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General Energy Issues

Official: Energy saving efforts bear fruit

February 27 (China Daily) --China's energy saving effort succeeded in meeting their basic goals last year, but the nation still has a long way ahead in ensuring a sustainable energy supply, a senior energy official said Wednesday.

Xu Dingming, vice director of the Office of National Energy Leading Group (NELG), made the remarks Wednesday at the Coal-Gen Sustainability China forum in Beijing.

He quoted primary statistics as saying that last year, China was expected to consume 2.65 billion tons of standard coal equivalent, up 7.8 percent from 2006. But consumption growth slowed by 1.81 percent year-on-year.

Energy consumption per unit of GDP was 1.1663 tons of standard coal equivalent, down 3.27 percent from 2006. That decline was 1.94 percent faster than the year before. In 2007, the country saved a notable 89.77 million tons of standard coal equivalent in energy.

According to China's 11th Five-Year Plan, it aims to cut energy consumption per unit of GDP by 20 percent from 2005 before 2010 by improving resources, utilizing efficient technology, and saving energy.

Meanwhile, the nation's energy policy moved forward last year, according to Xu.

Last December, the NELG released a draft of the first Energy Law and solicited public opinion on its website. The draft was received warmly.

"Since then, the government has listened to advice from energy experts both at home and abroad," Xu said. "Taking these opinions seriously, the NELG is now making adjustments to the draft, and will soon submit it to the State Council."

However, he warned that the energy industry should remain cool at all times and think in the long term as far as the nation's energy development strategy and energy security.

Crude oil futures at the New York market hit a fresh record high Tuesday, as the light crude contract for April delivery settled at over \$100 a

barrel again. Analysts said to continue to expect three digit prices, and energy prices will attract more attention worldwide.

Moreover, this month's snowstorms in southern provinces also tested the nation's energy supply system, triggering more thoughts about the consequences of massive power strain.

In China's first energy white paper last December, the government pledged to develop the coal industry in an orderly way, while exploring more renewable energy sources such as hydro, nuclear, solar and wind energy to meet the growing needs of the nation's booming economy.

However, renewable energy doesn't mean frugality can be neglected, according to Xu. Energy saving is not only a responsibility of the government, but is also a symbol of social progress and the progress of mankind in general.

He suggested that people begin to save energy in details, such as driving less and refraining from too much air-conditioning. "Good consumption habits did contribute a lot to energy saving," said Xu.

Convened by the Allied Resource Allocator (ARA), an international management service organization, the forum is part of its Asia energy dialogue series aiming to boost exchanges on sustainable energy development among power companies, experts and officials. The meeting is scheduled to last until Friday.

China, Germany seek green energy co-op

February 1 (China Daily) -- Sino-German collaboration on renewable energy can set a good example for other countries, a senior official with the National Development and Reform Commission (NDRC) said yesterday.

China and Germany should expand cooperation to promote the use of renewable energy and achieve more sustainable development, Wu Guihui, deputy director of the energy bureau of the NDRC, told an energy forum.

"It (use of renewable energy) is really important now as China is making great efforts in energy saving and environmental protection," he said.

China is improving energy efficiency and using more renewable energy sources, and thus playing an important role in combating global warming, said German Environment Minister Sigmar Gabriel.

As big energy consumers the two nations can expand cooperation in environmental technology, he said.

As the world's fastest growing major economy, China has set a target of cutting energy consumption per unit of GDP by 20 percent and pollutant discharges by 10 percent from 2006 to 2010.

The world's second-largest energy consumer is also making increased use of renewable energy such as wind and solar power. The government has set a target of raising the ratio of renewable energy in its total energy mix to 10 percent by 2010 and 15 percent by 2020. Renewable energy currently accounts for 8 percent of the total energy consumption.

In some sectors such as wind power, China has seen over 100 percent annual growth in the past three years.

A total investment of 2 trillion yuan (\$277.8 billion) is needed to meet the renewable energy target by 2020, according to the NDRC, the nation's top economic planning body.

The Chinese market provides major opportunities for German companies, said Jurgen Heraeus, a representative of the Federal Association of German Industry. Leading wind power company Nordex, for example, has seen over 50 percent annual growth of its business in China.

Several German energy majors said they are keen on China's energy sector. Siemens earlier said it plans to inject half of its 10 billion yuan mid-term investment in China into energy-saving and environmentally friendly technologies.

Energy administration faces legal quandary

February 4 (China Daily)-- It's for sure - the long-expected draft of energy legislation won't be ready in time for lawmakers to read at the

annual session of the National People's Congress in March.

Some observers believe it is still pending because the government might reshuffle its diverse energy administrations to form a powerful single energy ministry, while others say the consolidation is impossible in the near future due to "complicated" reasons.

Yet the law is still in the works. Officials and experts have reached some consensus on tasks of the new energy governing body no matter when it is established: it should perform better in saving energy and improving efficiency, rather than only helping dig up more resources to feed the demand of rapidly developing China.

"When drafting the new law we have to always bear in mind the latest developments and trends worldwide," Ye Rongsi, deputy head of energy law drafting team under the National Energy Leading Group, tells China Business Weekly.

The most important factor, Ye notes, is that the world is entering a high-price cycle and moving from fossil fuels to an era of renewable energy.

"The draft will facilitate China to adapt to new developments," says Ye, insisting that a new energy law should address the financial system, climate change, pricing deregulation, market incentives and scientific research.

The widely circulated draft emphasizes a unified management system to plan and supervise China's energy sector, which is currently managed by a number of government departments and agencies.

"We need to set up an overarching agency to take responsibility for China's challenging energy sector," says Ye, adding that improving energy efficiency and guaranteeing energy security are among the law's top goals.

Feng Fei, industry policy department director under the State Council Development Research Center, a think-tank directly responsible to the central government, stresses the urgency of establishing a unified national agency to oversee China's energy sector.

"We should not only emphasize unified management, but also pay close attention to independent supervision and regulation of the energy sector," says Feng, who adds that "strict

supervision over energy management" should be a key to the legislative framework.

Industry observers contend that China lacks a systematic means to manage all its energy industries and standards across the country. Thermal electricity generation, nuclear power, oil and gas, coal mining and renewable energy all have different management systems.

The National Energy Leading Group under the State Council currently has temporary responsibility for energy policy research and long-term planning, while the Energy Bureau under the National Development and Research Commission (NDRC) is responsible for project design and approval.

China has an electricity regulatory body to supervise the country's State-owned grid companies, but there is no regulatory body for oil, coal and natural gas companies.

"The experience from developed economies shows that effective supervision and regulation can help reduce or curb abuses in positions of monopoly," says Feng.

Despite the high expectations of experts and officials for a cabinet-level ministry to improve energy administration, the delay of the new energy law is likely to rule out discussions on a unified national energy body at the parliamentary session in March, as there is still no legislative framework.

Dong Chaojie, deputy department director at the State Council's Legislative Affairs Office, says the timetable was still up in the air despite the fact that it's been in the draft stage for two years.

"We haven't discussed it yet," says Dong. Under the legislative process, Dong's office can decide when to submit drafts for the National People's Congress to read and vote on.

She says it was "complicated" to weigh the interests of all stakeholders and parties governed by the energy legislation.

"It will take further time" to consolidate input from all stakeholders, she says.

Ye from the drafting team says the "year 2009 is the earliest possible date for the legislative body to read and vote on the draft".

But no matter when it will be, "a unified energy administrative body" should be the result, he says.

Barbara Finamore, president of the China-US Energy Efficiency Alliance, says the nation's energy agencies have struggled with few employees and an unusual division of responsibilities that have made consolidating authority difficult.

"Given the background, significant institutional restructuring may be required in order to administer a cohesive national energy plan," says Finamore.

New task of energy ministry

Finamore adds that energy conservation should be the major task of a new energy ministry, as that is what was stressed in a recent national energy White Paper.

