



The Auto Project on Energy and Climate Change
汽车能源与气候变化—中国项目

MONTHLY NEWS BRIEFING



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The APECC monthly newsletter is prepared by the
Innovation Center for Energy and Transportation (iCET)

Volume VI, Issue 7, July, 2009

<http://www.autoproject.org.cn>

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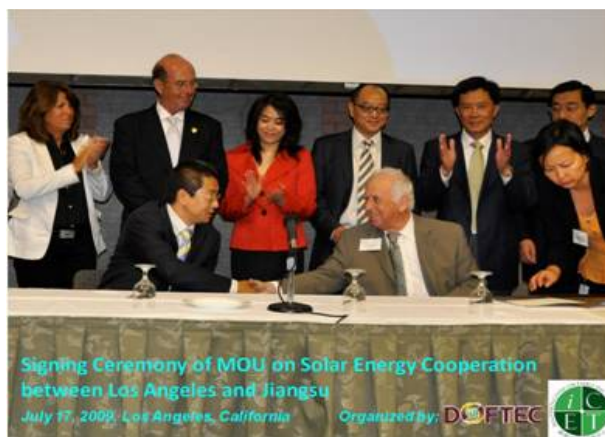
In this new "iCET News Express" section, iCET starts to provide updates on the progress of some of our exciting programs. We hope you enjoy these updates in addition to the regular news briefing we offer, and look forward to your feedback!

US – Jiangsu, China Solar Business Summit 2009

July 17, 2009 – the Jiangsu Department of Foreign Trade & Economic Cooperation (DOFTEC) and Innovation Center for Energy and Transportation (iCET), organized a large-scale "US – Jiangsu China Solar Business Summit 2009" in Los Angeles.

The highlight of the summit was the signing of a Memorandum of Understanding between Jiangsu Province and the City of Los Angeles on solar energy cooperation – the first agreement of its kind in the United States.

Both parties to this MOU have laid out aggressive renewable energy development strategies and supporting policies. Furthermore, the two sides enjoy strong complementarities in technological innovation, production and marketing.



Signing ceremony of MOU on solar energy cooperation between Los Angeles and Jiangsu on July 17, 2009.

More information please link to:

http://www.icet.org.cn/en/Programs/jiangsu/Solar%20Business%20Summit%202009_en.html

Energy and Climate Registry (ECR) project released background paper

In July 2009, iCET published "Building Carbon Inventories in China", the background report for the Energy and Climate Registry (ECR) project. In this report, iCET and its partners look at international climate policies and accounting and reporting efforts, the carbon intensity of Guangdong province, environmental regulations that are already in place in China, the business case for a carbon registry, and finally makes recommendations for better carbon management designed for policymakers, government officials and companies doing business in China. iCET and its partners hope that this important tool will facilitate China's goal to reduce carbon emissions at home. You can download the report from: http://www.icet.org.cn/Docs/Background%20Report_ECR_Final2.pdf

First annual report on UK - RTFO implementation (2008/09)

On July 15th, 2009, UK Renewable Fuels Agency (RFA) released the first annual report (2008/09) on *Renewable Transportation Fuel Obligation (RTFO)* implement, which is available on RFA website: http://www.renewablefuelsagency.org/db/documents/RFA_Annual_Report_and_Accounts_2008-09.pdf 1.25 million litres of biofuel were supplied in the UK, 2.6% of the fuel supply (exceeding the government target, which is 2.5%) , **47% greenhouse gas savings** as reported, with the target is 40%.. iCET published a review on this report, with some comments on China's relevant policy developments, please refers to: <http://www.icet.org.cn/Docs/2009-08%20iCET%20UK%20RTFO%20review%20with%20China%20comments.pdf>

General Energy Issues

Ministers call for closer energy cooperation

July 30 (Xinhua) –MANDALAY - The East Asian energy ministers at a series of meetings held in Myanmar's second largest city of Mandalay Wednesday called for deeper and closer regional energy cooperation and integration.

The ministers from Association of Southeast Asian Nations (ASEAN), China, Japan, Korea, New Zealand, Australia and India attended the one-day meetings of the 27th ASEAN Ministers on Energy Meeting (AMEM), the 6th ASEAN+3 (China,Japan,Korea) Ministers on Energy Meeting (AMEM+3) and the 3rd East Asia Summit of Energy Ministers' Meeting (EAS-EMM).

In the joint statement issued by the AMEM+3, the ministers stressed the importance of enhancing regional cooperation and appropriate regional actions to build a secure, stable and sustainable energy future.

It also said that the ministers agreed to strengthen the ASEAN Senior Officials Meeting on Energy (SOME)+3 Energy Cooperation in the present five fora on energy security, oil market, oil stockpiling, natural gas, and new and renewable energy (NRE) and energy efficiency and conservation (EEC).

The ministers also expressed their serious concerns that the highly volatile oil prices which pose a great challenge to the global economy and are against the interest of both consuming and producing countries, emphasizing the need to strengthen cooperation among those responsible for energy policy, energy supplies, oil market and transport routes.

The ministers commended the on-going activities and preparations for future activities under the SOME+3 Energy Cooperation and look forward to review further updates and recommendations at the next ASEAN+3 Ministers on Energy Meeting in Vietnam in 2010, according to the joint statement.

The other joint statement issued by the 3rd EAS-EMM stated that the ministers stressed the

importance of international cooperation under the EAS process to ensure greater security and sustainability of energy for sustainable economic growth, adding that the ministers reiterated their strong commitment to intensify on-going efforts and cooperation in order to improve energy efficiency, to increase the use of cleaner energy, including renewable and alternative sources of energy such as bio-fuels, and to promote energy market integration in the region.

(http://www.chinadaily.com.cn/china/2009-07/30/content_8489224.htm)

China, US sign MOU on energy, environment

July 29 (China Daily) – WASHINGTON - China and the United States signed the memorandum of understanding to enhance cooperation on climate change, energy and environment on Tuesday when their first round of Strategic and Economic Dialogue ended.

"This agreement is a positive outcome of this round of the S&ED," State Councilor Dai Bingguo told reporters after Vice-Minister of the National Development and Reform Commission Xie Zhenhua and US Climate Change Envoy Todd Stern signed the memorandum.

Climate change, energy and environment have topped the agenda of the strategic discussions between China and the US during their two-day dialogue.

"The Chinese government has attached great importance to cooperation with the US on the issues of climate change, energy and environment as they are the common challenges they face," Dai said.

Despite differences between the two countries in terms of stage of development, historical responsibilities and respective capacities, China and the US still need to enhance cooperation.

"We need to take a strategic and long-term view on China-US cooperation in this area guided by the principle of common but differentiated responsibilities," Dai said. "We can handle our commonalities and differences well."

China and the US started their scientific cooperation in 1979 when signing their first agreement on science and development.

"This memorandum builds on the past efforts and highlights the climate change," US Secretary of State Hillary Clinton said. "It creates a platform for bilateral climate policy dialogue and cooperation."

The agreement is believed to chart the roadmap for the two countries to cooperation on the issues of climate change, energy and environment. This will herald the beginning of the joint efforts by the two countries' to develop the low-carbon economies.

(http://www.chinadaily.com.cn/china/2009-07/29/content_8483851.htm)

Think tank hopes clean energy ideas will be acted upon

July 28 (China Daily) - China's top energy think tank is urging delegates at the first China-US Strategic and Economic Dialogue, which started yesterday in Washington, to adopt its initiatives and put them into action.

Han Wenke, co-chair of the China-US Clean Energy Forum, told China Daily that the governments of both countries should listen to the private sector and create favorable conditions for clean energy cooperation between the two countries.

The China-US Clean Energy Forum is a private-sector vehicle that promotes bilateral cooperation on clean energy.

Han's US co-chair, Stan Barer, is a well known lawyer in the United States.

Han, who is also director-general of the Energy Research Institute of the National Development and Reform Commission, expressed hope that the China-US Clean Energy Forum, initiated by US federal senator Maria Cantwell, will help facilitate clean energy cooperation.

He said the forum has already made great progress following in-depth discussion between the Chinese and US partners.

Together, they have agreed upon eight initiatives relating to the promotion of clean energy cooperation between China and the US.

The initiatives cover the establishment of a joint energy research center/laboratory, the sharing of knowledge and technology needed to create a "smart grid" (including transmission and distribution networks), the setting up of a coordinated program to accelerate development of advanced coal projects, as well as increasing efficiency and lowering manufacturing costs of solar photovoltaic systems.

Other initiatives called for by the China-US Clean Energy Forum include jointly researching and promoting the utilization of hybrid and pure electric motor vehicles, developing bio-fuels, eliminating barriers including import tariffs and export controls on technology transfer and creating clean energy demonstration zones to encourage innovation.

Both nations participating in the forum have handed the list of initiatives to their respective governments, said Han, who stressed that they are hopeful delegates at the first China-US Strategic and Economic Dialogue will adopt the initiatives and put them into action.

Energy cooperation is one of the major subjects on the agenda for the high-level meeting, he said.

Each of the eight initiatives is potentially a step toward transforming the energy systems of both countries, he said, adding that the time is right for the two governments to achieve a greater level of cooperation and success.

