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General Energy Issues

Energy deal signed to boost performance

March 24 (China Daily) --Guodian Technology & Environment Co Ltd (GTEC) recently signed a contract with Jiangxi Xinyu Power Plant for what is likely the largest energy performance contract (EPC) project in China.

According to the five-year contract, GTEC will invest about 100 million yuan(\$14.18 million) on alterations to Xinyu Power Plant's two 200,000 kw power generating units, adding energy saving equipment to cut energy consumption and emissions.

The project is estimated to help Xinyu Power Plant save 70,000 tons of coal and 400 tons of fuel, and cut emissions of more than 170,000 tons of CO2 and 1,200 tons of SO2 annually. Meanwhile, GTEC is expected to make a profit of over 200 million yuan by sharing benefits from the energy saved.

In line with the country's demand for energy savings and emissions reduction, EPC projects provide market-oriented energy-efficiency services that leads to a win-win situation for both energy consumption enterprises and energy management corporations (EMCos).

China aims to cut energy consumption per unit of GDP by 20 percent in the 11th Five-Year Program (2006-2010) period. In April 2006, China launched an energy-saving campaign among 998 enterprises in nine high-energy-consuming industries, such as electric power, steel and iron and cement industries, aiming to save a total of 100 million tons of standard coal from 2006 to 2010.

Shen Longhai, director of the Energy Management Companies Association said a total of 14.6 billion yuan was invested in energy efficiency projects throughout the country in 2007, of which 6.55 billion yuan was on EPC projects.

The EPC mechanism, in which an EMCo provides energy-saving and financial services to an energy consumer, emerged in developed countries in the 1970s. With both technical expertise and financial backing, EMCos bear the risk by investing its own or borrowed funds. It

recuperates its investment over a period of time through shared savings with client.

In collaboration with the World Bank and the Global Environment Facility, the Chinese government introduced EPC in 1998. By the end of 2007, EMCA members increased from 59 to 308 companies in 2004, according to Shen.

Efforts urged for better energy efficiency

March 24 (China Daily) -- China should become a global leader in energy efficiency by 2050 when nuclear power and renewable energy is likely to account for at least half of the country's energy mix.

A senior State leader yesterday urged policymakers to come up with strengthened efforts to draw up such a long-term "strategic roadmap" for China's energy industry while focusing on clean energy development.

"We should have a clear strategic roadmap," said Lu Yongxiang, vice-chairman of the Standing Committee of the 11th National People's Congress. "It is not only for 2020, but also for 2030 and 2050."

"By 2050, China should become a global leader in energy efficiency while advocating cleaner energy development," Lu, who is also president of the Chinese Academy of Sciences, said.

To reduce environmental impact and save resources, he said China should decrease its use of fossil fuels and accelerate the restructuring of its energy consumption mix during its rapid industrialization and urbanization.

In his own roadmap, Lu said nuclear energy may consist of 25 to 30 percent of China's total energy consumption by 2050, with renewable energy such as hydro power likely to account for 20 to 25 percent of China's energy consumption by that time.

"By then, our fossil energy dependence can be reduced to 50 percent and I personally believe this goal should be reachable," Lu said.

Energy ceiling

In another development, latest research has shown that China's energy consumption is very likely to reach 3.1 billion tons of standard coal

equivalent by 2010, 100 million tons more than the earlier ceiling.

And by 2020, when China is expected to realize its goal of becoming a well-off society, the country's energy consumption will reach 4.3 billion tons of standard coal equivalents.

Lu Zhongyuan, vice-president of the Development Research Centre of the State Council, described the numbers as "the most likely scenario" for China's energy consumption.

"Growing energy and resources demand has already become China's top challenge for further development," Lu said at the three-day China Development Forum, which ends today in Beijing.

The government has taken various measures in recent years, such as linking energy-saving performance to decide the career future of officials and the leaders of the State-owned enterprises, in order to curb the growth of energy consumption.

Last year, the country consumed 2.65 billion tons of standard coal equivalent, up 7.8 percent from the year before, even as consumption growth slowed 1.81 percent year-on-year.

The growth rate has largely slowed down compared with the double-digit pace in the earlier years.

State Councilor Ma Kai said earlier that China's economic development is too fast for the country to realize its targeted energy consumption ceiling of 3 billion tons of coal equivalent by 2010..

Green investing

March 26 (China Daily)-- Instead of being driven just by profit motives, attention is now turning to green investing in Hong Kong's lively, yet volatile stock markets.

In the face of market volatility, ethical controversies associated with business practices of tobacco and alcohol companies, online gambling enterprises, polluting industries such as coal mining and oil companies are rapidly becoming a target of concern.

Rumblings, in the financial and social sense, are moving towards alternative investments centered upon corporate social responsibility (CSR), socially responsible investing (SRI) and green investing as investors increasingly want to put their money in a place that not only pads their wallets but also gives them peace of mind.

What is green investing?

Despite green funds growing subtly on the edges of the stock market for several years, Hong Kong investors are moving steadily towards profit-motivated investment that grows with increasing concern for the environment.

CSR Asia is a group founded in 2004 that promotes corporate social responsibility in the Asia Pacific region by providing information, training, research and consultant services on sustainable business practices through its three main offices in Hong Kong, Shenzhen and Singapore.

In defining the key concepts of green investing, Richard Welford, director of CSR Asia, said: "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders."

"SRI is about investing in companies that have sound environmental, social and governance practices to ensure that returns are earned in sustainable and ethical ways," he said.

"Green investing focuses mainly on the environmental aspects of SRI but emphasis is now expanding to include policies on climate change, mitigation measures and carbon foot printing," said Welford.

Like many residents in the city, he acknowledges that "the top priority remains air quality in Hong Kong".

According to the SAR government's Environmental Protection Department, major air pollutants in the city include suspended particulate matters in the air such as sulphur dioxide, nitrogen dioxide, non-methane volatile organic compounds, carbon monoxide and greenhouse gas - most of which come from industrial factories in the Pearl River Delta region.

