



**Senators Urge Executive Branch Study of
Implications from Possible CNOOC-Unocal Deal**
July 22, 2005

Washington, DC – In light of the recent attempt of the Chinese firm CNOOC to purchase Unocal Corp., U.S. Senator Dianne Feinstein (D-Calif.) and five other Senators today raised concerns with the national security implications of a Chinese firm acquiring American energy interests.

Senators Feinstein, David Vitter (R-La.), Evan Bayh (D-Ind.), Jim Talent (R-Mo.), Tom Coburn (R-Okla.), and James Inhofe (R-Okla.) are urging Senate Energy and Natural Resources Committee Chairman Pete Domenici (R-N.M.) and Ranking Member Jeff Bingaman (D-N.M.) to include language in the Energy Bill Conference Report that would require the Secretary of Energy, along with the Secretaries of Defense and Homeland Security, to study the implications of such a transaction before a formal review could begin.

Following is the text of a letter the six Senators sent to Senators Domenici and Bingaman:

“A large number of Senators and Members of the House of Representatives have already expressed strong concerns with various aspects of the proposal by Chinese state owned CNOOC to acquire Unocal. For example, Chairman Grassley and Senator Baucus have written a letter asking ‘whether it is appropriate for state-owned enterprises to subsidize investment transactions to acquire scarce natural resources that are in high demand.’ Senators Burns, Dorgan, Martinez, Landrieu and Graham have raised a variety of national and energy security issues and have asked Chairman Domenici to include in the energy bill conference report a requirement that these issues are studied, and a report presented to the President and Congress, before the Executive branch can begin its formal review of a CNOOC-Unocal transaction, should CNOOC and Unocal reach a commercial agreement.

We agree with Senators Burns and Dorgan that this proposed transaction raises so many substantial new issues that the Secretaries of Energy, Defense and Homeland Security should have sufficient time to weigh and consider these policy matters before a formal regulatory review of the proposed transaction takes place. In particular, we are troubled by what seems to be unlimited access by CNOOC to subsidized financing by the Chinese government for the transaction. According to press reports, for example, CNOOC’s board has authorized the company to continue to raise its bid for Unocal despite the fact that this transaction would make CNOOC one of the most highly leveraged energy companies in the world.

At a time of record high oil and gas prices, limited capacity in global markets and fast economic growth in China, India and other developing countries, it would be imprudent to act too precipitously on these issues. We therefore strongly encourage you to include in the energy

conference report the attached language, originally proposed by Senators Burns, Dorgan, Martinez, Landrieu and Graham, that would require preparation of a report on the implications of this transaction before the Executive branch can begin its formal review of any potential CNOOC-Unocal transaction. Thank you for your continued efforts to address the various energy challenges facing this country.”

Following is the proposed language to be included in the energy conference report:

Amendment to H.R. 6
Offered By M. _____

Insert at the appropriate place the following new section:

SEC. __. NATIONAL SECURITY REVIEW OF INTERNATIONAL ENERGY REQUIREMENTS.

- (a) **STUDY.**—The Secretary of Energy, in consultation with the Secretary of Defense and Secretary of Homeland Security, shall conduct a study of the growing energy requirements of the People’s Republic of China and the implications of such growth on the political, strategic, economic, or national security interests of the United States, including—
- (1) an assessment of the type, nationality, and location of energy assets that have been sought for investment by entities located in the People’s Republic of China;
 - (2) an assessment of the extent to which investment in energy assets by entities located in the People’s Republic of China has been on market-based terms and free from subsidies from the People’s Republic of China;
 - (3) an assessment of the effect of investment in energy assets by entities located in the People’s Republic of China on the United States’ control of dual-use and export controlled technologies;
 - (4) an assessment of the relationship between the government of the People’s Republic of China and energy related businesses located in the People’s Republic of China;
 - (5) an examination of the United States’ energy policy and foreign policy as it relates to ensuring a competitive global energy market; and
 - (6) an examination of the relationship between the United States and the People’s Republic of China as it relates to pursuing energy interests in a manner that avoids conflicts.
- (b) **REPORT AND RECOMMENDATIONS.**—Not later than 180 days after the date of enactment of this Act, the Secretary of Energy, in consultation with the Secretary of Defense, shall report to the President and the Congress on the findings of the study described in subsection (a) and any recommendations deemed appropriate.
- (c) **REGULATORY EFFECT.**—Notwithstanding any other provision of law, an instrumentality of the United States vested with authority to review a transaction that includes an investment in a United States domestic corporation may not begin a national security review related to an investment in the energy assets of a United States domestic corporation by an entity owned or controlled by the government of the People’s Republic of China until the President certifies that he has received the report described in subsection (b).

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