An agreement between the two nations on clean energy could be a catalyst for economic recovery, Han added.

Progress in cooperating on clean energy would also create jobs, enhance the competitiveness of the nations and benefit the world's efforts to fight global warming, he said.

China and the US are both major consumers of energy and producers of greenhouse gasses. Both are determined to increase energy efficiency, cut greenhouse gas emissions and develop clean energy. Therefore, Han said, "there exists a great potential for intensive cooperation between our countries".

"In developing and utilizing clean energy and combating greenhouse gas emissions, China and the United States share many common interests and there is no reason why our countries should not forge a close relationship in the clean energy field," Han said.

"What we should do now, to meet the challenges together, is create a favorable environment for clean energy cooperation and generate more opportunities for enterprises from the two countries."

China has set a goal of cutting energy consumption per unit of GDP by some 20 percent from 2005 to 2010.

(http://www.chinadaily.com.cn/cndy/2009-07/28/content_8479349.htm)

China considers higher renewable energy targets

July 6 (China Daily) - Coal-dependent China plans to generate at least 15 percent of its energy capacity from wind, solar and other renewable energy sources by 2020.

Chief policy makers said they are revising earlier targets to create a "greener" environment, adding that new jobs to support the new energy sources also would spur economic growth.

Xie Zhenhua, vice-minister in charge of climate change policy for the National Development and Reform Commission (NDRC), said last week that renewable energy is expected to account for 10 percent of the country's energy resources by 2010 and 15 percent by 2020.

Zhang Xiaoqiang, the NDRC's vice-minister in charge of international cooperation, was more ambitious.

Zhang said recently that China could reach a renewable energy target of at least 18 percent by 2020.

"Personally, I think we could reach the target of having renewable sources make up 20 percent of total energy consumption," Zhang recently told the media in London.

Sun Qin, deputy director of the National Energy Administration, told China Business Weekly that China would soon announce the revised power supply capacity target for 2020 -- a target that might increase to 1,400 to 1,500 gigawatts, or gW, of energy.

The revised target, if approved by the central government, would represent nearly a 50 percent increase from the previous goal set by the government in 2007.

In 2007, the central government had approved plans to develop 1,000 gW in installed energy capacity by 2020.

This year, China's power capacity will surpass 900 gW and will soon be on par with the United States, which now has 1,000 gW in energy-generating capacity.

Zhang said China would restructure its electricity supply mix by supporting more investments in nuclear, solar, wind and biomass energy resources.

In line with the revised target, the ratio of nuclear power to the combined installed electricity capacity would increase to 5 percent in 2020 -- up from 2 percent in 2008.

Sun of the National Energy Administration said China's installed nuclear power capacity target would increase to 60 gW to 75 gW by 2020, up from the previous target of 40 gW approved two years ago.

Sun did not discuss the specific 2020 targets for wind, solar and biomass power.

On solar power, the NDRC's Energy Research Institute reported that China's 2020 target would be expanded from 1,800 megawatts (mW) of installed solar capacity established in 2007 to 10,000 mW or more.

At the end of 2008, solar power capacity attached to the grid was less than 100 mW, or 0.01 percent, of China's installed capacity.

Even with a tenfold increase in the 2020 target, solar energy would play a much smaller part in China's overall power mix than other energy sources.

Under the 2007 plan, biomass and wind were set to reach a generating capacity of 30,000 mW

by 2020, with nuclear power expected to reach 40,000 mW.

Xiao Ziniu, director of the National Climate Center, said China's onshore wind power potential has been evaluated at 700 gW to 1,200 gW. China has another 250 gW of potential offshore wind power capacity, the center reported.

Some regions have been identified as rich in potential wind power resources.

For example, the Xinjiang Uygur autonomous region was estimated to have more than 100 gW of wind power generating potential.

Plans are being considered to develop mega wind power farms with the potential to each generate more than 10 gW.

"We have great renewable resources to explore," Xiao said.

(http://www.chinadaily.com.cn/bizchina/2009-07/06/content_8380826.htm)

Green energy attracts investors

July 10 (China Daily) - Prompted by the government initiative to reduce the country's dependence on coal as an energy source, many Chinese firms are investing heavily in alternative energy projects.

The spending spree on clean energy and wind and hydro electric power is being closely watched by investors as these investments could have a far reaching impact on the future earnings of the enterprises, most of which are publicly traded.

China Shipbuilding Industry Corporation (CSIC), one of the country's largest shipbuilders, has said it would invest about 200 million yuan (\$29.27 million) on innovation and research of 5-mW offshore wind power generators. It also plans to invest around 5 billion yuan for building related test platforms, assembly and production bases.

Yang Benxin, an official from CSIC, said the wind power diversification is one of its strategies to combat the financial crisis. He also predicted

that sales of wind power generators would exceed 1 billion yuan this year.

CSIC said its profit in the first quarter of 2009 had risen 18.6 percent from a year earlier period, while revenue rose more than 11 percent.

In addition, CSIC said it plans to start making onshore wind power generators of over 350,000 kW this year. Production of larger generators in excess of 2 million kW is expected to begin in 2015.

Coal accounts for nearly 70 percent of the country's total energy consumption. To lessen the country's dependence on coal, the government plans to accelerate the pace of restructuring its energy mix and economic structure and seek a "green recovery path" from the economic downturn.

Policymakers said they are revising earlier targets to create a "greener" environment, adding that new jobs to support the new energy sources also would spur economic growth.

Xie Zhenhua, vice-minister in charge of climate change policy for the National Development and Reform Commission (NDRC), said previously that renewable energy, including solar power and wind power, is expected to account for 10 percent of the country's energy resources by 2010 and 15 percent by 2020.

The nation is chalking out a plan whereby it expects renewable energy to account for 20 percent of the total energy needs.

Liu Qi, deputy director, National Energy Administration, said the new energy programs would involve investments amounting to trillions of yuan.

The first phase of the program would see a strategic shift in three years to nuclear, solar, wind, biomass power and clean coal technologies - with investment opportunities running into nearly 3 trillion yuan, Liu said.

The second phase encompassing the period up to 2020 would entail even more investments, he said.

Apart from CSIC, many of sharp-nosed Chinese enterprises are following suit.

Early this week, Shanghai Automotive Industry Corporation said it is investing 12 billion yuan for developing renewable energy vehicles in the next three to five years.

The investment will go to 41 hi-tech projects including new energy cars for the Shanghai Expo 2010.

In January this year, China's top offshore oil producer CNOOC signed a 15-billion-yuan agreement with the Tianjin municipal authorities for developing renewable energy projects.

The company will set up a renewable energy industry base in the city's Binhai New Area including a research and development center.

Analysts said that relevant legal system and policies are still waiting for improvement and the renewable energy market is still emerging with opportunities and challenges.

"The wind power facility market in China seems to be overheating and hence investors should be careful," said Shi Lishan, deputy director of the new energy department under the National Energy Administration.

Analysts also said Chinese enterprises need to be more familiar with market demands and also pay more attention on research and innovation to obtain core technologies when they are investing in renewable energy industry.

Vice-Premier Li Keqiang said in May that fiscal and tax incentives would be strengthened to promote application of new energy and environmental protection technology in the future.

(http://www.chinadaily.com.cn/bizchina/2009-07/10/content_8406526.htm)

China ahead of schedule in closing coal power plants

July 30 (Xinhua) - China shut down small coal-fuelled power plants with a total generating capacity of 54.07 million kilowatts from 2006 to the end of June this year, an energy official said Thursday.

The authorities were 18 months ahead of schedule in their goal to close 50 million kilowatts of coal-fuelled generating capacity by the end of 2010, said Sun Qin, deputy director of the National Energy Administration (NEA) at a press conference.

Because of the closures, the average coal consumption by plants had fallen by 30 grams to 340 grams a kilowatt, which equated to 160 million tonnes of coal saved since the beginning of 2006.

Sulfur dioxide emissions were down by 1.06 million tonnes a year, and carbon dioxide emissions by 124 million tonnes annually, said Sun.

The proportion of generating units with capacity above 300,000 kilowatts rose to 64 percent of the total plants in operation by the end of June, up 20 percentage points from the beginning of 2006, while those with a capacity below 100,000 kilowatts dropped to 14 percent, down 16 percentage points.

Sun said the country has allocated more than 2 billion yuan (292.8 million U.S. dollars) from the central budget since 2006 to enterprises and local governments involved in small thermal power capacity closures.

These funds were used to help power generation plants re-deploy workers, train laid-off staff, and restructure. According to an initial estimate, the closures involved 400,000 workers nationwide.

Although the move to eliminate high-energy-consumption small coal power capacity faced great difficulties, the government has done a good job as a whole," Sun said.

Asked if the closures would result in an electricity shortage, Sun said efforts to establish more large power generators would ensure an adequate power supply.

New power generation capacity was about 70 million kilowatts a year on average, he said. Most new generators had energy efficient coal-fired units.

Despite the achievements in closing small thermal generating units, Sun said more should be done to eliminate small power generation

capacity, as "the work is still tough and has a long way to go."

