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## TABLE OF CONTENTS

<b>GENERAL ENERGY ISSUES .....</b>	<b>4</b>
Hu: China to contribute to world energy security .....	4
Clean energy tops agenda of Sino-US science co-op .....	5
US, China urged to cooperate in energy.....	6
Power plant in Chengdu to turn waste into energy .....	7
Coal supply sufficient for 2006 demand.....	8
Cleaning up coal .....	8
China thirsts for energy-efficient buildings .....	10
China, India sign energy agreement.....	10
Gov't demands more focus on green energy .....	11
Long-term energy-saving plan launched.....	12
<b>AUTOMOBILE AND TRANSPORTATION.....</b>	<b>13</b>
Sales of independently developed cars rise in China .....	13
Lift ban on small car to banish pollution.....	13
Motor vehicle production to reach 5.6 mln .....	14
China cars no threat to Japan: report .....	14
Toyota: Sales on fast track in China .....	15
Buyers of big cars will pay more tax .....	16
Audi gearing up for sales above 100,000 .....	16
Small cars to roll off China's assembly lines .....	17
GM, Chery reach settlement .....	18
China rules out curbs on low-emission cars .....	18
Beijing Experimental Buses Aim to Cut Smog, Fuel.....	19
Safety guidelines for auto industry.....	19
<b>OIL AND GAS .....</b>	<b>20</b>
China's oil import growth continues to fall.....	20
CNOOC interests in Russian oil group's assets .....	21
CNOOC, Husky to explore deep water oil .....	21
China is in talks to buy Papua New Guinea gas.....	22

BP-Sinopec 'expansion a success' ..... 23  
 Oil and gas producers call for higher price ..... 23  
 BP in negotiations for stake of CAO ..... 24  
 Gas reserves grow at oilfield..... 25  
 Petrochemical complex approved..... 26

**CLIMATE CHANGE AND AIR POLLUTION ..... 27**

Global village needs to reduce greenhouse gases ..... 27  
 China vows to cut greenhouse gases ..... 28  
 Environmental forum urges green nation..... 28  
 Meeting clean-air goal a tough task ..... 29  
 Bid to Reduce GHGs Emissions Stepped up..... 30  
 China Kicks off 1st Int'l Cooperative Research on Climate Change ..... 31  
 China to Act Constructively in Climate-related Issues: FM Spokesman ..... 32

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## General Energy Issues

### Hu: China to contribute to world energy security

Nov.18 (Xinhuanet)--BUSAN, South Korea -- Chinese President Hu Jintao pledged here on Thursday to enhance dialogue and cooperation with all countries, to jointly maintain world energy security and stability.

Delivering a speech entitled "An Open Mind for Win-Win Cooperation" at the Asia-Pacific Economic Cooperation (APEC) CEO Summit in South Korea's southeastern port city of Busan, the Chinese president said that energy was always a global issue, indispensably linked with world economic development.

"To achieve balanced and orderly growth in the world economy, the international community must handle well the energy issue," Hu spoke to some 800 APEC business leaders.

The Chinese president arrived in Busan on Thursday to attend the APEC Economic Leaders' Meeting scheduled on Friday and Saturday. The main theme of this year's meeting is: "Toward One Community: Meet the Challenge, Make the Change."

The three-day APEC CEO summit, which started here on Thursday morning, is an annual event that gives business leaders from the Asia-Pacific region the opportunity to participate in highly interactive discussions on regional and global economic and trade issues with APEC Economic Leaders, economists, policy makers and fellow business leaders.

The theme of this year's CEO summit is: "Entrepreneurship and Prosperity: Building a Successful Partnership in the Asia-Pacific Region."

Since 2004, the Chinese president said, the surge of oil prices in the international market had affected the economic growth of the world economy, developing countries in particular.

"However, we should not fail to see that supply and demand on the international energy market are balanced on the whole, and that there is no crisis on the supply side," he said.

The most critical thing is for all countries to work together for stability of the world energy market, and to fuel the sustained growth of the world economy with sufficient, safe, economical and clean energy resources, the Chinese president said.

It is also important to take a long-term perspective, intensify energy development, deepen energy cooperation, increase energy efficiency, and facilitate the development and use of new energy resource, Hu added.

The Chinese president also briefed the APEC business leaders on China's energy strategy.

"The core of China's energy strategy has been clearly defined. We will strengthen policy guidance for energy conservation and high efficiency, give priority to energy conservation and rely on domestic resources," Hu said.

"While focusing on developing coal resources, we will develop diverse energy resources, and put in place a system that supplies stable, economical and clean energy," he added.

The development of nuclear, wind and bio-power in China has just started, and there is great potential for future development, Hu noted.

Though China's demand for energy has somewhat increased due to its steady economic growth, its per capita consumption volume is not high, the Chinese president pointed out.

In 2004, China's per capita primary energy consumption was only 1.08 tons of oil equivalent, or 66 percent of the world average of 1.63 tons. In the same year, China's net import of crude oil was 117 million tons, accounting for 6.31 percent of crude oil traded worldwide.

From 1990 through 2004, China, on average, sustained an annual economic growth rate of 9.3 percent with about 5 percent increase in annual energy consumption.

"China is a major energy consumer. But it is also a major energy producer," Hu told the business leaders.

Since the 1990s, China has always met over 90 percent of its overall energy needs on its own. As a country with coal dominating its energy structure, China still has huge potential for domestic supply.

"We have rich coal reserves, and two-thirds of our hydropower resources remain untapped," said the Chinese president.

Hu also briefed the APEC business leaders on China's energy conservation.

"We always work to combine energy development with conservation, and give top priority to conservation," he added.

China has made remarkable achievements in saving energy. In 2004, China's energy consumption per 10,000 RMB yuan (about 1,200 US dollars) GDP dropped by 45 percent compared with that of 1990.

Hu told the business leaders that China has introduced a mid- and long-term energy conservation program, with the objective of saving three percent of energy every year by 2020, or 1.4 billion tons of standard coal in total savings.

"We will rely on scientific and technological advancement, encourage the role of market mechanism and economic leverage, and build up our capability in energy saving, so as to improve energy conservation and efficiency across all fronts," the Chinese president said in the speech.

Hu arrived in Busan on Thursday from the capital of Seoul as part of his a visit to South Korea.

Among the CEOs present at the summit are Citigroup chairman William Rhodes, Microsoft Vice President Craig Mundie and Chevron Managing Director Samuel Snyder, along with top executives from Toyota, China Unicom and Hong Kong's Li and Fung Ltd.

Since its inception in 1989 in response to the growing interdependence among Asia-Pacific economies, APEC has become a formidable regional forum acting as the primary regional vehicle for promoting open trade and practical economic and technical cooperation in the Asia-Pacific region.

APEC accounts for more than one-third of the world's population (2.6 billion people), about 60 percent of world GDP and nearly half of world trade.

It represents the most economically dynamic region in the world, having generated nearly 70 percent of global economic growth in its first 10 years.

APEC currently has 21 members: Australia, Brunei, Canada, Chile, China, China's Hong Kong, Chinese Taipei, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, South Korea, Thailand, the United States and Vietnam. The chairmanship rotates among its members, with South Korea holding the chair this year.

### **Clean energy tops agenda of Sino-US science co-op**

BEIJING, Nov.19 (China daily)--In line with an increasing global concern about climate change and energy deficiency, China and the United States - both energy-consuming behemoths - are considering intensifying their collaboration in developing clean and efficient energy technologies.

The Chinese Ministry of Science and Technology said it is discussing with its US counterpart on a series of new joint plans to address related challenges confronting the two countries, such as energy efficiency.

Although no details were given, Ma Linying, deputy director of the ministry's International Cooperation Department, said clean coal energy and hydrogen energy are the two primary sectors both countries will jointly push forward in the future.

"We are examining a huge joint project proposed by the United States, which aims to utilize clean energy technologies to generate power, produce hydrogen and sequester carbon dioxide," Ma said.

President George W. Bush initiated the project, called FutureGen, two years ago. It plans to collect a fund of about US\$950 million to build a giant power plant with zero emission.

China Huaneng Group, the country's leading power corporation, joined the programme last month as a member of FutureGen Industrial Alliance.

The two countries' collaboration in hydrogen energy and fuel cell development is closely related to the Beijing Olympics Games in 2008, in accordance with a clean energy protocol they signed last year.

Apart from building a park that produces and delivers hydrogen, both sides also agreed to create a hybrid vehicle fleet to shuttle during the Beijing Olympic Games.

"We are particularly inspiring our academic institutes and businesses to get involved in energy development with the United States," said Ma.

Energy has always been a key area in the history of Sino-US State-level science and technology co-operation, which dates back 26 years to when the two sides signed the first official agreement in this regard.

A whole raft of joint energy programmes have been initiated in the last two years under the framework of three documents, namely the Fossil Energy Protocol, the Protocol for Co-operation in the Fields of Energy Efficiency and Renewable Energy Technology Development and Utilization, and the Protocol for Co-operation in Clean Energy Technologies for the Beijing Olympic Games. In addition to clean energy, the two countries have also joined hands in energy efficiency building, fusion research and natural gas technology management.

Ma, who served in the United States for five years as a counsellor, commented that the United States is "among our most important partners in terms of scientific and technological development, not only in energy."

"We have established an extensive and all-around partnership also in areas like agriculture, environment, hygiene and basic science," he said.

An estimate from the ministry shows about one fourth of the ministry's annual key international co-operative projects were launched with the United States between 2001 and 2005.

These key projects have a total investment of some 100 million yuan (US\$12.3 million) this year, almost quadrupled that of four years ago.

## US, China urged to cooperate in energy

Dec.1 (AFP)--The United States and China should have a joint energy research and development program, a senior US Senator said, warning that the two powers could go to war in their insatiable quest for depleting foreign energy supplies.

"We are heading towards two thirds by each country on dependence on foreign oil. Let's recognize this problem before it becomes an intense competition which can actually lead to military conflict," said Joseph Lieberman, the Democratic Senator from Connecticut.

Let's do it by each trying to diversify to clean fuels, alternative fuels, hybrids, electric plug ins," he told reporters after speaking at a forum "China-US energy policies: A choice of cooperation or collision?."

Lieberman, a member of the powerful Senate Armed Services Committee, cited the formal US-China dialogue process and said, "We ought to add joint energy research and development projects to that dialogue and then begin to see if we can work together."

He noted that President George W. Bush's administration had begun talking to the Chinese authorities on the energy issue but added however that more serious attention should be given to the pressing problem.

"What I am saying is: it needs to be urgent, it needs to be expanded. This is one of those situations where if you step back, you see that China and the US are in a very similar positions in terms of our dependence on foreign oil and you can see conflict coming between us for the same sources of oil.

"Why not see it and avoid by cooperative action," he said.

The US and China now represent one third of total global oil consumption.

Their combined crude demand for 2005 is forecast at 28 million barrels per day, out of a total worldwide demand of 84.3 million barrels per day, according to the International Energy Agency.

The two countries' total oil consumption was estimated to rise by 2.7 percent in 2005,

compared with the previous year -- an increase of 740,000 barrels per day.

That means Chinese and US demand for oil accounts for 42 percent of the total anticipated 2.2-percent growth in global oil demand in 2005.

A net importer of oil for the past decade, China last year overtook Japan as second largest net importer of oil after the United States.

