which they occupy, registration is often costly and may conflict with a migratory lifestyle practiced by the Indigenous groups (Yakovleva 2014, 163). Therefore, multiple groups live on unregistered land that is not protected by property rights. Without property rights, Indigenous rights "remain in limbo" (Overland 2009). In the absence of property rights to the traditional territories, Indigenous groups are at the mercy of the Russian state. In this situation, the government reserves the right to dispossess the land from Indigenous groups based on the principle of "state need" in exchange for relocation and monetary compensation (Yakovleva 2014, 63; Fondhal and Sirina 2006, 64; Tomaselli and Koch 2014, 15).

In Russia, government's interests often align more closely with the interests of the extractive companies than with those of the Indigenous groups. This alignment of interests benefits foreign investors involved in the hydrocarbon industry. As Yakovleva (2014) proposes "[t]oday, the Russian extractive industry, supported by state policies and underdeveloped regulation, has no incentives to deal with Indigenous peoples' concerns in resource extraction projects" (168). Furthermore, the rights of the Indigenous people are restricted by the applicability of the laws focused on indigenous groups. Laws designed to protect Indigenous rights to property are only applied to Indigenous groups that meet the following criteria: a) the groups are under 50,000 individuals; b) reside in places of traditional residence; c) are engaged in traditional economic activities; and d) self-identify as a distinct ethnic community (Federal Law No. 82-FZ 1999). If an Indigenous group does not meet these criteria, none of the protections identified earlier can be used to safeguard their rights to land. Furthermore, laws themselves do not restrict extractive development as we can see in the law on "Territories" (2001; Article 13).

Federal laws that protect Indigenous people are also restricted on the ground. Therefore, domestic and foreign investors seldom worry about the needs of Indigenous groups. In their analysis of legal provisions related to indigenous groups, Gladun and Ivanova (2017) find that Russia's current system of laws and legislations is fragmented, which makes it "impossible [for Indigenous groups] to implement the declared rights" (142). This is further complicated by the government's inability to enforce the outlined rules and the existence of gaps in these rules (Stammler and Peskov 2008, 837; Fondahl and Poelzer 2003, 114). Moreover, scholars note that Indigenous rights that are written into the Russian Constitution can be reinterpreted in any way the government chooses (Vinogradova 2012, 60; Novikova 2008, 29), which defeats their purpose. Multiple studies note that the rights are poorly implemented, lack clarity, and remain uncoordinated (Vinogradova 2012; Tomaselli and Koch 2014; Gladun and Ivanova 2017, 138). Given that formal institutions are ineffective, Indigenous groups rights find it difficult to use legal avenues to enforce their rights against extractive companies.

The last element of the institutional framework, the legal system at large, may be a stumbling block for the stakeholders trying to influence the decisions regarding new projects in the hydrocarbon sector. Courts are weak in Russia as they are influenced by political actors, suffer from impartiality, and lack enforcement capacities (BMI 2009, 92). Hendley (2009), a scholar of the Russian legal system, refers to the Russian system of laws as "dual". On the one side, it resembles the independent rule of law, while on the other, it is driven by a political power, where the government interferes in legal cases and restrains judiciary independence (one

example of this is known as "the telephone law", where the government can call the judiciary to influence a decision) (257-258). In the oil and gas industry, scholars question legal reach and integrity, citing abuse of environmental protection laws, ambiguous tenders, and selective law enforcement (Keeping 2007; Overland 2011). Weaknesses of the legal system in protecting private property rights have negatively impacted companies operating in Russia because these firms face corruption and corporate raiding, as demonstrated by the case of Yukos (Elzenstat 2016). In this instance, predictability and stability for domestic and foreign actors operating within the Russian regulatory system is not guaranteed. Thus, I propose that Chinese investors may be at the mercy of specific state-corporate alignments that may shift at any moment.

## Stakeholders

The last factor in my theoretical model is captured by the four sets of stakeholders – the Russian government, businesses, civil society actors, and Indigenous groups – and the associated sets of licenses – political, social, and market. Each of these stakeholders plays a role in influencing Chinese FDI, with some playing a more influential role than others. The objective of this section is to identify the role that each stakeholder plays in the governance of the oil and gas industry and to trace the impact that they jointly have on Chinese FDI. By analyzing the power that each group wields in shaping executive decisions to regulate foreign investment in the hydrocarbon sector, we will be able to understand which groups of actors play a central role in influencing the ability of Chinese SOEs to participate in the Russian hydrocarbon sector.

The dynamics of power are important in the stakeholder theory as some stakeholders are better able to organize and defend their interests than others. The state is regarded by scholars as the most powerful stakeholder given that it can alter the legitimacy of other stakeholders and influence their interactions (Olsen 2017, 71). In Russia, the state's power is reinforced under state-capitalist framework, which I discussed in the earlier section. Under this framework, the state can singlehandedly influence the success rate of Chinese SOEs' in Russia by either providing or withholding a political license. On the premise of state capitalist relations of power, businesses play a secondary role in influencing Chinese SOEs' participation in the hydrocarbon sector by extending the market license. Although other stakeholders may be marginalized by the distribution of power, they still play a limited (but in some cases growing) role in influencing Chinese FDI. The importance of other stakeholders rises when greenfield hydrocarbon projects are large and attract global attention, which elevates the importance of social license to operate. In this section, I examine the proposition that Chinese FDI is primarily influenced by the state and corporate actors with some input from the civil society.

### The Russian Government

The federal government is a key decision maker (and the only veto player) in the Russian hydrocarbon sector as it drafts regulatory statutes and pursues high-level inter-state diplomatic relations with China. Although Russia is a "democratic federal law-bound State with a republican form of government" under the Constitution of the Russian Federation (1993), the federal government wields the majority of political power. The government gained this power by stripping the provinces and regions of political power and reducing them to an advisory role

(Poussenkova and Overland 2018, 266). Unimpeded by other sources of political power, the federal government can unilaterally grant a political license to new greenfield hydrocarbon projects and shape foreign investment through regulatory institutions. The centrality of the Russian government in the stakeholder politics suggests that Chinese engagement in the Russian hydrocarbon sector will be predominantly determined by the interests of policymakers and high-level officials, who can shape the regulatory apparatus and influence other stakeholders.

The expanding role of the Russian government in the hydrocarbon industry is supported by the ideology of resource nationalism that rose to popularity in the mid-2000s as a result of growing commodity prices. As the strategic value of energy increased, Putin took it upon himself to manage the energy sector. His central role is evident from the annual meetings between the President and the heads of national and private oil corporations. It appears that the President uses his political power to exert control over the oil industry. Scholars suggest that the government exercises control over energy companies via fiscal and political resources, including taxation policy and bureaucratic red tape (Perović and Orttung 2009, 124). The government's relations with the market actors appear to overpower any formal institutional arrangements, where the government has the ability to reshape any regulations that do not fit its agenda.

Under this system, the President and his cabinet shape the dimensions of Sino-Russian collaboration in the energy sector, which appears to be a top-driven process, designed by high-ranking officials, and implemented during high-level meetings. Given that in Russia the government is highly centralized, high-ranking officials, such as the President and the Prime Minister, hold the ultimate power to shape investment decisions (Canadian Security and Intelligence Service 2010). This allows for a prompt response to geopolitical shifts, such as the Western sanctions imposed in 2014. The Western sanctions against Russia are targeting some of the large oil and gas producing companies in Russia, which undermines their ability to access Western technology and finance. These sanctions, according to Mark Gyetvay, CFO and Deputy Chairman of Novatek, have "provided the necessary catalyst for Russian policy-makers to …pivot to the Asian markets…[which] will accelerate economic cooperation and investment opportunities to Chinese companies" (2016 interview with the author).

The reorientation from the West to the East was clear from Putin's announcement that "there are no restrictions" for Chinese investors in the oil and gas sector, even though Russia is "very careful about letting in…foreign partners" (Chazan 2014). Putin's statement reveals that by strategically responding to changing political and economic factors, the Russian leadership charts the path of Chinese engagement in Russia's hydrocarbon sector by providing an agenda and model for collaboration that can be adopted by the companies on the ground.

### Corporate Actors

Corporate actors are the second most important stakeholders in Russia that can influence participation of foreign firms in the hydrocarbon sector. In Russia, there are two types of corporate actors engaged in the oil industry – private and state-owned oil corporations (often referred to as national oil companies or NOCs). Lukoil and Novatek are two of the largest private oil companies that precede over multiple important projects in Russia, while Rosneft, Transneft

and Gazprom are the best known NOCs in Russia. Their relative influence over the Russian oil sector has shifted over time due to a process of liberalization that occurred in the 1990s and subsequent renationalization in the 2000s. These two economic processes have reshaped state-corporate relations as I have explained in the section on informal institutions. Since the 2000s, NOCs have begun to expand their market power at the expense of private oil companies. These changes in the distribution of power have confused foreign investors in Russia and affected the inflow of FDI into the Russian hydrocarbon sector from China and other countries.

Renationalization of the oil industry in the 2000s produced a new set of corporate-state arrangements under which the government's control over the industry grew. The renationalization process was designed to undermine political and economic power amassed by the Russian oligarchs (Perović and Orttung 2009, 123-124). As part of the renationalization effort, Russia restructured its hydrocarbon industry, which left the hydrocarbon sector fragmented along the lines of private companies and NOCs[53] both with allegiance to the regime in power. Several private companies, including Yukos, were bought up by the NOCs (Eder, Andrews-Speed and Korzhubaev 2009, 223). The government also reinforced Transneft's monopoly over the oil pipelines in Russia and Gazprom's monopoly over the distribution of natural gas (Eder, Andrews-Speed and Korzhubaev 2009, 223). This process has brought into power a new group of actors – *siloviki* – who are former officials of the Russian security services, such as the KGB (Overland 2011). As *siloviki* are closely tied to the state, they aspire to expand state's interests in the hydrocarbon industry by turning NOCs, such as Rosneft, into powerful oil companies (Overland 2011). Igor Sechin, a former Deputy Prime Minister of Russia and current CEO of Rosneft, is one of the leading *siloviks* in Russia today.

Renationalization produced a new set of hybrid institutional arrangements. The hybrid model of governance in the hydrocarbon sector was more suitable for the Russian institutions, where NOCs were used to "remedy/substitute for the shortcomings of the market institutional arrangements" replacing the market mechanisms, such as contractual relations, through "the personalization of relations between the heads of the state-owned companies and those in power in Russia" (Locatelli and Rossiaud 2011, 11). Close state-corporate connections give corporate actors preferential access to the Russian government and allow them to shape policy. In this way, corporate actors are taking on a policymaking role, where they can lobby the government on behalf of their industry. This is best illustrated by the political power of Igor Sechin who is sometimes regarded as the "grey cardinal" of Russia because he amassed a substantial political influence that allows him to shape energy policy (Fory 2018). Scholars propose that Sechin uses his political power to alter regulations pertaining to the oil industry, yet his position on the issues is complicated by his divided allegiance as a CEO of an energy company and a government employee (Locatelli and Rossiaud 2011, 15).

[53] Today, Russian oil and gas sectors are home to 301 corporations, with Rosneft, Lukoil, Surgutneftegaz and GazpromNeft as the top producers, which have produced around 71 per cent of total energy output in 2013 (IEA Russia, 2014, 138-139). Although private companies remain in the hydrocarbon sector (such as Novatek and Lukoil), majority of the oil and gas production is in the hands of large state-owned enterprises, like Rosneft and Gazprom.

Ultimately, close state-corporate relations that have emerged in the aftermath of renationalization of the oil industry have led to close collaboration between corporate actors and policymakers in shaping the hydrocarbon industry through regulations. Given the interdependence between corporate and political actors, Chinese investors have to interact with both to negotiate the terms of their investment agreements. This may have positive consequences for Chinese SOEs as they may obtain a commitment from both market actors and the state and thus acquire both market and political license at the same time. In both cases, Chinese investors must be prepared to accommodate the interests of the government and its NOCs during the negotiations.

### Civil Society

In resource-rich countries, civil society can play the role of a watchdog that protects the local environment and society from undesirable investment in the hydrocarbon sector. In this process, civil society may withhold social license to operate from non-compliant businesses. However, in Russia's case, civil society often plays a minor role in the decision-making process as it is subsumed under the apparatus of the Russian state (Sundstrom and Henry 2016). Scholars examining environmental groups in Russia note that their numbers increased over time, yet the number of protests staged by these groups has declined, and their impact on political decision-making remains low (Henry 2016; Poussenkova and Overland 2018). At the same time, their monitoring capacity remains underdeveloped, which makes them less effective in championing environmental interests on behalf of the broader population (Henry 2016; Poussenkova and Overland 2018). One of the reasons for their limited influence is their dependence on the financial support from the government (Sundstorm and Henry 2016). Since civil groups are financially dependent on the government, they may be afraid to pursue any activities that may jeopardize their stream of revenue and are therefore unlikely to speak against Chinese FDI that has obtained the political and market support (or licenses) from the state and NOCs.

Russian civil society groups find it increasingly difficult to rely on international finance to support their activities under the Russian legislation. In 2012, the Russian government passed a law "On Amendments to Legislative Acts of the Russian Federation regarding the Regulation of the Activities of Non-profit Organisations Performing the Functions of a Foreign Agent" to prevent Russian NGOs from accessing international finance. Under this new law, NGOs that rely on foreign finance to support their activities must register as "foreign agents" (Poussenkova and Overland 2018, 271). This new law makes it difficult for foreign-funded NGOs to operate in Russia. Analyzing the impact of this law on NGOs' activities in Russia, scholars posit that it has negatively impacted NGOs as it reduced their activities and increased their reliance on the government's funds (Crotty, Hall, and Ljubownikow 2014). Any NGOs that want to remain effective now have to rely on the Russian government and companies to support their activities (Poussenkova and Overland 2018, 271). Ultimately, the law has reinforced the government's power over NGO activity, which will likely lead to fewer protests against activities supported by the state.

Although Russian civil society is underdeveloped and faces financial constraints, it had some success in boycotting certain projects in the hydrocarbon sector. Russian civil society

groups have launched a successful protest against Yukos' plan to build a pipeline around the Lake Baikal, which would have endangered the freshwater sources if the proposed pipeline leaked (Javeline and Lindermann-Komarova 2010). However, this case is one of a few exceptional success stories as local resistance against hydrocarbon projects remains limited. Instead, locals try not to disrupt government's projects, unless they are directly harmed by the extractive activity. In light of this, Russian citizens may be perceived as "passive" observers that participate in information sessions, yet have little influence over corporate activities in the extractive sector (Poussenkova and Overland 2018 281-283; Overland 2018, 8). Nevertheless, some scholars posit that the Russians are generally not supportive of foreign engagement in the hydrocarbon sector (Poussenkova and Overland 2018, 282). Despite this fact, civil society appears to act as a passive observer rather than an active participant in the Russian politico-economic system.

Even if civil society actors wanted to influence Russian decision-making on the issue of Chinese FDI, their response would have been likely supportive of closer engagement with China despite their general opposition to FDI in the hydrocarbon sector. A public survey carried out by the Yuri Levada Analytical Center indicates that the majority of Russian residents surveyed by the Center were generally supportive of growing Sino-Russian alliance. Cross-regional survey of 1600 people indicates that Russian citizens perceive China as one of Russia's closest allies with 34 per cent of respondents choosing China as the closest ally of Russia (Levada 2016). Additionally, the majority of respondents (61 per cent) indicated that they are generally supportive of China (Levada 2016). In fact, it seems that Russia is one of a few states whose perception of China has been largely positive and slightly improving over time as Figure 6.1 indicates (Pew Research Center 2016). A positive perception of China does not guarantee that Chinese FDI will be successful in Russia, as multiple experts indicate that Russia is still afraid of China's takeover of its domestic assets (Eder 2016). Nonetheless, the data suggests that the opposition to Chinese FDI will unlikely jeopardize specific hydrocarbon projects where Chinese SOEs decided to participate.

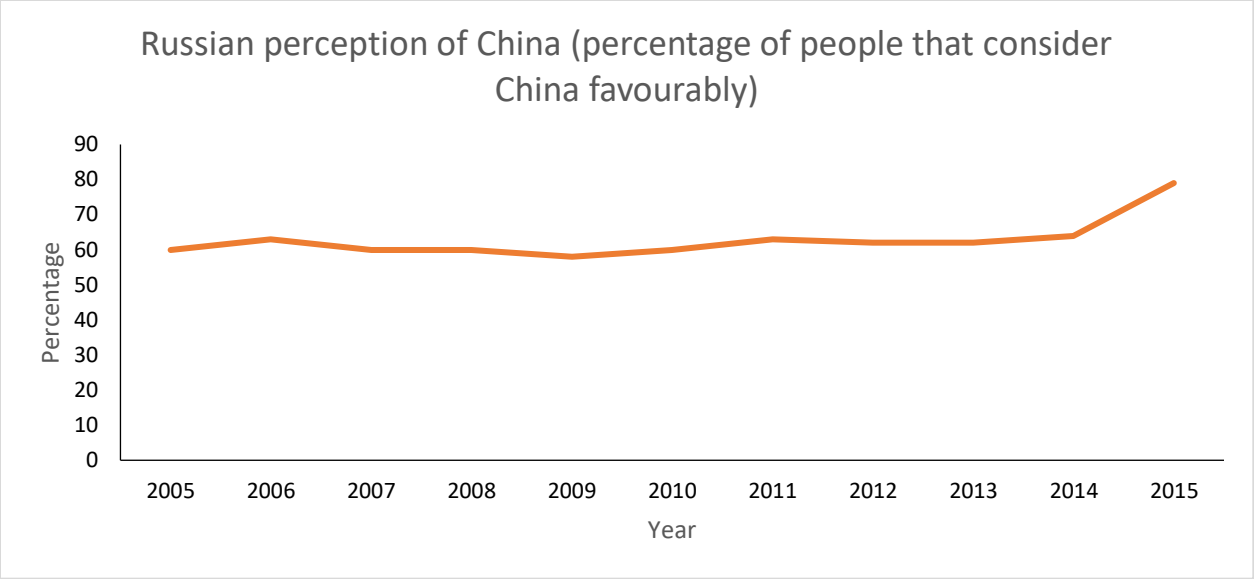



*Figure 6.1: Russian perception of China (percentage of people that consider China favourably) (Pew Research Centre 2016)*

## Indigenous Peoples

Like the civil society groups, Indigenous communities residing in the Russian Federation lack systemic power to influence domestic extractive projects and by extension Chinese engagement through FDI and loans. Russian Indigenous communities appear to be systematically "marginalized" in the decision-making processes pertinent to the extractive industry in Russia as the current policy fails to safeguard "traditional natural resource use" (Yakovleva 2011, 710). Additionally, the Indigenous participation in the discussions related to new projects is limited as the processes of consultation and accommodation are weakly embedded in the Russian corporate and political culture/institutions. Observers note that extractive projects may be approved without informed consent from the Indigenous communities (The Committee on the Elimination of Racial Discrimination 2017, 5). Likewise, Indigenous access to consultation has also been restricted by the costs of participation, insufficient information, and knowledge discrepancy (i.e. Indigenous groups may not be familiar with the standards and practices of the extractive industries) (The Committee on the Elimination of Racial Discrimination 2017, 14). This is partially a result of power discrepancy between indigenous groups and state-corporate alliance that I noted in the section on regulatory institutions.

The regulatory framework, which was discussed earlier in this chapter, has not reinforced Indigenous rights. Therefore, the "ability [of] Indigenous groups to stop [extractive] projects appears [to be] limited" (Fondahl and Poelzer 2003, 118). Given Russia's economic dependence on the oil and gas sector, the government often prioritizes extractive industries over the interests of Indigenous groups. Thus, the Russian government provides companies with a license to operate and supports their activities (Stammler and Wilson 2006). In evaluating the role of Indigenous groups in the extractive projects, Tomaselli and Koch (2014) even go so far as to argue that Indigenous groups become "victims of prioritised industrial interests" (16). Given that

Indigenous groups are weakly protected by the legal system, they have learned to rely on themselves to champion their interests.

Indigenous groups have created multiple NGOs to advocate on their behalf. Although these NGOs initially had some success in influencing a few energy projects in the past - rerouting of the ESPO pipeline away from the Lake Baikal is one example of this success -, today their hands are tied. As mentioned earlier, since the passage of the law that targets NGOs with foreign funding, NGOs advocating for the rights of Indigenous groups had to adapt their activities to the changed rules of the game. Multiple NGOs agreed to cooperate with the government and became Government-Organized NGOs (GONGOs) as they lost their independence (Stammler and Forbes 2006, 56; The Committee on the Elimination of Racial Discrimination 2017, 5).

The new NGO law has reduced the capacity of NGO groups to launch campaigns against extractive industries. Empirical evidence reveals that NGOs are under tight control of the state authorities. For example, one of the largest indigenous-led NGOs in Russia, The Russian Association of Indigenous Peoples of the North (RAIPON), had to briefly stop its activities before re-emerging with a new pro-governmental leadership (see: Tomaselli and Koch 2014). If NGOs resisted collaborating and retained their foreign support, they were subjected to closer monitoring (The Committee on the Elimination of Racial Discrimination 2017, 5). Reports by The Committee on the Elimination of Racial Discrimination disclose that multiple members of NGOs were harassed or sent to exile (The Committee on the Elimination of Racial Discrimination 2017, 5). In light of these factors, Indigenous-led NGOs are often unable to champion Indigenous interests and by extent to challenge the extractive projects.

As preliminary analysis suggests, Indigenous groups are not systemic players in the Russian hydrocarbon sector, as opposed to the Canadian case. These groups lack the power to influence decisions made by corporate and political actors in the extractive sector. Instead, the institutional environment privileges government's interests that often align with the interests of the extractive companies, rather than with those of the Indigenous groups. Therefore, a social license that Indigenous groups can withhold from the extractive companies is trumped by the political and market licenses in Russia. The inability of Indigenous groups to influence decision-making in the extractive sector rests in part on the set up of the regulatory institutions, which I have discussed in the earlier section. Ultimately, under the existing conditions, it seems that Chinese SOEs and other foreign investors are unlikely to face strong opposition from Indigenous groups that mat lead to a possible cancellation of a proposed hydrocarbon project.

### What can we learn from Bringing All Actors Together?

In the Russian case, the distribution of power privileges the interests of the state and the NOCs over civil society and indigenous groups. As I noted in this section, this produces a top-driven system where a foreign investor will succeed in pursuing his investment if he/she obtains a political and market license. Thus, Chinese SOEs that aspire to invest in Russia may find it easy to operate in the Russian hydrocarbon sector if they succeed in obtaining a political and market license. Under this system, the social license to operate, extended by indigenous groups and civil society actors, becomes a secondary concern for foreign investors. However, as I noted

in the earlier section, for larger hydrocarbon projects that are closely monitored by the international community social license to operate becomes an important consideration. To obtain the social license to operate, Chinese SOEs often rely on their Russian counterparts as Chinese investors only control a minority of shares in the Russian oil and gas projects. Furthermore, Chinese SOEs may participate in the hydrocarbon projects indirectly by providing loans or signing long term supply agreements, which expands the options that SOEs have to successfully engage in a desired project. Under this system, greenfield versus brownfield investment distinction is less important as domestic oil companies and the state take it upon themselves to obtain a social license from civil society.

Unlike in the Canadian case, Chinese SOEs are more certain that their investment will proceed if they obtain political and corporate support. However, one should not assume that the system produces a stable investment environment as the uncertainty arises from a possible shift of state and corporate interests as we have observed in the case of the IOCs. As noted earlier, Russian stakeholders also interact with the institutions as the power differential is embedded within a state capitalist model of economic governance. Under this system, the state amasses a majority of power and redistributes it to its preferred companies. Similarly, flexible regulatory institutions entrench the interests of the most powerful actors in the society and marginalize civil society and indigenous groups. In this case, the ability of Chinese SOEs to successfully acquire companies in the Russian hydrocarbon sector is based on the support from the Russian government and NOCs.

## Conclusion: Building a Theoretical Model

This chapter applied the general theoretical framework to fit the Russian case. As in the Canadian case, the model starts from the inter-state variable, which influences stakeholder's receptiveness toward Chinese SOEs. In doing so, it affects the timing of the SOE's participation in the Russian hydrocarbon sector. As I noted in this chapter, historically, Russia has developed close bilateral and energy relations with Europe that led to bilateral trade and investment integration. The strong inter-dependence that has developed between the two countries has made it harder for new investors to come in. However, as tensions between Europe and Russia have begun to grow and Europe has begun to diversify its energy imports, Russia turned Eastward. In the "Pivot to the East" initiative, introduced in 2013, the Russian government has declared its intentions to create closer energy relations with Asia. As I illustrated in this chapter, Russian bilateral relations with China have been cautious due to historical tensions and mistrust that continue to limit bilateral energy trade and investment between the two sides. Nonetheless, some scholars perceive that Sino-Russian bilateral relations today are closer than ever, which motivates the inflow of Chinese FDI (Røseth 2017). As the inter-state variable influences stakeholder responsiveness toward foreign investors and financiers, it accounts for the timing when Chinese SOEs became successful in Russia. However, when this variable is considered by itself, the variable fails to account for why Chinese FDI was successful.

Informal and formal institutions provide a partial answer to why Chinese SOEs were successful in the Russian hydrocarbon sector. Informal institutions, such as state capitalism and resource nationalism, indirectly shape the activities of political, social, and economic actors in

Russia, who in turn determine the success of Chinese SOEs in Russia. Resource nationalism is an important element of the ideological variable on the basis of which the Russian government (with the support of NOCs and other private companies) exercises upper hand over the oil industry. This variable is reinforced by state capitalist system that privileges state's interests over those of other stakeholders. Informal institutions then percolate into formal institutions.

We can observe the influence of resource nationalist ideology on the formal (regulatory) institutions, such as the investment screening regime. As noted earlier, Russia's investment screening mechanism determines if the investment will be allowed to proceed. The "Strategic Industries Law" implemented by the Russian government in 2008 limits foreign ownership of strategic assets. For Chinese investors, this means that they will need to obtain the approval of the Russian government to acquire above 5 per cent shares in a Russian energy company. The system is thus ideologically biased against FDI in the energy sector, even though Russia requires FDI to develop new energy fields (*Energy Strategy of Russia* 2010). Property rights are the second set of regulatory institutions that shape investment in the Russian hydrocarbon sector. In the Russian case, property rights and legal system remain weak and underdeveloped, which allows powerful stakeholders to influence regulatory institutions at the expense of other groups. Furthermore, Russian NOCs often take on responsibility for addressing the property rights as SOEs are only able to acquire minority stakes in the Russian hydrocarbon projects. In light of this, NOCs may become de-facto informal regulators of foreign investors as these investors blend in with the NOCs post-acquisition.

Stakeholders are the final factor in my theoretical model. In Russia, the dominant stakeholders that influence Chinese FDI are governmental actors and corporate players. As noted earlier, Sino-Russian cooperation in the energy sector is very formalized and top-driven process. Agreements on energy are signed by the high-ranking officials representing the two states and by the corporate actors selected to implement government's energy strategy. In this way, energy-related investment, trade, and loans provided by China to Russia are concluded at the top-level, where political and market license influence Sino-Russian energy investment. As I illustrated in this section, other stakeholders, such as Indigenous groups and civil society actors, lack power to influence political and economic decisions as they are weakly protected by the regulatory and politico-economic institutions that privilege state-corporate relations over the state-society ones. In light of this, social license to operate becomes a secondary concern for foreign companies operating in Russia.

The final model, captured in Figure 6.2 suggests, that SOEs' participation in the Russian hydrocarbon sector will follow the agenda of corporate and political players. As noted in the earlier sections of this chapter, regulatory institutions play a secondary role in shaping Chinese FDI as the government has left loopholes in the existing regulatory institutions that allow policymakers to pursue their interests. The government has also monopolized its control over some of the key regulatory institutions. For example, the investment screening mechanism is chaired by the Prime Minister of Russia accompanied by other Ministers, who decide whether to permit foreign investors to invest in the Russian hydrocarbon sector. If the Russian government supports a given foreign investor, the investor will face few obstacles as property rights and legal institutions are weak and unable to overturn the government's decisions. While this makes it

easier for foreign investors supported by the Russian government and NOCs to invest in the Russian hydrocarbon sector, it also increases political and economic risks of this investment as any foreign investor may lose either political or market license to operate, thus jeopardizing his/her business in Russia. From this model, we may conclude that Russia's flexible institutions allow for the accommodation of the interests of powerful figures from the government and corporate sector, who ultimately influence FDI in the hydrocarbon sector.

This model captures all of these complex relationships through a set of simple figures. The blue boxes depict stakeholder politics and formal institutions. The former also includes the three sets of licenses – political, social, and market -, while the latter focuses on investment screening mechanisms. The orange oval depicts inter-state relations that shape the inflow of Chinese FDI into the Russian oil and gas industry and, as noted earlier, influences stakeholders' receptiveness toward this type of investor/financier. The turquoise-coloured oval represents ideology (or informal institutions) that in turn shapes stakeholder politics. Unlike in the Canadian case, the relationship between formal institutions and stakeholder relations is flipped given that a majority of the large-scale oil and gas-related contracts are pre-negotiated by the political leaders even before they are reviewed by the formal institutions.

On the basis of this model and evidence presented in this chapter, we can derive three theoretical expectations that will be tested in the subsequent chapter. First, looking at the inter-state variable, one can theorize that Chinese participation in the Russian hydrocarbon sector will expand in the aftermath of Russia's conflict with the West. Second, I propose that informal institutions – resource nationalism and state capitalism – will place limits on foreign investors' participation in the hydrocarbon sector but will favour China's investment and loans if they follow the agenda of resource nationalism and support re-nationalization of the oil and gas sector in the hands of the Russian NOCs. Lastly, stakeholder politics will be dominated by the regime in power as in Russia political license currently subsumes social and market licenses. Relatedly, formal institutions are expected to play a weaker role in shaping Chinese FDI in the Russian hydrocarbon sector. One important note about the Russian model, which makes it unique, emerges from the terms of participation that foreign companies may choose to engage in the Russian hydrocarbon sector. To elaborate, foreign companies may provide loans or sign long-term supply contracts if they are unable to invest in a project. By doing so, they avoid some of the restrictions noted in the general model.

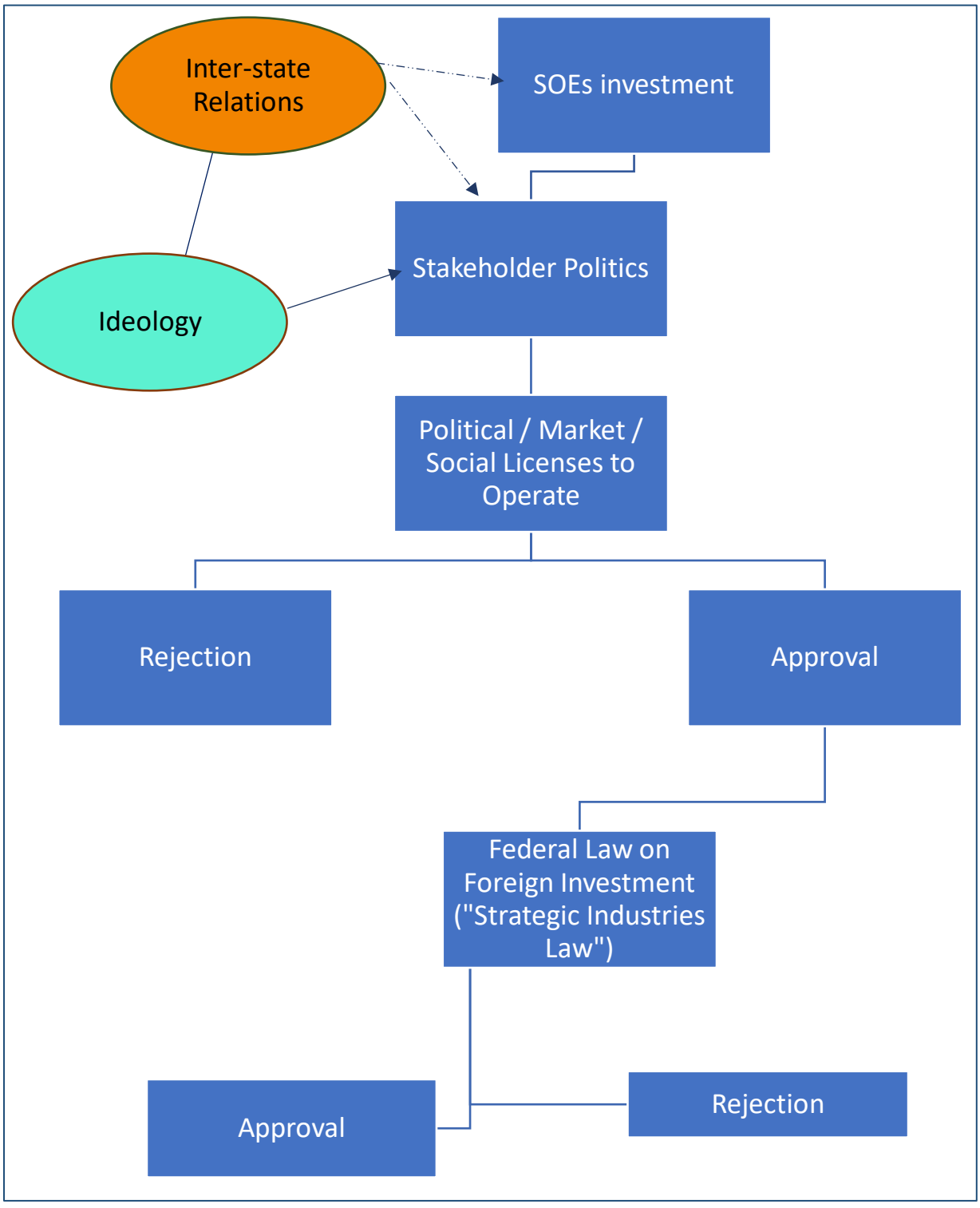



*Figure 6.2: Model of SOEs Engagement in Russia*

# Chapter 7. Chinese Corporate Players in Russia: Navigating Complex Institutional Environment

## Introduction

Operating in the Russian hydrocarbon sector is not an easy task for a foreign investor, yet Chinese SOEs have managed to establish their presence along the hydrocarbon chain from the production to transportation stages. Chinese engagement in Russia is also multifaceted as it combines financial support (usually loans) with FDI and long-term supply contracts. SOEs' engagement strategy is also adaptable as Chinese investors adjust their strategy to the needs of different projects. This leads one to wonder why do these differences in engagement strategy occur and why have Chinese SOEs been able to integrate themselves along the hydrocarbon supply chain in Russia? And, more importantly, why were Chinese SOEs quite successful in participating in the Russian hydrocarbon sector since the mid-2000s? I argue that this can be explained by the interests of the Russian state and corporate stakeholders involved in the projects as they interact with domestic institutions in a way to enable Chinese SOEs' participation in the Russian hydrocarbon sector.

In this chapter, I analyze how powerful stakeholders in Russia determine Chinese engagement in specific hydrocarbon projects. I focus on three cases of Chinese engagement: a) Sinopec's investment in Udmurtneft, an oil producing company in Udmurt Republic which was previously owned by the TNK-BP joint venture; b) Chinese investment and loans in Yamal LNG, which is a greenfield natural gas liquefaction plant in the Yamal Peninsula; and c) Chinese 'loan-for-infrastructure' granted to Transneft and Rosneft to build the ESPO pipeline from the Irkutsk Oblast to Primorsky Kraj in the Far East with a spur to Daqing, China. All of these cases are examples of successful participation of Chinese SOEs in the Russian hydrocarbon sector. The focus on the successful cases is driven by the data availability, where the ESPO and Yamal LNG are the only available projects of their kind where Chinese SOEs have declared an interest to invest. Focusing on these case studies, I propose that Chinese SOEs have been relatively successful in these projects despite structural and political constraints placed on their engagement in the Russian hydrocarbon sector.

To advance my argument, I will discuss each of the three cases in detail with a specific focus on stakeholders and regulatory institutions that have determined the fate of individual projects. Before jumping into a discussion of individual projects, I will outline other investments made by Chinese and non-Chinese investors in the Russian hydrocarbon sector. Subsequently, I will analyze the dynamics of individual cases starting with Sinopec's acquisition of Udmurtneft by focusing on the politico-economic and regulatory factors of each case. I will proceed by discussing CNPC's and Silk Road Fund's investment in Yamal LNG, along with the loans provided by Chinese banks to this project. Finally, I will examine Chinese loans granted to Transneft and Rosneft at the time of ESPO's construction. In each of these cases, I explore stakeholders that interact within the corporate space shaped by the political, economic, and regulatory institutions.

## Situating Chinese FDI in Russia

Chinese SOEs are relatively new players in the Russian hydrocarbon sector. In the late 1990s/early 2000s, Chinese SOEs were unable to enter Russia's hydrocarbon sector as their early attempts to invest in Russia were blocked by a broader ideational/institutional shift toward renationalization, which created a period of uncertainty for foreign investors, which made it difficult to acquire assets in Russia. The process of renationalization has impacted collaboration between Chinese SOEs and the Russian private oil company, Yukos. The Yukos-CNPC partnership was premised on oil deliveries to China in the late 1990s and continued to expand until Yukos was nationalized in 2003/2004 (Eder, Andrews-Speed and Korzubaev 2009, 222). In general, renationalization had a negative systemic impact on foreign investment, as foreign investors were blocked from participating in Russia's hydrocarbon sector at the time (Øverland 2011; Yilmaz and Daksueva 2017); foreign investors that were already in Russia began to exit and new investors were very cautious about entering Russia. Thus, the process of renationalization of the hydrocarbon sector made it difficult for foreign companies to operate in Russia.

The entry of Chinese SOEs coincides with a growing conflict between IOCs and the Russian actors. The conflict spiked during Putin's second administrative term that lasted from 2004 to 2008, which coincided with the renationalization of the oil industry (Overland 2011, 136). Based on TNK-BP's experience in Russia and activities of other foreign investors in Sakhalin II, Overland (2011) argues that the Russian state targeted IOCs by using legislation, such as environmental statutes and production quotas, to evict foreign investors from the hydrocarbon sector (138-148). Overland (2011) describes this as "selective law enforcement", where the state manipulates laws to serve its objectives (148). As part of this selective enforcement TNK-BP and foreign companies, involved in the development of Sakhalin II, were forced to sell their assets to the Russian companies and flee. IOCs thus became victims of renationalization that occurred at a time of rising oil prices – a common trend identified in the scholarship on resource nationalism (Bremmer and Johnson 2009; Vivoda 2009). Although Russia closed its doors to Western investors, it has opened them to investors from other countries, including China, after the transition period ended. The renationalization of the oil sector thus made it easier for Chinese SOEs to enter Russia as they enabled Russian NOCs to regain ownership of oil and gas assets by financing the acquisition of Western-controlled hydrocarbon assets in Russia.

The second factor that limited Chinese engagement (in the early stages of its investment in Russia) is stakeholder opposition. Stakeholders were especially worried about Chinese investment in the strategic industries. First few attempts by Chinese investors to acquire hydrocarbon assets in Russia in 2002/2003 were blocked by the Russian government and corporate players. The first failed attempt was made by CNPC in 2002 when it tried to acquire Slavneft. CNPC's bid for Slavneft was blocked by the Russian duma, which voted against Chinese investment in the Russian hydrocarbon sector (Bellacqua 2010). Even though CNPC offered a higher bid than the other firms, a political coalition voted against Chinese acquisition to prevent CNPC from acquiring a majority of shares of the Russian company (Kong 2009). To

elaborate, the Russian Duma sided with Oleg Morozov, who emphasized that Slavneft is a "large and profitable company" and should not "go to a foreign owner" (Anonymous 2002).

The second example of a failed investment was CNPC's inability to acquire Stimul oil corporation in 2003. The dynamics of the CNPC's second failure had one important difference as CNPC gained permission from the Russian government to acquire Stimul. Stimul was previously owned by a consortium of Russian and Western companies - Gazprom's subsidiary Orenburggazprom (held 38.2 per cent), American Avalon International (owned 49 per cent of shares), and Victory Oil (owned 12.8 per cent). The latter two companies were owned by the Getty family, which decided to sell its shares in Stimul in the aftermath of their struggle to acquire export licenses required to sell oil products on international markets (Kommersant 2003; Kommersant 2004). The Getty family concluded a deal with the CNPC in 2003 agreeing to sell their shares in Stimul. Although CNPC gained permission from the Russian government to acquire Stimul in 2003, the deal was blocked by the Russian corporate players after Gazprom filed a lawsuit that compromised the deal (Kong 2009). This deal was subsequently annulled by the government under Gazprom's pressure. In the aftermath, the Getty family agreed to sell their shares to Gazprom and another offshore company[54] (Kommersant 2003; Kommersant 2004). The second attempted takeover illustrates the importance of the market license to operate.

These two failed acquisitions illustrate the importance of political and market licenses to operate in the Russian hydrocarbon sector. If a company fails to acquire support from the government or Russian oil companies, there is a higher likelihood that it will not be able to participate in the oil or natural gas projects in Russia. Although, after re-nationalization, a political license has begun to overshadow a market license, NOCs and private companies still retained a significant influence in shaping the dynamics of hydrocarbon projects as they had access to high-ranking policymakers, such as the President, whom they lobbied to implement favourable decisions. Stakeholder politics are also affected by ideological factors, such as Putin's decision to reorganize the oil and gas sector through a set of policies that enabled resource nationalization. In light of the renationalization of the oil and gas sector, corporate actors were unwilling to extend market licenses to new players at the time. Furthermore, as noted in the earlier section Sino-Russian political relations have only begun to grow in the mid-2000s, which explains why the Chinese SOEs found it difficult to invest in these two hydrocarbon projects.

Changing institutions and unwelcoming stakeholders, combined with the years of historical animosity and tensions, have resulted in a relative absence of Chinese FDI in the Russian hydrocarbon sector until the mid-2000s. Therefore, Chinese investment in Russia's oil and gas sector is a relatively new phenomenon. If one was to depict China's investment in Russia prior to the mid-2000s, one may note that it was virtually non-existent as it faced multiple constraints. Even though Sino-Russian energy trade grew in the 1990s and the early 2000s (Russian Ministry of Economic Development 2016), Chinese FDI was absent. Looking at Chinese investment from the mid-2000s to 2009, we grasp a different picture, one in which Chinese FDI has been slowly expanding. Finally, from 2010 to the present Chinese investment in

[54] This company appears to have transferred its shares to Gazprom after the deal (or could have been Gazprom's offshore subsidiary at the time, as the company is currently owned by Gazprom).

the Russian hydrocarbon sector has been expanding rapidly into new directions and grew in terms of its size. Putting these three temporal periods together we can observe three distinct stages of Chinese FDI in the Russian hydrocarbon sector: 1) a failed exploratory stage; 2) a learning stage of slow investment growth; and 3) an expansionary stage of growing investment ties. I have mapped Chinese FDI in the Russian hydrocarbon sector across these three stages on a timeline in Figure 7.1.

