



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

MONTHLY NEWS BRIEFING

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

AUTO/ENERGY/POLLUTION

Volume IV, Issue 3, March, 2007

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



TABLE OF CONTENTS

GENERAL ENERGY ISSUES	4
China sets 8% year growth target.....	4
Changes to energy conservation law by year end.....	4
International input for energy law.....	5
China sure to meet energy saving targets by '10.....	6
Nations vow energy cooperation.....	7
Installed capacity of wind power expected to top 5m kw next year	7
Green buildings key to sustainable development	8
AUTOMOBILE AND TRANSPORTATION.....	8
Car sales rise 26.1% in Feb.....	8
More efficient China-made cars	9
Favoring cars benefits no one	10
Chery-Chrysler car model to debut in April.....	11
Auto industry profits rise 46%	12
China to promote 'green' autos	13
Chery to build cars in Uruguay.....	13
OIL AND GAS	15
Energy giants target ethanol unit	15
Foreign investors eyeing oil business in China.....	15
Planet and the hungry lose out with biofuel	16
Oil sector to open to private investors.....	18
China to site first commercial oil reserve base in Hainan	19
China to produce liquid fuel from coal.....	19
Richest oil strike near Dalian	20
CLIMATE CHANGE AND AIR POLLUTION.....	21
China vows to take due responsibility to curb global warming.....	21
China to unveil climate plan next month	21

EU summit adopts binding renewables target for 202022
China, Norway in new climate pact.....23
Global warming deepens water crisis24
UN hopes US takes lead on climate25
China's new bid to cut pollution26
China could pass U.S. on C02 in '0727

Disclaimer:

The opinions and statements expressed in the articles are those of authors from cited sources, thus do not represent the opinions of APECC.

iCET Beijing Office

iCET USA Office

iCET Beijing Office:

Ms. FAN Yue
Managing director
Phone: 86-10-65857324 ext. 212
e-mail: yuefan@icet.org.cn
Room 1904, e-Tower Building
No.C12 Guanghua Rd.
Chaoyang District 100020, Beijing

iCET USA Office:

Dr. Feng An
President and Executive director
Phone: 626-284-0191
e-mail: fengan@icet.org.cn
www.icet.org.cn
www.autoproject.org.cn

General Energy Issues

China sets 8% year growth target

March 5 (xinhua) -- China plans to gear down its economic hike to eight percent, a level lower than the staggering 10.7-percent GDP (gross domestic product) growth rate in 2006, according to a government work report delivered by Premier Wen Jiabao on Monday.

"The most important task for us is to promote sound and fast economic growth," said the report delivered to 2,890 lawmakers from around the country at the opening meeting of the Fifth Session of the Tenth National People's Congress (NPC), China's top legislature.

"We need to greatly improve the quality and efficiency of economic growth," said the report.

The target was set after taking into consideration all factors, along with goals of employment and increase in consumer prices among others, according to the report.

Experts said that the target can help ensure a smooth economic growth and avoid big ups and downs.

NPC deputy Zhao Peng, president of the Anhui provincial branch of the Industrial and Commercial Bank of China, said the target is "reasonable".

"Higher growth rate will lead to overheating and a lower one is less helpful in resolving social problems," he said, adding that China still has stamina in economic development.

Chen Derong, NPC deputy and mayor of Jiaxing City in east China's prosperous Zhejiang Province, said that the goal will be good for shifting the focus of local governments from blind economic

competition to structural optimization of industries, improvement of efficiency and energy saving.

Changes to energy conservation law by year end

March 23 (chinadaily) -- The country's top legislature is expected to complete its amendment to the Energy Conservation Law by the end of the year, in a bid to create an energy-saving society, a top official said yesterday.

Xu Dingming, vice-chairman of the Office of the National Energy Leading Group, said that China's rapid economic development had led to a situation where conserving energy and improving energy efficiency was now a priority.

"Against this backdrop, the National People's Congress (NPC) Standing Committee is busy amending the current Energy Conservation Law to make it more in tune with economic growth and energy efficiency," he said at the China Oil and Gas Summit 2007 yesterday.

Han Wenke, director of the Energy Research Institute under the National Development and Reform Commission (NDRC), said the current Energy Conservation Law, which was enacted in January 1998, should be updated to reflect the new economic perspective.

"New developments within the energy market over recent years have made the existing Energy Conservation Law outdated. Its aim is to curb consumption and promote efficiency and that is why we have to revise it to suit the current conditions," Han said.

He also said the obligations of governments and enterprise should be better regulated and clarified.

"One of the focuses of the revision should be clarifying governments' and enterprises' obligations regarding reducing energy consumption. What governments and

companies are expected to do should be more clearly addressed," Han said.

According to Xu, China's energy consumption in 2006 was up 9.3 percent year on year, while energy output grew by 7.2 percent on 2005. The figures demonstrate an obvious imbalance between output and consumption, he said.

China's energy consumption per unit of gross domestic product (GDP) fell 1.23 percent year on year in 2006, the first annual decline since 2003. But this was still below the government's target of 4 percent. China is determined to cut energy consumption per unit of GDP by 20 percent, equivalent to 4 percent each year, during the country's 11th Five-Year Plan (2006-10).

These points demonstrate the importance of having legal support for energy conservation, Han said.

In 1997, the NPC Standing Committee enacted the Energy Conservation Law, which governs energy administration, the proper use of energy resources, promotion of energy-saving technology and environmental protection.

Revising the law began last year, at which time the Xinhua News Agency quoted Li Tieying, vice-chairman of the NPC Standing Committee, as saying that the law no longer met China's development requirements.

Li said the NPC Standing Committee intended to revise the Energy Conservation Law to maintain a strong legal framework for building an energy-efficient society, Xinhua reported.

International input for energy law

March 3 (chinadaily) -- International input by leading experts will be considered in the drafting of China's first energy law, industry executives told China Daily on Friday.

According to Wu Zhonghu, a drafter, the draft law is expected to be submitted to the

State Council later this year, following an international conference scheduled for next month.

Zhou Feng'ao, another member of the law drafting team, noted that China's energy industry had its own particular features, but that made it all the more imperative for drafters to learn about the experiences of other countries.

He Yongjian, director of the strategy and planning department under the Office of National Energy Leading Group, said the law, the first of its kind in China, will be the overarching one for the country's energy industry and trade.

It will include matters dealing with energy planning, exploration, supply and service, utility and conservation, environmental protection, rural energy, reserves and technology innovation in exploration, He said.

At an industry symposium in Beijing yesterday, William E. Loveless, a US energy policy expert with Platts, an energy information provider, said that according to the US experience, the making of an energy law is "an extremely demanding job", since it involves compromises among different interest groups and industrial segments. It took the US four years to enact it.

He Yongnian admitted that Chinese drafters had already encountered a few obstacles.

One of them is how to override the existing four laws on coal, electricity, energy conservation and renewable energy without replacing them. There are no laws yet governing petroleum, natural gas and nuclear energy.

Another is whether to have a unified national energy administration and how it should function once established.

The reform of the energy markets and their administration was also a challenge in trying

to avoid too much or too little regulation, He said.

"If we write some energy-saving targets into the law, what will we do if market players fall short of those targets? If no action is taken, will not the law's authority be put into question?" He said.

Loveless said that from the US experience too much regulation from the government restricts the flexibility of the energy market.

He Yongnian said issues such as the varied interests of industries and regions had also to be taken into account.

China set up a team of experts from 15 ministry-level agencies to draft the country's energy law early last year.

China sure to meet energy saving targets by '10

March 16 (xinhua) -- China will definitely achieve its energy saving and emission reduction targets in the 2006 to 2010 period despite failing to meet last year's target, according to Xie Zhenhua, deputy director of the National Development and Reform Commission (NDRC).

The annual target for 2007 was omitted from the government work report Premier Wen Jiabao delivered to this year's 12-day session of the National People's Congress, but China's resolution to meet its energy saving and emission reduction targets remained unchanged, said Xie.

It would take time for some measures, like economic restructuring, to take effect so it was difficult to set an annual target, said Xie.

The former director of the State Environmental Protection Administration, who resigned after accepting responsibility for the 2005 Songhua River pollution accident which disrupted water supplies to millions of people in northeast China, was

appointed deputy director of the NDRC in January this year.

