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In early September 2025, Russia and China deepened their energy partnership with a series of agreements and binding memorandums poised to shift the balance of power in Asia's hydrocarbon markets. These deals, spanning oil, natural gas pipelines, and liquefied natural gas (LNG) aim to boost Russian exports to China and strengthen bilateral energy ties. For the Gulf Cooperation Council (GCC) countries, which consider Asia (especially China) as a prime market for their oil and gas, this emerging Russia–China energy axis could alter longstanding trade patterns and intensify competition. The question for policymakers in Gulf capitals is how to navigate this new landscape while safeguarding their strategic interests.

Moscow and Beijing's New Energy Pacts Upend the Status Quo

The agreements between Moscow and Beijing are ambitious. On the sidelines of a late summer Shanghai Cooperation Organization summit in Beijing, Gazprom and CNPC signed a memorandum of understanding to advance the "Power of Siberia-2" (PoS-2) pipeline, a project with a potential capacity of up to 50 billion cubic meters (bcm) per year. This pipeline, slated for after 2030, would carry Russian gas from Yamal to China via Mongolia, dramatically expanding pipeline capacity. In the meantime, the two sides agreed to maximize flows through existing pipelines: the current Power of Siberia-1 line to China will ramp up from 38 to 44 bcm annually, and a smaller "Far Eastern" route will go from 10 to 12 bcm. Even before PoS-2 comes online, these upgrades significantly increase Russian gas deliveries to China.

Energy cooperation between China and Russia is extending to LNG as well. Russia plans to funnel more LNG to China, especially from its new Arctic LNG-2 project. In fact, despite Western sanctions, the first tanker carrying Arctic LNG-2 gas reached China in late August 2025, and several more cargoes arrived by the end of September. China has essentially

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become the only major buyer of the sanctioned Russian LNG, helping keep the project afloat. Russian officials tout "serious joint progress" with China on expanding LNG supply, which would supplement pipeline gas flows. Oil is part of the picture, too: Moscow and Beijing struck a modest deal to send an additional 50,000 barrels per day of Russian crude to China through Kazakhstan. Though small in volume, this oil agreement carries symbolic weight, a signal of Russia's determination to strengthen its position in the Chinese oil market.

Cumulatively, these pacts signal a tectonic shift in Asia's energy geopolitics. If fully implemented, they will make China an even larger consumer of Russian hydrocarbons at the expense of other suppliers. Russian oil and gas offer key advantages for Beijing: they come at steep discounts (a side effect of Russia's sanctions-induced "toxicity"), they travel shorter shipping distances to Chinese ports, and – in some respects – they face less supply risks than Middle Eastern shipments vulnerable to geopolitical flare-ups. In the Chinese calculus, geopolitics often trumps pure economics. Beijing's strategic alignment with Moscow means it sees Russian energy as a tool to hedge against potential Middle East supply disruptions and to reduce reliance on U.S.-aligned exporters. Indeed, China's interest in the PoS-2 gas pipeline reportedly grew after the recent conflicts in the Middle East raised concern about Gulf supply reliability. Likewise, amid sharpening U.S.–China rivalry, China is keen to diversify away from suppliers closely tied to Washington, even cutting direct U.S. oil and gas imports, and instead secure more energy from Russia. This convergence of interests has cemented a Moscow–Beijing energy partnership that is reshaping Asia's import mix.

Implications for Gulf Oil Exporters

For the oil-exporting states of the GCC, Russia's pivot to Asia has already introduced a formidable new competitor in China. Since 2022, as Western sanctions over Ukraine pushed Moscow to redirect oil eastward, Chinese and Indian refiners have eagerly snapped up Russian crude at bargain prices, often preferring it over Gulf barrels. The impact on Gulf producers' market share has been stark. By 2023, Russia leapfrogged Saudi Arabia to become China's single largest crude supplier. Russian oil accounted for roughly 19% of China's imports that year, whereas

Saudi Arabia's share slipped to around 15%. In practical terms, China imported over 107 million tons of Russian crude in 2023 – far more than it bought from any Middle Eastern supplier. This trend shows no sign of abating in the short term. Gulf national oil companies, and Saudi Aramco in particular, are being forced into a defensive posture to protect their Chinese market foothold. Already in late 2023, Saudi Arabia had to cut its official selling prices for Asia to remain competitive after losing its top-supplier status to Russia. Other Gulf exporters may have to consider similar price concessions or redirect volumes to alternative markets if Russia continues to aggressively grow its Chinese presence.