Coal-fired units with a single generator capacity of up to 200,000 kilowatts still accounted for about 80 million kilowatts of China's power supply.

Sun called on local governments and enterprises to step up closures of small thermal power capacity, in order to further cut energy consumption, lower emissions and protect the environment.

(http://news.xinhuanet.com/english/2009-07/30/content_11799786.htm)

LED industry lights up

July 13 (China Daily) –While many industries are suffering under this year's cloud of economic uncertainty, China's fledgling but rapidly growing LED industry is proving a silver lining.

But the LED (light-emitting diode) industry, still dominated by the United States and Japan, needs to grow even faster, industry executives and analysts said.

China's growing domestic market for energy-efficient LED lighting is being bolstered by a government encouraging more consumers and businesses to use LED products, they said.

This is providing a cushion against declining export markets in the United States and Europe, they said.

"The raw materials used in producing LED products have slumped a lot as a result of the global financial crisis, pushing down the prices of the finished LED products and making them more affordable," Li Mantie, general manager of Shenzhen Ledman Optoelectronic Co, a leading LED maker in China, said in a recent interview with an industry website.

More affordable products, Li said, could accelerate their wide applications, therefore boosting the industry as a whole.

"And many customers are trading down due to the financial crisis. This makes China-made LED products more appealing, since they are

generally cheaper than their competitors," Li said.

LED is an electronic light source, which was invented in Russia in the 1920s.

Today, LED is widely used in an array of applications, ranging from home or office lighting to mobile phone screens and televisions.

China has more than 2,000 companies and research institutes involved in the LED industry employing around 100,000 people, according to Guo Yuguo, director general of the LED division of the China Optics and Optoelectronics Manufacturers Association (COEMA).

China's LED industry is clustered in the Pearl River Delta and Yangtze River Delta in Fujian and Jiangxi provinces and in the cities of Beijing and Dalian.

It is an industry projected to grow to 150 billion yuan next year as more LED applications are developed, according to Communications Industry Researchers, a US-based market research firm.

Topology Research Institute, a Taiwan-based research firm, predicted in April that China's LED market would grow 64 percent from this year's estimated 74.5 billion yuan to 122.5 billion yuan in 2010.

The research firm based its estimate for higher growth on the government's 4 trillion yuan economic stimulus package and also wider applications of LED products, especially in the lighting segment.

But the fast-growing industry is still technologically lagging its peers in the United States, Japan and Taiwan province, analysts and industry executives said.

"The lack of advanced wafer and chip technology is a major drawback to China's LED industry," said Xi Guanyi, an industry consultant at the Information and Technology Research Center at CCID Consulting Co, a Beijing-based information technology industry and market research firm.

The Chinese mainland, which has a deep pool of research institutions and talents, and Taiwan province, where the LED industry chain is more

developed, can benefit each other in the LED industry.

"The key is that both sides establish an industrial alliance and jointly work out industrial standards," Xi said.

Taiwan province has established 17 LED standards, while the Chinese mainland has only seven, Xi said.

"So the room for the two sides to work together in this area is huge," he said.

A delegation of mainland Chinese home appliance makers and LED makers visited Taiwan last month to look for investment opportunities on the island.

The delegation members included top executives from BOE Technology Group Co and the LED division of China Electronics Technology Group Corp. The two companies are leading mainland LED makers.

Experts said wider applications of LED technology would grow new markets in sectors such as television set production and indoor and outdoor lighting.

Globally, sales of LED TVs, which save 40 percent more energy compared to conventional LCD TVs, are expected to grow more than tenfold this year to about 2 million units, according to the research group DisplaySearch.

That's compared to total LCD TV sales of 120 million, DisplaySearch reported.

Earlier this year, the Ministry of Science and Technology launched a pilot program to promote the usage of semi-conductor lighting in 10 cities, including Beijing and Shanghai.

The size of the LED lighting sector alone is expected to grow to 9.8 billion yuan next year, thanks in part to the 2010 Shanghai World Expo and the upcoming Asian Games in Guangzhou, according to the industry research firm LED Inside.

"There was big publicity last year for LED, thanks to its use at the Beijing Olympics. Many venues were lit by LED lamps, and the huge display screen at the opening ceremony also used LED," said Guo of COEMA.

Guo is also chairman of Jiangsu Wenrun Optoelectronics Co, a LED encapsulation and semi-conductor lighting products maker.

"We (China's LED industry) need to turn the international financial crisis into an opportunity. LED industry growth is now shifting to China," Guo wrote in a recent article.

"The government's energy-saving push is also a big booster for the sector," Guo wrote.

Li of Shenzhen Ledman Optoelectronic Co said China can leapfrog Japan and the United States for dominance of the market if government and industry leaders work together.

The central government should list the industry as a strategic sector, Li said.

"Many locally-produced high-end LED products are as good as the ones produced by (American brand) CREE and other foreign vendors, but are half of the price, so the government should give us more support in this area," Li said.

http://www.chinadaily.com.cn/bw/2009-07/13/content_8418425.htm)

Automobile and Transportation

Subsidy policy to spur commercial vehicle market

July 15 (China Daily) - The government's subsidy plan for trade-in vehicles is expected to spur stagnant commercial vehicles sales in the following months, just as favorable taxation and subsidy policies for rural consumers boosted passenger vehicle sales in the first half, analysts said yesterday.

Consumers will receive a subsidy of between 3,000 yuan (\$439) and 6,000 yuan per vehicle to replace passenger cars, vans, and trucks that do not meet the country's emission standards, or for those vehicles that have been on road for 8 to 12 years, according to the policy released yesterday by the Ministry of Commerce.

The total trade-in subsidy, mainly targeting light commercial vehicles, is likely to cost the government around 5 billion yuan.

The policy will apply to all vehicles traded in between this June and May 31, 2010. And, vehicles owners will be able to apply for the subsidy payout between Aug 1 and June 30, 2010.

"It is a positive and effective measure to drive sales of commercial vehicles in the second half and next year," said Hui Yumei, an auto market researcher with consulting firm Sinotrust Co.

"The policy will help sales of light trucks, vans and minibuses. China's infrastructure sector too is in need of a large number of light commercial vehicles," said Luo Lei, vice-secretary-general of China Automobile Dealers Association.

"Moreover, the move will further drive domestic consumption and improve energy efficiency," said Zhao Ying, a researcher at the Institute of Industrial Economics under the Chinese Academy of Social Sciences. "It's a good idea that a relatively small fund would draw in huge automobile consumption."

According to a forecast by China Automotive Technology and Research Center, the trade-in policy will add at least 300,000 commercial vehicles to whole-year sales.

The country will scrap 2.7 million vehicles this year; the petrol consumption of old vehicles is 5 to 10 percent higher than new ones, the Ministry of Commerce said.

In the first six months, China sold 4.5 million passenger cars, a 25.6-percent increase from a year ago, as the government's tax reduction and subsidy spurred small car sales, according to China Association of Automobile Manufacturers.

However, commercial vehicle sales saw a 0.52 percent drop year-on-year in the first half due to the effect of the financial crisis.

(http://www.chinadaily.com.cn/bizchina/2009-07/15/content_8431151.htm)

China surpasses US auto market in H1 sales

July 9 (Agencies) -- China surpassed the United States as the world's biggest auto market for the first half of 2009 after June sales soared 36.5

percent from a year earlier, according to data reported Thursday.

Vehicle sales on the Chinese mainland in June rose to 1.14 million, the second-highest month to date after April's 1.15 million units, the China Association of Automobile Manufacturers said. Passenger car sales hit a monthly record of 872,900 units.

Total sales for the first half of the year rose to 6.1 million, up 17.7 percent from a year earlier, the industry group said. That outpaced the United States, where passenger car sales in the same period plunged to 4.8 million amid an economic slump.

China's auto sales weakened in late 2008 as the global financial crisis hit but rebounded after Beijing launched a stimulus package with sales tax cuts, subsidies to trade in older cars and other incentives.

Global automakers are looking to China to help drive revenues as they struggle with falling demand in North American and other markets.

"It was really hard for our auto industry to achieve such a proud result against a backdrop of general gloom in the international auto industry," the association said in a statement.

China, with 1.3 billion people, has long been expected to overtake the United States as the biggest vehicle market. But the US economic slump hastened that process by depressing American sales while China surged ahead.

China surpassed US auto sales for five of the past six months. The United States pulled ahead temporarily in May before dropping back with 859,847 cars sold in June.

Analysts expect China's sales this year to top 10 million vehicles, while one Chinese industry group says the total could exceed 11 million.

By contrast, analysts say US sales in June, when adjusted for seasonal variations and multiplied to produce an annual rate, were the equivalent of 9.7 million vehicles for 2009. That is down sharply from the 2007 peak of 16 million vehicles sold.

Commercial vehicles such as trucks and buses are a bigger share of sales in China than in the United States or Japan. Some observers say

that makes comparing figures from the three markets misleading.

In 2008, Chinese sales included 6.8 million passenger cars and 2.6 million commercial vehicles, according to the CAAM.

General Motors Corp said its China sales in the first half soared 38 percent from a year earlier, while GM's US operations were forced to obtain government aid and reorganize under bankruptcy court protection.