According to the government's 11th Five-Year Plan (2006-2010), energy consumption for every 10,000-yuan (US\$1,298) of gross domestic product (GDP) should be reduced by 20 percent by the end of that period. Meanwhile, the discharge of sulfur dioxide and chemical oxygen demand (COD) should drop by 10 percent.

But energy consumption for every 10,000-yuan of GDP fell 1.23 percent in 2006, missing the annual goal of four percent, while oxygen chemical demand (OCD) rose 1.2 percent and sulfur dioxide emissions were up 1.8 percent.

The failure was mainly a result of slow progress in industrial restructuring and fast growth in sectors that consumed more energy and discharged more pollutants, said Xie.

Also to blame were insufficient investment in energy efficiency projects, weak supervision and law enforcement and a lack of tax and financial policies that support energy efficiency.

The NDRC would continue to tighten land and credit supply, raise the threshold for new industrial projects and eliminate outmoded production capacity in the power, steel and iron sectors, said Xie.

In 2007, the government plans to close small power generating units of 10 million kilowatts and eliminate outmoded production capacity of 30 million tons of iron and 35 million tons of steel.

The country would also map out specific policies to boost the development of the service sector, increase investment in waste disposal projects, strengthen the supervision of enterprises with high energy consumption and issue an energy saving law and a recycling law as early as possible, said Xie.

Nations vow energy cooperation

March 27 (chinadaily) -- Visiting President Hu Jintao and his Russian counterpart Vladimir Putin yesterday issued a joint statement pledging to further promote the Sino-Russian strategic partnership of cooperation.

Pushing forward the strategic partnership accords with the supreme interests of the two countries and is conducive to peace and stability in the Asia-Pacific region and the world at large, the statement said.

The two sides vow to boost cooperation in the oil, gas and power sectors to consolidate "the comprehensive and long-term strategic collaborative relations in energy and resources".

On the environmental front, the two sides pledge to focus on joint monitoring of water quality in cross-border rivers and protect bio-diversity.

The two sides will also join hands to crack down on illegal immigration.

The document also outlined the two countries' concerted efforts and stances on some major international issues.

On the stand-off over Iran's nuclear issue, "China and Russia stress that the Iranian nuclear problem should be solved exclusively through peaceful means and negotiations," it said.

The two countries "also urge Iran to take all necessary and constructive steps to carry out the appropriate resolutions of the United Nations Security Council and the IAEA," said the declaration.

"(We) believe that Iran ... has the right to explore peaceful nuclear energy while adhering to all its obligations under the Non-Proliferation Treaty," it added.

Hu arrived here earlier yesterday for a three-day state visit, during which he will

meet other Russian leaders and attend activities marking the Year of China.

In a written statement issued upon his arrival at the airport, Hu said last year saw "important progress made in the development of Sino-Russian relations".

The principles set forth in the Sino-Russian Good-Neighborly Treaty of Friendship and Cooperation have been further implemented. Taking advantage of the Year of Russia in China last year, the two countries strived to promote the strategic partnership of cooperation.

Hu said bilateral ties have developed rapidly with enhanced mutual political trust, pragmatic cooperation, active cultural and educational exchanges and the strengthening of strategic coordination in dealing with international affairs.

"I believe the current visit will strengthen Sino-Russian relations and give new impetus to the expansion of pragmatic cooperation."

Hu and Putin will today attend the opening ceremony of a Chinese national exhibition.

Installed capacity of wind power expected to top 5m kw next year

March 31 (xinhua) -- China's wind-generated electricity capacity is likely to top five million kilowatts next year ahead of the national development plan, two years sooner than expected.

Wind power was developing rapidly and the installed capacity would reach four million kilowatts by the end of 2007, said Li Junfeng, secretary general of the China Association of Resource Comprehensive Utilization, at a forum on renewable energy that closed on Friday.

According to China's national development plan, the total installed capacity of wind power will reach five million kw by 2010 and 30 million kw by 2020.

The development and use of renewable energy had accelerated since the Renewable Energy Law of China came into effect early last year, he said.

New capacity increased 165 percent to 1.33 million kilowatts in 2006.

China is expected to overtake Germany and the United States to become the world's largest wind power producer by 2020, the 2006 Annual Report on China's New Energy Industry forecast.

Green buildings key to sustainable development

March 22 (chinadaily) -- Green technology should be a core value for property developers if the country is to achieve sustainable and environmentally-friendly growth, says a report by a leading real estate services firm.

Green buildings are designed, built and operated to have low environmental impact while enhancing the health, welfare and quality of life for residents.

Currently, sustainable buildings in the country are "at best" limited to a handful of top-notch properties in major cities, with very few examples of such facilities in second- or third-tier cities, according to Jones Lang LaSalle's report Sustainable Real Estate Development in China.

More than 80 percent of completed space in China fails to meet State-required efficiency standards and up to 95 percent are considered "high energy consuming", with average consumption levels two to three times higher than those in developed countries, it said.

"There are huge gains to be made by adopting sustainable practices in the Chinese real estate market," the report noted, referring to the fact that half of all electricity and a third of all water are consumed in commercial buildings.

"It represents huge space to make progress in energy efficiency in the areas of commercial buildings," said Justin Kean, the author of the report and associate director of Occupiers Research at the property consultancy.

The Chinese government has set an ambitious goal of reducing energy usage per unit of GDP by 20 percent by 2010. It also aims to cut water consumption per unit of industrial output by 30 percent by the same year.

The awareness of sustainable real estate in China lags far behind that in the West, the report said.

"The low awareness is a major problem in promoting sustainable real estate."

Education of both owners and occupiers, the report said, is key to ensure that they implement green strategies.

Meeting sustainable standards can add up to 10 percent of the cost of a commercial building project, the report estimated.

"The increasing costs may deter some developers from adopting sustainable practices" and that is where the government can play a role - such as providing incentives - said Eric Lee, head of property management for North Asia at Jones Lang LaSalle.

Automobile and Transportation

Car sales rise 26.1% in Feb

March 9 (shanghai daily) -- China's passenger car sales rose 26.1 percent in February from a year earlier, the fastest pace in four months, according to the Union of National Passenger Car Market Information yesterday.

However, an auto analyst said the market has shown signs of cooling after pent-up demand helped to create an exceptional sales spurt over the past one-and-a-half years.

Sales of cars, multi-purpose vehicles and sport-utility vehicles in China accelerated to 429,251 units last month, the Shanghai-based union said in an e-mailed statement.

Production expanded 11.4 percent to 420,288 units during the same period from a year earlier.

"The high growth was based on last year's relative low base," said Rao Da, secretary of the union. "But the total market began to return to a more moderate growth pace due to less demand."

According to the statement, average daily sales totalled 20,100 units nationwide for the last four days in February, a drop from 20,500 units from the beginning of the month.

China's passenger car sales rose 30 percent to 5.18 million units last year, exceeding the 25 percent increase of the total vehicle market, according to China Association of Automobile Manufacturers.

The official auto association predicted the growth slow to 20 percent this year.

Dealers from Honda Motor Corp's joint venture and Toyota offered less price discounts on mainstream models and increased prices of more popular units to seek higher profit margin.

The price of a Honda Accord sedan rose about 5,000 yuan (US\$646) from January while Toyota's Reiz and Crown models also saw prices surge 2,000 yuan to 3,000 yuan, according to dealers.

Shanghai General Motors Co Ltd was the best seller last month with retail sales of 32,584 units, followed by Shanghai Volkswagen's 28,528 units and FAW Volkswagen's 26,867 units.

Car makers also stepped up measures such as lowering prices and adding new models to generate sales as the low season for buying cars began in March.

More efficient China-made cars

March 31 (chinadaily) -- German carmaker Volkswagen Group announced on Friday it plans to lower the fuel consumption and exhaust emission of its China-made cars by more than 20 percent by 2010 with the introduction of its latest-generation engines and gearboxes.

Under a plan labeled "China Powertrain Strategy", the group will spend \$600 million on the manufacture of its most advanced engines and gearboxes with local partners to equip all of its new cars built in the world's second-biggest vehicle market, said Winfried Vahland, Volkswagen's executive vice-president and China chief.

Vahland said Volkswagen's plan is in response to China's goal to cut energy consumption per unit of gross domestic product in 2010 from 2005, which was announced by Premier Wen Jiabao at the beginning of March.