While official discussions on the governing structure for the future energy ministry continue behind closed doors, sources close to planners tell China Business Weekly that saving energy will be a key task.

The National People's Congress announced last month that reform of the administrative branch of the government will be on the agenda of its coming annual session, although it did not specify the matters for discussion.

Whether or not the proposed ministry of energy is soon established, there will be a "major increase in human resources" to help the country implement its policy of energy conservation and emission reductions, according to the sources.

When releasing the central government's White Paper on energy last month, the NDRC spokesman did not touch on the issue of the proposed new government agency. But sources say the NDRC has a shortage of staff devoted to energy issues. "It's a long-time headache," says one.

Beijing has set mandatory goals to lower the nation's energy intensity by 20 percent and cut major emissions by 10 percent during the 2006-2010 period compared to the nation's 2005 levels.

After they fell short of their targets in 2006, officials at all levels have been told by Beijing to make a better effort in 2007- or risk their careers.

The existing government teams that oversee energy efficiency and emission cuts are likely to form the mainstay of the new ministry of energy, one source says.

But its relationship with large national energy corporations is still to be decided. The energy giants are now all under the management of the State-owned Assets Supervision and Administration Commission.

Finamore says the draft energy law has many good provisions. "If it becomes law and is fully implemented, China will have more opportunities to save energy."

Look beyond bio-fuels

February 4 (China Daily) -- We must not undermine other resources in pursuit of bio-fuels, says an article in People's Daily. The following is an excerpt:

To meet the growing demands for energy and environmental protection, many countries are researching and developing bio-fuels, which have become a heated topic in the world. Many countries and regions plan to develop bio-fuels. The European Union wants 10 percent of its transportation to be powered by bio-fuels by 2020. However, experts have expressed opposing opinions, throwing cold water on the emerging sector.

Bio-fuels are believed to be a source of clean energy. But experts have said that Brazil has cut down some of its rain forest so it can plant sugar cane to produce ethanol. The amount of carbon dioxide absorbed by the lost rain forest was actually greater than that reduced by the use of bio-fuels. Simply put, the loss outweighs the gain. Similar cases have happened in some Southeast Asian countries.

Experts have also raised questions about how renewable bio-fuels are. Petroleum and coal are finite, meaning they will eventually all be gone some day. But bio-fuels are grown and thus seem inexhaustible.

However, experts have pointed out that the production of bio-fuels requires large tracts of arable land, which also bears the responsibility of growing food for human beings. If more resources are used to make bio-fuels, people will be competing with cars for nourishment.

Moreover, plants need water, which is also a scarce resource. Without land and water, it will be impossible to produce bio-fuels.

All people want to develop new sources of energy, but the process is very complex. Bio-fuels are only one alternative. Our exploration of other alternatives should not stop.

China power firms face tough year

February 20 (Reuters) -- It promises to be a tough year for the mainland's power industry, but generators remain good long-term bets and their coal suppliers offer even better odds.

After the worst snowstorms in half a century battered the country's energy infrastructure, companies such as Huaneng Power International and Datang International Power face record coal prices until 2010, with little government help in sight.

And plans by the country's two power grid operators - State Grid Corp of China and China Southern Power Grid Co - to list and raise billions of dollars to upgrade transmission lines may have to wait as Beijing must first tackle a rigid tariff system that is squeezing profits.

Coal prices rose 20 percent in some areas last month alone.

With inflation hitting an 11-year high in January, Beijing is reluctant to raise power prices.

Huadian Power Deputy General Manager Zhong Tonglin captured the mood when he told investors last week that the company's first-quarter results will "not be pretty".

Power generators can expect double-digit consumption growth in the world's biggest electricity market outside the United States, but investors may prefer coal miners Shenhua Energy and China Coal.

"The snowstorms piled the pressure on power producers' already squeezed margins," said Alex Fan of the Daiwa Institute of Research. "But the key point is the pricing mechanism. Without freeing up power prices, generators can hardly have rosy results, and grid companies can't attract investors."

Unusually harsh weather last month snapped power lines and disrupted coal shipments, sparking 42 gigawatts of power shortages at its peak - enough to power 40 million homes - and highlighted underinvestment, especially in transmission, just as the country's power grid duopoly braced to go public.

The State Grid planned to boost investment in upgrades and expansion by a fifth to \$35 billion this year, part of Beijing's plan to spend more than \$140 billion on the nation's power web in the five years leading up to 2010.

"What's the selling point? It's only after the government improves the pricing mechanism that the power grid firms can list successfully," Daiwa's Fan said.

China Resources Power will be hardest hit because two plants in southern Hunan have shut down and have yet to fully resume operations.

Core Pacific-Yamaichi's Henry Li downgraded its shares to "hold" and cut its 2008 net profit forecast by 6 percent.

Analysts agree the government must reform its tariff system to lure investors.

Work starts on nuclear power plant

February 19 (China Daily) -- Construction of the Ningde nuclear power station began in Fujian Province yesterday.

The 51.2-billion-yuan (\$7.1 billion) plant is being built on three islands in the village of Beiwan in Fuding, 143 km north of Fuzhou.

The first phase of the project comprises the construction of four nuclear reactors, each with a capacity of 1,000 megawatts (MW). The plant will use the same technology as the existing nuclear facility in Ling Ao, the National

Development and Reform Commission (NDRC) said yesterday.

The first reactor is expected to be put into commercial use at the end of 2012. Once completed, the four reactors will generate 30 billion kWh of electricity a year, the NDRC said.

The China Guangdong Nuclear Power Group, Datang International Power Generation Co and Fujian Coal Industry Group are jointly funding the project.

Zhang Guobao, NDRC vice-minister, said the Ningde power station will significantly ease the strain on energy supply in the southeastern coastal area, as well as aid environmental protection efforts in the region.

It will also provide a huge boost to the economy of the province, he said.

In addition to the Ningde project, other nuclear power stations are planned for Fujian.

The country's largest nuclear power company, China National Nuclear Corp, has planned six 1,000-MW reactors for its Fuqing project in the province.

Also, China Guodian Corp, one of the nation's top five power producers, has launched its first nuclear project in Fujian. Guodian has set up a division to work on the project in the coastal city of Zhangzhou, a source from the company told China Daily.

However, the Guodian project is still at an early stage and has not yet received government approval, the source said.

As the world's second-largest energy consumer, China is looking more to nuclear power for a balanced energy mix. According to official figures, nuclear power is now the third largest power source in the country.

The 11 nuclear reactors currently in operation have a combined capacity of about 8,000 MW, and last year generated 62.86 billion kWh, up more than 14 percent on 2006, the Commission of Science Technology and Industry for National Defense said.

However, nuclear power still accounts for less than 2 percent of the country's total output. The NDRC said it wants to boost this figure to 4 percent by 2020.

Han Wenke from the Energy Research Institute under the NDRC, said: "China has seen a transition in its nuclear power industry from appropriate development to accelerated development."

Beijing to build energy stockpiles for Olympics

February 26 (Xinhua) -- Beijing will try to ensure energy supplies during the Olympic Games with extra stockpiles of oil, liquefied petroleum gas and coal, officials of the Beijing Municipal Development and Reform Commission said on Monday.

An official said that there would be a new inventory management system during the Olympics, which will guarantee stocks of thermal coal in excess of the normal level of 300,000 tons. Oil product inventories would exceed 300,000 tons as well.

He noted that a daily reporting mechanism would be used to monitor the energy stockpiles.

Beijing has also taken measures to reinforce energy safety during the Olympics, such as completing municipal grid projects that aim to meet a maximum load of 14.6 million kilowatts for 2008.

The government is also working on a plan to ensure that 6.8 billion cubic meters of natural gas is supplied to Beijing in 2008.

The official also said that Beijing would limit its total energy consumption in 2008 to 65 million tons of coal equivalent, so that the energy intensity of its economy would be reduced by five percent.