Ford Motor Co said its first-half China sales were up 14 percent.

"The government took a series of policies in the first half of the year to promote the development of the auto industry," the industry association said. "Auto sales and production pulled out of their trough to show a good development trend."

(http://www.chinadaily.com.cn/bizchina/2009-07/09/content_8406471.htm)

Gearing up for green auto era

July 22 (Xinhua) - As China's automakers accelerate development of hybrid and electric vehicles, experts and industry insiders say more attention should be paid to researching energy-saving technologies for conventional vehicles.

The Changchun International Automobile Exhibition from July 15 to 26 in northeast China's Jilin province is showcasing a range of "new-energy vehicles."

Chinese manufacturer Hebei Zhongxing Automobile Co Ltd displays a hybrid vehicle, which starts on electricity and shifts to gasoline.

"Oil consumption can be reduced by 17 to 20 percent," said Zhang Chao, vice president of the company.

Besides Zhongxing, about a dozen automakers, including BYD, Chery, Lifan, Geely, and institutes are developing new-energy vehicle technologies, but industry insiders say China should not overestimate the new cars as the market and technologies are immature.

"The market share of new-energy automobiles will not exceed 10 percent by 2020. Most cars will still rely on gasoline," said Zhang Xiaoyu, president of the Society of Automotive Engineers (SAE) of China.

"Shifting from conventional energy to new energy will take a very long time in the automobile industry. We should never neglect research into energy-saving technologies for conventionally powered vehicles."

Xu Heyi, president of Beijing Automotive Industry Holding Co Ltd said: "We are not sure whether hybrid or pure electric vehicles will become the major direction for the development of new energy vehicles. Also, the key technologies are very complex, which leads to high manufacturing costs."

"As no purely electric vehicles are on Chinese roads, and it needs time to build stations to charge electric cars, it is still not clear when the new energy automobile can reach mass production and enter the market," he said.

China revealed a plan in February to boost its automobile industry, aiming to produce 500,000 purely electric power automobiles, plug-in hybrids and normal hybrids in three years, accounting for 5 percent of the automobile market.

With government encouragement, new energy cars produced by Chinese domestic automobile manufacturers are hitting the showrooms.

BYD Auto, which stands for Build Your Dreams, has produced the F3DM and F6DM dual-mode electric vehicles that combine a pure-electric mode with a hybrid drive system that incorporates a small gasoline engine.

The Dual Mode (DM) Electric Vehicle system integrates an advanced generator and motor controller, which lead to lower fuel consumption and emissions, as well as greater power and performance.

But China's automakers still lag behind auto giants in Japan, Germany and the United States in battery technologies that allow vehicles to run long on a single charge, experts say.

The government, enterprises and research institutions should cooperate to develop China's new energy automobile industry, said James E.

Smith, president of the Society of Automotive Engineers (SAE) International.

He said research and innovation were essential for China's automobiles to enter Western markets.

China's auto sales stood at 6.099 million units during the first half, up 17.69 percent year on year, according to the China Association of Automobile Manufacturers (CAAM).

China surpassed the United States to become the biggest automobile market in the world in January. Both auto sale and production figures in the first six months had set a half-year record.

(http://news.xinhuanet.com/english/2009-07/21/content_11745863.htm)

China should not overestimate new-energy vehicles: experts

July 21 (Xinhua) -- As China's automakers accelerate development of hybrid and electric vehicles, experts and industry insiders say more attention should be paid to researching energy-saving technologies for conventional vehicles.

The Changchun International Automobile Exhibition from July 15 to 26 in northeast China's Jilin Province is showcasing a range of "new-energy vehicles."

Chinese manufacturer Hebei Zhongxing Automobile Co., Ltd. displays a hybrid vehicle, which starts on electricity and shifts to gasoline.

"Oil consumption can be reduced by 17 to 20 percent," said Zhang Chao, vice president of the company.

Besides Zhongxing, about a dozen automakers, including BYD, Chery, Lifan, Geely, and institutes are developing new-energy vehicle technologies, but industry insiders say China should not overestimate the new cars as the market and technologies are immature.

"The market share of new-energy automobiles will not exceed 10 percent by 2020. Most cars will still rely on gasoline," said Zhang Xiaoyu, president of the Society of Automotive Engineers (SAE) of China.

"Shifting from conventional energy to new energy will take a very long time in the automobile industry. We should never neglect research into energy-saving technologies for conventionally powered vehicles."

Xu Heyi, president of Beijing Automotive Industry Holding Co., Ltd., said: "We are not sure whether hybrid or pure electric vehicles will become the major direction for the development of new energy vehicles. Also, the key technologies are very complex, which leads to high manufacturing costs.

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(http://news.xinhuanet.com/english/2009-07/29/content_11792700.htm)

NDRC:China's June auto prices see slight increase

July 12 (Xinhua) –BEIJING: China's domestic auto prices were steady with a slight increase in June while imported vehicle prices rose at a faster rate, according to the price monitoring center under the National Development and Reform Commission (NDRC), China's top economic planner.

Prices of domestic cars saw a month-on-month increase of 0.9 percent last month, while the year on year figure stood at 1.35 percent, said a report released on NDRC's Web site Friday, based on a survey conducted in 36 large and mid-size cities in China.

Price of imported vehicles rose 1.22 percent from the previous month, with a year-on-year growth of 7.26 percent.

Passenger vehicle prices increased 0.93 percent month on month but dropped 2.77 percent year on year. Commercial vehicle prices maintained an upward trend, rising 0.98 percent month on month and 7.27 percent year on year.

Analysts had attributed the continual rise in auto prices to the increasing demand in the domestic auto market, which was boosted by government stimulus policies.

The surge in demand brought about increasing sales in the first half, said Liu Lixi, auto industry analyst from Northeast Securities.

China halved the purchase tax on passenger cars to 5 percent for models with engine displacements of less than 1.6 liters and started

a rebate program for auto buyers in the rural area early this year.

The country's auto sales topped 1.14 million units in June, up 36.48 percent over the figure a year earlier, the fourth month in a row surpassing the 1.1 million units mark, according to the China Association of Automobile Manufacturers (CAAM).

The government stimulus plan for the automobile industry would maintain the balance between supply and demand in the auto market, therefore auto prices would maintain steady with little fluctuation in the second half of the year, the NDRC report predicted.

China unveiled a 4-trillion-yuan (US\$585 billion) stimulus package last November and 10 specific industry stimulus plans for autos, iron and steel, petrochemicals and other sectors this year to shore up the Chinese economy.

(<http://english.people.com.cn/90001/90778/90857/90860/6698639.html>)

Foreign carmakers gung-ho on China

July 17 (China Daily) -- Foreign carmakers are rushing to raise vehicle output or open new plants in China as brisk sales and a stronger-than-expected economic recovery in the first half have raised expectations about the world's biggest auto market.

"The rebound in car sales, which has accelerated in the past few months, is prompting car makers in China to ramp up production again as they have also put in place long-term expansion plans," said Frank Gong, JP Morgan managing director and China economist.

In the first six months, China sold 4.5 million passenger cars, a 25.6-percent increase from a year ago, as the government's tax reduction and incentive subsidy for rural residents spurred small car sales.

The better-than-expected sales surge buoyed carmakers' confidence, after they had curbed production initially due to the sharp economic slowdown late last year.

Vehicle manufacturers also see a bright future in China as the government reported yesterday that the gross domestic product grew 7.1 percent from last year to 13.99 trillion yuan (\$2.05 trillion) in the first half.

Kevin Wale, president and managing director of GM China, raised his forecast for China's total auto sales growth rate this year from between 5 and 10 percent he made in April to about 15 percent, after his company posted a 38 percent year-on-year growth in the first half.

GM had earlier said it planned to double its output in China to 2 million units annually over five years.

GM's German rival Volkswagen AG also confirmed to China Daily that its joint ventures in China would expand production capacity in the second half to meet increasing demand, without divulging details.

"We will optimize the capacity of our plants in Nanjing and Chengdu for the sake of supporting our businesses in new markets," said the company in an email statement.

Japanese vehicle manufacturer Nissan Motor Co and Honda Motor Co also said they planned to boost production capacity in China as sales were brisk.

Nissan will lift production at its joint venture Dongfeng Motor Co by 20 percent from October. Its Guangzhou plant will be able to roll out 460,000 units a year, up from 360,000.

Honda will enlarge the annual production capacity at its Dongfeng Honda plant in Hubei province to 200,000 units by the end of this month from 165,000 units, which will help boost its total output in China to 610,000 units.

Moreover, car ownership in China is just 2.9 percent of the population - one of the lowest rates in the world - Credit Suisse said, even as it expects the number of car owners to surge fivefold in the next decade, touching an average of 148 cars per 1,000 residents by 2020.

"The natural demand is always here in China and we can also see huge potential in China's second, third-tier and even smaller cities," said Zhong Shi, an independent auto analyst based in Beijing. "For international automakers, those

who cannot win in the China market will lose their future."