"Volkswagen Group China takes its responsibility as a market leader to guarantee growth in compliance with environmental protection and ahead of government regulations," he said.

As a first step in its plan, Volkswagen on Friday started production of its 1.8-liter turbo FSI, four-cylinder, four-valve engine in a joint venture in Dalian with the First Automotive Works Corp (FAW), China's No 2 vehicle group.

The engine produces a maximum power of 118KW/5,000-6,200rpm and offers a top torque of 250Nm/1,500-4,200rpm. It will be fitted in two models to be introduced in China - the Magotan mid-sized sedan and the Octavia compact sedan.

The Magotan will be manufactured in June at Volkswagen's car venture with FAW in the northeastern city of Changchun. The Octavia will be launched in May at the German group's other car venture in Shanghai with SAIC Motor Co Ltd, China's top automaker.

The engine venture in Dalian, in which Volkswagen and FAW hold 60 and 40 percent stakes, will have an annual production capacity of 300,000 units by 2011 with a total investment of 1.5 billion yuan. The plant will also assemble a 2.0-liter engine in the future. The venture's engines will also supply Volkswagen's markets abroad.

Vahland said Volkswagen will reveal detailed plans before the end of this year to bring its other advanced engines as well as gearboxes into China's production.

The group will also use light-weight material technology in the components of its vehicles made in China to further reduce their fuel consumption and exhaust emission, he added.

Volkswagen has another engine joint venture in Shanghai. It manufactures gearboxes in the city with SAIC and FAW. The German carmaker also runs a platform spare parts venture in Changchun with FAW.

"We have confidence to grow our China sales and profit this year," Vahland said, without providing specific targets.

Volkswagen's sales in China jumped by 24.3 percent year-on-year to 711,298 units in 2006, keeping its leadership in the nation's passenger car segment.

Last year, the group regained profit in China thanks to the strong sales growth and its aggressive cost-cutting efforts, after posting losses in the previous two years.

Sales of China-made vehicles climbed by a quarter to 7.22 million units last year,

including 4.2 million passenger cars, according to industry data.

Vehicle sales this year are forecast to reach 8.5 million units and passenger cars surpassing 5 million units.

Favoring cars benefits no one

March 9 (chinadaily) -- After the largest improvement project in the history of urban highway infrastructure, drivers in 21st century Washington, DC are now able to commute from suburban Mount Vernon, the ancestral home of George Washington, to central downtown Washington in about the same time it took the first president to travel the 30 kilometers in his horse-drawn carriage over pitted dirt trails. This alone gives pause to the mad rush to own a car.

And car-crazy America seems to be setting the pace for China. Private car ownership in China has skyrocketed from 5 million cars in 2001 to 16 million in 2004. In Beijing, car ownership increased from less than 200,000 to 1.4 million in 2004. As a consequence, average peak-hour vehicle speeds between the Second and Third Ring Roads decreased from 45 kilometers per hour to 20 in 1996 and to less than 10 in 2005.

The future does not bode well. An ever worsening scenario seems likely. Presently, in Beijing, car ownership is nearly 100 cars per 1,000 persons, increasing by 1,000 cars per day. By 2020, forecasts see the number as likely to double to 220 cars per 1,000 persons, equivalent to at least one car for every three urban households.

Despite the rapid growth in private car ownership, the majority of urban households are carless and likely to remain so for the next decade. But their transport needs have been neglected.

The number of buses is slated for an increase, with new models on the road. But public transportation is no longer the priority, even though favoring cars benefits no one.

Both motorists and public transport users find themselves stuck in peak-hour gridlock, which lengthens yearly. All income groups, from the very rich to the migrant worker, find themselves stuck in traffic.

To paraphrase Lenin, "What can be done?"

A solution that finds nearly unanimous support worldwide is the development of an efficient, affordable public transport system. The moral to be drawn from our diagnosis of the problem is its systemic nature: There is no one quick-fix solution, no matter how clever or innovative. Recognition must be given that the underlying causes of the problem are both institutional and social.

Institutional in that cities and those responsible for their management must face the reality that the lifeblood of the city is its inhabitants. Attracting households to live as well as work inside the city, not its suburbs, is as important as constructing megalithic memorials in the urban core. Institutional in that incorporating this principle should be a guideline in urban planning; such plans to be effective must also be legally enforceable to restrict urban sprawl.

Obstacles abound. Overcoming the incentive structure that encourages automobile production and domestic consumption is an immense hurdle. Many jobs and the prosperity of regions hang in the balance. But high multi-digit growth in car ownership is inimical to improving air quality and energy consumption. The fast growth in car ownership is non-sustainable in its burden on the carrying capacity of the infrastructure.

Measures to restrain car use can include congestion pricing in the urban core and on highways during peak times; adoption of a users-pay principal for road improvements; and special highway lanes for buses and commuter car pooling. These measures can all be used as a part of a combined mass transit strategy.

The rewards would be great: in increasing efficiency in fuel use, energy consumption and reduction in the wasteful seizure and paving over of agricultural land for road use and suburban housing developments. These changes could all lead to improved quality of life with a cleaner environment for urban and rural dwellers.

On the social front, refocusing the cultural adoration of the internal combustion engine is as vital as institutional changes. Car ownership has become a fetish, a symbol of higher social status, if not of greater mobility. An important pin to burst the bubble of car hysteria is increasing fuel taxes to Japanese and European levels.

Finally, this transport agenda reflects the consensus that no one silver bullet, no one quick fix, no matter how clever in design, no matter how technologically innovative, no matter how beloved of the highway engineers, can significantly alter the social reality of the congestion problem. Quick fixes can all contribute to an integrated mass transit strategy. These include flexi-hours and flexi-week scheduling, thinning out traffic by spreading out peak time travel, and reserving the most desirable parking places at the work site for car-pooling commuters.

The author, an advisor in development of the Master Plan for Fairfax County, Virginia, is a frequent user of Beijing mass transit

Chery-Chrysler car model to debut in April

March 14 (xinhua) -- China's Chery Automobile Co. Ltd will present its "Chery A1" model, the first collaboration with Chrysler Group under the U.S.-German carmaker DaimlerChrysler, in April at the auto exhibition in Shanghai, according to an announcement of Chery.

The "Chery A1" will be the first of at least six small vehicle models to be manufactured by Chery with the cooperation of Chrysler

under their collaborative production plan for small vehicles.

The Chery A1 is an updated subcompact model of the Chery QQ, known as the "Chinese Beetle", with a 1.3-litre petrol engine designed to run at a top speed of 156 km/h. The new car, aimed at younger customers, is expected to sell for 40,000 to 65,000 yuan (5,000 to 8,125 U.S. dollars) on the Chinese market.

The Chrysler Group previously reached an agreement with Chery to distribute Chery-made small vehicles internationally to tap the small vehicle sector in the U.S. more quickly with less capital spending.

The new model will probably be sold under the Chrysler brand, Dodge, in the North America market, Shanghai Securities News reported.

Established in east China's Anhui Province in 1997, Chery is one of the few Chinese companies that successfully produce their own models rather than manufacturing foreign brands under licence.

The company was the country's seventh largest auto maker and fourth largest producer of sedans in 2006. It exported over 50,000 vehicles last year, up 178 percent

Auto industry profits rise 46%

March 14 (chinadaily) -- Boosted by buoyant sales, China's auto sector reported a surprisingly sharp rebound in profits for 2006, according to industry reports, but the pace is predicted to slow this year.

Combined profits for the industry, including vehicles, engines, spare parts and motorcycles, jumped by 46 percent to 76.8 billion yuan last year, according to statistics from the China Association of Automobile Manufacturers.

The robust growth beat the estimates of most analysts, who predicted the sector's 2006 profits would rise about 20 percent.

Strong overall performance last year came after two consecutive years of profit decreases due to slowing sales, rising costs and heated price wars in the domestic car market.

Profits of the sector fell by 24.3 percent in 2005 and 5.2 percent in 2004.

Vehicle manufacturing, the top profit center for the entire auto sector, earned 34.2 billion yuan last year, a surge of 47.7 percent, according to the year-end report.

Song Bingshen, an analyst with CITIC China Securities Co, attributed the hefty profits last year to stronger-than-expected vehicle sales and record introduction of new models.

Sales of China-made vehicles climbed 25 percent to 7.22 million units last year, which enabled the country to surpass Japan as the world's second-largest vehicle market. The increase was up from 13.5 percent in 2005.