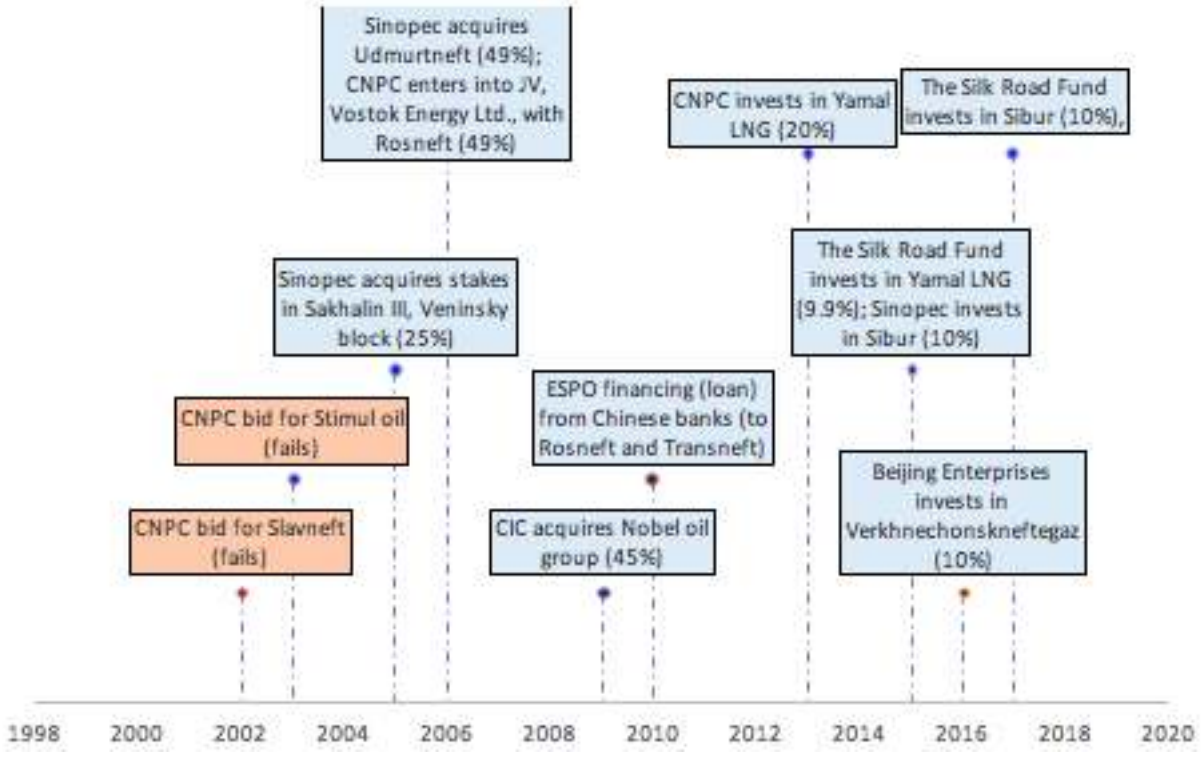



*Figure 7.1: Chinese Investments in the oil and gas sector in Russia*

The first successful Chinese investment in the Russian hydrocarbon sector occurred in 2005. During this year, resource nationalism was at its peak as the government seized multiple private corporations with links to foreign investors. As foreign investors left, it opened an opportunity for Chinese investors to enter Russia if they agreed to assist Russian NOCs in re-gaining their power over the hydrocarbon sector. In this way, I propose that China has aided Russia's nationalization efforts. This proposition is supported by the fact that Chinese SOEs (in partnership with Russian NOCs) took over businesses that belonged to the Western investors. In this way, Chinese SOEs helped Russian NOCs reassert their position in large-scale hydrocarbon projects previously co-owned by Western IOCs and Russian private oil companies.

Several deals that occurred in 2005, depicted in Figure 7.1, capture this trend. One of the first examples is Sinopec's successful acquisition of 25.1 per cent of shares in the Sakhalin-III project that previously belonged to two large Western IOCs – ExxonMobil and ChevronTexaco. As these IOCs lost their license to operate in the Sakhalin-III block, Chinese companies stepped in to fill the void (Filimonov 2005). As part of the deal, Sinopec agreed to provide financial assistance to Rosneft for geological exploration of the Veninsky block, where Sinopec holds 25

per cent of shares (Rosneft 2005). While it was not clear why the Russian state and corporate players opened to Chinese SOEs, at that time, one possible explanation for the turn is a shift in the policy of the Russian government toward diversification and re-nationalization of the oil industry from the Western IOCs. Ultimately, this deal marked a point of entry for Chinese investors, which have expanded their presence in the Russian oil and gas sector since then.

The second stage of Chinese FDI in the Russian sector began in 2006 and ended in 2009. Since 2006, Chinese investors have begun expanding their activities in Russia. During that year, Sinopec acquired Udmurtneft, which was a joint venture between a private Russian oil company Tyumen Oil Company (Tyumenskaya Neftyanaya Kompaniya or TNK), and a British oil major, BP. The dynamics of this deal pointed to an 'assisted renationalization' where Sinopec acquired 100 per cent of Udmurtneft's shares for $3.5 billion and gave a majority of the acquired shares to Rosneft as part of an oil-for-resources loan. During the same year, CNPC formed a joint venture, Vostok Energy Ltd. with Rosneft where it holds 49 per cent of the shares. Another successful investment was made by the CIC, which, at the time, became an active investor in the hydrocarbon sector across the globe. The CIC acquired 45 per cent of Russia's Nobel oil group in 2009 for $300 million (Apoteker 2012). A noticeable trend during this stage was China's expanding presence in the upstream oil sector, even though China remained a minority investor. This stage was characterized by supportive inter-state relations linked with stakeholder support for Chinese FDI.

In the third stage of Chinese engagement, post-2009, Chinese SOEs also became important financiers for the Russian oil and gas companies. In the aftermath of the Global Financial Crisis and the Western sanctions, Russian cash-strapped companies turned to Chinese SOEs for finance and technology. After Western sanctions reduced Russia's corporate access to long-term finance, most of the hydrocarbon companies could not operate as they require long-term financing, which was offered by the Chinese banks (anonymous Sberbank employee 2016). As Russian businesses could not access Western finance, they saw China as a viable alternative to Western capital and technology as China has abundant finance and low cost technology (Klaas 2016; anonymous Sberbank employee 2016). Even though China is becoming an important source of finance for the Russian hydrocarbon companies, Alexei Grivach (2016), deputy director general for gas issues of the National Energy Security Fund, notes that Russian companies continue to rely on Western financial markets whenever they can.

During this period, Chinese SOEs provided financial support to several Russian companies. In 2010, Chinese banks provided finance for the ESPO pipeline that was built by Transneft. In the aftermath of the Western sanctions, Russian companies turned to China to finance other complex projects, such as the Yamal LNG plant. In 2014, the Russian government permitted Chinese SOEs – CNPC and the Silk Road Fund – to invest in the Yamal LNG project, located in the Russian Arctic. In addition to financial support, the project drew on Chinese loans - that were extended by the Chinese policy banks CDB and EXIM to Novatek – to overcome cuts in the financial support from the West (Staalesen 2016; Kravchuk 2016).

Chinese SOEs also expanded their activities in the Russian downstream sector. In 2015, Sinopec acquired a 10 per cent stake in Russia's petrochemical corporation, Sibur. The following

year, in 2016, the Silk Road Fund acquired another 10 per cent in the company raising the overall percentage held by the Chinese SOEs in Sibur to 20 per cent. During the same year, Rosneft sold 20 per cent of the Verkhnechonsk-neftegaz to Beijing Gas (Rosneft 2017). The observed diversification of Chinese investors along the upstream and downstream sector in the Russian hydrocarbon industry over the past eight years has been remarkable. Yet, Chinese engagement in the Russian hydrocarbon sector is still relatively shallow, which reduces the universe of cases available for my analysis.

Expansion of Chinese SOEs in the Russian hydrocarbon sector remains limited but growing as it replaces void left by the Western investors. This chapter analyzes the retreat of the Western investors in the case study of Udmurtneft, the cutback in Western finance and technology in the case of Yamal LNG, and Russia's expanding oil trade with China through long-term supply agreements that are fulfilled via the ESPO oil pipeline. The retreat of the Western investors coincides with the three variables noted earlier: a) a rise in resource nationalism in Russia (or ideological transition); b) the Global Financial Crisis of 2007/2008 and Western sanctions in the aftermath of the Ukraine conflict that have motivated Russia's "Pivot to the East" (or changing inter-state relations); and c) a realignment of stakeholder interests in favour of the new investors. These factors served as enabling conditions for Chinese SOEs. Resource nationalism and the decline in Western investment both encouraged Russian stakeholders to consider other investors. These new investors had to be willing to support Russian oil and gas projects under new investment conditions characterized by minority participation in joint ventures with Russian NOCs.

These three factors interact with each other to produce a set of conditions that influence the success of Chinese engagement in the Russian hydrocarbon sector. The first factor opened the doors to a new type of investors that were willing to operate under different investment conditions that privilege Russian NOCs. The latter two factors are closely connected as the stakeholders' interests shifted in China's favour after Russia's political and economic relations with the West began to deteriorate. These two factors are also changeable, which means that the success of Chinese engagement may be a temporary phenomenon and may change as soon as Russia's relations with the Western countries start to improve.

## Sinopec's investment in Udmurtneft

In 2006, Sinopec acquired stakes in Udmurtneft, which is one of the biggest petroleum-producing companies in the Udmurt Republic (Volga-Udmurt Region). The deal signified progress in the Sino-Russian collaboration in the upstream oil sector as it was the first major investment by a Chinese SOE in Russia. At the time of the acquisition, the deal appeared unlikely. Scholars studying Russia's energy sector pointed out that foreign investment in Russia's upstream oil sector was an exception at the time (Inkpen and Mofett 2011, 545). While some may have viewed this deal as unlikely, it supported the government's re-nationalization agenda which turned Sinopec's bid for Udmurtneft into a lucrative deal. I propose that the deal is an outcome of realignment of politico-economic factors guided by resource nationalism and state capitalism. More specifically, I argue that the deal was enabled by a supportive coalition between the Russian policymakers and NOCs in light of the improving Sino-Russian bilateral relations. In

order to explore the dynamics of the Sinopec-Udmurtneft deal, this section will examine the factors that made this deal possible and discuss Sinopec's activities in Udmurtneft post-entry.

Udmurtneft, which was founded in 1967, owns 30 oil deposits and extracts over 60 per cent of oil in the region (Udmurtneft 2011). Today, the company is an important economic player with a strong institutionalized presence. Since 2005, the company has contributed over 850 million roubles (approximately $12 million USD) to social programs designed to promote employment, education, and healthcare in Udmurtia (Izvestija of Udmurt Republic 2016). Udmurtneft's engagement with the local society is based on the tradition of the Soviet *monogoroda* (cities dominated by a single industry), where corporations are responsible for the provision of social services to the communities residing in the city where the company operates (Klaas 2016). In this scenario, a corporation becomes an important provider of social services to the local communities under an established corporate image. This was convenient for Sinopec, which acquired Udmurneft's public image and social license to operate in Udmurtia after taking over the company. Although social license to operate is generally secondary in Russia, it is still an important component of a successful business strategy.

Prior to Sinopec's acquisition of Udmurtneft, the company belonged to TNK-BP, which as I noted earlier is a joint venture between a private Russian oil company and a British oil supermajor. TNK-BP acquired Udmurtneft from Sidanco, which was a private oil firm that faced bankruptcy in the late 1990s/early 2000s (Oxford Analytica Daily Brief Service 1999). In 2000s, TNK-BP fell out of political favour. After TNK-BP lost its political support, it encountered political and industrial opposition in Russia, which coincided with the sale of Udmurtneft to Sinopec (see: Anonymous 2012). The political-corporate rift between the Russian government and TNK-BP started in 2006 over a disagreement about a license to develop the Kovyatka gas field (Anonymous 2012). This disagreement escalated in 2008. During this year, there was a set of police raids on TNK-BP's offices and the CEO of TNK-BP, Robert Dudley, had encountered trouble to acquire a Russian visa (Anonymous 2012). Roughly at the same time, TNK-BP began to seek a way out of the Russian hydrocarbon sector. One of the options was to sell Udmurtneft.

To acquire Udmurtneft from TNK-BP, Sinopec had to compete against domestic and international oil corporations. The seller, TNK-BP, received several bids from large companies, including a joint bid proposed by Russia's Gazprom and Hungary's Mol, and another bid from the Russian company Itera that partnered with the Indian Oil and Natural Gas Corporations (Badyrkhanov 2006; Poussenkova 2007). Both bids fell short of the offer made by Sinopec, which proposed to pay $3.5 billion for Udmurtneft (Oil Daily 2006a); this amount far exceeded the second highest bid of $2.5 billion that was proposed by the Gazprom-Mol consortium (Gurkina 2006). In this instance, overbidding worked in Sinopec's favour as it won the political and corporate support to acquire Udmurtneft. However, overbidding was not the only factor that explains Sinopec's success.

## Did Russian regulatory institutions act as a barrier to Chinese FDI?

At the time of Sinopec's acquisition of Udmurtneft, Russian regulatory institutions were relatively supportive of foreign investment in the hydrocarbon sector. Russia's investment screening mechanism was more flexible, yet potent enough to stop Chinese SOEs from acquiring a substantial stake in a Russian oil company. To illustrate, the Russian Duma, a lower house of the Federal Assembly, used regulatory institutions to block a similar deal in 2002 when CNPC proposed to purchase 75 per cent of Slavneft (Norling 2006, 32; Eder, Andrews-Speed and Korzhubaev 2009, 234-235). During Duma's negotiations over CNPC's bid for Slavneft, Duma's representatives sided with Oleg Morozov, the head of the deputy group on the "Russian Regions", who noted that SOEs should not be allowed to acquire more than 25 per cent of shares in a Russian oil company in light of the "Law on Privatization" (Anonymous 2002). However, the "Law on Privatization" by itself is only applicable to domestic companies that engaged in privatization during the 1990s and early 2000s. The law in itself can only be applicable to foreign investors by extension; that is, there was no explicit legal clause to block foreign investment under the FDI regime at the time. This illustrates the flexibility of the Russian regulatory institutions.

In the case of the Udmurtneft, the federal government decided not to extend the interpretation of the existing regulations to block Sinopec's investment. The decision was likely the result of Sinopec's agreement with Rosneft that stipulated that Sinopec will sell the majority of Udmurtneft to Rosneft after acquiring 96.9 per cent of the company from TNK-BP for $3.4 billion (Oil Daily 2006a; Oil Daily 2006b). The deal also occurred before the adoption of the "Strategic Law", which was implemented in 2008. If the deal occurred after 2008, it would have raised red flags. Under the strategic law, the government expanded restrictions on foreign investment in the hydrocarbon sector by making any investment in a hydrocarbon industry above 5 per cent of voting shares reviewable. Since Sinopec bought over 5 per cent of shares in the Udmurtneft (before selling a majority of these shares to Rosneft), this transaction would have required approval from the Russian Federal Antimonopoly Service and The Government's Commission on Monitoring of the Foreign Investment.

The role played by the powerful stakeholders in shaping Russian regulatory institutions is thus an important explanatory element. To illustrate, CNPC not only failed to acquire Slavneft due to political opposition but also failed to acquire Stimul due to corporate opposition. As I will illustrate in the next section, Russian corporate players, such as Gazprom, can selectively use legal action to delay and effectively impede foreign investment that is not aligned with corporate interests (Kong 2009, 107-109). A selective enforcement of legal cases in Russia elevates the ability of policymakers and corporations to influence FDI as I will illustrate in the next section. Therefore, Sinopec's acquisition of Udmurtneft could have been jeopardized by corporate and political opposition in Russia.

## The role of domestic stakeholders in opening the doors for Chinese investors

Stakeholder politics play a central role in explaining Sinopec's success in acquiring Udmurtneft. In Russia, foreign investors operate in a space that appears to be rather

unpredictable as project-related contestation is reserved to corporate and political entities leaving out civil society and Indigenous communities. In other words, the contestation/negotiation platform for foreign investment in brownfield projects in the upstream oil sector is shaped at the corporate and political levels. Civil society and indigenous communities play a minor role in shaping brownfield FDI as they predominantly interact with the domestic energy companies, which maintain a social license to operate in a given community. To explore these dynamics, this section focuses on the stakeholder involvement in Sinopec's bid to acquire Udmurtneft by looking at individual stakeholders and their strategies. I propose that Sinopec's success can be attributed to the firms' ability to obtain political and market licenses in support of its acquisition of Udmurtneft.

In the case of Sinopec, both political and corporate actors were supportive of the deal. In fact, it appeared as though the Russian corporate actors orchestrated Sinopec's investment in Udmurtneft. Empirical evidence suggests that Sinopec acted strategically by forming a close corporate alliance with Rosneft, one of the biggest NOCs in the Russian energy sector that benefits from the government's support. The two companies signed an MOU in March 2006 (several months before the deal was announced), according to which Rosneft would buy the majority (51 per cent) of Udmurtneft's shares from Sinopec post-acquisition if their joint bid succeeds (RBK 2006; Norling 2006, 31-32). The Memorandum also stipulated provisions that accounted for Rosneft's difficult financial situation at the time of the deal as the NOC lacked financial resources to acquire the shares from the Sinopec (Henderson and Mitrova 2016). Therefore, the agreement included a clause that outlined financial assistance that Chinese banks promised to extend - in the form of a loan - to Rosneft to help the NOC to acquire the shares from the Sinopec (RBK 20006; Norling 2006, 31-32). Rosneft agreed to be repay this loan through the future earnings produced from the oil extracted by Udmurtneft (Henderson and Mitrova 2016, 40).

The dynamics of the deal resemble SOEs' investment strategy pursued in developing countries. The oil-for-loans/resources/infrastructure is a staple of Chinese SOEs in Africa and Latin America (Brautigam 2011; Gonzalez-Vicente 2013; Gallagher 2016). The investment package offered to Rosneft by Sinopec differs only slightly from these packages as the aid component is missing from the deal. Even without the aid component, SOEs' packages are very attractive for investment-recipient companies that are in financial need, as was the case of Rosneft. In a way, China's financial flexibility enabled the deal to proceed. The MOU also had political ramifications. In exchange for this deal, Rosneft promised to obtain political backing from the Kremlin to ensure that Sinopec's will be able to acquire 100 per cent of Udmurtneft (Badyrkhanov 2006; Oil Daily 2006a).

The Russian government also supported Sinopec's bid as it fit with the broader renationalization agenda. Although the deal may, at first glance, run contrary to the logic of resource nationalism, in reality, it supported government's renationalization strategy. To elaborate on this proposition, it is plausible that the Russian government was interested in transferring control of Udmurtneft from the hands of TNK-BP, which was a private oil company with limited ties to the Russian government, into the hands of a state-owned company, Rosneft. From this perspective, the Rosneft-Sinopec MOU fit with the government's agenda as it enabled

Rosneft to take over Udmurtneft and expand its asset base without having to incur immediate financial costs. In this case, China's flexible investment strategy fit with the Russian political agenda, which Henderson and Mitrova (2016) summarize in terms of asset consolidation in the hands of the Russian national oil giants (39). In other words, the deal allowed Russian NOCs to expand their "grip on the energy industry" (Oil Daily 2006a). In doing so, the deal has met strategic objectives outlined by the Russian government.

The deal also coincided with the government's objective to build closer energy ties with China. This objective was reinforced by the MOUs and other bilateral agreements signed on March 2006 during the *Year of Russia* ceremony, which occurred in Beijing. After Putin arrived in Beijing the two sides signed three documents on energy cooperation (Feng 2006), including a joint statement, signed on March 22nd, that pledged close bilateral energy cooperation and joint exploration of hydrocarbon assets (Jing 2006). These documents were signed a couple of months prior to Udmurtneft's takeover. While Udmurtneft was not explicitly mentioned during these negotiations, the two sides reportedly signed an agreement on collaboration between CNPC and the Russian NOCs; CNPC was expected to partner with the three largest NOCs in Russia – with Rosneft to explore upstream oil assets, with Gazprom to promote trade in natural gas, and with Transneft to develop pipeline infrastructure (Jing 2006). Judging by these agreements, the acquisition of Udmurtneft fit within the closer energy collaboration penned at the high-level bilateral meetings. Based on these factors, one may conclude that inter-state negotiations may have shaped the terms of Sinopec's acquisition of Udmurtneft.

Even if the timing of these agreements and Sinopec's successful bid for Udmurtneft is coincidental, political support was very important for Sinopec's bid as noted by the corporate players. For example, Gazprom's comments about the deal revealed that Sinopec succeeded in acquiring Udmurtneft because the government made a "political decision" in favour of Rosneft (Pousenkova 2013, 15). While Gazprom's comment has purposefully underestimated financial superiority of the bid to make its own lower-priced bid seem equally competitive, its nod to the political side of the deal is very informative. Moreover, it brings the analysis back to the Rosneft-Sinopec MOU that was premised on Rosneft's promise to lobby policymakers to ensure that the government approves the deal.

Empirical evidence suggests that Sinopec's acquisition of Udmurtneft was orchestrated by the Russian corporate and political players with little to no involvement of civil society groups. In Russia, unlike in Canada, civil society is not directly involved in the government's decisions about foreign investment in a brownfield oil project. Although there was a media report that Udmurtia's residents were not happy with the deal (Orlova 2006), there was no evidence of any protests staged by the local residents in the news reports that I analyzed. My research suggests that the public was not consulted about the deal. Furthermore, an oil worker whom I interviewed in Udmurtia revealed that employees in the oil sector had little say regarding decisions made at the corporate level (Anonymous oilfield worker 2015). Thus, Udmurtneft's employees and residents were less likely to protest against changes that occur at the company, as long as their lives are not negatively impacted by the new owners (Anonymous oilfield workers 2015).

Indigenous groups, as recognized within the legal statutes of the Russian Federation, do not inhabit Udmurtia. Therefore, consultation and accommodation process was not legally required. Furthermore, Udmurtneft is an established company, where the acquirer gains the social license acquired by the prior owners of the firm. Nonetheless, a social license to operate can become contested if the company does not follow established corporate practices. The observed lack of civil society involvement can also be explained by a general weakness of civil society in Russia, as noted in the theoretical chapter. Although protests are less likely in Russia given general weaknesses of the civil society, any company that fails to maintain its social license may be negatively perceived by the local society. Ultimately, civil society is likely to remain dormant, as long as Udmurtneft continues to undertake CSR activities developed by the previous owners.

This section has demonstrated that Russian policymakers and NOCs play a central role in influencing the success of FDI by Chinese SOEs in the Russian hydrocarbon sector. I noted that previous failures of Chinese SOEs to acquire energy companies in Russia occurred due to the absence of political or corporate support. After applying the analogy of licenses to operate to the case study, I noted that Udmurtneft was able to obtain a political and market license to operate in Russia by supporting the agenda of resource nationalism pursued by the Russian government and NOCs. I have also noted the limited role played by the civil society actors, indigenous groups, and regulatory institutions in the Sinopec's investment. This case supports my argument that in Russia Chinese SOEs will be successful when they obtain political and economic support of local stakeholders.

### Sinopec's activities post-acquisition

The deal struck between Sinopec and Rosneft, to partition the ownership of Udmurtneft in Rosneft's favour, meant that Sinopec obtained a minority position in the firm, which impacted its subsequent activities. This partition of shares helped Sinopec fit itself within political and corporate priorities in Russia that prioritize domestic companies over the foreign ones. Therefore, Chinese SOEs can get a foothold in Russia only if they agree to be minority investors in a Russian hydrocarbon company. Elaborating on the structure of this investment, experts have noted that Sinopec's investment resembles a "portfolio investment", where changes to the existing corporate operations are minimal (Gabuev 2016). In this way, Chinese SOEs gain a seat at the table without being able to modify the rules of the game. In this case, it is plausible to conclude that Sinopec took on a role of the financier by taking on the financial burden of Udmurtneft without obtaining controlling interests in the company (Badyrkhanov 2006). In other words, Sinopec assumed the financial risks of the project (Norling 2006, 34). This high-risk gamble opened the door for Sinopec to enter the Russian upstream oil sector but did not guarantee that the SOE will be able to shape corporate activities.

Joint ventures with a relatively equal partnership, such as Udmurtneft, presuppose that the two parties will split the managerial roles equally. Sinopec became well-integrated in the managerial board of Udmurtneft as per the November 11, 2006 shareholder agreement signed by Rosneft and Sinopec to delineate joint management of the company and distribute management stakes (Rigzone 2006). As part of this deal, the two companies formed a joint venture, Taihu

Ltd., to manage Udmurtneft and lock in the distribution of shares between the two companies. The two agreed on an equal division of the eight board member seats, while Rosneft retained the right to appoint the general director of Udmurtneft from its ranks (Oil Daily 2006b). This division of seats fits into the agenda of the resource nationalism championed by the Russian government (Oil Daily 2006b). Even though the managerial appointments are roughly equal, Chinese managers appear to rely on their local partners to manage the day-to-day operations of the company. For example, newspaper agencies reported that the Chinese managers travelled to Russia to learn about Russia's labour conditions, extractive culture, norms, and regulations (Industrial and environmental safety, labor protection 2008). Judging by these reports, it appears that the Chinese managers viewed Udmurtneft as a learning opportunity.

In general, Chinese engagement has been a double-edged sword in terms of Udmurtneft's operations. On the one hand, Chinese geologists have brought in expertise in extractive techniques that helped to boost oil production from the mature fields (Udmurtneft 2008). This resulted in the expansion of oil extraction in 2017, which exceeded initial expectations (Global Data 2017). On the other hand, Chinese corporations bring in cheaper technology and equipment (Gromov and Titov 2017). Among these corporations is the Chinese firm Kerui petroleum, which supplies specialized equipment to Udmurtia, including drilling rigs and electric motors (Udmurt Truth 2016). Although Chinese equipment helps Russia to reduce its reliance on the Western technology, which post-sanctions became very hard to access, it comes with potential drawbacks.

In theory, China's technology and supplies should be beneficial for Udmurtia's oil industry. However, on the ground, some observers note that the imported technology may "flood the market" as Chinese firms may engage in "dumping" of the cheaper products to undermine domestic players' ability to compete and may potentially lead to bankruptcies of the local firms (Klaas 2016, Poghosyan 2017). If the dependence on Chinese equipment and technology will continue to grow, this may lead to technological dependence on the "East" and may decimate the domestic industry (Poghosyan 2017). Although China's entry into the upstream oil sector worries industry players that provide technology and services, Sinopec's contribution to Udmurtneft helps the company to expand its productive capacity. If the power alignment among the shareholder remains the same, it is unlikely that Russia's local firms will be able to challenge SOEs' presence in Russia.

### Lessons Learned from the Udmurtneft case

Sinopec's acquisition of Udmurtneft from TNK-BP reveals a set of interesting dynamics. First, as this section illustrated, Rosneft appeared to play a critical role in pushing the deal through. Since the deal favoured Rosneft disproportionately, it appeared that the NOC used its political ties to influence the government. Second, the willingness of the Russian government to approve the deal signalled that Sinopec met the government's dual objectives – to promote resource nationalism and establish stronger energy ties with China. Third, the absence of civil society opposition to the deal, noted in this section, signalled that the transaction has not been significant enough to generate societal action. Fourth, the brownfield nature of investment (where property rights were already established) coupled with flexible institutions (where the

FDI screening mechanism did not stipulate any restrictions on FDI) made Sinopec's FDI easier. In other words, a supportive politico-economic coalition in the absence of regulatory restrictions made it easier for Sinopec to invest in Russia.

The openness of the politico-economic coalition toward Sinopec's bid does not guarantee that Sinopec will have an easy operating environment in Russia. As this section highlighted, Sinopec's subsequent activities in Russia were the outcome of the inter-corporate agreements with Rosneft that shaped the distribution of management roles in the company. As part of the deal, Sinopec gained an equal number of seats and voting power, yet appeared to be a more passive observer than an active manager of the company. Under this power dynamics, Sinopec became the financier and provider of technology for the company. However, as I noted in the previous section, Chinese equipment was criticized as it directly competed with the local firms. Ultimately, Sinopec's engagement has confirmed the hypothesis that in Russia corporate players and the state play a central role in influencing the success of Chinese FDI.

As one of the larger upstream investments in Russia, Udmurtneft was a test case for Sino-Russian cooperation in the upstream oil sector. This cooperation revealed interesting dynamics that hint at a broader strategy of Chinese state-owned investors. First, it reaffirmed the broader hypothesis in the literature that Chinese SOEs adapt to the host country's regulations and local conditions (see: Economy and Levy 2014; Alon, Leung and Simpson 2015). Second, the deal resembles the dynamics of Chinese investment in developing countries. It combined FDI with a loan to Rosneft backed by future oil sales. This acquisition strategy broadly resembles loans-for-oil extended by Chinese policy banks and oil companies to developing countries in Africa and Latin America, such as Angola and Venezuela. The ability of Chinese SOEs to combine loans and investment packages has allowed them to overcome the odds against foreign investors in the oil and gas sectors. The dynamics of the deal are replicated in the upstream LNG sector as will be discussed in the next section of this chapter.

## CNPC and the Silk Road Fund in the Russian Arctic; a Partnership with Novatek to Develop Yamal LNG

The Arctic region is often regarded as a 'resource frontier' by scholars such as Michael Klare (2012) as the resource exploration in this region is challenging due to the harsh climate. As the climate continues to change and technological advancements permit resource exploration in extreme environments, Arctic resources have recently become accessible to extractive companies. Extractive industry moves into the region to explore these newly available resources. The Yamal Peninsula, located in the Russian Arctic, is one of these frontier regions that is now home to the largest and most ambitious natural gas liquefaction plant in the Russian Arctic – Yamal LNG. This plant is the "most northerly project of its kind" (Soldatkin and Astakhova 2016), as it is currently the only large-scale LNG plant in the Russian Arctic that produces, liquefies, and ships natural gas from the South-Tambey field, which contains 1.3 trillion $m^3$ of natural gas reserves (Kremlin 2013).

The plant is an example of a successful Sino-Russian partnership in the region. It follows a string of several unsuccessful proposals to explore the Arctic's hydrocarbon resources jointly

as Sino-Russian earlier plans to explore Pechora and Shtokman LNG fields did not move beyond the drawing board (Konyshev and Serguin 2012). In the case of the Yamal LNG project, Chinese companies joined the project at a post-conceptualization stage by taking on a role of investors and financial partners. CNPC acquired 20 per cent of shares in the project in 2014 and China's Silk Road Fund bought another 9.9 per cent of shares in 2016. Chinese SOEs joined Novatek (which now holds 50.1 per cent of the shares in the project), and French oil major Total (which acquired 20 per cent of the shares in 2010). The French Total joined the project prior to the Western sanctions and retained its role in the project despite the sanctions; Chinese SOEs joined the project after the sanctions. CNPC acquired 20 per cent stake in the project in 2014 after signing a framework agreement with the Russian government officials and Novatek's representatives. Two years after (in 2016) the Silk Road Fund joined the project by acquiring 9.9 per cent of shares (Gerden 2016).

The project is illustrative of China's growing financial engagement in the Russian hydrocarbon sector. One can visualize this engagement through an interconnected web of investments, loans, and long-term supply contracts extended by Chinese SOEs to their Russian counterparts. Evidence suggests that China became the ultimate financier of the project as it provided over 50 per cent of the finance – via loans and investment - required for the successful implementation of the plant (Negrejeva and Abarkina 2016).

The project fits within the China's BRI that seeks to expand the reach of Chinese corporate actors along the route and simultaneously attain resource security. Yamal LNG was one of the first projects financed by the BRI's Silk Road Fund that has reached the Arctic (Benett 2017). More generally, the project fits within the "Polar Silk Road" framework articulated in China's Arctic policy. Chinese engagement in Yamal LNG, as Weidacher Hsiung (2016) posits, may be driven by dual considerations - to acquire experience/technology for the development of the hydrocarbon resources in the Arctic environment and to establish itself as an important player in the Arctic region. The Yamal LNG joint venture is thus a prong in the wider strategy of the Chinese government, advanced by the corporate players, that meets the needs of the participating states.

In this section, I argue that Chinese financial engagement in the Yamal LNG plant can be partially attributed to geopolitical changes that have moved Russia closer to China in search of financial and technological support. These geopolitical changes have affected the calculus of the powerful stakeholders in Russia, who under the current institutional system, turned toward China for financial and technological support. To develop this argument, I examine the changes in Russia's investment screening mechanism after the passage of the "Strategic Industries Act" in 2008 and analyze the role of stakeholders in shaping Chinese investment. In the case of the Yamal LNG, stakeholder politics take center stage in determining Chinese engagement. This section outlines the reaction of the Russian government, corporate players, and Indigenous groups to Chinese engagement in Yamal LNG. As part of this discussion, I will refer to institutional factors that have shaped Chinese investment in the joint venture before moving to analyze Chinese participation in Yamal LNG.

## Regulating Chinese Activities in Yamal LNG

Foreign investors who acquired stakes in Yamal LNG were reviewed under an updated investment screening mechanism. The updated screening mechanism is enshrined in the 2008 law on "Strategic Industries" that restricts foreign investment in the strategic industries. As Chinese SOEs wanted to acquire over 5 percent of voting shares - CNPC 20 per cent and the Silk Road Fund a 9.9 per cent stake - in Yamal LNG, the government had to review the investment. Both companies had to file a report under the Federal Antimonopoly Service of the Russian Federation, which passes the application to the Government's Commission on Monitoring of Foreign Investment. If the government opposed Chinese FDI in Yamal LNG, then they could have easily withheld permission for the project to proceed. However, as the government supported Chinese investment, the Commission, which was composed of the leading Russian policymakers such as Alexander Novak (Minister of Energy) and Prime Minister Dmitry Medvedv among others, granted Chinese SOEs a permission to invest in the Yamal LNG project.

After receiving the regulatory approval to invest in Yamal LNG from the Russian government, Chinese participation in Yamal LNG faced minimal regulatory burdens on the ground. As noted earlier, Chinese companies joined the Yamal LNG project after a pre-implementation stage. At the implementation stage, greenfield projects have already settled majority of issues related to property rights and acquired political, social, and market licenses to operate. In practice, the project should have been overseen by regulatory institutions in the Yamalo-Nanetsk Autonomous Okrug. While the Okrug regulates any extractive activities in the region and shapes the rules for the extractive companies (Negrejeva and Abarkina 2016), its regulatory capacity is constrained by the federal government (French et al. 2017, 123). Ultimately, the decisions about property rights in the Arctic were made by the regulatory bodies, such as the Federal Agency for Subsoil Management (Rosnedra), that granted exploration licenses at the federal level.

The engagement of large extractive corporations and state agencies in the development of the Arctic's hydrocarbon resources reduces the power of local actors. As French et al. (2017) suggest the Arctic's development and governance are no longer "fully self-sourced, that is, based on its Indigenous population and local resources" (124). Instead, local groups are increasingly reliant on foreign investors to bring money and development to the region (Zolotukhin 2016). This increases the bargaining position of extractive companies that provide a set of socio-economic services, outlined in a comprehensive CSR plan, in exchange for local support. Furthermore, local actors have little say in determining which companies enter the region to explore their natural resources. Instead, the federal government makes all final decisions about the proposed projects in the region.

As demonstrated in this section, Chinese investors were not limited by the regulatory burdens in the Yamal LNG project, even though their investment exceeded the investment threshold stipulated under the 2008 law on "Strategic Industries" and was subjected to review. Given that Chinese investment exceeded the threshold for permitted investment, the question is why it was not rejected by the government given the strategic nature of these resources? The

answer to this question is based on the stakeholder politics, which will be explored in the next section.

## Getting China on Board with the Yamal LNG

The nature of Chinese engagement in the Yamal LNG project can be explained by the confluence of stakeholders' interests operating within the institutional parameters. The interaction of the two ultimately determines the development of the hydrocarbon assets in the Arctic region. On the one hand, regulatory institutions provide the Russian government with the levers to stop the hydrocarbon development in the region. On the other hand, stakeholders determine if the regulatory levers are pulled. In the case of Yamal LNG, state and corporate actors appeared to be on board with the Chinese investment even though it appeared to run counter to the government's Arctic strategy.

The Russian government prioritizes the development of hydrocarbon resources located in the Russian Arctic. The government acknowledges that these resources are essential for national security and socio-economic development of the country (The Government of Russia 2013). As part of the Arctic Strategy 2020 - *The Strategy for the Development of the Arctic Zone of the Russian Federation and National Security Efforts for the period up to 2020* – the government has stated that international partners can support the extraction of hydrocarbon resources in the Russian Arctic (Government of Russia 2013; sub-section 7 c and 11a). Since the government appears to promote international partnerships under the Arctic Strategy, it is likely that the government will be supportive of joint ventures with foreign companies in the region. At the same time, the government remains protective of its Arctic resources, given their strategic nature. As experts note, Russia has traditionally adopted a "rigid position" on the questions regarding Arctic's development and emphasized the central role of the Arctic states in the region (Filimonova and Krivokhizh 2014). This makes Chinese investment in Yamal LNG a "hard case", where according to the geopolitical and strategic factors Chinese investors should not have been successful in acquiring shares in the project (Røseth 2014).

Although the Russian government is generally guarded against growing influence of the non-Arctic states in the Arctic (on the grounds of national security), it recognizes that the involvement of the Asian states can support broader strategic goals identified by Russia for the region (Zysk 2014). Some scholars, like Kravchuk (2016), even posit that the government sees new projects in the Arctic as part of its "Pivot to the East" strategy (37). Thus, it is not surprising that the government gave Chinese companies a green light to invest in the Yamal LNG project and provided a set of "economic and political guarantee[s]" for the successful implementation of project (Weidacher Hsiung 2016). For example, the government relaxed the environmental laws to ensure the successful development of the project (Krutikhin 2016) and provided substantial financial support in the form of tax breaks and subsidies (Gerden 2016; Lars and Fjaetoft 2014; Staalsen 2016; Reuters 2016). Experts examining the financial side of Yamal LNG suggest that without these subsidies the project would not have been profitable (Lunden and Fjaertoft 2014). The government's support for the project is consistent with Putin's statement that the Yamal LNG plant is a project of "national importance" (Kremlin 2013). Thus, the project itself and Chinese SOEs obtained state's backing.

Russia and China used diplomatic missions to discuss the Yamal LNG project. High-ranking officials from Russia and China oversaw CNPC's negotiations with Novatek about a potential FDI deal. For example, Putin and Chinese Vice Premier Zhang Gaoli oversaw the signing of the partnership agreement between CNPC and Novatek, which was tabled under *The Protocol of the Russian-Chinese Agreement on Cooperation on the Yamal LNG Project* (Kremlin 2016). Other officials were present during several meetings to discuss the deal, including Russian Prime Minister Dmitry Medvedev and Chinese Premier Li Keqiang (CNPC 2013). In the aftermath of these meetings, the two parties have signed a framework agreement stipulating that China will import 2 million tons of LNG from the Yamal LNG plant over the next 15 years (Gerden 2016; CNPC 2013). In the aftermath of these bilateral talks, China became an important investor and financier of the Yamal LNG project.

The Russian government and companies welcomed Chinese investment and financial support as it is difficult for them to develop these projects unilaterally. Foreign investment is necessary to develop hydrocarbon resources located in the Arctic region as it helps companies to diversify risks and to gain access to advanced technology (Filimonova and Krivokhizh 2014; Negrejeva and Abarkina 2016). Therefore, Russian oil and gas corporations sought to explore hydrocarbon resources in the Arctic through joint ventures with foreign partners. Initially, Russian corporations relied on finance and technology provided by the Western IOCs, which became inaccessible post-sanctions (Kravchuk 2016, 2-16; 37-38). As the Western financiers also withdrew their financial support from the project, Novatek fell short of funds to complete the project. In the absence of Western financing, Novatek turned to China to solicit finance for the project, which reportedly cost $27 billion (Staalesen 2016; Kravchuk 2016), of which the company was able to raise $13.94 billion[55] (little less than half of the projected cost) (Kremlin 2016a; Negrejeva and Abarkina 2016).

Novatek's executives welcomed Chinese investment in the aftermath of Western sanctions. Mark Gyetvay, Novatek's CFO and Deputy Chairman, revealed in an interview that Novatek "welcome[s] this type of joint venture" with China as the two parties obtain "mutual benefits" from the Yamal LNG plant (2016). Novatek's representatives also acknowledged that local residents also benefit from this investment as it contributes to "regional job growth…[and] budgetary funds" (Gyetvay 2016). Likewise, statements made by Leonid V. Mikhelson, CEO of Novatek, revealed that Chinese investment "will contribute to the… financing of the project and further facilitate its successful implementation" (LNG World News Staff 2015). These statements from Novatek's executives suggest that Chinese investors have obtained a market license to operate in the Arctic.

Given the large scale of the project and the involvement of international companies, social license became an important component for the project. In the case of the Yamal LNG plant, local citizens appeared to be supportive of the project. The region is generally supportive of proposed projects that develop new hydrocarbon fields in the region, as this development is essential for sustaining the Okrug's economic growth since 67 per cent of the Yamalo-Nanents

[55] Novatek provided $3.9 billion, Total invested $3.7 billion, The Russian National Wealth Fund contributed $2.4 billion, and Gazprombank and Sberbank loaned $3.94 billion (Kremlin 2016a; Negrejeva and Abarkina 2016).

budget revenue is attained from taxation of gas enterprises operating in the region (Kharitonova and Vizhina 2009, p 120). Thus, the development of the hydrocarbon resources is at the center of the Yamalo-Nanets Autonomous Okrug's Strategy for socioeconomic development until 2020. The strategy is centered on the development of primary resources, improvement of local infrastructure, and attraction of "megaprojects" to the region (Kharitonova and Vizhina 2009, p 121). Interviewed experts have suggested that the Yamal LNG project will likely provide finance for Indigenous groups in addition to the development of local infrastructure (Anonymous interview 2016). Thus, civil society has welcomed China's financial participation in the Yamal LNG project as it provided necessary financial resources for the project to proceed forward.