Automobile and Transportation

Int'l auto giants make progress in China

February 5 (Xinhua) -- Many international auto giants saw their sales in China surge with two-

digit growth last year, greatly offsetting their sluggish performance in other markets.

Xu Guozhen, vice-president of Ford Motor (China) Ltd, told Xinhua on Monday that a sales slide in North America left Ford with a negative growth in global markets last year, but its sales in China rose by a sparkling 30 percent.

The concern of a possible US economic recession, overwhelming subprime crisis and soaring oil prices have hit the auto industry hard in the United States, the world's largest vehicle consumer and producer.

The total sales of U.S.-made automobiles last year slipped back to the 1998 level of 16.1 million vehicles, and sales of its three major auto producers General Motors, Ford and Chrysler fell by 7.5 percent.

General Motors, narrowly outsold Toyota by 3,500 more vehicles last year, managing to keep its No. 1 seller title, which analysts attributed to its rapid sales growth in China.

General Motors sold more than 1.03 million vehicles in China last year, up 18.5 percent or 160,000 vehicles from a year ago, while its sales in global markets only rose by three percent.

The world's second largest auto maker Toyota also saw a straight sales rise of 62 percent in China last year, compared with its six-percent rise in global markets. In its home Japan, sales of new vehicles even fell back to the level three decades ago.

Yang Hongjian, an employee with the Toyota Motor (China) Investment Co Ltd, told reporters that Toyota sold a total of 499,000 vehicles in China last year.

German auto giant Volkswagen saw its sales in China hit a record high of 910,491 vehicles in 2007. The figure, which ensured China surpassed Germany as having the most Volkswagen consumers, was 28 percent higher than that of the previous year.

Dong Yang, deputy director of the China Association of Automobile Manufacturers (CAAM), believed that China's auto market will keep growing at a rapid pace for the long term.

"Chinese residents are shifting their focus in consumption from food and clothing to housing

and transport. Many families still haven't got a car. Great demands have created a vast market for international auto makers," Dong said.

Mei Wei Cheng, chairman and CEO of Ford Motor (China) Ltd, predicted that 50 percent of auto sales growth will come from the Chinese market in the following 15 years.

Thus, international auto makers will keep increasing their investment and market exploring efforts in China, Cheng said.

Ford has recently announced that it will invest \$4 billion in the Asia-Pacific region in the next three to five years, with its focusing on China.

VW China president Winfried Vahland also revealed that his company plans to raise its technical export to China and aims to sell one million vehicles in the country in 2008.

January car sales soar in China despite winter storms

February 15 (Xinhua) -- China passenger vehicle sales soared to a monthly high in January, with the worst winter storms in half a century failing to dampen the country's increasing love for cars, an industry group said.

Chinese car makers sold 639,000 passenger vehicles last month, up 32 percent from the same period in 2006 and 6.7 percent up from December, according to the China Passenger Car Association.

January sales exceeded those in the previous month for the first time in recent years, despite coming at a time when dealers usually try various measures to reduce stock in hope of bumping up sales figures before the year end, it said.

Sedans accounted for three-quarters of the January figure, while sport utility vehicles (SUV) sales jumped 60.5 percent year on year to 32,000 units, nearly twice as fast as the industry average.

Passenger vehicle production was up 14.5 percent year on year to 566,000 units. This included 423,000 sedans, 35,000 SUVs and 14,500 mini-vans.

Sales in February, which only has 18 workdays due to the Spring Festival holiday, were likely to be as high as 400,000 units because the freak winter weather had delayed some January deliveries, the association said.

Vehicle production and sales in the country both surged more than 20 percent to a record 8.8 million units last year, in contrast to weakening sales worldwide.

In total, China, the world's second largest car market, produced 6.38 million passenger vehicles and sold 6.3 million units last year.

The association forecasts imported passenger vehicle sales would continue to outpace those of locally-made units this year.

Demand for imported high-end cars would remain strong as they only had a few local rivals. In addition, domestic oil prices were rather low and the country has a growing rank of nouveau riche, it said.

The market for indigenous low-emission cars was weakening domestically, while 81 percent of imported SUVs and 70 percent of imported sedans had engines larger than 2.5 liters last year, both up 20 percentage points from a year earlier.

China's auto tariff policy not violating WTO principles

February 16 (Xinhua)-- Leading industry experts have defended China's auto imports tariff policy in the wake of a ruling by the World Trade Organization (WTO) which says the policy break its rules.

China considers car parts as a whole vehicle if they account for 60 percent or more of the value of a whole vehicle, and charges a 15 percent higher tariff on them.

Zhao Yumin, a research fellow with the Trade and Economic Cooperation Institute of the Ministry of Commerce (MOC), told Xinhua on Friday that the tax measure is aimed to prevent tax evasion by companies who import whole cars as spare parts to avoid higher tariff rates.

"China has completely realized promises the country made when it joined the WTO by remarkably slashing the import tariff," Zhao said.

Mei Xinyu, an analyst with the Institute echoed Zhao's sentiment, adding that "leveling the tariff gap is to publicly encourage auto smuggling."

The WTO panel, however, largely upheld the complaints filed by the United States, European Union and Canada that China improperly taxed imported car parts at the same rate as finished vehicles, sources close to the case said on Wednesday.

They argued that the Chinese tax measure, which defied its WTO obligations, deterred auto-makers from using imported parts to build cars in the country and cost jobs abroad.

It was the first time that China suffered a defeat at the international trade body. But the decision is only an interim ruling and China still has the right to appeal.

After informed of the interim result, the Chinese mission to the world trade body said in a statement issued late Thursday that "China is carefully studying the report and is preparing to submit its opinions to the WTO panel.

"China respects the dispute settlement procedures of the WTO and will not make comments on the case until the final ruling is made," the statement also said.

Mei said China should appeal, "even if the result is not what we wish. However, no panel has changed its findings between an interim and final decision in WTO history. But it does not mean China cannot make it happen."

"The root of disputes is high-grade auto parts imports, as the domestic low-grade auto parts manufacturers can serve the market," Zhao said.

China's growing appetite for high-grade autos has attracted foreign auto parts producers. They want to get the cake without transferring the technology, he added. Lowering the import duty will be the only way to take more from the market, he said.

Many foreign manufacturers pressured their governments to influence the WTO to clear the obstacle, the Shanghai-based China Business

News quoted an anonymous MOC official as saying Friday.

According to the latest customs figures, China imported \$10.6 billion worth of auto parts last year, up 17.8 percent year on year.

Meanwhile, the country's auto parts manufacture industry marked an industrial output of 670 billion yuan (\$93.1 billion), statistics from China Association of Automobile Manufacturers showed.

Market analysts believe that even if the panel's final decision, which is expected next month, backs up the interim decision, not much influence would be felt by the domestic auto industry in the long term.

"Only those foreign high-grade auto manufacturers will benefit," said Jia Xinguang, a senior analyst with China Auto Consultation Co Ltd.

New emission standards postpone auto price wars

February 19 (China Daily) -- Beijing will ban the sale of new cars failing to meet the China IV emission standards, which are equivalent to that of Euro IV, starting from March 1 this year, triggering price fluctuation of new cars in the capital, the Beijing Business Today reported.

The price wars, which will mean greater price reductions in the automobile market, surprised consumers with experts attributing the discounts to the implementation of the new emission standards.

According to an insider of Beijing's Yayuncun (Asian Games Village) auto market, one of the capital's biggest auto markets, some vehicle models are temporarily out of stock due to supply factors, but the shortage won't last long.

In addition, auto manufacturers had known of the standards for a long time and had measures in place to meet the standards, resulting in the postponement of price reduction waves.

Most vehicle distributors even cancelled price reductions on the grounds of the China IV emission standards, which means more cost on technical improvements resulting in an increase

for the average price of new models. But many new models, including the new Corolla, the Focus and the Octavia, haven't raised their guide prices.