"Car price cuts failed to squeeze profits last year as most reductions were on older models," Song said. "Carmakers launched many new products which contributed significantly to their sales," Song said.

However, analysts anticipate the sector's profit growth this year will decelerate as a result of slower vehicle sales and bigger price reductions.

Song said the industry is expected to register profit growth of 15 percent this year, while vehicle sales are expected to rise by 20 percent.

Hua Xue, president of cheshi.com.cn, a Beijing-based website for online car sales and price tracking nationwide, said prices will fall by more than 6 percent this year.

"Many carmakers have set lofty sales goals this year inspired by strong performance last year," Hua said. "But the market will not grow as fast as they expect."

"They will have to cut prices, especially in the low and medium segment, to achieve their targets," he said.

China to promote 'green' autos

March 8 (xinhua) -- The Chinese government will frame regulations on the production of autos fuelled by alternative energies to encourage research and produce of environmentally-friendly "green" vehicles.

The National Development and Reform Commission (NDRC) published on its website on Wednesday a draft regulation on managing the production of alternative energy vehicles and called for suggestions and comments.

The term alternative energy vehicles refers to hybrid-electric vehicles, battery electric vehicles (including vehicles on solar energy), fuel cell electric vehicles, etc.

The draft regulation defines three levels of alternative energy auto technology.

Prototypes will only be allowed to operate in approved areas, and more sophisticated products will be allowed to be produced in batches for sale in approved areas.

Only the most sophisticated products will enjoy the same production, sale, and use status as regular autos, the draft states.

Firms need to obtain permission from the NDRC before beginning production, and the NDRC will have its say in determining the level of sophistication of the alternative energy technologies used, according to the draft.

Conventional auto fuels commonly used in China are gasoline, diesel oil, natural gas,

liquefied petroleum gas (LPG), ethanol gas, and dimethyl ether (DME).

Chery to build cars in Uruguay

March 24 (chinadaily) -- China's emerging carmaker Chery Automobile Co on Friday said it had agreed with Argentine industrial group Socma SA to assemble cars in Uruguay in May, its latest move to branch out abroad.

Chery, owned by the government of Wuhu city in the east, said that the two parties will form a joint venture in Uruguay to make Chery-branded cars with auto parts from China, Argentina and Brazil.

The Chinese company's deputy sales chief, Jin Yibo, told China Daily that it will hold a 51 percent stake in the venture, and Socma the remaining 49 percent.

The venture, with an initial investment of \$10 million, will have an annual production capacity of 25,000 cars next year, Jin said. Chery said the venture will build two models - a Tiggo sports utility vehicle, the other has still to be decided.

"These vehicles will be sold mainly in Uruguay and Argentina," Jin said.

The venture is Chery's sixth overseas manufacturing base after those in Iran, Indonesia, Egypt, Ukraine and Russia.

Chery is the No 7 Chinese vehicle producer according to 2006 sales, but it is the nation's top car exporter.

The company announced in January that it aims to sell at least 70,000 cars abroad this year, up from 50,000 units in 2006.

Meanwhile, it expects to lift its overall sales to 393,000 units from 305,000 units.

However, Chery's plan to sell its cars to the United States this year has been delayed, as US firm Visionary Vehicle LLC said in

November that the two sides had halted talks to form a joint venture to make cars for the world's biggest and most competitive car market.

In January, Chrysler, said it had agreed with Chery to assemble its cars in China for the North American and European markets.

China's vehicle exports have been growing rapidly in recent years boosted by domestic manufacturers' accelerated efforts. But a vast majority of them are low-end products.

In 2006, the nation's overall vehicle exports doubled to 340,000 units from the previous year with that of passenger cars tripling to 90,000 units.

Analysts predict that domestic automakers are expected to sell a total of 500,000 units abroad this year.

A group of other Chinese carmakers, such as Huachen Automotive, Geely Automobile, Great Wall Motors and First Automotive Works Corp also have plans to produce abroad.

Chery said earlier that it planned to launch seven new models this year to fulfil its 2007 sales target.

Its Argentine partner, Socma, now has a plant in Uruguay's capital Montevideo where Peugeot and Fiat manufactured cars in the 1990s.

Sales of China-made vehicles grew by a quarter to 7.22 million units last year from 2005, enabling the nation to surpass Japan as the world's second-biggest auto market.

Under often contentious but consistently civil questioning at both hearings, Gore discussed the risks of sea level rise, stronger storms, more wildfires and other ills associated with global climate change, and urged an immediate freeze on US carbon dioxide emissions.

After that, he said, the United States should begin a program of sharp reductions in carbon emissions "to reach at least 90 percent reductions by 2050". He also proposed a tax on carbon emissions.

Gore, a Democrat who represented Tennessee in Congress before serving as vice-president under President Bill Clinton, had enough star power to pack a large hearing room and require three overflow rooms two for the public and one for media.

He has been nominated for a Nobel Peace Prize and has prompted intense curiosity in Washington about whether another presidential bid is in prospect. So far, he has said no but has not categorically ruled it out.

Senator James Inhofe, an Oklahoma Republican and Washington's most vocal skeptic about the human causes of global warming, pressed Gore to commit to cutting his personal home energy consumption to no more than what the average American household consumes - without paying for carbon offsets, which Inhofe dismissed as "gimmicks used by the wealthy".

Gore demurred, but later said: "We live a carbon-neutral life, senator, and both of my businesses are carbon-neutral. We buy green energy, we do not contribute to the problem that I am joining with others to solve."

Living a carbon-neutral life means calculating how much climate-damaging carbon you emit, cutting emissions where possible and balancing the rest by buying so-called carbon offsets, such as shares in windmills or by planting trees.

Gore has lately faced public questions about his personal "carbon footprint", especially at his home in Tennessee. An aide noted that Gore and his wife Tipper drove to Wednesday's hearing in a black hybrid vehicle.

At the House hearing, he was flanked by cardboard boxes that he said contained some 516,000 letters calling for congressional action to stop global warming.

"This problem is burning a hole at the top of the world in the ice cover that is one of the principle ways our planet cools itself," Gore said. "If it goes, it won't come back on any timescale relevant to the human species."

Oil and Gas

Energy giants target ethanol unit

March 15 (shanghai daily) -- China National Petroleum Corp, the nation's biggest oil producer, and BP Plc are among the companies that are in talks with Guangxi Xintiande Energy Co about buying a stake in the southern China ethanol producer.

The talks include setting up joint ventures to tap China's growing renewable energy market, Chen Ling, vice general manager of Guangxi Tiansheng Port Co, which shares the same parent company as Xintiande, said on Tuesday in the southern city of Kunming. The discussions are at an initial stage, Chen said in an interview with Bloomberg News in the capital of Yunnan Province.

China plans to double fuel ethanol consumption to 10 million metric tons in the 10 years to 2020, China Agri-Industries Holdings Ltd, the nation's largest rice producer, said in February. The government is promoting the use of ethanol gasoline to cut emissions and fuel imports as car demand rises.

"Both China National Petroleum and BP are aiming to expand their market share in renewable energy," Chen said. Xintiande runs southern China's largest ethanol plant, he said. The plant can produce 100,000 tons of the fuel from cassava annually.

China is encouraging fuel ethanol production from non-grain crops such as cassava to ensure domestic grain supply. The government is giving tax breaks and financial subsidies to producers of the additive, made from fermenting and distilling starch crops.

Foreign investors eyeing oil business in China

March 24 (chinadaily) -- Foreign investors are eyeing more opportunities as China's demand for oil refining and petrochemicals increases.

According to a think-tank affiliated to China National Petroleum Corp (CNPC), China's oil demand will hit 455 million tons while the country's total refining capacity will surpass 400 million tons by the end of the 11th Five-Year Plan period, set from 2006 to 2010.

"From this year to 2010, the average annual oil demand of China will grow at 6.5 percent per year. One forecast shows demand reaching 455 million tons in 2010," Gong Jinshuang, a veteran researcher at the Economic and Technology Research Institute of CNPC, China's largest oil and gas producer, said on Friday.

According to a national industrial deployment plan, there will be many refineries and ethylene crackers on stream by 2010 and China will witness 18 million tons of ethylene produced by 2010.