Although regional opposition to the Yamal LNG project appears to be absent, the Indigenous groups could have challenged the project since the plant may reshape the socio-economic landscape of the region and negatively impact the lives of Indigenous groups. Scholarly and environmental reports maintain that Yamal LNG may damage local ecology and may lead to a loss of local flora and fauna (Environ 2014; Gritsenko 2017; Knizhnikov, Golubchikov and Zaitseva nd). The project may also disrupt reindeer migration routes, which will negatively impact Indigenous groups living in the vicinity (Viallon 2018). Furthermore, the inflow of migrant workers from other parts of Russia to the region may lead to social tensions due to a growing competition for limited resources (Gritsenko 2017). Despite the potential adverse effects of the project on the local population, Indigenous groups have limited power to influence the project as they are constrained by the power differential incorporated in stakeholder relations via the institutional factors.

Although the Indigenous groups may be disproportionately affected by the project, they lack leverage to stall or modify a hydrocarbon project built on their territory. In general, it appears that Indigenous groups are against the development of hydrocarbon resources in the Arctic (Poussenkova and Overland 2018, 274) and have not consented to these projects in the region (The Committee on the Elimination of Racial Discrimination 2017; Blue Action 2017). Thus, the region has a history of Indigenous-led protests targeting hydrocarbon exploitation (Hele 1994, 261). The Yamalo-Nanets Indigenous communities are well organized to extract benefits from the oil and gas projects and use their organization skills to negotiate with the oil and gas companies located in the region (Tomaselli and Koch 2014, 13). Despite their organizational skills, Indigenous groups are unable to intervene in the extractive projects in the region (The Committee on the Elimination of Racial Discrimination 2017; Blue Action 2017). In general, Indigenous groups in the region cannot exercise collective action and find it difficult to pursue their interests as they are a "marginalized group", struggling to navigate corporate and state activities in the region (Haller et al. 2007).

### How did Chinese SOEs integrate themselves into the Yamal LNG?

As in the other hydrocarbon projects in Russia, Chinese SOEs have agreed to be minority partners in Yamal LNG and to provide necessary finance and technology for the project. As noted earlier, Chinese SOEs have contributed over 50 per cent of finance for the project (Negrejeva and Abarkina 2016). A large portion of this finance came in the form of loans from China's EXIM bank and the CDB. These two banks provided two loans (15-year credit lines) for

the project worth 9.3 billion Euro (approximately $10.4 billion USD) and 9.8 billion RMB (approximately $1.4 billion USD) (Yamal LNG 2016; Negrejeva and Abarkina 2016). These loans are the third-largest financial loans extended to Russian corporations historically and signal Russia's ability to go around Western sanctions to complete energy projects (Reuters 2016). Additionally, the data released by the Global Development Policy Center (2018) indicates that this was the largest loan extended by the Chinese banks to a single country.

Loans extended by the Chinese policy banks did not come without conditions. Experts note that these loans were tied to the purchases of Chinese technology (Krutikhin 2016) and premised on the acquisition of shares in the Yamal LNG project (Grivach 2016). In exchange for the shares, the Silk Road Fund[56] invested $5 billion USD in the Yamal LNG project and provided an additional $800 million USD for the implementation of the project (Gerden, 2016), while CNPC invested $5 billion USD in the project (Kremlin 2016). Like other loans, the two credit lines will have to be repaid within 15 years (Yamal LNG 2016). These tied loans that Chinese policy banks granted to Yamal LNG resemble China's investment strategy in developing countries, where investment is packaged with preferential loans and long-term energy supply agreements to obtain political and market licenses to operate.

Following their general investment model in developing countries, Chinese companies also signed long-term supply contracts for shipments of LNG to China with Novatek. According to Novatek's data, Chinese consumers will receive 27 per cent of the total natural gas produced at the Yamal LNG plant (Kremlin 2014. CNPC will receive three million tons of LNG per year from the Yamal LNG plant tor a 20-year supply agreement that the company signed with Novatek (Yamal LNG 2014). One should note that China is one of the multiple actors that have signed such long-term supply contracts with Novatek. France's Engie and Spain's Gas Natural Fenosa are among other consumers that signed on to long-term supply deals with Novatek (Reuters Staff 2015; Yamal LNG 2013). These long-term supply contracts ensure the profitability of the Yamal LNG project as they provide guaranteed revenue in exchange for the future supply of natural gas.

Scholars commenting on the deal were not surprised by this distribution of financial burden among Russian and Chinese companies. According to Flake (2013), China took "the role of the junior partner" in the Yamal LNG joint venture willingly. Potentially, because they lacked technology that was necessary to become a "full-fledged partner[s]" in the project (Peng and Wegge 2015; Widacher Hsiung 2016). However, this argument does not hold as Chinese enterprises became the main producers of technology for the project. In fact, Chinese SOEs assembled several modules for the LNG plant. For example, CNPC was responsible for four engineering packages for Yamal LNG, which were completed in, and shipped from, the Shandong Province in China (CNPC 2016). Chinese engineers have also constructed polar drilling rigs for the project. These rigs accounted for 60 per cent of Russia's imports of this equipment (Bennett 2017). An expert on the Russian energy sector, Tatiana Mitrova (2016) estimated that around 80 per cent of the equipment for the Yamal LNG plant was made in China and funded by the Silk Road Fund. In addition to technological contributions, Chinese corporations also provided raw materials, such as steel for the project (Chinarealnews 2015).

[56] It was a first investment made by the Silk Road Fund along the BRI as part of the "Polar Silk Road".

Thus, Chinese SOEs slowly became "equals to Western companies in the Arctic" as Røseth (2014, 848) suggests.

## Lessons Learned from the Yamal LNG case

The case study of the Yamal LNG plant demonstrates China's growing financial engagement in the development of hydrocarbon resources located in the Russian Arctic. While the Russian regulatory institutions have tightened regulations for FDI from SOEs after the implementation of the 2008 law on FDI in the strategic industries, this did not prevent Chinese companies from gaining a political license to operate in Russia. In fact, Chinese companies have acquired political support twice – the first time for CNPC's acquisition of 20 per cent of the Yamal LNG project in 2014 and the second time for the Silk Road Fund's acquisition of 9.9 per cent in the Yamal LNG project. The second roadblock that could have hindered Chinese investment was property rights. These rights could have been contested by the Indigenous reindeer herders, who were provided financial reimbursement to cede control over their territories. Ultimately, the case illustrates that the political and market licenses obtained by Chinese SOEs enabled them to enter and successfully engage in the Yamal LNG project.

Although Chinese SOEs are only minority investors in the project, they have been very important financiers and providers of technology. Chinese corporations have also signed long-term supply contracts with Novatek to import LNG from the Yamal plant. Scholars note that Chinese energy collaboration with Russia in the Arctic region is a reflection of growing bilateral energy relations (Filimonova and Krivokhizh 2014). Dynamics of the Sino-Russian corporate partnership in the Yamal LNG project appear to have been influenced by the needs of Russian political and corporate actors, who searched for alternative sources of finance and technology that was withdrawn in the aftermath of the Western sanctions (Huang, Lasserre, and Alexeeva 2015). It is thus plausible that the scale of Chinese investment is a result of geopolitical tensions and Russian corporate need to acquire finance to support its energy projects. Chinese finance also supported a grander strategy of the Russian government aimed at expanding its control over the hydrocarbon resources in the Arctic. I propose that the ability of Chinese companies to follow signals of the Russian domestic players have enabled their expansion in the Russian hydrocarbon sector. This was also supported by China's non-interference policy, where the companies separate business from politics and do not participate in the economic sanctions levied by the Western states.

The Yamal LNG plant is a testing ground for future Sino-Russian projects in the Arctic, where successes and failures of the Yamal LNG project will shape future projects beyond the Arctic region. In the Arctic region, Sino-Russian bilateral collaboration will likely expand in the face of stronger corporate ties developed by Chinese and Russian hydrocarbon companies. As an illustration, Novatek's CEO, Leonid Mikhelson has already signed agreements to expand partnership with Chinese SOEs in the upcoming Arctic LNG projects, such as the Arctic LNG II (Energy Monitor Worldwide 2017). CNPC's and Silk Road Fund's successful investment in Yamal is also illustrative of a mutually beneficial agreement between Russian and Chinese companies. Chinese experience as the financier of the Yamal LNG plant replicates its earlier engagement with Transneft on the ESPO project, which will be discussed in the next section.

## Negotiating the ESPO Pipeline

The ESPO pipeline is a politically and economically important mega-project (Konończuk 2008). The pipeline runs from Taishet/Tayshet, Irkutsk (Eastern Siberia), to Kozmino, Primorsky Krai (Far East).[57] The first section of the pipeline was completed in 2008 by Transneft. In 2010, Transneft partnered with CNPC to jointly expand the pipeline with the addition of a spur from Skovorodino to Daqing, located in Heilongjang province of China. In 2016, the two sides started the construction of the second spur from Russia to China that became operational in 2018 (Bloomberg 2018). Transneft was responsible for the construction of the pipeline running through Russia, while CNPC built the Chinese section of the pipeline. As observers note, the ESPO is currently Russia's largest oil pipeline and "one of the most expensive…[ones] in the world" (Konończuk 2008, 5). This pipeline has been on the political and corporate agenda since the 1990s when Chinese and Russian counterparts began to negotiate oil supply contracts. However, it did not materialize until the mid-2000s. This delay can be explained by the confluence of actors' interests that were modified by the Russian institutions. More specifically, I argue that the ideological flux in political and economic institutions in Russia led to a delay in the pipeline construction and resulted in China's shallow engagement in the ESPO.

Chinese engagement in the ESPO's construction revolved around loans and long-term oil supply contracts. As I will propose, China's limited engagement is an outcome of the Russian institutional arrangements. These arrangements, premised on state capitalism and resource nationalism, stipulate that the pipeline infrastructure should be owned and operated by Russian NOCs that will represent the interests of the Russian state. In Russia, Transneft, a NOC in charge of the oil pipelines that deliver 93 per cent of oil in Russia, is also a representative of the Russian government (Vatansever 2010, 8). Therefore, the Russian government and Transneft have played a central role in the development of the ESPO pipeline. However, they are not the only actors that were influential in this case. As I argue in this section, both domestic and international actors were fundamental in shaping the ESPO project as will be exemplified in the negotiation of the pipeline's route among different domestic and international players.

To examine these propositions, I will first outline regulatory institutions that shaped the nature of the ESPO pipeline. Subsequently, I will discuss the interests of individual stakeholders and map them on to the institutional landscape. This strategy is helpful for identifying interests and tensions that exist among the stakeholders in Russia that ultimately influenced the nature of the pipeline negotiations. Building on the previous sections, this section will examine four sets of core stakeholders with the addition of international actors as another factor that influenced the negotiation. Subsequently, I will analyze Chinese operations in the ESPO after the pipeline was approved.

### Ideology and Regulatory Institutions influencing the ESPO pipeline

Pipeline infrastructure in Russia is run by a single NOC, Transneft, due to institutional arrangements that privilege the state. Although there is no legislation that blocks private

[57] For a detailed map of the ESPO pipeline see Hendersen and Mitrova (2016, 29).

companies from building pipelines, there is evidence that the government has stopped giving licenses to private companies interested in building pipelines on the Russian territory (Belyi 2013, 170). Therefore, Transneft holds a monopoly power over the construction of oil pipelines in Russia. Due to these institutional arrangements, private companies are at a disadvantage. Chinese SOEs are no exception. As an illustration, CNPC's partnership with a Russian private company, Yukos, came to a halt in 2006 after the two attempted to construct a pipeline from Russia to China that bypassed Rosneft and other NOCs. To understand why CNPC-Yukos partnership failed we need to consider the ideology of resource nationalism that became increasingly popular among the Russian policymakers. In light of this strategy, the government sought to increase the power of NOCs (Locatelli and Rossiaud 2011), which could have been undermined if a private company was allowed to build a pipeline that will be outside of the government's managerial reach.

The ESPO negotiations date back to the late 1990s/early 2000s, when Yukos proposed to build an oil pipeline from Russia to China. Yukos started negotiating with the CNPC to jointly construct a new pipeline that would have connected the two countries (Henderson 2011; Eder 2014). A pipeline would have reduced costs of oil exports transported to China by rail and would have created a faster and more reliable connection between the two countries. The initial proposal to build a cross-national pipeline obtained a political and financial backing from the Russian government, which seemed to support Yukos' bid to develop a pipeline spur to China at the time (Henderson 2011). Russia's Energy Minister, Victor Kalyuzhnyi, signed an agreement with China's Minister of the State Planning Development Commission, Zheng Peiyan, in 2000 to build a pipeline from Russia to China (Oil and Gas journal 2000). Yukos, Transneft, and China National United Oil Corporation (Chinaoil) agreed to start the construction in 2003 with a completion date of 2005 (Oil and Gas Journal 2000) The pipeline was designed to transport oil from the Angarsk oil fields to Beijing (Oil and Gas Journal 2000). The initial project was never implemented as it fell out of political favour due to a shift toward resource nationalism that was reinforced by the growing power of the state under state capitalist economic model. This shift has reshaped the existing power arrangements in favour of the state and its NOCs.

Political alliance that supported Yukos' pipeline proposal was not successful in pushing the project forward. The support for the initial plan to construct an independent pipeline crumbled as the Prime Minister, Kasyanov, who backed the deal, lost political support (Henderson 2011, 3). At the same time, President Putin began championing a new direction in energy governance – domestic resource renationalization (Overland 2011). In other words, growing resource nationalism (and a history of state-owned pipelines) in Russia motivated the government to block a deal in which a private company would build a pipeline to China (Petersen and Barysch 2011, 16; Pousenkova and Overland 2018, 266). This explanation is closely linked with the institutional factors mentioned earlier. The second factor that made the pipeline proposed by Yukos problematic was based on the chosen route. If this route was implemented, it would have locked Russia into a 'monopsony'[58] – a market based on a single consumer – relationship with China as China would become the only consumer of the oil flowing

[58] In this case, I refer to monopsony in the dynamics of a given pipeline. The term does not extend to the whole energy market as Europe is still the largest consumers of Russian oil and gas.

along the proposed pipeline (Downs 2010, 152). Both ideational and economic factors were the likely culprits for the government's decision to block the pipeline project proposed by Yukos and backed by the CNPC.

The initial proposal by Yukos to build a pipeline to China came at a time of corporate restructuring in Russia. During this time, the government sought to expand its position in the oil and gas industry, while Mikhail Khodorkovsky, a prominent Russian oligarch, wanted to expand his political power and re-enforce his financial partnership with China through Yukos. Given that the Yukos' pipeline proposal did not follow the government's strategic interests, the proposal fell out of favour by 2003 (Trickett 2017). The failure of the proposed pipeline exposed a broader struggle between the oligarchs and the government for the control of the energy sector that placed China in a precarious position. China's relations with Yukos were compromised after Mikhail Khodorkovsky over-stretched his political and economic muscle that put him into the cross-hairs with the government (Petersen and Barysch 2011; Eder 2014, 44). In the end, Khodorkovsky lost his battle against the government and was convicted and sentenced for fraud. His company was renationalized by Rosneft with the support of Chinese loans (China Daily 2005). After the nationalization of Yukos was completed the proposed pipeline was scrapped and a new pipeline proposal had to be developed by Transneft.

Under the new proposal developed by Transneft, the pipeline would remain in the hands of Russian NOCs. Since Chinese SOEs only provided loans for the construction of the pipeline, the investment screening mechanism was not triggered by China's engagement in the project. Given that the pipeline was a domestic matter, Chinese engagement in the pipeline was predominantly determined by the stakeholder politics in Russia. As I will illustrate in the next section, the Russian government and corporate players played a central role in the ESPO negotiations, while civil society took on a minor role in shaping the route of the pipeline.

### Mapping the Stakeholders along the ESPO

The new ESPO pipeline proposal emerged after the Yukos proposal was scrapped by the government. After nationalizing Yukos, the government used the agreement reached between Yukos and CNPC on a pipeline pre-feasibility study as a starting point for its negotiations of a new pipeline with China. Experts observing the negotiations noted that the pipeline was a "state project where geopolitics and prestige [took] precedence over economics" (Gorst 2007). These negotiations were largely driven by Russian policymakers and high-level officials. The media suggested that President Putin was directly involved with the project's negotiations (Anonymous 2005). Reports also emerged that the ESPO agreement, struck between Transneft and CNPC on the pipeline construction, occurred right after a meeting between Vladimir Putin, Russian Prime Minister at the time, and Wen Jiabao, Chinese Prime Minister (Watkins 2008a).

There is other evidence suggesting that the new deal was clearly coming from the top echelons of the Russian government. The new pipeline was also supported by the regional governors in the Russian Far East as they sought to attain economic benefits from the new pipeline (Nefte Compass 2005). In addition to the diplomatic support for the project, the government provided financial backing, including tax relief and subsidies (Henderson 2011, 16;

Konończuk 2008). This support was essential as the pipeline would not have been profitable otherwise (Watkins 2008b; Graham 2007). In the end, the pipeline was partly an outcome of the negotiations among the top-level officials and the CEOs of the hydrocarbon companies (Watkins 2008a).

The Russian government worked closely with the domestic industry on the ESPO project. Transneft and Rosneft, both state-owned companies, engaged in the negotiations of the new pipeline with the Chinese SOEs and government officials. Both companies have obtained loans from China to support the construction of the ESPO; those loans were also used to help Rosneft acquire Yukos' assets after the latter was declared bankrupt (Henderson 2011, 3). As part of the deal, Rosneft obtained $15 billion dollars from China, while Transneft obtained $10 billion dollars as part of the loans-for-oil scheme (Tippee 2013). This financing helped Rosneft to acquire Yuganskneftegaz from Yukos and supported Transneft's pipeline construction (Anonymous 2010).

The ESPO pipeline was backed by Rosneft's leadership and other domestic oil corporations. At the time of the negotiations, Igor Sechin, Rosneft's CEO, declared his support for developing a stronger relationship with Chinese SOEs to help Russia diversify from the European market (Neft Rossii 2014). As part of this diversification plan, Rosneft sought to establish joint ventures with Chinese SOEs in the upstream oil industry. For example, Rosneft formed a joint venture with CNPC (known as Vostok Energy) to explore oil assets along the ESPO's route (Neft Rossii 2013). The best-known fields discovered along the route are the Verkhnechonsky and West Chonsky, in Eastern Siberia. Both fields are considered by Rosneft (2007) as important Eastern Siberian energy resources that will supply Asia-Pacific markets. Aside from Rosneft, Russian oil contractors also benefited from gaining access to Chinese workers and equipment. Mitrova (2016) estimates that around 60 per cent of the drilling equipment for the ESPO came from China along with a few Chinese labourers.

The opposition to the project was surprisingly wide-ranging. The opponents included a mix of industry players, civil society actors, and Indigenous groups. Since the pipeline was in direct competition with the Russian Railways, the CEO of the Russian Railways at the time, Vladimir Yakunin, did not support the new pipeline as it would have undercut corporate revenue that his company obtained from the transportation of oil to China via rail (Oil Daily 2007a). Yet, his opposition was inconsequential, as the Russian Railways surrendered their demands and decided not to form alliances with the other groups in opposition to the project. Conversely, civil society and Indigenous groups formed close alliances to challenge the ESPO project. However, their protests were not directed against the ESPO project per se; instead, they were driven by economic and environmental considerations of the project (Fondahl and Sirina 2006; Stammler and Ivanova 2016). More specifically, they disputed the route of the pipeline, which was expected to cross the River Lena and run in close proximity to the Lake Baikal, which is one of the pristine drinking water spots.

Protests against the ESPO's possible damage to Lake Baikal, in one way or another, started a wave of protests that criticized the ecological aspect of the project. Civil society, led by Indigenous and environmental groups, staged several campaigns that questioned the

environmental feasibility studies produced by Transneft when planning the ESPO (Stammler and Ivanova 2016, 1228). Russian branches of the Greenpeace and the World Wildlife Fund (WWF) raised the international profile of the issue in their calls for the protection of the Lake Baikal (Greenpeace 2005). Since the Lake Baikal is the UNESCO World Heritage Fund, it is protected under UNESCO's cultural and natural heritage laws. Greenpeace noted that the Natural Resource Ministry, Federal Forestry Agency, and Federal Service for Nature Management Supervision of the Russian Federation had all confirmed that the project violated the UNESCO's cultural and natural heritage if it crosses the Lake Baikal (Greenpeace 2005). Similarly, media pointed out that Russia's Natural Resource Ministry has acknowledged that the route is in close proximity to the Lake Baikal, which violates Russian environmental requirements (Nefte Compass 2005).

The rising protests against the ESPO's pipeline segment along the Lake Baikal reached President Putin, who used his political power to release a decree that moved the pipeline away from the Lake (Oil and Energy Trends 2006; Henderson 2011, 11). This was the first successful campaign staged by the Russian environmental NGOs against the ESPO, as they were able to persuade the government to re-route the pipeline further away from the Lake. The second anti-ESPO campaign, staged by the environmental NGOs, succeeded in convincing the government to move the oil terminal away from Perevoznaya Bay to Kozmino Bay to protect the local habitat (World Wildlife Fund 2007). These small victories did not, however, have a substantial impact on the pipeline. Although the environmental NGOs were successful in their campaigns, there could have been other factors at play; for example, Overland (2011) posits that the route may have fallen out of favour with the Russian government due to other factors, including high-cost estimates (153). Furthermore, the changes in the route were mandated by the president, who held the ultimate power over the project, rather than by a national court.

Lastly, the indigenous groups that were affected by the pipeline played a limited role in shaping the project. Given that the pipeline passes through Indigenous lands, Russian regulations stipulate that the proponents should consult with the Indigenous groups along the route. Yet, as Fondahl and Sirina (2006) suggest ESPO's consultation with the Evenki group was "shallow" as the majority of the people were not informed, travel costs to the consultation sites were prohibitive, and Indigenous concerns about the project were dismissed by Transneft (65-66). Ultimately, Indigenous groups had the smallest impact on the ESPO's construction. Thus, the pipeline was advanced and devised by the government and its NOCs.

### China's involvement in the ESPO; one voice among many?

The ESPO negotiations were also affected by the international actors from the Asian region - predominantly by China. As noted earlier, China forged strong commercial connections with Yukos that spearheaded bilateral negotiations regarding pipeline infrastructure between Russia and China. As noted earlier, the preliminary agreement between CNPC and Yukos fell through due to a shift in the government's ideology toward resource nationalization. The government also wanted to avoid a monopsony market; thus, it entered into negotiations with Japan and South Korea to diversify export markets for oil that will be shipped via the ESPO (Konończuk 2008). Japan was one of the more active supporters of an alternative pipeline route and even offered financial support for a suitable alternative. Japanese financial support for the

pipeline directly competed with China's engagement in the project as the two powers deployed financial levers to ensure that the ESPO followed their preferred route (Gorst 2007; Masudo 2007). Seeing the competition between the two regional powers, Russia used Japanese financial commitments as a bargaining chip during negotiations over the pipeline route with China. However, Japanese financial support was only temporary because Japanese policymakers decided to withdraw their financial support after citing irreconcilable differences over the partition of the Southern Kuril Islands with Russia (Henderson 2011, 4). This left Rosneft and Transneft in a weaker bargaining position.

Since Rosneft and Transneft were scrambling for international finance to support the construction of the ESPO, they turned to China, which was a willing financier of the project. China promised to give loans to both companies. Transneft and Rosneft promised to repay those loans through the shipments of oil to China through the ESPO pipeline (Wilson 2015b). The conditions of the loan, extended by the Chinese banks to the Russian NOCs, fit under the oil-for-infrastructure framework, where Chinese SOEs extended credits to the Russian companies to build infrastructure (Gabuev 2016). Additionally, CNPC has also concluded multiple long-term oil export contracts with Rosneft to ensure the economic viability of the ESPO pipeline (Nazarov et al. 2014). For example, in a 2013 contract between CNPC and Rosneft the two parties agreed to supply 300,000 b/d oil over 25-years for $17 billion through the ESPO (The Economist Intelligence Unit 2015). Chinese financial support was timely as it helped Russian NOCs to withstand financial difficulties associated with the Global Financial Crisis (Pervoic and Orttung 2009, 141).

### Lessons Learned from the ESPO case

The case study of the ESPO pipeline revealed several key tendencies regarding Chinese engagement in the Russian hydrocarbon sector. First, Chinese investors could not acquire an equity stake in the ESPO pipeline due to informal institutional arrangements that discouraged foreign investment in the pipeline infrastructure. Under these informal arrangements pipeline infrastructure had to be controlled by a state-owned NOC. Therefore, China's contribution to the ESPO project was predominantly financial in the form of loans and long-term oil supply agreements. Second, Chinese engagement in the ESPO project was shaped by a changing ideology that moved from privatization to renationalization of strategic assets under state capitalism. In light of the changing ideology, China's early attempt to build an independent oil pipeline with Yukos failed to materialize.

The third factor that shaped Chinese engagement is associated with shifting geopolitics and bilateral relations. Specifically, as I demonstrated in this section, inter-state negotiations between China and Russia were affected by Japanese and South Korean interests to participate in the project. As I argued, Russia tried to use this support as a negotiating leverage to gain financial support from China. Fourth, the interests of powerful stakeholders played a central role in determining China's engagement in the ESPO. A Transneft/Rosneft alliance with the Putin administration has been supportive of China's participation in the deal. Other stakeholders, as evidence suggests, did not impact China's engagement in the ESPO. However, they did play a role in shaping the pipeline's ultimate route.

Russian politicians and NOCs, working within the institutional parameters, have determined the points of entry and re-entry of Chinese companies in the case of the ESPO pipeline. However, in neither of these points were Chinese SOEs able to gain a stake in the pipeline. An example of the failed entry is China's first attempt to jointly develop an oil pipeline with Yukos, which was undermined by the nationalization of Yukos. The failure to build a joint pipeline with Yukos, however, did not disincentivize Chinese actors from partnering with Transneft at a later stage. Under the new agreement, China assumed the role of financier of the pipeline and signed several long-term oil supply agreements. The patience and ability of Chinese SOEs to adapt to rapidly shifting and unstable conditions have been essential for China's success in the ESPO project. Overall, the pipeline has broader geopolitical implications for Russia as it allowed the country to diversify its export markets away from Europe.

## Conclusion: Wrapping up the case studies; what have we learned?

The three case studies discussed in this section reveal a complex interaction between inter-state relations, domestic institutions, and stakeholder politics in Russia that has ultimately determined the ability of Chinese SOEs to participate in the Russian hydrocarbon sector. In this section, I demonstrated that Russia is not a stable investment destination, because changes in informal institutions have upset the existing institutional arrangements in the hydrocarbon sector. As I argued, under the new institutional arrangements, which were implemented in the early 2000s, deals in the oil and gas industry are ultimately negotiated at the top level by either the CEO of a large NOC or by the President. In other words, institutions are set up in such a way that the government holds veto power over any foreign investment in the hydrocarbon sector. Thus, unlike in Canada, a political license may be sufficient for an oil/gas deal to proceed in Russia. However, a political license is at times inadequate. As I proposed earlier, proposed projects are more likely to fail if they do not have a market license.

The political support provided by the industry players for these deals remains important. Industry players hold a prominent role in the Russian hydrocarbon sector. Therefore, they can actively help Chinese SOEs to participate in hydrocarbon projects in Russia. I captured an example of this in the case study of Sinopec's acquisition of Udmurtneft. In this case, Rosneft actively lobbied the government to allow Sinopec to invest in the Udmurtneft oil plant. Given that large NOCs in Russia are closely linked with the government, they can use their political ties to support Chinese FDI. As all of the analyzed cases demonstrated, renationalization of the hydrocarbon sector meant that corporations are closely monitored (and often guided) by the Russian government. Thus, a market license to operate remains important but, in most cases, it overlaps with the political license to operate. To illustrate, even when there is opposition to specific projects from some companies it is often temporary and appears to have limited impact on the government's decision. A case in point is a short-lived opposition against the ESPO pipeline by the Russian railway's CEO.

In addition to the market and political licenses, companies may need to acquire a social license to operate. A social license to operate, which emerged as an important factor in the Canadian case, has been almost inconsequential in Russia. Most of the projects discussed in this section have not been affected by civil society groups. For example, in the case of Udmurtneft,

civil society and Indigenous groups had not been consulted about the deal. Civil society's representation in the Yamal LNG project has also had a limited impact on China's participation. The only case where civil society influenced a hydrocarbon project was in the case of the ESPO pipeline. Even in this case, NGOs could only claim a small victory when the government agreed to re-route the pipeline away from environmentally sensitive areas. Based on this evidence, it appears that foreign investors operating in Russia need only one license to operate in the hydrocarbon sector – a political one, which is closely tied to the market license.

This chapter has also illustrated that China's engagement in Russia resembles a strategy that Chinese SOEs use in developing countries. According to this strategy, Chinese SOEs pursue a political license to ensure that the deal is successful without paying direct attention to other licenses. Under this arrangement, Chinese SOEs let the local government resolve any issues related to other stakeholders. Chinese SOEs operating in Russia have learned over time that the deals that they forged with Russian private corporations may not be long-lasting if they are not backed by the leading political figures. The failure of CNPC's deal with Yukos to build an oil pipeline is but one example. As I proposed in this section, Chinese SOEs benefit from the support of the Chinese leadership, which helps them to obtain a political license in Russia. In this way, bilateral relations between Russian and Chinese leaders are important as they pre-negotiate most of the successful energy deals. This has been the case of the Yamal LNG project and the ESPO pipeline.

The findings that I discussed in this chapter also revealed that Chinese engagement is very responsive to the needs of the Russian hydrocarbon industry. In order to fit the needs of the Russian hydrocarbon sector, Chinese SOEs participation in hydrocarbon projects is predominantly focused on the financial packages – composed of loans and investment deals – coupled with long-term supply agreements. Additionally, Chinese SOEs agree to take on minority stakes in joint venture projects with the Russian NOCs and outsource managerial duties to their Russian counterparts. Chinese SOEs are also becoming important suppliers of technology for the Russian NOCs as the case study of the Yamal LNG plant indicated.

As I argued in this chapter, China has replaced Western investors in Russia due to its ability to shift its flexible strategy that adjust to the needs of the host state. An expert on Chinese investment in the Russian oil sector, Mikhail Krutikhin, noted in an interview (2016) that China's edge over other foreign investors rests in its pragmatic approach, patience, and adaptability to Russia's needs. It is also plausible that China's success derives from "shared normative institutional cultures" and "similarities in decision-making and political cultures that are conditioned by the relative autonomy of state bodies from significant civic-societal influence" (Cutler 2014, 690). The two countries share a top-driven decision-making process, where companies follow state directives (Bremmer and Johnston 2009). As demonstrated by the Yamal LNG studies, government-to-government negotiation between Russia and China resulted in a bilateral energy agreement that was subsequently implemented by the companies on the ground. As Yamal LNG was a greenfield investment project, it had some limited input from civil society.

This finding is consistent with the business literature that maps location choices of Chinese investors; these studies generally note that Chinese SOEs are attracted to countries with weaker institutions (Buckley et al. 2007; Buckley et al. 2008; Kolstad and Wiig 2012) or those that are institutionally closer to the home state (the institutional proximity argument) (Seyoum 2009; Giroud, Mirza and Wee 2012; Blomkvist and Drogendijk 2013; Lv and Spigarelli 2014). My findings also suggest that Chinese SOEs find it easier to operate in countries with fewer metaphoric licenses to operate as it is harder for Chinese firms to adjust their strategies to fit the needs of multiple stakeholders.

The case studies discussed in this chapter also revealed that Russian policymakers could place limits on Chinese FDI by appealing to both formal and informal institutions. Although Russian formal institutions are weak and are easily modified by powerful actors, such as the President and the heads of the NOCs, both formal and informal institutions can still place constraints on Chinese FDI. As I illustrated in this chapter, the investment screening mechanism has lowered investment review threshold for Chinese SOEs to 5 per cent of the voting shares under the 2008 "Strategic Industries" law. A lower threshold means that Chinese investment in a strategic industry is more likely to be subject to an internal review by the government. The investment review committee, composed of the government officials, may block any investment that does not fit their interests. However, as the evidence suggest any projects that have political license will get a green light from the commission. Furthermore, Chinese SOEs may opt for loans or long-term supply contracts to participate in hydrocarbon projects without directly investing in them, which makes the terms of their participation easier as they distance themselves from domestic politics.

The other institutional factor that was discussed in this chapter is found in the property rights. Property rights, which are utilized by stakeholders in Canada, are weakly enforced in the Russian hydrocarbon sector, which produces a set of informal institutional arrangements (Locatelli and Rosslaud 2011). These informal arrangements between the Russian government and corporations privilege domestic players, who can obtain better bargains than foreign companies, by collaborating with the local government officials (Locatelli and Rossiaud 2011, 5596). As China has experience with informal arrangements at home, it can navigate the informal arrangements in Russia by relying on high-level diplomacy to negotiate oil contracts and by partnering with local NOCs. In turn, Russian NOCs provide Chinese SOEs with a market license to operate in the hydrocarbon sector.

The recent success of Chinese SOEs in Russia also coincides with broader geopolitical changes that brought Russian stakeholders closer to China. This is captured by the inter-state relations in my theoretical model. In the aftermath of the Global Financial Crisis and the Crimea-related Western sanctions, China became one of the few financial support lines for the Russian hydrocarbon industry. As the flow of the Western finance and technology to Russia was curtailed, Russian hydrocarbon companies turned to China for alternative sources of finance and technology. The Yamal LNG plant and the ESPO pipeline are the end results of the closer bilateral ties between Russia and China. In both cases, Chinese technology and finance made both projects possible. In other words, neither project would have been feasible without Chinese financial backing. Therefore, China's financial backing became one of the central pillars of the

Sino-Russian energy collaboration that is entering a 'strategic' realm according to some observers, such as Tom Røseth (2017). According to the oil executive Mark Gyetvay, Chinese investment will continue to grow and promote social and economic stability in Russia (2016).

# Chapter 8. Conclusion

This dissertation examined the response of stakeholders and institutions to growing participation of Chinese SOEs in the Canadian and Russian hydrocarbon sectors. The study illustrated that Chinese participation in the hydrocarbon-rich countries has been growing at a rapid rate since the 1990s prompted by the "Go Global" initiative and reinforced by the BRI. As the Chinese engagement – investment and loans – in the hydrocarbon sector grows, multiple questions arise regarding it. The core question that this dissertation chose to analyze is the following: what explains the ability of Chinese SOEs to successfully participate in hydrocarbon projects in host countries? As noted in the introduction, Chinese SOEs sometimes successfully complete their intended investment or participate in hydrocarbon projects through loans (or other financial means), while at other times fail in completing their intended projects. The difference in success rates of Chinese SOEs is visible across host countries and projects within these countries, yet no explanation has been offered by scholars to explain this observed phenomenon. The objective of this dissertation was to account for this phenomenon in Russia and Canada.

In order to do this, my dissertation has offered a new theoretical explanation based on novel empirical data. I have found that the success or failure of Chinese SOEs to participate in the hydrocarbon industry of a host country is determined by that country's institutions and stakeholder politics. The distinct nature of the political economies of host countries has in turn shaped Chinese engagement strategies – loans, investments, and other financial packages, including long-term supply contracts. My findings also suggested that the entry of Chinese SOEs into the hydrocarbon sector has had an indirect feedback effect on local institutions and stakeholder politics.

Based on my findings, I concluded that democratic countries with multiple stakeholders and strong formal institutions (i.e. those that follow the rule of law and are independent from political meddling) made it difficult for Chinese enterprises to integrate into specific hydrocarbon projects. For example, the inability of Chinese SOEs to obtain social license to operate explains why they failed to proceed with the two projects in the LNG industry - the Aurora LNG plant and Pacific NorthWest LNG plant. One may thus conclude that foreign investors, including Chinese enterprises, find it difficult to operate in democratic societies that prioritize social license to operate because it increases project's costs beyond anticipated levels, which may prompt companies to abandon a proposed investment. Despite this, Canada turns out to be the largest recipient of Chinese SOEs' FDI in the oil and gas industry.

In an attempt to account for this discrepancy, some studies propose that Chinese SOEs appear to be attracted to countries with the strong rule of law (usually found in democracies) (Yang et al. 2018), which may explain why Canada has been the largest recipient of Chinese FDI in the hydrocarbon sector. However, such an explanation portrays an incomplete picture as it underestimates the struggles that Chinese SOEs face in democratic countries as it misses the importance of the licenses to operate in democratic societies. I have proposed that this puzzling

tension can be explained by the nature of the investment that Chinese SOEs have completed in Canada. Given that most of the investments made by Chinese SOEs were in the brownfield sector, which does not require a social license to operate, it was easier for Chinese SOEs to expand their investment in Canada. The counter-intuitive finding can also be explained by the scale of the CNOOC-Nexen deal, which is one of the largest investments made by Chinese SOEs. The deal itself, which is a brownfield FDI (as explained in the case study), can be perceived as a 'failed success'. More specifically, I argued that the size and nature of this deal has led to subsequent backlash against Chinese SOEs' FDI in the oil sands in a democratic society as it has led to the adoption of more stringent regulations to limit FDI by SOEs in the oil sands sector, which makes it harder for Chinese SOEs to acquire assets in the oil sands.

Conversely, in countries with a hybrid regime that are dominated by a strong government and weak institutions (flexible laws), Chinese SOEs adopt a more flexible engagement strategy as they can provide loans or sign long-term energy supply contracts that distance Chinese SOEs from the host country's domestic politics. Additionally, when acquiring shares in hydrocarbon projects in these societies, Chinese SOEs often only need to acquire a political license to proceed with their proposed investment project. Since Chinese investors did not have to worry about other licenses, it was easier for them to make deals with the government. At the same time, this strategy is also risky. As investment in a society dominated by a single stakeholder, increase the risk that the host government may shift its investment preference which may jeopardize activities of Chinese SOEs. One way to reduce this risk is to participate in hydrocarbon projects by providing loans to Russian NOCs as it distances Chinese SOEs from domestic politics.

The findings of my study rely on novel empirical data generated during my research and fieldwork in Canada and Russia. I have spent two months in Russia and four months in Canada interviewing experts, engaging in field observations, and analyzing data from primary and secondary sources. I have relied on a qualitative comparative methodology to gather and analyze the data. Through the process of data triangulation, I have tried to ensure that the findings are consistent and reliable. As the previous paragraphs illustrated, the findings from my Canadian and Russian case studies can be generalizable to other countries as the theoretical template that I have developed can be adapted to other investment-recipient countries to understand how foreign investment will be influenced by domestic institutions and stakeholder politics. The latter variable – stakeholder politics – is shaped by another factor that I have characterized as inter-state relations, which includes geopolitics.

I have relied on this model to test my general hypotheses that the ability of Chinese SOEs to participate in a hydrocarbon project in a host country will be determined by stakeholder politics and institutions in a host country. Relatedly, I have found that Chinese investors will adapt their engagement strategies to host country conditions. Ultimately, the success of Chinese SOEs will be determined by the receptiveness of domestic stakeholders and institutions to SOEs' presence in specific hydrocarbon projects. While carrying out my research, I have discovered that this relationship has a feedback mechanism due to the presence of a reverse causality, which I have mentioned in chapter three. The reverse causality is observed when foreign investment triggers a change in regulatory institutions, which in turn affect Chinese participation in the hydrocarbon industry.

## The Main Insights From my Research or What Have We Learned

The first finding from this dissertation is related to Chinese engagement strategies in the host countries. This finding is tied to the 'engagement package' used by Chinese SOEs in the host countries. As noted earlier, this package can be composed of three[59] elements – FDI, loans, and trade. Statistical data and case studies discussed in this dissertation reveal that Chinese engagement in the Canadian and Russian hydrocarbon sectors differs in terms of the engagement package offered by Chinese SOEs to both countries. In the case of Canada, SOEs' package is dominated by FDI with a few trade deals in the oil sector. An attempt by Chinese SOEs to provide a fuller package that combined finance, FDI, and trade failed when the proponents of the Northern Gateway pipeline did not receive a permission to proceed with the construction. In the case of Russia, we saw a very comprehensive engagement package that included FDI, loans, and trade. For example, in the case of the Yamal LNG, Chinese SOEs have combined FDI, loans, and long-term supply trade agreement. The two types of Chinese engagement are captured in table 8.1. On the basis of this evidence, one may conclude that in the Russian case Chinese engagement is more varied than in the Canadian case.

| Types of Chinese Engagement in the Hydrocarbon Sector | Canada | Russia |
|---|---|---|
| FDI | Yes | Yes |
| Loans | No | Yes |
| Trade | Yes (but small) | Yes (multiple long-term energy supply contracts) |

*Figure 8.1: Chinese Engagement in the Canadian and Russian Hydrocarbon Sectors*

The second finding is related to the political economy of host countries that influences Chinese engagement. My finding suggests that Chinese engagement with the host societies is constrained by the host country's political economy. Table 8.2 traces multiple factors that limit Chinese engagement in the hydrocarbon sector that are tied to my theoretical framework. I have discussed three central factors - inter-state relations, formal and informal institutions, and stakeholder politics. As I argued in this dissertation institutions and stakeholder politics, which were influenced by interstate relations, have determined the ability of Chinese SOEs to participate in the hydrocarbon industry. The proceeding paragraphs will discuss how each of the three factors have impacted Chinese engagement.

The first factor that influenced the activities of Chinese SOEs in Russian and Canadian hydrocarbon sectors is captured by inter-state relations. As I noted in the earlier section, inter-state relations have shaped the responses of host country's stakeholders toward Chinese engagement in the energy sector. More specifically, I noted that inter-state relations have explained the timing of China's entry into a given country. This variable is associated with the shift in stakeholder preferences toward Chinese SOEs. In my case studies, I noted that energy relations have reflected broader diplomatic ties. In Canada, a brief interruption in Chinese energy investment coincided with the deteriorating Sino-Canadian ties under the leadership of Prime Minister Harper in 2006-2009. Similarly, in the Russian case, inter-state relations played an

[59] Or four in developing countries that receive aid from China.

important role in shaping the flow of Chinese FDI. As Sino-Russian energy relations remained weak until the second presidential term of Vladimir Putin, Chinese FDI was non-existent until the mid-2000s. As I have proposed in chapters six and seven, Russia's politico-economic turn to China in the mid-2000s coincided with inflow of Chinese FDI and loans. Russia's turn to China also coincided with Russia's weakening energy ties with Europe. This turn has accelerated in the aftermath of the Global Financial Crisis in 2008 and the Western sanctions in 2014. The geopolitical factors thus appear to play an important role in shaping actors' decisions about Chinese SOEs participation in the hydrocarbon sector.