However, HSBC's 2007 Climate Index Report indicated a great deal of optimism in the mainland and Hong Kong community.

Surprisingly enough, the report underscored the highest confidence rating in the mainland (46 percent) and Hong Kong (38 percent) where one in three people agree with the statement that "the people and organizations who should be doing something about climate change are doing what is needed". This is above other surveyed countries - India, Mexico, Brazil, UK, Germany and France.

"The important point is that issues and concerns change over time... Other issues include health and safety (including community health), good governance (including anti-corruption measures), supply chain standards (especially labour standards), human rights and community engagement," said Welford.

Green is gold

In early 2008, HSBC launched the GIF Climate Change Fund "to turn environmental challenges into investment opportunities", said the bank's press release.

According to the statement, the fund is a part of HSBC Global Climate Change Benchmark Index representing 19 themes and three key sectors, namely Low Carbon Energy Production, Energy Efficiency and Energy Management, and Waste, Water and Pollution Control.

Bonnie Lam, director and head of Fund Marketing at HSBC Investments, cited "investments in low-carbon energy technologies are expected to grow to US\$13 trillion by 2050".

Welford said that green is profitable: "In the future they are likely to perform even better because of the rising costs associated with not being green."

Other green investment activities include P2E2 (Pollution Prevention and Energy Efficiency) or Emissions Trading, that move towards convincing factories on the mainland to invest in themselves to become environmentally friendly.

As a form of creative financing, P2E2 involves factory owners agreeing to switch to energy efficient, up-to-date grade machinery, or using power-saving lighting inside the factory.

Savings are made to the advantage of both the P2E2 project managers and the factory itself.

The issue is about investing in the quality of life in the future while making money.

Who's buying?

Melissa Brown, executive director of ASRIA (the Association for Sustainable & Responsible Investment in Asia) identified the larger trend in which, "on a global basis, green funds tend to attract more highly educated investors with higher disposable incomes".

Particularly in Hong Kong, many of these investors also include baby boomers now entering retirement without a cushy pension funds as Chinese families are no longer relying upon children for retirement care and professional women are looking for alternative investments.

There is a concern, however, that "some sort of green screening will become the norm for most funds (even regular ones) in the future", said Brown.

HK lags behind Japan and S. Korea

Nevertheless, Brown underscored that "Hong Kong investors have lagged behind their global and regional counterparts in understanding the importance of investment trends related to environmental issues".

"Until the past year, (Hong Kong investors) have not shown great interest in understanding environmental risks. Japanese and South Korean investors have been the pioneers in this field in Asia," she said.

"The big change in Hong Kong has been the new interest in companies which offer products or services which respond to environmental themes. This explains the interest in a growing array of Chinese solar, wind, and clean-tech companies," said Brown.

Despite the common perception that turning green is needlessly expensive and full of lofty social ideals incompatible with profit-driven business, awareness is growing that going green increases profitability by reducing costs.

Green information glut

Perhaps getting investors to take risks on Green Funds might prove to be a difficult project.

HSBC's Climate Index Report expresses concern for the future generation, the "post green generation" who will experience reactions ranging from "green fatigue" to "green rejection".

Environmental advertising appears to have been done-to-death, creating an information glut of green ideology. Cynical individuals might dismiss it as all talk.

Nevertheless, statistics show that the Chinese mainland and Hong Kong are optimistic and attitudes are changing. The "I am Not a Plastic Bag" eco-fashion trend is a step away from plastic bag usage. Hong Kong children are finally being exposed to environmentalism and the three R's of reduce, reuse, and recycle as well as the possibility that greener skies exist elsewhere.

Shifting attitudes towards money

Green investing represents a growing shift in Hong Kong's intensely money-driven culture. In a market where money talks, there is an equilibrium between profits reigning supreme and honoring the environment for its own sake.

Investment money today is not used solely for making profits, but for promoting socially responsible businesses that benefit society.

Nuclear firms tap China's market potential at show

March 26 (China Daily) -- Some of the world's leading nuclear energy companies have gathered in Beijing in the hope of reaping contracts from China's planned expansion of its nuclear power industry.

Almost 200 exhibitors from 14 countries are attending the 10th China International Nuclear Industry Exhibition opened in Beijing on Tuesday and runs until Friday.

Major international companies, such as the French Nuclear Energy Society, Atomic Energy of Canada Ltd, and Westinghouse Electric Company, will hold 10 meetings at the exhibition to exchange information with Chinese experts concerning nuclear power generation,

environmental protection, equipment building and technical standards.

"The exhibition provides good opportunities for us to communicate with Chinese companies," said Timothy Collier, vice-president of Westinghouse.

China's decision to build more nuclear power stations would mean the introduction of more green energy, he said.

China generated 62.6 billion kilowatt hours of nuclear power in 2007, up 14.1 percent year-on-year, according to the China Electricity Council.

China National Nuclear Corporation manager Kang Rixin underlined the potential of Chinese market, saying nuclear energy was an effective measure for China to combat energy shortages and environmental pollution.

The exhibition has been held every two years since 1989. It works as a platform of technical communication, and an important channel for China to learn and share advanced technologies and equipment.

China has 11 nuclear power plants with a combined installed capacity of 9.08 million kilowatts. Three use domestic technology, two are based on Russian technology, four use French technology and two are Canadian-designed. All use second generation nuclear technologies.

Huaneng to boost renewable energy

March 26 (China Daily) -- China Huaneng Group, the country's largest power producer, said it will boost the development of new energy such as wind and solar power, in line with the government's thrust for renewable energy.

The company has accelerated its development of wind power in Guangdong, Jilin, Shandong, Inner Mongolia and Hainan, said Huaneng President Li Xiaopeng.

"The company's wind power projects in operation or under construction now have a total capacity of 1,347 mW," said Li. "We are also developing solar power projects in the Northwest and biomass power projects in Jilin province in Northeast China."