The country's refineries will run at 90 to 95 percent capacity by 2010, Gong said. Ethylene output of China was 9.41 million tons last year, up 24.5 percent year-on-year.

To seize opportunities arising from the downstream sector of the oil industry, not only State-owned giants, but also foreign investors are gearing for more investment.

Mustafa Al-Sahan, general manager in charge of China investment at Sabic Asia Pacific Pte Ltd, told China Daily that his firm

plans to invest \$5 billion to set up an integrated refining and petrochemical project in Dalian, Northeast China.

The industrial complex is expected to include a 10-million-ton refinery, a one-million-ton ethylene cracker and an 800,000-ton aromatics plant, according to the blueprint.

Al-Sahan said the project will be a joint venture formed by several parties, holding equal stakes. So far, there are already two parties involved, Sabic and a private Chinese company.

Sabic is looking for another State-owned energy giant to join, Al-Sahan added. The project is still subject to approval by the National Development and Reform Commission (NDRC), China's top economic planner.

Sabic has invested in a petrochemicals plant in Tianjin, in partnership with Sinopec, Asia's top refiner.

The Tianjin project has been given the green light by the NDRC and is expected to be on stream by the fourth quarter of next year, the Sabic chief for the investment in China said.

CNPC and Sinopec are either planning or expanding their refining and petrochemical projects, such as in Sichuan, Fujian provinces and Guangxi Zhuang Autonomous region, to better meet the country's future fuel and industrial demand. China now is the world's fastest growing major oil market

Al-Sahan said the downstream segment of the Chinese oil industry has good potential because of the robust future demand.

He said Sabic will not produce gasoline, which is oversupplied in the market, but oil and petrochemicals that are in big demand.

Planet and the hungry lose out with biofuel

March 29 (chinadaily) -- It used to be a matter of good intentions gone awry. Now it is plain fraud. The governments using biofuel to tackle global warming know that it causes more harm than good. But they plough on regardless.

In theory, fuels made from plants can reduce the amount of carbon dioxide emitted by cars and trucks. Plants absorb carbon as they grow - it is released again when the fuel is burned.

By encouraging oil companies to switch from fossil plants to living ones, governments on both sides of the Atlantic claim to be "decarbonizing" our transport networks.

In the United Kingdom's budget this month, Finance Minister Gordon Brown announced that he would extend the tax rebate for biofuels until 2010.

Starting next year all suppliers in the UK will have to ensure that 2.5 percent of the fuel they sell is made from plants if not, they must pay a penalty of 15 pence (\$0.27) a liter. The obligation rises to 5 percent in 2010. By 2050, the government hopes that 33 percent of our fuel will come from crops. Last month US President George W. Bush announced that he would quintuple the US target for biofuels: By 2017 they should be supplying 24 percent of the nation's transport fuel.

Cars vs people

So what's wrong with these programs? Only that they are a formula for environmental and humanitarian disaster.

In 2004 I warned, that biofuels would set up a competition for food between cars and people. The people would necessarily lose: Those who can afford to drive are richer than those who are in danger of starvation.

It would also lead to the destruction of rain forests and other important habitats.

Since the beginning of last year, the price of maize has doubled. The price of wheat has also reached a 10-year high, while global stockpiles of both grains have reached 25-year lows. Already there have been food riots in Mexico and reports that the poor are feeling the strain all over the world.

The US Department of Agriculture warns that "if we have a drought or a very poor harvest, we could see the sort of volatility we saw in the 1970s, and if it does not happen this year, we are also forecasting lower stockpiles next year."

According to the UN food and agriculture organization, the main reason is the demand for ethanol, the alcohol used for motor fuel, which can be made from maize and wheat.

Farmers will respond to better prices by planting more, but it is not clear that they can overtake the booming demand for biofuel. Even if they do, they will catch up only by ploughing virgin habitat.

Biofuel damage

Already we know that biofuel is worse for the planet than petroleum. The UN has just published a report suggesting that 98 percent of the natural rain forest in Indonesia will be degraded or gone by 2022. Just five years ago, the same agencies predicted that this wouldn't happen until 2032. But they reckoned without the planting of palm oil to turn into biodiesel for the European market.

This is now the main cause of deforestation there and it is likely soon to become responsible for the extinction of the orangutan in the wild.

But it gets worse. As the forests are burned, both the trees and the peat they sit on are turned into carbon dioxide. A report by the Dutch consultancy Delft Hydraulics shows

that every ton of palm oil results in 33 tons of carbon dioxide emissions, or 10 times as much as petroleum produces. I feel I need to say that again. Biodiesel from palm oil causes 10 times as much climate change as ordinary diesel.

There are similar impacts all over the world. Sugarcane producers are moving into rare scrubland habitats in Brazil, and soya farmers are ripping up the Amazon rain forests.

As Bush has just signed a biofuel agreement with Brazilian President Luiz Inacio Lula da Silva, it's likely to become a lot worse. Indigenous people in South America, Asia and Africa are starting to complain about incursions onto their land by fuel planters.

A petition launched by a group called biofuelwatch, begging Western governments to stop, has been signed by campaigners from 250 groups.

The British government is well aware that there's a problem. On his blog last year the UK Environment Secretary David Miliband noted that palm oil plantations "are destroying 0.7 percent of the Malaysian rain forest each year, reducing a vital natural resource. It is all connected".

Happy drivers

The reason governments are so enthusiastic about biofuels is that they don't upset drivers. They appear to reduce the amount of carbon from our cars, without requiring new taxes.

It's an illusion sustained by the fact that only the emissions produced at home count towards our national total.

The forest clearance in Malaysia doesn't increase our official impact by a gram.

The Guardian

Oil sector to open to private investors

March 23 (chinadaily) -- The top planning body is considering opening the State-monopolized oil market to the private sector players, a senior official said yesterday.

"We are studying the possibility of gradually opening up the oil market to allow competition," said Bi Jingquan, vice-minister of the National Development and Reform Commission (NDRC).

"Private enterprises will be guided into investing into building transfer and storage facilities for petroleum businesses."

He made these comments in response to a proposal put forward by political advisors calling for private enterprises to contribute to the development of the country's national oil reserves.

Instead of a top-down national scheme, the decision to discuss the possibility partly liberalizing the oil market originated in a proposal put forward by Xu Zhiming, a member of the National Committee of the Chinese People's Political Consultative Committee (CPPCC), China's top advisory body.

Xu last year rejected the so-called "China energy threat", according to which Chinese demand for fuel would push up global oil prices, and suggested that private enterprises should participate in the development of national petroleum reserves.

Bi said the NDRC always attached great importance to proposals from CPPCC members.

He made the comment during a gathering yesterday to address proposals.

Altogether, 4,448 proposals were referred yesterday to more than 150 sponsoring governmental departments, which are to formulate responses by the end of August.

Members of the fifth session of the 10th National Committee of CPPCC, which

wrapped up last Thursday, had forwarded the proposals.

The NDRC, the ministry-level planning body, usually handles the most. Last year it received 964.

"Attentively addressing the goals in the proposals is an important means for us to promote work efficiency," Bi said. "We will approach our work with these proposals with a great sense of responsibility and modesty."

In the coming five months government departments are expected to categorize the proposals into three types: Those addressing issues that have already been solved or have otherwise been adopted; those that have already been factored into planning; and those that are to be saved for reference.

The proposals can be put into practice either by an individual department or jointly by several, said Li Guixian, vice-chairman of the CPPCC National Committee.

Because this was the final year of the five-year-long 10th CPPCC, a conference to summarize the government's progress in developing the proposals will be held in the latter half of this year.

Outstanding proposals and sponsoring departments will be identified and praised.

Known as government think tanks, CPPCC committees at all levels are made up of activists and public figures from various walks of life.

Li said members' proposals helped the State make scientific and democratic decisions, especially since the quality of the proposals had been improving and becoming more practical.

Government departments handled more than 98 percent of the 5,158 proposals submitted last year.

Feng Shouming, an official at the Ministry of Communications, said the ministry paid equal attention to proposals from CPPCC members and motions from delegates to the National People's Congress.

"Some proposals are of a very high quality since they are based on abundant research and investigations, such as those from some non-Communist parties," Feng said.

China to site first commercial oil reserve base in Hainan

March 30 (xinhua) -- A commercial oil reserve base will be built inside the Yangpu economic development zone, in Hainan province.