The second factor that has played a central role in influencing Chinese participation in the energy sector is captured by the formal and informal institutions. In my theoretical model, I noted that informal institutions, including ideology and norms, played an important role in influencing Chinese engagement. In Canada, the liberal economic principles have generally allowed Chinese SOEs to take over a majority, minority, or all shareholding interests in an oil company. This allowed Chinese SOEs to take on a role of a leading player in the Canadian hydrocarbon sector. Conversely, in Russia, the ideology of resource nationalism limits foreign participation in the oil sector as we saw in chapters 6 and 7. Therefore, Chinese SOEs have acquired less than 50 percent of shares in the Russian oil and gas projects as the majority of shares is expected to remain in the hands of the Russian NOCs or large private oil companies, such as Novatek. While informal institutions acted as a constraint in Russia, in Canada they acted as an enabling factor at first. However, over time power distribution embedded in the informal institutions in Canada coupled with the formal institutions have created conditions that made it harder for Chinese SOEs to engage in the Canadian hydrocarbon sector.

Formal institutions, including investment screening regime and property rights, played an important role in the Canadian case study and a secondary role in my Russian case. This is partially a reflection of a weaker institutional environment in Russia. Still, Chinese SOEs investing in both Canada and Russia are constrained by specific regulations that target their investment. In Canada, investment by Chinese SOEs above a certain threshold is subject to review and any investment in the oil sands will only be permitted on exceptional basis as stipulated in the SOE Guidelines that were expanded in the aftermath of CNOOC-Nexen deal. In the Russian case, formal regulations are very flexible and laws on paper can be easily changed to fit the needs of the powerful actors. Although SOEs investment in strategic industries is expected to trigger regulatory review if the acquisition exceeds 5 percent of shares, government generally approves investment over this threshold if Chinese SOEs obtain political and market licenses to operate.

The third and one of the most critical factors is captured by the variable of stakeholder politics that constrained Chinese SOEs from participating in the hydrocarbon sector in host countries. Stakeholder politics can approximate the institutional distance between the two countries analyzed in my dissertation. In democratic countries, there will be likely more stakeholders than in the autocratic ones due to a different distribution of power. This different distribution of power is important as it approximates who can make and influence decisions in a host country. I have approximated this relationship by using market, political, and social licenses that companies may need to acquire in order to operate in a given host country. In Canada, which is a liberal democracy, we saw that Chinese SOEs had to obtain all three licenses to ensure that

their participation in hydrocarbon projects that required greenfield investment are successful. Conversely, in Russia, which is a mixed regime with autocratic elements, I argued that Chinese SOEs only needed to obtain a political license, which subsumed other two licenses under itself. Since both Russia and China are state-capitalist economies where the government plays a central role in the market, it is easier for Chinese SOEs to manage stakeholder relations in Russia than in Canada.

| Host Country Factors Limiting FDI | Canada | Russia |
|---|---|---|
| Inter-state relations | Energy relations grow as inter-state ties grow; brief interruption in energy investment during Prime Minister Harper (2006-2009) | Energy relations at first weak; multiple setbacks and rejections due to mistrust; relations improve under President Putin's second presidential term |
| Ideology and the type of deals permissible | Liberal economic principles: generally, allow foreign investors to acquire 100% of shares in a company | Resource nationalism: Foreign enterprises should be a minority partner (less than 50 per cent of shares) in strategic oil and gas companies controlled by NOCs[60] |
| Investment Screening Regulations (SOE clauses) | Yes | Yes |
| Regulatory Innovation (to screen SOEs FDI) | Yes | Yes |
| Restrictions on SOEs FDI | Review of investment above threshold amount set by the Industry Canada[61] / since 2013 Chinese FDI in oil sands will be permitted only on exceptional basis | Review of investment under the Strategic Industries Act (since 2008) for SOEs any investment above 5 percent controlling share is reviewed |
| Stakeholder Politics | Multiple stakeholder interests have to be satisfied; multiple licenses to operate should be acquired | Stakeholder politics dominated by the state and corporations; often political license is enough for an investor to operate in Russia |

*Figure 8.2; Constraints on Chinese Engagement in Canada and Russia*

## Engaging in Cross-Case Comparison

[60] President Putin's announcement suggested that this may be lifted for Chinese SOEs but unclear when and how.
[61] Changes on a yearly basis.

The aforementioned findings emerged from a set of within-case studies in Russia and Canada. The individual within-country case studies were discussed separately in the Canadian and Russian case study chapters. As these studies were focused on the dynamics of the specific projects, I have not engaged in cross-comparison of similar projects across the Russian and Canadian cases. Therefore, I embark on this analysis in this section of my concluding chapter. The objective of this cross-comparison is to compare how the operations of Chinese SOEs differ across the two countries by examining the dynamics of comparable projects in each country. This section will first compare the performance of Chinese enterprises in the brownfield projects in the upstream oil sector of Canada and Russia. Subsequently, it will examine SOEs' operation in the LNG sector. Lastly, it will discuss the engagement of Chinese SOEs in the pipeline infrastructure of both countries.

The first two case studies looked at SOEs' investment in the oil extraction in Russia and Canada. I selected two cases to compare the success of Chinese investors in the Canadian and Russian hydrocarbon sectors. In Canada, I looked at CNOOC's acquisition of Nexen, which I labelled as a "failed success". In this section, I argued that this deal occurred in a period of improving inter-state relations, which, coupled with a neoliberal ideology, allowed CNOOC to acquire a 100 percent of shares in Nexen. However, the case came with complications due to stakeholder politics. As I noted in chapter 5, Canadian industry players and the public were generally opposed to the project and were supported by the NDP, an opposition party, at the federal level. This opposition pushed the Conservative party, which was in power at the time, to introduce regulatory innovation that would limit future investment by Chinese SOEs in the oil sands.

In the Russian case, the dynamics were different. Sinopec's acquisition of Udmurtneft appeared to be a "successful" investment for Sinopec as the company received support from both political and industry actors in Russia. As I noted in the case study, civil society abstained from commenting on the deal. The deal was also unique because Sinopec was allowed to buy a whole company under the condition that it would let Rosneft purchase the majority of shares back after the bid is approved. This deal fit with the resource nationalist agenda of the Russian government and companies. As I have noted earlier, other stakeholders were not directly involved in this bid as Sinopec acquired a company that had already obtained a social license to operate from the Udmurtia's residents.

The two cases illustrated a complex interaction between stakeholder politics and institutions in determining Chinese participation in the upstream oil industry in Russia and Canada. The dynamics revealed that stakeholder politics make it more difficult for Chinese SOEs to operate in the hydrocarbon sector of democratic countries as the policies are shaped by the interests of multiple stakeholders. In these regimes, Chinese SOEs may need to gain broad acceptance from all stakeholders and acquire social, market, and political licenses to ensure that their investment is successful. In the case of mixed-regimes with autocratic elements, such as Russia, Chinese SOEs may only need to obtain political and market licenses to be able to operate successfully.

| Projects success / failure Oil Industry | Canada | Russia |
|---|---|---|
| Deal | CNOOC-Nexen | Sinopec-Udmurtneft |
| Result | "failed success" | "success" |
| Stakeholder Responses | Due to some opposition from the industry players and negative public opinion the government decided to implement the "exceptional circumstances" clause that limits further FDI by SOEs | Due to political and industry support for the deal. No response from the civil society. |
| Chinese Participation | CNOOC now 100% owner of Nexen | Sinopec owns 49% of Udmurtneft's shares.<br><br>The government allowed Sinopec to acquire the whole company under the condition that Sinopec would sell a majority of shares back to Rosneft. |

*Figure 8.3: Chinese Engagement in the Upstream Oil Sector; CNOOC-Nexen and Sinopec-Udmurtneft*

Similar dynamics emerged when I examined a set of case studies that traced Chinese engagement in the LNG sector in Canada and Russia. These cases revealed two contrasting scenarios. In the Canadian case, we have witnessed two stories of "failure" countered by a single "success". While in Russia, the only LNG project that was supported by both sides became a hallmark of the Sino-Russian energy cooperation. The two cases revealed how different alignments between institutions and stakeholders determine Chinese engagement in two distinct political economies.

In the Canadian case, Chinese SOEs invested in Aurora LNG, LNG Canada, and Pacific NorthWest LNG. With the exception of LNG Canada's proponents, the investors in the other two LNG projects appear to have underestimated the power of widespread public opposition that counteracted the support that the LNG sector obtained from political and corporate actors. As Canadian regulatory institutions protect consultation and accommodation processes, it was difficult for Chinese SOEs to pursue LNG deals that would have been embroiled in legal actions

launched by indigenous groups and NGOs against the respective projects. In the Russian case, the dynamics were different; the Yamal LNG project was pre-approved before Chinese SOEs declared their interest to participate in the construction of the plant. In light of this, their entry was met with a widespread political and industry support. Chinese investment in Yamal LNG also faced limited civil society opposition. The dynamics in the Russian case were thus conducive to Chinese engagement in the project. The general information about the two LNG cases are captured in table 8.4.

| Projects success / failure LNG Industry | Canada | Russia |
|---|---|---|
| Deal | Aurora LNG, LNG Canada, Pacific NorthWest LNG | Yamal LNG |
| Result | "failed investment with one exception" | "success" |
| Stakeholder Responses | Widespread public opposition to the projects. Industry and government support. | Widespread political and industry support with limited civil society opposition. |
| Chinese Participation | Two out of three projects have decided that it is costly to pursue investments in Canada.<br><br>Sinopec (Pacific NorthWest LNG) and CNOOC (Aurora LNG) abandoned their plans to develop LNG plants; in 2018, PetroChina, along with its partners, declared that they will construct LNG Canada. | Chinese SOEs became investors and financiers of the projects. Chinese companies also signed multiple long-term trade contracts.<br><br>CNPC owns 20 % of shares; The Silk Road Fund owns 9.9 % shares; Loans by Exim and CDB worth $11.8 billion; Long-term LNG supply contracts |

*Figure 8.4: China's engagement in the LNG Industry; Aurora LNG, LNG Canada, and Pacific NorthWest LNG; Yamal LNG*

Lastly, in the case of pipeline politics, Chinese engagement in both projects remained purely financial – based on loans and monetary contributions. However, there was an indication that Chinese SOEs wanted to invest and engage in the construction of the Northern Gateway pipeline in Canada and in the ESPO pipeline in Russia. As summarized in table 8.5, the fate of these two projects was an outcome of the influence exerted by domestic institutions and distinct stakeholder politics in both cases. In the Canadian case, Chinese SOEs failed in pursuing their objectives while, in the Russian case, they succeeded. In Canada, Chinese SOEs were met with

widespread civil society and industry opposition. This opposition has been reinforced by the Canadian legal system. Due to the widespread opposition, the project's proponent Enbridge has lost political license to operate and scrapped the project altogether. Since the project failed, Chinese SOEs that provided finance for the project incurred a financial loss as their plans to construct a pipeline infrastructure from Alberta to British Columbia did not materialize.

In the Russian case, the dynamics were reversed. As I have demonstrated in chapter 7, Chinese SOEs initially partnered with a private oil company Yukos to construct the pipeline and obtained a market license to pursue this project. The deal had initially received some political support. The political support for the deal disappeared shortly after Yukos fell out of political favour. After the nationalization of Yukos, Russian NOCs, with the support of the federal government under Putin's leadership, have successfully re-negotiated a new pipeline with Chinese SOEs. As part of the new bargain, Chinese SOEs provided loans to Transneft and Rosneft to build the ESPO with a pipeline spur to China, which was connected to Chinese pipeline infrastructure by CNPC. In this case, political license appeared to be central to the success of Chinese-backed project in Russia. On the other hand, in the Canadian case civil society and industry opposition appeared to be causally central variables in undermining a pipeline project.

| Projects success / failure Pipeline Infrastructure | Canada | Russia |
|---|---|---|
| Deal | Northern Gateway pipeline | East Siberia Pacific Ocean Pipeline (ESPO) |
| Result | "failure" | "success" |
| Stakeholder Responses | Due to widespread civil society and industry opposition the project lost political license to operate and was cancelled. | Due to industry and political support the deal successfully replaced earlier failed negotiations with Yukos. |
| Chinese Participation | Deal did not happen; Chinese SOEs provided finance to Enbridge to pursue the project. Financial loss. | Chinese SOEs provided loans to Transneft and Rosneft to build the ESPO pipeline. CNPC has built a spur from Skovorodino to Daqing to transport oil. |

*Figure 8.5: Chinese Engagement in the Pipeline Infrastructure; The Northern Gateway Pipeline and the ESPO*

In general, my research findings revealed that Chinese SOEs appeared to be more successful in completing greenfield projects in Russia as they required fewer licenses to operate. Unlike in Canada, Chinese SOEs operating in Russia could engage in greenfield projects in the LNG industry and pipeline infrastructure. This finding is based on the hydrocarbon projects that required greenfield investment in both host countries. Furthermore, SOEs engagement in Russia

was more varied than in Canada as Chinese SOEs provided loans and other types of finance, which allowed for deeper integration into the Russian hydrocarbon sector. This practice was not feasible in Canada as Canadian businesses operating in the hydrocarbon industry did not seek SOEs' loans or long-term supply agreements. As Chinese SOEs learn to operate in societies with multiple stakeholders, they begin to establish relations with a variety of actors in a host country. For example, Chinese SOEs are starting to form partnerships with the Canadian Indigenous groups to jointly develop hydrocarbon projects, such as the new refinery project in Alberta (Morgan 2018). This partnership would not have been possible in countries where the government oversees economic decisions, such as in the case of Russia.

My findings also suggest that regulatory institutions, such as investment screening mechanisms and property rights, played a central role in shaping Chinese engagement in Canada. The legal system was one of the key explanatory variables in the Canadian cases, but less so in the Russian cases due to the weaker nature of courts and a general lack of evidence that domestic stakeholders used legal institutions to challenge hydrocarbon projects in which Chinese SOEs invested. Lastly, I have also illustrated that inter-state relations, including shifting geopolitical relations, provided an enabling environment for Chinese participation in the hydrocarbon projects as they shape stakeholders' receptiveness towards Chinese SOEs. Inter-state relations thus acted as an intervening variable that interacted with stakeholder politics to influence the success of Chinese SOEs' participation in hydrocarbon projects in a given country.

## Research Contribution and Future Research Directions

The core objective of my dissertation was to understand what factors facilitate or block Chinese engagement in the Canadian and Russian hydrocarbon sectors. This question has important implications for Chinese SOEs and investment-recipient countries, given that Chinese investors are new players in the global energy markets and are still learning how to operate in diverse conditions around the world (Shankleman 2009; Economy and Levi 2014). As this chapter illustrated, Chinese engagement in both countries has evolved and changed over time. In Canada, Chinese SOEs have expanded their operations across the hydrocarbon chain and became more ambitious investors by 2014. SOEs' expansion in the Canadian hydrocarbon sector has triggered stakeholder opposition, which made it harder for Chinese SOEs to invest in this sector in the future. In the Russian case, Chinese investors' early failures to integrate into the Russian hydrocarbon industry have over time reversed as political and corporate stakeholders turned to China for financial and technological support. As I noted earlier, my dissertation has identified that stakeholder politics and host country's institutions have played a prominent role in determining the ability of Chinese SOEs to succeed in Canada and Russia.

In both cases, Chinese strategies have evolved and adapted to match the needs of the host society. The finding is consistent with the scholarly studies that have hypothesized that Chinese investors adapt to local conditions when they invest abroad (Economy and Levi 2014; Alon, Leung and Simpson 2015). Building on this hypothesis, my research has suggested that it might be easier for Chinese companies to invest in more authoritarian countries, such as Russia, where deals are conducted at the top level as opposed to democratic ones, such as Canada, where multiple stakeholders and strong regulatory institutions may hinder foreign investment. My findings add a novel dimension to the econometric studies exploring the localization patterns of

Chinese investment, including work by Buckley et al. (2010), Kolstad and Wiig (2012), and Li, Xia, and Lin (2017). It does so by exploring the factors that determine Chinese success in a single industry – oil and natural gas / hydrocarbons – across two countries – Canada and Russia - where Chinese SOEs invest. In doing so, my research has answered the call made by Smith and D'Arcy (2013) who proposed that new research should focus on comparative studies analyzing how Chinese SOEs operate within the same industry but across different countries.

The findings of my dissertation will be relevant to scholars, policymakers, businesses, and civil society groups. In general, my research contributes to scholarly debates on the role of institutions and domestic actors in influencing foreign investment. More specifically, it broadens theoretical and empirical research on Chinese FDI in the oil and gas sector in Russia and Canada. For policymakers, it provides an overview of the implications that their policies and stakeholders politics have for Chinese foreign investment in the hydrocarbon sector. Policymakers can draw insights from my work to develop a balanced policy to regulate Chinese FDI without dissuading the investment altogether. Since this is not a policy-focused dissertation, I have not proposed policy recommendations. Businesses can use my findings to navigate complex regulatory and institutional issues. Specifically, Chinese SOEs may use my research to improve their engagement strategies in host societies. Civil society can learn from the cross-country experience of stakeholders in their campaigns to support or oppose specific oil and gas projects. However, their ability to adopt these mechanisms to challenge specific hydrocarbon projects will likely differ based on the fact that civil society may lack capacity and institutional support as we saw in the Russia-Canada cross-comparison.

Research on Chinese SOEs will continue to grow in the future as these enterprises will continue to expand their presence in the hydrocarbon-rich countries in the forthcoming years. According to Global Risk Insights (2018), a publication focused on political risk news and analysis, Chinese SOEs and private firms will continue to invest in hydrocarbon resources globally. Especially, under the BRI framework that envisions global energy trade and investment along the routes. Since my research has only focused on Chinese engagement in Russia and Canada, future studies can expand this comparison either by taking different cases and applying my theoretical model by engaging in a qualitative comparative study, or by developing a quantitative study that operationalizes stakeholders and institutional variables to test the observed relationship statistically. The theoretical framework that I have developed can also be applied to analyze Western investors, who can be compared to Chinese SOEs in the future comparative research. Given the range of opportunities for further study, my research hopes to serve as a stepping stone toward new studies on this topic conducted by scholars across various disciplines.

## References:


Abdenur, Adriana Erthal. "Skirting or Courting Controversy? Chinese FDI in Latin American Extractive Industries." *International Development Policy| Revue Internationale dePpolitique de Développement* 9, no. 9 (2017): 174-198.

Abbott, Martin, and Jennifer McKinney. *Understanding and Applying Research Design*. 1. Aufl. ed. Hoboken, N.J: John Wiley & Sons Inc., 2013.

Acemoglu, Daron, Simon Johnson, and James A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91, no. 5 (2001): 1369-1401.

Acharya, Amitav. "After Liberal Hegemony: The Advent of a Multiplex World Order." *Ethics & International Affairs* 31, no. 3 (2017): 271-285.

Acuña, Ricardo. "A Window on Power and Influence in Alberta Politics" in Shrivastava, Meenal, and Lorna Stefanick (ed.). *Alberta Oil and the Decline of Democracy in Canada*. Athabasca University Press, 2015.

Adcock, Robert. "Measurement Validity: A Shared Standard for Qualitative and Quantitative Research." *American Political Science Review* 95, no. 3 (2001): 529-546.

Agbloyor, Elikplimi Komla, Agyapomaa Gyeke-Dako, Ransome Kuipo, and Joshua Yindenaba Abor. 2016. "Foreign Direct Investment and Economic Growth in SSA: The Role of Institutions. *Thunderbird International Business Review* 58, no. 5 (2016): 479-497.

Aizhu, Chen. "Exclusive: In Rare Chinese Move, Sinopec Seeks Partner for Canada Shale". *Reuters*. http://www.reuters.com/article/us-sinopec-canada-idUSBRE99O03R20131025, October 24, 2013.

Alayli, Mohammed Ali. "Resource Rich Countries and Weak Institutions: The Resource Curse Effect." *Unpublished Research Paper. University of California, Berkeley* (2005): 1-17

Alberta Federation of Labour, *China's Gas Tank; Three Steps Toward Selling Out Canadian Energy Security,* 2012.

Alberta Government. "Alberta Oil Sands Industry Quarterly Update: Winter 2013" *The Government of Alberta,* 2013.

Alberta Government. "Alberta Oil Sands Industry Quarterly Update: Summer 2016" *The Government of Alberta,* 2016.

Alden, Chris, and Ana Cristina Alves. “China and Africa's Natural Resources: The Challenges and Implications for Development and Governance. *South African Institute of International Affairs*, Occasional Paper No. 41, 2009.

Alden, Chris, and Martyn Davies. "A Profile of the Operations of Chinese Multinationals in Africa." *South African Journal of International Affairs* 13, no. 1 (2006): 83-96.

Alkhater, Khalid R. "The Rentier Predatory State Hypothesis: An Empirical Explanation of the Resource Curse." SSRN, 2010. http://dx.doi.org/10.2139/ssrn.1733262

Allen, Robyn. *Canadian Ship-Sourced Spill Preparedness and Response; An Assessment*, June 21, 2013. Accessible: www.tc.gc.ca/media/documents/mosprr/Allan_Robyn.doc.

Allied Tsimshian Tribes of Lax Kw’alaams. “Re: Canadian Environmental Assessment Agency Draft Environmental Assessment Report on the Pacific Northwest LNG Project and Crown’s Legal Duty to Consult”, 2016. Accessible: http://www.ceaa.gc.ca/050/documents/p80032/113536E.pdf

Alon, Ilan, and Marc Fetscherin. *Chinese international investments*. Palgrave Macmillan, 2011.

Alon, Ilan, Guy Chun Kai Leung, and Timothy J. Simpson. "Outward Foreign Direct Investment by Chinese National Oil Companies." *Journal of East-West Business* 21, no. 4, (2015): 292-312.

Alon, Titan. "Institutional Analysis and the Determinants of Chinese FDI." *Multinational Business Review*, 18, no. 3 (2010): 1-24.

Alves, Ana Cristina. "China's ‘Win-Win’ Cooperation: Unpacking the Impact of Infrastructure-For-Resources Deals in Africa." *South African Journal of International Affairs* 20, no. 2 (2013): 207-226.

Amighini, Alessia, Roberta Rabellotti, and Marco Sanfilippo. "China’s Outward FDI: An Industry-Level Analysis of Host-Country Determinants." *Frontiers of Economics in China* 8, no. 3 (2013): 309-336.

Ananthalakshmi, A. “Aboriginal, environmental groups to sue Canada over Petronas LNG project”, *Reuters,* October 25, 2016.

Andersen, Jørgen Juel, and Silje Aslaksen. "Constitutions and the Resource Curse." *Journal of Development Economics* 87, no. 2 (2008): 227-246.

Anderson, Jennifer. *The Limits of Sino-Russian Strategic Partnership*. Routledge, 2013.

Anderson, Bruce. “The Canada-China Relationship”, *Abacus Data,* 2016. Retrieved from: http://abacusdata.ca/wp-content/uploads/2016/01/Abacus-China_Canada-2016-01-EN2-1.pdf

Anderson, John, and Dylan Sutherland. "Developed Economy Investment Promotion Agencies and Emerging Market Foreign Direct Investment: The Case of Chinese FDI in Canada." *Journal of World Business* 50, no. 4 (2015): 815-825.

Andrews-Speed, Philip, and Roland Dannreuther. *China, oil and global politics*. Routledge, 2011.

Andrews-Speed, Philip, Xuanli Liao, and Roland Dannreuther. *The Strategic Implications of China's Energy Needs*. Routledge, 2014.

Angevine, Gerry, and Vanadis Oviedo. "Ensuring Canadian Access to Oil Markets in the Asia-Pacific Region." *Studies in Energy Policy*, 2012.

Angevine, Gerry, Vanadis Oviedo, *Laying the Groundwork for BC LNG Exports to Asia*. Fraser Institute Vancouver, 2012.

Anonymous "Push to Shove: Putin Pushes for East Siberian Pipeline Progress." *NEFTE Compass*, 2005.

Anonymous, "Russia/China: The Energy Partnership" *Country Monitor, New York*, 18;35, September 20, 2010.

Anonymous, "China's CNCP Owes $100mn to Russian Pipeline Operator", *Russian Financial Control Monitor*, Moscow, April 22, 2011a.

Anonymous, "TNK-BP: a Troubled History" *The Telegraph,* 1 June, 2012. Retrieved from: https://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/9305157/TNK-BP-a-troubled-history.html

Anonymous, oilfield worker. semi-structured interview with the author, October 2016.

Anonymous, Sberbank representative, semi-structured interview with the author, October 2016.

Anonymous, Assistant Professor of Political Science, semi-structured phone interview with the author, February 2018.

Apoteker, Thierry. "Chinese Investment in the Greater Europe Zone" *Europe China Research and Advice Network*, 2012.

Arezki, Rabah, and Frederick van der Ploeg. "Trade Policies, Institutions and the Natural Resource Curse." *Applied Economics Letters* 17, no. 15 (2010): 1443-1451.

Arezki, Rabah, and Frederick van der Ploeg. "Can the Natural Resource Curse be turned into a Blessing? The Role of Trade Policies and Institutions." No. 7-55. International Monetary Fund (2007).

Argitis, Theophilos and Andrew Mayeda "Majority of B.C. Residents Want the Harper Government to Delay or Kill Gateway Pipeline, Poll Says" *Bloomberg News* 2014. Retrieved from:http://business.financialpost.com/news/energy/stephen-harper-northern-gateway

Aron, Janine. "Growth and Institutions: A Review of the Evidence." *The World Bank Research Observer* 15, no. 1 (2000): 99-135.

Assaf, Dany H., and Rory A. McGillis. "Foreign Direct Investment and the National Interest: A Way Forward." *Institute for Research on Public Policy (IRPP) Study* 40 (2013): 1-49.

Astakhova, Olga. "Russia may accept majority Chinese control of big oil and gas fields" *Reuters,* 2015. Retrieved from: https://www.reuters.com/article/us-russia-crisis-energy-china/russia-may-accept-majority-chinese-control-of-big-oil-and-gas-fields-idUSKBN0LV15X20150227

Atkins, Bruce. "Northern Gateway Pipelines Project; Backgrounder" (000153).

Atkinson, Michael. *Governance and Public Policy in Canada: A View from the Provinces*. Tonawanda, North York, University of Toronto Press, 2013.

Auty, Richard M. "A Growth Collapse with High Rent Point Resources: Saudi Arabia" in *Resource Abundance and Economic Development.* Oxford: Oxford University Press: 193-208, 1997.

Auty, Richard M. *Resource Based Industrialization: Sowing the Oil in Eight Less Developed Countries*, United Kingdom: Clarendon. 1990.

Badeeb, Ramez Abubakr, Hooi Hooi Lean, and Jeremy Clark. "The Evolution of the Natural Resource Curse Thesis: A Critical Literature Survey." *Resources Policy* 51 (2017): 123-134.

Bader, Julia, and Ursula Daxecker. "A Chinese Resource Curse? The Human Rights Effects of Oil Export Dependence on China Versus the United States." *Journal of Peace Research* 52, no. 6 (2015): 774-790.

Badyrkhanov, Eldar "Udmurtneft became Chinese" ("Удмуртнефть стала китайской") *Vzglyad labour paper*, 2006 *https://vz.ru/economy/2006/6/20/38237.html*

Bailey, Ian. "BC NDP to Press on With LNG Support; Green Allies Remain Opposed" *The Globe and Mail,* July 23, 2017. Retrieved from:

https://www.theglobeandmail.com/news/british-columbia/bc-ndp-to-press-on-with-lng-support-green-allies-remain-opposed/article35778432/

Bakx, Kyle. "China not Exactly Striking It Rich in Canadian Oilpatch; Prize Asset in CNOOC-Nexen Deal Still Struggling to Live Up to Expectations" *CBS News,* April 21, 2016.

Bam, Joshua. "Strategic sector legislation in Russia: critique and proposal for change." *Вопросы российского и международного права [Questions about the Russian and International Law]* 2 (2013): 29-62.

Bayulgen, Oksan. *Foreign Investment and Political Regimes: The Oil Sector in Azerbaijan, Russia, and Norway.* Cambridge: Cambridge University Press, 2010.

BC Gov News. *B.C.'s Five Conditions for Heavy-Oil Pipelines Reiterated at UBCM,* September 26, 2012. Retrieved from: https://news.gov.bc.ca/stories/bcs-five-conditions-for-heavy-oil-pipelines-reiterated-at-ubcm

Beazer, Quintin H., and Daniel J. Blake. "The Conditional Nature of Political Risk: How Home Institutions Influence the Location of Foreign Direct Investment." *American Journal of Political Science* 62, no. 2 (2018): 470-485.

Bellacqua, James, ed. *The Future of China-Russia Relations*. University Press of Kentucky, 2010.

Belyi, Andrei V. "Institutional Trends In Russia's Oil And Gas Sectors." *Journal of World Energy Law and Business* 6, no. 3 (2013): 163-178.

Bennett, Andrew. "Process Tracing: A Bayesian Perspective" in Janet M. Box-Steffensmeier, Henry E. Brady, and David Collier. *The Oxford Handbook of Political Methodology*, 702-721, Oxford: Oxford University Press, 2008.

Bennett, Mia. "Blog: As Yamal LNG Launches in Arctic, both Russia and China Try to Claim Success" 2017. Retrieved from: http://www.rcinet.ca/eye-on-the-arctic/2017/12/15/as-yamal-lng-launches-in-arctic-both-russia-and-china-try-to-claim-success/

Berthiaume, Lee. "Trudeau Backs Chinese Firm's Takeover of Nexen" *The Calgary Herald*. November 20, 2012.

Besada, Hany, Yang Wang, and John Whalley. "China's Growing Economic Activity in Africa." No. w14024. *National Bureau of Economic Research*, 2008

Beyond Petroleum (BP). *BP Statistical Review of World Energy, 67th Edition,* June 2018. Retrieved from: https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf

Bhavnani, Rikhil R., and Noam Lupu. "Oil Windfalls and the Political Resource Curse: Evidence from a Natural Experiment in Brazil." *Unpublished Manuscript, University of Wisconsin* (2016).

Biagi, Mark. (Kitsumkalum Fish and Wildlife Representative), semi-structured phone interview with the author. British Columbia, 10 May 2017.

Bjorvatn, Kjetil, Mohammad Reza Farzanegan, and Friedrich Schneider. "Resource Curse and Power Balance: Evidence from Oil-Rich Countries." *World Development* 40, no. 7 (2012): 1308-1316.

Blatchford and Bronskill, "Aecon Deal Nixed Over Fears about Chinese Access to Data on Key Infrastructure" *The Canadian Press,* May 25, 2018. Retrieved from: https://business.financialpost.com/pmn/business-pmn/opposition-mps-back-federal-governments-rejection-of-planned-aecon-takeover

Blackwell, Richard. "The Nexen Divide; Most CEOS in West Give CNOOC Takeover a Thumbs Up, while Business Leaders in East Want Conditions" *The Globe and Mail*, October 1, 2012.

Blomkvist, Katarina, and Rian Drogendijk. "The Impact of Psychic Distance on Chinese Outward Foreign Direct Investments." *Management International Review* 53, no. 5 (2013): 659-686.

Bloomberg News. "Oil Bulls Beware Because China's Almost Done Amassing Crude – Bloomberg". *Bloomberg.Com*, 2016. Retrieved from: http://www.bloomberg.com/news/articles/2016-06-30/oil-bulls-beware-because-china-s-almost-done-amassing-crude.

Bloomberg-Nanos. *Bloomberg-Nanos BC Northern Gateway Pipeline Survey, Part 1 of 2,* June 2014. (Submission 2014-525). Retrieved from: *http://www.nanosresearch.com/sites/default/files/POLNAT-S14-T607.pdf*

Bloomberg, "Russia Tightens Oil Grip with China's Second Pipeline", 2018. Retrieved from: https://www.bloomberg.com/news/articles/2018-01-01/second-chinese-crude-oil-pipeline-linked-to-russia-s-espo-opens

Bloomberg. "CNOOC Buys Nexen for in China's Top Overseas Acquisition", 2012. Retrieved from: http://www.cpmaindia.com/pdf/merger_acquisition/cnooc_buys_nexen_for_in_china.pdf

Blue Action, "Arctic Stakeholder Map; Stakeholder Groups Involved in Yamal Oil and Gas Development" *Blue-Action Case Study* N. *5*, 2017. Retrieved from: https://www.imemo.ru/files/File/en/Projects/Blue-Action/BLUEACT-D5o20oCSN05-001.pdf

Blyschak, Paul Michael. “LNG in Canada: Value Chain, Project Structure and Risk Allocation.” *The Journal of World Energy Law & Business* 9, no. (2016): 17-54.

Boisot, Max, and Marshall W. Meyer. "Which way through the open door? Reflections on the internationalization of Chinese firms." *Management and Organization Review* 4, no. 3 (2008): 349-365.

Bolger, Ryan and Ashley Lee “CNOOC, Petronas's Lessons for SOE Investment in Canada” *International Financial Law Review.* January 2013.

Bolger, Ryan. “How CNOOC’s Bid was Structured for Foreign Investment Approval” *International Financial Law Review.* November 2012.

Boschini, Anne D., Jan Pettersson, and Jesper Roine. "Resource Curse or Not: A Question of Appropriability." *The Scandinavian Journal of Economics* 109, no. 3 (2007): 593-617.

Bosshard, Peter. "China’s role in Financing African Infrastructure." *International Rivers Network* 14 (2007).

Brady, Henry E., and David Collier. *Rethinking Social Inquiry: Diverse Tools, Shared Standards*. Lanham: Rowman & Littlefield, 2004.

Bräutigam, Deborah, and Kevin P. Gallagher. "Bartering Globalization: China's Commodity-backed Finance in Africa and Latin America." *Global Policy* 5, no. 3 (2014): 346-352.

Bräutigam, Deborah. "Aid ‘With Chinese Characteristics’: Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime." *Journal of international development* 23, no. 5 (2011): 752-764.

Bräutigam, Deborah. *The Dragon's Gift: The Real Story of China in Africa*. Oxford: Oxford University Press, 2009.

Bremmer, Ian, and Robert Johnston. "The Rise and Fall of Resource Nationalism." *Survival* 51, no. 2 (2009): 149-158.

Bremmer, Ian. "The End of the Free Market: Who Wins the War Between States and Corporations?" *European View* 9, no. 2 (2010): 249-252.

BRICS Information Centre. “Joint Statement of the BRIC Countries’ Leaders.” Yekaterinburg, Russia, June 16. University of Toronto, 2009. Retrieved from: http://www.brics.utoronto.ca/docs/090616-leaders.html

Bridge, Gavin, and Philippe Le Billon. *Oil*. Cambridge, UK: Polity Press, 2013.

Brion Energy, 2016. “Aboriginal Relations Policy” (BRI-ST_PI-00002).

British Columbia Environmental Assessment Office. *Pacific Northwest LNG Project (EAO),* 2014. Retrieved from: https://engage.gov.bc.ca/govtogetherbc/consultation/eao-pacific-northwest-lng-project/

British Columbia Legislative Assembly. *Official Report of Debates (Hansard),* 40th P Parliament, 3rd Session, Vol. 18, No. 4 (November 24, 2015), 2014. Retrieved from: https://www.leg.bc.ca/documents-data/debate-transcripts/40th-parliament/3rd-session/20141124am-Hansard-v18n4

British Columbia Legislative Assembly, 2015. *Official Report of Debates (Hansard),* 40th Parliament, 4th Session, Vol. 20, No. 10 (July 14, 2015). Retrieved from: https://www.leg.bc.ca/documents-data/debate-transcripts/40th-parliament/4th-session/20150714am-Hansard-v27n10

British Columbia. *BC Trade and Invest,* 2017. Retrieved from: https://www.britishcolumbia.ca

British Columbia Environmental Assessment Office, *Pacific NorthWest LNG*, 2014.

Brooks, Sarah M., and Marcus J. Kurtz. "Oil and Democracy: Endogenous Natural Resources and the Political "Resource Curse"." *International Organization* 70, no. 02 (2016): 279-311.

Brugha, Ruairi, and Zsuzsa Varvasovszky. "Stakeholder Analysis: A Review." *Health Policy and Planning* 15, no. 3 (2000): 239-246.

Brunnschweiler, Christa N. "Cursing the Blessings? Natural Resource Abundance, Institutions, and Economic Growth." *World development* 36, no. 3 (2008): 399-419.

Brunnschweiler, Christa N., and Erwin H. Bulte. "The Resource Curse Revisited and Revised: A Tale of Paradoxes and Red Herrings." *Journal of Environmental Economics and Management* 55, no. 3 (2008): 248-264.

Bryant, Tyler and Ryan Kadowaki, "How Clean is Liquefied Natural Gas?" *David Suzuki Foundation*, 2012. Retrieved from: http://davidsuzuki.org/blogs/panther-lounge/2012/06/how-clean-is-liquefied-natural-gas/

Buckley, Peter J., L. Jeremy Clegg, Adam Cross, Xin Liu, Hinrich Voss, and Ping Zheng. "The Determinants of Chinese Outward Foreign Direct Investment." *Journal of International Business Studies* 38, no. 4 (2007): 499-518.

Buckley, Peter J., Adam R. Cross, Hui Tan, Liu Xin, and Hinrich Voss. "Historic and Emergent Trends in Chinese Outward Direct Investment." *Management International Review* 48, no. 6 (2008): 715-748.

Buckley, Peter J., L. Jeremy Clegg, Hinrich Voss, Adam R. Cross, Xin Liu, and Ping Zheng. "A Retrospective and Agenda for Future Research on Chinese Outward Foreign Direct Investment." *Journal of International Business Studies* 49, no. 1 (2018): 4-23.

Bulte, Erwin H., Richard Damania, and Robert T. Deacon. "Resource Intensity, Institutions, and Development." *World development* 33, no. 7 (2005): 1029-1044.

Bulte, Erwin, and Richard Damania. "Resources for Sale: Corruption, Democracy and the Natural Resource Curse." *The B.E. Journal of Economic Analysis & Policy* 8, no. 1 (2008): 1935-1682, DOI: https://doi.org/10.2202/1935-1682.1890.

Burgos Cáceres, Sigfrido, and Sophal Ear. "The Geopolitics of China's Global Resources Quest." *Geopolitics* 17, no. 1 (2012): 47-79.

Burney, Derek H. and Fen Osler Hampson, 2012. "Nexen Decision a Tipping Point for Canada; Ruling Should Come with Limits on how much Foreign Firms and Investors can Own in each of Canada's Resource Industries" *The Globe and Mail*. October 5, 2012.

Burt, Michael, Todd Crawford, and Alan Arcand. "Fuel for Thought: The Economic Benefits of Oil Sands Investment for Canada's Regions", *Conference Board of Canada*, (2012): 1-75.

Burton, Charles 2012. "China Widens its Reach with Bid for Nexen" *The Toronto Star*. August 23, 2012.

Business Monitor International, 2017. "Canada Oil & Gas Report; Includes 10-Year Forecasts to 2026." *Q3 2017.*

Business Monitor International (BMI), *Russia Infrastructure Report*, 2009.

Cai, Kevin G. "Outward Foreign Direct Investment: A Novel Dimension of China's Integration into the Regional and Global Economy." *The China Quarterly,* 160 (1999): 856-880.

Calder et al. v. Attorney-General of British Columbia, [1973] SCR 313, 1973 CanLII 4 (SCC), Retrieved from: <http://canlii.ca/t/1nfn4>, retrieved on 2017-09-17.

Calgary Chamber, "Attention: Joint Review Panel – Enbridge Northern Gateway Project" letter, 2012. Retrieved from: https://www.calgarychamber.com/sites/default/files/user/files/Joint%20Review%20Panel%20Submission%20-%20Northern%20Gateway.pdf

Camba, Alvin. "Inter-State Relations and State Capacity: The Rise and Fall of Chinese Foreign Direct Investment in The Philippines." *Palgrave Communications* 3, no. 41 (2017): 1-17.

Campbell, Neil, Jun Chao Meng, and Stephen Wortley. "Competition and Foreign Investment Reviews of Asian Investments into Canada" *1st Annual Antitrust Symposium*

– *CIIAI*. Retrieved from: http://www.mcmillan.ca/Files/180413_CIIAI%20Canada%20Chapter%20-%20FINAL%20-%20Asian%20Investments%20into%20Canada.pdf

Campbell, Neil. (Co-Chair of the Competition and International Trade Law Groups and partner in the Energy Law Group, McMillan) semi-structured interview with the author. British Columbia, 10 May 2017.

Canadian Association of Petroleum Exporters (CAPP). "Backgrounder: Oil Sands Economic Impacts Across Canada – CERI Report", 2005. Retrieved from: https://www.cagc.ca/resources/studies/capp_edms.pdf

Canadian Association of Petroleum Exporters (CAPP). "Crude Oil; Forecast, Markets & Pipeline Expansions", 2009.

Canadian Association of Petroleum Producers (CAPP). "Pipelines" Pipelines- Canadian Association of Petroleum Producers, 2017. Retrieved from: http://www.capp.ca/canadian-oil-and-natural-gas/infrastructure-and-transportation/pipelines

Canadian Association of Petroleum Producers (CAPP), "An Overview of the World LNG Market and Canada's Potential for Exports of LNG – An Update" 2015.

Canadian Association of Petroleum Producers (CAPP), "Canada's Liquefied Natural Gas (LNG) Opportunity", 2016. Retrieved from: www.canadasoilsands.ca/~/media/capp/customer-portal/publications/281476.pdf

Canadian Association of Petroleum Producers (CAPP). "Oil." Oil - Canadian Association of Petroleum Producers. Retrieved from: http://www.capp.ca/canadian-oil-and-natural-gas/oil.