Besides wind, solar and biomass power, the company will also increase its capacity of hydropower, thermal and nuclear power, said Li.

Last year, the company's Yuhuan power plant in Zhejiang started commercial operation. With four 1,000 mW ultra supercritical units, it is one of the world's most energy-efficient and environmentally friendly power generating projects in the world.

The company is also developing China's first nuclear plant using high-temperature, gas-cooled technology. The 200 mW Shidaowan plant in Shandong involves a total investment of 3 billion yuan.

Huaneng has launched the GreenGen project, the first near-zero-emission integrated gasification combined cycle power plant in China. Located in Tianjin, the project has a capacity of 250 mW. Last year, US coal company Peabody became an equity partner in the project.

Along with giving a push to new energy, Huaneng will accelerate closures of small-scale power generating units. In the first two months of this year, the company has closed down power units with a total capacity of 100 mW. By the end of 2007, the company closed down a number of small-scale power units with a total capacity of 2,391 mW.

In 2007, the company's sulfur dioxide emissions were reduced by 8.88 percent. By the end of last year, 57 percent of the company's power units had been installed with de-sulfur equipments.

Last year, the company signed an agreement with the Commonwealth Scientific and Industrial Research Organisation, Australia's national science agency, to develop clean-coal power generation and carbon capturing and storage technologies.

The collaboration includes capturing power plants' flue gases, coal gasification, coal gas purification and other generation technologies. It will also include a post-combustion capture pilot project at Huaneng Beijing thermal power plant. Post-combustion capture traps carbon dioxide from flue gases of power plants.

Clean energy poised to take bigger share

March 19 (China Daily) -- Renewable energy is expected to make up 10 percent of the country's energy mix by 2010, up 2.5 percentage points from the current level, the National Development and Reform Commission (NDRC) said yesterday.

The NDRC announcement, part of the national renewable energy program for 2006 to 2010, came with concerns that the country's total energy consumption will in two years surpass the equivalent of a targeted 3 billion tons of coal at the current pace of economic development.

"China is rich in renewable resources but we need sophisticated technologies," the commission said in the program report.

The commission said the country will continue to tap its rich store of hydropower, which will reach 190 million kW by 2010, up from 117 million kW in 2005. Similarly, wind farms will generate 10 million kW by 2010, up from 1.31 million kW in 2005.

Solar power and bio-fuels will also play a bigger role in energy resources. The sun's rays are expected to generate 300,000 kW by 2010, up from 70,000 kW in 2005, while bio-fuels will produce electricity of 55 million kW in two years, up from 2 million kW in 2005.

The NDRC report, which can be downloaded at its website at www.ndrc.gov.cn, said its plan was readjusted with the country's mid- and long-term renewable energy program in mind.

In the long term, the authorities plan to make clean energy sources account for 16 percent of total energy consumption, by 2020.

Large-scale research is needed to maximize the potential of renewable energy to meet the country's demand, a commission source who did not want to be named told China Daily.

He said the authorities are committed to identifying and developing new energy sources and finding practical applications for them.

The government is also pushing to promote international exchange and work with foreign counterparts to train high-level professionals in the sector.

Policies on energy will give priority to five areas - solar power, biomass fuels, wind power, hydrogen energy and natural gas utilization - and the government will provide additional funding for research projects and offer preferential tax rates for those involved in the development and use of renewable energy, the source said.

The latest push for clean energy comes amid a record high in global oil prices, which has surpassed \$110 a barrel.

"From a business perspective, it's already cheaper if we turn to alternative energy," the source from NDRC said.

The International Energy Agency has said that it is cheaper to switch to alternative energy when the oil price goes above \$70 a barrel.

Ma Kai, former minister of the NDRC, had said earlier that the country has been implementing energy-saving measures to realize its targeted energy consumption ceiling of 3 billion tons of coal equivalent by 2010.

Last year, the country consumed 2.65 billion tons of standard coal equivalent, up 7.8 percent from the year before, even as 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.

Last year, the country saved a notable 89.77 million tons of standard coal equivalent in energy.

According to the country's 11th Five-Year Plan, energy consumption per unit of GDP is targeted to go down by 20 percent between 2005 and 2010, by improving resources, utilizing efficient technology, and saving energy.

"We are still faced with many challenges in meeting the ceiling target," Ma said. "Our development pace is too fast."

Electric power giants' profit dragged down by energy costs

March 29 (Xinhua) -- China's four leading electric utilities companies released their annual reports to the country's two stock markets this week, saying their 2007 profits were largely affected by soaring energy costs.

Huadian Power International Co Ltd reported its revenue hit 20.49 billion yuan (\$2.94 billion). Its gross profit was 1.82 billion yuan, down 3.57 percent year-on-year.

The decline came despite increasing demand for power as Huadian generated 70.27 billion kilowatt hours of electricity in 2007, up 40.46 percent.

The company said that the decline was mainly caused by higher prices for coal, its main fuel source.

The overall cost, including crude material costs, taxation and other fees, was 16.53 billion yuan last year; coal accounted for 69.93 percent of the total cost, according to the report.

Revenue for Huaneng Power International Inc, the listed arm of China Huaneng Group, was 50.44 billion yuan, up 13.5 percent. Its gross profit slid 8.37 percent year on year to stand at 7.39 billion yuan.

The company said it was exposed to increasing coal prices and ocean shipping fees at the end of last year and the beginning of this year, something caused by the energy strain.

Huaneng generated 173.69 billion kilowatt hours of electricity in 2007, representing a growth of 13.21 percent.

Sichuan Chuantou Energy Stock Co Ltd in China's energy-rich Sichuan Province, realized revenue of 362.57 million yuan, up 13.51 percent.

Its gross profit was 80.65 million yuan, up 8.84 percent year-on-year, but the company said it was still under high pressure from rising energy costs.

The revenue of Anhui Province Energy Group Co Ltd's was 2.64 billion yuan, a 19.05 percent

increase over the previous year. The gross profit stood at 123 million yuan, up 8.56 percent.

