H. Res. 344

In the House of Representatives, U.S.,

June 30, 2005.

Whereas oil and natural gas resources are strategic assets critical to national security and the Nation's economic prosperity;

Whereas the global demand for oil and natural gas is at the highest levels in history;

Whereas the global excess capacity of oil production, at between 1,500,000 and 2,000,000 barrels per day, is at its lowest level in the past several decades, contributing to world oil prices reaching historic highs of above $60 per barrel;

Whereas natural gas globally is the fastest growing component of primary energy consumption, projected to increase by nearly 70 percent by 2025;

Whereas the National Security Strategy of the United States approved by President George W. Bush on September 17, 2002, concludes that the People's Republic of China remains strongly committed to national one-party rule by the Communist Party;

Whereas China's daily consumption of crude oil grew by nearly 850,000 barrels in 2004, accounting for more than one-third of the increase in world demand for oil in 2004;

Whereas China's consumption of crude oil is expected to grow by an additional 7.5 percent in 2005, and world oil prices are projected to rise significantly as a result of increasing demand from China for oil;

Whereas notwithstanding the increasing demand from China for oil, domestic Chinese output of oil has remained relatively stagnant;

Whereas on June 23, 2005, the China National Offshore Oil Corporation (CNOOC) announced its intent to acquire Unocal Corporation, in the face of a competing bid for Unocal Corporation from Chevron Corporation;

Whereas the People's Republic of China owns approximately 70 percent of CNOOC;

Whereas a significant portion of the CNOOC acquisition is to be financed and heavily subsidized by banks owned by the People's Republic of China;

Whereas Unocal Corporation is based in the United States, and has approximately 1,750,000,000 barrels of oil equivalent, with its core operating areas in Southeast Asia, Alaska, Canada, and the lower 48 States;

Whereas CNOOC has made various representations about its intention to sell oil developed in the Gulf of Mexico to the United States, but has not made any commitment to sell other natural gas and oil it develops into global energy markets instead of shipping it directly to China;

Whereas a CNOOC acquisition of Unocal Corporation would result in the strategic assets of Unocal Corporation being preferentially allocated to China by the Chinese Government;

Whereas a Chinese Government acquisition of Unocal Corporation would weaken the ability of the United States to influence the oil and gas supplies of the Nation through companies that must adhere to United States laws;

Whereas Unocal Corporation was responsible for the production of energy equivalent to approximately 411,000 barrels of oil per day in 2004, which is approximately one-third of all global excess oil production capacity;

Whereas CNOOC's control of Unocal Corporation's productive capacity would mean control of approximately one-third of all global excess oil production capacity;

Whereas the petroleum sector uses a range of sensitive technologies for exploration (such as seismic analysis and processing, downhole logging sensors, and modeling software), production, and refining (such as processing technologies and equipment), including technologies that have ''dual-use'' commercial and military applications;

Whereas several of the technologies used in oil and energy production require export licensing for export from the United States to China;

Whereas the CNOOC acquisition of Unocal Corporation could provide access to Unocal Corporation's sensitive dual-use technologies that the United States would otherwise restrict for export to China;

Whereas oil companies owned by the People's Republic of China are active in parts of the world, such as Sudan and Iran, that are subject to United States sanctions laws, and the national security of the United States is threatened by the export of sensitive, export controlled, and dual-use technologies to such countries;

Whereas barriers to the ability of the United States Government to enforce export controls and sanctions could pose a direct threat to the national security of the United States; and

Whereas section 721 of the Defense Production Act of 1950 (50 App. U.S.C. 2170) authorizes the President to suspend or prohibit any foreign acquisition, merger, or takeover of a United States corporation that threatens the national security of the United States, if the President finds that ''there is credible evidence that leads the President to believe that the foreign interest exercising control might take action that threatens to impair the national security'' and other provisions of law ''do not in the President's judgment provide adequate and appropriate authority for the President to protect the national security'': Now, therefore, be it

Resolved, That it is the sense of the House of Representatives that—

(1) the Chinese state-owned China National Offshore Oil Corporation, through control of Unocal Corporation obtained by the proposed acquisition, merger, or takeover of Unocal Corporation, could take action that would threaten to impair the national security of the United States; and

(2) if Unocal Corporation enters into an agreement of acquisition, merger, or takeover of Unocal Corporation by the China National Offshore Oil Corporation, the

President should initiate immediately a thorough review of the proposed acquisition, merger, or takeover.

Attest:

Clerk.