On claims by some groups that the United States could try to dampen China's bid to acquire more oil from the open market, Lieberman said this was not possible under normal market conditions.

"The problem is if competition between us continues, each country will be paying an enormous amount of money to buy the oil and again, I worry that in a crisis that could lead to hostilities between us," he said.

Asked what would be the "trigger point," Lieberman said, "We know that war has been fought over natural resources and we ought to be wiser and avoid that in the interest of the Chinese people, the American people and the world."

### **Power plant in Chengdu to turn waste into energy**

CHENGDU, Dec.7 (China daily)--: A power station which burns rubbish to generate electricity is set to be built in the capital of Sichuan Province.

Bidders are being invited from around the world to build the station, which will be located in Luodai Town of Longquanyi District in Chengdu.

It will be Southwest China's largest power station.

Project leaders believe it will cost about 520 million yuan (US\$64 million) to build, becoming the first station in Chengdu to generate power by burning domestic waste.

Covering 7 hectares, it will burn 1,200 tons of rubbish a day, about one third of the city's daily garbage production, said Deng Tianping, deputy chief of Chengdu Cityscape Bureau.

The station will remove recyclable materials from the rubbish such as metals and plastic, then bury the remaining waste. After the rubbish has fermented, the station will collect methane through a pipe before drying out and burning the rubbish.

After clearing smoke arising from the burning process, the remaining heat will be used to generate electricity.

Construction of the station is expected to take two years. It will be built with the BOT (Build, Operate and Transfer) mode. Upon completion of the station's construction, investors can operate it for 25 years, Deng said.

Chengdu produces about 3,200 tons of rubbish a day, and the amount of rubbish being produced rises by 5 per cent every year.

At present, it buries all the rubbish. The annual cost of disposing of waste amounts to 30 million yuan (US\$3.7 million), with 10 further hectares of land needed each year to bury it.

But by burning one ton of rubbish, the city can generate about 20 kilowatt-hours of electricity. The process of burning rubbish will be handled in a sealed environment and will not cause pollution, Deng said.

The station, which will burn more than 400,000 tons of waste a year to generate more than 8.6 million kilowatt-hours of electricity, will be a solution to the problem of its disposal in Chengdu and remedy the present power shortage in the city, said Zhou Xianyuan, president of Chengdu Environmental Protection Research Institute.

Burying and burning, which is the common practice of rubbish disposal, does not solve the problem of secondary pollution, he said.

According to the Chengdu Municipal Planning Commission, Chengdu has lagged behind many parts of the country in the use of rubbish to generate electricity. Chongqing, Shandong, Jiangsu and Fujian provinces have established their own power stations using waste as the fuel.

Companies from both home and abroad are competing to win the bid to build the station. The city has invited experts in environmental protection and power agencies to process their applications, said a source from the commission.

## Coal supply sufficient for 2006 demand

Nov.29(Xinhuanet)--China's coal production is expected to rise 4.9 percent over this year to 2.16 billion tons in 2006, more than enough to meet demand which is also expected to rise next year.

This information was released by the Development Research Center of the State Council last week.

The report predicted the country's total coal consumption will be 2.1 billion tons in 2006, up 6.65 percent. Demand for coal is expected to rise this year by 7.4 percent.

The slowing of the rate of increased coal consumption next year compared with this year is mainly due to government policies that have decreased investment in sectors such as cement, aluminum, steel and real estate, the report said.

Conservation and more efficient coal consumption along with the introduction of substitute energy sources are also reasons for the slower increase in coal consumption, said the report.

It also predicted coal production in 2006 would not be affected by the closure of many small coal mines this year.

China launched a massive crackdown on unsafe coal mines in August, following a flooding of the Daxing Colliery in southern China, which killed 123 miners.

Since then, the country has closed nearly 2,000 coal mines and is expected to shut down another 4,000 by the end of this year, according to state safety watchdog.

According to the report, coal mine enterprises with annual sales of over 5 million yuan (617,000 US dollars), are expected to produce 1.95 billion tons of coal next year, accounting for over 90 percent of the total output.

## Cleaning up coal

Nov.28 (China daily)--China's demand for energy is insatiable, and the enormous market continues to grow apace.

The power sector is expanding at least 10 per cent annually, and environmental investment in coal burning electricity plants has become a key government priority.

The country's total power generation capacity will reach approximately 500 gigawatts (GW) by the end of the year. Seventy per cent of that is fuelled by coal, a major pollutant. According to the State Environmental Protection Administration (SEPA), the country's top industry environmental protection watchdog, coal-burning power plants are responsible for almost half of all sulphur dioxide emissions, which can cause acid rain.

China's top industrial policy making bodies are aware of the pressing need to update coal plants. Since 2003, the National Development and Reform Commission (NDRC) has increased efforts to eliminate sulphur from the country's coal-fired power plants. The economic planning agency ordered the installation of desulphurization equipment in most of coal-fired units.

These improved facilities are already working in power plants totalling 26.8 GW, and units totalling 60-GW are currently being developed, SEPA sources say.

Coal-fired power generating units will have to be equipped with desulphurization technology up to 300 GW within the next ten years.

"The market potential is huge because environmental protection and energy efficiency are at the top of the government's working agenda," says Guo Baolin, vice-president of the China Association of Machinery Industry for Environmental Protection, which oversees the desulphurization equipment sector in China.

Huge opportunities

Surging market demand is driving supply side investment.

Local producers are taking advantage of easy market access, while foreign investors are banking on technology.

Beijing Sambyun Science & Technology Co Ltd, a Beijing-based subsidiary of South Korean Nexus Co Ltd, has introduced its new sulphur elimination technology to cash in on the growing market.

"China is building a massive number of coal-fired power plants across the country, so we see huge opportunities in the environmental protection facility supply chain," says Joong Gee Jeon, representative director of Beijing Sambyun.

The company will sell their equipment at the average market price of 300 yuan (US\$37) per kilowatt, but their key competitive edge is the technology, Joong says.

Due to the high efficiency of the desulphurization process, the Sambyun-designed facilities will be able to recycle sulphur to produce by-products such as gesso, which can be used in construction.

"That is its strength over domestically designed and manufactured desulphurization facilities, which aren't as efficient," says Lv Xin, a senior engineer at the China Coal Industry Association's technology consulting centre.

Beijing Sambyun has signed letters of intent with three local machinery manufacturers in Beijing, Shanxi and Shandong to produce the South Korean-designed equipment domestically.

The company will manufacture 75 per cent of the equipment locally, with the other quarter imported from South Korea.

"That will save costs, both in labour and transportation," says Zhang Fusheng, marketing manager of Sambyun.

Sambyun will transfer some technology to their local partners in China.

Beijing Petrochemical Machinery Factory, one of the South Korean company's Beijing-based production partners, says the co-operative effort could result in the transfer of new technology.

Initial accords have been signed between Sambyun and other domestic client companies, including coal-fired power plants and petrochemical factories in Shanxi and Henan provinces.

Total installed capacity for the power plants is expected to reach 5 GW, according to figures from the South Korean company.

Domestic equipment manufacturers also have ambitious expansion plans, and are adopting a different approach.

Long Yuan Environmental Protection Engineering Co Ltd, a subsidiary under China Guodian Group, one of the country's five biggest power producers, is one of the largest enterprises in the country to produce desulphurization facilities. It says their core competitiveness lies in low service prices and easy access to customers.

A marketing manager at Long Yuan, who is only identified as Mr Zheng, says that the company sells their facilities for 100 yuan (US\$12.3) to 200 yuan (US\$24.6) per kilowatt. This is much more competitively priced than what foreign companies are offering.

"That's mainly because labour costs are lower in China," he says.

Long Yuan was one of China's earliest players in the desulphurization sector. It started in 1997, and has supplied environmental improvement equipment to coal-fired plants with a maximum capacity of 4.2 GW. The facilities under construction amount to 18 GW, Zheng says.

Clients include plants from most of the big electrical power groups, including Huaneng.

Zheng says Long Yuan is now able to produce original equipment designs and expertise based on technology it accumulated from German sources in the 1990s.

#### More regulation

Enormous as the market is, serious problems still exist in the desulphurization sector; there is a lack of effective industry regulation.

"The biggest problem is unregulated prices arising from stiff competition," says Guo.

Approximately 1,000 domestic companies compete in the desulphurization equipment production sector. They vary in size, but most of them are privately owned and have little technological background, industry sources say.

Desulphurization equipment installation prices have dropped by half over the past three years.

Long Yuan sold its products for 400 yuan (US\$49.3) per kilowatt in 2002, compared with the current 200 yuan (US\$24.6).

"The gross profit is less than 10 per cent now," says Zheng, adding that some of the lowest bidding companies cannot guarantee quality.

"A few power plants installed facilities that would only work for less than three years. It's a waste," Zheng says.

Desulphurization installations cost 150 million yuan (US\$18.5 million) for a coal-fired power plant with two 300-megawatt (MW) generators.

The government needs to come up with stricter policies to regulate the sector more effectively. Industry insiders suggest lifting investment qualifications for companies interested in the desulphurization business.

More fiscal incentives are also needed to encourage coal-fired power plants to prioritize desulphurization.

"Some plants now enjoy higher on-grid electricity prices if they use desulphurization facilities to lessen the environmental impact. They can be fined if they refuse to install," says Zheng.

Solid coordination between the NDRC and CEPA is also imperative to efficiently carry out these policies, he adds.

### **China thirsts for energy-efficient buildings**

Dec.4 (Xinhuanet)--Building construction and heating have been listed as China's top energy user, which consumed approximately one-quarter of the total energy consumed by the whole country, said Vice Minister of Construction Huang Wei.

Huang said at a recent national design conference that it constitutes an urgent task for China to develop energy-efficient buildings despite the fact that noticeable progress has been made in this regard.

Recent statistics show that there are 58.53 percent of the buildings have been designed with an energy-saving concept, but only 23.25 percent were built into the energy-efficient type.

China has completed a total space of about 320 million square meters of energy efficient buildings in the past decade and saved some 10.94 million tons of standard coal.

Nevertheless, buildings will still possibly consume more energy in the years ahead, acknowledged Huang.

Xu Jianzhong, an academician of the Chinese Academy of Sciences (CAS), said currently electric power, diesel oil or coal are used most to heat buildings in China, whereas all these energy resources can be replaced by solar energy or terrestrial heat.

Economists forecast that by 2020, there will be about 30 billion square meters of new building constructions in China. If all these buildings are energy-efficient, it will help save some 335 million tons of standard coal, and reduce 80 million kilowatts of electricity from air conditioning, which is equal to 4.5 times the total hydro-electric output generated by the gigantic Three Gorges Power Station on the mid reaches of the Yangtze River.

### **China, India sign energy agreement**

Jan.13 (China daily) -- China and India signed a slew of co-operation pacts in the hydrocarbon sector yesterday to ensure secure energy supplies.

In the "Memorandum for Enhancing Cooperation in the Field of Oil and Natural Gas" signed yesterday between Mani Shankar Aiyar, the visiting Indian petroleum and natural gas minister, and Ma Kai, director of China's National Development and Reform Commission, both sides identified key areas for partnerships.

They include upstream exploration and production, refining and marketing of petroleum products and petrochemicals, research and development, conservation, and promotion of environment-friendly fuels.

