Shanghai Cooperation Organisation

Primary Issue: The Question of the cooperation in Energy Security
Chair Foreword

Welcome to the Shanghai Cooperation Organisation (SCO)! The Dais comprises three members: Tessa Ho, Arya Arun, and Su Huangyi.

*Tessa Ho*
Tessa is a Year 1 student in the Diploma for Law and Management at Temasek Polytechnic. UNASMUN 2017 would mark her seventh MUN experience since 2015. What truly keeps her coming back to UNASMUN is the holistic environment both for chairs and delegates, veteran and beginner alike, in terms of the training provided as well as the carefully curated topics. Unlike most other MUNs, the focus of UNASMUN is truly that of training and she hopes that you too will stand to gain from that. To her, MUN challenges each and every one of us to identify that narrow balance between diplomacy and protecting one’s interests and calls upon us all to tread on that balance to the best of our abilities. It is thus her sincere hope that you will be able to acquire these skills among others through your 4 days here with us and moving on, in your other MUNs as well should you decide to continue. This, she hopes, will be more so your focus than simply gunning for awards at the SCO. As such, it is also her honest wish for all of you to take this opportunity to also make friends with like minded individuals as the MUN circuit, more than ever, is also a community and she believes it would serve you well to remember that even during the discourse of debate.

*Arya Arun*
Arya is a Year 5 student in the International Baccalaureate Programme at ACS (Independent) and UNASMUN 2017 would mark his tenth MUN experience. To him, UNASMUN holds a special place in his heart as it is where he started off as a delegate back in 2015 and now, where he is coming full circle by returning to serve as a Student Officer this year. What keeps him and he believes, most others, returning to UNASMUN is the emphasis placed on training and facilitating which he feels is valuable to all and the one thing that UNASMUN never fails to accomplish. In the same way that he has benefited from his time as a delegate at UNASMUN, he too aspires to help you make the most out of your time here with us and genuinely hope that you will gain some insights from your short time with us. The challenge of treading a balance between the pursuit of personal interest and the pursuit of general good is never an easy one to navigate, but it is his firm belief that each and every one of you will be able to do so to the best of your ability by the end of UNASMUN 2017. Finally, it will be his honour to be your chair at SCO and we look forward to seeing you there.

*Su Huangyi*
Huangyi is a Year 5 student in Dunman High School, and UNASMUN 2017 would mark his twelfth MUN experience. What keeps him coming back for UNASMUN is the valuable learning experience for both
beginner and veteran delegates. In the same way he has benefitted from this experience, it would be an honour for him to make your experience in the SCO impactful too. In essence, MUN is about the pursuit of knowledge in the arena of geopolitics and diplomacy, and he sincerely hopes that these honourable goals will be your priorities in SCO, and not the awards to be won. The world today needs youth leaders more than ever before, to bring fresh insights into international safeguarding of peace and collaboration, and being a delegate in the SCO would be an amazing springboard for such learning, given the tender age of the SCO as a regional organisation.

With that in mind, the Dais expects the best performance from all of you.

The Shanghai Cooperation Organisation

The Shanghai Cooperation Organisation (SCO) is a political, economic, and military Eurasian organisation created on 15 June 2001 in Shanghai (China) by Kazakhstan, the People’s Republic of China, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan. Initially set up to as an organisation to encourage the demilitarization of borders, the agenda of the SCO has since expanded to cover a greater scope of military action, counterterrorism, sharing of intelligence as well as focusing on regional economic initiatives. Its members now also include India and Pakistan, who were granted membership in June 2017.

I. Introduction

With the world’s largest producers and consumers of energy within the organisation, energy cooperation has become one of SCO’s most pressing goals. The territories of SCO member states hold about half of global gas reserves, a quarter of global oil reserves and approximately half of global uranium reserves¹, coupled with an expansive network of infrastructure set up to facilitate the transportation of energy. Capitalising on such amounts of energy resources through energy cooperation would bring about immense economic benefits such as: stabilising energy prices by matching supply and demand in the regional market and advancing economic development; strengthening energy security by promoting sustainable energy consumption and coordinating joint energy development initiatives.

II. Background Information

The increased focus on energy security cooperation within the SCO first began with Russian President Putin’s proposal of an Energy Club back in the 2006 Shanghai Summit. In the following year, the 6 original member states agreed to progress towards a “unified energy market” in the 2007 Bishkek Summit², committing themselves to connect energy resources from producer nations to consumer nations and promote regional economic development by signing the “Long
Term Agreement on Neighbourly Relations”. Since then, there have been significant achievements in multilateral and bilateral energy development agreements to achieve greater energy security, especially in terms of joint ventures in energy exploitation and energy infrastructure development.