Canadian Association of Petroleum Exporters (CAPP), "2018 Crude Oil Forecast, Markets and Transportation", 2018. Retrieved from: https://www.capp.ca/~/media/capp/customer-portal/publications/320294.pdf?modified=20180614092348&la=en

Canadian Broadcasting Corporation. "Discussion about the Issues regarding Oil to be Tabled Next Week during Prime Minister Harper's Visit to China, and what that Will Mean for Canada's Economy and Citizens." 2012.

Canadian Parks and Wilderness Society of the British Columbia (CPAWS-BC) 2014. *Gas Gone Wild; LNG in BC: Impacts on Parks, Wilderness & Wildlife.* Retrieved from: http://www.cpawsbc.org/upload/lng-report-2014.pdf

Canadian Security Intelligence Service. "Matching Ambitions and Realities: What Future for Russia? Highlights from the conference 6-7 May 2010, Ottawa" *World Watch: Expert Notes Series*, 2010. Retrieved from:

https://www.canada.ca/content/dam/csisscrs/documents/publications/20100924_rss_cnf_rprt_eng.pdf

Capoccia, Giovanni, and R. Daniel Kelemen. "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism." *World politics* 59, no. 03 (2007): 341-369.

Carmody, Padraig R., and Francis Y. Owusu. "Competing Hegemons? Chinese versus American Geo-Economic Strategies in Africa." *Political Geography* 26, no. 5 (2007): 504-524.

Caselli, Francesco, and Andrea Tesei. "Resource Windfalls, Political Regimes, and Political Stability." *Review of Economics and Statistics* 98, no. 3 (2016): 573-590.

Cattaneo Claudia and Jeff Lewis, 2014. "Nexen Letting Staff Go; Takeover Pledge Sssured same Employment Levels, Company Growth" *National Post's Financial Post & FP Investing,* June 27, 2014.

Cattaneo, Claudia. "A Key Test': Canadian Oil Executives Await Trudeau's Grand Bargain on Pipelines" *Financial Post.* Nov. 28, 2016.

Cattaneo, Claudia. "Lack of Export Infrastructure Has Soured China on Oil Investment in Canada: CNOOC Official". *Financial Post*, January 19, 2016. Retrieved from: *http://business.financialpost.com/news/energy/lack-of-export-infrastructure-has-soured-china-on-oil-investment-in-canada-cnooc-official*.

Cattaneo, Claudia. "Lack of Export Infrastructure Has Soured China on Oil Investment in Canada: CNOOC Official". *Financial Post.* January 19, 2016. Retrieved from: http://business.financialpost.com/news/energy/lack-of-export-infrastructure-has-soured-china-on-oil-investment-in-canada-cnooc-official.

Cattaneo, Claudia. "Pipelines, Red Tape and Climate Change Policies are Killing Chinese Investment in Oilsands" *Financial Post.* Aug. 29, 2016.

Cattaneo, Claudia. "A Seat in Front Row for CNOOC". *National Post's Financial Post & FP Investing.* October 11, 2012.

Cattaneo, Claudia. 2013b. "CNOOC Pledges Nexen will Stay the Course; Canadian Buyout for 'Commercial Reasons': CEO" *National Post's Financial Post & FP Investing.* February 28, 2013.

Cattaneo, Claudia. 2014. "Culture Clash; Two Years after Ottawa Approved the Nexen Takeover, Moves by the Chinese Owners are Raising Hackles in the Oil Patch" *National Post's Financial Post & FP Investing.* December 13, 2014.

Cattaneo, Claudia. 2014b. “CNOOC Puts Stamp on Nexen; Fang Replaces Reinhart as CEO” *National Post’s Financial Post & FP Investing.* April 24, 2014b.

Cattaneo, Claudia. “Enbridge Plans Northern Gateway Shakeup, Giving Greater Control to Aboriginal Partners” *National Post’s Financial Post & FP Investing,* December 6, 2014c.

Cattaneo, Claudia. 2015. “CNOOC Eyes Major Nexen Write-down; Billions may be Lost to Setbacks after $15B Chinese Takeover”. *National Post’s Financial Post & FP Investing.* February 4, 2015.

Cattaneo, Claudia. (is the Western Business Columnist at the National Post) semi-structured phone interview with the author. Alberta, 1 May 2017.

Cayley-Daoust, Daniel and Richard Girard, “Big Oil’s Oily Grasp; The Making of Canada as a Petro-State and How Oil Money is Corrupting Canadian Politics” *Polaris Institute*, 2012.

Central Intelligence Agency. "The World Factbook: CANADA." Central Intelligence Agency. October 06, 2016. Accessed: May 15, 2017. Retrieved from: https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html.

Chang, Lyu. 2016 “Crude Shock Lands Oil Majors on a Slick” *China Daily.* January 19, 2016.

Chang, Shun-Chiao. (2014) “The Determinants and Motivations of China's Outward Foreign Direct Investment: A Spatial Gravity Model Approach”, *Global Economic Review*, 43, no. 3, (2014): 244-268, DOI: 10.1080/1226508X.2014.930670

Chastko, Paul. “The ‘Dirty Oil’ Card and Canadian Foreign Policy” *Canadian Defence & Foreign Affairs Institute*, 2010.

Chazan, Guy. “Sanctions Help Russia Overcome its China Paranoia” *Financial Times*, September 7, 2014. Retrieved from: https://www.ft.com/content/4c04e91c-34f3-11e4-ba5d-00144feabdc0

Chen, Matthew E. "Chinese National Oil Companies and Human Rights." *Orbis* 51, no. 1 (2007): 41-54.

Chen, Shaofeng. "Motivations Behind China’s Foreign Oil Quest: A Perspective from the Chinese Government and the Oil Companies." *Journal of Chinese Political Science,* 13, no. 1 (2008): 79-104.

Chen, Duanjie. "China's State-Owned Enterprises: How Much Do We Know? From CNOOC to Its Siblings." SPP Research Paper No. 6-19, (2013).

Chen, Jiaru. “Review of China’s Oil and Gas Policies in 2013”. *中国油气：英文版*no. 2 (2014): 11-6.

Cheng, Leonard K., and Zihui Ma. "China's outward FDI: Past and Future." 2007.

Cheruvathur, Paul. "Market Potential for Canadian LNG" *Alberta Energy,* 2012.

Cheung, Yin-Wong; Qian, Xingwang. "The Empirics of China's Outward Direct Investment", *CESifo working paper,* No. 2621, 2009.

Cheung, Yin-Wong, Jakob De Haan, Xingwang Qian, and Shu Yu. " China's Outward Direct Investment in Africa." *Review of International Economics* 20, no. 2 (2012): 201-220.

China Daily. "Russia Gets US$6b Loan for Yukos Deal", 2005. Retrieved from: http://www.chinadaily.com.cn/english/doc/2005-02/02/content_414410.htm

China Institute, "Albertan's Views on China: Results from the 2011 Alberta Survey", 2011 *Annual Alberta's Survey*, University of Alberta, 2011.

China Institute, "Albertan's Views on China: Results from the 2011 Alberta Survey", 2012 *Annual Alberta Survey*, University of Alberta, 2012.

China Institute, "Albertan's Views on China: Results from the 2013 Alberta Survey", 2013 Annual Alberta's *Survey*, University of Alberta, 2013.

China Institute, "Albertan's Views on China: Results from the 2014 Alberta Survey", 2014 *Annual Alberta Survey*, University of Alberta, 2014.

China Institute, "Albertan's Views on China: Results from the 2015 Alberta Survey", 2015 *Annual Alberta's Survey*, University of Alberta, 2015.

China Institute, "Albertan's Views on China: Results from the 2016 Alberta Survey", 2016 *Annual Alberta Survey*, University of Alberta, 2016.

China Institute, "Albertan's Views on China: Results from the 2017 Alberta Survey", *2017 Annual Alberta Survey,* University of Alberta, 2017.

China Institute. *China-Canada Investment Tracker*, 2017b. Retrieved from: https://www.chinainstitute.ualberta.ca

China National Petroleum Corporation (CNPC). "CNPC Offshore Engineering Company completed the first engineering package of Yamal LNG Project.", 2016. Retrieved from: http://www.cnpc.com.cn/en/nr2016/201602/d64e11d3ccb142d6b203477781c6b5f2.shtml

China National Petroleum Corporation (CNPC). "CNPC in Canada", 2017. Retrieved from: http://www.cnpc.com.cn/en/Canada/country_index.shtml

China National Petroleum Corporation (CNPC), 2013. *CNPC Concludes Important Agreements with NOVATEK and Rosneft,* 2013. Retrieved from (April 10, 2017): http://www.cnpc.com.cn/en/nr2013/201310/9678e446590544dd93ef7c104e9734d1.shtml

ChinaRealNews, *Magang Produces Second Batch of H-Shaped Steel for Russia's Yamal Natural Gas Project,* 2015.

Christoffersen, Gaye. "Multiple levels of Sino-Russian energy relations", pp 135-137 in Bedeski, Robert E., and Niklas Swanström, eds. *Eurasia's Ascent in Energy and Geopolitics: Rivalry Or Partnership for China, Russia and Central Asia*. Routledge, 2012.

Churchill, Winston. "The Russian Enigma" *The Churchill Society London*, 1939. Retrieved from: http://www.churchill-society-london.org.uk/RusnEnig.html

CITIGO Petroleum Corporation. August 11, 2010. Letter to Joint Review Panel "CITIGO Petroleum Corporation's Response to Joint Review Panel's July 5, 2010 Request for Comments", 2010. Retrieved from: http://www.ceaaacee.gc.ca/050/documents/44583/44583E.pdf

Clark, Adrian. *Aboriginal Use and Occupancy of Lelu Island, 1793 to 1846,* 2013.

Clark, Richard E., Jay Kellerman, David Lefebvre, Dee Rajpal. "Investment in the Canadian Resource Sector" *Stikeman Elliott*, 2014. Retrieved from:*http://energybc.ca/cache/oil/www.stikeman.com/fr/pdf/Investment_Canadian_Resource_Sector.pdf*

Clarke, David 2006. "Canada Mulls New Foreign-Takeover Restrictions; Oil Investments by China is One Area Receiving Scrutiny" *Investment News*, 11 December 2006.

Clegg, Jeremy, and Hinrich Voss. *Chinese overseas direct investment in the European Union*. London: Europe, China Research and Advice Network, 2012.

Climate Action Network Canada. "Dirty Oil Diplomacy; The Canadian Governments Global Push to Sell the Tar Sands", 2012. Retrieved from: https://www.google.ca/search?q=dirty+oil+diplomacy+the+canadian+government&oq=dirty+oil+diplomacy+the+canadian+government&aqs=chrome..69i57.6328j0j7&sourceid=chrome&ie=UTF-8

CNOOC Limited. *Annual report 2015*, 2015.

CNOOC, 2013. "CNOOC Limited Enters into Definitive Agreement to Acquire Nexen Inc." Retrieved from: http://www.cnoocltd.com/art/2012/7/23/art_8361_1669321.html

Coates, Michael. "Foreign Investment: Another Year of Surprises". *Policy Magazine*, 2014.

Collier, Paul, and Anke Hoeffler. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56, no. 4 (2004): 563-595.

Collier, Paul, and Anke Hoeffler. "The political economy of secession." (2006): 37-59.

Collier, Paul, and Benedikt Goderis. "Commodity Prices, Growth, and the Natural Resource Curse: Reconciling a Conundrum.", 2008. Available at SSRN: https://ssrn.com/abstract=1473716, http://dx.doi.org/10.2139/ssrn.1473716

Collins, Simone. "Recent Decisions under the Investment Canada Act: Is Canada Changing Its Stance on Foreign Direct Investment." *New. Journal of International Law. & Business* 32 (2011): 141-163.

Comeaux, Paul E., and N. Stephen Kinsella. "Reducing Political Risk in Developing Countries: Bilateral Investment Treaties, Stabilization Clauses, and MIGA & (and) OPIC Investment Insurance." *New York Law School Journal International & Comparative L.* 15 (1994): 1-37.

Canada's Competition Act, 1985. R.S.C., 1985, c. C-34. Retrieved from: http://law-slois.justice.gc.ca/eng/acts/C-34/FullText.html

Constitution Act 1982, "Rights of the Aboriginal Peoples of Canada" Retrieved from: http://laws-lois.justice.gc.ca/eng/Const/page-16.html

Cornish, Margaret. "Behaviour of Chinese SOEs: Implications for Investment and Cooperation in Canada" *Canadian International Council,* 2012.

Cousineau, Sophie. "The Price that China Must Pay to Win Nexen" *The Globe and Mail.* September 2012.

Crotty, Jo Sarah Marie Hall, and Sergej Ljubownikow "Post-Soviet Civil Society Development in the Russian Federation: The Impact of the NGO Law" *Europe-Asia Studies* 66, no. 8 (2014): 1253-1269. DOI: 10.1080/09668136.2014.941697

Cryderman, Kelly. "Nexen Takes Hit at Long Lake; 350 Jobs to be Cut, upgraded to Remain Out of Service Amid Uncertain Oil Market" *The Globe and Mail,* July 13, 2016.

Cuervo-Cazurra, Alvaro, Andrew Inkpen, Aldo Musacchio, and Kannan Ramaswamy. "Governments as Owners: State-Owned Multinational Companies." *Journal of International Business Studies,* 45, no. 8 (2014): 919–942.

Cui, Lin, and Fuming Jiang. "Behind Ownership Decision of Chinese Outward FDI: Resources and Institutions." *Asia Pacific Journal of Management* 27, no. 4 (2010): 751-774.

Cui, Lin, and Fuming Jiang. "FDI Entry Mode Choice of Chinese Firms: A Strategic Behavior Perspective." *Journal of World Business* 44, no. 4 (2009): 434-444.

Cui, Lin, and Fuming Jiang. "State Ownership Effect on Firms' FDI Ownership Decisions Under Institutional Pressure: A Study of Chinese Outward-Investing Firms." *Journal of International Business Studies* 43, no. 3 (2012): 264-284.

Cutler, Robert M. "Chinese Energy Companies' Relations with Russia and Kazakhstan." *Perspectives on Global Development and Technology* 13, no. 5-6 (2014): 673-698.

Dam, Lammertjan, and Bert Scholtens. "The Curse of The Haven: The Impact of Multinational Enterprise on Environmental Regulation." *Ecological Economics* 78 (2012): 148.

Daude, Christian, and Ernesto Stein. "The Quality of Institutions and Foreign Direct Investment." *Economics & Politics* 19, no. 3 (2007): 317-344.

Dawson, Laura and Dan Ciuriak. "Chasing China; Why an Economic Agreement with China is Necessary for Canada's Continued Prosperity", *Dawson Strategic and Ciuriak Consulting,* 2016.

Dawson, Laura. "Potash and BlackBerries: Should Canada Treat All Foreign Direct Investment the Same?" *A Macdonald-Laurier Institute Publication*, 2012.

De Jong, Sijbren, and Jan Wouters. "Institutional actors in international energy law.", *Leuven Centre for Global Governance Studies Working Paper No. 115,* (2013).

Delgamuukw v. British Columbia. [1997] 3 SCR 1010. Supreme Court.

Demir, Firat. "Effects of FDI Flows on Institutional Development: Does It Matter Where the Investors are from?" *World Development* 7, no. 8 (2016): 341-59

De Graaff, Nana. "A Global Energy Network? The Expansion and Integration of Non-Triad National Oil Companies." *Global Networks* 11, no. 2 (2011): 262-283.

Deng, Ping. "Outward investment by Chinese MNCs: Motivations and implications." *Business Horizons* 47, no. 3 (2004): 8-16.

Deng, Ping. "Investing for Strategic Resources and its Rationale: The Case of Outward FDI from Chinese Companies." *Business Horizons* 50, no. 1 (2007): 71-81.

Deng, Ping. "Why do Chinese Firms Tend to Acquire Strategic Assets in International Expansion?" *Journal of World Business* 44, no. 1 (2009): 74-84

Deng, Ping. "The Internationalization of Chinese Firms: A Critical Review and Future Research." *International Journal of Management Reviews* 14, no. 4 (2012): 408-427.

Desbordes, Rodolphe, and Vincent Vicard. "Being Nice Makes You Attractive: The FDI-International Political Relations Nexus." In *9th Annual International Conference on Economics and Security*, Bristol. 2005.

Dhir, Aaron A. "Of Takeovers, Foreign Investment and Human Rights: Unpacking the Noranda-Minmetals Conundrum." *Banking & Finance Law Review* 22, no. 1 (10, 2006): 77-104.

Dietz, Simon, Eric Neumayer, and Indra De Soysa. "Corruption, the Resource Curse and Genuine Saving." *Environment and Development Economics* 12, no. 1 (2007): 33-53.

Dittmer, Lowell. "The Sino-Russian Strategic Partnership." *Journal of Contemporary China* 10.28 (2001): 399-413.

Dix, Adrian. Letter to the "Secretary to the Joint Review Panel, Enbridge Northern Gateway Project" *Legislative Assembly Province of British Columbia*, April 30, 2012.

Dix, Adrian, 2012. Letter to the "Secretary to the Joint Review Panel, Enbridge Northern Gateway Project" *Legislative Assembly Province of British Columbia*, April 30, 2012. Retrieved from: https://www.bcndp.ca/files/12-04 30%20BCNDP%20caucus%20letter%20to%20Joint%20Review%20Panel_0.pdf

Dixit, Avinash. "Governance Institutions and Economic Activity." *The American Economic Review* 99, no. 1 (2009): 3-24.

Djoumessi, Didier T. 2009. *The Political Impact of the Sino-U.S. Oil Competition in Africa: An International Political Explanation of the Resource Curse in African Petro-States*. London: Adonis & Abbey, 2009.

Dobson, Wendy and Paul Evans. "The Future of Canada's Relationship with China" *Institute for Research on Public Policy (IRPP), Policy Horizons Essay,* 2015.

Dobson, Wendy. "China's State-Owned Enterprises and Canada's FDI Policy" *The School of Public Policy (SPP) Research Papers*, 7, No. 10 (2014).

Domjan, Paul, and Matt Stone. "A Comparative Study of Resource Nationalism in Russia and Kazakhstan 2004–2008." *Europe-Asia Studies* 62, no. 1 (2010): 35-62.

Downs, Erica S. "The Chinese energy security debate." *The China Quarterly* 177 (2004): 21-41.

Downs, Erica S. "Sino-Russian Energy Relations: An Uncertain Courtship", pp 146-179 in Bellacqua, James ed. *The Future of China-Russia Relations*. University Press of Kentucky, 2010.

Drysdale, Peter, and Christopher Findlay. "Chinese Foreign Direct Investment in Australia: Policy Issues for the Resource Sector." *China Economic Journal* 2, no. 2 (2009): 133-158.

Du, Ming. "The Regulation of Chinese State-owned Enterprises in National Foreign Investment Laws: A Comparative Analysis." *Global Journal of Comparative Law* 5, no. 1 (2016): 118-145.

Duce, John. "Sinopec Pays More for Oil Stake to Secure China's Energy Supply" *Bloomberg News,* reprinted in *The Vancouver Sun*, April 14, 2010.

Dunleavy, Patrick and Brendan O'Leary. *Theories of the state: The politics of Liberal Democracy*. Macmillan International Higher Education, 1987.

Dunning, John H. "Trade, Location of Economic Activity and the MNE: A Search For an Eclectic Approach." In *The International Allocation of Economic Activity* edited by Hesselborn, Per-Ove, Bertil Ohlin, And Per Magnus Wijkman Palgrave Macmillan, London, pp. 395-418, 1977.

Duvanova, Dinissa. *Building Business in Post-Communist Russia, Eastern Europe, and Eurasia: Collective Goods, Selective Incentives, and Predatory States*. Cambridge: Cambridge University Press, 2013.

Ecojustice. Letter to Joint Review Panel – Enbridge Northern Gateway Project "Re: Joint Review – Enbridge Northern Gateway Project – Comment Draft List of Issues, Additional Information and Hearing Locations" , 2010. Retrieved from: https://ceaa-acee.gc.ca/050/documents/45105/45105E.pdf

Economy, Elizabeth, and Michael Levi. *By All Means Necessary: How China's Resource Quest is Changing the World.* Oxford University Press, 2014.

Eden, Lorraine, and Stewart R. Miller. "Distance Matters: Liability of Foreignness, Institutional Distance and Ownership Strategy." In *Theories of the Multinational Enterprise: Diversity, Complexity and Relevance*, Michael A., and Joseph LC Cheng, eds. pp. 187-221. Emerald Group Publishing Limited, 2004.

Eder, Leonty, (Doctor of Economics, Professor at the Novosibirsk State University) semi-structured interview with the author, September 2016.

Eder, Leonty, Philip Andrews-Speed, and Andrey Korzhubaev. "Russia's Evolving Energy Policy for its Eastern Regions, and Implications for Oil and Gas Cooperation between Russia and China." *Journal of World Energy Law & Business* 2, no. 3 (2009): 219-242.

Eder, Thomas Stephan. *China-Russia Relations in Central Asia: Energy Policy, Beijing's New Assertiveness and 21st Century Geopolitics.* Springer VS, 2014.

Edwards, Fred. “Chinese Shadows” in Bothwell, Robert, and Jean Daudelin (ed.). *Canada Among Nations 2008: 100 Years of Canadian Foreign Policy,* 293-317 2009.

Eglington, P., R. Mansell J. Ruitenbeek, R. Schlenker. Public Interest Benefit Evaluation of the Enbridge Northern Gateway Pipeline Project Update and reply Evidence. *Wright Mensell Research* Ltd, Alberta, 2012. Retrieved from: http://www.ceaa.gc.ca/050/documents_staticpost/cearref_21799/4234/Attachment_02.pdf

EIA (U.S. Energy Information Administration), *Country Analysis Brief: Russia,* 2017. Retrieved from: https://www.eia.gov/beta/international/analysis_includes/countries_long/Russia/russia.pdf

Ellman, Michael. *Russia's Oil and Natural Gas: Bonanza or Curse?* New York: Anthem Press, 2006.

Elzenstat, Stuart. “The Hard Truth of Doing Business in Russia; It Isn’t All About Sanctions”, *Foreign Times,* 2016. Retrieved now: https://www.ft.com/content/04685ab9-f2a0-31ef-a594-85410083ff4d

Emerson, David. "The Northern Gateway: Moving Canadian energy to Pacific markets." *Institute for Research on Public Policy (IRPP), Policy Options,* (2010): 47-50.

Enbridge Northern Gateway Pipelines. “Enbridge Northern Gateway Project, Winter 2010”. January 2010. Retrieved from: http://www.prrd.bc.ca/board/agendas/2010/2010-02-8891865424/pages/documents/06-D-1bEnbridgeNGWinter2010.pdf

Enbridge Northern Gateway Pipelines. “Overview of the Northern Gateway Pipelines Project – March 2013”, March 2013, Retrieved from: http://www.metisnation.ca/wp-content/uploads/2013/03/Morgan-Yates.pdf

Enbridge Northern Gateway Pipelines. *Volume 1: Overview and General Information, Enbridge Northern Gateway Project*, 2010. Retrieved from: https://www.ceaa.gc.ca/050/documents_staticpost/cearref_21799/43499/Volume_1_-_Overview_and_General_Information.pdf

Energy Council of Canada, “About the Energy Council of Canada” Retrieved from: http://www.energy.ca/about

Energy Information Administration (EIA). "China - International - Analysis - U.S. Energy Information Administration (EIA)". *Eia.Gov*, 2015. Retrieved from: https://www.eia.gov/beta/international/analysis.cfm?iso=CHN.

Energy Monitor Worldwide. “Canada Needs to Sell Oil to China – Former Minister” January 16, 2017a.

Energy Monitor Worldwide, “LNG Brings Russia And China Closer”, 17 April, 2017b.

Engerman, Stanley L., and Kenneth L. Sokoloff. "Institutional and Non-Institutional Explanations of Economic Differences." In *Handbook of New Institutional Economics*, 639-665. Springer, Berlin, Heidelberg, 2008.

Environ. *Yamal LNG Environmental and Social Impact Assessment*, 2014. Retrieved from: http://yamallng.ru/403/docs/ESIA%20ENG%20.pdf

Environmental Assessment Office. "Collected Public Comments for Aurora LNG Digby Island Project; September 1, 2015 to October 1, 2015", 2015a.

Environmental Assessment Office, "Executive Summary*" LNG Canada Export Terminal Project Assessment Report*, 2015b.

Environmental Assessment Office, 2016. "Dodge Cove – Community Tour and EAO Workshop for the Aurora LNG Digby Island Project" recorded on December 7, 2015, published January 29, 2016.

Ernst & Yong, "Exploring the Top 10 Opportunities and Risks in Canada's Oil Sands" 2011.

Erten, Bilge, and José Antonio Ocampo. "Super Cycles of Commodity Prices Since the Mid-Nineteenth Century." *World Development* 44 (2013): 14-30.

Evans, Paul. (Professor, School of Public Policy and Global Affairs, UBC), Semi-structured phone interview with the author. British Columbia, 6 April 2017.

Falleti, Tulia G., and Julia F. Lynch. "Context and Causal Mechanisms in Political Analysis." *Comparative Political Studies* 42, NO. 9 (2009): 1143-66.

Federal Antimonopoly Service of the Russian Federation, "Law on the Procedure of Foreign Investment in Business Entities Having Strategic Importance for the Defence of the Country and the Security of the State", 2011. Retrieved from: http://en.fas.gov.ru/documents/documentdetails.html?id=13918

Federal Law No. 49-FZ. "On the Territories of Traditional Nature Management of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation", 2001.

Federal Law No. 82-FZ. "On Guarantees of the Rights of Indigenous Peoples of the Russian Federation", 1999.

*Federal Law on Foreign Investment in the Russian Federation (with the Amendments and Additions of July 25, 2002, December 8, 2003, July 22, 2005, June 3, 2006, June 26, 2006, April 29, 2008).* No. 160-FZ of July 9, 1999. Retrieved from: https://www.wto.org/english/thewto_e/acc_e/rus_e/WTACCRUS58_LEG_41.pdf

*Federal Law on Investment Activity in the Russian Federation in the Form of Capital Investment,* NO. 39-FZ OF FEBRUARY 25, 1999. Retrieved from: https://www.wto.org/english/thewto_e/acc_e/rus_e/WTACCRUS58_LEG_40.pdf

Feng, Chen. "Hu, Putin attend opening ceremony marking Year of Russia", *Gov.Cn.,* 2006. Retrieved from: http://www.gov.cn/english/2006-03/22/content_233091.htm

Feng, Lianyong, Yan Hu, Charles AS Hall, and Jianliang Wang. *The Chinese Oil Industry: History and Future*. *Springer Science & Business Media*, 2012.

Filimonov, Maxim. "Russia to Announce Sakhalin-3 Auction in 2005" *Reuters,* 2005.

Filimonova and Krivokhizh. "A Russian Perspective on China's Arctic Role; Russia's Need for New Partners in Opening the Door for China in the Arctic." *The Diplomat*, 2014. Retrieved from: http://thediplomat.com/2014/09/a-russian-perspective-on-chinas-arctic-role/

Filimonova, Nadezhda. "Scramble for the Arctic Offshore Oil & Gas Resources in Russia." In *Arctic Yearbook*, (2013): 4–5.

Fiodendji, Komlan and Kodjo Evlo. 2015. "Does Institutional Quality Affect FDI Inflows in Sub-Saharan African Countries?" *Journal of Applied Finance and Banking* 5, no. 1 (2015): 111.

Fitz-Morris, James. "Who blinked in Canada-China relations?" *The Canadian Broadcasting Corporation (CBC),* February 10, 2012. Retrieved from: https://www.cbc.ca/news/politics/who-blinked-in-canada-china-relations-1.1202941

Flake, Lincoln E. "Russia and China in the Arctic: A Team of Rivals." *Strategic Analysis* 37, no. 6 (2013): 681-687. doi:10.1080/09700161.2013.847048.

Fondahl, Gail and Anna Sirina "Oil Pipeline Development and Indigenous Rights in Eastern Siberia" *Indigenous Affairs*, 2, no. 3 (2006): 58-67.

Fondahl, Gail, and Greg Poelzer. "Aboriginal Land Rights in Russia at the Beginning of the Twenty-First Century." *Polar Record* 39, no. 2 (2003): 111-122.

Forum Research Inc. "Opposition to Northern Gateway Pipeline, Coastal Oil Tanker Traffic Up Sharply" *News Release*, Apr. 12, 2012. Retrieved from: https://web.archive.org/web/20130816052645/https://www.forumresearch.com/forms/News%20Archives/News%20Releases/01777_British_Columbia_-_Northern_Gateway_and_Tanker_Traffic_Issues_Poll_%28Forum_Research%29.pdf.

Fory, Henry. "'We Need to Talk about Igor': The Rise of Russia's Most Powerful Oligarch" *Financial Times,* March 1, 2018. Retrieved from: https://www.ft.com/content/dc7d48f8-1c13-11e8-aaca-4574d7dabfb6

Franson, Jason. "Under the Radar: China's Stealthy Return to Alberta's Oil Patch" *The Globe and Mail*, May 19, 2017.

Fraser, Joy, Manijeh Mannani, and Lorna Stefanick. "Petroleum, Patriarchy, and Power: Women's Equality in Canada and Iran" in Shrivastava, Meenal, and Lorna Stefanick. *Alberta Oil and the Decline of Democracy in Canada*. Athabasca University Press, 2015.

Freeman, R. Edward. "The Politics of Stakeholder Theory: Some Future Directions." *Business Ethics Quarterly* (1994): 409-421.

Freeman, R. Edward, Jeffrey S. Harrison, Andrew C. Wicks, Bidhan L. Parmar, and Simone De Colle. *Stakeholder Theory: The State of The Art*. Cambridge University Press, 2010.

French, Nadia, Mieke Coppes, Greg Sharp, and Dwayne Menezes. "Continental Divide: Shifting Canadian and Russian Arcticness." In *Arcticness: Power and Voice from the North*, Kelman Ilan (ed.), 115-29. London: UCL Press, 2017.

Gabuev, Alexander, (Senior Fellow and Chair Russia in The Asia-Pacific Program Moscow Center, Carnegie Endowment for International Peace Centre) Semi-structured interview with the author, October 2016.

Gallagher, Kevin P. *The China Triangle: Latin America's China Boom and the Fate of the Washington Consensus*, Oxford: Oxford University Press, 2016.

Gallagher, Kevin P., Amos Irwin, and Katherine Koleski. "The New Banks in Town: Chinese Finance in Latin America.", *Inter-American Dialogue,* 2012.

Gallagher, Kevin P., and Amos Irwin. "Exporting National Champions: China's Outward Foreign Direct Investment Finance in Comparative Perspective." *China & World Economy* 22, no. 6 (2014): 1-21

Galloway, Gloria and Carrie Tait. "NDP Says 'No' to Nexen Deal; Opposition to Proposed China-Backed Takeover Bid Puts Oil Sands Move Up for 'Kitchen Table National Debate'" *The Globe and Mail,* October 5, 2012.

Gaur, Ajai S., Xufei Ma, and Zhujun Ding. "Home Country Supportiveness/Unfavorableness and Outward Foreign Direct Investment from China." *Journal of International Business Studies* 49, no. 3 (2018): 324-345.

GBtimes, "China is Interested in Developing the Oil and Gas Industry in Russia" *GBtimes Russia*. 2017. Retrieved from: http://ru.gbtimes.com/novosti/kitay-zainteresovan-v-razvitii-neftegazovoy-otrasli-rossii

Gelb, Alan. *Windfall Gains: Blessing or Curse?* Oxford, UK: Oxford University Press, 1988.

George, Alexander L., and Andrew Bennett. *Case Studies and Theory Development in the Social Sciences*. Cambridge, Mass: MIT Press, 2005.

Gerden, E. "China Expands Investments in Russia's Oil and Gas Sector." *Gas Processing News*. June 2016. Retrieved from: http://www.gasprocessingnews.com/columns/201606/boxscore-construction-analysis.aspx.

Gerring, John. "Case Selection for Case-Study Analysis: Qualitative and Quantitative Techniques" in Janet M. Box-Steffensmeier, Henry E. Brady, and David Collier, 645-685, *The Oxford Handbook of Political Methodology*. Oxford; New York: Oxford University Press, 2008.

Gerring, John. "The Case Study: What it is and What It Does" in Boix, Carles and Susan C. Stokes. *The Oxford Handbook of Comparative Politics*, 90-123. New York: Oxford University Press, 2009.

Gill, Bates, and James Reilly. "The Tenuous Hold of China Inc. in Africa." *Washington Quarterly* 30, no. 3 (2007): 37-52.

Gill, Bates, Chin-Hao Huang, and J. Stephen Morrison. "Assessing China's Growing Influence in Africa." *China Security* 3, no. 3 (2007): 3-21.

Giroud, Axèle, Hafiz Mirza, and Kee Hwee Wee. "South–South Foreign Direct Investment: Key Role of Institutions and Future Prospects." In *Handbook of Institutional Approaches to International Business*, edited by: Wood, Geoffrey, and Mehmet Demirbag, eds. 365-381, Cheltenham, Northampton: Edward Elgar Publishing, 2012.

*Gitaxaala Nation v. Canada,* Federal Court of Appeal, FCA 187, 2016. Retrieved from: https://www.canlii.org/en/ca/fca/doc/2016/2016fca187/2016fca187.pdf

Gitga'at First Nation. "A Letter Addressed to Canadian Environmental Assessment Agency on the Subject of the Northern Gateway Project", 2008. Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/37978/37978E.pdf

Gitga'at First Nation. "Gitxaała Nation Submissions to the Ministers on the Proposed Pacific Northwest LNG Project", 2014.

Gitga'at First Nation. "Re: Proposed Environmental Assessment of Proposed Pacific Northwest LNG Project" letter to the Minister of Environment and Minister of Natural Gas Development, 2014.

Gitga'at First Nation. "Re: LNG Canada LNG Export Projects" a letter addressed to BC Environmental Assessment Office, 2015.

Gitxaała. “Gitxaała Nation Submissions to the Ministers on the Proposed LNG Canada Project”, 2015.

Gladun, Elena, and Kseniya Ivanova. "Preservation of Territories and Traditional Activities of the Northern Indigenous Peoples in the Period of the Arctic Industrial Development." in *The Interconnected Arctic—UArctic Congress* 2016, pp. 135-147, Springer, 2017.

Global Affairs Canada. *Canada’s State of Trade: Trade and Investment Update – 2017*, 2017. Retrieved from: http://www.international.gc.ca/economist-economiste/performance/state-point/state_2017_point/index.aspx?lang=eng#6_0

Global Data. “National Oil Companies (NOCs) from China and India are Emerging as Key Investors in Canada’s Oil Sands Industry” *Global Data,* October 2012a.

Global Data. *CNOOC to Acquire Nexen for $15.1 Billion to Increase its Global Oil and Gas Portfolio – Deal Analysis from GlobalData*. August 2012b.

Global Data. *National Oil Companies (NOCs) from China and India are Emerging as Key Investors in Canada’s Oil Sands Industry* October 2012c.

Global Data, *Udmurtneft Opened Two New Fields*. London: 2017.

Global Development Policy Center, *China's Global Energy Finance,* Boston University, 2018. Retrieved from: https://www.bu.edu/cgef/#/intro

Globerman, Steven, and Daniel M. Shapiro. "The Impact of Government Policies on Foreign Direct Investment: The Canadian Experience." *Journal of International Business Studies* 30, no. 3 (1999): 513-532.

Globerman, Steven, and Daniel M. Shapiro. “Economic and Strategic Considerations Surrounding Chinese FDI in the United States.” *Asia Pacific Journal of Management*, 26, no. 1 (2009): 163-183.

Godement, François. 2007. “China's Energy Policy: from Self-Sufficiency to Energy Efficiency.” *The International Spectator* 42, no. 3 (2007): 391-7.

Goldstein, Andrea. "New Multinationals from Emerging Asia: The Case of National Oil Companies." *Asian Development Review: Studies of Asian and Pacific Economic Issues* 26, no. 2 (2009): 26.

Gomes, Ieda. *Natural Gas in Canada: What are the Options Going Forward?* The Oxford Institute for Energy Studies, 2015.

González -Vicente, Ruben. "China's Engagement in South America and Africa's Extractive Sectors: New Perspectives for Resource Curse Theories." *The Pacific Review* 24, no. 1 (2011): 65-87.

González -Vicente, Ruben. "Mapping Chinese Mining Investment in Latin America: Politics or Market?" *The China Quarterly* 209 (2012): 35-58.

González-Vicente, Rubén. "Development Dynamics of Chinese Resource-Based Investment in Peru and Ecuador." *Latin American Politics and Society* 55, no. 1 (2013): 46-72.

Gordon, Claire. "Institutions, Economic Interests and the Stalling of Economic Reform" in Robinson, Neil, *Institutions and political change in Russia*. Macmillan Press, 2000.

Gorst, Isabel. "East Siberia: Hopes of Wealth Flow from 'Risky' Pipeline." *Financial Times*, 2007.

Government of Alberta. *Launching Alberta's Energy Future. Provincial Energy Strategy,* 2009. Retrieved from: https://open.alberta.ca/dataset/6f220382-b4ae-43f8-b3f9-7c1230e6700e/resource/e7c2f3d2-7e0d-4774-a463-c54c5450a04e/download/4256197-2009-Launching-Albertas-Energy-Future-Provincial-Enregy-Strategy-2009-08-27.pdf

Government of Alberta Treasury Board and Finance 2017. Retrieved from: http://www.finance.alberta.ca/business/ahstf/history.html

Government of Alberta,. "Final Report; Minister Ken Hughe's Mission to Korea, China and Japan; AR17106" October 11-21, 2013.

Government of Alberta. "International Travel Final Report; Mission to China led by the Honourable Margaret McCuaig-Boyd; AR2412", October 9-16, 2015.

Government of Alberta. "Enforcement Actions; Environment and Sustainable Resource Development" (October 1, 2014 to December 31, 2014). *Compliance Assurance, Operations Division,* 2015b.

Government of Alberta. "China-Alberta Relations", 2015c.

Government of British Columbia. Ministry of Energy and Mines. *LNG, Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*. Victoria, B.C.: Ministry of Energy and Mines, 2012.

Government of British Columbia. Ministry of Natural Gas Development. *LNG 101: A Guide to British Columbia's liquefied natural gas sector*. Victoria, B.C.: Ministry of Natural Gas Development, 2013.

Government of Canada. *Foreign Ownership and The Structure of Canadian Industry: Report of the Task Force on the Structure of Canadian Industry.* (The Watkins Report). Ottawa: Queen's Printer, 1968.

Government of Canada. *Foreign Investment in Canada*. (The Gray Report). Ottawa: Information Canada, 1972.

Government of Canada. *Environmental Scan Alberta,* 2016.

Government of Canada. "Joint Declaration by Canada and China; News Release", 2005. https://www.canada.ca/en/news/archive/2005/01/joint-declaration-canada-china.html

Government of Canada. "Minister Fast Highlights Successes of Prime Minister Harper-led Trade Mission to China", 2012. Retrieved from: http://www.international.gc.ca/media_commerce/comm/news-communiques/2012/02/22a.aspx?lang=eng

Government of Canada. "Oil Sands; A Strategic Resource for Canada, North America and the Global Market", 2013. Retrieved from: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/pdf/eneene/pubpub/pdf/OS-brochure-eng.pdf

Government of Canada. "Agreement Between the Government of Canada and the Government of the People's Republic of China for the Promotion and Reciprocal Protection of Investments", 2017. Retrieved from: http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/china-chine/fipa-apie/index.aspx?lang=eng

Government of Canada. *Annual Reports*, "Investment Canada Act 2015-2016", 2017. Retrieved from: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk81126.html.

Graham, Rachel. "Concerns mount over viability of ESPO pipeline", *Platts Oilgram News*, 2007.

Grant, Michael, 2012. "Fear the Dragon? Chinese Foreign Direct Investment in Canada: Trade, Investment Policy, and International Cooperation." Ottawa, ON: *The Conference Board of Canada,* 2012.

Grant, J. Andrew, Dimitrios Panagos, Michael Hughes, and Matthew I. Mitchell. "A Historical Institutionalist Understanding of Participatory Governance and Aboriginal Peoples: The Case of Policy Change in Ontario's Mining Sector." *Social Science Quarterly* 95, no. 4 (2014): 978-1000.

Gray, Jeff. "How Potash Lessons Fuelled Nexen Takeover; Top Lawyer for CNOOC Says Tactics Learned in Defence of Fertilizer Company Helped Drive Energy Deal" *The Globe and Mail,* March 7, 2013.

Gray, Jeff. "Sinopec, the Oil Sands and Justice Delayed" *The Globe and Mail,* September 27, 2011.

Gray, Herb. *A citizen's guide to the gray report*. Toronto: New Press, 1971.

Greenpeace, "The Transneft Pacific pipeline project", December 2005. Retrieved from: http://www.greenpeace.org/russia/en/campaigns/lake-baikal/the-transneft-pacific-pipeline/

Greenpeace. *Letter to Pat Daniel*, July 28, 2010. Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/44912/44912E.pdf

Greenspon, Edward. Mayeda, Andrew, Jeremy Van Loon, and Penty, Rebecca. "Courting the Dragon; How Canada Found Out That Selling Oil to China was Not an Easy Option Following the United States' Keystone Snub" *Edmonton Journal,* May 02, 2014.

Gritsenko, Daria. "A Local Perspective on Energy Development in the High North", *Aleksanteri Insight*, 2017. Retrieved from: http://www.helsinki.fi/aleksanteri/english/insight/AI_17_1.pdf.

Grivach, Alexei, (Deputy Director at National Energy Security Fund), Semi-structured interview email with the author, October 2016.

Gromov, Alexei, and Alexander Titov, ""Rosneft" Acceleration" ("«Роснефтяное»/ Ускорение") *Rosneft In China* 2017. Retrieved from: https://fief.ru/upload/gromov_titov_neft&capital.pdf

Guobao, Zhang. *Mr. Zhang Guobao, Vice Chairman National Development and Reform Commission,* National Development and Reform Commission (NDRC), 2005. Retrieved from: http://en.ndrc.gov.cn/newsrelease/200509/t20050913_42350.html

Guobao, Zhang. "Zhang Guobao: 15 years of negotiations on Sino-Russian crude oil pipeline" Retrieved from: https://www.guancha.cn/ZhangGuoBao/2019_01_04_485627_s.shtml

Guichon, Judith. "Speech from the Throne" 2016 Legislative Session: 5th Session, 40th Parliament, 2016. Retrieved from: https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/40th-parliament/5th-session/throne-speech

Guillén, Mauro F., and Esteban García-Canal. "The American Model of the Multinational Firm and the 'New' Multinationals from Emerging Economies." *Academy of Management Perspectives* 23, no. 2 (2009): 23-35.