Insiders said the market will see more price reductions after March 1.

According to information from Yayuncun auto market, the Mazda 5, a hot-selling sedan, is now available without spending additional money. The Chery A1, the indigenous brand Chery's first mini-sized car complying with the China IV standards, is selling at 1,500 yuan (\$209.8) less.

The latest survey from the National Development and Reform Commission's price monitoring center indicates that China's automobile prices will continue to drop this year as a result of oversupply and fiercer competition.

The price drop will be five percent, slightly larger than last year's 4.86 percent as production rapidly expands in the world's second-largest auto market, the survey suggests.

The growing production capacity is partly a result of a series of mergers and acquisitions that help carmakers to consolidate assets, according to the survey. Domestic auto manufacturers also sped up their efforts to seek stock listings, helping the expansion, the survey said.

More than 80 new models will be unveiled on the domestic market this year, including updated versions, according to the survey.

Auto balance

February 25 (China Daily) -- Rules governing auto sales in China should be enhanced to establish a more efficient and transparent system and better protect distributors and customers, according to industry experts.

Luo Lei, deputy secretary-general of the China Automobile Dealers Association in Beijing, says adjustments under consideration should better balance the interests of auto manufacturers and distributors.

Experts point out that current sales approaches place too much authority in the hands of

automakers and put distributors in a weak position.

"With the control of franchising rights, international automakers established numerous sales outlets in China, which brought disordered competition among domestic distributors of the same auto brand," says Luo. "The market is lacking in an efficient mechanism to check the power of automakers and protect the sellers' interests."

The current management environment increases sellers' management costs and dilutes profits of distributors, he says.

Customers and distributors applaud the proposed changes as an important step forward for the entire auto distribution system in China.

Along with increasing demands from customers and distributors to revise the current measures, experts say greater efforts should first be made to enforce current rules.

Zhang Boshun, secretary general of China Association of Automobile Manufacturers, says the establishment of an efficient and transparent auto distribution system not only calls for fair governing measures but also needs such rules to be enforced.

"It is still open for discussion whether the current rules should be revised or reserved," says Zhang. "But market participants who fail to comply with current rules are disturbing the industry operation."

First introduced in 2005, current regulations were designed to standardize auto sales, promote healthy development of the market and protect the rights of consumers.

But since the measures took effect three years ago, stakeholders have been calling for better protection of interests among suppliers, sellers and customers. Industrial insiders say implementation of the rules is a problem.

Under current measures, auto dealers defer to companies authorized by auto suppliers for sales, service and dealerships in a particular brand. Auto suppliers then have the authority to develop sales plans and service networks, which includes forecasts of operations, plans for outlet distribution, establishment of a dealership

network and outlet construction and standards for after-sales services.

The current rules require that auto suppliers should strengthen management over their networks, standardize sales and after-sales services, and publish the names of enterprises that are authorized - and not authorized - to sell its cars. They are prohibited from interfering in the construction of dealerships, the purchase of equipment and operations of distributors. They are also not allowed to impose sales quotas or force combined sales of brands onto the distributors.

Yet dealers say many suppliers set unrealistic sales quotas. They are now urging a limit be set on suppliers' authority.

Industry insiders say further efforts should be made to require suppliers to better administer operations. They believe the sound development of the distribution system requires supervision over auto suppliers.

"It is time to set necessary limitations on automakers' authority in the distribution system," says Luo. "The new specifications will be complementary to current measures and well balance the interests of automakers, sellers and customers."

According to Luo, one of the members drafting the new measures, the latest version will not change current rules entirely, but aims to specify auto suppliers' responsibilities and provide more guidance to sellers.

He says the draft specifications are in the process of soliciting comments and suggestions from experts and are likely to be introduced this year.

Transportation remains grim as travel peak looms

February 11 (Xinhua) -- EIJING - The Chinese government's task force tackling snow snarl alerted on Sunday night the transportation situation remained grim as the return travel peak looms, despite of remarkable easing.

"We have managed to ease transportation amid snowy weather and major highways and railways have resumed normal order," the

Disaster Relief and Emergency Command Center under the State Council said in a notice.

The overall situation, however, remained very grim as the nation braces for Lunar New Year return traffic peak, the task force said.

Early preparation should be made to guarantee smooth transportation in the face of another round of precipitation and snow in south and southwest China in the next 10 days, it warned.

China is expected to see another peak of railway traffic since Feb. 11, the six day of the Chinese Lunar New Year holiday, said the Ministry of Railway on Sunday.

Post-Spring Festival railway traffic peak saw more than five million passengers daily last year and we expect more passenger flow this year, predicted the ministry.

Highway transportation in many areas hampered by icy and snowy weather has returned to normalcy. About 28.1 million people have been carried by expressways and trunk highways on Sunday, up 6.05 million over the previous day.

Some 4,291 flights carrying 535,000 passengers took off on Sunday, 23,000 more than a day earlier.

New round of snow snarls traffic, kills livestock

February 25 (Xinhua) -- Snowfalls in parts of China have again disrupted transportation and killed livestock, even as the country struggles to recover from the worst winter in half a century.

Snow started to blanket the eastern province of Shandong on Sunday and as of 10 a.m. on Monday, 15 flights had been delayed at the airport in Jinan, the provincial capital. Some freeways were closed and thousands of vehicles were stranded.

The weather bureau in Shandong said the snowfall averaged four to five millimeters in most of the province, but in western Liaocheng city, the accumulated snow was as deep as 10 mm.

In the Ili River Valley in the far western Xinjiang Uygur Autonomous Region, blizzards raged from Thursday to Saturday. About 12,000 cattle

were killed, causing losses of 18 million yuan (US\$2.52 million).

"The continuous heavy snow and wintry weather last week have sharply increased fatalities among ewes and lambs, as it is the breeding season," said Ma Cheng, director of the husbandry bureau of Ili Kazak Autonomous Prefecture.

Incomplete statistics as of Sunday night showed that 10,830 sheep, 848 oxen, 240 horses and 90 pigs had been killed.

The region experienced prolonged icy weather in the middle of December. Since then, 69,700 cattle had died in Ili. In the past few weeks, the river valley was stricken by ice flows.

Heavy snow and blizzards have been forecast to hit provinces spanning China's central, eastern and northern and northwestern regions, including Xinjiang, Shaanxi, Shanxi, Hubei, Henan, Anhui and Jiangsu, the National Meteorological Centre said on its Web site (www.nmc.gov.cn) on Monday.

Blizzards were also expected in the northwestern part of central Hubei province, already plagued by winter storms earlier this month.

The winter storms that struck much of central and southern China left 129 people dead and losses so far have reached 151.65 billion yuan (US\$21.11 billion), according to the Ministry of Civil Affairs.

Oil and gas

Oil impact

February 18 (China Daily) -- The start of the new year was marked by oil prices reaching \$100 a barrel, which could greatly affect the global economy, and especially China, the world's fastest growing economy.

Rising oil prices have become a top global concern, as it consequently brings up the price of fuel and other oil products, increases production costs, causes hikes to consumer goods prices and ultimately puts inflation pressure on the Chinese economy.

Negative influence

Skyrocketing oil prices force consumers to spend more on fuel consumption and squeeze expenditures on other commodities. In 2003, No 93 gasoline was tagged at 3.02 yuan per liter in China, and by the end of last year had climbed 76.8 percent to 5.43 yuan per liter. For a family with a car, 200 to 350 yuan is spent per month more than 2003, an increase of 35 to 65 percent.

Further price hikes are forecast and many people intend to use other sources of transportation such as buses, subways, bicycles and walking.

High oil prices also deal a blow to the auto market, as consumers consider postponing car purchase plans. A survey shows that 80 percent of respondents say they have to rethink buying a car, while 36.6 percent say they have decided to wait for fuel prices to decline.