The agreement also allows trading in oil and joint bidding in third countries that will help both nations reduce the burden on the exchequers.

"We look upon China not as a strategic competitor but as a strategic partner," said Aiyar at a news conference at the Indian Embassy in Beijing last night.

"Both China and India recognize that unbridled rivalry between them only results in the seller of

the assets being benefited irrespective of which of the two countries wins the bid," Aiyar told reporters on Thursday.

"Therefore it does make sense ... to have circumstances in which India and China march shoulder to shoulder."

He added: "I don't think it is necessary for either India or China to purchase its energy security at the expense of the other."

Such cooperation would be subject to information sharing between governments and companies that could facilitate later commercial decisions, Aiyar said.

The agreement calls for the establishment of a joint committee to monitor implementation and facilitate dialogue and information sharing not only in purchasing energy but in "the full spectrum of the hydrocarbon chain," he said.

Aiyar said it would take a year to see how the agreement worked, but he was fully confident that the two energy-hungry nations could cooperate as they sought global energy assets to fuel their booming economies.

"We will see from practical experiences the advantages of going at it together rather than separately," he said.

Besides the memorandum, five commercial agreements were also signed between Indian and Chinese firms, Aiyar said.

His three-day visit, which started on Wednesday, comes at a time when the two countries have emerged as significant consumers of hydrocarbon resources.

Over the past year, there have been a number of occasions when Indian and Chinese companies publicly competed for the same assets, such as in Angola, Kazakhstan and Ecuador.

That rivalry was highlighted this week when China National Overseas Oil Corp (CNOOC) announced its purchase of a 45-per cent stake in the Akpo field off the Nigerian coast for US\$2.3 billion.

Aiyar's trip has raised expectations that China and India which rely heavily on energy imports

to power their economies will put aside their competing strategies to work together.

"Co-operation between India and China in third countries is not only eminently desirable; it is also entirely feasible," Aiyar said.

Three Chinese firms including Sinopec and CNOOC Limited have joined hands with their Indian counterparts.

### **Gov't demands more focus on green energy**

Jan 13 (China Daily) -- China's power companies with an installed capacity of over 5 GW (gigawatts) will have to ensure 5 per cent of their electricity generators are fuelled by renewable energy sources by 2010.

"And the proportion will increase to 10 per cent by 2020," said Zhang Guobao, vice-minister of the country's top economic policy planner, the National Development and Reform Commission (NDRC).

He was speaking yesterday at a press briefing in Beijing.

Renewable energy sources include non-fossil fuels such as wind and solar power. However, hydro and nuclear sources will not be on the list of sources that the power companies must develop, Zhang said.

The vice-minister said it is international practice to set a certain quota for big power producers to develop renewable energy-driven electricity, a move to maintain the sustainability of the energy sector as well as improve efficiency.

"Although the proposed percentage (for renewable energy-fuelled electricity) might not sound like a big number, it will mean a substantial increase for China as it will boost the use of these new energies," Zhang said.

Industry analysts said China has around 15 power companies that boast an installed capacity of more than 5 GW, accounting for more than half of the country's total capacity.

By the end of last year, the total installed capacity of the nation's electricity generating plants reached 508 GW, an increase of 14.9 per cent from 2004, according to sources from the

China Electricity Council, an industry association for power producers.

The figure is expected to exceed 1,000 GW within 15 years, in order to keep the fast-growing economy on track, industry analysts have said.

In a move to secure energy security by diversifying sources and clean up the environment, the Chinese Government has vowed to use renewable energy to supply 15 per cent of the nation's electricity needs by 2020, compared with the current level of 7 per cent.

At the start of this year the country put into effect its first renewable energy law, to try to reach the ambitious aim of using new energy sources.

To supplement the new law, Zhang said yesterday, as many as 12 supporting regulations have already been put in place. These include higher electricity tariffs for grid firms which buy from producers using renewable energy-fuelled power generators. Other regulations include tax reductions on equipment procurement and plant construction, as well as government subsidies for related business developers.

The country's top power companies, including Huaneng, Datang and China Power Investment, have already included renewable energy development in their long-term corporate business growth strategy.

"It will be a new business attraction, with huge market potential and lucrative returns," Zhang said.

Datang International Power Generation Co Ltd, which now relies on coal for more than 99 per cent of its electricity generation, plans to cut that percentage to 75 per cent by the year 2014, the company said.

"We are looking at a slew of wind farm projects across the nation," said Zhang Shaopeng, a Datang spokesman. By the end of June last year, Datang recorded an installed capacity of 11 GW.

The country's biggest power producer, China Huaneng Group, which had power generators with a capacity of 34 GW by the end of 2004, now only has 140 MW (megawatts) generated by wind.

The firm hopes to greatly increase that figure within the next decade, said official Li Zhaokui.

### **Long-term energy-saving plan launched**

Nov. 25 (Xinhuanet) -- To cope with crippling energy shortage, China launched a comprehensive energy saving plan Tuesday, effective from now to 2020.

The plan is the biggest and most ambitious one of its kind in China's history, said Zhao Jiarong, director of the department of environment resources conservation under the National Development and Reform Commission at a news conference.

By 2010, China set the goal to consume 2.25 tons of standard coal when producing 10,000 yuan (1,200 US dollars) of GDP, 0.43 tons fewer than that of 2002, said Zhao. In 2020, the figure is expected to decline to 1.54.

China requires all the buildings built after 2006 to embrace new technology and methods that could save 50 percent of the energy consumption per square meter compared to now.

"We will promote central heating system in residences and public buildings, and charge all the habitants according to the meters equipped in each room, just as what we are doing with the electricity now."

China will also transform existing buildings, especially hotels in northern China to reduce energy consumption, said Zhao. By 2010, the work will be finished in 25 percent of the big cities, 15 percent of areas in medium cities and 10 percent in small cities.

To encourage the production of energy-saving equipment, China launched a package of programs.

"We will come up with a list of energy-saving products and include them in the catalogue of government procurement," said Zhao.

Compared with the energy efficiency of developed countries, China has the potential to save 300 million tons of standard coal each year, said Zhao. China consumed 1.51 billion tons of standard coal in 2002.

Zhao attributed the high consumption to slow tertiary development, outdated equipment and poor management in the factory.

Statistics showed that the energy consumption amount per unit output of the tertiary is only 43 percent of that of the second industry. But the added value of tertiary accounted for only one third of the GDP in China, thirty percentage points lower than world average.

"Therefore, we should speed up the development of tertiary," said Zhao.

To make good use of China's resources, Zhao said the coal should primarily be used to generate electricity.

"In the coal-fired power plants with de-sulfur dioxide equipment, the utilization ratio of coal is high and the sulfur dioxide pollution is reduced," said Zhao.

Zhao said the petroleum should be used for chemical production, transportation and other non-substitute purposes.

"We should always try to use clean coal, natural gas to replace petroleum as the fuel," she said.

"We find that in developed countries, cars with low displacements are often encouraged for low pollution, but it is a pity that in some parts of China, this kind of car can not go on the speedway."

## Automobile and Transportation

### Sales of independently developed cars rise in China

Dec.5 (Reuters)--The market share of China-made cars with independent intellectual property rights is on the rise.

Statistics show that sales of cars with China copyright reached 555,500 units in the first ten months of this year, accounting for 24.7 per cent of the total sales of the country as compared with sales of 462,500 units in 2004, 20.60 per cent of the total sales.

According to Rao Da, general secretary of the National Passenger Vehicle Market Information Joint Meeting, China's car market has seen rises in domestic brands but down in foreign brands.

However, industry analysts said that it is now too early to make a conclusion on the phenomenon

of rise in domestic brands but down in foreign brands as China still lags behind other countries in development of cars.

Cars of China copyright are mainly low-end products on the market, while the high-end market is still dominated by big-brand products from other countries.

### Lift ban on small car to banish pollution

BEIJING, Dec.5 (China daily)--With less than a month to go before year's end, Beijing municipal officials are again ticking off the "blue-sky days" as they strive to meet the annual quota.

They need 18 more in December to honour a promise of 230 for the calendar year.

A blue sky here entails a daily air pollution index (API) of 100, or lower. In 2004, Beijing recorded 229 such days, two more than had been anticipated.

The city logged in 202 blue-sky days on file by November 1, which once brewed optimism in environmental monitors.

But last month turned out to be the worst in six years in terms of air quality. Lingering fog, smog and industrial dust dampened the once firm confidence that the city would accumulate 28 blue-sky days in two months.

The rest of the burden is now on December.

But as environmental and meteorological authorities have observed, lack of active air currents above the city is an essential seasonal factor to be taken into account. Static wind and temperature inversion make it difficult for pollutants in the air to diffuse on winter days. As usual, there has been a marked rise in airborne pollutants since the city began heating services on November 15. Currently, almost half of the heat comes from coal-burning.

Based on what we have seen in recent years, we are confident that the municipal government will do whatever it takes to make sure its promise is fulfilled.

A deputy director of Beijing's municipal bureau for environmental protection told the press Wednesday that they would "take all measures possible" in December to reduce pollutants in the air.

The scalpel will again be targeted at motor vehicles, building sites, and factories, which are believed to be the main culprits of what experts call compound pollution marring the skies over Beijing.

Municipal authorities have worked hard in recent years to improve air quality, and not without progress. Some polluting factories are undergoing technical upgrade, or even being moved out of the city proper; dust control is now a compulsory practice at building sites; and the local standards for tail gas release is widely expected to rise to new heights once the city officially embraces the Euro III.

In a recent survey, however, almost 30 per cent of automobiles in Beijing streets failed to meet the city's current exhaust release standards.

Traffic control and environmental protection departments have vowed to take care of that in the last month of this year. We have no doubt about it.

But there is one thing we find perplexing.

It is the city's continuous indifference to the calls for it to lift the ban on small vehicles.

Judging from the trouble they have taken in limiting automobile exhaust emissions, municipal officials seem to be aware of the harm tail gas has imposed on the city's environmental well-being.

Other variables being equal, smaller vehicles usually mean reduced emissions. This is common sense. If it is not, the officials should have learnt it from small vehicle advocates, who have been fighting against the ban for years.

If they truly want to reduce the toxic pollutants released from automobile engines, there is no reason for them to stick to the obsolete ban on small vehicles in the capital city.

It is ridiculous to ignore such a significant aspect of the city's air conditions when they talk about plans for improvements.

It remains a mystery why the government of Beijing has such animosity against small cars. And there is no sign it is willing to share with the average Beijinger why the ban was installed, and why it has to be retained.

The city administrators owe their citizens an answer to that lingering question mark.

### **Motor vehicle production to reach 5.6 mln**

Dec.2 (Asia Pulse)--China's production of motor vehicle will reach 5.6 million units this year, growing 10 per cent over last year, predicted Jia Xinguang, chief analyst of the China Automotive Industry Consulting Development Company.

Of the total, the output of sedans will exceed 2.6 million units, said Jia when attending the 4th China Summit of Auto Industry Development recently.

In the first 10 months of this year, China produced 4,618,900 units of motor vehicles, rising 9.18 per cent year on year. They included 3,151,800 units of passenger vehicles, up 14.92 per cent; and 1,467,100 units of commercial use vehicles, up 1.39 per cent.