Last week, Italian auto giant Fiat Automobiles SpA, signed a contract with China's Guangzhou Automobile Group to form a 50-50 joint venture, producing cars and engines starting in the second half of 2011, with a total investment of over 400 million euros (\$563.08 million).

Fuji Heavy Industries Ltd is also considering starting local production in China as demand for its sport-utility vehicles is growing.

Fuji is initially aiming for a production capacity of 50,000 vehicles per year, though it hasn't decided on where or when the production facilities would be established, said a company spokesman.

(http://www.chinadaily.com.cn/bizchina/2009-07/17/content_8439726.htm)

Sino-US diesel engine JV ready to gear up

July 6 (CBW news) -- Diesel engine manufacturing has slowed in other parts of the world but has speeded up in China, thanks to a joint Sino-American venture.

Manufacturing of diesel engines began in June at facilities operated by US-based Cummins Inc. and Beijing-based Beiqi Foton Motor Co, Ltd as part of a 50/50 joint venture called Beijing Foton Cummins Engine Company Limited, or BFCEC.

BFCEC is expected to manufacture more than 400,000 engines a year to be used primarily in Beiqi Foton's light-duty commercial trucks, as well as for other vehicles and construction and industrial equipment.

The partnership between the 90-year-old US company, the world's largest independent engine maker, and a 13-year-old Chinese industry is expected to boost business for both.

BFCEC, a partnership formed in March 2008, is the largest overseas engine project of Cummins Inc with a total investment of 2.7 billion yuan.

Salesman explains auto engine to customers. Diesel engine manufacturing has speeded up in China. Asianewsphoto

BFCEC plans an annual production capacity of 200,000 per year for its current Foton Ollin line, and an additional annual production capacity of 300,000 for its planned direct-injection gasoline engine line.

Cummins executives said confidence in the China market inspired the partnership.

In 2008, global sales for Cummins totaled \$14.34 billion, including \$2.3 billion in sales to China -- up 33 percent from 2007, the company reported.

"China is one of the most important markets, besides the North American market, and also the fastest-developing market," said Wang Hongjie, vice president of Cummins (China) Investment Company Ltd.

Wang said that despite what he called "this short-term economic challenge," China remains of "core importance" to the American company's development strategies.

"The launch of Foton Cummins reflected Cummins' long-term confidence and promise in the Chinese market," Wang said.

Beiqi Foton executives said the joint venture already is receiving orders for engines.

"The launch into production for this project means one of the largest joint venture diesel engine projects also has generated a powerful new competitive force," said Wang Ning, general manager for Beiqi Foton.

Beiqi Foton is China's largest commercial vehicle manufacturer, maintaining its top domestic market position for the past 11 years.

China's overall vehicle sales volumes exceeded 1 million during each of the past three years (through May 2009), making China the world's largest automotive sales market.

However, China's automotive export industry lags behind other countries.

Zhang Xiyong, executive deputy general manager for Foton Motor Group, said automakers who want to expand foreign markets are focusing on more advanced engines.

"To create a more energy-saving and environmentally friendly engine is the most

pressing task for China's auto makers that want to grow internationally," Zhang said.

"The top-notch 2.8-liter and 3.8-liter light-duty diesel engines made by Foton Cummins will make it possible to exceed current environmental requirements. These engines will help Foton to move into new international markets," Zhang said.

Beiqi Foton estimates that its vehicle sales will reach 800,000 to 1 million units a year by 2010, with 20 percent of those future sales expected to come from overseas markets.

(http://www.chinadaily.com.cn/regional/2009-07/06/content_8382541.htm)

Oil and gas

High gas prices good for economy, ecology

July 15 (China Daily) - Gas prices have gone up yet again in China. While rising fuel prices are bound to upset motorists, it is a good public policy both from the economic and environmental points of view.

The increase in fuel prices will address two of Beijing's biggest problems: chronic traffic congestion and air pollution. We expatriates have a standing joke that the Third Ring Road is the capital's longest parking lot. On a more serious note, the continued increase in the number of vehicles in Beijing threatens to offset the recent improvement in air quality after factories were moved outside the city.

Beijing's municipal government has sought to address the problem by re-imposing the odd-even system of driving introduced before the Beijing Olympic Games. But the system doesn't seem to have had much effect on the commuting behavior of families with two cars with odd- and even-numbered license plates.

For example, a Chinese colleague in the State-owned enterprise - a subsidiary of China National Petroleum Company (CNPC) - where I work in Beijing has a car with an odd-number plate, while her husband has one with an even number. She told me recently that they drove to

work every day by switching their cars to comply with the odd-even traffic regulation during the Olympic Games.

The economic theory that people respond to price incentives, along with empirical evidence, shows there is only one surefire way to get people to drive less and use more fuel-efficient vehicles. And that can be achieved by raising the cost of driving.

The US experience clearly bears this out. After the first oil price shock of the 1970s, the US government mandated average fuel-efficiency standards for automobiles (CAFE levels) to reduce gas consumption. The result: during the late 1970s, when oil prices were still high and gasoline was relatively expensive, US automobiles' fuel efficiency improved markedly.

But during the 1980s when energy prices hit historic lows after being adjusted for inflation, the sales of gas-guzzling SUVs, exempted from CAFE standards, soared. Growing suburban sprawls in US cities led people to drive more, increasing traffic congestion and commuting time for motorists.

The recent increase in gasoline prices in the US, which jumped to above \$3 a gallon in 2007 - gas was below \$2 a gallon in 2005 - has helped reverse these trends.

US Federal Highway Administration (FHWA) data show a 4.3 percent fall in the miles logged by US drivers from March 2007 to March 2008. This figure had been rising sharply every year from 1983, when the FHWA began collecting such data, to 2007. Plus, sales of SUVs have plunged, while those of hybrid cars have risen dramatically.

Since car ownership is a new phenomenon in China, I suspect many Chinese drive to work or other places not because traveling by car is the only or best way to get from point A to B, but because they want to drive their newly bought vehicles as much as possible.

For instance, one day a foreign colleague visited CNPC's research facility just beyond the Sixth Ring Road in southeast Beijing. On his way back, a Chinese colleague offered to give him a ride in his car and drop him off at Dongzhimen, from where he could take a bus back home to Shunyi.

My foreign colleague told me later that it had taken him about an hour by the subway and bus to reach the facility, but the return trip to Dongzhimen in the car took him more than 90 minutes.

While their car was stuck in one of the many jams, my foreign colleague wondered why would a person spend more money to drive a car and still reach half an hour later than what a much cheaper public transport would take. He got his answer from the Chinese colleague who said he wanted to drive as much as possible because he liked having a new car and using it -- and he wanted to do all the driving before gas prices rose.

Thus fuel prices should be raised if we want to reduce the number of vehicles on the roads. Rising fuel prices will not do any harm to people who use public transport. Besides, unlike most American urban-dwellers, Beijingers have access to a pretty good transport system, and it is improving rapidly. The increase in fuel prices should prompt more and more people to take advantage of such a system.

That will be good not only for the city's traffic, but also its air quality.

The author William Daniel Garst is a Sinologist, and teaches at Jintai Academy and Peking University.

http://www.chinadaily.com.cn/cndy/2009-07/15/content_8429008.htm)

Oil giants speed up overseas expansion

July 8 (China Daily) -- China's five leading oil companies have all accelerated the pace of their overseas development in the first half of this year due to sliding prices and rising domestic oil demand, said a Shanghai Securities News report today.

China Aviation Oil (Singapore) Co Ltd, a subsidiary of China's largest jet-fuel producer and distributor, China National Aviation Fuel Group, recently announced it intended to buy a refinery in South Korea to expand operations besides aviation oil trade and supply, said the report, citing the company's CEO, Meng Fanqiu.

Although there were slim margins and rare investment opportunities in the refinery sector, some refinery plants in South Korea were still attractive and may be acquired at reasonable prices, Meng said.

Last week, the news that China's largest oil company, China National Petroleum Corp (CNPC), and China's top offshore oil and gas producer, China National Offshore Oil Corp (CNOOC), made a bid for Spanish oil major Repsol's Argentine unit YPF aroused the world's attention.

If the acquisition is approved, it will make a record in China's crude assets trade history with an estimated investment of \$22.6 billion.

CNPC, teamed with Britain BP PLC, won a contract on June 30 to develop the Rumaila oilfield in Iraq, which boasts the third-largest oil reserves in the world. It also planned to bid for the auction of two oil blocks in Venezuela together with France's Total.

In addition, CNPC's listed arm PetroChina completed the purchase of a 45.51 percent stake in Singapore Petroleum Co with \$1.02 billion on June 21.

CNPC's smaller rival Sinopec Group said on June 25 it agreed to acquire the Geneva-based oil and gas producer Addax Petroleum Corp for \$7.3 billion.

State oil trader Sinochem and CNOOC also led a consortium to enter a bid for Maysan oilfield complex in Iraq, but failed eventually in June.

"These acquisitions imply that some foreign resource enterprises were caught with liquidity difficulties caused by the global financial crisis," said Zhou Fengqi, former director of the Energy Research Institute under the National Development and Reform Commission yesterday.

Zhou's views echo those of Lin Boqiang, director of the China Center for Energy Economics Research at Xiamen University. "The timing is now good for domestic oil companies to make overseas deals as they can buy assets cheaper."