Gunningham, Neil, Robert A. Kagan, and Dorothy Thornton. "Social License and Environmental Protection: Why Businesses Go Beyond Compliance." *Law & Social Inquiry* 29, no. 2 (2004): 307-341.

Gurkina, Ekaterina, ""Udmurtneft" floats away to China" *Independent* 2006. (Екатерина Гуркина, "«Удмуртнефть» уплывает в Китай", *Независимая*, 2006). Retrieved from: http://www.ng.ru/economics/2006-06-21/5_udmurtneft.html

Gyetvay, Mark, (CFO & Deputy Chairman of the Management Board, Novatek) Semi-structured interview email with the author, September 2016.

Haber, Stephen, and Victor Menaldo. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse." *American PoliticalSscience Review* 105, no. 01 (2011): 1-26.

Habiyaremye, Alexis. 2013. 'Angola-Mode' Trade Deals and the Awakening of African Lion Economies. *African Development Review* 25, no. 4 (2013): 636-47.

Haida Nation v. Supreme Court [2004] 3 SCR 511; Supreme Court.

Haisal Nation Council. "Re: Support of Haisla Nation for LNG Canada Project" letter to the Environmental Assessment Office, 2015.

Hale, Geoffrey. "CNOOC-Nexen, State-Controlled Enterprises and Canadian Foreign Investment Policies: Adapting to Divergent Modernization" *Canadian Journal of Political Science* 47:2 (2014): 349-373.

Hall, Peter A., and Rosemary CR Taylor. "Political Science and the Three New Institutionalisms." *Political Studies* 44, no. 5 (1996): 936-957.

Hall, Simon and Edward Welsh. "China Push in Canada is Biggest Foreign Buy" *Wall Street Journal*, July 24, 2012.

Haller, Tobias, Markus John, Annja Bloenchlinger, Esther Marthaler, and Sabine Ziegler, eds. *Fossil Fuels, Oil Companies, and Indigenous Peoples: Strategies of Multinational Oil Companies, States, and Ethnic Minorities: Impact on Environment, Livelihoods, and Cultural Change*. Vol. 1. LIT Verlag Münster, 2007.

Harrison, Trevor W. "Petroleum, Politics, and the Limits of Left Progressivism in Alberta" in Shrivastava, Meenal, and Lorna Stefanick. *Alberta Oil and the Decline of Democracy in Canada*. Athabasca University Press, 2015.

Haslam, Paul Alexander and Pablo Heidrich. *The Political Economy of Natural Resources and Development: From Neoliberalism to Resource Nationalism*. London: Routledge, Taylor & Francis Group, 2016.

Haufler, Virginia. "Disclosure as Governance: The Extractive Industries Transparency Initiative and Resource Management in the Developing World." *Global Environmental Politics* 10, no. 3 (2010): 53-73.

He, Canfei, Xiuzhen Xie, and Shengjun Zhu. "Going Global: Understanding China's Outward Foreign Direct Investment from Motivational and Institutional Perspectives." *Post-Communist Economies* 27, no. 4 (2015): 448-471.

Healing, Dan, 2014a. “CNOOC Replaces Reinhart as Nexen CEO; Ousted Executive Helped Arrange $15.1B Sale of Firm” *The Calgary Herald*. April 24, 2014.

Healing, Dan, 2014b. “Nexen Lays Off Top-Level Executives; Four Vice-Presidents Let Go and More Cuts are on the Way, Workers Told” *The Calgary Herald*. November 27, 2014.

Healing, Dan, 2016. “Nexen Lays Off 120 more Canadian Employees as Oil Price Slump Persists” *The Calgary Herald* March 1, 2016.

Hedström, Peter “Studying Mechanisms to Strengthen Causal Inferences in Quantitative Research” in *The Oxford Handbook of Political Methodology* edited by Janet M. Box-Steffensmeier, Henry E. Brady, and David Collier, Oxford, New York: Oxford University Press, pp. 319-335, 2008.

Heinrich, Andreas, Julia Kusznir, and Heiko Pleines. "Foreign Investment and National Interests in the Russian Oil and Gas Industry." *Post-Communist Economies* 14, no. 4 (2002): 495-507.

Hele, Karl. "Native People and the Socialist State: The Native Populations of Siberia and their Experience as Part of the Union of Soviet Socialist Republics." *Canadian Journal of Native Studies* 14, no. 2 (1994): 252-272.

Helmke, Gretchen, and Steven Levitsky. "Informal Institutions and Comparative Politics: A Research Agenda." *Perspectives on Politics* 2, no. 04 (2004): 725-740.

Henderson, James and Tatiana Mitrova “Energy Relations between Russia and China: Playing Chess with the Dragon.*” The Oxford Institute for Energy Studies. 2016.*

Henderson, James. “Key Determinants for the Future of Russian Oil Production and Exports.” *Oxford Institute for Energy Studies*, 2015.

Henderson, James. “The Strategic Implications of Russia’s Eastern Oil Resources.” *Oxford Institute for Energy Studies*, 2011.

Hendley, Kathryn. "‘Telephone Law’ and the ‘Rule of Law’: The Russian Case." *Hague Journal on the Rule of Law* 1, no. 2 (2009): 241-262.

Henry, Laura A. “Russian Environmentalists and Civil Society” in Sundstrom, Lisa McIntosh, and Laura A. Henry. *Russian Civil Society: A Critical Assessment,* Routledge (2016).

Henton, Darcy. “Redford Sets Terms for Nexen Bid Approval; Stricter Worker, Management Conditions Sought”, *The Calgary Herald*, October 4, 2012.

Herberg, Mikkal. “Fueling the Dragon: China’s Energy Prospects and International Implications” in Wenger, Andreas, Robert W. Orttung, and Jeronim Perović. *Energy and the*

*Transformation of International Relations: Toward a New Producer-consumer Framework.* Oxford: Oxford UP, 2009.

Herberg, Mikkal." US energy security and China's energy diplomacy" in *Sino-US Energy Triangles; Resource Diplomacy Under Hegemony* by David Zweig and Yufan Hao, 2015.

Herle, David and Alex Swann "With New Markets Come New Geo-Political Realities" *The Globe and Mail*, December 17, 2012.

Herron, Michael C., and Kevin M. Quinn. "A Careful Look at Modern Case Selection Methods." *Sociological Methods & Research* 45, no. 3 (2016): 458-492.

Hill, Fiona, and Bobo Lo. "Putin's Pivot: Why Russia is Looking East." *Foreign Affairs* 31 (2013).

Högselius, Per. *Red gas: Russia and the origins of European energy dependence*. Springer, 2013.

Holden, Michael. "Canada's Trade Policy and Economic Relationship with China" *International Affairs, Trade and Finance Division*, 2 November 2008.

Holden, Michael. "Pipe or Perish; Saving an Oil Industry at Risk", *Canada West Foundation*, February 2013. Retrieved from: http://cwf.ca/wp-content/uploads/2015/10/CWF_PipeOrPerish_Report_FEB2013.pdf

Holden, Michael. "The Foreign Direct Investment Review Process in Canada and Other Countries" *International Affairs, Economic Division.* 2007.

Holmes Jr, R. Michael, Toyah Miller, Michael A. Hitt, and M. Paz Salmador. "The Interrelationships Among Informal Institutions, Formal Institutions, and Inward Foreign Direct Investment." *Journal of Management* 39, no. 2 (2013): 531-566.

Holtzinger, Jean-Marie. "The Russo-Chinese Strategic Partnership: Oil and Gas Dimensions." *Connections: The Quarterly Journal* 9, no. 4 (2010): 69.

Homer-Dixon, Thomas. "The Tar Sands Disaster." *New York Times*, 31 March 2013.

Hong, Eunsuk, and Laixiang Sun. "Dynamics of Internationalization and Outward Investment: Chinese Corporations' Strategies." *The China Quarterly* 187 (2006): 610-34.

Hongtu Zhao The *Economics and Politics of China's Energy Security Transitions,* United Kingdom: London, Academic Press, 2018.

Hoovers. *Nexen Energy ULC Profile,* 2016.

Houlden, Gordon. "Building a Long-Term Energy Relationship Between Alberta and China" *China Institute University of Alberta*, 2011.

*House of Commons Debates. "Official Report * Table of Contents * Number 109 (Official Version)". Parl.Gc.Ca,* 2010. Retrieved from: http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=40&Ses=3&DocId=4844199

Houser, Trevor. "The Roots of Chinese Oil Investment Abroad." *Asia Policy* 5, no. 1 (2008): 141-66.

Hsueh, Roselyn. "State Capitalism, Chinese-Style: Strategic Value of Sectors, Sectoral Characteristics, and Globalization" *Governance* 29, no. 1 (2016): 85-102

Huang, Linyan, Frédéric Lasserre, and Olga Alexeeva. "Is China's Interest for the Arctic Driven by Arctic Shipping Potential?" *Asian Geographer* 32, no. 1 (2015): 59-71.

Humphreys, Macartan, Jeffrey Sachs, and Joseph E. Stiglitz. "Ensuring Fairness: The Case for a Transparent Fiscal Social Contract." *Escaping the Resource Curse*. New York: Columbia UP, 2007.

Hunter, Justine, and Carrie Tait. *"*Why the Northern Gateway Project Is Unlikely to Be Built*"*. *The Globe and Mail*, 2015. Retrieved from: http://www.theglobeandmail.com/news/british-columbia/why-the-northern-gateway-project-is-probablydead/article27620342/.

Hupacasath First Nation and the Green Party of Canada. "How Would the Canada-China FIPA Affect Enbridge's Northern Gateway?", 2014. Retrieved from: https://www.greenparty.ca/sites/default/files/attachments/fipa_enbridge_affect_best_copy_w_hfn_logo.pdf

Hussain, Yadullah. "State-Owned Energy Companies Still Eyeing Canada's Oilpatch for Acquisitions: Executives" *Financial Post*, April 10, 2015.

Hussain, Yadullah. "What's Next? Chinese-Canadian Energy Relations are in the Early Stages of Exploration after Ottawa's Ruling to Allow Majority State-Owned Enterprise Investment in Oil Sands" *The Calgary Herald*, March 8, 2013.

Hymer, Stephen H. *The International Operation of National Firms: A Study of Direct Foreign Investment*. MIT Press, Cambridge, MA, United States, 1960.

Ibbitson, John. "A New Model on Foreign Investment" *The Globe and Mail*, December 10, 2012

IEA (International Energy Agency) Russia*, Energy Policies Beyond IEA Countries: Russia*, IEA, Paris, 2014. DOI: http://dx.doi.org/10.1787/9789264211506-en

Iimi, Atsushi. “Escaping from the Resource Curse: Evidence from Botswana and the Rest of the World” *IMF Staff Papers*, 54, no. 4 (2006): 663-699.

Ikenberry, G. John. "The Rise of China and the Future of the West." *Foreign Affairs-New York-* 87, no. 1 (2008): 23-37.

Industrial and Environmental Safety, and Labor Protection, “Udmurtneft Visited a Group of Chinese Specialists of the Petrochemical Corporation Sinopec”, based on newregion.ru, 2008. Retrieved from: http://prominf.ru/news-content/oao-udmurtneft-posetila-gruppa-kitayskih specialistov-neftehimicheskoy-korporacii

Industry Canada, “Minister of Industry Confirms Initial Decision on Proposed Sale of Macdonald, Dettwiler and Associates Ltd. to Alliant Techsystems Inc.” May 9, 2008. Retrieved from: http://www.marketwired.com/press-release/minister-industry-confirms-initial-decision-on-proposed-sale-macdonald-dettwiler-associates-854398.htm

Industry Canada. “Investment Canada Act Annual Report 2010-2013”, 2014a.

Industry Canada. “Investment Canada Act Annual Report 2013-2014”, 2014b. Retrieved from: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk81126.html.

Industry Canada. “Investment Canada Act Annual Report 2014-2015”, 2015.

Inkpen, Andrew C., and Michael H. Moffett. *The Global Oil & Gas Industry: Management, Strategy & Finance.* PennWell Books, 2011.

Innovation, Science and Economic Development Canada. “Statement Regarding Investment by Foreign State-Owned Enterprises” *Investment Canada Act*, 2012. Retrieved from: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk81147.html

Innovation, Science and Economic Development Canada. “Annual Report; Investment Canada Act 2015-2016”. 2016. Retrieved from: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk81126.html.

Innovation, Science and Economic Development Canada. “Thresholds; Thresholds for Review” *Investment Canada Act,* 2017a. Retrieved from: https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk00050.html

Innovation, Science and Economic Development Canada. “All Guidelines Industry Canada Investment Canada Act”, 2017b. Retrieved from: https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk00064.html

International Energy Agency, *Oil Market Report*. Jan. 19, 2016. Retrieved from: https://www.iea.org/oilmarketreport/omrpublic/

International Energy Agency (IEA), *Energy security,* n.d. Retrieved from: https://www.iea.org/topics/energysecurity/

International Institute for Sustainable Development. *Sustainability Impacts of Chinese Foreign Direct Investment*. Manitoba: International Institute for Sustainable Development, 2016. Retrieved from: http://www.iisd.org/sites/default/files/publications/sustainability-impacts-chinese-outward-direct-investment-literature-review.pdf.

Invest in Canada. "Oil and Gas Industry; Canada's Competitive Advantages" *Foreign Affairs, Trade and Development Canada*. 2015.

Investment Canada Act, *Thresholds for Review***,** Government of Canada, 2017. Retrieved from: https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk00050.html

Investment Canada Act, *Guidelines*, Government of Canada, 2016. Retrieved from: https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk00066.html

Investor's Business Daily. "Canada: If No Keystone XL, We'll Sell Our Oil To". *Investor's Business Daily*, 2011. Retrieved from: http://www.investors.com/politics/editorials/america-dithers-canada-oil-looks-abroad/

Ipsos Reid. 2012. "British Columbians On the Northern Gateway Pipelines Project | Ipsos". Ipsos In North America. http://ipsos-na.com/news-polls/pressrelease.aspx?id=5460.

Irwin, Amos, and Kevin P. Gallagher. "Chinese Mining in Latin America: A Comparative Perspective." *The Journal of Environment & Development* 22, no. 2 (2013): 207-234.

Isham, Jonathan, Michael Woolcock, Lant Pritchett, and Gwen Busby. "The Varieties of Resource Experience: Natural Resource Export Structures and the Political Economy of Economic Growth." *The World Bank Economic Review* 19, no. 2 (2005): 141-174.

Izvestija of Udmurt Republic. "Udmurtneft: in partnership with the republic" May 19, 2016. [Известия Удмуртской Республики, "«Удмуртнефть»: в партнёрстве с республикой"] Retrieved from: http://izvestiaur.ru/economics/11721201.html

Jang, Brent "China's CNOOC Cancels Aurora LNG Project in B.C.", *The Globe and Mail*, September 14th, 2017. Retrieved from: https://beta.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/chinas-cnooc-cancels-aurora-lng-project-in-bc/article36259169/?ref=http://www.theglobeandmail.com&

Jang, Brent. "China's Sinopec To Become Fourth Partner in B.C. LNG Project" *The Globe and Mail,* March 25, 2014.

Jang, Brent. “Shell-Backed LNG Canada Delays Plans for Terminal on B.C. Coast” *The Globe and Mail* July 11, 2016.

Jang, Brent. “Petronas Considers Minority Stake in LNG Canada” *The Globe and Mail*. August 22, 2017b.

Janko, Darcy. *Re: Request for a Suspension of the 180 day Review Period*, March 20, 2017.

Javeline, Debra, and Sarah Lindemann-Komarova. "A Balanced Assessment of Russian Civil Society." *Journal of International Affairs* 63, no. 2 (2010): 171-188.

Jensen, Nathan and Glen Biglasier “Introduction: Multinational Corporations and Governments” in Nathan M. Jensen, Glen Biglaiser, Quan Li, Edmund Malesky, Pablo M. Pinto, Santiago M. Pinto, and Joseph L. Staats, *Politics and foreign direct investment*. Ann Arbor: University of Michigan Press, 2012.

Jensen, Nathan, and Leonard Wantchekon. "Resource Wealth and Political Regimes in Africa." *Comparative Political Studies* 37, no. 7 (2004): 816-841.

Jiang, Wenran. “Fueling the Dragon; China’s Quest for Energy Security and Canada’s Opportunities” *Asia Pacific Foundation of Canada*, 2005.

Jiang, Wenran. "Fuelling the Dragon: China's Rise and Its Energy and Resources Extraction in Africa." *The China Quarterly* 199 (2009): 585-609.

Jiang, Wenran. *The Dragon Returns: Canada in China's Quest for Energy Security*. Canadian International Council, 2010.

Jiang, Wenran. “Nexen Bid Shows China Can Learn”. *National Post* July 26, 2012.

Jiang, Wenran. “The End of China’s Play in the Canadian Oil Sandbox?” *China Brief*, XV, no. 19 (2015): 14-17.

Jiang, Wenran, David Zweig, and Siqin Kang. “The True North – Strong and Full of Energy; China’s Resource Diplomacy and Canada-US Relations” in Sino-US Energy Triangles; Resource Diplomacy Under Hegemony (ed.) by David Zweig and Yufan Hao. pp. 111-126, 2015.

Jing, Du. “China Kicks Off Year of Russia, Deals Signed”, 2006 *Gov.cn* Retrieved from: http://www.gov.cn/english/2006-03/21/content_232962.htm

Jing, Du. “China, Russia Sign Joint Statement” *Xinhua*, 2006. Retrieved from: http://www.gov.cn/misc/2006-03/22/content_233267.htm

Johnson, Chalmers. *MITI and the Japanese miracle: the growth of industrial policy: 1925-1975*. Stanford University Press, 1982.

Joint Review Panel for the Enbridge Northern Gateway Project, 2013. Hearing Order OH-4-2011, Volume 180. Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/p21799/90747E.pdf

Jones, Jeffrey "CNOOC to Cut Nexen's Oil-Trading Operation" *The Globe and Mail,* March 24, 2015.

Jones, Jeffrey. "Halt to $11.4-billion LNG Project Dims Canada's Export Hopes". *The Globe and Mail*, July 25, 2017.

Joshi, Devin K. "Varieties of Developmental States: Three Non-Western Pathways To the Millennium Development Goals." *Journal of Developing Societies* 28, no. 3 (2012): 355-378.

Jude, Cristina, and Gregory Levieuge. "Growth Effect of Foreign Direct Investment in Developing Economies: The Role of Institutional Quality." *The World Economy* 40, no. 4 (2017): 715-742.

Jütting, Johannes. "Institutions and Development: A Critical Review." *OECD Development Centre (Centre de développement)* Working Paper 210, 2003.

Kaczmarski, Marcin. "The Asymmetric Partnership? Russia's Turn to China." *International Politics* 53, no. 3 (2016): 415-434.

Kamiński, Tomasz. "Sovereign Wealth Fund Investments in Europe as an Instrument of Chinese Energy Policy." *Energy Policy* 101 (2017): 733-739. https://doi.org/10.1016/j.enpol.2016.09.033

Kaplinsky, Raphael, and Mike Morris. "Chinese FDI in Sub-Saharan Africa: Engaging with Large Dragons." *The European Journal of Development Research* 21, no. 4 (2009): 551-569.

Karl Lynn T., *The Paradox of Plenty: Oil Booms and Petro-States*. Berkley, California: University of California Press. 1997.

Kasoff, Mark J. "East Meets West in the Canadian Oil Sands", *American Review of Canadian Studies*, 37, no. 2 (2007): 177-183, DOI: 10.1080/02722010709481853

Keefer, Philip, and Stephen Knack. "Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation." *Economic inquiry* 35, no. 3 (1997): 590-602.

Keeping, Janet. "Where Law Does Not Rule: The Russian Oil and Gas Sector." *International Journal* 62, no. 1 (2007): 69-80.

Kharitonova, V. N, and I. A Vizhina. 2011. "Export Risks of Resource Development Projects in the Yamalo-Nenets Autonomous Okrug." *Regional Research of Russia* 1, No. 2 (2011): 120–27.

Kitselas Band Council. "Re: LNG Canada EAO submission" letter to the Environmental Assessment Office, 2015.

Kitselas representative. Semi-structured interview with the author. British Columbia, 11 September 2017.

Kitsumkalum. "Update on Liquefied Natural Gas; Community Progress Report", 2016. Retrieved from: http://www.kitsumkalum.bc.ca/documents/Kitsumkalum%20LNG%20Update%20Brochure%20Final%20for%20printpdf.pdf

Klaas, Olga. Semi-structured interview with the author, September 2016.

Klare, Michael. *The Race for What's Left: The Global Scramble for the World's Last Resources*. Macmillan, 2012.

Klaver, Mark, and Michael Trebilcock. "Chinese Investment in the United States and Canada." *Canadian Business Law Journal* 54, no. 123 (2013): 123- 177.

Klimina, Anna. "Placing the Analysis of Contemporary State Capitalism within an Evolutionary Discourse." *Journal of Economic Issues* 47, no. 2 (2013): 545-554.

Knizhnikov, A. U., S. N. Golubchikov and U. B. Zaitseva. "About Possible Ecological Repercussions of the Yamal LNG's Implementation" "О возможных экологических последствиях реализации проекта "Ямал-СПГ" n.d.

Koďousková, Hedvika, and Petr Ocelík. "China's Oil and Gas Policy Towards Russia." *Geopolitics of Energy* 37, no. 8 (2015): 2-16.

Kolstad, Ivar, and Arne Wiig. "What Determines Chinese Outward FDI?" *Journal of World Business* 47, no. 1 (2012): 26-34.

Kolstad, Ivar. "The Resource Curse: Which Institutions Matter?" *Applied Economics Letters* 16, no. 4 (2009): 439-442.

Butrin, Dmitry, "Getty Family Lost 'Stimul'", *Kommersant* [Дмитрий Ъ-Бутрин, "Семья Гетти лишилась "Стимула" Сделка" *Коммерсантъ],* June 8, 2004a. Retrieved from: https://www.kommersant.ru/doc/481446

Butrin Dmitry. "Gazprom Prevented the Getty Clan Sell his Russian Assets to the Chinese" *Kommersant, [*Дмитрий Ъ-Бутрин, "Газпром" помешал клану Гетти продать

китайцам его российские активы*, Коммерсантъ*], March 23, 2004b. Retrieved from: https://www.kommersant.ru/doc/459873

Kong, Bo. *China's international petroleum policy*. ABC-CLIO, 2009.

Konijn, Peter. "Chinese Resources-for-Infrastructure (R4I) Swaps: An Escape from the Resource Curse.". *South African Institute for International Affairs, Occasional Paper 201*, (2014): 1-31. Retrieved from http://www.saiia.org.za/doc_download/586-chinese-resources-forinfrastructure-r4i-swaps-an-escape-from-theresource-curse

Konończuk, Wojciech "The East Siberia/Pacific Ocean (ESPO) Oil Pipeline: A Strategic Project –An Organisational Failure?" *CES Commentary,* 2008.

Konyshev, V. N. and A. A. Sergunin. "The Development of Arctic's Natural Resources: Ways of Cooperation between Russia and China in the Future Interests", *National Interests: Priorities and Security*, 39, 2012. (Конышев, В. Н., and А. А. Сергунин. "Освоение природных ресурсов Арктики: пути сотрудничества России с Китаем в и нтересах будущего." *Национальные интересы: приоритеты и безопасность*.

Kostka, Genia and William Hobbs. "Local Energy Efficiency Policy Implementation in China: Bridging the Gap between National Priorities and Local Interests." *The China Quarterly* 211 (2012): 765-785.

KPMG. "Economic Impacts of Western Canada's Oil Industry", 2013. Retrieved from: http://www.fccq.ca/pdf/general/FCCQ-Economic-Impacts-of-Western-Canada-s-Oil-Industry_nov-2013.pdf

Kremlin, *Meeting of the Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security,* July 10, 2012. Retrieved from: http://en.kremlin.ru/events/president/news/15912

Kremlin. *Meeting with NOVATEK CEO Leonid Mikhelso*n. January 18, 2016b. Retrieved from: http://en.kremlin.ru/catalog/keywords/83/events/53251.

Kremlin, *Law on ratifying the Protocol to the Russian-Chinese Agreement on Cooperation on the Yamal LNG Project,* January 29, 2016c. Retrieved from: http://en.kremlin.ru/catalog/keywords/83/events/51230

Kremlin. *Meeting on the Yamal LNG Project and Sabetta Port Construction*, Kremlin. September 26, 2013. http://en.kremlin.ru/events/president/news/19285.

Krkoska, Libor, and Yevgenia Korniyenko. "China's Investments in Russia: Where Do They Go and How Important are They?", *China & Eurasia Forum Quarterly*, 6, no. 1 (2008): 39-49.

Krutikhin, Mikhail (partner in the independent RusEnergy consulting agency and a Carnegie Moscow Centre Fellow), Semi-structured interview with the author, September 2016.

Kucharski, Jeffrey B. "Energy, Trade and Geopolitics in Asia: The Implications for Canada." *The School of Public Policy Publications* 11, no. 19 (2018): 1-15.

Kutulakos, Sarah, Wendy Dobson, Walid Hejazi, and Daniela Stratulativ. "Canada China Business Survey 2016" *Canada China Business Council*, 2017.

Labour Market Information Directorate. "Environmental Scan; Alberta 2016" *Labour Market Information Directorate, Service Canada, Alberta,* 2016.

Laffin, Michael. (Asia Region Chair at Blake, Cassels & Graydon LLP (Blakes)) Semi-structured phone interview with the author. Alberta, 16 May, 2017.

Lain, Sarah. "The Bear and the Dragon: Same Old Suspicions or Real Pivot East." *The RUSI Journal* 160, no. 1 (2015): 68-77.

Lam, Winnie. "Impact of China's Trade and Foreign Investment Reforms on the World Economy" *Industry Canada*, 1997.

Lambert-Racine, Michaël "Trade and Investment Canada-China" *Library of Parliament*, 2016. Retrieved from: https://lop.parl.ca/Content/LOP/ResearchPublications/2016-68-e.pdf

Landman, Todd. *Issues and Methods in Comparative Politics: An Introduction*. 2nd ed. London: Routledge, 2003.

Lars Petter Lunden and Dnaiel Fjaetoft, Sigra Group; The International Institute for Sustainable Development/WWF; "Governemnt Support to Upstream Oil & Gas in Russia: How subsidies Influence the Yamal LNG and Prirazlomnoe Projects", 2014.

Lax Kw'alaams Band, "To the Honourable Catherine McKenna", email communication 2016. Retrieved from: http://www.ceaa.gc.ca/050/documents/p80032/107752E.pdf

Le Billon, Philippe, and Ryan Vandecasteyen. "(Dis)Connecting Alberta's Tar Sands and British Columbia's North Coast." *Studies in Political Economy* 91, no. 1 (2013): 35-57.

Leblond, Patrick. "Toward a Free Trade Agreement with China; Opportunities, Challenges and Building Blocks for Canada" *Centre for International Governance Innovation,* 2017. Retrieved from: https://www.cigionline.org/sites/default/files/documents/China%20Canada%20Trade.pdf

Ledeneva, Alena V. *Can Russia Modernise? Sistema, Power Networks And Informal Governance*. Cambridge University Press, 2013.

Ledeneva, Alena V. *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business*. Ithaca: Cornell University Press, 2006.

Lederman, Daniel, and William F. Maloney. "In Search of The Missing Resource Curse." Economía 9, no. 1 (2008): 1-56.

Lee, Calvin. "China Aims to Tap Canada Oil Sands; Access to Alberta Reserves Would Build on Investments Beijing Has in the Americas" *Asian Wall Street Journal,* Jan. 06, 2005.

Lee, Marc. "Enbridge Pipe Dreams and Nightmares; The Economic Costs and Benefits of the Proposed Northern Gateway Pipeline" *Canadian Centre for Policy Alternatives BC Office*, 2012. Retrieved from: https://friendsofwildsalmon.ca/images/uploads/resources/CCPA_Enbridge_Economics_Mar2012.pdf

Lee, Marc. *LNG and employment in BC* Canadian Centre for Policy Alternatives - BC Office, 2015.

Leite, Carlos A., and Jens Weidmann. "Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth." *Natural Resources, Corruption, and Economic Growth. IMF Working Paper 99/85*, 1999.

Lemphers, Nathan. "Briefing Note; Challenges to Exporting Canadian Oilsands Crude Overseas; An overview of significant short-term barriers and market uncertainties facing Canadian oilsands exports." *The Pembina Institute,* 2012. Retrieved from: http://www.pembina.org/pub/2317

Lemphers, Nathan. "Pipeline to Nowhere? Uncertainty and unanswered questions about the Enbridge Northern Gateway Pipeline". *The Pembina Institute,* 2010. Retrieved from: http://www.pembina.org/pub/pipeline-to-nowhere

Levant, Ezra. *Ethical oil: The case for Canada's oil sands*. McClelland & Stewart Limited, 2011.

Levitsky, Steven, and Lucan Way. "The Rise of Competitive Authoritarianism." *Journal of Democracy* 13, no. 2 (2002): 51-65.

Levitsky, Steven, and María Victoria Murillo. "Variation in Institutional Strength." *Annual Review of Political Science* 12 (2009): 115-133.

Lewis, Jeff. "CNOOC's Operating Costs Jump 7 Per Cent Since Nexen Takeover" *The Globe and Mail*. August 29, 2014.

Lewis, Jeff. "China's CNOOC Writes Down $842-Million in Overseas Assets" *The Globe and Mail*. March 28, 2015.

Lewis, Jeff, Jeffrey Jones, and Nathan Vanderklippe. “China's Return to the Oil Patch; Chinese Investors is Quietly Snapping up a Host of Energy Companies in the Wake of the Five Years after Ottawa Put the Brakes on a Surge of Foreign Investment, a New Wave of Industry Slump” *The Globe and Mail*, May 20, 2017.

Li, Anshan. "China and Africa: policy and challenges." *China Security* 3, no. 3 (2007): 69-93.

Li, Xiaofei. *China's Outward Foreign Investment: A Political Perspective*. University Press of America, 2010.

Li, Cheng and Xiaobo Zhang. “China as a Global Investor; Recent Trends and Implications for Canada”, *China Institute, University of Alberta, Occasional Paper Series,* 2017.

Li, Jing. (professor at the Beedie School of Business) Semi-structured interview with the author. British Columbia, 21 June 2017.

Li, Jing, Jun Xia, and Zhouyu Lin. "Cross-Border Acquisitions by State-Owned Firms: How Do Legitimacy Concerns Affect the Completion and Duration of Their Acquisitions?" *Strategic Management Journal* 38, no. 9 (2017): 1915-1934.

Li, Lifan and Wang Chengzhi, “Energy Cooperation between China and Russia: Uncertainty and Prospect of Development”, *Russian Analytical* Digest 163, no. 24, February 2015.

Li, Quan, and Guoyong Liang. "Political Relations and Chinese Outbound Direct Investment: Evidence From Firm- and Dyadic-Level Tests." (2012).

Liou, Chih-shian. "Bureaucratic Politics and Overseas Investment by Chinese State-Owned Oil Companies: Illusory Champions." *Asian Survey* 49, no. 4 (2009): 670-690.

Liu, Guangding, Changchun Yang, Tianyao Hao, and Xiaorong Luo, eds. *Oil and Gas Resources in China: A Roadmap to 2050*. Springer Science & Business Media, 2012.

LNG World News Staff, “Novatek, China’s Silk Road Fund ink Yamal LNG Deals” *LNG World News,* 2015. Retrieved from: https://www.lngworldnews.com/novatek-chinas-silk-road-fund-ink-yamal-lng-deals/

Lo, Bobo. *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*. Brookings Institution Press, 2008.

Lo, Bobo, *The Russia-China-US Triangle and its post-Cold War Fate,* in Bedeski, Robert E., Niklas Swanström. *Eurasia's Ascent in Energy And Geopolitics: Rivalry or Partnership for China, Russia and Central Asia?* New York: Routledge, PP. 34-53 2012.

Lodgaard, Sverre. “BRICS, Security Policy and Energy” in *BRICS, Energy and the New World Order*. Edited by: Sundstøl Eriksen, Stein, Sverre Lodgaard, Arne Melchior, Karl Rich, Elana Wilson Rowe, and Ole Jacob Sending. A Study by NUPI: Norwegian Institute of

International Affairs for ONS Summit 2012: The Geopolitics of Energy, 2012. Retrieved from: http%3A%2F%2Fnynorsk.nupi.no%2Fcontent%2Fdownload%2F330941%2F1137375%2Fversion%2F6%2Ffile%2FNUPI%2BReport%2B-%2BBRICS%2Benergy%2Band%2Bthe%2Bnew%2Bworld%2Border.pdf%23page%3D9>

Locatelli, Catherine. "The Russian Oil Industry between Public and Private Governance: Obstacles to International Oil Companies' Investment Strategies." *Energy Policy* 34, no. 9 (2006): 1075-1085.

Locatelli, Catherine, and Sylvain Rossiaud. "A Neoinstitutionalist Interpretation of The Changes in The Russian Oil Model." *Energy Policy* 39, no. 9 (2011): 5588-5597.

Lu, Jiangyong, Xiaohui Liu, and Hongling Wang. "Motives for Outward FDI of Chinese Private Firms Firm Resources, Industry Dynamics, and Government Policies." *Management and Organization Review* 7, no. 2 (2011): 223-248.

Lu, Jiangyong, Xiaohui Liu, Mike Wright, and Igor Filatotchev. "International Experience and FDI Location Choices of Chinese Firms: The Moderating Effects of Home Country Government Support and Host Country Institutions." *Journal of International Business Studies* 45, no. 4 (2014): 428-449.

Luhn, Alec and Terry Macalister. "Russia signs 30-year deal worth $400bn to deliver gas to China" *The Guardian,* 21 May 2014. Retrieved from: https://www.theguardian.com/world/2014/may/21/russia-30-year-400bn-gas-deal-china

Luk, Michelle. 2016 "How Recent Government Changes in Canada Impact Oil and Gas Export to Asia?" *The Institute of Energy Economics, Japan*, 2016. Retrieved from: https://eneken.ieej.or.jp/data/6870.pdf

Lunau, Kate, 2012. "Our Chinese oil sands" *Maclean's*, August 1, 2012.

Luong, Pauline Jones, and Erika Weinthal. "Rethinking the Resource Curse: Ownership Structure, Institutional Capacity, and Domestic Constraints*." *Annual Review Political Science* 9 (2006): 241-263.

Lv, Ping, and Francesca Spigarelli. "The Integration of Chinese and European Renewable Energy Markets: The Role of Chinese Foreign Direct Investments." *Energy Policy* 81 (2015): 14- 26.

Ma, Damien, and William Adams. *In Line Behind a Billion People: How Scarcity Will Define China's Ascent in the Next Decade.* New Jersey, FT Press, 2014.

MacDonald, Scott B., and Jonathan Lemco. *State Capitalism's Uncertain Future*. ABC-CLIO, 2015.

MacIsaac, Daniel. “The Prospective Interdependency of China’s and Canada’s Energy Security”, *Canadian Military Journal*, 15, no. 1 (2014): 16-23.

MacKinnon, Mark. “When a Barrier Is a Bridge; Why China is Applauding Canada’s Investment Stand.” *The Globe and Mail*, December 15, 2012a.

MacKinnon, Mark. “Beijing Hopes 'Bias' Against China Ends with Ottawa's Approval of Takeover” *The Globe and Mail*, December 10, 2012b.

Maclean, Kirsten, Catherine J. Robinson, and David C. Natcher. "Consensus Building or Constructive Conflict? Aboriginal Discursive Strategies to Enhance Participation in Natural Resource Management in Australia and Canada." *Society & Natural Resources* 28, no. 2 (2015): 197-211.

Maniruzzaman, A. F. M. "The Issue of Resource Nationalism: Risk Engineering and Dispute Management in The Oil and Gas Industry." *Texas Journal of Oil Gas and Energy Law* 5, no. 1 (2009): 79-108.

Massot, Pascale, Paul Evans, and Xiaojun Li. “Quebec Survey Respondents Positive, Pragmatic About Ties with China.” *The Hill Times,* 2018. Retrieved from: https://www.hilltimes.com/2018/05/16/quebec-survey-respondents-positive-pragmatic-ties-china/144275

Masuda, Tatsuo. "Security of Energy Supply and The Geopolitics of Oil and Gas Pipelines." *European Review of Energy Markets* 2, no. 2 (2007): 1-32.

March, James G. and Johan P. Olsen, "Elaborating the 'New Institutionalism'" In the *Oxford Handbook of Political Institutions* ed. Sarah A. Binder, R. A. W. Rhodes, and Bert A. Rockman, 3-20, Oxford: Oxford Press, 2009.

Marketos, Thrassy N. *China's Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia.* Vol. 30. New York, Routledge, 2009.

Mayeda, Andrew. “Conditions Likely on Bid for Nexen; Ottawa to Press Chinese Giant on Jobs and Spending: Sources” *Edmonton Journal*. September 29, 2012.

Mccarthy terault. “Doing Business in Canada 2013; Navigating Opportunities for Investment and Growth”, 2013.

McCarthy, Shawn and Bill Curry. “Looming Nexen Deal Reveals Fault Lines; Takeover Forcing Canadians to Confront the Fact Communist Government-Owned Chinese Firms Poised to Play Role in Energy Sector”, *The Globe and Mail*, September 15, 2012.

McCarthy, Shawn and Jacquie Mcnish. “Oil Patch Seeks Foreign Takeover Rules; Pointing to Growth in Oil Sands Interest, Industry Leaders Say Ottawa Should Secure Domestic Ownership” *Globe and Mail.* September 26, 2012.

McCarthy, Shawn and Jacquie Mcnish. “China's Bold Step Stirs the Oil Sands; The Politics of the Deal is a Test of the Harper Government's China Policy - but the Acquirer has Learned from Previous Failed Takeover Attempts” *Globe and Mail.* July 24, 2012.

McCarthy, Shawn and Nathan Vanderklippe, “Ottawa Faces Balancing Act with Ruling on Foreign Takeovers” *The Globe and Mail*. December 7, 2012.

McCarthy, Shawn and Pav Jordan. “China's Bid to Fit in; The Nexen Takeover Shows How Far Chinese Companies Have Come on The Global Stage. But How Should Canada Deal with State-Controlled Firms That Use Their Financial Muscle to Grab Prized Resources?” *The Globe and Mail*. July 28, 2012.

McCarthy, Shawn and Steven Chase. “Ottawa Approves Nexen, Progress Foreign Takeovers” *The Globe and Mail* December 7, 2012.

McCarthy, Shawn. “New Delays on Nexen Deal” *The Globe and Mail*. November 28, 2012a.

McCarthy, Shawn. “Ottawa Extends Nexen Decision Deadline” *The Globe and Mail*. October 12, 2012b.

McCarthy, Shawn. “Use Nexen Deal to Press China on Human Rights, Harper Urged” *The Globe and Mail*, September 24, 2012c.

McCarthy, Shawn. “CNOOC an Arm of Beijing, Security Experts Warn; China is a 'Persistent and Aggressive' Perpetrator of Espionage Activities that Could Threaten Canadian Interests, Critic Says” *The Globe and Mail*, October 18, 2012d.

McCarthy, Shawn. “Ottawa Walks a Fine Line on CNOOC-Nexen Review” *The Globe and Mail*, August 29, 2012e.

McCarthy, Shawn. “NDP Argue Against Nexen Deal, Foreign Investment Secrecy” *The Globe and Mail,* October 3, 2012f.

McCarthy, Shawn. “Nexen Deal Sparks Political Backlash; Democrat Urges Geithner to Block Deal Until Gulf of Mexico Assets are Sold or Taxed” *The Globe and Mail,* July 31, 2012g.

McCarthy, Shawn, Mark MacKinnon and Pav Jordan. “Takeovers and Promises: CNOOC's Deal for Nexen Includes a Pledge to Spend Billions More” *The Globe and Mail.* December 13, 2012.

McCarthy, Shawn and Carrie Tait. “CNOOC to Rely on Nexen Managers; Chinese Firm Has Confidence in Subsidiary's Executives; No Plan to Boost Nexen's Capital Budget and Will Focus on Long Lake Project” *The Globe and Mail*, 2013b.

McCarthy, Shawn. 2015. “Nexen to Cut 400 Jobs in Response to Falling Oil Prices” *Globe and Mail.* March 17, 2015.

McCarthy, Shawn. (Ottawa-based, national business correspondent for The Globe and Mail) Semi-structured phone interview with the author. Alberta, 10 August 2017.

McLellan, David A. “CNOOC’s Compelling Deal; Don’t Abandon the Free Market for Sinophobia” *National Post/The Financial Post*. October 30, 2012.

McNamee, Mark. “Navigating the Complexities of Doing Business in Russia” *Harvard Business Review,* 2017. Retrieved from: https://hbr.org/2017/05/navigating-the-complexities-of-doing-business-in-russia

Medvedev, Dmitry. "A New Reality: Russia and Global Challenges." *Russian Journal of Economics* 1, no. 2 (2015): 109-129.

Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the Resource Curse." *The Economic Journal* 116, no. 508 (2006): 1-20.

Meidan, Michal, Philip Andrews-Speed, and Ma Xin. 2009. “Shaping China's Energy Policy: Actors and Processes.” *Journal of Contemporary China* 18, no. 61 (2009): 591-616.

Menaldo, Victor. *The Institutions Curse: Natural Resources, Politics, and Development*. Cambridge University Press, 2016.

Métis Nation of British Columbia, 2016. “Subject: Métis Nation British Columbia’s Comments on the Pacific NorthWest LNG Draft Environmental Assessment Report” Retrieved from: http://www.ceaa.gc.ca/050/documents/p80032/114155E.pdf

Metlakatla Stewardship Office. “Re: Pacific Northwest LNG Environmental Assessment Certificate Decision” letter to the Minister of Environment and Minister of Natural Gas Development, 2014.

Metlakatla Stewardship Office. 2015. “Re: LNG Canada Export Terminal Environmental Assessment” letter to the Minister of Environment, 2015.