Most important is that the oil price increase has, to some extent, restrained consumer sentiment. Individual consumption has been the key stimulus of China's economic growth, if this sector shrinks, the economy, in general, will face difficulties.

Coal, electricity and oil are the bottleneck that restrict China's economic development, especially given that China's annual oil production has stood at 170 million tons since 1993.

The nation is still in the industrialization phase, a period during which economic growth relies considerably on oil. For example, China currently imports 50 percent of its total consumption and is the second largest oil consumer in the world after the US.

According to a survey conducted by the International Monetary Fund, if oil prices in international markets fluctuate by \$1 per barrel, China's GDP will be affected by 0.046 percent.

High oil prices therefore exert an obvious impact on China's economy.

First, high oil prices restrain the development of oil-related industries such as transportation, agriculture and automobile manufacturing. Take civil aviation for example. Costs are directly brought up by escalating oil prices, since

gasoline expenditures account for about one-fourth of the total.

In particular, Chinese agriculture is seriously impacted. In the last five years, the price of diesel oil commonly used in agricultural irrigation has risen 64.4 percent. Meanwhile, downstream oil products such as urea fertilizer and plastic sheet have increased 26.6 and 60 percent respectively. Consequently, agricultural production and farmers' living conditions have been greatly affected.

Secondly, high oil prices are likely to cause inflation. The escalating price of oil is sure to cause price increases for plastics, rubber and chemical fiber, which are the essential raw materials for manufacturing industries. As a result, costs in industries such as construction materials, metallurgical and petrochemicals will surge accordingly. China is now the biggest manufacturing country in the world, and the impact on Chinese manufacturers will be even worse.

In order to make a profit or simply survive, these manufacturers will shift the burden of rising costs to customers by bringing up the prices of their products, which will eventually force consumers to pay more.

According to a calculation from the International Energy Agency (IEA), if oil prices surge \$10 and the price lasts for a year, China's Consumer Price Index (CPI) will be pushed up 0.8 percent. Some domestic experts also say that oil prices account for about 5 percent of all CPI fluctuation factors. That is to say, if oil prices rise 10 percent, commodity prices will increase 0.5 percent.

Complicated causes

Price escalation usually results from a shortage of supply to meet the demand. Then what has caused the imbalance between fuel supply and demand?

From 2001 to 2006, the average annual growth rate of China's GDP reached 9.8 percent, and the gross production of fuels reached 9.4 percent. However, total consumption of fuels each year increased by 10.1 percent, 0.3 and 0.4 percent higher than the previous two.

With China undergoing industrialization, manufacturing industries developing rapidly and people's living conditions improving greatly, the

consumption of fuels such as oil is steadily on the rise.

High energy-consuming household appliances, such as refrigerators, TVs and air conditioners, are becoming increasingly popular.

As of the end of September 2007, urban families owned 94.8 percent of air conditioners, 2.1 times more than in 2000.

The automobile industry is also developing unexpectedly. From 2003 to 2006, the average annual sales growth in the domestic automobile market reached 1 million. As of the end of June 2007, China owned 53.56 million automobiles, among which 32.39 million were private cars, an increase of 20 percent year-on-year.

Consequently, consumption of gasoline and diesel oil rose sharply. In 2006, 51.7 and 116.3 million tons were consumed respectively, up 49.1 and 73.5 percent from 2000.

Urbanization is also speeding up. With the development of a market economy, a growing amount of surplus rural labor has flooded the urban areas. From 2001 to 2006, Chinese urban dwellers developed from 480.6 million to 577.1 million. In 2006, urban dwellers made up 43.9 percent of the total population; the 2001 figure was 34.7 percent. Consequently, a large number of new cities are emerging.

However, urbanization requires an enormous amount of fuel. A city dweller consumes three times as much energy as a rural resident on average.

As their numbers dwindle, rural residents are increasingly turning to highly efficient agricultural machinery.

As of the end of 2006, every 100 rural families possessed 1.83 automobiles and 23.45 tractors. These machines are generally high consumers of electricity and diesel oil.

Rural living itself is now becoming much more urbanized. Rural residents are earning more money to afford durable goods. In 2006, rural residents' ownership of refrigerators, computers and motorcycles increased 82.6, 480.9 and 103.2 percent respectively compared with 2000.

Finally, China's current industrial structure is inappropriate for heavy industry to take a

dominating position. However, investment in energy-consuming industries continues to grow. Secondary industry contributed 44.8 percent to China's GDP in 2002, and the figure rose to 47.5 percent in 2005 and 48.7 percent in 2006. Consumption of oil and other fuels is unprecedented.

Unavoidable challenge

It is generally believed that the impact of high oil prices on China's economy is unavoidable because the imbalance between supply and demand cannot be solved at its root.

First, the demand in the international oil market remains high. Besides, oil is priced in the US dollar. Due to the greenback's continuous depreciation, oil prices are very likely to keep rising.

Secondly, current oil consumption in China surpasses production. Although China has made great efforts to increase oil production - growing from 16.3 million tons in 2000 to 18.48 million tons in 2006 - a growing amount of imported oil is needed. According to domestic experts, around 2020, China will have to import 300 million tons of oil, or half of its total demand.

Thirdly, extensive economic growth continues. China is now in the middle of its industrialization with too large a proportion of high energy-consuming industries. China demands a huge amount of energy to support its place as factory to the world.

Finally, the impact on oil-related industries will continue. Oil and its downstream products are essential raw materials. Escalating oil prices will bring up the production costs of these industries. If they fail to transfer costs to customers, they will suffer profit losses and perhaps bankruptcy.

Active responses

However, as long as measures are taken, these unavoidable impacts can be reduced to an acceptable level.

In order to achieve the goal of saving 20 percent energy during the 11th Five-Year Plan (2006-2010), it is of key importance to reduce secondary industry's consumption since it is the major consumer.

People's awareness about saving energy should be strengthened. Utilization efficiency should also be improved. Stricter entry admittance should be given to those backward enterprises with high consumption and pollution.

In addition, a fuel tax is a practical means to force enterprises to adopt advanced technology and turn to explore new and clean energy.

Furthermore, China should carry out oil price reform according to international markets fluctuation, and allow the price lever to regulate energy consumption.

Consideration should also be given to disadvantaged groups and public service industries. Raise the standard of social security and hand out temporary subsidies to those who have been badly affected by rising liquid gas prices. College canteens should also receive support from the government to guarantee students are not burdened. The cost of public traffic and chemical fertilizers should be kept at an acceptable level for they are closely related with peoples' daily lives and agricultural production.

Reformers battle global oil price tide

February 11 (China Daily) -- Policymakers working to determine when to close the gap between the comparatively lower prices of refined oil products in China and those on the international market have been struggling with the record-setting global price.

At the beginning of January, oil was selling for \$100 a barrel.

When it rose to \$90 a barrel, a spokesman for the National Development and Reform Commission (NDRC) said the ministry-level body was in a "difficult situation" reforming the country's energy and resources pricing system.

The price of crude oil in China is set by the global market, but the refined price is still regulated by the government.

"The timing is not good because China is already in a high-inflation cycle," an NDRC spokesman said, adding that curbing inflation is a priority this year.

Analysts said it is unlikely that the government will raise the prices of refined oil products. They said the central government will continue to subsidize refiners, which have run at a loss for years due to higher import costs.

Lin Boqing, director of the China Center for Energy Economics Research at Xiamen University, said energy pricing reform, especially for refined oil products, should continue and that the government has said repeatedly "it is necessary to reform the pricing mechanism of resource products to improve efficiency".

"But reform should be carried out at the right time, with due consideration for all concerned," Lin said.

He said low energy prices had increased the competitiveness of high-energy-consuming, high-polluting and resource-based industries, enlarged trade surpluses and exacerbated yuan appreciation pressure.