"But Chinese oil companies should select quality assets prudently," Zhou added.

Meng said China Aviation Oil is extremely prudent about overseas acquisitions as it follows a set of strict evaluation procedures.

Ping An Insurance, China's second-largest life insurer, incurred a 22.8 billion-yuan (\$3.34 billion) investment loss in Fortis, a Belgian-Dutch bank last year, being an expensive lesson to Chinese companies which are still inexperienced in foreign acquisitions.

Chinese enterprises' overseas acquisitions had amounted to 67 cases this year as of the end of June, involving an asset value of \$26.7 billion, up 26.3 percent year-on-year, the report said, quoting Thomson Reuters figures.

China, the second largest energy consumer in the world, relies on imported oil for nearly half of its requirements. The country's oil consumption grew around 5 percent annually in recent years.

Customs data showed that China's net crude-oil imports rose to 16.62 million tons in May, a 14-month high, as demand gained before the peak summer period.

In order to meet the country's mounting oil demand for rapid economic growth, Chinese oil giants are deploying their strategic overseas expansions by grasping the chance of cash hungry overseas oil firms and lower crude prices.

Crude oil prices have fallen to around \$60 a barrel these days, after rocketing to a record above \$147 in July last year.

http://www.chinadaily.com.cn/bizchina/2009-07/08/content_8397626.htm)

CNOOC gets govt permission to sell oil products

July 25 (China Daily) - China National Offshore Oil Corp (CNOOC), the country's third largest oil company, has won oil product wholesale licenses, as the government opens the sector to greater competition.

With the licenses, the Beijing-based CNOOC will be able to sell products to other oil companies. The company is China's leading offshore oil and gas producer but a newcomer to the refining and fuel sales sectors.

Analysts said the new refined oil wholesale licenses would facilitate CNOOC to sell products from its Huizhou refinery in southern Guangdong province and from smaller refineries it had acquired previously.

But as CNOOC now still plays a small role in domestic refined oil market, the move will not have any big impact on China's two oil majors, PetroChina and Sinopec, they said.

According to the Ministry of Commerce, now among the companies that have oil product wholesale licenses, around three fourths are owned by PetroChina and Sinopec.

The Beijing-based CNOOC earlier started its Huizhou refinery in Guangdong province. The project, which can process 12 million tons of crude oil annually, was CNOOC's first refinery in China.

The company has also charted plans to further expand its new Huizhou oil refinery. It has signed a frame contract with the local government, under which it is expected to boost the capacity of the refinery to 22 million tons per year from the present 12 million during the 12th Five-Year Plan period (2011-15).

The Huizhou project is in the Pearl River Delta, one of China's economic powerhouses. CNOOC has been focusing on the region to develop its downstream business, sources with the company told China Daily on Friday.

Fu Chengyu, president of CNOOC, had said earlier that the company would invest more than 300 billion yuan in the southern Guangdong province over the next five years.

The investment will mainly go towards development of oil and gas fields in the South China Sea, construction of petrochemical projects in Huizhou, and the building of a natural gas pipeline in the region, said Fu.

Guangdong is a key base for CNOOC's future development, said Fu. The company has invested over 120 billion yuan in the province, and in 2008 alone, it invested 33 billion yuan in the region.

A regulation, issued in December 2006, allows qualified domestic and foreign companies to sell crude and fuel in the world's second-biggest energy-consuming nation. The move is part of

China's efforts to open up its market to meet obligations under the World Trade Organization, which the country joined in December 2001.

(http://www.chinadaily.com.cn/cndy/2009-07/25/content_8471799.htm)

Gasoline, diesel prices trimmed by 3%

July 29 (China Daily) -- China cut gasoline and diesel prices by 220 yuan per ton, or 3 percent, effective Wednesday, to reflect the drop in international crude prices.

This equals price cut of 0.16 yuan per liter in gasoline prices and 0.19 yuan per liter in diesel prices. It is the second price cut on fuel prices this year.

The price cut was in response to recent falls in global crude prices, according to the National Development and Reform Commission (NDRC), the country's top economic planning body.

China adopted a new oil pricing system this year, under which domestic fuel prices would be adjusted when the moving average of a basket of international crude (Brent, Dubai and Cinto) changes more than 4 percent over a period of 22 working days.

According to CBI China, a domestic commodity information provider, by the end of July 27, the moving average of crude prices in Brent, Dubai and Cinto went down by 5.29 percent from last price adjustment on June 30.

"This round of fuel price adjustments is not surprising," said Zhong Jian, analyst with the Shanghai-based oil gas.com.cn.

Zhong last week said the government would cut fuel prices by around 200 yuan per ton at the end of July.

"There is no doubt that the government will change fuel prices more frequently this year," said Lin Boqiang, professor, Xiamen University.

According to CBI China, this round of price adjustment will have little impact on the country's two oil majors, PetroChina and Sinopec.

China raised fuel prices twice in June. After the two adjustments the price of 93 octane gasoline in Beijing was 6.37 yuan per liter, the highest level in history. The last two price rises evoked widespread complaints from domestic consumers, who felt that fuel prices are too high and unaffordable.

An industry insider, who asked not to be named, told China Daily that domestic fuel prices are almost on par with the prices in last July, when international crude prices were at the highest level. Such pricing system does not reflect global oil prices well, he said.

(http://www.chinadaily.com.cn/china/2009-07/29/content_8485676.htm)

Oil firm refining net up

July 16 (China Daily) – China National Petroleum Corp (CNPC), the country's largest oil and gas producer, yesterday said its refining business profits rose to a record high in the first half after the government revised the fuel pricing system this year.

CNPC's refining business achieved robust growth although it processed less crude in the period year-on-year due to weak demand, according to a statement released yesterday. The company did not, however, give out any profit numbers.

The better-than-expected performance was a result of "restructuring in business", said Shen Diancheng, vice-president of CNPC's listed arm PetroChina Co.

PetroChina made a profit of 53.6 billion yuan (\$7.84 billion) in the first half of last year. It incurred 83 billion yuan in refining losses last year due to domestic price controls and shrinking sales of refined products towards the end of 2008.

CNPC boasts of a primary crude processing capacity of 140 million tons per year. It operates 26 refineries and petrochemical enterprises, mainly in northeast and northwest China.

The company produces over 40 percent of the nation's oil products, including gasoline, diesel fuel, kerosene and lube oil.

Currently CNPC operates three overseas joint venture refineries - in Sudan, Kazakhstan and Algeria.

Analysts said that the company's strong performance in the refining business was due to relatively stable oil prices.

The fluctuating oil price had the biggest effect on PetroChina's business performance, and other factors such as windfall taxes also played a role, said Liu Gu, energy analyst with Guotai Junan Securities.

China, the world's third-largest economy, raised domestic gasoline and diesel prices three times this year under a revised pricing formula.

CNPC will cut its investment budget by 10 percent, also lower its cost by 5 percent from the plan made at the beginning of this year, it said.

(http://www.chinadaily.com.cn/bizchina/2009-07/16/content_8435047.htm)

China's first half oil use declines: industry group

July 28 (Xinhua) - China's oil consumption declined in the first half of the year as the country's economy slowed, but it would pick up growth in the second half, the main industry group said Monday.

According to the China Petroleum and Chemical Industry Association (CPCIA), China's apparent consumption of crude oil dropped 2.9 percent year-on-year to 190 million tons.

The decline was 4.2 percentage points lower than that of the first quarter, Zhu Fang, deputy director of the CPCIA's information and marketing department, told Xinhua.

Apparent consumption represents the sum of net imports and output, and can be used to estimate real consumption excluding inventory.

Apparent consumption of oil products, including gasoline, diesel and kerosene, dropped 2.6 percent to 103 million tons from last year's level, compared to a 6.5 percent year-on-year decrease in the first quarter.

The decline in oil use was a result of China's weakening real economy, and as China's economy bottomed out, oil consumption would rebound in the second half, said Zhu.

However, he pointed out that the revival might not be fast, as so far there had been no clear sign of recovery in the country's exports.

China's gross domestic product (GDP) expanded 7.9 percent year on year in the second quarter, up from 6.1 percent in the first quarter and 6.8 percent in the fourth quarter last year.

The country's exports totaled \$521.53 billion, representing a decrease of 21.8 percent over the same period last year due to sluggish external demand.

(http://www.chinadaily.com.cn/bizchina/2009-07/28/content_8482587.htm)

Britain's BP, Chinese oil firm win Iraq deals

July 1 (Agencies) -- BAGHDAD: British energy giant BP and China's Chinese National Petroleum Corp (CNPC) International Ltd won a deal to develop Iraq's biggest oilfield but had to slash its fee as Baghdad's tough terms put off other investors in the country's first major energy auction since the US-led invasion in 2003.

Other companies, including firms from China and India that are eager to get a share of the world's third largest oil reserves, balked at the fees and Iraq failed to strike deals on the remaining seven oil and gas fields on offer.

The controversial auction of Iraq's prized assets took place on the same day that the US troops who toppled Saddam Hussein quit Iraq's cities and left security chiefly to the country's own forces. The sale aims to raise funds for reconstruction as Iraq also takes greater charge of its economy.