Metlakatla. “Email Transmission; Re: Metlakatla Comments on CEAA’s draft Environmental Assessment Report and Potential Conditions for the PNWLNG Project”, 2016. Retrieved from: http://www.ceaa.gc.ca/050/documents/p80032/107733E.pdf

Meyer, Klaus E., Yuan Ding, Jing Li, and Hua Zhang. "Overcoming Distrust: How State-Owned Enterprises Adapt Their Foreign Entries to Institutional Pressures Abroad." In *State-Owned Multinationals*, 211-251. Palgrave Macmillan, Cham, 2018.

Mihlar, Fazil. *LNG in British Columbia: An Update*, Ministry of Natural Gas Development, 2015.

Milstead, David. “How Independent are Husky’s Directors?” *The Globe and Mail*, July 4, 2016 Retrieved from: https://www.theglobeandmail.com/report-on-business/how-independent-are-huskys-directors/article30739706/

Minister of Environment, Decision Statement; Issued under Section 54 of the Canadian Environmental Assessment Act, 2012. 2015 Ottawa, Ontario.

Minister of Justice. *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.) (March 20, 2017). Retrieved from: http://laws-lois.justice.gc.ca/eng/acts/I-21.8/index.html

Ministry of Economic Development of the Russian Federation. *Key Conclusions for Investment Cooperation of Russia and China (*Министерство экономического развития Российской Федерации *Основные итоги инвестиционного сотрудничества России и Китая),* 2016.

Ministry of Energy of the Russian Federation. *Energy Strategy of Russia for the Period up to 2030,* 2010. Retrieved from: *http://www.energystrategy.ru/projects/docs/ES-2030_(Eng).pdf*>

Ministry of Energy, Mines, and Natural Gas. *British Columbia’s Liquefied Natural Gas Strategy One Year Update*, 2013. Retrieved from: https://lnginbc.gov.bc.ca/app/uploads/sites/16/2016/07/BCs-LNG-Strategy-One-Year-Update-2013web130207.pdf

Ministry of Environment. "Environment Minister Sets Out Government's Position on Heavy Oil Pipelines". *Archive.News.Gov.Bc.Ca*, 2012. Retrieved from: https://archive.news.gov.bc.ca/releases/news_releases_2009-2013/2012ENV0049-001120.htm.

Ministry of Finance of the Russian Federation (2018). Federal Budget (Федеральный бюджет). Retrieved from: http://minfin.ru/ru/statistics/fedbud/

Ministry of Foreign Affairs, “Treaty on Good-Neighborliness, Friendship and Cooperation between the Russian Federation and the People's Republic of China” (Министерство иностранных дел Российской Федерации, “Договор о добрососедстве, дружбе и сотрудничестве между Российской Федерацией и Китайской Народной Республикой”), 2001. Retrieved from: http://www.mid.ru/ru/maps/cn/-/asset_publisher/WhKWb5DVBqKA/content/id/576870

Ministry of Foreign Affairs of the People’s Republic of China, “Joint Statement of the Moscow Meeting Between Heads of State of China and Russia 2009” *Communique,* 18 June 2006. Retrieved from: http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t573751.shtml

Ministry of Finance of the Russian Federation. *Federal Budge*t (Федеральный бюджет), 2018.

Retrieved from: http://minfin.ru/ru/statistics/fedbud/

Mitchell, Ronald K., Bradley R. Agle, and Donna J. Wood. "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts." *Academy of Management Review* 22, no. 4 (1997): 853-886.

Mitrova, Tatiana. (Director of Energy Centre Skolkovo, Senior Research Fellow, and Scientific advisor at the Energy Research Institute of the Russian Academy of Sciences (ERI RAS)) Semi-structured phone interview with the author, November, 2016.

Mol, Arthur P. J. 2011. "China's Ascent and Africa's Environment." *Global Environmental Change* 21, no. 3 (2011): 785-94.

Moons, Selwyn JV, and Peter AG van Bergeijk. "Does Economic Diplomacy Work? A Meta-Analysis of its Impact on Trade and Investment." *The World Economy* 40, no. 2 (2017): 336-368.

Moore, Michal, David Hackett, Leigh Noda, Jennifer Winter, Roman Karski, and Mark Pilcher. "Risky Business: The Issue of Timing, Entry and Performance in the Asia-Pacific LNG Market." Sc*hool of Public Policy, University of Calgary,* 7, no. 18 (2014): 1-181.

Morck, Randall, Bernard Yeung, and Minyuan Zhao. "Perspectives on China's Outward Foreign Direct Investment." *Journal of International Business* Studies 39, no. 3 (2008): 337-350.

Morgan, Gwyn. "Let's Protect Our Key Companies" *The Globe and Mail*, December 17, 2012.

Morgan, Geoffrey. "Chinese Firms and Indigenous Groups Propose Major New Refinery in Alberta" *Financial Post,* September 13, 2018. Retrieved from: https://business.financialpost.com/commodities/chinese-firms-and-indigenous-groups-propose-major-new-refinery-in-alberta

Motta, Massimo. "Multinational Firms and The Tariff-Jumping Argument: A Game Theoretic Analysis with Some Unconventional Conclusions." *European Economic Review* 36, no. 8 (1992): 1557-1571.

Munson, Patrick, and Zheng Ronghui. "Feeding the Dragon: Managing Chinese Resource Acquisition in Africa." *Seattle Journal of Environmental Law.* 2, 343 (2011): 345-361.

National Bureau of Statistics of China, *Annual Data.* Retrieved from: http://www.stats.gov.cn/english/statisticaldata/annualdata/

National Energy Board. *Connections; Report of the Joint Review Panel for the Enbridge Northern Gateway Project*, 2013.

National Energy Board. "Decision Statement Issued under Section 54 of the Canadian Environmental Assessment Act, 2012 and Paragraph 104 (4) (b) of the Jobs, Growth and

Long-term Prosperity Act", 2014. Retrieved from: http://www.ceaa-acee.gc.ca/050/document-eng.cfm?document=99414

National Energy Board. "Canada's Energy Future 2016: Energy Supply and Demand Projections to 2040" *An Energy Market Assessment National Energy Board,* 2016b.

National Energy Board. "File OF-FAC-Oil-N304-2010-01 03", December 6, 2016c.

National Energy Board. "Connections; Report of The Joint Review Panel for rhe Enbridge Northern Gateway Project; Vol. 1". *Gateway Panel Review*, 2013. Retrieved from: http://gatewaypanel.review-examen.gc.ca/clf-nsi/dcmnt/rcmndtnsrprt/rcmndtnsrprtvlm1-eng.pdf

National Energy Board. "Decision Statement Issued under Section 54 of the Canadian Environmental Assessment Act, 2012 and Paragraph 104 (4) (b) of the Jobs, Growth and Long-term Prosperity Act", 2014. Retrieved from: http://www.ceaa-acee.gc.ca/050/document-eng.cfm?document=99414

National Energy Board. "Crude Oil and Petroleum Products", 2016a. Retrieved from: https://www.neb-one.gc.ca/nrg/sttstc/crdlndptrlmprdct/index-eng.html

National Energy Board. "Canada's Energy Future 2016: Energy Supply and Demand Projections to 2040" *An Energy Market Assessment National Energy Board*, 2016b.

National Energy Board. "File OF-FAC-Oil-N304-2010-01 03", December 6, 2016c.

National Energy Board (NEB), "A78482-1 Letter to Northern Gateway - Suspension of the Sunset Clauses - A5D7Z9", 2016d. Retrieved from: https://apps.neb-one.gc.ca/REGDOCS/Item/Filing/A78482

Natural Resources Canada. *Natural Resources Canada 2012-2013 Report on Plans and Priorities*, Ottawa, Minister of Natural Resources, 2012a.

Natural Resources Canada. *Energy Fact book 2015-2016, 2015.* Retrieved from: https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/files/pdf/EnergyFactBook2015-Eng_Web.pdf

Natural Resources Canada. *Energy Fact book 2016-2017,* 2016a.Retrieved from: https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/pdf/EnergyFactBook_2016_17_En.pdf

Natural Resources Canada. "Frequently Asked Questions (FAQs) Concerning Federally-Regulated Petroleum Pipelines in Canada", 2016b. Retrieved from: http://www.nrcan.gc.ca/energy/infrastructure/5893#h-4-3.

Natural Resources Canada. *Report on Plans and Priorities, 2016-2017,* 2016c. Retrieved from: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/plansperformancereports/rpp/2016-2017/pdf/NRCan_RPP_2016-17-eng.pdf

Natural Resources Canada. *10 Key Facts on Canada's Natural Resources.* Accessed: May 15, 2017a. Retrieved from: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/files/pdf/10_key_facts_nrcan_2017_en.pdf

Natural Resources Canada. "The Honourable Jim Carr, Minister of Natural Resources, delivers the keynote address at the Canada in Conversation event hosted by the Embassy of Canada.", 2017b. Retrieved from: https://www.canada.ca/en/natural-resources-canada/news/2017/06/the_honourable_jimcarrministerofnaturalresourcesdeliversthekeynoto.html

Natural Resources Canada. "Visit to China Results in New Investment and Creates New Partnerships and Opportunities for Canada's Forest, Energy and Clean Tech Sectors", 2017c. Retrieved from: https://www.canada.ca/en/natural-resources-canada/news/2017/06/visit_to_china_resultsinnewinvestmentandcreatesnewpartnershipsan.html

Natural Resources Canada, *Energy Fact book 2017-2018,* 2018. Retrieved from: https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/pdf/energy-factbook-oct2-2018%20(1).pdf

Natural Resources Canada. "Canadian Crude Oil, Natural Gas and Petroleum Products: Review of 2009 & Outlook to 2030", 2011. Retrieved from: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/pdf/eneene/sources/crubru/revrev/pdf/revrev-09-eng.pdf

Natural Resources Canada. "Section I: Overview; Minister's Message", 2012b. Retrieved from: http://www.nrcan.gc.ca/node/11596

Natural Resources Canada. "Archived - Government of Canada Accepts Recommendation to Impose 209 Conditions on Northern Gateway Proposal - Canada News Centre". *News.Gc.Ca*, 2014. Retrieved from: http://news.gc.ca/web/article-en.do?nid=858469.

Natural Resources Canada. *Energy Markets Fact Book 2014-2015.* Ottawa, Minister of Natural Resources, 2014b.

Nature Canada. 2010. "Enbridge Northern Gateway Project; Joint Review Panel" *Appendix II* Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/45097/45097E.pdf

Nayak, Dinkar, and Rahul N. Choudhury. "A Selective Review of Foreign Direct Investment Theories." No. 143. *ARTNeT Working Paper Series*, 2014.

National Development and Reform Commission (NDRC), *The 13th Five-Year Plan for Energy Development* (能源发展“十三五”规划) (public release), 2016. Retrieved from: http://www.ndrc.gov.cn/zcfb/zcfbghwb/201701/W020170117350627940556.pdf

Nazarov, Alexander, Ivan Khromushin, Alexey Dorokhov, Ekaterina Zinovyeva, Yury Tulinov, Erik DePoy. “Russian Oil and Gas; Basic Industry Overview” Gazprombank, 2014.

Neft Rossii, “Igor Sechin’s Report at the Presidential Commission for the Fuel and Energy Complex” (Игорь Сечин Выступил с Докладом на Президентской Комиссии по ТЭК), 2014. Retrieved from: https://neftrossii.ru/content/igor-sechin-vystupil-s-dokladom-na-prezidentskoy-komissii-po-tek

Neft Rossii, “Rosneft and CNPC will Establish a Joint Venture to Work in Eastern Siberia” ("Роснефть" И CNPC Создадут сп Для Работы в Восточной Сибири) 2013. Retrieved from: https://neftrossii.ru/content/rosneft-i-cnpc-sozdadut-sp-dlya- raboty-v-vostochnoy-sibiri

Nefte Compass "Push to Shove: Putin Pushes for East Siberian Pipeline Progress." 2005.

Negrejeva, V. and D. Abarkina. “Yamal LNG: New Risks and Opportunities of the Russian Fuel and Energy Complex in the Arctic” *Scientific Journal NRU ITMO, Series Economics and Environmental Management,* 4, 2016. (Негреева, В. В., and Д. В. Абаркина, "ЯмалСПГ: новые риски и возможности Российского ТЭК В Арктике.” Научный журнал НИУ ИТМО. Серия «Экономика и экологический менеджмент» 4 (2016)).

Scientific journal NRU ITMO. Series "Economics and Environmental Management

Neufled, Richard A., 2005. “Proposed Enbridge Gateway Project, Additional Information Response; NEB File NO. ATP-GPI 2005-001; File NO. 158084-281” *Fraser Milner Casgrain LLP*. Retrieved from: https://apps.nebone.gc.ca/REGDOCS/File/Download/395037

Nexen. “Community Matters; Information Bulleting”, 1, no. 4, 2015a.

Nexen. “About Nexen: Oil Sands”, 2015. Retrieved from: https://letstalkroyalties.ca/wp-content/uploads/2015/11/10-27-2015_NEXEN-Submission.pdf

Nikiforuk, Andrew. *Tar sands: Dirty Oil and The Future of a Continent.* Greystone Books Ltd, 2010.

Norling, Nicklas. "China and Russia: Partners with Tensions." *Policy perspectives* (2007): 33-48.

Norling, Nicklas. "Russia's Energy Leverage over China and The Sinopec-Rosneft Deal." *China and Eurasia Forum Quarterly*, 4, no. 4, (2006): 31-38.

North, Douglass C. "Ideology and Political/Economic Institutions." *Cato J*. 8, (1988): 15-28.

North, Douglass C. *Institutions, Institutional Change, and Economic Performance.* Cambridge: Cambridge University Press, 1990.

Northway Gateway, "Home" Retrieved from: http://www.gatewayfacts.ca/About-The-Project/Project-Overview.aspx retrieved on April 20, 2017.

Nossal, Kim Richard and Leah Sarson. "About Face: Explaining Changes in Canada's China Policy, 2006-2012" *Paper Presented to the Annual Meetings of the Canadian Political Science Association*, June 2013.

Novikova, N, I (translated from Russian). *Ethnographic Review* 3, 2008, 28-36.

O'neill, Daniel. "Playing Risk: Chinese Foreign Direct Investment in Cambodia." *Contemporary Southeast Asia* 36, no. 2 (2014): 173-205.

Observatory of Economic Complexity 2016. "Canada (CAN) Exports, Imports, and Trade Partners", Accessed: May 15, 2017. Retrieved from: http://atlas.media.mit.edu/en/profile/country/can/

OECD/IEA, OECD Publishing and International Energy Agency (IEA). *China's Worldwide Quest for Energy Security*. Paris: OECD/IEA, 2000.

The Office of the State Council. "State Council on the Issuance of Energy Development Strategy Notification Action Plan (2014-2020 Years)" [国务院办公厅关于印发能源发展战略行动计划（2014-2020年）的通知] 2014. Retrieved from: http://www.gov.cn/zhengce/content/2014-11/19/content_9222.htm

Official Correspondence on Nexen-CNOOC Deal 2012. (A-2012-00418). Confidential.

Oil and Energy Trends, "Russia pushes ahead with new pipelines." 31 (5), (2006): 13-4.

Oil and gas journal/ "China, Russia sign pipeline agreement", 2000. Retrieved from: https://www.ogj.com/articles/2000/04/china-russia-sign-pipeline-agreement.html

*Oil Daily,* "Sinopec Buys Udmurtneft." 2006a.

*Oil Daily,* "Udmurtneft Gets New Management." 2006b.

Oil Daily, "China mulls Canada pipe." *Oil Daily*, 2006c.

Oil Daily, "Courts May Solve Espo Row", 15 April, 2011.

Oil Daily, “Price Dispute Stops Russia and China Agreeing Oil Pipeline Spur”, November 6, 2007b.

Oil Daily, “Sluggish East Siberia Exploration Could Delay Pacific Pipeline”, 2007a.

Oil Daily. 2015. “Canada delays PetroChina deal” *The Oil Daily*, May 16, 2011.

OECD/IEA, OECD Publishing, International Energy Agency (IEA), OECD iLibrary, and IEA. *China's worldwide quest for energy security*. Paris: OECD/IEA, 2000.

OECD Publishing and International Energy Agency Staff. *World energy outlook 2017*. Paris: Organization for Economic Cooperation & Development, 2018.

Olsen, Tricia D. "Political stakeholder theory: The state, legitimacy, and the ethics of microfinance in emerging economies." *Business Ethics Quarterly* 27, no. 1 (2017): 71-98.

Orlova, Marianna. (Марианна Орлова), “Everything has been completed” “ЗАКОНЧИЛОСЬ ВСЕ «ПОСОШКОМ»”, *Day («День»),* 25:0776, 29 June 2006. Retrieved from: http://www.dayudm.ru/article/18527/

Orttung, Robert W., Jeronim Perović and Adreas Wenger. “The Changing International Energy System and its Implications for Cooperation in International Politics” in Wenger, Andreas, Robert W. Orttung, and Jeronim Perović. *Energy and the Transformation of International Relations: Toward a New Producer-consumer Framework*. Oxford: Oxford UP, 2009.

Osler, Hoskin & Harcourt. Letter to National Energy Board and Canadian Environmental Assessment Agency “Re: Northern Gateway Pipeline Project” June 1, 2010a. Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/43481/43481E.pdf

Osler, Hoskin & Harcourt. Letter to Joint Review Panel – Enbridge Northern Gateway Project National Energy Board “Re: Northern Gateway Pipeline Project Application (“Application”) File No. 158084-281 Joint Review Panel Procedural Direction Requesting. Comments”, 2010b. Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/45167/45167E.pdf

Overland, Indira. “Indigenous Rights in the Russian North” in *Russia and the North* edited by in Elana Wilson Rowe *Russia and the North*, Ottawa: University of Ottawa Press, pp. 165-185, 2009.

Overland, Indra. "Introduction: Civil Society, Public Debate and Natural Resource Management." in *Public Brainpower*; *Civil Society and Natural Resource Management*, edited by Indira Overland, Palgrave Macmillan, pp. 1-22, 2018.

Overland, Indra. "Close Encounters: Russian Policymaking and International Oil Companies" in *Russia's Encounter with Globalizaiton; Actors, Processes and Critical moments* edited by Julie Wilhelmsen and Elana Wilson Rowe, 2011.

Owen, John R., and Deanna Kemp. "Social Licence and Mining: A Critical Perspective." *Resources policy* 38, no. 1 (2013): 29-35.

Oxford Analytical Daily Brief, "RUSSIA: Chernogorneft battle." June 25, 1999.

Page, Scott E. "Path dependence." *Quarterly Journal of Political Science* 1 (2006): 87-115.

Paik, Keun Wook. *Sino-Russian Oil and Gas Cooperation: The Reality and Implications*. Oxford: Oxford UP for the Oxford Institute for Energy Studies, 2012.

Pajunen, Kalle. "Institutions and Inflows of Foreign Direct Investment: A Fuzzy-Set Analysis." *Journal of International Business Studies* 39, no. 4 (2008): 652-669.

Paraskova, Tsvetana "China Set to Become More Dependent on Oil Imports" *Oil Price*, December 05, 2017. Retrieved from: https://oilprice.com/Energy/Crude-Oil/China-Set-To-Become-More-Dependent-On-Oil-Imports.html

Paul, Joshy M. "The Role of Energy Security in China's Foreign Policy: A Maritime Perspective." *Maritime Affairs* 6, no. 2 (2010): 49-71.

Paul, Justin, and Gabriel RG Benito. "A Review of Research on Outward Foreign Direct Investment from Emerging Countries, Including China: What Do We Know, How Do We Know and Where Should We Be Heading?" *Asia Pacific Business Review* 24, no. 1 (2018): 90-115.

Pembina Institute. "B.C. is Moving Full Speed Ahead to Develop LNG, but There are Still Many Important Unanswered Questions About the Impacts on B.C.'S Economy, Communities and Environment." 2017. Retrived from: http://www.pembina.org/lng

Peng, Jingchao, and Njord Wegge. "China's Bilateral Diplomacy in the Arctic." *Polar Geography* 38, no. 3 (2015): 233-249.

Perović, Jeronim and Robert W. Orttung. "Russia's Role for Global Energy Security" in *Energy and the Transformation of International Relations: Toward a New Producer-consumer Framework* edited by Wenger, Andreas, Robert W. Orttung, and Jeronim Perović, Oxford: Oxford UP, 2009.

Petersen, Alexandros, and Katinka Barysch. "Russia, China and The Geopolitics of Energy in Central Asia". *Centre for European Reform*, 2011. Retrieved from: https://www.cer.eu/publications/archive/report/2011/russia-china-and-geopolitics-energy-central-asia

Pew Research Center, *Global Indicators Database; Opinion of China,* 2016. Retrieved from: http://www.pewglobal.org/database/indicator/24/

Phillips, Nelson, Paul Tracey, and Neri Karra. "Rethinking Institutional Distance: Strengthening the Tie Between New Institutional Theory and International Management." *Strategic Organization*, 7, no. 3 (2009): 339-348.

Pietrobelli, Carlo, Roberta Rabellotti, and Marco Sanfilippo. "Chinese FDI Strategy in Italy: the 'Marco Polo' Effect." *International Journal of Technological Learning, Innovation and Development* 4, no. 4 (2011): 277-291.

Poghosyan, Arseniy, "China wants to extract our oil ourselves. Will it threaten Russia? (Китай хочет сам добывать нашу нефть. Чем это грозит России?), *Life* 2017. Retrieved from: https://life.ru/t/%D1%8D%D0%BA%D0%BE%D0%BD%D0%BE%D0%BC%D0%B8%D0%BA%D0%B0/958981/kitai_khochiet_sam_dobyvat_nashu_nieft_chiem_eto_ghrozit_rossii

Poussenkova, Nina, and Indra Overland. "Russia: Public Debate and the Petroleum Sector." in *Public Brainpower*; *Civil Society and Natural Resource Management* edited by Indira Overland, Palgrave Macmillan, Cham, pp. 261-289, 2018.

Poussenkova, Nina. "Lord of the Rigs: Rosneft as a Mirror of Russia's Evolution." *The James A. Baker III Institute for Public Policy of Rice University*, 2007.

PricewaterhouseCoopers (PwC). "China Outbound Investment Guideline; Doing Business and Investing in Canada", 2012.

Prime Minister of Canada, 2016. *Joint Statement Between Canada and the People's Republic of China.* Retrieved from: http://www.pm.gc.ca/eng/news/2016/09/23/joint-statement-between-canada-and-peoples-republic-china

Prno, Jason, and D. Scott Slocombe. "Exploring the Origins of 'Social License to Operate' in the Mining Sector: Perspectives from Governance and Sustainability Theories." *Resources Policy* 37, no. 3 (2012): 346-357.

Proedrou, Filippos. "EU Energy Security Beyond Ukraine: Towards Holistic Diversification." *European Foreign Affairs Review* 21, no. 1 (2016): 57-73.

Province of Alberta, 2016. "Mines and Minerals Act" Revised Statues of Alberta 2000.

Puffer, Sheila M., Daniel J. McCarthy, and Max Boisot. "Entrepreneurship in Russia and China: The Impact of Formal Institutional Voids." *Entrepreneurship Theory and Practice* 34, no. 3 (2010): 441-467.

Quer, Diego, Enrique Claver, and Laura Rienda. "Political Risk, Cultural Distance, and Outward Foreign Direct Investment: Empirical Evidence from Large Chinese Firms." *Asia Pacific Journal of Management* 29, no. 4 (2012): 1089-1104.

Ramasamy, Bala, Matthew Yeung, and Sylvie Laforet. "China's Outward Foreign Direct Investment: Location Choice and Firm Ownership." *Journal of World Business* 47, no. 1 (2010): 17-25.

Raphael, Sam, and Doug Stokes. "Globalizing West African Oil: US 'Energy Security' and the Global Economy." *International Affairs* 87, no. 4 (2011): 903-921.

Rathbun, Brian C., "Interviewing and Qualitative Field Methods: Pragmatism and Practicalities" in *The Oxford Handbook of Political Methodology* edited by Box-Steffensmeier, Janet M., Henry E. Brady, and David Collier. Oxford University Press on Demand, pp. 685-702, 2008.

RBK, "TNK-BP sold Udmurtneft to China for $ 3.5 billion", *RBK,* 2006. Retrieved from: https://www.rbc.ru/economics/11/08/2006/5703c3349a7947dde8e0ad0a

Reed, Mark S., Anil Graves, Norman Dandy, Helena Posthumus, Klaus Hubacek, Joe Morris, Christina Prell, Claire H. Quinn, and Lindsay C. Stringer. "Who's in and why? A Typology of Stakeholder Analysis Methods for Natural Resource Management." *Journal of Environmental Management* 90, no. 5 (2009): 1933-1949.

Reuters Staff "UPDATE 1-Russia's Novatek Signs LNG Supply Contract with France's Engie" 2015. Retrieved from: https://af.reuters.com/article/commoditiesNews/idAFL5N0YO36020150602

Reuters Staff, "China Lenders Provide $12 Bln Loan for Russia's Yamal LNG Project-Sources" *Reuters,* 2016a. Retrieved from: https://uk.reuters.com/article/russia-china-yamal/china-lenders-provide-12-bln-loan-for-russias-yamal-lng-project-sources-idUKL2N17V2MI

Reuters Staff "UPDATE 2-Russia's Yamal LNG Gets round Sanctions With $12 Bln Chinese Loan Deal". 2016b. Retrieved from: https://www.reuters.com/article/russia-china-yamal/update-2-russias-yamal-lng-gets-round-sanctions-with-12-bln-chinese-loan-deal-idUSL5N17W2G8

Review of 2009 & Outlook to 2030" *Petroleum Resources Branch Energy Sector.* Accessed: May 15, 2017. Retrieved from: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/pdf/eneene/sources/crubru/revrev/pdf/revrev-09-eng.pdf

Rigzone, "Rosneft and Sinopec to Jointly Control Udmurtneft" *Rigzone, 2006.* Retrieved from: *https://www.rigzone.com/news/oil_gas/a/38309/Rosneft_and_Sinopec_to_Jointly_Control_Udmurtneft*

Robins, Allison, Prince Owusu, Dan Munro, and Len Coad. *A Changing Tide: British Columbia's Emerging LNG Industry.* Ottawa: The Conference Board of Canada, 2016.

Robinson, Neil. *Institutions and Political Change in Russia*. Macmillan Press, 2000.

Robinson, Roger. "Standing on Guard Post-Nexen: Chinese State-Owned Enterprise and Canadian National Security" *Macdonald Laurier Institute Publication,* 2013.

Rochlitz, Michael. "At the Crossroads: Putin's Third Presidential Term and Russia's Institutions." *Political Studies Review* 13, no. 1 (2015): 59-68.

Rosales, Antulio. "Deepening Extractivism And Rentierism: China's Role in Venezuela's Bolivarian Developmental Model." *Canadian Journal of Development Studies/Revue Canadienne d'études du développement* 37, no. 4 (2016): 560-577.

Rosales, Antulio. "Pursuing Foreign Investment for Nationalist Goals: Venezuela's Hybrid Resource Nationalism." *Business and Politics*, 20, no. 3 (2018): 1-27.

Røseth, Tom. "Russia's China policy in the Arctic." *Strategic Analysis* 38, no. 6 (2014): 841-859.

Røseth, Tom. "Russia's Energy Relations with China: Passing the Strategic Threshold?" *Eurasian Geography and Economics* 58, no. 1 (2017): 23-55.

Ross, M. L. "How Does Mineral Wealth Affect the Poor?" UCLA Department of Political Science (2003).

Ross, M. L. *The oil curse: How petroleum wealth shapes the development of nations*. Princeton, NJ: Princeton University Press. 2012.

Rossiter, David A., and Patricia Burke Wood. "Neoliberalism as shape-shifter: The case of Aboriginal title and the Northern Gateway pipeline." *Society & Natural Resources* 29, no. 8 (2016): 900-915.

Rosneft, "Rosneft Strengthens Cooperation with China" *Press Release Rosneft,* 9 January 2017. Retrieved from: https://www.rosneft.com/press/releases/item/185283/

Rosneft. *Annual Report 2005. Rosneft.com,* 2005. Retrieved from: http://www.rosneft.com/attach/0/58/80/report_2005eng.pdf

Rosneft. *Annual Report 2007*. Rosneft.com, 2007. Retrieved from: http://www.rosneft.com/attach/0/58/80/a_report_2007_eng.pdf

Rui, Huaichuan. "Developing Country FDI and Development: The Case of Chinese FDI in the Sudan." *Transnational Corporations* 19, no 3 (2010): 49-80.

Saik'uz First Nation, 2009. Email response to the Canadian Environmental Review Agency "Re: Enbridge Pipeline through Saik'uz Traditional Territory" Retrieved from: http://www.ceaa-acee.gc.ca/050/documents/35272/35272E.pdf

Sachs J.D. Jeffrey D., and Andrew M. Warner. "Natural Resource abundance and Economic Growth." Working Papers, 5398 (1997).

Sachs, Jeffrey D., and Andrew M. Warner. "The curse of natural resources." *European economic review* 45, no. 4 (2001): 827-838.

Sakwa, Richard. "State and Society in Post-Communist Russia" in *Institutions and Political Change in Russia* edited by Robinson, Neil, pp. 193-212, Macmillan Press, 2000.

Salacuse, Jeswald W. and Nicholas P. Sullivan. "Do BITs Really Work: An Evaluation of Bilateral Investment Treaties and Their Grand Bargain." *Harvard International Law Journal,* 46 (2005): 67-103.

Salidjanova, Nargiza. "Going Out: An Overview of China's Outward Foreign Direct Investment." *US-China Economic and Security Review Commission*, 2011.

Sarson, Leah. Semi-structured in-person interview with the author. Regina, June 1, 2017.

Save the Fraser Declaration. 2013. Retrieved from: http://savethefraser.ca/fraser_declaration.pdf

Sauvant, Karl P., and Michael D. Nolan. "China's Outward Foreign Direct Investment and International Investment Law." *Journal of International Economic Law* 18, no. 4 (2015): 893-934.

Sauvant, Karl P., and Michael D. Nolan. "Reactions to China's Cross-Border Investment And International Investment Law." In *Managing Culture and Interspace in Cross-border Investments*, 114-125. Routledge, 2017.

Schwanen, Daniel. "Speed Dating or Serious Courtship? Canada and Foreign State-Owned Enterprises.", *C.D. Howe Institute e-brief 142* (2012). Retrieved from: https://ssrn.com/abstract=2285584

Scissors, Derek. "Chinese Outward Investment: More Opportunity Than Danger", *Backgrounder* (July 12, 2011). Retrieved from: http://dragonreport.com/Dragon_Report/ODI_files/China%20ODI%20more%20opportunities%20than%20danger.pdf

Scissors, Derek. *China Global Investment Tracker*, American Enterprise Institute, 2018. Retrieved from: http://www.aei.org/china-global-investment-tracker/

Scotton, Geoffrey, "Bigger Oilsands Deals Ahead, Chinese Executive Predicts: Sinopec Already in Discussions" *The Calgary Herald*, Apr 15, 2005. Retrieved: May 3, 2017.

Seawright, Jason, and John Gerring. "Case Selection Techniques in Case Study Research a Menu of Qualitative and Quantitative Options." *Political Research Quarterly* 61, no. 2 (2008): 294-308.

Seyoum, Belay. "Formal Institutions and Foreign Direct Investment." *Thunderbird International Business Review* 51, no. 2 (2009): 165-181.

Shanghai Cooperation Organization (SCO), *Information Report following the Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation Member States*, Qingdao, 9-10 June 2018) 2018. Retrieved from: http://eng.sectsco.org/documents/

Shankleman, Jill. *Going global: Chinese Oil and Mining Companies and The Governance of Resource Wealth*. Woodrow Wilson Center: Washington, 2009.

Shapiro, Daniel M., Carlos Vecino, and Jing Li. "Exploring China's State-Led FDI Model: Evidence from the Extractive Sectors in Latin America." *Asia Pacific Journal of Management* 35, no. 1 (2018): 11-37.

Sharushkina, Nelli. "Rosneft Opposes Plans for Early Chinese Spur from Pacific Pipeline." *Oil Daily,* 2007.

Shiryaevskaya, Anna. "Rosneft and Sinopec sign Udmurtneft agreement" *Platts Oilgram Price Report,* 2006.

Shlajev, Denis and Alena Miklashevskaja, "Chinese Need Stimul", *Kommersant* [Денис Шлаев и Алена Миклашевская, "Китайцам нужен «Стимул»" *Коммерсантъ*], 2003 Retrieved from: *https://www.kommersant.ru/doc/437683*

Shrivastava, Meenal "Framing the Debate on Democracy and Governance in an Oil-Exporting Economy" in *Alberta Oil and the Decline of Democracy in Canada*, edited by: Shrivastava, Meenal, and Lorna Stefanick, Athabasca University Press, 2015.

Shrivastava, Meenal, and Lorna Stefanick. *Alberta Oil and the Decline of Democracy in Canada*. Athabasca University Press, 2015.

Siaroff, Alan. "Regime (Comparative Politics)" in *International Encyclopedia of Political Science* edited by Bertrand Badie, Dirk Berg-Schlosser & Leonardo Morlino, SAGE Publications, 2011.

Siaroff, Alan. *Comparting Political Regimes; A Thematic Introduction to Comparative Politics 3rd Edition,* Toronto: University of Toronto Press, 2013.

Sinclair, Scott. "Submission from the Canadian Centre for Policy Alternatives to Global Affairs Canada's consultations on a possible Canada- China Free Trade Agreement"

*Canadian Centre for Policy Alternatives,* 2017. Retrieved from: https://www.cigionline.org/sites/default/files/documents/China%20Canada%20Trade.pdf

Sinopec Canada. *Sinopec Daylight Energy Ltd.; Annual Report 2014,* 2014.

Sinopec Daylight. *2012 Annual Report,* 2012.

Slowey, Gabriel and Lorna Stefanick. "Development at What Cost? First Nations, Ecological Integrity, and Democracy" in *Alberta Oil and the Decline of Democracy in Canada* edited by Shrivastava, Meenal, and Lorna Stefanick Athabasca University Press, 2015.

Smart, Amy. "RCMP Arrest Trans Mountain Pipeline Protesters at B.C. Kinder Morgan Work Site" *The Canadian Press,* March 18, 2018. Retrieved from: https://www.theglobeandmail.com/canada/british-columbia/article-rcmp-arrest-anti-trans-mountain-pipeline-protesters-at-bc-kinder/

Smith, Graeme, and Paul D'Arcy. "Introduction: global Perspectives on Chinese Investment." *Pacific Affairs* 86, no. 2 (2013): 217-232.

Soldatkin, Vladimir, and Olesya Astakhova. 2016. "UPDATE 2-Russia's Yamal LNG Gets Round Sanctions with $12 Billion" *Reuters*, April 29, 2016. Retrieved from: https://www.reuters.com/article/russia-china-yamal/update-1-russias-yamal-lng-signs-12-bln-of-loan-deals-with-chinese-banks-idUSL5N17W2G8.

Solomon, Evan. "Discussion About China's Increased Presence in The Canadian Oil Industry and The Future of Canada's Foreign Policy on Energy." *Toronto: Canadian Broadcasting Corporation.* 2012.

Sovacool, Benjamin K. "The Costs of Failure: A Preliminary Assessment of Major Energy Accidents, 1907–2007." *Energy Policy* 36, no. 5 (2008): 1802-1820.

Spegele, Brian and Wayne Ma. "China Fuels Oil Production; CNOOC Deal for Canada's Nexen is Latest Investment in a Struggling Energy Firm", *Wall Street Journal,* July 2012.

Staalesen, Atle. *"Chinese mega-deals in Yamal LNG" EyeontheArctic.* Retrieved from: *http://www.rcinet.ca/eye-on-the-arctic/2016/05/02/chinese-mega-deals-in-yamal-lng/*

Staff. "Notley says she's against Northern Gateway pipeline, but supports other projects", *The Canadian* Press, May 6, 2015. Retrieved from: https://globalnews.ca/news/1983749/notley-says-shes-against-northern-gateway-pipeline-but-supports-other-projects/

Stammler, Florian and Bruce C. Forbes. "Oil and Gas Development in Western Siberia and Timan-Pechora" *Indigenous Affairs*, 2, no. 3 (2006): 48-57.

Stammler, Florian and Vladislav Peskov. “Building a ‘Culture of Dialogue’ Among Stakeholders in North-West Russian Oil Extraction” *Europe-Asia Studies*, 60, no. 5, (2008): 831-849. DOI:10.1080/09668130802085182

Stammler, Florian, and Emma Wilson. "Dialogue for Development: An Exploration of Relations Between Oil and Gas Companies, Communities, and The State." *Sibirica* 5, no. 2 (2006): 1-43.

Stantec Consulting Ltd. *Project Description; LNG Canada Project*, 2013a.

Stantec Consulting Ltd. *Summary of the Project Description; LNG Canada Project*, 2013b.

Statistics Canada. “Canadian International Merchandise Trade Database”, 2017. Retrieved from: http://www5.statcan.gc.ca/cimt-cicm/section-section?lang=eng&dataTransformation=0&refYr=2015&refMonth=8&freq=12&countryId=553&usaState=0&provId=1&retrieve=Retrieve

Statistics Canada. No date. *Table 376-0051 International Investment Position, Canadian Direct Investment Abroad and Foreign Direct Investment in Canada, by Country Annual (Dollars X 1,000,000)* Last updated April 24, 2017, Retrieved from: http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3760051

Stefanick, Lorna. “Alberta’s Energy Paradigm: Prosperity, Security, and the Environment” in *Alberta Oil and the Decline of Democracy in Canada,* edited by Shrivastava, Meenal, and Lorna Stefanick. Athabasca University Press, 2015.

Stephenson, Amanda. “Nexen Layoffs to Stick” *National Post's Financial Post & FP Investing*, March 18, 2015.

Stern, Jonathan. "The Russian-Ukrainian gas crisis of January 2006." *Oxford Institute for Energy Studies* 16 (2006): 5-12.

Stevens, Paul, and Evelyn Dietsche. "Resource Curse: An Analysis of Causes, Experiences and Possible Ways Forward." *Energy Policy* 36, no. 1 (2008): 56-65.

Stikeman Elliot, *British Columbia's oil and gas activities act,* December 17, 2010. Retrieved from: https://www.stikeman.com/en-ca/kh/canadian-energy-law/british-columbia-oil-and-gas-activities-act

Stikeman Elliott. “Investment Canada Act: SOE Guidelines and CNOOC/Nexen Foreign Investment by SOEs: Green Light/Red Light”, 2012.

Stobbe, David. “BHP withdraws Potash bid”, *The Globe and Mail.* November 14, 2010. Retrieved from: https://www.theglobeandmail.com/globe-investor/bhp-withdraws-potash-bid/article565929/

Stone, Laura. “Winners and Losers in Enbridge Northern Gateway Pipeline Approval” *Global News,* June 17, 2014. Retrieved from: http://globalnews.ca/news/1399709/winners-and-losers-in-enbridge-northern-gateway-pipeline-approval/

Stueck, Wendy. 2012. "Some First Nations Want Equity in Northern Gateway, but Opposition Remains". *The Globe and Mail*. Retrieved from: http://www.theglobeandmail.com/news/british-columbia/some-first-nations-want-equity-in-northern-gateway-but-opposition-remains/article4234232/.

Sundstrom, Lisa, and Laura A. Henry, “Introduction” in *Russian Civil Society: A Critical Assessment* edited by Sundstrom, Lisa McIntosh, and Laura A. Henry , Routledge (2016).

Supreme Court [2004] 3 SCR 511 Retrieved from: https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2189/index.do

Supreme Court [2004] 3 SCR 550. Retrieved from: https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2190/index.do

Sustainalytics. “CNOOC Ltd. & Nexen Inc.” *Sustainalytics Corporate Action Alert*, 2012.

Svyatets, Ekaterina. *Energy Security and Cooperation in Eurasia: Power, Profits and Politics.* Routledge, 2015.

Swanström, Niklas. “China and Central Asia: A New Great Game or Traditional Vassal Relations?” *Journal of Contemporary China* 14, no. 45 (2005): 569-84.

Swanström, Niklas. “Transformation of the Sino-Russian relationship: from Cold War to the Putin era” in *Eurasia's Ascent in Energy and Geopolitics: Rivalry or Partnership for China, Russia and Central Asia?* edited by Bedeski, Robert E., Niklas Swanström, New York: Routledge, pp 1-16, 2012.

Taku River Tlingit First Nation v. British Columbia Supreme Court [2004] 3 SCR 550.

Tao, Wang. *Supplying LNG to China: Does Canada have what it takes?* Asia Pacific Foundation of Canada, 2014. Retrieved from: https://www.asiapacific.ca/sites/default/files/filefield/china_lng_spread.pdf

Tarasov, Alexei. “‘There are no restrictions for our Chinese friends’ The Celestial Empire continues to strengthen its presence in the Asian part of Russia”, *New Newspaper,* [«Для наших китайских друзей ограничений нет» Поднебесная продолжает усиливать присутствие в азиатской части России, *Novaya Gazeta]* 04, Sept. 2014. Retrieved from: https://www.novayagazeta.ru/articles/2014/09/05/61014-171-dlya-nashih-kitayskih-druzey-ogranicheniy-net-187

Taylor, Brian D. *State Building in Putin’s Russia: Policing and Coercion after Communism*. Cambridge University Press, 2011.

Teksoz, Utku, and Katerina Kalcheva. "Institutional Differences Across Resource-Based Economies." No. 2016/63. *WIDER Working Paper*, 2016.

Terry, John A., Valerie Helbronner, and T. Ryan Lax, "The Supreme Court of Canada's History Aboriginal Title Case" in Torys LLP *Canadian Oil & Gas 2015 Outlook*, 2015.

The Asia Pacific Foundation Canada, *National Opinion Poll 2016; Canadian Views on Asia,* 2016. Retrieved from: https://www.asiapacific.ca/sites/default/files/filefield/apf_canada_2016_nop_final.pdf

The Asia Pacific Foundation Canada. *Toward a Canada-China FTA*, 2017. Retrieved from: https://www.asiapacific.ca/sites/default/files/filefield/canada-china_fta_report_final_1.pdf

The Asia Pacific Foundation Canada. *Investment Monitor,* 2017b. Retrieved from: http://investmentmonitor.ca/data-visualizer#visulizer-filters

The Canadian Chamber of Commerce (*Le Chambre de Commerce du Canada),* "Canada-China; Building a Strong Economic Partnership" July 2010.