It generated 8.8 billion kilowatt hours of electricity in 2007, up 11.75 percent from the previous year.

"Rising energy prices and transportation expenditures have added to power companies' costs," said a market analyst.

China experienced its most severe winter in five decades starting in mid-January. This had caused a critical shortage of energy resources in the country's south.

Zhang Yong, vice director of policy research department with China National Coal Association, said the country was aiming for annual growth of 200 million tons in its coal output. "The coal industry has the full ability to meet domestic demand," he added.

China, the world's largest producer and consumer of coal, saw its economy expand by 11.4 percent last year. The consumption of coal, which generates about 80 percent of the country's power, rose 7.9 percent to 2.58 billion tons.

Automobile and Transportation

Auto finance service sector 'big cake'

March 25 (China Daily) -- As US-based GMAC Financial Services, one of the world's leading automotive financing companies, posted a \$2.3 billion loss in 2007, the Chinese automobile market is growing. It added two more automotive financial service providers, Fiat Automotive Finance Co Ltd and Dongfeng Nissan Auto Finance Co Ltd, at the beginning of 2008.

Nine global auto giants including General Motor, Toyota and Volkswagen, have so far opened auto finance wings in China. However, compared with a total sales volume of 8.8 million vehicles in the Chinese market last year, auto finance firms' results were discouraging.

Beijing, for example, saw more than 400,000 new vehicles sold last year, but less than 10 percent of customers chose to pay by installment. According to Sinotrust Marketing Research and Consulting Ltd's statistics, only

6.6 to seven percent of Chinese customers bought cars via loans last year.

"Although the number of automotive finance firms is increasing, the auto finance sector contributes less than five percent of the auto sales, because most Chinese customers prefer lump sum payments," said an analyst from Guotai Junan Securities Research Institute.

Of the 10 interviewees, most of them attributed their unwillingness to buy car via loans to "high loan interest," "huge down payments," "haunting return deadlines," "complex loan procedures," as well as "lowering auto prices."

China starts auto parts recovery program for circular economy

March 21 (Xinhua) -- BEIJING -- China Friday started a pilot program to recover discarded auto parts as part of its efforts to achieve circular economy.

The National Development and Reform Commission Friday signed with three auto makers and 11 parts manufacturers letters of commitment on the pilot auto parts recovery program.

Xie Zhenhua, deputy head of the nation's top economic planner, said at the program's opening ceremony that China annually scrapped more than three million motor vehicles and that to make good use of renewable resources in the scrapped vehicles was a major task for the country's auto industry in order to achieve sustainable development.

According to Dong Yang, an expert on auto parts recovery with the China Association of Automobile Manufacturers, China produced 8.88 million motor vehicles last year. Its auto population will amount to 65 million in 2010, when more than four million vehicles will be scrapped annually. Then annual demand for auto parts will reach 65 billion yuan (9.2 billion US dollars) worth nationwide, including 3.8 billion yuan worth of renewed products. Currently, renewed auto parts were valued at only 700 million yuan nationwide annually.

Circular economy is a model for economic growth which aims at environmental protection,

pollution prevention and sustainable development.

Under this model, resources are used with higher efficiency and reused and recycled when possible, so that pollution is minimized and waste is reduced as much as possible. It also involves the transformation of industrial organization and allocation, urban infrastructure, environmental protection, technological paradigms, and social welfare distribution.

An important part in China's effort toward sustainable development, circular economy was officially raised as a target for China's future growth in 2004. The State Council issued a file about promoting it in July 2005, making it a key guideline in the 11th Five-Year Plan and to achieve the specific goals in energy conservation and pollution reduction before 2020.

Auto firm ups local sourcing

March 12 (China Daily) -- French carmaker PSA Peugeot Citroen plans to boost its sourcing of spare parts from China by the end of this decade, according to its local car joint venture.

The venture with Dongfeng Motor Corp, the nation's No 3 auto group, said yesterday that PSA Peugeot Citroen plans to procure 600 million euros of spare parts from China a year by 2010 for its production in Europe and South America.

The tie-up, based in the central city of Wuhan, said the French carmaker bought a total 350 million euros in spare parts from China during the 2004-07 period, without providing a figure for last year.

"Its China sourcing will be on a fast track in the coming years ... this is a big opportunity for our suppliers," the venture said.

The venture now has 326 suppliers in China.

PSA Peugeot Citroen set up a procurement center in 2004 in Shanghai. The venture said the center will double its staff to 100 by 2010.

A spate of other global automakers, such as Volkswagen, Ford and General Motors, are also increasing procurement from China, taking

advantage of low costs and the improving quality of the spare parts industry here.

Meanwhile, the Sino-French venture said it plans to build a third car plant. But it wouldn't reveal the size of the investment, production capacity, location or a time frame for its opening.

The company has a 300,000-unit plant in Wuhan that makes Peugeot and Citroen small and medium-sized models. Its second factory, also in Wuhan, will be operational next year with an annual capacity of 150,000 larger sedans.

The venture said it plans to launch 20 all-new models before 2013, with five this year to woo Chinese buyers.

It expects to increase sales by 30 percent this year from 207,255 cars in 2007, the venture said.

PSA Peugeot Citroen last June signed a memorandum of understanding with China's main minibus producer Hafei Automobile Co to produce high-end vans. Hafei, based in Northeast China, is reportedly in merger talks with Dongfeng.

Sales of China-made vehicles rose by 19.27 percent year-on-year to 1.52 million units in the first two months of this year, according to data from the China Association of Automobile Manufacturers.

Full-year sales are predicted to hit 10 million vehicles, up from 8.79 million units in 2007.

New auto models expected to enter China

March 6 (China Daily) -- A number of the auto models displayed at the ongoing 78th Geneva Auto Show might be introduced into the Chinese market, Autohome.com.cn, one of China's major automobile news portals, reported today.

The new Ford Fiesta, which will make its debut at the annual auto show, is expected to replace the old Fiesta, no longer produced in China.