The authorities have raised the refined oil price four times since 2006. The current average price is about \$65 a barrel. The global crude price skyrocketed from \$70 a barrel in July last year to \$100 a barrel at the beginning of January.

Some refiners have stopped production due to the high costs they must bear, which has led to supply shortages in coastal areas. In response, the government has urged China National Petroleum Corp and China Petrochemical Corp, the nation's two largest oil producers, to go all out to ensure fuel supplies.

Fuel shortages eased after prices began climbing last November, but many regions still face tight diesel supplies. The NDRC raised the prices of gasoline, diesel oil and aviation kerosene by 500 yuan (about \$69) per ton, representing an increase of 8 percent. The average retail price of gasoline is now 5,980 yuan per ton, and diesel is 5,520 yuan per ton.

China scored new highs both in oil output and consumption in 2007, boosted by the robust momentum of its economic growth. Sources with the China Petroleum and Chemical Industry Association said recently that China had produced 186.7 million tons of crude oil in 2007, up 1.6 percent from 2006.

The output represented a record high, though the growth was slow, Deng Xianrong, a

researcher at the State Council's Development Research Center, said.

The country's net imports of crude oil climbed to 159.28 million tons last year, up 14.7 percent. Consumption of crude oil, or the sum of net imports plus output, rose 7.3 percent to 346 million tons in 2007. That means that some 46.05 percent of the country's crude oil consumption is met by imports.

The sizzling economy, large influxes of investment in heavy industry and the many cars crowding city streets have driven up China's demand for oil. The country's GDP grew by 11.4 percent last year, the fastest rate in the past 13 years, with the industrial added value rising 18.5 percent from a year ago.

The diesel shortage that hit the country in the second half of last year led to a sharp rise in diesel imports. China imported 1.62 million tons of diesel in 2007, up 130.1 percent year-on-year, with the volume of diesel exports dropping 14.9 percent to 660,000 tons.

China charges full consumption tax on refined fuel oil

February 22 (China Daily) -- China is levying a full consumption tax on refined fuel oil and three other oil products retroactively from January 1, 2008, Xinhua learnt from an official circular on Thursday.

The circular, jointly announced by Ministry of Finance and the State Administration of Taxation, said the tax for fuel oil will be raised to 0.1 yuan per liter after having collected only 30 percent of the tax since it was first introduced in April 2006.

According to the circular, Naptha, a feedstock for producing high octane gasoline and other petrochemical products, lubricants and solvent oil, would also be charged at a full rate of 0.2 yuan per liter.

Analysts said the new regulation will have little impact on the market.

Consumption tax is one type of tax category China started to levy in 1994. The tax was placed on four oil products in 2006 as part of efforts to encourage energy savings and to curb

the development of highly polluting and resource intensive sectors.

Adapt to dearer oil

February 21 (China Daily) -- Triple-digit oil prices will surely complicate the Chinese government's efforts to fight domestic inflation. Yet, policymakers should face it with a greater sense of urgency to reform the country's energy pricing system.

International oil prices closed above \$100 a barrel on Tuesday, shrugging off increasing evidence of a US recession.

When it briefly touched the once unfathomable price for the first time early last month, it seemed fairly reasonable to expect that the ongoing US slowdown would ease demand and lead to a sharp fall in oil prices.

The recent strong rebound after dropping by nearly 15 percent since then, however, has made it clear that consumers should better prepare themselves for more expensive oil.

For China, a net oil importer with a growing appetite, this is not good news.

The country's net imports of crude oil climbed to 159.28 million tons last year, up 14.7 percent. Some 46 percent of its crude oil consumption is met by imports.

Higher oil prices means China will have to pay substantially more for imports. This is not so serious a problem at the moment when the country is trying to slow its accumulation of trade surplus.

But the extra cost that the current energy pricing mechanism will incur to keep the lid on domestic oil prices is highly worrisome.

At present, the price of crude oil in China is set by the global market while the refined price is regulated by the government. Instead of raising the refined price, the central government subsidizes refiners for their loss due to higher import costs.

The comparatively lower domestic prices of refined oil products can help prevent consumer inflation from running out of control. But the cost the government and refiners share to support

lower domestic oil prices is too dear, which is estimated to reach 170 billion yuan last year, 0.9 percent of the country's gross domestic product.

The negative impact such oil subsidies have on the country's efforts to raise energy efficiency is even worse. It is all too clear that low oil prices play right into the hands of inefficient energy-consumers.

A market-oriented reform of the oil pricing system has been long overdue. The country's high inflation should not be made an excuse to further postpone it.

Procrastination on reform will only add to the inefficiency of the economy and impede the country's preparation for the coming era of expensive oil.

Building starts on gas pipe

February 23 (China Daily) -- Construction of the second west-east natural gas pipeline, costing 142.2 billion yuan, formally began on Friday.

The 9,102 km project will pipe natural gas from Turkmenistan and the Xinjiang Uygur autonomous region to the Yangtze and Pearl River Deltas.

It will traverse 12 provinces and autonomous regions before reaching the eastern municipality of Shanghai and southern Guangdong province.

China National Petroleum Corporation (CNPC), China's largest oil producer, is behind the project. It says the designed capacity of the pipeline is 30 billion cu m per year.

PetroChina Co Ltd, a listed subsidiary of CNPC, had previously said it would cooperate with another CNPC arm to invest a combined 16 billion yuan building a gas pipeline from China to Turkmenistan.

Under an agreement signed by China and Turkmenistan in 2006, China will pipe 30 billion cu m of natural gas a year from the resource-rich central Asian country, for 30 years.

The first west-east gas pipeline was put into commercial operation at the end of 2004,

starting from Tarim Basin in Xinjiang and ending in Shanghai.

The 4,000 km pipeline that crosses 10 provinces, has a designed annual transmission capacity of 12 billion cu m.

China plans to boost natural gas production by 50 percent before 2010 to meet increasing demand

The nation's gas production is expected to be 90 billion cu m in 2010.

Natural gas will then account for 5.3 percent of the nation's total energy consumption.

China launches 2nd West-to-East gas pipeline project

February 22 (Xinhua) -- China on Friday began work on its second west-to-east natural gas transmission pipeline, which will mainly carry natural gas from Turkmenistan and China's Xinjiang Uygur Autonomous Region to the Yangtze and Pearl River Deltas, the country's two most developed regions.

Construction of the 9,102-kilometer gas pipeline, which consists of a main line and eight sub-lines, will cost an investment of 142.2 billion yuan (\$20 billion).

With a designed gas transmission capacity of 30 billion cubic meters per year, the pipeline would traverse 12 provinces and autonomous regions before reaching eastern municipality of Shanghai and southern Guangdong Province.

The main line extending 4,843 km would start from Khorgos in the northwestern Xinjiang to Guangzhou, capital of Guangdong Province.

The western segment of the main line will go into operation by 2009, and the eastern segment by the end of June in 2011, said Jiang Jiemin, general manager of China National Petroleum Corporation.

The first massive project to pipe natural gas from the west to the east was put into commercial operation at the end of 2004,

starting from the Tarim Basin of Xinjiang and arriving in Shanghai.

The pipeline extending 4,000 km traverses 10 province-level regions, with designed annual gas transmission capacity of 12 billion cubic meters, which can ensure a stable gas supply of 30 years

China's natural gas output grows 23.1% in 2007

February 22 (Xinhua) -- China's production of natural gas rose 23.1 percent last year, faster than in 2006, to 69.31 billion cubic meters as the country used more "clean" energy, an industry association said.

In 2006, output jumped 19.2 percent to 58.55 billion cubic meters, the China Petroleum and Chemical Industry Association (CPCIA) said. It also said that output would likely hit 76 billion cubic meters this year.

China used 55.6 billion cubic meters of gas in 2006, an increase of 21.6 percent from a year earlier, according to statistics from BP.