The Xi-An initiative in 2011 reinforced the commitment to the creation of an Energy Club to expand multilateral energy security strategies. In this summit, more concrete frameworks were proposed, such as designing the Club as a multilateral energy discussion platform for governmental organisations, research institutes and businesses. Subsequent intergovernmental meetings to deliberate on the specifics of the Club eventually culminated in the memorandum on the creation of the Energy Club in Moscow on 6 December 2013, though it was only signed by 10 SCO states. To date, the exact configuration of the Energy Club has not been clearly established, due to ambivalence within member states regarding the nature of its authority. The absence of a coordinating body to promote cooperation in energy security and development will become a jarring issue in the progress of the SCO, amidst the exponentially rising number of energy initiatives in the region.

In 2013, China unveiled the groundbreaking Belt and Road Initiative (BRI), a development strategy focusing on regional connectivity and infrastructure development for advancing economic development primarily in Eurasia. One of the aims of China’s ambitious energy initiative is to promote regional energy security by mitigating the risks present in the energy resource transportation through insecure and unstable channels, in light of the rising political instability posed by militants in the region. Under this grand strategy, China set up the Asian Infrastructure Investment Bank, a multilateral bank that has an authorised capital of $100 billion, that provides development loans to member nations. Additionally, China also established the Silk Road Fund, a state-owned investment fund to foster increased investment in countries along the One Belt One Road. The Silk Road Fund first channeled US$1.65 billion worth of investment into Pakistan’s Karot Hydropower Project and other hydropower projects in the region. Multilateral energy infrastructure development also reached a new milestone with the construction of the 2015 Turkmenistan - Afghanistan - Pakistan - India (TAPI) Pipeline Project (Refer to Figure 1), after resolving disagreements over the transit fee structures that stalled developments for 5 years.
However, such bilateral or multilateral cooperation in energy security still face political, economic and security obstructions. A prominent case in point would be the China-Pakistan Economic Corridor (CPEC) (Refer to Figure 1), a collection of infrastructure projects for transportation networks and energy projects as part of the bilateral agreement between both states and a sub-project under the BRI. While it must be noted that such bilateral cooperation will have positive externalities in the regional energy market as regional connectivity will increase market transactions and strengthen energy security with neighbouring countries (especially landlocked countries like Afghanistan), this economic corridor has faced objections by India due to sovereignty concerns: The CPEC passes through Kashmir, the region heavily disputed between two belligerent parties, India and Pakistan. These sovereignty concerns were once again highlighted by Indian Prime Minister Modi in the G20 Summit this year, holding India and China to be “sensitive” to each other’s strategic interests.

Elsewhere, in Central Asia, Uzbekistan has been fiercely opposing Kyrgyzstan’s and Tajikistan’s Roghun hydroelectric stations project on regional rivers for years due to economic concerns that her agricultural industry would be impaired, while the Kyrgyzstan and Tajikistan remain unwilling to compromise due to pressing energy security concerns. Again, we see the increasing need for a coordinating body to mediate multilateral conflict on such energy security matters. At a more macro-level perspective on the energy initiatives in the region, security concerns have come to the forefront in SCO energy security discussions. Since 2009, national leaders like Hu Jintao have taken the initiative to institutionalise the commitment to protecting energy infrastructures as part of the security cooperation goals of SCO in the accords from the meeting of Interior Ministers of the same year.

Yet poorer countries within the SCO, especially Afghanistan, face energy insecurity as a result of their energy infrastructure getting compromised by both cyber and physical attacks by terrorist
organisations. These countries lack the technology and the capacity for such reinforcement of infrastructural security.

Most recently, SCO nations have also supported broader usage of renewable energy sources in the progress towards sustainable energy security. To this end, the nations have included such intentions in the 2017 “Astana Declaration of the Heads of State of the SCO” and reinforced the importance of their participation in the International Specialised Exhibition EXPO 2017 held in Astana with the theme of “Energy of the Future”\(^\text{11}\).

III. Definitions

*Energy Security:* Energy security is defined by the International Energy Agency as “the uninterrupted physical availability at a price which is affordable, while respecting environment concerns”\(^\text{12}\). Additionally, short-term energy security refers to the ability of the energy system to react promptly to sudden changes in supply and demand, and long-term energy security refers to timely investments to supply energy in line with economic developments and environmental needs.

*Energy Infrastructure:* Energy infrastructure refers to technology and equipment that enables the transportation and development of energy resources, including such as but not limited to railways, pipelines, power lines, refineries, power plants. It must be noted that such infrastructure could be built within a state’s borders or across borders.

*Energy Club:* The Energy Club refers to a proposed multilateral discussion platform under the SCO that serves to coordinate energy development initiatives and manage supply and demand of energy resources. Its overarching aim is to coordinate sustainable consumption of energy, promote economic development and strengthen regional energy security. This is a crucial point of discussion in this topic given its significance in the SCO’s energy strategy in sustainably utilising energy resources in the region, as supported by most nations within the SCO.