### **China cars no threat to Japan: report**

Dec.1 (AFP)--China's fledgling automotive industry harbors enormous potential but may not mount a full-fledged, export-oriented challenge to automotive giants from Japan, the United States and Western Europe for at least another decade, a study said.

"There is a lot of uncertainty in the Chinese market," said Bruce Bezlowski, a University of Michigan researcher and one of the principal authors of the report.

"At the same time, there's a real sense of euphoria and excitement when you talk to people about what the future will bring."

The study found that only about three percent of China's automotive output is export oriented. China's production capacity is expected to grow rapidly and could surpass Germany as soon as 2008 but it won't catch Japan's 10 million units of productive capacity until some time in the next decade.

The study was conducted by the University of Michigan's Office for the Study of Automotive Transportation and the IBM Institute for Business Value. It was based on in-depth

interviews with 20 managers and researchers embedded in the Chinese auto industry.

China, the study said, has huge growth potential for auto sales as well.

Just 24 of every 1,000 people own a car, compared to 120 globally and 750 in the United States. The report predicted China's auto market could be larger than the US market by 2015. Around five million vehicles were sold in China last year, compared to 17 million in the United States.

"Most of the interviewees expect it will take two decades for Chinese manufacturers and suppliers to close the product and process gaps with the world class counterparts," the study said.

Bezlowski said the Chinese auto industry is still grappling with some basic questions about how to sell and service vehicles. Consequently, sales of new vehicles in China are expected to grow steadily but not exponentially, he said.

Other hurdles include adapting to the demands of a market economy and the increasing cost of petroleum.

Parking also is a major issue in big cities such as Shanghai where most of the spaces are on the street, which only adds to congestion.

The Chinese government, while rapidly building roads, also has yet to come up with a strategy for taxing fuel and controlling air pollution, the report said.

In addition, the availability of vehicle financing is underdeveloped and most customers pay cash for new vehicles, Bezlowski said.

### **Toyota: Sales on fast track in China**

Nov.29(China daily)--Japan's top car maker Toyota Motor Corp has predicted its sales in China will grow by more than 50 per cent this year and remain on the fast track next year.

The group expects to sell 179,000 vehicles in China this year, up 54 per cent from 2004, said

Yoshimi Inaba, Toyota's executive vice-president and board member.

"Our sales in China will outpace the growth of China's entire car market significantly next year," Inaba said.

He predicted the car market in China would expand by more than 20 per cent in 2006 from this year.

According to plans revealed by Toyota's two Chinese ventures, the group's sales in China will exceed 250,000 vehicles next year.

Toyota's venture with First Automotive Works Corp (FAW), China's biggest vehicle manufacturer, aims to sell 200,000 vehicles in 2006, up from more than 150,000 units expected this year.

Toyota's venture with Guangzhou Automobile Group, China's No 6 carmaker, plans to sell 50,000 to 60,000 units of the new Camry. The venture, which now has an annual production capacity of 100,000 units, will launch the new car in June.

Toyota, which is expected to outstrip General Motors (GM) as the world's biggest automaker next year, still lags behind many global rivals in China in terms of sales, such as Volkswagen, Honda and Hyundai.

Asked when Toyota will surpass GM in China, Inaba said:"That is a long-distance race and we are only in the first round of it."

GM and Volkswagen are currently the top two foreign car manufacturers in China. In the first half of this year, GM sold 308,722 vehicles in China, while Volkswagen sold 262,198 models.

Toyota aims to lift its market share in China to 10 per cent by 2010 from the 3 per cent it has now. Some analysts said the firm could do well.

"Compared with its rivals, Toyota has many more products that are suitable for the Chinese market, such as the Reiz and the new Camry," said Jia Xinguang with the China Automotive Industry Consulting and Development Corp.

Toyota is also one of the world's most profitable car makers and can boost sales by cutting costs, Jia said.

"But it appears not in haste to do so. It is apparently seeking a good balance between profitability and market share in China as it is doing in the world's other major markets," he said.

Industry statistics show the total sales of made-in-China cars grew by 11 per cent year-on-year to 4.59 million units in the first 10 months of this year.

### **Buyers of big cars will pay more tax**

Nov.25(China daily)--Buyers of big cars will fork out more taxes and those who opt for smaller models will pay less under a revised auto consumption tax likely to come into force next year.

Industry experts see it as a government move to increase fuel efficiency and reduce emissions.

The current tax structure, which has three slabs for different engine sizes, is likely to have five, Zhang Jinhua, deputy director of the China Automotive Technology and Research Centre, said yesterday in Beijing.

For instance, cars with engine displacement of 1 litre or less will pay 1 per cent instead of the current 3 per cent while vehicles with 4 litre or higher engines would pay between 20-25 per cent instead of the current 8 per cent.

"The consumption tax reform cannot have an immediate impact on the clean-vehicle market. But at least, it is an inspiration for car makers," Zhang said at the 4th International Clean Vehicle Technology Conference and Exhibition.

Earlier this month, Feng Fei, a senior official of the government's top think-tank, proposed that tax be levied on buyers rather than on auto producers as is done now.

"We suggest that tax be levied on car buyers directly, which will encourage them to consider buying economy vehicles with lower emissions," said Fei, director of the industry department of the State Council Development Research Centre.

At yesterday's conference, Zhang said if emissions were to be cut significantly, it would require State backing. "Substantial support from the government is needed. Without it, the price

for hybrid vehicles will remain high and the market can never grow," he said.

Prius, jointly manufactured by Japan-based Toyota and the China FAW Group Corporation, will be the first hybrid car available in the Chinese market.

Zhu Yanfeng, president of the joint venture, announced on Wednesday that Prius would be available from mid-December for 250,000 yuan (US\$31,000) a price tag substantially higher than the average.

### **Audi gearing up for sales above 100,000**

Nov.11 (Xinhuanet)--Car maker Audi, the luxury arm of Volkswagen, aims to increase its annual sales in China to more than 100,000 vehicles over the next three to four years, despite mounting competition from rivals BMW and Mercedes, according to a top executive of the company.

In an interview with China Daily, Ralph Weyler, an Audi board member responsible for sales and marketing, said the company's global sales are expected to reach 1 million vehicles by 2008 or 2009, with at least 100,000 of those in China.

Audi's retail sales in China will grow slightly this year from last year, Weyler predicted, without providing a specific number. Audi is expected to sell 820,000 vehicles globally this year.

In the first 10 months of this year, the firm sold 41,108 vehicles in China, an increase of 1.2 per cent from a year earlier, he said.

The sales included 1,565 Audi A8s, 32,216 A6s and 7,327 A4s. The A8 is sold in China as an import, while the other two models are made at Volkswagen's venture with First Automotive Works Corp (FAW), the nation's top automaker.

Volkswagen, together with Audi, is the only major global auto maker that has started to report sales to customers instead of dealers in China.

Audi has been China's luxury car market leader for many years, mainly due to its early decision to build cars locally.

But Audi is now facing challenges from BMW and Mercedes-Benz, whose sales in China are growing much faster than Audi's.

BMW, which started to make its 3 and 5 Series sedans in China in 2003 with China Brilliance Auto, sold 16,999 vehicles during the first three quarters of this year, up 36.4 per cent from a year ago.

Meanwhile, sales of Mercedes climbed by 22 per cent to 11,000 cars. Mercedes will start to make the E and C-Class sedans next month at its parent DaimlerChrysler's venture with Beijing Automotive Industry Corp.

Benjamin Asher, an analyst from Automotive Resources Asia Limited, the consultancy with offices in Bangkok, Shanghai and Beijing, said: "Mercedes will find many central and city government buyers in Beijing when they start production. Mercedes is also known as the car to ride in and China's established wealthy are still more inclined to ride than drive."

However, Weyler said Audi was not worried about losing market share to BMW and Mercedes as China's luxury market is still expanding.

"It's not now possible for a single brand (Audi) to control 50 or 60 per cent of the market. BMW and Mercedes will get some market share," he said.

Analysts do not believe Audi will be out-sold by BMW or Mercedes in China in the near future, as its customer base, and its sales and service network, are both larger.

Audi has more than 110 authorized dealers on the Chinese mainland, compared with less than 60 for both BMW and Mercedes.

Weyler said Audi will launch the petrol-powered Q7, its first global sports utility vehicle, in China as an import next June. The 4.2-litre Q7 and a concept petrol-electric hybrid debuted in China during the on-going Third Guangzhou International Motor Show.

### **Small cars to roll off China's assembly lines**

SHANGHAI, Nov.22 (Shanghai daily)--China's car buyers can look forward to a wider selection of small, economy models, judging from the new

offerings on display as the 3rd China (Guangzhou) International Auto Exhibition prepared to open to the public today.

Among them, Shanghai General Motors Corp, a joint venture between Shanghai Automotive Industrial Corp and General Motors Corp, debuted its Lova.

The Chevrolet-brand vehicle is equipped with a 1.4-liter engine and is 4.3 meters long, 1.7 meters wide and 1.5 meters high.

This new car is expected to roll off the assembly line in early spring and will be sold on the domestic market and in more than 18 other countries, including the United States and Germany.

Beijing Hyundai, jointly invested by Beijing Automotive Group and South Korea's Hyundai Motors Corp, introduced its Accent, a new model equipped with 1.4-liter and 1.6-liter engines. The car is already in trial production and will enter the market as early as March.

"We are also considering shortening the length of this model from 4.3 meters to 4 meters to better meet the government's requirements on economy sedans," said Zhuang Jie, vice director of Beijing Hyundai Automotive Co Ltd.

Prius, the first domestically made hybrid sedan from FAW Toyota, is expected to go on sale by the year's end. It can generate the same power as a 2-liter engine through the combination of a 1.5-liter gas-powered plant and electric motors, according to its manufacturer.

Chinese consumers are becoming more interested in smaller vehicles due to rising fuel prices and increasing highway congestion.

Meanwhile, Guangzhou Toyota Automotive Corp is expected to introduce a Camry in June put together with 60 percent localized production.

The Camry, which has sold 10 million units around the world, is the most popular medium-size sedan among all imported cars in China. The car will feature new-generation 2-liter and 2.4-liter engines.

The Guangzhou auto exhibition was previously dominated by Japanese autos as they had achieved a stronger base in southern China. But this year, automakers from the United States

and Europe also have established a strong presence in the push for more market share.

Shanghai General Motors, for instance, displayed a complete line of its mainstream models under the Cadillac, Buick, Chevrolet and Saab brands.

### **GM, Chery reach settlement**

SHENZHEN, Nov. 21 (Shenzhen daily)--General Motors Corp. (GM) and its major South Korean subsidiary have reached an out-of-court settlement with China's Chery Automobile Company Limited in an intellectual property dispute over the design of small vehicle, the U.S. automaker said.

"GM Daewoo Auto and Technology Company (GMDAT), General Motors Corporation and Chery Automobile Company have reached a settlement agreement, which has resolved all disputes among GMDAT, GM and Chery. Hence all current lawsuits and related claims have been withdrawn," GM said in a statement.

Malcom Bricklin, Chery's American partner, said the agreement clears the way for a smoother introduction of the newly designed, Chinese-made vehicles in the United States, starting in 2007.

Chery has a new factory in Wuhu, China that is being primed to export vehicles to the United States, Bricklin has said.