In addition to the Fiesta, Ford also brought its Kuga crossover vehicle to the auto show. Local production of the Kuga will help the US automaker expand its market share in China.

The Citroen C5, which was unveiled in October 2007, will be produced beginning in 2009 at Dongfeng Peugeot Citroen Automobile Company's second plant, PSA Peugeot Citroen's Chinese joint venture with Dongfeng Motor, in Wuhan, Central China's Hubei Province.

PSA Peugeot Citroen's 307S model is expected in China by the end of this year, according to the report.

The Skoda Superb, Volkswagen's European hot seller, is the best chance for the German automaker to further expand its influence China, after the Octavia, the first Skoda model in China.

Swedish automaker Volvo said it will introduce its XC60 sport utility vehicle (SUV) into China, and that model could be a heavy weapon for Volvo here.

Mercedes-Benz's GLK, with a 4Matic four-wheel drive system, will be the best choice for Benz in attracting Chinese fans for small-sized SUVs.

Changchun reaches milestones in 2007

March 25 (China Daily) -- The Changchun Economic and Technological Development Zone witnessed robust economic growth in 2007.

The zone's gross domestic product (GDP) reached 26.6 billion yuan during the year, increasing 37 percent compared with 2006.

Incremental industrial value grew 32 percent to 17.5 billion yuan, while industrial output value soared to 62 billion yuan, an annual increase of 42 percent.

Pillar industries played a leading role in realizing this phenomenal growth of the development zone in Changchun, capital of north China's Jilin province.

The traditionally advantageous automobile and auto parts sector maintained a strong growth momentum and contributed 31.2 billion yuan to the zone's total industrial output value last year.

The food processing industry also achieved 17.62 billion yuan in output value last year, increasing 25.9 percent year-on-year.

With a growing consumption rate and the support of preferential policies, the emerging modern service industry in the zone realized an incremental value of 5.6 billion yuan, up 30 percent from 2006.

The big companies also made an outstanding contribution to the zone's total industrial output value.

Sixty-one key industrial enterprises achieved 53.7 billion yuan in output value, accounting for 86.6 percent of the zone's total.

In spite of the rapid economic development, the zone was able to cut its energy consumption by 4.6 percent year-on-year, thus using the least energy among all of Changchun's development zones.

Investment boom

Investment projects are a driving engine for the local economy, and the Changchun municipal government gave top priority to supporting the progress of investment projects last year.

Based on the municipal government's plan, the zone authorities have intensified efforts in facilitating project construction.

Last year alone, 184 projects were under construction in the zone. So far, 28 of them have been put into operation.

According to the administrative committee, the investment projects under construction have set a record in the zone's history in terms of number and investment value.

The zone has secured 40 big projects, each with an investment value of 100 million yuan or more, and with five exceeding 1 billion yuan each.

Meanwhile, fixed-asset investments amounted to 15.9 billion yuan, an increase of 46 percent year-on-year, including 10.1 billion yuan in industrial sectors.

Incremental annual output value of the new projects is expected to reach 85.4 billion yuan once they all become operational.

By the end of last year, the zone had another 206 new investment projects lined up for construction.

According to the figures released by the zone administrative committee, actual used foreign and domestic investments in 2007 stood at \$689 million and 4.94 billion yuan respectively, increasing 24 and 16 percent year-on-year respectively.

Industrial parks

Industrial parks are the backbone of the zone's economy. Parks for corn, special purpose vehicles (SPV) and auto parts industries, in particular, have provided perfect platforms for related investment.

With a high level of technological development in the use of corn as biological energy, the corn industry park, supported by vast fertile cornfields in northeast China, has attracted 80 projects, of which 14 have been signed, involving a total investment value of 1.56 billion yuan.

As the birthplace of the country's auto industry, Changchun has strong manufacturing facilities and a well-trained labor force. First Automobile Works (FAW), a leading Chinese car manufacturer, is headquartered in the city.

Thus the zone enjoys a unique advantage in developing the automobile and auto parts sector.

Over years of development, the auto sector has become one of the pillar industries of the zone.

China's demand for automobiles jumped to second highest in the world in 2006, yet the nation still lags behind in manufacturing SPVs. In view of this, the zone set up a SPV park in 2007, seeking to enhance China's strength in this segment.

The park, the first of its kind in China, was designated as a key SPV production base in the country by the China Association of Automobile Manufacturers last year.

At present, five SPV manufacturers, including FAW Special Vehicle Co and Tempo Commercial Vehicle Co, have established operations there, producing 341 types of SPVs.

At the same time, 83 makers of auto parts offering thousands of components, and 10 research and development centers seen as a strong force to ensure sustained development of the SPV industry, have added value to the park.

Sound environment

Following a 2.12 billion yuan investment in infrastructure construction in 2006, authorities poured a further 1.73 billion yuan into the zone last year in a bid to improve the investment environment.

The money has been used to build and extend 16 roads, begin or continue the construction of three transformer substations and five boiler houses, complete the building of a number of factories and an exhibition complex, as well as add 300,000 sq m of green belt and revamp public facilities in the zone.

The authorities are exploring a new development mode for the zone in order to shift its focus from being a manufacturing base to a technology innovation base.

With 10 firms recognized as hi-tech companies by the authorities last year, the number of hi-tech companies in the zone has now reached 91.

Local companies are being encouraged to strengthen technological innovation. After technical reforms, 17 companies created an incremental output value of 1.96 billion yuan in 2007.

Improving administrative services is also high on the agenda for the zone.

Key companies in the zone are invited to the zonal authorities' regular meetings, a move aimed at helping investors solve problems they may encounter.

In 2006, the zone ranked 15th among 54 nation-level economic and technological development zones in terms of comprehensive investment environment, according to an evaluation by the Ministry of Commerce.

Locals benefit

Locals have benefited a lot from the zone's dynamic growth, with the government allocating 348 million yuan as a special fund to improve living standards.