*Belt and Road Initiative (BRI):* BRI refers to China’s infrastructural development strategy to strengthen connectivity and collaboration amongst Eurasian states. It comprises of the *Maritime Silk Road* and the *Silk Road Economic Belt*. Under this initiative, monetary institutions such as the Silk Road Fund and the Asian Infrastructure Investment Bank have been established to finance such infrastructural development. This initiative, also closely related to energy development strategies in the region, has garnered the support of many Eurasian states within the SCO as well.

IV. Scope of Debate

*Configuration of the Energy Club*
The ultimate goal of the Energy Club is to better match supply and demand for energy resources for sustainable consumption of energy, coordinate the multitude of energy initiatives and ensuring sustainable energy security even in times of disputes as expounded earlier.

As aforementioned, the clear stipulations for the functionings of the Energy Club have not been established. Member states like China prefer it to remain as a multilateral platform that reduces competition and leaves decision making in bilateral agreements for the sake of preserving sovereignty. Other member states like Russia are pushing for an Energy Club that would be a supranational institution with its own authority in coordinating energy policies of member states and replacing bilateral and multilateral agreements. Such disagreements have thus delayed the establishment of a functional Energy Club, leaving sceptics to term the Energy Club as “abortive”.

With the booming number of energy initiatives due to China’s introduction of the BRI, there is an increasing need for a multilateral body to coordinate energy infrastructure development and find areas of cooperation between member states to further strengthen energy security amidst conflict. This is particularly pertinent in the SCO, considering the case study of energy disputes in September 2009, in which Uzbekistan habitually used shared infrastructure as a bargaining chip in the Roghun Dam dispute, cutting off energy supplies by pulling out of the Central Asian United Energy System, taking advantage of the energy interdependence of the Central Asian nations. As the SCO states continue to push towards a “unified energy space”, the full establishment of the Energy Club is quintessential for the harmonisation of national energy policies, formation of a common tax base or unification of transportation tariffs, and coordination of energy activities to avoid excessive competition.

Divergent Interests and Geopolitical Conflicts within Member States

At the heart of the stagnation of cooperation in energy security lies divergent interests and geopolitical conflicts amongst the SCO member states. The conflict in interests between the two largest powers in the organisation, China and Russia, is also the biggest reason why the establishment of the Energy Club has been delayed for close to a decade. In fact, when it comes to the concept of energy security, both states have vastly differing perceptions: China views energy security as a stable supply of energy resources to satisfy its industrial demands and sustain its economic growth, whereas Russia views energy security as the control over energy supply and prices through a “cartel-like” Energy Club due to its past experience in the 2015 oil price collapse.
Furthermore, regional geopolitical rivalry over Central Asia and the Caspian region has become increasingly prominent over the years, with the uninterrupted increase in hydrocarbon resource production in the region. Coupled with the fact that the region is largely landlocked and dependent on transnational transportation infrastructural development and regional energy trade, the abundance of hydrocarbon resources has become a source of geopolitical rivalry amongst neighbouring states. For example, Russia views Central Asia as part of its traditional sphere of influence since the Soviet-era and seeks to assert dominance in the region. At the same time, the rise of China’s influence as a huge alternative consumer in Central Asian markets, compounded by the economic allure of China’s BRI, has threatened Russia’s foreign energy policy interests.

In addition, geopolitical conflicts have impeded efforts in regional energy cooperation. This was clearly exemplified in the development of the Iran-Pakistan-India (IPI) and TAPI gas pipeline projects. Bilateral disagreements between India and Pakistan over the stability of Balochistan (the southwestern province of Pakistan that IRI passes through) complicated the tripartite cooperation: Heightened separatist movements in Balochistan such as the Ghaus Baksh Marri threatened to compromise the security of such pipelines, leaving India’s energy security vulnerable to the potential inaction of Pakistan.

Similarly, the case study of India-China-Pakistan energy relations exemplifies the significance of geopolitical tensions as a complicating factor. Although all three rapidly developing economies stand to benefit from strengthened energy cooperation, India strongly objected to the aforementioned CPEC due to sovereignty concerns over the strategic region of Kashmir. This arose from India’s perception that both Pakistan and China could have a political leverage over India through the increased economic presence in the heavily disputed Kashmir region. As such, delegates must venture for solutions that can overcome such geopolitical roadblocks which impede cooperation in regional energy security.