"The only question that remains is what brand name Visionary Vehicles and Chery will choose for their line of automobiles that will be introduced in North America, since we have agreed not to use the Chery name here," Bricklin said.

GM had objected to the use of the Chery name because its too much like Chevrolet or Chevy, which has been GM's top selling brand for eight decades.

Bricklin has said that he would eventually like to sell as many as a 1 million Chinese-made vehicles annually in the United States.

GM noted in its statement disclosing the settlement that the Chinese Government had encouraged both sides to resolve the dispute, which began when a Daewoo executive

defected to Chery. The defecting executive took with him the plans for a new, small van then under development in South Korea.

Chery has made a practice of hiring ethnic Chinese managers and executives with experience with automakers outside of China.

### **China rules out curbs on low-emission cars**

Jan. 4 (Xinhuanet) -- China Wednesday demanded a nationwide canceling of restrictions on low-emission, economical cars, setting the end of this March as the deadline.

The move is part of efforts to reduce oil consumption and air pollution, said a report issued by the National Development and Research Center (NDRC) Wednesday.

The report said that low-emission cars would be charged less parking fees, an attempt to attract more consumers to buy environment-friendly and energy-saving vehicles.

Small cars are also encouraged to be used as taxis and more investment will be made in low-emission, oil-saving cars, including research on engines, the report said.

To date, small autos are not permitted to run in more than 80 cities in the country despite Premier Wen Jiabao's call for doing away with restrictions on cars with low emission, low oil consumption and high efficiency last summer.

In China's national capital, Beijing, for example, cars that have below 1.0-liter emission are not permitted to travel in the Chang'an Boulevard, the longest and most bustling street.

"If Beijing truly cancels (restrictions on small cars), my 0.8-emission liter chary QQ (a Chinese domestic auto brand name) can take me directly to the office. I won't have to make a detour and it will save time and oil," said a man surnamed Gao, who works in a office-building in the Chang'an street.

Signals favoring low-emission cars are being read in the market. According to statistics, the first nine months of this year witnessed the number of cars below 1.6-litre emission standing at 1,240,900, accounting for 64.17 percent of the total and the sale of cars below 1.0-litre

emission rose by 93.69 percent year on year to 248,000.

Industrial statistics show that China imports 40 percent of its total oil consumption, one third of which is used in car engines.

Owing to soaring world oil prices, China has seen its refined oil price rise five times in 2005.

The number of private cars is expected to reach 17 million by the end of this year from the 2000 figure of 6.25 million, more than double during the previous five-year period, according to data from the National Bureau of Statistics.

### **Beijing Experimental Buses Aim to Cut Smog, Fuel**

Jan 4 (Reuters) -- Beijing is fitting out 50 of its buses with experimental braking systems that it hopes could cut fuel use by up to 30 percent and help clear its smoggy skies, the China Daily reported on Tuesday

The 50 buses in the trial will be fitted with hydraulic hybrid vehicle technology, which absorbs energy released as a vehicle brakes and allows it to be released when they restart or speed up, the paper said

It can cut fuel consumption by over 30 percent, and emissions by 20 to 70 percent, it quoted Hu Shenglong, vice president of the manufacturer, Chargeboard Electric Vehicle Co. Ltd., as saying

The test run would last one to two years, but if it was successful Beijing could add the technology to its whole fleet of 18,000 buses, the article quoted a municipal official saying.

The move is just one of a series of strategies Beijing is sampling or considering to help clear its smog-laden skies before the 2008 Olympics. It has a trial fuel cell bus plying its roads, and some of its fleet is powered by cleaner gas

It is also planning to build special networks of high-speed buses in exclusive lanes, to make the vehicles run more efficiently and tempt travellers on to public transport.

The skies over the nation's capital were blue for 234 days in 2005, the municipal environmental protection centre said at the end of the year.

But the city had slipped out of a list of the 10 best Chinese cities to live in, China Daily said, citing heavy pollution as one of the problems

### **Safety guidelines for auto industry**

Jan 13 (China Daily) -- China's booming car industry celebrated the birth of its own world-class vehicle safety system yesterday with a new vehicle assessment programme.

Tsinghua University and China Automobile Association (CAA) signed an agreement in Beijing to launch the New Car Assessment Programme in China (NCAP China).

CAA will provide a launch-fund of 30 million yuan (US\$3.72 million) for the first phase (five years) of the project.

"This is not about creating a competing standard with the Chinese Government's minimum vehicle safety standard," said Zhang Jinhuan, director of Tsinghua's renowned Accident Crash Lab. "The NCAP standards are complementary to and support existing governmental standards."

NCAP, founded in 1978 in the US, is the most popular industry standard for vehicle safety evaluation in the world, especially for new cars.

When they enter the market, NCAP tests them by crashing them at high speed, and allows scientists to measure and analyze safety performance. It then gives out fair and transparent data and reports about the results of the tests.

NCAP aims to raise consumer awareness of vehicle safety as well as help car manufacturers improve the safety design features of their vehicles.

"We will be contributing funding, expertise and a deep connection with and understanding of China's drivers. Our expertise in NCAP comes from our parent company, IAG, being a founding member of NCAP in Australia 15 years ago," said Richard Harding, chief executive officer of CAA.

Harding said China "needs a world-class consumer-based vehicle safety standard that builds confidence in the safety of cars."

"To enter the international market, China's auto brands must break market entry barriers. That is one of the objectives of NCAP China," added Harding.

"The crash tests and research conducted under NCAP China will provide rich, in-depth automobile safety data to car manufacturers, so that they can improve their product designs. This not only improves the safety of cars being driven on China's roads, but also must be good for the export sale of Chinese manufactured cars abroad," said Zhang of Tsinghua.

## Oil and Gas

### China's oil import growth continues to fall

Nov.20 (Xinhuanet)--China will import less oil and oil products in 2006 than previous years, an official with the Ministry of Commerce (MOC) said recently.

Lu Jianhua, Director of Foreign Trade Department of the MOC, told the Asian Business Forum held recently, that it is unfair to blame China for rising international oil prices.

According to statistics, China imported 105 million tons of crude oil in the first ten months of this year, rising 5.7 percent year on year, and 25.69 million tons of refined oil, down 16 percent from a year ago.

It is estimated that China will import 130 million tons of crude oil in 2005, rising only six percent year on year. This means the rate of growth of oil imports has dropped 30 percent, said Lu.

The price of crude oil on the New York Mercantile Exchange (NYMEX) closed at 56.35 dollars per barrel Thursday, it's lowest since July.

It is reasonable for the price of oil to fall and there's room for it to drop even further, Lu predicted.

This summer the world saw crude oil prices hovering at 60 US dollars per barrel and even surge to a record of 70 US dollars.

Such high oil prices can be attributed to financial speculation rather than the normal market forces of supply and demand.

According to statistics released by BP this year, 2004 witnessed a growth in global oil demand of 3.4 percent, which was lower than that year's growth in production capacity of 4.5 percent. This indicates that China should not be blamed for rising oil prices.

"The world's capacity to supply is still greater than the demand and that has not changed," said Zhou Dadi, Director of the Research Institute of Energy, National Development and Reform Commission (NDRC) at a forum on petroleum held last week.

"So it is not valid to say that China's oil imports are the cause of rising international oil prices," said Zhou.

In 2004, China accounted for 11 percent of that year's global energy output, according to statistics of the NDRC. The country produced 1.956 billion tons of coal. Adding its oil, natural gas, and other energy output, it produced a total of 1.85 billion tons of primary energy in terms of standard coal.

China's primary energy consumption in 2004 was 1.97 billion tons of standard coal equivalent and its domestic energy supply capacity reached as high as 94 percent, which is among the highest in the world.

In order to enhance China's security of oil supply it should try to reduce its dependency on oil imports to about 30 percent and not exceed more than 50 percent, said Xu Shoubo, an academic of Chinese Academy of Engineering.

China imported 120 million tons of crude oil in 2004, accounting for 40 percent of its oil consumption.

The Chinese government says reducing the country's energy demand and improving energy efficiency is extremely important.

In the proposal for the 11th Five Year Program, the blueprint for the economic and social development of the country from 2006 to 2010 issued last month, the government made clear the goal to reduce its per unit GDP energy consumption by 20 percent at the end of 2010.

China will continue to make coal its main method of producing energy allowing it to meet its energy demand from domestic sources, said the proposal.

Currently nearly 70 percent of China's energy demand is met by coal. Petroleum accounts for just over 20 percent of its energy supply.

Developing new and renewable resources, improving the country's energy efficiency and keeping its demand for imported oil at a moderate rate of growth will sustain China's energy consumption, said Xu Shoubo.

### **CNOOC interests in Russian oil group's assets**

Dec.8 (Xinhuanet)--CNOOC Ltd. , China's top offshore oil producer, is interested in the assets of Russian oil group YUKOS , state media reported on Thursday, quoting CNOOC.

Chief Executive Fu Chengyu said any potential deal would depend on government cooperation, because of the uncertainties of investing in Russia's opaque energy sector.

Fu visited Russia in August following CNOOC's unsuccessful bid for U.S. oil company Unocal, the Shanghai Securities News said, but it was unclear if he had met with any YUKOS officials.

The paper also did not say whether negotiations between the two parties had begun or whether Fu was interested in YUKOS's international assets, which the Russian oil group had said on Dec. 1 it hoped to liquidate before the end of 2006.

"The purchase will not only depend on CNOOC's interests and ambition, but also on the (Chinese) government's coordination and decision-making," Fu said.

In recent years the Russian government has taken steps to restructure the country's energy industry into state-owned entities. Fu said he expected the trend to continue.

CNOOC had not invested in Russian oil firms previously because most of them were not listed, he said.

"But we will not give up on Russia," he said. "Beyond acquisitions, we are also exploring other avenues."

YUKOS had said it hoped to liquidate its international assets before the end of 2006 and use them to clear its outstanding tax and creditor obligations.

In February, Russian officials said China had lent Russia \$6 billion to help the Kremlin renationalise YUKOS's main asset, million-barrel-per-day production unit Yuganskneftegaz, after the embattled company was forced to sell Yuganskneftegaz to state oil firm Rosneft in December 2004 to pay part of \$27.5 billion in back taxes owed to the Russian government.

There have been subsequent reports that Chinese state oil firm CNPC was interested in buying a stake in Yuganskneftegaz.

YUKOS founder Mikhail Khodorkovsky received an eight-year prison sentence in a Siberian penal colony for fraud and tax evasion. But critics of Russia's government said the tax bill was imposed on YUKOS in a move to destroy the empire of the politically ambitious Khodorkovsky, and to regain control over the strategic oil sector it lost in the chaotic privatisations of the mid-1990s.

YUKOS's foreign assets include Lithuanian refiner Mazeikiu Nafta and Slovakian pipeline operator Transpetrol. YUKOS wants to sell its 53.7 percent stake in Mazeikiu Nafta, the Baltic region's only refinery.

Analysts have said four parties, including BP's Russian unit, TNK-BP, placed bids for the assets, and that a joint bid by LUKOIL and U.S. group ConocoPhillips are frontrunners.

But on Nov. 26, Lithuania's Economy Minister Kestutis Dauksys told Lithuanian state radio that the two Russian oil companies were off the list.