The base will be able to store 10 million tons of petroleum, according to Ding Shangqing, director of the Yangpu Economic Development Zone.

Ding was in Bo'ao, a seaside resort on the eastern coast of Hainan, to attend a three-day international seminar on the chemical industry and new materials that will close on Friday.

Project developer China Petrochemical Corporation, commonly known as Sinopec, is negotiating with a number of oil companies from the Middle East over funding for the commercial oil reserve base. Before launching a joint venture, Sinopec will have to iron out any problems associated with the project and register with the National Development and Reform Commission.

Construction of the commercial oil reserve base is included in the Overall Plan of Yangpu Economic Development Zone approved by the Hainan Provincial Government for the period 2004-2020.

China is in the process of constructing four strategic -- rather than commercial -- oil reserve bases in Zhenhai and Zhoushan in Zhejiang province, east China, in Huangdao

of Qingdao in Shandong province, and in Dalian of Liaoning province, with a combined storage capacity of between 10 and 12 million tons and a total budget of 6 billion yuan (about 750 million US dollars) from the state.

The construction of the Zhenhai reserve base was completed last August, and energy officials announced in early October that crude filling had already begun.

Yangpu Economic Development Zone is located inside the 150-sq-km Yangpu Peninsula on the northwestern coast of Hainan and covers an area of 30 sq. km. The zone is about 140 kilometers from Haikou, capital of Hainan.

Founded in 1992, the Yangpu zone was originally planned to be an export-oriented industrial district focused on advanced technology and the development of tertiary industry.

The district is a bonded area and various preferential policies exist for foreign businessmen.

However, the Asian financial crisis had a negative impact on the area and it has never fully recovered.

China to produce liquid fuel from coal

March 30 (xinhua) -- China's first coal liquefaction project, which will go into operation in 2008, will be able to produce more than one million tons of oil a year, significantly reducing the country's dependence on oil imports.

Shenhua Group Corporation Limited, one of China's largest coal producers, launched the coal liquefaction project in 2004 in Erdos, a city in the Inner Mongolia Autonomous Region.

"The project transforms coal into refined oil. When the second phase is completed in 2010, the plant will produce 6 million tons of oil products each year and help reduce China's reliance on crude oil imports," said

Wang Pinggang, vice president of Shenhua Group.

According to Wang, Shenhua will invest 24.5 billion yuan (3.2 billion U.S. dollars) to build three production lines in the first phase of the project.

The first line, currently under construction, will enter trial production at the end of the year and be able to convert 3.45 million tons of coal into around one million tons of oil products.

When the other two production lines come onstream in 2009, the plant will be able to produce 3.2 million tons of oil products.

"More than 60 percent of the equipment we are using is domestically-made and we also own the intellectual property rights for the manufacturing technology," said Wang.

The coal liquefaction technique has drawn increasing attention in recent years as international oil prices have shot up.

"The Shenhua project is of great importance to China, the world's fourth largest economy, both in terms of energy safety and economic development," said Li Kejian, head of the coal liquefaction technology research center of the Beijing Research Institute of Coal Chemistry.

Statistics from the National Development and Reform Commission show that oil consumption increased 9.3 percent in China in 2006 to top 346 million tons, with net imports growing 19.6 percent to 163 million tons.

According to the Ministry of Land and Resources, China's coal reserves are around one trillion tons.

Richest oil strike near Dalian

March 23 (chinadaily) -- China's biggest oil discovery in the past decade is a field near Dalian in the northern part of Bohai Bay, run independently by the country's top oil

company PetroChina, an industry insider revealed yesterday.

"I know they have taken six drilling vessels there ... What kind of a field needs six vessels to drill at the same time?" said the source - who did not want to be named - implying that it's a gigantic project.

PetroChina, China's top oil and gas producer, recently announced that it discovered a "very rich" oilfield at Bohai Bay. With an initial daily output of 500 tons, the field is "the largest finding in China in the past 10 years", according to Jiang Jiemin, vice-chairman and president of PetroChina.

He did not reveal the total reserves, saying only that a detailed announcement would be made in the first half of this year.

This "very rich" oilfield, as the insider said, is near Dalian, a coastal city in Northeast China, and is located in shallow waters, about five meters below the sea level.

"As a traditional onshore oil powerhouse, it is natural for PetroChina to explore near the shoreline," the source said.

Before the discovery of the new Bohai oilfield, China's largest fossil-fuel reserve find in 10 years was a 400-million-ton oilfield in Northwest China, also operated by PetroChina.

Han Xuegong, a veteran consultant with China National Petroleum Company (CNPC), PetroChina's parent firm, said: "I don't have a clue as to where the new field is located. But based on the information available, the discovery was very likely made by PetroChina's new offshore drilling branch," Han said.

To tap the potentially ample reserves near the coastline, PetroChina established an offshore exploration company by transferring personnel and resources from its Dagang and Liaohe oilfields around the Bohai Bay area, Han said.

The discovery is a result of the efforts by Chinese oil companies focusing on local block exploration and production, said the CNPC consultant.

"Major oil firms in China follow a consistent strategy give priority to domestic oil and gas exploration and production. That's why they come up with such rich strikes like the new Bohai field," Han said.

Another Chinese energy giant, Sinopec, Asia's largest refiner, is reported to have discovered a huge gas field in Southwest China's Sichuan Province.

Sinopec is also tight-lipped about its latest discovery. According to local media reports, the reserves of this field very likely exceeds that of Puguang, a gas field also in Sichuan Province. Puguang's proven reserves, according to the Xinhua News Agency, is over 500 billion cubic meters.

Climate Change and Air Pollution

China vows to take due responsibility to curb global warming

March 6 (xinhua) -- China will earnestly fulfill its commitment to the international community to curb global warming as the country is seeking sustainable development, said Chinese Foreign Minister Li Zhaoxing in Beijing Tuesday.

"China, as one of the developing countries suffering from climate change, pays great attention to this issue," said Li at a press conference held on the sidelines of the annual session of the National People's Congress (NPC), China's top legislature.

The international community has already formulated the United Nations (UN) Framework Convention on Climate Change and the Kyoto Protocol, which established the fundamental principles for developed

and developing countries in coping with climate change, including the fundamental principle of "common but differentiated responsibility", according to Li.

China has set a target to put the emissions of greenhouse gas under control and reduce energy consumption for per unit GDP by 20 percent during the 2006-2010 period.

"This will be China's contribution to resolving the issue of global climate change," said Li.

As the fresh move to reach this goal, Chinese Vice Premier Zeng Peiyan announced on January 29 that China will close and suspend small power generating units with a total annual capacity of 50 million kilowatts in four years.

"At present, China's per capita carbon dioxide emission from fossil fuel burning is less than one sixth that of some big countries. The emission is partly caused by the relocation of international industries along with the economic globalization," said the foreign minister.

At the opening of the NPC session on Monday, Chinese Premier Wen Jiabao said the government will meet the energy saving and pollution control targets between 2006 and 2010 despite last year's setback.

China's energy consumption per unit of GDP in 2006 went down 1.2 percent, and oxygen chemical demand and sulfur dioxide emission rose 1.2 percent and 1.8 percent, respectively, falling short of the targets set at the beginning of last year to cut energy consumption per unit GDP by 4 percent and discharge of major pollutants by 2 percent.

China to unveil climate plan next month

March 29 (Reuters) -- China will unveil its national plan to tackle global warming next month, including concrete measures to cut

carbon dioxide emissions, a top climate change official said on Thursday.

Gao Guangsheng, head of the Office of the National Coordination Committee for Climate Change, said the plan, to be announced on April 24, would include policies for cutting back greenhouse gases but declined to comment on whether it would give an overall national target.

"We will make clear what policies and (in) what areas we plan to reduce greenhouse gas emissions," Gao told the Renewable Energy Finance Forum in Beijing.

China may become the world's top emitter of greenhouse gasses as early as this year, analyst estimates based on the country's latest energy data suggest.

Gao declined to comment on that forecast, or an International Energy Agency one that it will overtake the United States before 2010, because he said the country does not have an accurate idea of its own emissions. An inventory is now under way but results could take up to three years to come through, he added.

But 35 developed nations that have agreed to cut emissions under the Kyoto Protocol want others to do more.

Gao also ruled out any possibility of an emissions trading exchange in the next two to three years, although he had been present at the launch of a UN scheme which officials had said would include carbon trading.