A system of basic medical care insurance has been extended to both urban and rural residents in the zone.

Insurance coverage in terms of medical care, endowments and work injury has been expanded to include more people.

In 2007, the government invested 11.5 million yuan in revamping facilities in residential communities.

Moreover, the authorities hosted 53 job fairs, which helped 3,733 locals find jobs.

Rural residents also had their share of the boom, with per capita income of farmers in the zone increasing by 12 percent over 2006 figures.

Biofuels and SPVs power 30 percent growth

March 5 (Xinhua) -- The Changchun Economic and Technological Development Zone has started the year on a great note, with a year-on-year increase of 30.3 percent in gross domestic product in January, of 2.49 billion yuan.

Sectors of biofuels and special purpose vehicles (SPVs) contributed significantly to the strong growth. The figure accounts for 7.66 percent of the 32.5 billion yuan goal set by the zone's authorities for this year.

The other two main economic indices of the zone - industrial output and incremental values - are expected to reach 80.6 billion and 23.1 billion yuan in 2008 respectively, according to the zone's development plan.

To achieve these ambitious goals, the authorities are focusing on big projects. For instance, a 1-million-ton chemical ethanol project invested in by DaChan Greatwall Group in a corn industry park has been listed as a key project, entitled to priority support from the local government.

Other examples include the Hebei Zhongxing Automobile Co Ltd's 200,000 sports utility vehicle (SUV) project and the Changchun-based Tempo Commercial Vehicle's SPV project.

Such projects are expected to play a leading role in spurring the growth of the local economy. The authorities have said they will provide special services to key companies in the zone to ensure their smooth functioning.

Of these companies, 61 have more than 100 million yuan in annual sales while the remaining 42 pay annual taxes exceeding 10 million yuan each.

Besides speeding up current projects, the authorities are also keen on securing new hi-tech investments with a significant market potential.

They are particularly keen on attracting company headquarters, research and development institutes, and purchase and sales centers.

The local government is also keen on projects that extend the industrial chain as such investments bring in high value-added .

According to the zone administrative committee, the actual use of foreign and domestic investment is projected to reach \$880 million and 6.39 billion yuan this year respectively. Fixed-asset investment for the year is targeted at 20 billion yuan.

Technological innovation

Sharpening the technological edge and increasing the competitiveness of local companies remains one of the authorities' major concerns.

In the light of this, they plan to allocate special funds for hi-tech projects.

The zone is also trying to establish a national-level hi-tech career service center in a bid to help hi-tech start-ups.

Development of a core area of a national optoelectronic industry base in the zone is another initiative aimed at increasing the zone's technological competitiveness.

The authorities said they will encourage companies to pass ISO 14000 certification, develop proprietary technology and build up their own brands.

The zone realized 520 million yuan in exports last year, an annual increase of 60 percent.

Companies will be helped to restructure their export line-ups this year, shifting to such hi-tech products as corn bio-chemicals, SPVs, auto parts and new materials from primary products.

Revamping image

The zone authorities plan to invest 1.22 billion yuan in infrastructure construction this year, to improve the investment environment and revamp the image of the zone.

In addition to water, power, gas and heating facilities, a sewage treatment network, the extension of roads and the construction of an exhibition complex, the government will also improve the efficiency of administrative services such as financial services, information exchange, accounting and auditing, and human resource management.

The local government will also continue to expand insurance coverage and medical care to more people and extend the health service network to more residents this year.

Meanwhile, accelerating the urbanization of rural areas and strengthening the construction of a new socialist countryside is also on the cards.

Auto engines output, sales up more than 20%

March 6 (Xinhua) -- Latest statistics from the China Association of Automobile Manufacturers (CAAM) show the nation's 54 major engine makers produced 7.8467 million auto engines last year, up 25.1 percent year on year. Engine sales reached 7.7238 units, up 24.4 percent.

Among 49 firms in operation last year, 73 percent produced more than a year before. The number of firms with an annual output over 100,000 units grew to 27 from 22. In particular, 18 firms produced more than 200,000 engines, compared with only 13 firms in 2006. Nine firms yielded more than 300,000 units, while only seven did the same in 2006.

Guangxi Yuchai Machinery Group broke the 500,000 unit mark for the first time last year. Guangqi Toyota Engine Co Ltd, Zhejiang Geely Holding Group, FAW Car Co Ltd, Shandong Laidong Engine Co Ltd and Shenyang Mechanical & Electrical Equipment and Farm Machinery Group all doubled their annual outputs.

Of the 49 firms, the top 15 in terms of output were: Guangxi Yuchai, Liuzhou Wuling, FAW Volkswagen, Changan Group, Shanghai Volkswagen, Guangzhou Toyota, Chery Motor,

FAW Group, Dong'an Mitsubishi, Dongfeng Honda, Shanghai General Motors, Beijing Hyundai, FAW Toyota, Dong'an Power, and Kunming Yunnei.

The top 15 in terms of sales were: Guangxi Yuchai, Chang'an Group, Liuzhou Wuling, FAW Volkswagen, Shanghai Volkswagen, Guangqi Toyota, Chery Motor, FAW Group, Dongfeng Honda, Dong'an Mitsubishi, Shanghai GM, Beijing Hyundai, FAW Toyota, Dong'an Power, and Kunming Yunnei.

Oil and gas

CNOOC posts modest gain

March 28 (China Daily) -- CNOOC Ltd, China's largest offshore oil and gas producer by capacity, yesterday posted a modest 1.3 percent gain in 2007 profit, its smallest growth in five years, as costs grew faster than production.

Net profit in 2007 rose to 31.26 billion yuan (\$4.46 billion) from 30.93 billion yuan the previous year. Revenues rose 2 percent to 90.7 billion yuan from 88.95 billion yuan, with earnings per share dipping to 0.72 yuan from 0.73 yuan a year earlier.

The company, whose shares are traded in Hong Kong and New York, said its windfall tax on oil sales above \$40 a barrel rose to 6.84 billion yuan from 3.98 billion yuan the year before because of higher oil prices last year.