"Today we have seen that the Iraqi Oil Ministry and international oil companies are living on different planets," oil analyst Ruba Husari said.

The results of the auction were not a disappointment, said Oil Ministry spokesman Asim Jihad.

"The participation of these well-known, major companies is a good sign and it reflects the desire of these firms to invest in the Iraqi oil sector," Jihad said.

Iraq's Oil Ministry asked companies to submit revised bids at the end of the auction. Seven did, but they were not made public. The bids would be handed to the Iraqi cabinet for a decision, an official close to the process said.

The sale was billed as the first chance since Iraq nationalised its oil in 1972 for major foreign companies to get a run at the country's hydrocarbon reserves, much of which are untapped. But many Iraqi critics said it was a bad bargain.

Foreign companies servicing the fields will be paid per barrel of oil produced above a certain amount.

BP and CNPC Grab Sole Deal

The BP-led consortium including the CNPC, was the only foreign group to strike a deal -- for the 17-billion barrel Rumaila oilfield, Iraq's biggest, in the Shi'ite south.

The deal only went down after an Exxon Mobil-led group rejected the government's proposed fee.

(http://www.chinadaily.com.cn/china/2009-07/01/content_8342070.htm)

Climate Change and Air Pollution

China, US expand consensus on climate change at S&ED

July 16 (Xinhua) – WASHINGTON - China and the United States have expanded consensus and increased mutual understanding on climate change at the first round of China-US Strategic and Economic Dialogue (S&ED) held here July 27-28, a senior Chinese official said here Tuesday.

"The two sides have further increased cooperation on the issue at the dialogue, which is very successful," Xie Zhenhua, vice minister in charge of China's National Development and Reform Commission (NDRC), the top economic planning agency, told Xinhua in an exclusive interview at the sidelines of the dialogue.

At S&ED, Chinese officials have conducted negotiations with their US counterparts on each specific issue on climate change, which led to more mutual understanding, consensus and cooperation, he said.

Both sides agreed to conduct more policy consultations on climate change in the future, so as to help boost comprehensive development of the overall relationship between the two nations, Xie added.

According to him, at the dialogue, China and US officials also agreed to carry out pragmatic cooperation and initiate concrete projects on energy-saving, energy efficiency, renewable energy resources, nuclear energy, China's adaptability to climate change as well as related scientific research.

"I believe the S&ED has served as a great platform for China-US cooperation on climate and global response on the issue, and will play an important role in that aspect in the future," said Xie.

He said the dialogue was very significant because it enhanced the willingness from both sides to expand cooperation on climate change and to increase mutual understanding on the issue.

The US side highly appreciated China's efforts and achievements in response to climate change, and China also gave high remarks for Obama administration's positive adjustments on its climate policy, said Xie.

The both sides recognized that there are huge difference between the two countries in terms of national circumstances, stage of development, historic responsibility and capabilities and agreed that the two nations should pursue active policies on climate change according to their respective responsibilities and capabilities, he said.

Xie said he and US officials believe the prospect for future cooperation is very bright and see great potential for cooperation in many areas.

Both sides also expressed strong willingness to create new mechanisms for better and more pragmatic cooperation.

Xie added that Chinese and US officials reclaimed their positions to the upcoming UN Climate Change Conference in Copenhagen, Denmark.

"China indicated that the Copenhagen Conference must stick to the basic framework of Convention and its Protocol, strictly subject to the mandate of Bali Roadmap and intend to determine the key issue of the mid-term quantified substantial emission reduction targets for developed countries," he told Xinhua.

At the dialogue, both sides agreed to adhere to the principle of "common but differentiated responsibilities," promote the international negotiation in accordance with the stipulation of the Convention and the request of the Bali Action Plan.

They also agreed to work together toward a positive outcome in Copenhagen.

On April 1 this year, Chinese President Hu Jintao and his US counterpart Barack Obama agreed to establish the new bilateral dialogue mechanism of S&ED during their first meeting in London, on the sidelines of the G20 financial summit.

Compared with previous China-US cooperative mechanisms, the S&ED covers a broader range of topics and facilitates more in-depth talks between the two nations.

http://news.xinhuanet.com/english/2009-07/29/content_11788929.htm)

China, Australia cooperate to fight climate change

July 20 (China.org.cn) - In a bid to provide practical solutions to the threat of climate change, Australia's Curtin University of Technology signed an agreement on Monday with Huazhong University of Science and

Technology (HUST) to establish a new laboratory for research into new energy technologies.

The result of this agreement, the Joint Research Laboratory for Coal and Biomass Utilisation (JRL), will combine the research capabilities of both Curtin and HUST to develop new low-emission energy technologies.

According to Curtin Vice-Chancellor Professor Jeanette Hackett, this is a great opportunity for Curtin, Western Australia and Australia-China relations.

"Through this agreement, Curtin and HUST will further strengthen their already impressive capabilities in these research areas," Hackett said.

"As evidence continues to mount concerning the real threat posed by climate change, it is important that we explore the possibility of harnessing new energy sources, as well as reducing the carbon emissions from existing energy sources.

"This joint venture will combine the resources of the largest university in Western Australia with the eighth highest ranking university in China. "It will unite the State Key Laboratory of Coal Combustion at HUST with the Curtin Centre for Advanced Energy Science and Engineering, providing synergies and real opportunities for innovation

(http://www.china.org.cn/environment/news/2009-07/20/content_18170532.htm)

China offers proposal on tackling global climate change

July 6 (China Daily) -- Chinese State Councilor Dai Bingguo on Thursday offered a three-point proposal on the global fight against climate change.

In a speech at the leaders' meeting of a forum of major economies on energy security and climate change, Dai said that firstly, the right principle should be upheld in tackling climate change.

Dai, attending the meeting on behalf of Chinese President Hu Jintao, said the cooperation

among countries is indispensable for the fight against climate change.

He called for unswerving implementation of the principle of "common but differentiated responsibility" established by the UN Framework Convention on Climate Change (UNFCCC), since it is the guideline of international cooperation to cope with the challenge.

The State councilor said that developed countries should take the lead in reducing emissions to honor their commitments under the Kyoto Protocol for the first commitment period.

The developed countries should also set a medium-term emission reduction target after 2012, when the first commitment period expires, Dai said.

He added that the developing countries, within the framework of sustainable development, should also take active measures to make due contributions to emissions cut.

Secondly, the spreading of technologies should be reinforced, said the state councilor. He called for the building of environment-friendly and energy-saving societies, technology promotion, energy optimization and strengthening environmental protection.

He expressed the hope that all parties concerned, especially the developed countries, will support a proposal by the Group of 77 and China in Bali in 2007, which called on the developed countries to take concrete actions to help the developing countries fight climate change by providing them with funds and technology.

No countries should resort to any forms of protectionism under the excuse of tackling climate change and developing low-carbon economy, Dai said.

Thirdly, a solid foundation should be strengthened, he said. Dai said that economic development is the key to the fight against climate change and efforts to tackle the challenge would be in vain without the economic development of the developing countries.

The UNFCCC stipulates that economic and social development and poverty elimination are the primary tasks of the developing countries that have signed the convention, Dai said.

Therefore, actions to deal with climate change should promote rather than hinder the economic development of the developing countries.

For the time being, it is imperative for the developed countries to offer support for the sustainable development of the developing ones to inject new vigor into international cooperation, Dai said.

Leaders of the G8 industrialized countries and five leading emerging economies -- India, China, Mexico, Brazil and South Africa -- met on Thursday to discuss economic issues, climate change, trade and other international issues.

(http://www.chinadaily.com.cn/bizchina/2009-07/10/content_8410776.htm)

China fights climate change in its own way

July 27 (Shanghai Daily) - As Chinese President Hu Jintao and Chinese diplomats sat in a spacious hall in Beijing over the weekend to discuss diplomatic projects, they sacrificed the formality of suits and ties in favor of white dress shirts to better weather the warm temperatures inside the building - a measure to help conserve energy.

The temperature in the room is set automatically to 26 degrees Celsius, or 79 Fahrenheit, so the usual attire would make for a sweaty mission.

Two years ago, the Chinese Cabinet regulated the lowest indoor temperature in all public venues during the summer to save energy, with the rare exception of diplomatic occasions or grand state ceremonies.

Premier Wen Jiabao met last week with US Energy Secretary Steven Chu and Commerce Secretary Gary Locke, who were in China to advance bilateral cooperation on clean energy and energy efficiency technologies.

Wen's deputy, Vice Premier Li Keqiang, told Secretary Chu, a Nobel laureate who is a strong promoter of clean energy, that China adhered to the principle of "common but differentiated responsibilities" as it actively responds to global climate change.

"Common but differentiated responsibilities" refers to the responsibilities of both developed and developing countries in reducing their carbon footprints respective to their developmental abilities.

The United Nations Framework Convention on Climate Change (UNFCCC) notes "that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs."

The UNFCCC was signed by more than 150 countries at the Rio Earth Summit in 1992 and was approved by at least 192 countries.