"No Chinese official said there would be an exchange," Gao told Reuters on the sidelines of the forum.

His office had earlier posted a notice denying reports of the exchange plans, but UN officials had said they were still working with Chinese counterparts on some kind of blueprint.

EU summit adopts binding renewables target for 2020

March 10 (agencies) -- European Union leaders clinched an agreement on Friday on a bold long-term strategy for energy policy and climate change aimed at leading the world in the fight against global warming, diplomats said.

The deal setting binding targets for slashing greenhouse gas emissions, developing renewable energy sources, promoting energy efficiency and using biofuels laid down a challenge to the United States and other industrialized powers to follow suit.

"There's a deal on the whole package," one diplomat said. He explained that while the 27 leaders had set binding Europe-wide objectives, "setting national targets will be done with the consent of the member states".

German Chancellor Angela Merkel, who chaired a two-day summit, put forward the key compromise to secure agreement to set a legally binding target for renewable fuels such as solar, wind and hydro-electric power the most contentious issue.

Leaders accepted the target of 20 percent of renewable sources in EU energy consumption by 2020 in exchange for flexibility on each country's contribution to the common goal.

"This text is indeed a breakthrough as regards the environment and climate change policy of the European Union," Merkel said.

Germany added wording to win over states reliant on nuclear energy, led by France, or coal, such as Poland, and small countries with few energy resources, such as Cyprus and Malta, by adding references to the national energy mix.

"Differentiated national overall targets" for renewables should be set "with due regard

to a fair and adequate allocation taking account of different national starting points", it said.

On Thursday, the 27 leaders committed themselves to a target of reducing EU greenhouse gas emissions, blamed for heating the planet, by 20 percent by 2020 and offered to go to 30 percent if major nations such as the United States, Russia, China and India follow suit.

European Commission President Jose Manuel Barroso called it "the most ambitious package ever agreed by any commission or any group of countries on energy security and climate protection.

The statement also set a 10 percent minimum target for biofuels in transport to be introduced by 2020 in a cost-efficient way.

Renewables account for less than 7 percent of the EU energy mix and the bloc is falling short of its existing targets both for low-carbon energy and to cut carbon dioxide emissions.

In an attempt to balance pro- and anti-nuclear power states, wording was added on the contribution of nuclear energy "in meeting growing concerns about safety of energy supply and CO2 emissions reductions while ensuring that nuclear safety and security are paramount in the decision-making process".

Several EU states are fundamentally opposed to using nuclear power or, like Germany, in the process of phasing it out. Anti-nuclear Austria hastened to say that in its eyes nuclear power had nothing to do with sustainable energy.

Poland won a commitment to "a spirit of solidarity amongst member states" in the draft code for western Europe helping former Soviet bloc states if Russia cuts off energy supplies.

China, Norway in new climate pact

March 27 (chinadaily) -- China will adopt on-the-ground strategies to combat climate change, with financial and technological backing from Norway.

Further strengthening their relationship yesterday, the two countries signed agreements in Beijing, witnessed by Premier Wen Jiabao and Norwegian Prime Minister Jens Stoltenberg, on a three-day official visit to China.

Among the three pacts is one targeting the effects of climate change, and will be jointly conducted by Norway, the United Nations Development Program (UNDP) and China.

Details of the agreement were not immediately available, but a statement released by the UNDP said the programs would help Chinese provincial governments assess potential risks caused by climate change and develop ways to respond.

"The presence of the two top leaders shows the strong commitments of both governments to responding to the global challenge of climate change," Khalid Malik, the UNDP representative in China, said.

The \$2 million project will be funded by Norway and is expected to be launched by the middle of the year by the National Coordination Committee on Climate Change of the National Development and Reform Commission, the country's top economic planning agency, and the UNDP.

The project will look at ways to cut greenhouse gas emissions in the largest coal-producing Shanxi Province and the Inner Mongolia Autonomous Region by improving efficiency in regional industries.

The statement said the programs would also look at ways to help local governments mitigate the effects of glacial melting in the Qinghai-Tibet Plateau.

During one-hour official talks prior to the signing of the pacts, the two leaders agreed to work out a framework agreement on environmental protection to help future co-operation.

Wen said China supported the Kyoto Protocol, although "the protocol gave no stipulations on the reduction of emissions for developing countries".

"The Chinese government will adopt a responsible attitude and seriously fulfill its obligations," Wen said.

China will go along with the international community, including Norway, to intensify international cooperation in combating climate change, improve its energy efficiency, develop clean energy and strive to control greenhouse gas emissions, he said.

Stoltenberg said the environmental problems throughout the globe are partly caused by the industrialization of the developed countries and they have the responsibility to help developing countries reduce emissions.

He said his country was willing to help China reach its goal of emission reduction by increasing investment and sharing its technologies.

The two leaders also agreed to optimize the trade structure between the two sides, encourage more two-way investments and expand cooperation in the field of clean energy, energy saving, fishery and forestry.

They pledged to launch joint feasibility studies on a free trade agreement between China and Norway at the earliest possible date.

Norway is the 69th country in the world to grant China complete market economy status, but China's biggest trade partner the United States, the European Union and Japan have yet to do so.

Global warming deepens water crisis

March 22 (AFP) -- Fresh water, the stuff of life, is set to become even more precious as global warming begins to bite, experts warn on the eve of World Water Day.

The theme of this year's event is water scarcity, a problem familiarly driven by population explosion, chronic wastage and pollution.

The UN estimates that, by 2025, two-thirds of the planet's population will be living under water stress, with North Africa and the Middle East, the worst-hit regions.

And global warming is bound to accentuate the scarcity, say experts.

In many regions, greater aridity, shifting rainfall patterns and dwindling runoff from snow and ice in mountains may badly deplete rivers, lakes and aquifers.

In contrast, other regions will get more rainfall but this may take the form of fierce rainstorms that cause flash floods rather than a useful drizzle that soaks into the ground.

Or the precious stuff may fall in areas that are sparsely populated or where there is no infrastructure for capturing and storing it for use during dry spells.

Scientists on the UN's Intergovernmental Panel on Climate Change (IPCC) will highlight the phenomenon in a report, due to be released in Brussels on April 6. It is the second volume in a long-awaited assessment on global warming.

In higher latitudes and some wet tropics, including populous areas of East and Southeast Asia, water availability is "very likely" to increase over this century, according to the latest draft of the report.

But countries in the mid-latitudes and dry tropics, which are already water-stressed, would have less water.

"Drought-affected areas are expected to increase and extreme precipitation events, which are likely to increase in frequency and intensity, will augment flood risk," according to the document, which is still being finalized.

It adds: "Water volumes stored in glaciers and snow cover are very likely to decline, reducing summer and autumn flows in regions where more than one-sixth of the world population currently lives."

In global terms, a temperature rise of 2 C by 2100 compared with 1990 levels - towards the lower end of the IPCC's estimates of the likely warming would place up to 2 billion in a position of "increased water scarcity."

A rise of 4 C would bring the tally to as many as 3.2 billion people, the draft calculates. Africa and Asia would be the two worst-affected continents.

But rich countries, which have more money, technical resources and expertise, also face the problems of water stress.

From the fast-growing "sun belt" states of the southwestern United States to southeastern Australia, where water is extracted from depleted rivers or ancient aquifers and run down for lawns, golf courses and swimming pools, climate change could also mean a wrenching change in lifestyle.

In February, the European Environment Agency urged European governments to start planning now to cope with climate-induced water stress, and singled out southern Spain, southern Italy, Greece and Turkey as being badly exposed.

Reservoirs and use of ground water stocks are designed for a relatively long "recharge" season of rain or runoff from melting snow.

If the recharge season is short, or it provides so much rain in one go that the ground surface saturates and the water

infiltrates, the result is flooding and later scarcity.

UN hopes US takes lead on climate

March 2 (AP) -- Secretary-General Ban Ki-moon expressed hope that the US will take a leadership role in combatting climate change - which he said poses as much danger to mankind as war and is likely to fuel future conflicts.

After a Thursday address to hundreds of students from around the world, Ban was asked what he thought about the rejection by President Bush's administration of the Kyoto protocol, the 1997 pact that requires 35 industrial nations to cut their global-warming gases by an average 5 per cent below 1990 levels by 2012.