### **CNOOC, Husky to explore deep water oil**

Dec.7 (AP)--China's largest offshore oil producer, CNOOC Ltd., said its unlisted parent company plans to start deep water oil and gas exploration

in the South China Sea with Canada's Husky Energy Inc. next year.

If the scheduled exploration finds sizable reserves in a bloc in the South China Sea about 300 kilometers, or 185 miles, south of Hong Kong, it will be China's first deep water oil and gas field.

CNOOC's parent company, China National Offshore Oil Corp., is currently restricted to pumping oil and gas offshore at no deeper than 350 meters, or 1,155 feet, because of the technology currently available to it.

CNOOC previously signed a production sharing contract with Husky, an integrated oil and gas producer, to jointly explore and develop two deep water blocs in the South China Sea.

The two companies explored the other bloc in the western part of the South China Sea in 2004, but the reserves discovered were too small to justify commercial drilling.

"Deep water exploration will be one of the major growth areas for CNOOC. A new exploration peak in the South China Sea is coming," Shi He Sheng, the chief geologist at CNOOC Ltd., told reporters Tuesday at a presentation on the company's plans in Shenzhen.

CNOOC jointly owns two other deep water blocs in the South China Sea with U.S.-based Kerr-McGee Corp. and Devon Energy Corp. but exploration hasn't started yet.

Under the terms of the production sharing contract, Husky, Kerr-McGee and Devon Energy will bear all the costs during the exploration period. CNOOC has the rights to a 51 percent stake if the bloc is commercially viable.

Duan Cheng Gang, the vice president of CNOOC's Shenzhen Branch, told reporters the company is in talks with many foreign companies on teaming up to explore and develop other deep water oil and gas fields in offshore China.

"They know there is a very rich oil and gas reserve there (in the South China Sea), that is why they are so keen on coming to us," said Duan.

"We can definitely self-finance the explorations, but we need the technology, so we have to work

with those foreign companies," he said, but declined to elaborate.

According to CNOOC's Web site, the company had net oil reserves of 357.7 million barrels of oil equivalent and a net natural gas reserve of 3,215.6 billion cubic feet in the South China Sea as at the end of 2004. The figures represent about 25 percent of CNOOC's total oil and 70 percent of its gas reserves.

CNOOC Ltd. also has oil and gas fields in Bohai Bay along China's northeastern coast, in the East China Sea, and in Indonesia.

Duan said the cost of drilling a deep water exploration well is about \$20 million to \$30 million, or two to three times higher than drilling one in shallow waters.

"We are optimistic that there will be reserves in the bloc that we are going to drill as there are proven reserves neighboring it. But we have to explore it before we can tell how much reserves it has," Duan said.

The bloc will be able to start producing oil and gas in four to five years after commercial drilling starts, he said.

### **China is in talks to buy Papua New Guinea gas**

Dec.5 (International Herald Tribune)--China National Petroleum, the biggest Chinese oil company, is in talks with the Papua New Guinea government about buying natural gas, Petroleum and Energy Minister Moi Avei of Papua New Guinea said Monday.

An initial accord may be signed between the government and the Chinese company during a planned visit by Avei to China early next year, the minister said. China National Petroleum may import the fuel in the form of liquefied natural gas through a plant the company may build in northern Papua New Guinea, he said.

China and its state-controlled oil companies are seeking oil and gas supplies abroad as energy prices reach records. China National Offshore completed an agreement last year to buy a stake in Australia's North West Shelf gas reserves as part of a plan to buy LNG from the venture.

In June, the Australian Bureau of Agricultural and Resource Economics estimated that China's LNG demand might surge from zero to 18.3 million tons a year by 2015 as the government promotes the use of cleaner-burning fuels. China currently relies on coal and oil for 90 percent of its fuel needs.

### **BP-Sinopec 'expansion a success'**

CHONGQING, Dec. 1 (China daily)-- BP, Europe's biggest oil company, and China's leading oil refiner Sinopec, yesterday announced the successful expansion of the joint acetic acid plant in Southwest China's Chongqing Municipality by 75 per cent through a further investment of 1.2 billion yuan (US\$148 million).

Prior to completion of the expansion an initial investment of 1.6 billion yuan (US\$197 million) was made by BP and Sinopec in order to purchase production facilities for 200,000 tons of acetic acid and 80,000 tons of esters annually.

The completed petrochemical plant, the Yangtze River Acetyls Co Ltd (YARACO), is now able to produce 350,000 tons of acetic acid annually.

The investors are also building storage and transportation infrastructure to ensure the delivery of products to the target market in the east coastal areas, company officials said yesterday in Chongqing.

BP holds a 51 per cent stake in the venture, and Sinopec owns 44 per cent through its local subsidiary in Sichuan Province, with the remaining 5 per cent belonging to a local investment company in Chongqing.

"YARACO's success has given us the confidence to expand our business position in China. I'm fully convinced that, with the combination of BP's advanced technology, BP's and Sinopec's management skills and Sinopec's knowledge of the local market, YARACO will be a very competitive business in the marketplace," said Steve Welch, BP group vice-president for aromatics and acetyls.

The joint venture uses BP's advanced technology to produce acetic acid products, which could almost double its output capacity,

said Liu Huaan, a technical engineer at YARACO.

The plant uses natural gas to produce acetic acid, which is used as an intermediate in a wide range of downstream products such as fibres, paints and adhesives.

YARACO consumes around 100 million cubic metres of natural gas annually, Liu told China Daily.

China's energy needs are surging causing petrochemical companies like the UK-based energy conglomerate to step up efforts to tap this soaring demand.

At the beginning of last month, the two strategic partners Sinopec and BP announced another 50-50 joint venture in Nanjing, capital of East China's Jiangsu Province, also to produce acetic acid products.

BP plans to spend up to US\$8 billion over the next 10 years developing alternative energy projects such as wind and solar power, capitalizing on the growing interest in low carbon power, the company announced earlier this week.

### **Oil and gas producers call for higher price**

Nov. 29 (China daily)--China's top oil and gas producers PetroChina and Sinopec yesterday said government-controlled prices for natural gas discouraged them from investing in gasfields, because they fear they will not make a profit.

They say the government should raise gas prices to avoid this situation.

PetroChina plans to more than double its current gas production to 45 billion cubic metres by 2010, some 70 per cent of the country's total gas output, PetroChina sources said.

If prices remain much lower than world levels, then the pressure to reach that target will be greater than if prices were high, as the firm will not be as interested in investing and therefore more easily increasing output, according to Tang Yali, vice-president of the Natural Gas & Pipeline Company under PetroChina. He spoke

to China Daily on the sidelines of the China Gas Summit 2005 in Beijing.

"We now make little profit in the natural gas sector as a result of government-regulated low prices, far behind world levels," said Tang.

Wang Gongli, president of PetroChina's Planning and Engineering Institute, told the summit that the wholesale gas price in the United States was around 5.5 US cents per cubic feet last year, while in China it was less than 0.028 yuan (0.35 US cents) per cubic feet.

"Like gasoline and diesel, we now use higher profits in the upstream crude oil business to offset squeezed profit margins in the natural gas sector," Tang said.

"We have been talking with government bodies including the National Development and Reform Commission to increase gas prices and better streamline the energy pricing system," he said.

Domestic rival Sinopec yesterday made a similar complaint about the rigid price-setting mechanism, which does not fit in with a true market economy.

The Beijing-based oil refiner has planned to almost double its annual gas production to around 12 billion cubic metres.

Liu Enxue, general manager of the Sinopec natural gas company, said that if the government increases prices, there will be even more growth in projected gas output as the firm will be more willing to invest in developing gasfields.

Liu said Sinopec could invest 2 million yuan (US\$247,000) in a gas well in the Ordus Basin of Northwest China, where the natural gas price is 0.83 yuan (10.2 US cents) per cubic metre.

That field can currently produce 290 million cubic metres of natural gas.

"We make a small profit from the current price at this gasfield," said Liu.

But he said that if the price was increased by 0.1 yuan (1.2 US cents) per cubic metre, the Beijing-based refiner would further increase investment in the field, which has a reserve of some 100 billion cubic metres.

Niu Li, a senior economist with the State Information Centre, told China Daily the government should work out a pricing system to link all related energy prices including those of coal, oil, gas and electricity, in order to streamline the upstream and downstream sectors and better reflect market supply and demand.

Feng Fei, a department director with the State Council Development and Research Centre, said natural gas prices should not be too high, as lower prices help to boost the consumption of cleaner energy sources.

### **BP in negotiations for stake of CAO**

Nov.22(China daily)--BP, Europe's biggest oil company, is among several potential investors, to buy at least a 20 per cent stake in China Aviation Oil (CAO) Singapore Co Ltd, people familiar with deal said yesterday.

Gerald Woon, the spokesman of CAO Singapore and Bian Hui, spokesman of the Beijing-based parent CAO Holdings, yesterday declined to comment, but Woon said CAO would make a formal announcement by the end of this month at the earliest.

A Financial Times report yesterday said that BP and Temasek Holdings, the Singapore State investment group, are expected to inject at least US\$55m into CAO in return for about a 30 per cent stake in the troubled Chinese state-owned jet fuel importer.

BP is expected to buy a stake of more than 20 per cent in CAO, with Temasek taking less than 10 per cent. Vitol, a Dutch oil trader that had been mentioned as a possible investor, is believed to have been dropped from the deal, and CAO Holdings will still remain the biggest single shareholder, quoted by an unidentified person in the Financial Times.

Both BP and Temasek yesterday declined to comment, and Vitol was not available for comment.

The deal is among one of the rescue efforts to revive CAO, which was on the verge of collapse a year ago under more than half a billion US dollars in trading losses.

Local media had reported that shares in CAO could resume trading at the end of 2005 or early next year, after being suspended in the wake of the trading scandal.

Chen Hongbing, a senior broker with the Singapore-based Ginga Petroleum Ptd Ltd, said the move could work successfully for the BP-CAO deal, since BP has been eyeing the Chinese market for its huge market potential as the world's second-largest energy consumer after the United States, after it broke into Russia by buying half of Tyumen Oil Company (TNK).

CAO Singapore holds a near-monopoly on China's jet fuel imports and is the international procurement arm of State-owned Beijing-based CAO Holdings, which owns a separate firm that distributes and sells aviation fuel on the Chinese mainland.

BP already has a joint-venture with China's domestic oil giants to run 1,000 service stations in China's Guangdong and Zhejiang provinces, and owns 24.5 percent of South China Bluesky Aviation Oil Co Ltd, the supplier to 15 civilian airports.

In a BP-related business thrust into China's energy market, the UK-based oil company and China National Offshore Oil Corp(CNOOC) were reported to be seeking a US\$1.3 billion loan to develop the Tangguh liquefied natural gas (LNG) Greenfield Project in eastern Indonesia.

"The Tangguh Project is in active discussions with a number of financial institutions on indicative loan terms and conditions, and progress continues to be made," BP spokesman Michael Zhao yesterday told China Daily.

The project will build two LNG plants with capacity to produce 7.6 million tons per year of LNG, and will also include gas production facilities and other infrastructure facilities such as a seaport and an airfield, sources said

BP and CNOOC hold 37.16 per cent and 16.96 per cent stakes respectively in the project, the top two shareholders.

### **Gas reserves grow at oilfield**

The country's biggest oil producer, PetroChina, claims its flagship Daqing oilfield in Northeast

China has the potential to locate another 200 billion cubic metres of natural gas reserves.