China has set a target of raising the proportion of natural gas in its total energy consumption to 5.3 percent in 2010 from 2.8 percent in 2005, amid efforts to curb pollution. Coal now accounts for about 70 percent of total energy consumption.

The expansion of the natural gas infrastructure, including pipelines, reflected the rapid increases in output and consumption, the CPCIA said.

China plans to start building a second east-west gas pipeline this year. The first such pipeline went into commercial operation in 2004.

The new pipeline is scheduled to become operational in 2010 and will have a designed annual transport capacity of 30 billion cubic meters. It will mainly move natural gas from Central Asia to the Yangtze and Pearl River Deltas, the country's two most developed regions.

Construction on another pipeline, which will link the Puguang Gas Field in the southwestern province of Sichuan, one of the country's largest, with the Yangtze River Delta, started last August.

Climate Change and Air Pollution

China urges practical action to slow climate change

February 1 (Xinhua)-- HONOLULU, United States - A senior Chinese official said here Wednesday that all relevant countries should take practical actions to slow down the climate change process.

Addressing a closed session at the second "Major Economies Meeting on Energy Security and Climate Change," which opened here Wednesday, Xie Zhenhua, vice chairman of China's National Development and Reform Commission, said that to discuss about setting a long-term goal for slowing down climate change requires time.

"What matters most now is to urge all countries in their various development phases to take practical action in accordance with the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

The UNFCCC is the parent of the 1997 Kyoto Protocol, the landmark environmental treaty negotiated in Japan's ancient capital that mandates cuts in the gases blamed for global warming.

While working on a long-term target for slowing down the climate change, all countries involved should be aware that the formulating process itself must be scientific, environmentally valid, economically feasible and fair, he said, adding that historical accumulation, per capital emissions and the development demand of the developing countries should also be weighed as well.

He made the remarks in response to greenhouse gases emission reduction targets proposed by the European Union and some other countries.

The European Union proposed that the global emissions of greenhouse gases should be cut by 50 percent by 2050 in comparison with that in 1990, while some other countries proposed that

the emissions should be deducted by 50 percent than present.

It is hard to reach the target, he stressed.

Xie, who is regarded as the initiator and leader of China's environmental protection program, spoke highly of the various measures and achievements taken and scored by the developing nations in combating climate change.

China, India and other developing countries have cut more emissions of greenhouse gases than they pledged in the Tokyo Protocol, he said, noting some developed nations, however, have discharged more greenhouse gases than they should have with the total emissions rising by 11 percent from 1990 to 2004.

Xie, the special envoy of Chinese President Hu Jintao, noted that China will never discharge greenhouse gases randomly and willfully, but contribute to the concerted efforts of the world in its fight against climate change by joining hands with the international community.

He also commended the Bali Roadmap, which was adopted at the 13- day conference in Bali of Indonesia in December of 2007, staged by the UNFCCC, a strategy to tackle global warming.

The conference culminated in the adoption of the Bali roadmap, which charts the course for a new negotiating process to be concluded by 2009 that will ultimately lead to a post-2012 international agreement on climate change. Ground-breaking decisions were taken which form core elements of the roadmap.

The two-day meeting in Hawaii is aimed at "developing a detailed contribution in support of the Bali Roadmap for UN Negotiations," the organizers said.

Bush held the first round of the meeting in September 2007 under an initiative he proposed in June in the face of intensifying international pressure for Washington to do more to battle greenhouse-gas emissions.

China snows show world faces new disasters

February 7 (Agencies) -- GENEVA - China's devastating snowstorms and cold of the past

month show that the world must prepare for new types of disasters caused by what was once called freak weather, United Nations experts said on Wednesday.

The experts said the Chinese events, which Beijing says affected some 100 million people and are likely to cost at least \$7.5 billion, underlined the need for greater global cooperation on global weather forecasting.

"So-called freak weather is becoming more common, and reducing vulnerability to unexpected extremes must be a top priority for governments," said Salvador Briceno, head of the UN's disaster relief agency ISDR.

Separately, World Meteorological Organisation (WMO) chief Michel Jarraud, said the freeze that swept China from the north to its normally near-tropical southern provinces underlined the need for better seasonal climate predictions.

"The world needs to strengthen existing mechanisms that predict climate events and then ensure that this information is made available to all, especially to the benefit of people in developing countries," Jarraud said.

China's Meteorological Administration says the January extremes probably developed out of a La Nina - or low sea- surface temperatures - in parts of the Pacific in the second half of last year combined with unusual weather from the west.

More of the Same

It is also warning that the country, now recovering as skies clear and power is restored from the freeze which killed scores of people, must be ready for more of the same as a result of global climate change.

Briceno said in a statement from ISDR headquarters in Geneva that China's sufferings underscored the need for all governments to build infrastructure that can withstand previously unthinkable weather.

"When billions of dollars in potential losses are balanced against the low costs of prevention in the future, the choices should be clear," he said. Most countries could expect to face similar situations in the coming years, he added.

Jarraud, speaking at a news briefing, said it was essential to ensure better seasonal - as well as

short- and long-term climate predictions if lives were to be saved and economies protected as weather patterns change.

Speaking after a three-day meeting of specialists on weather and disaster relief from a wide range of disciplines and international and national agencies, he said it was also vital to ensure better transmission of forecasts around the globe.

The meeting was called to prepare for a UN World Climate Conference in Geneva in the second half of next year which will focus on the science underpinning seasonal predictions - an area in which Jarraud said there had been too little investment.

The conference, following two predecessors in 1979 and 1990 which set up key bodies on climate change will decide what science is needed over the next decade to provide reliable forecasting and urge governments to support it, he said.

Heavy polluters to be restricted from listing

February 25 (Agencies)-- China will impose new restrictions on heavy polluters trying to list on domestic stock markets, according to a document released by the country's environmental watchdog today.

The State Environmental Protection Administration (SEPA) said that the rules will help restrain the "over-expansion" of high-polluting and high energy-consuming enterprises and will also reduce capital risk.

SEPA launched a pilot scheme last year, and said that the IPO plans of 10 companies - including China Coal Energy - were delayed after failing to meet environmental standards.

According to the new rules, companies from sectors designated as high-polluting and high-energy consuming, which include thermal power, steel, cement and electrolytic aluminum, will have to submit to an environmental inspection if they wish to launch an IPO or apply for additional financing.

Their IPO application to the China Securities Regulatory Commission (CSRC) will also have

to include recommendations drawn up by the environmental regulator before they are even considered.

SEPA and the CSRC will also set up a public information system to monitor the environmental activities of companies already trading on the stock market, as well as set up an "environmental performance" index that will enable shareholders to monitor the behavior of listed companies.

Pan Yue, deputy chief of SEPA, said that the measures were the third attempt to use economic measures in the battle against pollution, following last year's introduction of "green credit" and "green insurance" schemes.

He also said that the scheme would not only improve the environmental performance of listed companies, but would also help protect the interests of investors.

During a campaign against heavy polluters last year, the stock price of a number of firms - including the electricity producers, Datang, Huaneng, Huadian and Guodian - suffered, Pan noted.

Immature market entry mechanisms had allowed big polluters to list and raise funds and thereby increase their rates of pollution, but with state regulations on pollution and efficiency becoming more stringent, investors are now facing bigger challenges, he said.

Pan said last year that China would introduce more economic mechanisms to help fight against pollution and inefficiency, noting that previous one-off campaigns, known as "environmental protection storms", had failed to get to the root of the problem.

New drive to clean up Beijing air

February 25 (Agencies) -- The central authorities have ordered Beijing and its five surrounding provinces to cut industrial pollution for two months from late July, in the latest move to ensure clean air for the Olympics and Paralympics.

The capital and its neighboring Tianjin municipality, as well as the provinces of Hebei, Inner Mongolia, Shanxi and Shandong, will have

to cut emissions under a wide-ranging plan approved by the State Council in September.