Ban said he thought there was now an "active discussion" going on within the US government regarding Kyoto, and that he hopes this debate among lawmakers in the world's biggest polluter will lead to more action.

"I hope that the United States - while they have taken a role in innovative technologies as well as promoting cleaner energies - will also take lead in this very important and urgent issue," he said.

Ban underscored what he said were the dangers of climate change - namely that it posed as grave a threat to the world as war.

"The majority of the UN's work still focuses on preventing and ending conflict," Ban said. "But the danger posed by war to all of humanity - and to our planet - is at least matched by the climate crisis and global warming."

In particular, Ban said, the fight over resources that become scarcer will fuel fighting.

"In coming decades, changes in our environment and the resulting upheavals, from droughts to inundated coastal areas to loss of arable lands, are likely to become a major driver of war and conflict," he said.

While calling on the US for leadership in battling climate change, Ban said that it would require the work of all nations.

"These issues transcend borders," he said. "That is why protecting the world's environment is largely beyond the capacity of individual countries. Only concerted and coordinated international action, supported and sustained by individual initiative, will be sufficient."

The Bush administration argues the Kyoto protocol would hurt the US economy. Instead, the White House says it is spending almost \$3 billion a year on energy-technology research and development combat climate change.

Ban, who took over as UN chief on Jan. 1, welcomed that effort, but said it's critical that the international community come up with a new strategy to deal with global warming after Kyoto expires in 2012. He added that climate change will be a top priority during his five-year term.

Like others, Ban noted the growing debate about climate change,

After years of arguing that not enough was known about the problem, Bush referred to global warming as an established fact in his State of the Union speech in January, and acknowledged that climate change needed to be addressed.

At a climate change forum in Washington last month, foreign lawmakers said that after hearing from US lawmakers, they sensed a shift in Washington toward greater

cooperation with other countries on global warming.

"I am encouraged to know that, in industrialized countries from which leadership is most needed, awareness is growing," Ban told the conference organized by the United Nations International School.

Bush's State of the Union address was the impetus, in part, for a proposal by the UN Environment Program to hold a summit on global warming later this year. Ban has not said if he will move forward with a summit.

But he said he would discuss how best to confront the problem with world leaders at a meeting of the Group of Eight industrialized countries in June.

China's new bid to cut pollution

March 6 (chinadaily) -- China will close down its worst polluting facilities as part of a new plan for sustainable economic growth.

In a speech at the opening meeting of the Fifth Session of the 10th National People's Congress (NPC) yesterday Premier Wen Jiabao outlined a new vision for a wealthier, greener China.

The target gross domestic product (GDP) growth has been scaled down to 8 percent this year, compared with 10.7 percent in 2006.

After earlier failing to meet energy consumption targets, China wants to reduce major pollution by 10 percent and energy consumption for per unit of GDP by 20 percent from 2005 to 2010, Wen said.

In 2006, sulphur dioxide and chemical oxygen demand edged up slightly.

Wen blamed slow industrial restructuring, growth of heavy industry and backward

production facilities for China's excess pollution and energy consumption last year.

"This year, on the basis of structural improvements, improved productivity, reduced consumption of energy and environmental protection, GDP is forecast to grow by about 8 percent," Wen said.

"Meeting these two mandatory targets cannot be revised, so we must work resolutely to reach them."

China plans to take "strong measures" to conserve energy, lower energy consumption and protect the environment this year.

Under new plans to reduce pollution, small coal-firing plants with a total capacity of 10 million kilowatts will be shut down, as will outdated production facilities in the cement, electrolytic aluminium, ferrous alloy, coke and calcium carbide industries.

"It is very impressive for the Chinese leader to highlight environmental problems in such a high-profile report," Yang Ailun, campaigner manager of Climate and Energy from Greenpeace's Beijing Office, said.

"But most of the measures to combat pollution and save energy mentioned by Wen are just effective in the short term. China needs to reform its energy structure to move away from its dependence on coal burning, which provides about 70 percent of the country's energy."

Daniel J. Dudek, chief economist of the Environmental Defense Fund, which is based in New York City, told China Daily: "We are glad to see that overall targets are emphasized for the entire five-year plan and an integrated index and evenly divided yearly reduction targets of energy efficiency and total emission discharge are no longer mandated in the premier's report.

"It is also good that a monitoring and evaluation system is recommended to facilitate the achievement of these targets."

Zhou Shengxian, minister of the State Environmental Protection Administration, told a symposium on pollution emission cuts last month, that he was "very confident" of China meeting pollution reduction targets in 2007, provided the measures could be fully enforced.

China could pass U.S. on CO2 in '07

March 23 (Reuters)

BEIJING/LONDON - China is on course to overtake the United States this year as the world's biggest carbon emitter, estimates based on Chinese energy data show, potentially pressuring Beijing to take more action on climate change.

China's emissions rose by some 10 percent in 2005, a senior U.S. scientist estimated, while Beijing data shows fuel consumption rose more than 9 percent in 2006, suggesting China would easily outstrip the U.S. this year, long before forecasts.

Taking the top spot would focus pressure on China to do more to brake emissions as part of world talks on extending the United Nations' Kyoto Protocol on global warming beyond 2012.

Thirty five developed nations have agreed to cut emissions under Kyoto and they want others — especially the United States and China — to do more.

"It looks likely to me that China will pass the United States this year," said Gregg Marland, a senior staff scientist at the U.S. Carbon Dioxide Information Analysis Center, which supplies data to governments, researchers and non-governmental organizations worldwide. "There's a very high likelihood they'll pass them in 2007."

Human-induced carbon dioxide is produced by burning fossil fuels like coal, oil and gas for heat, power and transport. Most scientists say it is a key contributor to global warming.

Marland used fossil fuel consumption data from oil company BP to calculate China's CO₂ emissions in 2005 at 5.3 billion metric tons, versus 5.9 billion for the U.S., with respective growth in 2005 of 10.5 percent and less than 0.1 percent.

In 2006 Chinese fuel consumption rose 9.3 percent to the equivalent of 2.4 billion tons of coal that year, the deputy head of the office that advises China on energy policy, Xu Dingming, said on Thursday.

This was faster than BP's estimate of a 9 percent rise in China's oil, gas and coal consumption in 2005, to 1.45 billion tons of oil equivalent.

The International Energy Agency, which advises 26 rich nations, had already said last November that on current trends China would overtake the United States as the world's biggest carbon emitter before 2010. China's Office of the National Coordination Committee on Climate Change said it could not comment on either forecast as it did not have a reliable estimate of the country's emissions.

"These figures are very complicated — we don't have an estimate of CO₂ for such a recent date," said an official who declined to be named. "We have just set in motion our national reporting plan... but it will not be done for two or three years."

U.N. data for 2003 put the U.S. top with 23 percent of world carbon dioxide emissions and China second on 16.5 percent. But U.S. individuals were far bigger emitters, at 20 tons per capita against China's 3.2 tons and a world average of 3.7.

China argues that wealthy nations are responsible for most of the greenhouse gases already in the atmosphere and should lead the way in cutting emissions.

And much of the growth in China's emissions is to produce goods consumed in the West, raising ethical questions over who bears responsibility for those emissions. Higher economic growth and fuel use translates into higher emissions, particularly in China, which gets around 70 percent of its energy from coal, the highest carbon-emitting fuel.

CDIAC's 2004 emissions estimates, based on BP data, closely matched the IEA's estimates for the same year — reached using its own energy data and U.N. emissions calculation methods, strengthening the reliability of the BP data, Marland said.

He estimated a plus or minus 15 to 20 percent error in the Chinese data versus a possible 5 percent U.S. error margin.

China's rapid growth in carbon emissions is threatening to outweigh efforts by the European Union and others to tackle climate change — EU leaders said earlier this month they would cut the bloc's greenhouse gases by at least a fifth by 2020.

But China between now and 2015 will build power generating capacity equal to the entire existing capacity in the whole of the European Union, the IEA estimates.

China's growth has been fuelled largely by burning coal, and it is still building new power plants at an unprecedented rate. Last year alone it added around 100 gigawatts of new generators, approaching France's entire capacity, most of them coal-burning. A United Nations panel of climate scientists predicted last month a "best estimate" that temperatures would rise by 3.2 to 7.8 Fahrenheit this century, blaming mankind's emissions of greenhouse gases like CO₂.