Crude stayed at high levels last year, nearly reaching \$100 per barrel at the end of 2007.

"CNOOC's expenses are growing faster than revenue and it could get worse if the company doesn't take any action to improve its production growth and lower costs," said Anna Yu, an energy analyst from Taifook Securities.

"One of the biggest challenges for CNOOC is that some of its oilfields are aging and the new ones are yet to catch up. The older an oilfield becomes, the higher the costs climb," said Kenny Tang, an associate director at Tung Tai Securities.

The company is targeting production of 195 to 199 million barrels of oil equivalent in 2008, said CNOOC Chairman and CEO Fu Chengyu at a press conference in Hong Kong yesterday.

CNOOC expects its offshore output to rise to 171 million to 173 million barrels of oil equivalent this year, up from 149 million barrels in 2007, thanks to a full-year contribution from the Liuhua field and other new start-ups.

Fu said the company's total output of oil and gas last year rose only 2.6 percent to 171 million barrels of oil equivalent because of the shutdown of the Liuhua oilfield after a typhoon, while some bigger fields are not due to begin production until later this year.

Oil giants grease wheels to boost supply

March 25 (China Daily) -- The country's two largest oil companies PetroChina and Sinopec will increase fuel production and distribution to ensure supply, the National Development and Reform Commission (NDRC) said yesterday.

Rapid economic development in the first two months, especially reconstruction after the snowstorms in some regions, caused demand for refined oil products to rise. Fuel supplies have also tightened, as some retailers hoard fuel in hopes of profiting from potential price gains, the NDRC said.

"The country enjoys sound production and supply of refined oil products. It will not undergo a nationwide shortage of fuel, such as the diesel shortage suffered in November and December," it said in a statement.

In the first two months, refined oil production increased by 10.5 percent, and the fuel stockpile increased by 28 percent.

China's largest refiner Sinopec said yesterday it would reduce the production of aromatics from crude to increase its output of gasoline to ensure market supply of the fuel.

Aromatics are used to make computer casings and polyester fibers.

The Beijing-based company has been running all its refineries at full capacity amid losses caused by record crude prices. Its Zhenhai refinery could lose as much as 12 million yuan (\$1.7 million) by reducing its output of the more-valuable chemical, Sinopec said.

The group's Maoming refinery in Guangdong province is boosting its daily crude processing to 36,000 tons, exceeding its designed capacity.

Last November and December, many regions in China grappled with shortages of refined oil products, such as diesel. The government has ordered refiners to run their plants at full capacity.

PetroChina and Sinopec have also been urged to increase fuel imports to boost supply. Sinopec imported more than 400,000 tons of diesel last December.

PetroChina imported over 300,000 tons of oil products in the first three quarters.

China imported 1.62 million tons of diesel last year, up 130 percent from 2006.

Although large oil producers increased oil product imports late last year, China imported 33.8 million tons of oil products in 2007, down more than 7 percent from 2006.

China's oil giants deny price rise rumors

March 25 (China Daily) -- China's major oil suppliers denied rumors about oil price rises, and blamed the rumors for the worsening fuel supply shortfall that is spreading northward across the country.

High international oil prices have fuelled price rise prospects in domestic market. Some producers and dealers started to hoard oil amid the rumors, worsening the situation, China National Petroleum Corporation (CNPC) and China Petroleum and Chemical Corporation (Sinopec) jointly announced.

The shortage, first reported in southern China, now appears to be spreading to the northern parts of the country.

Shanghai, the country's economic center, is now being affected, with rationing, long queues and power-off filling machines becoming common at filling stations.

The Shanghai Economic Commission said on its website that the city has enough diesel to last more than 10 days.

CNPC and Sinopec emphasized that China had enough oil to ensure a stable supply and the fuel-supply crises of the second half of last year would not re-emerge.

According to the National Development and Reform Commission (NDRC), China's top economy planner, refined oil output, mainly produced by the two oil giants, surged 10.5 percent in the first two months of this year. The stockpile rose 28 percent, compared with the beginning of this year.

The two giants said the continuing reconstruction after the snow havoc, and spring ploughing have also added more pressure on the supply tension.

However, industry experts said that government-controlled oil prices in domestic market has led to the shortfall, as refineries cut back production to avoid losses while producers and dealers hoard oil to gain more profits in the case of possible price rises.

The CNPC and Sinopec said they would double efforts to increase market supply and distribute more oil to the shortage-affected regions.

They also suggested the authorities should punish those who spread the rumors or hoarded oil.

China's consumer price index, the main inflation indicator, rose 8.7 percent in February over the same time last year, a 12-year high.

The NDRC raised the prices of gasoline, diesel oil and aviation kerosene by 500 yuan (\$70.91) per tonne in November, almost a 10 percent rise, to narrow the gap between steep international crude prices and state-set domestic oil prices.

Oil giant suffers \$5.4b of refining loss in 2007

March 21 (Xinhua) -- China National Petroleum Corporation (CNPC), the country's leading oil producer, lost 36.2 billion yuan (\$5.4 billion) in its oil refining and processing businesses last year, according to a company report released on Thursday.

The company attributed the loss to the huge gaps in soaring world oil prices, the low state-set

domestic price and its "overloaded operation" to ensure domestic supply.

Despite the surging prices in the international market, China last year ordered the country's oil producers and refiners to collect their strengths in combating the shortages caused by extreme weather conditions.

In 2007, CNPC devoted about 100 billion yuan to oil prospecting and another 32.2 billion yuan to oil refining projects in a bid to ensure domestic supply.

Also last year, CNPC processed 120 million tons of crude oil, representing an increase of 5.86 million tons over the previous year.

It produced 107.65 million tons of crude oil and 54.2 billion cubic meters of natural gas at home, representing an increase of 1.01 million tons and 10 cubic meters, respectively.

It saw its oil and gas production overseas increase by 10.2 percent and seven percent, respectively.