Security Challenges of Energy Infrastructure
In the process of pursuing energy transportation connectivity, it must be noted that energy infrastructure has to be adequately insured against both physical and cybersecurity threats. When transnational energy lines are disrupted, the economic ramifications are bound to affect all connected states. This is especially pertinent for states who are extremely dependent on imported energy resources for a semblance of energy security.
In January 2016, the Taliban attacked a major power line in Northern Afghanistan, cutting off electricity transmission from Uzbekistan to Kabul\(^1\). Repair works could only begin when Afghan military forces could disarm all mines left behind by the Taliban and secure the perimeter. Such security threats to Afghanistan’s vital energy infrastructures are one of the biggest reasons why Afghanistan faces chronic energy shortage and energy insecurity.

In Pakistan, local workers involved in the construction of CPEC energy infrastructure projects are vulnerable to roadside bombs planted by Balochistan extremists, with at least 44 men killed since 2014. This has proved to be disruptive to construction works and compromised Chinese economic interests in the region, prompting Pakistan to create an army division numbering around 10,000 troops to protect these workers\(^2\). These case studies exemplify how rising terrorism and extremism in the region threatens energy infrastructures, and reveal the vulnerabilities of existing security stratagems. At the same time, they highlight how bilateral or multilateral approaches have to be undertaken promptly to strengthen security protocols of energy infrastructures to safeguard energy security, especially for nations who face chronic energy shortages.

**V. Proposed Solutions**

**Fully Establishing the Energy Club**

To promote cooperation in energy security, the first thing that the council should work towards is the full establishment of the Energy Club. One of the largest disagreements delaying the functioning of the much needed multilateral energy coordinating body revolves around the nature of its authority: whether it stays as a multilateral discussion platform with no sovereign powers or becomes a supranational authority that alters national energy policies. Therefore it is imperative that delegates consider how countries could possibly come to a compromise on the exact powers of the Energy Club and the extent to which it intervenes with domestic policies, the latter of which would be a thorny issue for China. A dichotomous approach (between a strictly consultative body and a body with supranational authority) to this matter would most probably result in no substantial progress given that the same approach has not succeeded in budging either side to give in for the past decade.

**Improving Security Protocols in Energy Infrastructures**

There are two parts to strengthening security of energy infrastructures: boosting existing security measures to prevent disruption and formulating contingency plans to immediately resolve disruptions.

Delegates should deliberate on the specifics of a multilateral approach towards
increasing security of vital infrastructures. Delegates could consider tapping on the SCO’s Regional Anti Terrorist Structure (RATS) for coordination of security measures. Under the SCO Charter, RATS is a key institution under the SCO that coordinates information sharing and analysis amongst SCO member states under the RATS databank, and assists member states in the formulation of counter-terrorism strategies and responses. Beyond such multilateral cooperation, delegates could consider the role played by member states at a domestic level in ensuring relevant safety standards, and the extent of support that could be provided at a bilateral or regional level.

Additionally, delegates can also consider how wealthier nations could aid poorer nations in establishing domestic backup energy reserves. Alternatively, delegates could consider the role that the SCO, as a regional coordination body, should play in a multilateral approach towards collective energy security, bridging both nations with strong energy security and nations facing energy insecurity.

VI. Further Questions

1. It is expected that more states in the SCO will accede to become member states in the future. How will the proposed solutions take into account the possible further conflicts of geopolitical interests?

2. Given that Article 16 of the SCO Charter allows an unwilling member state to be excluded from the multilateral project, how can this be regulated to maintain the multilateral nature of the SCO?

3. Is it possible for the SCO to engage in multilateral energy security cooperation with third party nations outside of the SCO, especially if they possess huge economic potential? If so, how will it interact with existing stipulations within the SCO Charter?

4. How can the proposed SCO Energy Club potentially intervene in energy disputes?

5. Beyond non-renewable energy sources of energy like natural gas and crude oil, how can the Energy Club foster greater focus on the development of renewable sources of energy amongst the SCO states when most states do not possess the economic capabilities to invest in such technology?

6. Given that energy security is largely driven by the interests of member states, who happen to be rich in energy resources, how can
non-member states of the SCO play a larger role in this issue?

7. In response to energy price shocks arising from sudden changes in the global energy market, how will the proposed energy club sustainably minimise disruption in the regional SCO market?

VII. Conclusions

While the world today is experiencing a fall in support for regionalism, the SCO must stand stronger and commit themselves to the principles of cooperation as enshrined in the SCO Charter. The issue of energy security is one that cannot be resolved without regional or international cooperation, yet with the intertwining geopolitical interests of the SCO member states that sometimes bring them to confrontation, delegates must tread carefully to maintain mutual respect for sovereignty and uphold the “Shanghai Spirit”.

Bibliography


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Further Readings

   [https://wiiw.ac.at/kroos-transport-energy-environmental-cooperation-dlp-4102.pdf](https://wiiw.ac.at/kroos-transport-energy-environmental-cooperation-dlp-4102.pdf)