Over the next few years, Gulf oil export growth to China could stagnate or underperform expectations, constrained by Russia's expanded share. However, the long-term outlook is more nuanced. By the late 2030s, China's oil demand is projected to plateau as economic growth moderates and transport electrification accelerates. Beijing is also likely to enforce stricter environmental standards on imports, which could disadvantage heavier or higher-carbon crudes. In such a scenario, Russia's ability to hold onto its gains in China is uncertain. Moscow's upstream sector faces headwinds under prolonged sanctions, ranging from technology access to investment constraints, which could cap its production and export capacity in the coming years. In contrast, the Gulf states are investing heavily to expand and modernize their oil production. Saudi Arabia, the UAE, and others aim to maximize output while keeping costs low and emissions per barrel in check, bolstering their appeal in a carbon-conscious future. Thus, while Russia's discounted oil is undercutting Gulf competitors now, the GCC producers may prove more resilient in the long run, with greater capacity to adapt to China's evolving needs and sustainability demands.

Gas Market Shifts and Qatar's Position

A similar recalibration is underway in natural gas, where Qatar, the world's largest LNG exporter and the GCC's gas powerhouse, finds itself watching Russia's moves closely. China is the planet's biggest gas importer, with a roughly even split between LNG and pipeline imports. In 2024, for instance, China imported about 79 million tons of LNG (107 bcm) and another 71 bcm via pipelines. The new Russia-China agreements could tilt this balance by sharply increasing pipeline gas at LNG's expense. As Russian pipeline deliveries to China ramp up, Beijing's need to import LNG may grow more slowly than expected, or even shrink. Industry forecasts already reflect this shift. The International Energy Agency projected that China's LNG imports in 2025 might even decline slightly year-on-year, owing to rising domestic gas output and inbound pipeline volumes. Indeed, analysts now predict China's LNG imports could drop by 6–11% in 2025, an almost unprecedented downturn for a growing economy. Chinese buyers are increasingly turning to cheaper domestic and piped gas instead of LNG spot cargos. For Qatar and other Middle Eastern LNG suppliers, these trends portend tougher competition ahead.

Qatar does enjoy a relatively strong position in China's gas mix, thanks to savvy long-term planning. In late 2022, QatarEnergy signed a landmark 27-year agreement with China's Sinopec to supply 4 million tons of LNG annually, the longest LNG supply deal to date. By 2023, similar multi-decade contracts were inked with PetroChina (CNPC), effectively locking in Chinese buyers for Qatari gas well into the 2050s. These deals, tied to Qatar's massive North Field expansion, demonstrate Doha's strategy to secure its market share through mid-century. In the near term, such contracts ensure Qatari LNG volumes to China remain stable or even edge up modestly despite increased Russian competition. However, the flexibility to place additional LNG cargoes in China will be limited. As the decade closes, cheap Russian pipeline gas will likely put a ceiling on Chinese LNG prices and absorb much of any incremental demand. Notably, Russia sells piped gas to China at a reported 30% or more discount compared to what it charged Europe, giving it ample room to undercut LNG suppliers on price.

If the Power of Siberia-2 pipeline comes online around 2030, Russia's total gas export capacity to China could exceed 100 bcm per year, an enormous volume, roughly one-fifth of China's anticipated gas demand by 2030. In such a scenario, pipeline imports (from Russia and Central Asia) would eclipse LNG in China's import portfolio. LNG could be relegated to a balancing role, utilized mainly when pipeline supply falters or during peak demand. This is a direct challenge to Qatar, which is on track to nearly double its LNG production in the coming years and had earmarked Asia as a key growth market. An influx of affordable Russian gas means Chinese buyers will demand ever more competitive terms from LNG sellers. Qatar may be pressed to offer deeper discounts, accept payments in yuan, invest in Chinese import infrastructure, or otherwise sweeten deals to retain Chinese clients. Failing that, Qatar might be forced to divert large volumes of new LNG to other countries if China becomes saturated with Russian gas. In essence, Russia's gains in the Chinese gas market could constrain Gulf gas ambitions, requiring strategic recalibration from Doha.