The government verified 100 billion cubic metres of natural gas reserves at the end of last year at the site.

But a PetroChina official told China Daily after a press conference in Beijing on Friday they believed there was double the amount of reserves.

"We haven't submitted the possible finds to the State, but I am sure of the new gas reserves," he said, declining to be identified.

A State expert team, set up by the Ministry of Land and Resources (MLR), confirmed in December that a natural gas field discovered by PetroChina at Daqing has reserves of 100 billion cubic metres. It made the old Daqing oilfield the country's fifth largest gas production site after the Tarim, Qaidam, Shaanxi-Gansu-Ningxia and Sichuan basins, according to industry experts.

Daqing oilfield produced 45 million tons of crude oil and 2.4 billion cubic metres of natural gas last year.

Although industry analysts have said PetroChina's oilfields in the eastern areas, including Daqing, have experienced declines in production, PetroChina President Jiang Jiemin told reporters at Friday's press conference that the annual oil production from the giant oilfield is expected to remain above 40 million tons for the next five years at least.

"We are applying new technologies in the old field, which could help increase the production efficiency by as much as 10 per cent," Jiang said.

China National Petroleum Corp (CNPC), the parent of Hong Kong-listed PetroChina, said in a statement on Friday that the company produced 105.9 million tons of crude oil last year from its domestic assets, accounting for 58 per cent of the country's total oil output.

Its domestic natural gas production, recording 36.7 billion cubic metres in 2005, increased by 28 per cent compared with the previous year.

Soaring oil prices as well as the company's robust production growth helped earn CNPC 175.6 billion yuan (US\$22 billion) for the whole

of 2005, an increase of about 36.3 per cent on 2004.

In its long-term blueprint, the company plans to produce 110 million tons of crude oil by 2010, and double its gas production to 71 billion cubic metres.

Overseas project expansion will be an important incentive to boost its production, the company said on Friday.

By the end of last year, CNPC had produced 40 million tons of oil and gas equivalent from its overseas fields. "We will see a substantial increase (in the overseas production) by 2010," Chen Geng, president of CNPC, said on Friday.

At the press briefing, Wang Fucheng, a senior official from CNPC, said PetroChina still has plans to float on the A-share market.

The acquisition of shares in PetroChina's three listed subsidiaries that the parent does not own paves the way for PetroChina's listing on the domestic stock market, he said. "But it is hard to predict a timetable for the listing."

In November last year, PetroChina said it was to buy back all the public shares of its three listed subsidiaries based in northeastern China Jinzhou Petrochemical, Liaohe Oilfield and Jilin Chemical for 6.15 billion yuan (US\$758 million).

### **Petrochemical complex approved**

Jan 5 (China Daily) -- The country's biggest oil refiner Sinopec got the government's go-ahead to build a US\$3.1-billion petrochemical complex in North China's port city of Tianjin.

"We received the approval from the State Council on December 21," an official responsible for Sinopec's corporate planning said yesterday, declining to be named.

The Tianjin project, to be completed by 2008, includes a 1 million ton per year ethylene cracker, a refinery able to process 12.5 million tons of crude oil a year, and other facilities to produce petrochemical products such as polyethylene and polypropylene.

Total investment of the project is expected to exceed 25 billion yuan (US\$3.1 billion), which will be wholly owned by Sinopec, said an

unnamed official from the Tianjin Municipal Development and Reform Commission.

Sinopec officials yesterday refused to further comment on the investment. Zhang Dongsheng, a director in charge of petrochemical projects at the local industrial investment planner, said construction of the new complex is projected to start in the first half of this year, but "it is difficult to predict which month."

Industry analysts say the big capacity of Tianjin port will facilitate the new petrochemical complex to import crude oil and ship its products to markets.

The Tianjin port handled 240 million tons of commodities last year, among the world's top ten ports.

The huge market potential in China's petrochemical sector is attracting both domestic and foreign oil majors including BP, Royal Dutch Shell and Saudi Aramco, to scale up investment in the country.

China in 2004 consumed 16 million tons of ethylene which is widely used in the production of everyday articles from liquid soaps to car components. Domestic production of the petrochemical product stood at 6.27 million tons for the same period, meaning China relies on imports for more than half of its ethylene consumption.

"The current ethylene production facilities under construction are far from enough to meet demand," said Hou Jixiong, a senior oil and gas analyst with Beijing-based Guotai Jun'an Securities Co Ltd.

To cash in on the market, Sinopec's domestic rival PetroChina is also talking with Tianjing city to build a similar-sized petrochemical complex including refining and ethylene production facilities near Sinopec's plant, said Zhang from the Tianjin Development and Reform Commission.

"The talks with PetroChina are still at the very preliminary stage and we can not foresee a timetable to start building another petrochemical complex here," he said.

In the southeastern areas of the country, more refining and petrochemical plants are under way.

The intense investments into the petrochemical sector, however, have also triggered concerns among some market observers that risks still exist for these large-scale capital injections. "A good government censorship and regulation is necessary in the new petrochemical investment, especially when the crude oil prices are high while the domestic prices for refined oil are still capped by the government," said He Jun, a senior analyst with Beijing Anbound Consulting Co.

## Climate Change and Air Pollution

### Global village needs to reduce greenhouse gases

Dec.3 (China daily)--Human beings have been endlessly developing new ways and means to exploit and conquer Mother Nature. At the same time, they have also suffered almost simultaneous vengeance from gigantic and mysterious natural forces due to their extreme disregard for its law most of the time.

The ongoing conference on global climate change, which started on Monday in Montreal, Canada, seems to provide an opportunity for residents in our world community to discuss self-restraints from excessively damaging the global climate while pursuing material development.

The 10-day United Nations Climate Control Conference, which brought together thousands of experts and representatives from more than 180 countries, is aimed at putting into concrete form the landmark Kyoto Protocol to curb global warming and encouraging developed countries to help developing ones promote clean energy.

Its goal is also to discuss a new agreement as a successor to the Kyoto mechanism after its expiration in 2012.

Working out a new international regime on greenhouse gas emissions appears increasingly urgent given that the Kyoto document's expiry is drawing nearer.

Passed in 1997, the Kyoto Protocol went into effect in February because it failed to satisfy the requirement that it must get approval from countries accounting for 55 per cent of the world's gas emissions. It calls on the world's top

35 industrialized nations to cut emissions by 5.2 per cent below their 1990 levels by 2012.

As the largest inter-governmental climate conference on global warming since the Kyoto document was adopted, the ongoing United Nations gathering demonstrates the world members' sense of urgency to brainstorm on ways to slow the alarming effects of greenhouses gases throughout the world.

No nation can still afford to turn a blind eye to the negative impacts of accelerated industrialization upon the global climate change, which has been considered by some scientists as the "greatest environmental hazard" facing humankind.

Can we remain indifferent when we see our sea levels continueing to rise, long-accumulated ice at the polar frozen belts melt and atmospheric temperatures warm up?

Tragic experiences in a lot of countries throughout the world in recent years have from time to time reminded us of the community's extreme vulnerability to climate-related disasters.

With no timely and effective measures being taken to change the unchecked discharge of carbon dioxide and other heat-trapping gases, blamed for mounting global temperatures, our weather patterns will be disrupted, just as many scientists warn.

Because of our excessive greenhouse gas emissions from human industrialized production, our health is slowly being eroded by some discharged noxious gases.

As experts predict, human-induced changes in the global climate system and in stratospheric ozone pose a range of severe health risks and potentially threaten economic development and social and political stability.

We are living in a small "global village" where all humans interact both in a good and bad way. We are living in an era in which developed modern technologies and means play as a double-edged sword.

Thus, we are committed to pursuing a sustainable development and a harmonious co-existence between humans and nature.

With the Kyoto regime nearing its expiration in 2012, we ardently expect the ongoing conference on global climate can produce an expanded list of nations for a future Kyoto-style document in which such countries are legally bound to reduce their emissions.

### **China vows to cut greenhouse gases**

Dec.1 (China daily)--China urged the US to join the Kyoto treaty Wednesday, rejecting arguments that the pact is flawed because it fails to restrict emissions by developing countries.

China's Sun Guoshun said his country was already cutting the polluting emissions, adding it was unfair to expect China and India — with the world's largest populations — to ask their impoverished people to cut back on energy consumption.

"We really feel pity that the US has not yet, and is not going to join the Kyoto Protocol, not only because of the size of its total emissions, but also because of its higher per capita emissions," Sun, director of the Department of Treaty and Law at the Chinese Ministry of Foreign Affairs, said in an interview with The Associated Press.

He spoke during the first meeting of the 140 countries that have ratified the Kyoto Protocol since it was signed in 1997 and went into effect in February.

More than 8,000 environmentalists, scientists and government officials were attending the 10-day conference in Montreal. Some 120 environment ministers and other government leaders were expected to arrive next week for the final negotiations.

On Wednesday, the conference finalized the treaty's so-called "rule book," establishing greenhouse emissions cuts and mechanisms to allow developed countries to earn credit for carbon reduction by investing in development projects in other nations.

"The Kyoto Protocol is now fully operational. This is an historic step," said Canada's Environment Minister Stephane Dion, who is presiding over the conference.

The Kyoto agreement targets carbon dioxide and five other heat-trapping gases blamed for

rising global temperatures and disrupted weather patterns. It calls on the top 35 industrialized nations to cut emissions to 5.2 percent below their 1990 levels between 2008 and 2012.

Harlan Watson, the senior climate negotiator for the State Department, said Washington would not be party to any agreement with legally binding targets.

"There's more than one way to address climate change," Watson said. "The idea that you have to be bound by a Kyoto-like structure to address the issue, we believe is a fallacious one."

The United States, the world's largest emitter of greenhouse gases, argues the accord is flawed because of it does not restrict emissions by developing countries. President Bush has called for an 18 percent reduction in the U.S. growth rate of greenhouse gases by 2012 and has committed \$5 billion a year on science and technology to combat global warming.

Environmental groups have denounced Washington at the conference, not only for turning its back on Kyoto, but also for saying it won't participate in negotiations for commitments to greenhouse cuts after the first phase of Kyoto expires in 2012.

The Bush administration said Kyoto would cost the U.S. economy \$400 billion and almost 5 million jobs, while excluding China and India from mandatory emission caps.

Sun noted that while China is the world's second-biggest emitter of greenhouse gases, it also has the largest population, 1.3 billion people.

While China's gross domestic product had quadrupled from 1980 to 2000, "energy consumption only doubled," he added. "So that shows big efforts by the Chinese government."

Sun said China's objective was to raise energy efficiency by 20 percent between 2006 and 2010.

### **Environmental forum urges green nation**

Dec.5(China daily)--The major environmental pollution accident that occurred in Songhua River impelled the country to improve its information publicity and the public to take more

participation in environmental issues, experts and officials said on the ninth Green China Forum held on Saturday in Beijing.

Currently, environmental problems are abundant in China and one of the main factors behind these problems is the lack of effective public involvement, experts said.

"Now China's environmental issues are not solely domestic issues, but of international concern," said Xu Jialu, vice-chairman of the Standing Committee of National People's Congress. "More and more environmentalists from around the world are making an effort to help the country to protect its environment."