"The air quality of Beijing is definitely influenced by neighboring provinces and ... we have made this move to guarantee air quality," Wang Jian, director of the air and noise pollution control division at the State Environmental Protection Agency, said yesterday.

The plan will include using air-cleaning technology or partial closures rather than the wholesale shutdown of industries.

"We took into consideration the endurance of the economy and we don't think it will have too big an impact on it," Wang said of the latest step.

The move, which is based on studies at Tsinghua and Peking universities, starts by targeting major polluters such as power and steel plants.

"It identifies polluters down to individual power plants and factories, and specifies what they need to do and when they should start and finish their pollution-reduction projects," Wang said.

More than 10 factories in Beijing and Hebei previously scheduled for closure over the next two years will be shut down before June, Wang said.

Beijing's worst polluter, Shougang Steel, has said it would move its facilities out of the capital by 2010 and reduce operations during the Olympics - part of a raft of measures already in place in the capital.

The main anti-pollution plan also recommended Beijing restrict the use of private vehicles by banning cars with registrations ending in odd and even numbers on alternate days, but said that details of the measures will be up to the city authorities.

The scale of pollution reduction will depend on climatic conditions in the capital during the Olympic and Paralympics, Wang said, with more restrictive measures being put in place if necessary.

"In the worst weather conditions, more reductions would be required of industry, more restrictions would be applied to vehicles and construction sites," he said.

"But scientists said the likelihood of such weather conditions in August is low."

"As long as the plan is carried out properly, we will have no problem in meeting the standard of air quality for the Olympics and Paralympics," Wang said.

In a related development, Beijing will step up its pollution control efforts in various ways, such as closing heavy-polluting plants and upgrading environmental remediation facilities.

The cleanup will continue after the Olympics, according to a bulletin posted by the Beijing municipal government last Friday, as the city plans to shut a total of 40 heavily polluting, energy-intensive companies by the end of December.

Official vows to cut offshore pollution

February 26 (Xinhua) -- CHANGSHA: China will go all out this year to check the worsening damage to the offshore ecology caused mainly by the discharge of land-borne pollutants, a top maritime official has said.

Sun Zhihui, director of the State Oceanic Administration (SOA), made the pledge while addressing an ongoing annual conference in Changsha, capital of Hunan province.

Industry experts blame people's poor awareness of the harm done to marine ecology by pollutants discharged by coastal cities.

Many cities discharge raw sewage into offshore waters without treatment, Sun said.

He said the SOA will tighten monitoring of the ecology of the waters off China and conduct experiments to restore the marine ecology by establishing seven special protection zones this year, including two marine nature reserves.

The SOA will be stricter with its approval procedures and ban new projects that fall short of standards for such things as environmental assessment, protection and energy efficiency.

In the past, the rules have been waived on some projects, Sun said.

All builders of marine construction projects must present full details of their control targets for sulfur dioxide and chemical oxygen demand, which are key measurements of air and water quality, Sun said.

The SOA will carry out other ecological restoration projects by growing mangroves, developing sea grass areas and seaside wetlands at coastal sections ranging from the Yellow River estuary-Laizhou Bay, Xiamen bay, Minjiang estuary, to the areas off the eastern coast of Hainan Island.

China has a coastline of 18,000 km and its seas contributed more than 2.49 trillion yuan (\$348 billion), 10 percent, of the country's gross domestic product last year, according to an SOA report published on Feb 15.

The report said the value of marine industries, including fishing, transport, oil and gas, tourism and shipbuilding, grew 15 percent year on year, faster than the economy as a whole. Some traditional industries such as transportation, tourism and fishing, accounted for more than 80 percent of the total value of the marine economy, SOA spokesman Li Haiqing said.

Emerging industries such as the oceanic biological pharmaceuticals, which generated more than 4 billion yuan last year, also grew swiftly, the report said.

The marine industry employed 31.5 million people last year, 1.9 million more than in 2006, the report said.

China will put quality ahead of speed in its efforts to develop its marine economy during the 11th Five-Year Plan (2006-10). By the end of 2010, the country's seas will contribute 11 percent of the country's GDP and create more than 1 million jobs a year, the plan said.

Polluters urged to buy 'green insurance'

February 19 (China Daily) -- The country's top environmental watchdog and insurance regulator will jointly promote insurance for polluters and help expedite compensation for victims, officials said yesterday.

"This is the second step after the introduction of green credits to use market instruments to treat

environmental problems," Pan Yue, deputy director of the State Environmental Protection Administration (SEPA), said.

The latest pollution liability insurance policy, to be put in place in 2015, covers the clean up of environmental accidents and indemnifies the insured from pollution treatment costs, officials said.

Insurance products in a trial phase will be promoted to three types of plants with high risks of environmental pollution mishaps - hazardous chemical plants involved in production, selling, storage and transportation, petrochemical plants and hazardous waste treatment plants.

"There has been a high frequency of environmental accidents in the country," Pan said.

"Last year, there was one accident taking place every two days.

"Without pollution liability insurance, the culprits could not compensate victims and conduct cleanups, generating social instability," he said.

The pollution liability insurance will provide a solution that benefits the authorities, plants and residents, Pan said.

With the insurance scheme, the authorities will be able to alleviate any financial burden from such pollution, Pan said. Plants can also avoid going bankrupt with indemnities while residents can also get compensated for suffering any pollution.

"It is a win-win solution," Pan said.

Dong Bo, an official with the China Insurance Regulatory Commission (CIRC), also said the commission will work with SEPA and insurance companies to develop insurance products and set up standards for claims.

Dong said insurer Huatai Insurance, based in Beijing, has started to develop such products for sale.

He urged potential polluters to seriously consider such insurance to protect themselves against accidents.

Bie Tao, director of the policy, law and regulation department of SEPA, said a survey

last year by SEPA and the CIRC showed that most enterprises were not active in buying such green insurance because of the costs involved. "SEPA will consider bundling the insurance with other environmental protection regulations," Bie said.

"For example, SEPA will list the purchase of such insurance as prerequisites for proving the environmental impact assessment of projects or in allocating pollution discharge licenses."

China envoy urges talks on Bali road map

February 13 (Xinhua) -- UNITED NATIONS -- China's special representative for climate change talks, Yu Qingtai, urged the international community to conduct substantive negotiations aimed at securing a new global post-2012 agreement on climate change by 2009.

Speaking at the UN General Assembly debate on climate change, Yu said that the Bali roadmap, adopted at the UN climate conference last December by delegates from nearly 190 nations, is "only a beginning."

"The international community must continue with the task of conducting substantive consultations and negotiations, so as to insure a final agreement on the post-2012 international cooperation on climate change within the next two years," he said.

Yu emphasized that any framework for future arrangements must be firmly based on the principles established by the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, particularly the principle of common but differentiated responsibilities.

The four building blocks of the roadmap -- mitigation, adaptation, technology transfer and financing, are all important components for developing an effective framework for responding to climate change, and should be given equal attention, and none of them should be neglected, he noted.

Urging developed countries to further strengthen policies and measures aimed at emission reduction, the special envoy said the concerns by developing countries over adaptation,

technology transfer and financing should be addressed in earnest, so that they will have the capacity to make greater contributions to confronting the challenge from climate change.

"The effectiveness of participation by the developing countries will, to a significant extent, depend on whether the developed countries will take substantive actions on financial and technological assistance," he said.

"Effective mechanisms should be set up as soon as possible to insure that measurable, reportable and verifiable assistance be provided to the developing countries with regard to financial resources, technology and capacity building," he said.

China takes climate change "very seriously" and have adopted various policies and measures to respond to the challenge, with "noticeable success," he said.

"While making our own due contribution, we will also help other developing countries to enhance their ability to adapt to climate change," Yu added.

Representatives, including some 20 ministers, from more than 100 countries and international organizations attended the two-day high-level session and exchanged views on ways to move forward the negotiating process launched in the Bali conference.