Gulf States' Strategic Response

Despite mounting competition, GCC leaders are not pressing the panic button. The Russia–China energy courtship has not soured relations between Moscow and the Gulf monarchies, nor has it thrown Gulf strategists into disarray. On the contrary, the Gulf states remain confident in their ability to adapt. Several factors underpin this calm, strategic poise:

1. Long-Term Contracts and Integration: Gulf producers have leveraged long-term supply contracts and downstream investments to bind Asian markets to themselves. By securing decades-long oil and gas deals (as seen in Qatar's LNG agreements) and investing in refining and storage infrastructure in China and other Asian countries, the GCC states ensure captive demand for their exports. Saudi Arabia, for example, has taken equity stakes in Chinese refineries and petrochemical complexes, effectively making Saudi oil a "domestic" feedstock for China's industries. These moves guarantee market share even if spot competition intensifies. At the same time, diversifying sales geography is a priority; the Gulf exporters are seeking growth in markets like Europe, where Russian volumes have fallen away, to avoid over-reliance on China. They are even adapting to new trading preferences; notably, Riyadh has signaled openness to pricing oil sales in Chinese yuan, aligning with Beijing's currency aspirations;
2. Global Market Offsets: The Gulf states view the struggle for China's market as one front in a broader global energy game. Losses in Asia can be mitigated by gains elsewhere. Europe's

pivot from Russian energy has created opportunities for Middle Eastern oil and LNG to fill the void. Furthermore, cooperation with Russia through the OPEC+ alliance gives Gulf producers a degree of influence over Moscow's output decisions, aligning interests in keeping oil prices stable. Some GCC players have even profited from Russia's ostracism by importing discounted Russian crude or refined products for domestic use and re-export. In short, what the Gulf loses in the East, it recoups in the West, balancing the scales;

3. Russia's Long-Term Limitations: From Riyadh's, Doha's and Abu Dhabi's perspective, Russia, while a vigorous competitor now, does not pose an enduring threat to their Asian dominance. Gulf officials closely monitor Russia's economic and oilfield outlook and recognize the structural challenges Moscow faces. Western sanctions constrain Russia's access to advanced technology and capital, which are vital for sustaining oil production in aging fields and developing new ones. Maintenance of high export volumes into the 2030s will be an uphill battle for Russia's industry. The Gulf producers, blessed with some of the world's largest low-cost reserves and ambitious expansion plans, doubt that Russia can significantly grow (or even maintain) its output over the long run. In essence, time may be on the Gulf's side;

4. Political Deals and Uncertain Outcomes: Finally, Gulf analysts note that many of the heralded Russia–China projects still exist more on paper than in reality. Grand announcements from Moscow and Beijing often mask the fact that certain deals are non-binding or contingent on political conditions. The Power of Siberia-2 pipeline, for example, remains a memorandum of understanding with no final investment decision or clear timeline. The heavy political impetus behind these agreements, a product of momentary strategic alignment, means the underlying economics is not always compelling on its own. Should geopolitical winds shift, Beijing could reconsider the extent of its commitment to Russian hydrocarbons. The GCC

countries, therefore, bet that not all Russian promises will materialize as planned, and China will maintain a diversified import slate rather than put all its eggs in the Russian basket.

Looking Ahead: A New Energy Landscape

Russia's energy pivot to China marks a significant reorientation of global energy flows, one that Gulf producers cannot ignore. In the immediate term, GCC oil and gas exporters face intensified competition in their primary market and will need to employ shrewd tactics to defend their interests. Russia's cut-rate crude and expanding gas pipelines have undoubtedly eroded the Gulf's Asian market share and introduced new uncertainties for planning. Yet the Gulf states are meeting this challenge with a mix of pragmatic adaptation and confidence drawn from their inherent advantages. Long-term contracts, investment in customer countries, market diversification, and cooperation through forums like OPEC+ form a multilayered hedging strategy for the GCC.

In broader terms, the unfolding Russia–China energy partnership underscores how geopolitics and energy security are increasingly intertwined. China's quest for supply security and strategic autonomy has empowered Russia to reclaim market share, but it has also awakened the Gulf states to the necessity of resilience and innovation in strategy. We are likely to see the Gulf monarchies deepen ties with Asian consumers (on Asian terms), even as they capture opportunities in Europe and elsewhere left by Russia's absence. For policy experts and energy strategists, one lesson is clear: global energy dominance is never static. The Gulf producers, armed with vast reserves and financial clout, will not cede markets without a fight, but they must navigate a more complex, multipolar energy environment than ever before. In the coming decade, the true test will be whether Gulf suppliers can continue to thrive by staying flexible, forward-looking, and attuned to the geopolitical currents shaping demand, even as a bear and a dragon redraw the energy map.

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