"The government should pay more attention to establishing a platform for the public to take part in environmental causes," Xu said. "Non-governmental organizations (NGOs) are a useful way to increase the public's involvement."

"China's environmental NGOs should play a bigger role," said Liang Congjie, the founder of Friends of Nature, one of the country's most influential organizations in this field.

"Due to its independence, this NGO can link different social organizations together to urge them to make a combined contribution to improve the country's environment," Liang said.

Lu Zhi, professor of conservation biology of Peking University, called on the media to promote the public's participation.

"The media should not just focus on reporting environmental cases, but should also urge people to engage in the cause," she said.

"China should carry on a green environmental reform," said Hu Angang, a well-known economist. "The country should develop policies to promote environmentally friendly behaviour, in areas such as food consumption, energy use, transportation and real estate construction. An information system for consumers to identify environmentally friendly products from harmful ones would certainly be useful."

"And preferential policies should go to environment friendly enterprises, for example tax exemption."

## Meeting clean-air goal a tough task

BEIJING, Dec. 2 (Xinhuanet)--Beijing has a tight schedule if it is to succeed in fulfilling its promise of letting local residents enjoy good air quality for 230 days during 2005, or 63 per cent of the year.

Du Shaozhong, deputy director of Beijing Environmental Protection Bureau, said that by the last day of November, residents had bathed in 212 days of "blue sky," leaving a need for 18 such days in December.

He was quoted by the Beijing News daily as saying yesterday that the city was plagued by pollution in November "the worst month for the city during the past six years" which had only 10 days of clean air.

Experts say a "blue sky" figure often showcases a city's success in environmental protection. Since 2002, the "blue sky" figure in Beijing has been 203, 224 and 229, which indicate victory in ensuring cleaner air. In 1998, the capital's air-clear figure was only 100 days.

However, an air-clear day does not mean pollution-free. It is still divided into five categories: The first degree is of "super" quality, the second is "good," the third indicates "light" pollution. The fourth and fifth grades mean "moderate" and "heavy" pollution.

"I had to count on my fingers once again to see whether this year's air quality control target can be fulfilled," Du told the newspaper.

During the first week of November, the quality of the city's air was all poor, with three days hitting "most severe" pollution level, he said.

Du attributed the severe quality level to the pollutants sent into the sky by a combination of the city's annual heating supply since November 15, pollution from vehicles, construction site and factories, and its terrain.

He said his bureau would strengthen air quality control this month by restricting unqualified automobile exhaust emissions and controlling flying dust from construction sites and pollution from various plants.

Moreover, Du said, the city needs support from the public.

"Our residents and various institutions in the city should start with themselves to help lower air pollution," he said.

#### Poor exhaust emissions

In related reports, a probe on Tuesday by the city's bureaux of environmental protection and traffic management found that 30 per cent of the examined automobiles sent out emissions below government standards.

Feng Yuqiao, chief of the Exhaust Emission Division of the Beijing Environmental Protection Bureau, said their on-spot check on 210 automobiles found that 59 were spreading sub-standard emissions.

He told the Beijing News that most of the violators were trucks from construction sites and vehicles for agriculture, "which like to run all night to avoid being checked by authorities."

### **Bid to Reduce GHGs Emissions Stepped up**

Dec 14 (China Daily) -- The end of last week's conference to try to extend the Kyoto Protocol climate pact marked another step by the world towards curbing global warming.

Countries attending the Montreal meeting reached the consensus that they would continue their efforts to curb global warming after 2012, although no concrete measures on how they would do it were set.

The United States came under fresh criticism at the conference for its previous decision to refuse to sign the pact.

The United States, the world's biggest polluter, is involved in the UN framework convention on climate change, which gave rise to the protocol.

But the Bush administration rejected the Kyoto pact itself, saying that the emission cuts would harm the economy.

Meanwhile, China takes an active part in seeking co-operation with other countries for making contributions to limiting pollution.

As a non-Annex 1 country under the Kyoto Protocol, China is exempt from Kyoto restrictions on greenhouse gases emissions by

2012.

Annex 1 countries are made up of developed countries that are required by the protocol to reduce greenhouse gases emissions.

In July, China joined the Asia-Pacific partnership on clean development and climate, together with the United States, India, South Korea, Australia and Japan. While it does not replace the Kyoto Protocol, the partnership instead focuses on regional efforts to cut greenhouse gases emissions.

In September, China and the European Union (EU) signed a joint declaration on climate change, saying the two parties will strengthen co-operation and dialogue on climate change, including clean energy, and promote sustainable development.

"Although the Asia-Pacific partnership on clean development and climate is a good step on the long road to fighting global warming, it provides no concrete and effective measures on cutting greenhouse emissions as yet," said Zhang Jianyu, a visiting scholar to Tsinghua University.

Chinese experts believe the Kyoto rulebook will continue to play an indispensable role beyond 2012 when the pact comes to a close.

Luo Yong, deputy director with the National Climate Centre, said: "The mainstream society of the world community is pushing forward the sustainable implementation of Kyoto Protocol, despite a lot of doubting voices," he said.

But, the climate expert pointed out that even if all the targets of the Kyoto Protocol are met, the global warming trend could not be halted immediately.

"Carbon dioxide will go on increasing in the atmosphere. So will the world's average temperature. It is because all these greenhouse gases have a century-long life cycle. They will remain a stable state in the air for centuries," Luo explained.

He said the world should attach more weight to adapting to the inevitable climate changes.

"Coastal regions, for example, should begin some constructions against the rising sea level and the agricultural layout should be reconsidered in some places," he said.

Scientists said there is more carbon dioxide today in the atmosphere than at any point during the last 830,000 years.

A latest study, by the European Project for Ice Coring in Antarctica, found levels of carbon dioxide have climbed from 280 ppmv (parts per million by volume) two centuries ago to 380 ppmv today. In return, the Earth's average temperature has increased about 0.6 C since 1840.

"The rise of carbon dioxide is considerably steep, by 1 ppmv per year in the last 50 years and by 1.8 ppmv annually in the recent decade," Luo said. "It is not like, as some skeptics claim, that the rise in greenhouse gases is only a natural fluctuation."

China emitted 2.6 billion tons of carbon dioxide and more than 34 million tons of methane in 1994. The decade-old figure, however, is the latest official one about China's emission of greenhouse gases.

Although the per capita greenhouse gases emission in China is 2.6 tons, against 19 tons of the United States, China should begin to prepare for possible limits after the year of 2012.

"It does not mean we can be exempted after 2012, so we should start preparations now," said Zhang De'er, a senior climate expert with the National Climate Centre.

China is doing it. The country's 11th Five-Year Plan (2006-10) outlines a goal of 20 per cent reduction in its energy cost per unit of gross domestic product by 2010

And the past two years have witnessed the government's stronger promotion of clean development mechanism (CDM), an effective carbon trading mechanism proposed in the protocol.

Japan's Kyodo Agency recently reported that China, together with companies in the developed countries, had begun 30 projects to jointly reduce emission, by the end of last month.

It is estimated that the total reduction of carbon dioxide will reach 39 million tons this year, the agency said. If the effort continues at this speed, China is expected to cut 1 per cent off total emissions annually, the agency added.

Lu Xuedu, a senior official with the Ministry of Science and Technology, said the United Nations CDM Executive Board has already approved 25 projects from China.

"In the next year, we will submit between 200 and 300 CDM projects for approval," said Lu, deputy director with the Office of Global Environmental Affairs.

He said the next two to three years would see a great leap in CDM collaboration between China and developed countries.

"Current projects, including those to be approved, are estimated to reduce 250 million tons of CERs (certificated emission reduction)," said Lu, who is also vice-chairman of the CDM Executive Board of Kyoto Protocol.

"Italy is now our most dynamic partner, which has proposed 100 joint CDM projects with an annual reduction of more than 10 million tons," Lu said.

The World Bank, France, Canada, Japan and Asian Development Bank also have such projects with China. China Environment News reported last Wednesday that the country would see an annual trading of more than 200 million tons of carbon in the next five years.

"It is expected that the CDM projects will bring an increase of about 2 billion yuan (US\$250 million) in foreign investment this year," it said.

And the figure will almost double in 2010, it added.

Jiang Dong, deputy director with Hebei CDM Project Office, said the province is considering about 10 more CDM projects in biofuel, coal-bed gas and landfill devices

He revealed that the province may be able to contribute to about 2 million tons of reduction each year under current and new projects.

### **China Kicks off 1st Int'l Cooperative Research on Climate Change**

Jan 10 (xinhuanet) -- China kicked the first international cooperative research program on global climate change organized and led by Chinese scientists on Jan. 2 in Beijing

The research program will be launched at the International Project Office (IPO) for the Monsoon Asia Integrated Regional Study (MAIRS), which is based in the Institute of Atmospheric Physics under the Chinese Academy of Sciences (CAS).

Prof. Frits Penning de Vries, director of the MAIRS IPO, said at the official inaugural for the project that a new branch of Earth system science is emerging to research the causes, impacts and their interrelations or regional climatic changes.

To promote Earth system science in the Asian region, Prof. Vries said, the four major global change programs, the World Climate Research Program, the International Geosphere-Biosphere Program, the International Human Dimensions Program and the International Biodiversity Research Program, decided in 2004 to create a research program targeted at the Asia Monsoon Region.

Deforestation and pollution from intensive industrial development have begun modifying the Monsoon. Human activities are clearly starting to alter the Monsoon system, Prof. Vries said.

The international steering committee for the MAIRS is composed of more than 20 recognized scientists from international research projects as well as from China, Japan and the Republic of Korea.

Fu Congbin, a CAS academician, leads the steering committee.

The steering committee and the IPO are now drafting scientific and executive plans for upcoming research, which is scheduled to be published in November.

### **China to Act Constructively in Climate-related Issues: FM Spokesman**

Dec 8 (xinhuanet) -- China is to play a positive and constructive role in resolving climate-related issues, Chinese Foreign Ministry spokesman Qin Gang said here Thursday

Qin made the remarks at a press conference in response to a question at the ongoing UN Climate Change Conference, which has gathered all the parties in the Kyoto Protocol. About 8,000 delegates from 189 countries were present at the conference in Montreal between Nov. 28 and Dec. 9

China has sent a delegation of officials from the Foreign Ministry, State Development and Reform Commission and Ministry of Science and Technology

The ten-day conference is believed to speed up the implementation of the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, which came into effect in February this year

The protocol attempts to lower the Earth's temperature by setting limits on the emission of greenhouse gases for the 37 signatory countries.

Delegates will also hold discussions on the reform of the Clean Development Mechanism under the Kyoto Protocol, which says that developed nations may cooperate with developing ones in reducing greenhouse gas discharge through providing money and technology.

The next five-year plan to cope with global climate changes will also be on the conference's agenda, since the first phase of the 1997 landmark treaty ends in 2012, when a new round of negotiation is expected to begin, Qin said.

The Chinese government supports the implementation of the Kyoto Protocol and insists on the basic principles of the UNFCCC, Qin said.

In accordance with the spirit of "the common but differentiated responsibilities and respective capabilities" articulated in a UNFCCC document, Qin noted that the Chinese government is working on methods to adapt itself to climate changes.

Qin emphasized that the Chinese government favors a sustainable development mode and

values harmonious development between humanity and nature.

"Our country's focus is on economic growth as well as environmental and climate protection," Qin said.