George Washington University law professor David Freestone, who retired six months ago from the World Bank as a senior adviser and deputy general counsel, said in an e-mail interview with Xinhua, "I do not see it (the principle) as outdated."

Professor Robert Stavins at Harvard's John F. Kennedy School of Government also wrote to Xinhua:

"The central feature of the principle is (that) all countries should be involved in addressing climate change, their burden in addressing climate change need not be the same, and their relative burdens could be related to their stage of economic development."

Data from the National Development and Reform Commission (NDRC) showed from 1950 to 2000 greenhouse gas emissions from industrialized countries accounted for 77 percent of the world total while China contributed about 9 percent. Renewable energy .Between 1850 and 2005, the US emitted 27 percent of the world's total carbon dioxide, Russia and China both 8 percent, Germany 7 percent, the United Kingdom 6 percent, Japan 4 percent and India 2 percent, according to the Global Environment and Energy in the 21st Century, or GEE-21. The Honolulu, Hawaii, -based nonprofit organization carries out research and educational activities on resource management and environment.

Even though China's per capita carbon dioxide emissions were about only one-fifth of those in

the United States, the 1.3 billion population and the rapidly growing economy makes China the second largest emitter next to the US.

Cooperating with the world to address global climate change, China looks toward renewable energy sources and stringent emission rules.

In building up hydro, nuclear, solar and wind power capacities, China aims at increasing renewable energy consumption to 10 percent by 2010 and 15 percent by 2020, with an emphasis on supplying advanced energy technologies to rural China to accommodating 750 million villagers in a more environment-friendly fashion.

By 2008, according to the Global Wind Energy Council, China had the largest wind turbines fleet in Asia, with a total power-generating capacity of 12.21 million kilowatts, which ranked the fourth in the world.

The government's incentives policies brought about more than 600 solar cell companies, mostly privately owned, which manufacture 44 percent of the world's cells for solar power devices.

More than 90 percent of the solar cells manufactured in China were exported to other countries to advance their green efforts. However, the production of these cells causes heavy pollution, leading to a greater emission debt in China's industrial areas.

Aggressive program

The task ahead remains arduous.

Currently two-thirds of China's energy supply is fueled by coal.

When he was told that almost 40 percent of China's four trillion-yuan economic stimulus package had gone to green projects, Secretary Locke said last week in Beijing to the American Chamber of Commerce and the US-China Business Council, "China has already adopted the most aggressive energy-efficiency program in the entire world, and they are on track to exceed many of their renewable energy adoption goals."

China and the US kicked off last week a joint research center on clean energy, with an initial funding of US\$15 million for research and

development, mainly on energy-efficient buildings, clean coal use and clean-fuel vehicles.

At a meeting of leaders from five developing countries' leaders on July 8 in Italy, State Councillor Dai Bingguo urged developed countries to "make an explicit commitment to take the lead in emissions reductions and provide developing countries with measurable, reportable and verifiable support in technology, funding and capacity building."

He made the remarks on behalf of Hu Jintao who could not attend the meeting due to the incident in Xinjiang.

Stavins, who directs the Harvard Project on International Climate Agreements, said, "The ongoing dialogue between China and the United States is particularly important."

The American environmental economist, however, suggested capital markets should place more emphasis on supporting competitive cutting-edge environmental technologies.

"Technological transfer will surely be a major part of any future international climate regime that is meaningful, but the most effective way for it to be included will be through market-based incentives for private-sector investment in the developing world," he said.

(http://www.shanghaidaily.com/sp/article/2009/200907/20090723/article_408284.htm)

Mid-term target urged for CO2 cut

July 10 (Agencies) - Italy - A senior Chinese climate change official urged developed countries to set a mid-term target for emission cuts, which is a "significant support" to the long-term goal.

Su Wei, director-general of the Department of Climate Change from the National Development and Reform Commission, made the remarks here yesterday after G8 industrialized nations and G5 emerging economies committed themselves only to "substantially reducing global emissions by 2050", but failed to agree a specific target.

The G8 agreed on Wednesday to limit global warming to within 2 C above pre-industrial levels, but watered down a target of halving greenhouse gas emission by 2050.

Developed nations must have a specific mid-term plan for climate change, said Su.

The lack of a substantive agreement, other than the desire to keep global temperatures down, leaves world leaders facing daunting negotiations to reach agreement at the Copenhagen conference in December, which is due to set the entire climate change framework covering the period from 2012 to 2050.

US President Barack Obama chaired the 17-member Major Economies Forum (MEF) yesterday on climate change and energy security. The MEF contributes 80 percent of world emissions.

The MEF, which is a forum rather than a negotiation system, can only push the work of dealing with climate change at the political level, said Su.

"If the developed nations do not have specific mid-term target, how can they achieve the long-term goal," he asked.

Su said that the United Nations Framework Convention on Climate Change, the Kyoto Protocol and Bali Roadmap have drafted clear steps for dealing with climate change. The most pressing thing is that the developed nations should commit their promises, he said.

(http://www.chinadaily.com.cn/cndy/2009-07/10/content_8405240.htm)

China to become leader in green tech: experts

July 11 (Xinhua) -- ROME: China is set to become a global leader in the implementation of environmental-friendly policies and green technologies to tackle climate change, an Italian expert told Xinhua in a recent interview.

For Stefano Pogutz, an environmental management professor at Bocconi University in Milan, China's green-policies investment plans

are greater than those carried-out in the United States and in many other industrialized countries.

"What China is doing to tackle global warming is impressive considering the density of Chinese population and the rapid economic growth model China is following," Pogutz said.

Climate change is at the core of the G8 summit held in L'Aquila from Wednesday to Friday. Talks had focused on the need to forge a new post-Kyoto agreement and to increase research and investments in the green economy.

The results of the G8 summit on climate change should pave the way to the United Nations meeting in Copenhagen in December, which aims at sealing a global deal to limit greenhouse gas emissions.

According to the UN climate change framework agreement and the Kyoto protocol, China is not subject to mandatory emission cuts of CO2.

However, on its own China is already contributing to the fight against climate change through a series of initiatives aimed at curbing carbon emissions, such as lowering internal energy consumption levels and launching traffic and transportation monitoring schemes.

"I don't agree with those who believe that China is responsible for global pollution," Pogutz said. "China is doing a lot, there's a direct public intervention on measures aimed at fighting climate change. The Chinese government has increased investments in technologies and infrastructures to boost energetic efficiency and cut CO2 emissions."

Luca Labella, a China analyst with Rome's International Studies Center (Cesi), remembered the numerous local green projects implemented in China such as Shanghai's LPG buses and the rural towns' biomass-fueled.

"China is open to climate change issues and solutions. However, in China climate change is not considered under a political perspective but a scientific one, focused on progress and research," he added.

According to Pogutz, China is set to have a role of leadership in the use of renewable energies and other green technologies.

"Today China is one of the greatest producer of solar panels and in the near future it could lead in the export of alternative energy technologies."

But it's not only a matter of strategic investments in green technologies. China's contribution to the global fight against climate change largely depends as well on its human resources. "Almost all PhD students in the U.S. come from China," he added.

(<http://www.ccchina.gov.cn/en/NewsInfo.asp?NewsId=18361>)

Climate change root cause for poverty

July 29 (Xinhua) -- UN Secretary-General Ban Ki-moon said here on Wednesday that he was pleased with what China is doing to contain climate change and what the Asian country will do in negotiations that will lead to an agreement at the Copenhagen summit on climate change in December.

Ban told his monthly press conference that "I was pleased that (Chinese) President Hu Jintao and Premier Wen Jiabao assured me that China wants to seal a deal in Copenhagen in December and that China will play an active and constructive role in the negotiations to achieve this end."

During his meeting with the Chinese leaders, "we also agreed on the importance of global leaders showing the way and discussed in detail the Climate Change Summit in New York on Sept. 22," Ban said.

"I wanted to highlight the special responsibility of countries like China to lead the global fight against climate change, as well as highlight all that China is doing," he said. "Come September, we will be entering a crucial stage on climate change."

"Climate change was the major focus of my trip to Asia," he said.

"In particular, I helped to launch an ambitious program to promote energy saving lighting which could reduce China's energy consumption by 8 percent," he said. "This is a major step into the 21st century."

The overall goal for the Copenhagen Summit, slated for Dec. 7-18, is to establish an ambitious global climate agreement for the period 2012.

In order to have "a robust agreement on adaptation in Copenhagen," he said, "I continue to press for achieving a fair, effective and scientifically ambitious deal in Copenhagen that can benefit all nations."

"That's why I am convening the September climate change summit," Ban said. "We expect more than 100 heads of state and governments -- the largest gathering of leaders on climate change ever."

"Two years ago, only a few leaders could speak to these issues," he said. "Today, leaders are walking the road to Copenhagen together."

But, we have less than five months to seal a deal," he said. "To keep up the momentum, I will travel to arctic polar ice rim later next month to get a first-hand look at conditions there -- in particular the melting sea ice."

"I will then go on to the World Climate Conference in Geneva organized by the World Meteorological Organization," he said.

(http://news.xinhuanet.com/english/2009-07/30/content_11794787.htm)