The Canadian Constitutional Act, *Constitution Act*, 1867. Retrieved from: http://laws-lois.justice.gc.ca/eng/Const/page-1.html

The Canadian Press, 2017. "Canada welcomes Chinese investment in oilsands, minister tells Beijing conference", *The Canadian Press*. Jun 08, 2017 Retrieved from: http://www.cbc.ca/news/canada/calgary/china-investment-oilsands-jim-carr-1.4152520

The Committee on the Elimination of Racial Discrimination, "Parallel Information: Discrimination against Indigenous Minority Peoples of the North, Siberia, and the Far East of the Russian Federation" CERD 93rd Session (31 July to 15 August 2017); 23rd to 24th periodic reports of the Russian Federation, CERD/C/RUS/23-24, 2017. Retrieved from: http://tbinternet.ohchr.org/Treaties/CERD/Shared%20Documents/RUS/INT_CERD_NGO_RUS_28209_E.pdf

The Conference Board of Canada. "Fuel for Thought: The Economic Benefits of Oil Sands Investment for Canada's Regions" *Economic Performance and Trends,* 2012b.

The Constitution of the Russian Federation, 1993. Retrieved from: http://www.constitution.ru/en/10003000-01.htm

The Economist Intelligence Unit. *Russia Economy: Oil Sector Faces Uncertain Future*. New York: The Economist Intelligence Unit, 2015.

The Economist. “Canucks, meet CNOOC; A Chinese oil firm in Canada”, *The Economist*, p 56, July 28, 2012.

The Ethical Funds Company. “Unconventional Risks; An Investor Response to Canada’s Oil Sands”. *Sustainability Perspectives*, 2008.

The Globe and Mail. “’Long-term interest’ key to CNOOC-Nexen deal: PM”, *The Globe and Mail*. August 24, 2012.

The Government of Russia, *The Strategy for the Development of the Arctic Zone of the Russian Federation and National Security Efforts for the period up to 2020,* 2013. Retrieved from: *http://government.ru/info/18360/*

The National Energy Board. *Connections; Report of the Joint Review Panel for the Enbridge Northern Gateway Project*, 2013.

The Pembina Institute. *Oil Sands Fever: The Environmental Implications of Canada’s Oil Sands Rush*, 2005.

The Provincial Court of Alberta. “Statement of Agreed Facts” *The Provincial Court of Alberta; Criminal Division,* November 6, 2014.

The Provincial Court of Alberta. “Statement of Agreed Facts” *The Provincial Court of Alberta; Criminal Division,* November 6, 2014.

The Russian Government. *Government Commission on Monitoring Foreign Investment.* 2018. Retrieved from: http://government.ru/en/department/8/events/

The Russian Federation, Federal Law, N57-FZ “Law on the Procedure of Foreign Investment in Business Entities Having Strategic Importance for the Defence of the Country and the Security of the State”, “The Strategic Law” [Российская Федерация; Федеральный Закон; “О Порядке Осуществления Иностранных Инвестиций в Хозяйственные Общества, Имеющие Стратегическое Значение для Обеспечения Обороны Страны и Безопасности Государствап”, 57-ФЗ], April, 29 2008. Retrieved from: http://www.consultant.ru/document/cons_doc_LAW_76660/

The Russian Federation, Federal Law, No. 106-FZ 1999, “On Subsoil Areas, The Right to Use of Which May be Provided on a Production Sharing Basis (Luginetsky, Fedorovsk And Other Oil And Gas Condensate Fields)”, [Российская Федерация; Федеральный Закон; “Об Участках Недр, Право Пользования Которыми Может Быть Предоставлено На Условиях Раздела Продукции (Лугинецком, Федоровском и Других Нефтегазоконденсатных Месторождениях)”, 1999. Retrieved from: http://pravo.gov.ru/proxy/ips/?docbody=&firstDoc=1&lastDoc=1&nd=102059949

The State Council of the People's Republic of China, *Strategic Action Plan for Energy Development (2014 – 2020),* 2014. Retrieved from: http://www.gov.cn/zhengce/content/2014-11/19/content_9222.htm

The State Council of the People's Republic of China, *Full text: Action Plan on the Belt and Road Initiative,* 2015. Retrieved from: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

The State Council of the People's Republic of China, *Russia, China Sign Deal to Build Gas Pipelines*, March 22, 2006. Retrieved from: http://www.gov.cn/misc/2006-03/22/content_233086.htm

The Subsoil Law of the Russian Federation 1992. [Закон РоссийскойФедерации от 21 февраля 1992 г. N 2395-I "О недрах"]. Retrieved from: http://www.consultant.ru/document/cons_doc_LAW_343/

The World Bank. *The World Bank in China.* 2018 Retrieved from: http://www.worldbank.org/en/country/china/overview

Thomas, Shaun. "Aurora LNG Signs Exclusivity Deal for Grassy Point Development", *The NorthernView*, 2013. Retrieved from: http://www.thenorthernview.com/news/aurora-lng-signs-exclusivity-deal-for-grassy-point-development/

Timetric. 2016. "Nexen/INPEX/JGC – Aurora LNG Terminal – British Columbia; Construction Project Profile"

Tippee, Bob. "Russia to Increase Exports to China in Strategic Shift." *Oil & Gas Journal*, June 03, 2013.

Tomaselli, Alexandra, and Anna Koch. "Implementation of Indigenous Rights in Russia: Shortcomings and Recent Developments." *The International Indigenous Policy Journal* 5, no. 4 (2014): 1-21. DOI: 10.18584/iipj.2014.5.4.3.

Torys LLP "Canadian Oil & Gas 2015 Outlook" (2015).

Trickett, Nicholas. "The Reality of the Sino-Russian Oil Alliance" *The Diplomat.* April 26, 2017. Retrieved from: https://thediplomat.com/2017/04/the-reality-of-the-sino-russian-oil-alliance/

Trumpener, Betsy. "Tanker Ban for B.C.'S North Coast Could Impact Northern Gateway Pipeline". *CBC News*, 2015. Retrieved from: http://www.cbc.ca/news/canada/british-columbia/crude-oil-tanker-traffic-moratorium-bc-north-coast-1.3318086

Tsilhqot'in Nation v. British Columbia, [2014] 2 SCR 257, Supreme Court, 2014. Retrieved from: https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/14246/index.do

Tsygankov, Andrei P. *The Strong State in Russia: Development and Crisis*. Oxford University Press, 2014.

Udmurt Truth. "Decade of success of Udmurtneft", *Udmurtneft Truth* (Десятилетие успехов «Удмуртнефти», *Удмуртская правда*) 2016. Retrieved from: http://udmpravda.ru/articles/desyatiletie-uspehov-udmurtnefti

Udmurtneft, "Extraction" ("Производство"), 2011. Retrieved from: http://www.udmurtneft.ru/proizvodstvo.html

Udmurtneft, *Udmurtian Oilman (Удмуртский нефтяник),* 2(1541), 2008. Retrieved from: *http://www.udmurtneft.ru/files/newspaper_nu/nu_2_2008.pdf*

Ujanajev, Sergei V. (Уянаев, Сергей Владимирович.) "Russian-Chinese Energy Cooperation: Signs of a New (level)" China in the world and regional politics, *History and Modernity* ("Российскокитайскоеэнергетическое сотрудничество: признаки нового «уровня»." Китай в мировой и региональной политике. *История и современность).* 18, no. 18, 2013.

United Nations Conference on Trade and Development. "General Profile: Canada", 2017. Retrieved from: http://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/124/index.html

United Nations Conference on Trade and Development. "World Investment Report 2017; Investment and Digital Economy" 2017. Retrieved from: https://unctad.org/en/PublicationsLibrary/wir2017_en.pdf

UN Comtrade Database, *Get Data,* 2018. Retrieved from: https://comtrade.un.org/data/

United Nations Development Programme. 2016. "Human Development Index." Accessed: May 15, 2017. Retrieved from: http://hdr.undp.org/en/countries/profiles/CAN

Urdinez, Francisco, Gilmar Masiero, and Mario Ogasavara. "China's Quest for Energy through FDI: New Empirical Evidence." *Journal of Chinese Economic and Business Studies* 12, no. 4 (2014): 293-314.

US Official News. 2015. "CNOOC Nexen Announced as Presenting Sponsor of the 2015 WCSG" February 16, 2015.

Van Der Hoeven, Maria. 2013. "Strategizing for Energy Policy: China's Drive to Reduce Dependence." *Harvard International Review* 35, 1 (2003).

Van Harten, Gus. *Sold Down the Yangtze: Canada's Lopsided Investment Deal with China*. Toronto: James Lorimer & Company, 2015.

VanderKlippe, Nathan. “China Takes New Step in Oil Sands” *The Globe and Mail* Oct. 29, 2012.

Vanderklippe, Nathan. 2012. “China's Bold Step Stirs the Oil Sands; The Deal Cnooc's $15.1-Billion Bid is Likely to Spark More Acquisition Moves as Cash-Rich Asian Companies Look for Energy Opportunities” *The Globe and Mail*. July 24, 2012.

Vanderklippe, Nathan. 2013. “CNOOC Takes Hit from Nexen Deal; State-Owned Energy Giant has 'Concerns' Over Return on Investment, Largely Due to No-Layoff Promises Made to Ottawa”. *The Globe and Mail*. December 4, 2013.

Vatansever, Adnan “Russia’s Oil Exports; Economic Rationale Versus Strategic Gains” *Carnegie Papers,* 2010.

Viallon, Mélodie, “New Gas Plant Threatens Indigenous Livelihoods in Russia’s Far North” *Institute for Security & Development Policy,* 2018. Retrieved from: http://isdp.eu/new-gas-plant-threatens-indigenous-livelihoods-in-russias-far-north/

Victor, David G. "National Oil Companies and the Future of the Oil Industry." *Annual Review of Resource Economics* 5, no. 1 (2013): 445-462.

Victor, David G., David R. Hults, and Mark C. Thurber, eds. *Oil and governance: State-Owned Enterprises and the World Energy Supply*. Cambridge University Press, 2011.

Victor, Nadejda Makarova, and Inna Sayfer. “Gazprom: The Struggle for Power.” In *Oil and Governance: State-Owned Enterprises and the World Energy Supply,* by David G. Victor, David R. Hults, and Mark C. Thurber. Cambridge: Cambridge University Press, pp. 655–700, 2012.

Vinogradova, Olga. “Aboriginals and Oil” *Oilandgas Vertikal (#04/2012)*

Vivoda, Vlado. 2009. “Diversification of Oil Import Sources and Energy Security: A Key Strategy or an Elusive Objective?” *Energy Policy* 37, no. 11 (2009): 4615-4623.

Wang, Chengqi, Junjie Hong, Mario Kafouros, and Agyenim Boaten "What Drives Outward FDI of Chinese Firms? Testing the Explanatory Power of Three Theoretical Frameworks." *International Business Review* 21, no. 3 (2012): 425-438.

Wang, Jia. (Deputy Director of the China Institute at the University of Alberta) Semi-structured phone interview with the author. Alberta, 21 September 2017.

Wang, Jisi. "China's Search for a Grand Strategy: A Rising Great Power Finds its Way." *Foreign Affairs* (2011): 68-79.

Wang, Chengqi, Junjie Hong, Mario Kafouros, and Agyenim Boaten "What Drives Outward FDI of Chinese Firms? Testing the Explanatory Power of Three Theoretical Frameworks." *International Business Review* 21, no. 3 (2012): 425-438.

Wang, Mei Lisa, Zhen Qi, and Jijing Zhang. "13. China Becomes a Capital Exporter." *China's Domestic Transformation* (2015): 315.

Wanvik, Tarje I. "Governance Transformed into Corporate Social Responsibility (CSR): New Governance Innovations in the Canadian Oil Sands" *The Extractive Industries and Society* 3 (2016): 517-526.

Watkins, Eric. "Russia, China Leaders Agree on ESPO Oil Pipeline Spur." *Oil & Gas Journal*, 3, November, 2008a

Watkins, Eric. "Questions Loom Over ESPO Line." *Oil & Gas Journal*, April 21, 2008b.

Wei, Lim Tai. *Oil in China: From Self-Reliance to Internationalization*. *Contemporary China,* Vol. 18, World Scientific, 2009. https://doi.org/10.1142/7315

Weidacher Hsiung, Christopher. "China and Arctic Energy: Drivers and Limitations." *The Polar Journal* 6, no. 2 (2016): 243-258.

Weitz, Richard. "The Russia-China Gas Deal: Implications and Ramifications." *World Affairs* 177, no. 3 (2014): 80-86.

Welch, Lawrence S., and Reijo Luostarinen. "Internationalization: Evolution of a Concept." *Journal of General Management* 14, no. 2 (1988): 34-55.

West Coast Environmental Law, 2009. *The Enbridge Northern Gateway Pipeline: Do British Columbians Stand to Gain?* Retrieved from: *http://wcel.org/sites/default/files/publications/The%20Enbridge%20Northern%20Gateway%20Pipeline%20-%20Do%20British%20Columbians%20Stand%20to%20Gain.pdf*

West Coast Environmental Law, 2012. *The Enbridge Northern Gateway Oil Supertanker and Pipeline Project: So much that's precious . . . too much to risk.* Retrieved from: http://wcel.org/sites/default/files/publications/West%20Coast%20Enbridge%20Northern%20Gateway%20Oil%20Supertanker%20and%20Pipeline%20Project%20Brochure.pdf

West Coast Environmental Law, *The Enbridge Northern Gateway Pipeline: Do British Columbians Stand to Gain?* 2009. Retrieved from: http://www.wcel.org/sites/default/files/publications/The%20Enbridge%20Northern%20Gateway%20Pipeline%20-%20Do%20British%20Columbians%20Stand%20to%20Gain.pdf

Wheeler, Carolynne. "In China, Growing Frustration Over 'Outdated' Oil Sands" *The Globe and Mail.* November 7, 2012.

Wheeler, Carolynne. “Alberta Backs Foreign Oil Deals; In Beijing, Alison Redford Touts Benefits of International Investment in Oil Patch as Ottawa Considers CNOOC's Bid for Nexen” *The Globe and Mail.* September 14, 2013.

White Paper, “China’s Energy Policy 2012” *Information Office of the State Council, The People’s Republic of China.* Oct. 2012.

White Paper, “China’s Peaceful Development” *Information Office of the State Council, The People’s Republic of China.* Sept. 2011.

White Paper, “China’s Policy on Mineral Resources” *Information Office of the State Council, The People’s Republic of China.* Dec. 2003.

Wilburn, Kathleen M., and Ralph Wilburn. "Achieving Social License to Operate Using Stakeholder Theory." *Journal of International Business Ethics,* 4, no. 2 (2011): 3-16.

Williamson, Claudia R. "Informal Institutions Rule: Institutional Arrangements and Economic Performance." *Public Choice* 139, no. 3-4 (2009): 371-387.

Wilson, Jeffrey D. "Resource Nationalism or Resource Liberalism? Explaining Australia's Approach to Chinese Investment in its Minerals Sector." *Australian Journal of International Affairs* 65, no. 3 (2011): 283-304.

Wilson, L.R, N. Murray Edwards, P. Thomas Jenkins, Isabelle Hudon, and Brian Levitt. “Compete to Win Final Report – June 2008.” *Government of Canada*

Wilson, Ross. “Re: LNG Canada Export Terminal Environmental Assessment Certificate Decision” *Metlakatla Stewardship Office*, email communication, 2015a.

Wilson, Wayne. "To Survive, Putin Is Mortgaging Russia's Energy Assets to China." *Forbes Magazine*, 13 Feb. 2015b. Retrieved from: http://www.forbes.com/sites/energysource/2015/02/13/to-survive-putin-is-mortgaging-russias-energy-assets-to-china/

Wingrove, Josh, and Jane Taber. "B.C. Vows to Block Pipeline Unless Alberta Ponies Up". *The Globe and Mail*. 2012. Retrieved from: http://www.theglobeandmail.com/news/politics/bc-vows-to-block-pipeline-unless-alberta-ponies-up/article4437308/ 4 May 2017.

Wolfe, Wojtek M., and Brock F. Tessman. "China's Global Equity Oil Investments: Economic and Geopolitical Influences." *Journal of Strategic Studies* 35, no. 2 (2012): 175-196.

Wong, Loong. "The ‘Liability of Foreignness’: Chinese Investment in Australia." *Transnational Corporations Review* 4, no. 4 (2012): 46-75.

Woo, Yuen Pau, and Kenny Zhang. "China Goes Global: The Implications of Chinese Outward Direct Investment for Canada." *Horizons* 2, no. 9 (2006): 34-39.

Woo, Yuen Pau. "Chinese Lessons: State-Owned Enterprises and The Regulation of Foreign Investment in Canada." *China Economic Journal* 7, no. 1 (2014): 21-38.

Woo, Yuen Pau. (Canadian Senator) Semi-structured phone interview with the author. Ontario, 6 April, 2017.

Woo, Wing Thye, and Ligang Song. *China's Dilemma: Economic Growth, The Environment and Climate Change.* ANU Press, 2008.

Wood, Elisabeth Jean. "Field Research" in *The Oxford Handbook of Comparative Politics* edited by Boix, Carles, and Susan Carol Stokes, New York: Oxford University Press, 123-147, 2007.

Wood, James "Redford 'disappointed; with setup of Gateway pipeline hearing" *Calgary Herald.* March 4, 2012.

World Bank, 2016. "China Overview". *Worldbank.Org*. Retrieved from: http://www.worldbank.org/en/country/china/overview.

World Bank. 2016. "Gross Domestic Product 2016" Accessed: May 15, 2017. Retrieved from: http://databank.worldbank.org/data/download/GDP.pdf

World Wildlife Fund. "Russia Agrees to Re-route World's Longest Oil Pipeline Sparing the Last Remaining Habitat of the Endangered Amur Leopard" *Press Releases*, 2007. Retrieved from: https://www.worldwildlife.org/press-releases/russia-agrees-to-re-route-world-s-longest-oil-pipeline-sparing-the-last-remaining-habitat-of-the-endangered-amur-leopard

Wright, Joseph. "Do Authoritarian Institutions Constrain How Legislatures Affect Economic Growth and Investment." *American Journal of Political Science* 52, no. (2008): 322-43.

Wu, Hsiu-Ling, and Chien-Hsun Chen. "An Assessment of Outward Foreign Direct Investment from China's Transitional Economy." *Europe-Asia Studies* 53, no. 8 (2001): 1235-54.

Wu, Kang. "China′ s energy security: Oil and gas." *Energy Policy* 73 (2014): 4-11.

Xinhua. "News Analysis: Chinese Investors Told To Hold Horses As Canadian Oil Patch Loses Ground - China.Org.Cn". *China.org.cn*, 2013.

Xinhua. "Economic Watch: China SOE reform set to accelerate" *China.org.cn*, 26, October, 2017. Retrieved from: http://www.xinhuanet.com/english/2017-10/26/c_136707498.htm

Xu, Xiaojie. "Chinese Responses to Good Energy Governance." *Global Governance* 17, no. 2 (2011):161-165.

Yakovlev, Andrei, Anton Sobolev, and Anton Kazun. “Means of Production versus Means of Coercion: Can Russian Business Limit the Violence of a Predatory State?” *Post-Soviet Affairs* 30, no. 3 (2014): 171-94.

Yakovleva, Natalia. "Land, oil and indigenous people in the Russian North: a case study of the oil pipeline and Evenki in Aldan." In Gilberthorpe, Emma, and Gavin Hilson, eds. *Natural Resource Extraction and Indigenous Livelihoods: Development Challenges in an Era of Globalization*, pp. 147-174. Ashgate Publishing UK, 2014

Yakovleva, Natalia. "Oil pipeline construction in Eastern Siberia: Implications for indigenous people." *Geoforum* 42, no. 6 (2011): 708-719.

Yamal LNG, *Intergovernmental Agreement Regarding Cooperation on the Yamal LNG Project Enacted,* 6 March 2014. Retrieved from: www.novatek.ru/.../2014_03_06_INTERGOVERNMENTAL_AGREEMENT_eng[1]

Yamal LNG, *Yamal LNG and Gas Natural Fenosa Sign Long-Term LNG Supply Contract*, 2013. Retrieved from: www.novatek.ru/common/upload/doc/Fenosa_Eng.pdf

Yamal LNG. 2015. “Social Responsibility.” Yamal LNG. 2015. Retrieved from: http://yamallng.ru/en/progress/social-responsibility-new/.

Yang, Jiao-Hui, Wei Wang, Kai-Li Wang, and Chung-Ying Yeh. "Capital Intensity, Natural Resources, and Institutional Risk Preferences in Chinese Outward Foreign Direct Investment." *International Review of Economics & Finance* 55 (2018): 259-272.

Yao, Lixia, and Youngho Chang. “Energy Security in China: A Quantitative Analysis and Policy Implications.” *Energy Policy,* 67 (2014): 595-604.

Yao, Shujie, and Pan Wang. *China's Outward Foreign Direct Investments and Impact on the World Economy.* New York: Houndmills: Palgrave Macmillan, 2014.

Yedlin, Deborah, 2013b. “CNOOC Pledges will be Tested” *The Calgary Herald*, March 2, 2013.

Yergin, Daniel. "Ensuring energy security." *Foreign Affairs* (2006): 69-82.

Yilmaz, Serafettin, and Olga Daksueva. "The Energy Nexus in China–Russia Strategic Partnership." *International Relations of the Asia-Pacific* (2017): 1-26. doi: 10.1093/irap/lcx003

Yin, Robert K. *Case study research: Design and methods*. 3th ed. Vol. 5. Los Angeles: Sage, 2003.

Yinka Dene Alliance, 2012. “Open letter to the Chinese people from the Yinka Dene Alliance of First Nations in British Columbia, Canada” Retrieved from:

http://yinkadene.ca/images/uploads/Yinka-Dene-Alliance-Open-Letter-to-Chinese-People.pdf

Yinka Dene Alliance. 2013, “Fist Nations Gain Powerful New Allies in Fight Against Enbridge Northern Gateway Pipeline and Tankers”. Retrieved from: https://savethefraser.ca/STF-Release-2013-12-05.pdf

Yinka Dene Alliance. 2014, “How Would the Canada--China FIPA Affect. Enbridge's Northern Gateway?” Retrieved from: https://www.greenparty.ca/sites/default/files/attachments/fipa_enbridge_affect_best_copy_w_hfn_logo.pdf

Yiping Huang Bijun Wang. "Chinese Outward Direct Investment: Is there a China Model." *中国与世界经济：英文版* 19, no. 4 (2011): 1-21.

York, Geoffrey. “Demand China's unquenchable thirst; Stunning rise in car ownership is key to China's emergence as the world's fastest-growing oil market” *The Globe and Mail*, May 21, 2015.

Yu, Zheng, and Chris Smith. *Chinese Multinational Corporations in Europe: Racing to the Bottom?* ANU Press, 2018.

Yuri Levada Analytical Center. *Perception of Other Countries*, 2016. Retrieved from: https://www.levada.ru/en/2016/04/05/13033/

Zachary, R. Mider and Andrew Mayeda. “Chinese group’s bid to buy Nexen built on lessons of history; CNOOC Ltd. Seeks to Avoid Missteps that Doomed BHP Billiton” *Bloomberg; Ottawa Citizen* July, 2012.

Zadek, S., Chen, X., Li, Z., Jia, T., Yu, K., Forstater, M., et al. *Responsible Business in Africa: Chinese Business Leaders’ Perspectives on Performance and Enhancement Opportunities.* Cambridge: John F. Kennedy School of Government, Harvard University, 2009.

Zafar, Ali. "The Growing Relationship between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links." *The World Bank Research Observer* 22, no. 1 (2007): 103-130.

Zhang, Jin. *Catch-up and Competitiveness In China: The Case of Large Firms in the Oil Industry*. Vol. 8. Routledge, 2004.

Zhang, Xiaoxi, and Kevin Daly. "The Determinants of China's Outward Foreign Direct Investment." *Emerging Markets Review* 12, no. 4 (2011): 389-98.

Zhang, Xuefeng, and Melebayev Serdar. "Analysis of Oil and Gas Cooperation between China and Russia in the Belt and Road." In *SHS Web of Conferences*, vol. 39, p. 01034. EDP Sciences, 2017.

Zhao, G. Bin 2013. "CNOOC will Face Serious Challenges Managing Nexen; G. Bin Zhao says Decisions must further the Oil Giant's Globalisation" *South China Morning Post*, February 20, 2013.

Zhou, Yang and Gamal Attalah, 2017. "Performance of Cross-Border Acquisitions: Evidence from Canadian Firms Acquired by Emerging Market Firms" *Working Paper #1710E*

Zhu, Zhiqun. "Going Global 2.0: China's Growing Investment in the West and Its Impact." *Asian Perspective* 42, no. 2 (2018): 159-182.

Ziegler, Charles E. "The Energy Factor in China's Foreign Policy." *Journal of Chinese Political Science* 11, no. 1 (2006): 1-23.

Zolotukhin, Anatoly. (Professor of Engineering, Gubkin University of Russia) Semi-structured interview with the author, October 2016.

Zouhaier, Hadhek. "Institutions, Investment and Economic Growth." *International Journal of Economics and Finance* 4, no. 2 (2012): 152.

Zweig, David, and Yufan Hao, eds. *Sino-US Energy Triangles: Resource Diplomacy Under Hegemony*. Routledge, 2015.

Zweig, David. "Modelling Resource Diplomacy Under Hegemony" in *Sino-US Energy Triangles; Resource Diplomacy Under Hegemony* edited by David Zweig and Yufan Hao, Routledge, 2015.

Zysk, Katarzyna. "Asian interests in the Arctic: risks and gains for Russia." *Asia Policy* 18, no. 1 (2014): 30-38.

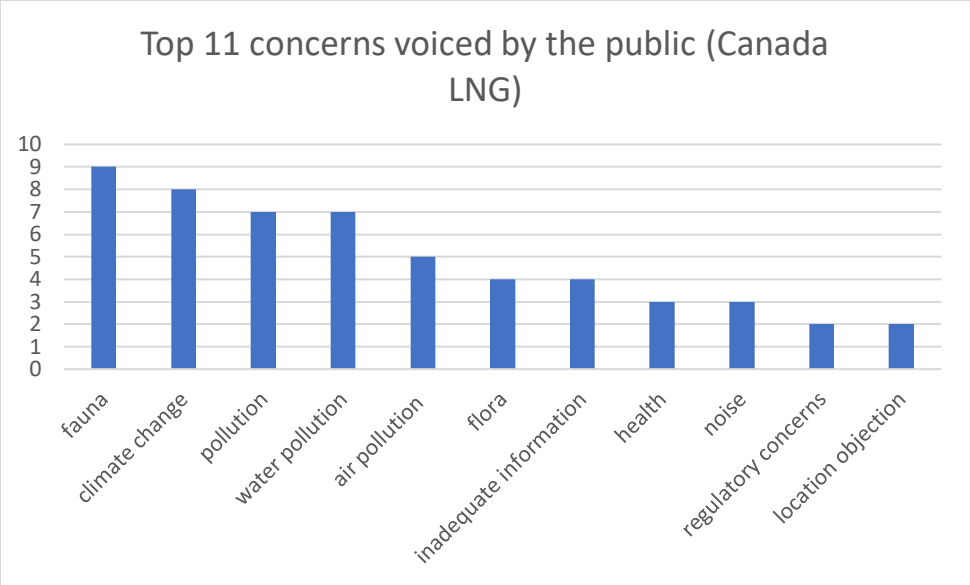
Kravchuk, Aaleksej Andrejevich (Кравчук, Алексей Андреевич). "Russian National Interests and Major Economic Projects in the Arctic in the context of its 'Pivot to the East' Policy" "Национальные интересы и крупные экономические проекты России в Арктике в к онтексе её политики «поворота на Восток».") *Regional Studies (Регионоведческие исследования*) 4, no. 39 (2016).

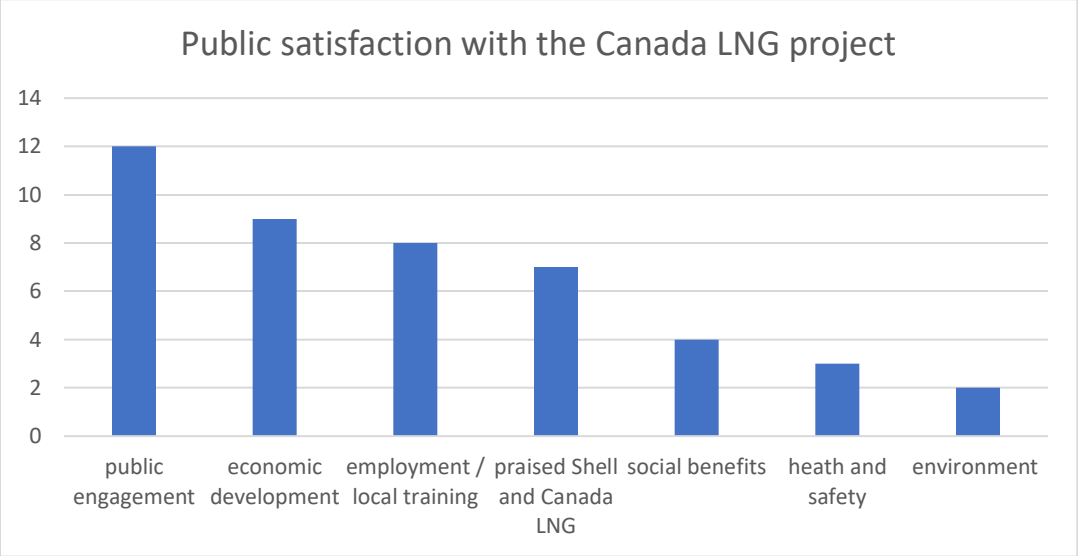
Pale, Sofia Evgenjevna (Пале, Софья Евгеньевна). "Russia's Relations with the East Asian Economic Community after the 2008 Global Financial Crisis" ("Отношения России со странами вас после глобального финансового кризиса 2008 г"), *South-West Asia: Regional Problems of Development* (*Юго-Восточная Азия: Общегегиональные Проблемы Развития)* 2013.

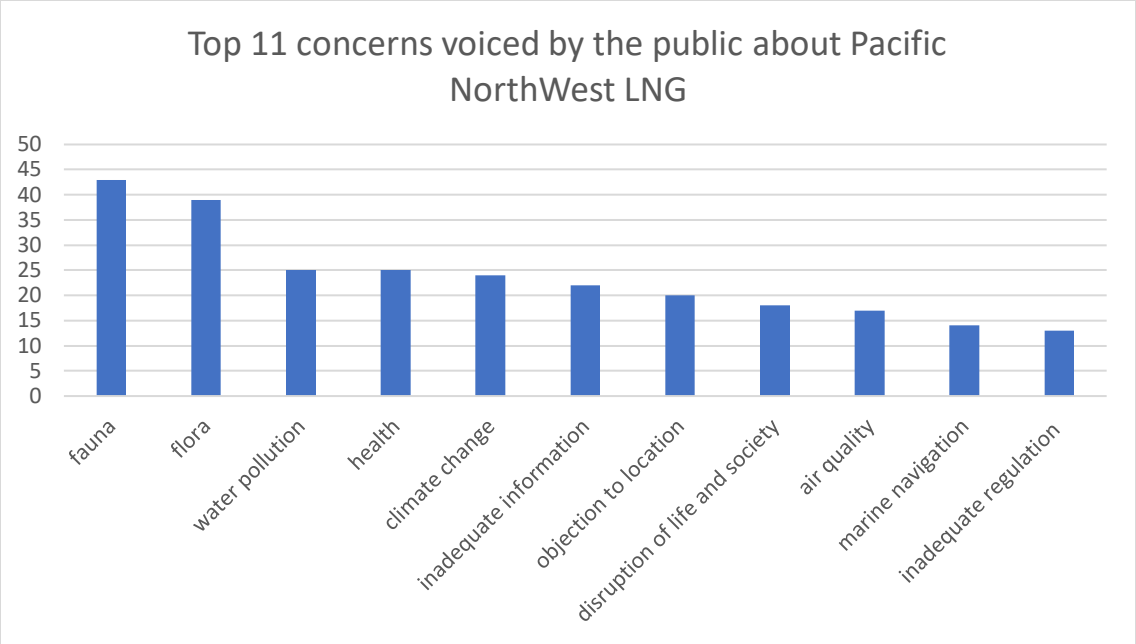
# Appendix:

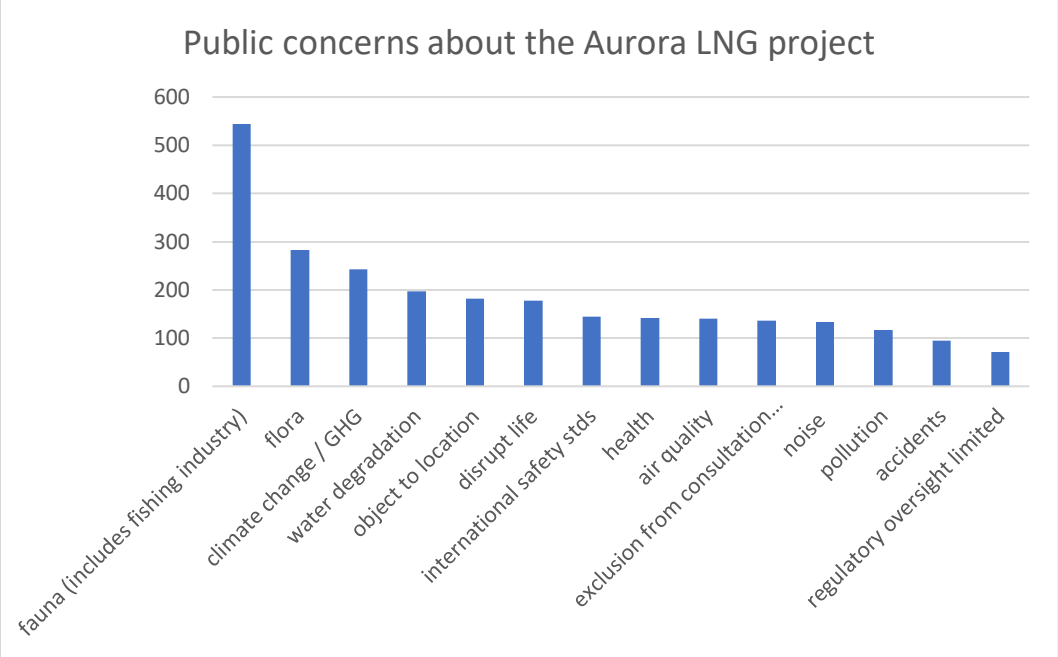
**Appendix A:**

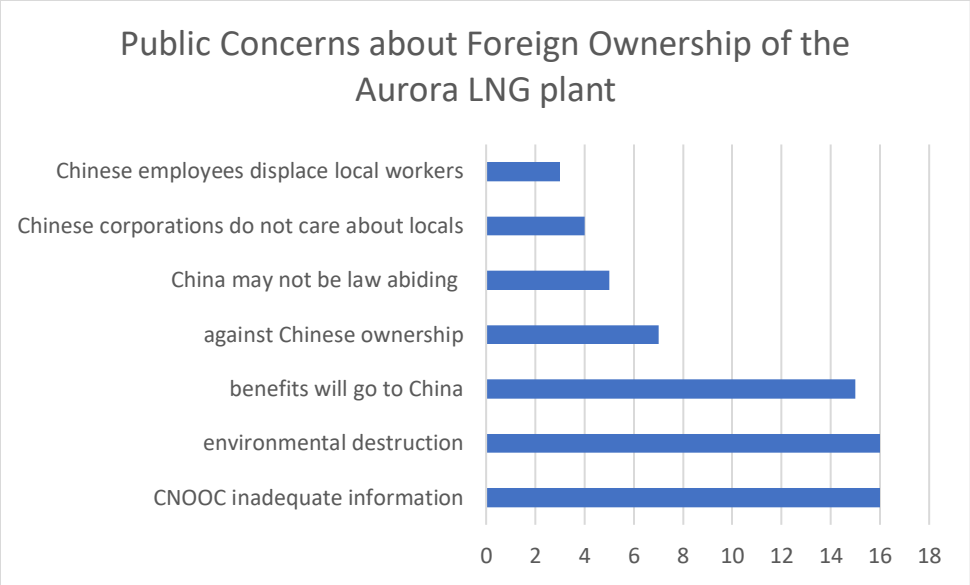
BCEAO's individual submissions/responses regarding the LNG projects:


Top 11 concerns voiced by the public (Canada LNG)
10
9
8
7
6
5
4
3
2
1
0
fauna
climate change
pollution
water pollution
air pollution
flora
inadequate information
health
noise
regulatory concerns
location objection


Public satisfaction with the Canada LNG project
14
12
10
8
6
4
2
0
public engagement
economic development
employment / local training
praised Shell and Canada LNG
social benefits
heath and safety
environment


Top 11 concerns voiced by the public about Pacific NorthWest LNG
50
45
40
35
30
25
20
15
10
5
0
fauna
flora
water pollution
health
climate change
inadequate information
objection to location
disruption of life and society
air quality
marine navigation
inadequate regulation


Public concerns about the Aurora LNG project
600
500
400
300
200
100
0
fauna (includes fishing industry)
flora
climate change / GHG
water degradation
object to location
disrupt life
international safety stds
health
air quality
exclusion from consultation...
noise
pollution
accidents
regulatory oversight limited




## Appendix B: MNC investment strategies and Institutional Uncertainty:

Based on the work of Phillips, Tracey, and Karra (2009).

| | | Host Country Institutional Uncertainty | |
|---|---|---|---|
| | | Low | High |
| **Host Country Institutional Difference** | High | **Adapt** (moderate risk, complexity, effort) | **Avoid** (high risk, complexity, effort) |
| | Low | **Transfer** (low risk, complexity, effort) | **Hedge** (moderate risk, complexity effort) |

## Appendix C: Sample Interview Questions

I will use the following sets of questions to guide semi-structured interviews with the selected participants. (please note that the questions were slightly modified depending on the circumstances)

A) <u>Questions to be distributed to Scholars:</u>

1) Are you familiar with the term resource curse? Does [Russia/Canada] suffer from the resource curse (i.e. Are [Russian/Canadian] natural resources associated with slower economic development, conflict, democratic deficit, or corruption)? If yes, are there any domestic institutional or political approaches implemented to alleviate the resource curse?

B) Questions to be distributed to Scholars and Policymakers:

1) Do [Russian/Canadian] political and economic institutions have mechanisms to stimulate sustainable socioeconomic development (or to address resource curse in general)? In which way do you think [Russian/Canadian] institutions must be improved to promote sustainable economic development? How do [Russian/Canadian] institutions affect the nature of Chinese investment and trade?

2) How important is Chinese engagement for the stability of [Russian/Canadian] hydrocarbon sector today as compared to historical perspective? Is Chinese engagement displacing or complementing other international financial and trade flows? Does Chinese funding increase [Russian/Canadian] bargaining power?

3) Are there any parallels between boom (i.e. rising prices) and bust (i.e. fall in prices) cycles that occurred in 1970s-1990s and the current boom-bust cycle that started in 2000s and busted in late-2014? Was there an institutional or political change in [Russia/Canada] after the hydrocarbon prices collapsed or before they begun to rise (ex. countercyclical policy)? Have you noticed a change in the investment and trade strategy of Chinese government and corporations in the hydrocarbon sector from the boom to bust period?

4) Are Chinese corporations responsive to the demands of civil society or are their decisions predominantly shaped by the demand of the local (Russian/Canadian) elites?

C) Questions to be distributed to Policymakers and Businesses:

1) Do international actors demand to change [Russian/Canadian] domestic institutions responsible for management of the hydrocarbon sector or the economy in general? Has Chinese entry into the [Russian/Canadian] hydrocarbon sector led to any regulatory changes? Alternatively, has it encouraged formation of new institutions or changed the nature of the existing institutions? If yes, what was the effect of those changes on the hydrocarbon industry and socioeconomic development? Are Chinese government or corporations intervening in [Russian/Canadian] domestic policy related to the hydrocarbon sector?

2) Do you have investment from China? How are [Chinese-Russian/Chinese-Canadian] joint business partnerships performing? What is your experience of working with the Chinese corporations?

D) Questions to be distributed to Scholars, Policymakers, and Businesses

1) When did Chinese corporations enter [Russian/Canadian] hydrocarbon sector? Did these corporations or the Chinese government know about the problems associated with the extraction of the hydrocarbons (ex. environmental degradation, corruption, unsustainable economic development model) in [Russia/Canada]?

2) Does the origin and structure of the foreign corporations matter when deciding on the terms/conditions of the hydrocarbon extraction contracts/deals? Do Chinese hydrocarbon corporations operate differently than IOCs or other SOEs?[62]

3) How would you evaluate Chinese engagement in the hydrocarbon sector (benefits or positive / setbacks or negative)? What do Chinese hydrocarbon corporations bring to [Russia/Canada]? More specifically, does Chinese engagement contribute to socioeconomic development?[63]

4) Do you think that Chinese corporations are exploiting [Russian/Canadian] hydrocarbon reserves (core-periphery logic) or is China treating [Russia/Canada] as equal partners? Potentially, does Russia/Canada exercise upper hand over China. Is [Russian/Canadian] hydrocarbon sector dependent on Chinese investment in the hydrocarbon sector or trade with China?

5) Is Chinese lending/trading countercyclical or does it follow other financial flows? In other words, does Chinese finance leave once the market is performing poorly and when hydrocarbon prices are low or does it remain and exploits more favourable investment climate and terms of trade?

6) Is Chinese official foreign direct investment (OFDI) different from other investment flows? What motivates Chinese OFDI (ex. technology/innovation or resources; political or economic motives)? Does Chinese OFDI face technological constraints? How commercially viable are the hydrocarbon projects where China invests?

[62] Prompt Qs: Are Chinese corporations following domestic standards or international standards (ex. good governance)? Are corporate-state ties between Chinese corporations and Chinese state affect Chinese engagement in [Russia/Canada]? Are Chinese Corporate Social Responsibility (CSR) practices complimentary to [Russian/Canadian] of foreign corporate CSR practices?

[63] Prompt Qs: Is Chinese investment in the hydrocarbon sector accompanied by an inflow of Chinese migrant labour or does this investment contribute primarily to local employment? Does Chinese investment promote infrastructure? How does Chinese engagement affect local environment? Are Chinese offering better contractual deals (ex. cheaper rates) than their competitors? Does China promote local economic diversification? Do you believe that Chinese engagement will lock your country into an extractive path?