CNPC is the nation's second-largest refiner behind China Petroleum and Chemical Corp, also known as Sinopec.

PetroChina, CNPC's listed unit, saw its net profit at 145.63 billion yuan, up 2.4 percent from a year ago, but still missing the previous analysts estimate of more than 150 billion yuan.

Profit up for oil producer

March 20 (China Daily) -- HONG KONG: PetroChina Co Ltd, China's largest oil and gas producer, yesterday posted a lower-than-expected 2.4 percent growth in its net profit in 2007 of 145.63 billion yuan.

PetroChina's turnover in 2007 reached 835.04 billion yuan, an increase of 21.2 percent from the previous year. Its total output of crude oil and natural gas was 1.11 billion barrels of oil equivalent, an increase of 4.8 percent from 2006.

Analysts said windfall taxes and refining losses are eating into the company's profits. PetroChina paid 44.58 billion yuan in windfall levies in 2007, 54 percent more than in 2006. Its refining arm

reported a loss of 20.68 billion yuan in 2007, compared with a 8.5 billion yuan loss in 2006.

Rising cost is another drag on growth. Exploration and production expenses climbed 30 percent last year. Oil and gas lifting costs rose 15 percent to \$7.75 a barrel.

Dick Lee, a corporate finance officer with Phillip Securities in Hong Kong, said PetroChina's result was lower than his expectation. "The market had expected PetroChina to post better earnings amid the soaring crude prices that helped other oil groups book record profits."

The company will continue to search for resources at home and abroad, aiming to increase overall oil and gas production by 7 percent to 1.189 billion barrels of oil equivalent in 2008, exceeding last year's 4.8 percent increase. It said it will earmark 132.3 billion yuan for exploration and production this year.

But analysts expect a tough year for PetroChina in 2008, saying the government's tightening policies and rising costs will hit the oil producer.

Oil subsidies only good in the short term

March 14 (Xinhua) -- The Thai government's support for diesel prices will not hide the fact that we must learn to live with higher costs

Poonpirom Liptapanlop, the Energy Minister, has sent a strong signal that it is time for Thai people to learn to live with the era of high oil prices.

The oil prices are beyond anybody's control, as oil is the most important global commodity. Although the government may be able to provide some relief, at the end of the day, the Thai people must learn to cope with the high prices on their own.

Most analysts now believe that oil prices will not fall again. On Wednesday, the price held steady after falling back from Tuesday's record of nearly \$110 a barrel. The dollar's weakness has fuelled much of the oil price hikes recently as investment funds seek a hedge in hard assets.

Because the investment funds have been losing money as a result of the US subprime loan crisis, they have bet on the oil market instead. Oil prices are thus the work of both intense speculation and a real global demand increase.

At this price level, Poonpirom admits that we are already entering a period of energy crisis. We should therefore learn to use energy wisely and in the most efficient way.

However, the Thai National Energy Policy Committee agreed to provide a subsidy for diesel at 90 satang (\$0.03) per liter. Of this, 50 satang will come from a reduction of the oil companies' contribution to the Energy Conservation Fund, and 10 satang will come from a reduction of the contribution to the Fuel Fund.

The remaining 30 satang will come directly from the subsidy of the Fuel Fund. The government is capping the diesel price at Bt29.94 per liter. Poonpirom has maintained that this diesel subsidy measure will be implemented only temporarily until the end of July. She would not repeat the mistake of the Thaksin government, which subsidized domestic oil prices and ended up causing the Oil Fund to lose Bt90 billion.

Diesel is being subsidized at this point because it is the main fuel used in the transport sector. Already, Thailand has inefficient logistics networks, forcing the country to rely on diesel-based truck transport.

Piyasavasti Amaranand, the former energy minister in the Surayud government, did an excellent job of ending most of the price distortion measures created in the oil industry. After his leaving office, the Oil Fund bounced back into the black.

Study after study has shown that domestic oil subsidies do not bring about any positive impact on the economy, although they help reduce the shock in the short term. But at the end of the day, somebody will have to pay for this subsidy.

The Oil Fund's loss of Bt90 billion could have been used for building schools or the mass transit system. The government is subsidizing diesel until July because by that time there will

be more natural gas vehicles (NGV) outlets and facilities to meet the demand.

Now, most taxis and private cars are using liquefied petroleum gas (LPG), which is more expensive. If anyone drives along Viphavadee Road near Central Lad Phrao, they will see taxis lined up in a long stretch waiting to fill up their tanks with NGV. Once the NGV outlets and facilities are built over a broader network, which should cover the whole of Thailand, we can expect to see more efficient energy usage.

Poonpirom has also asserted that the temporary measure to cushion the diesel price will not hurt the Oil Fund, which is now enjoying a surplus of Bt3-Bt4 billion.

What the government is doing is simply reducing the contribution flowing into the Oil Fund. Part of the Oil Fund will be used to finance the mass transit systems. But since it takes at least four years to build a mass transit system, the government thinks that it can use this money to relieve the plight, albeit temporarily, of the Thai consumer first.

On the other hand, the government will also be promoting alternative fuels such as bio-diesel, gasohol, and NGV. These will allow the public to have more energy options.

We actually do not favor the temporary subsidy of diesel because the sharp rise in oil prices is making a 90-satang subsidy look meaningless. The rest of the world is still consuming despite the higher oil prices. We, too, have to learn to live with this reality.

Guangdong plans large joint-stock oil refinery

March 11 (Xinhua) -- A joint-stock oil refinery involving a total investment of \$5 billion will be built in the southern Chinese province of Guangdong, a local official said in Beijing on Monday.

The refinery is designed to process 15 million tons of crude annually, said Li Miaojuan, Guangdong Provincial Development and Reform Commission director and a deputy to the 11th National People's Congress, the top legislature.

It is scheduled to be built on Sanmin Island and operational in 2010.

"This refinery is important to the economic development of Guangdong," Li said.

An economic powerhouse of China, Guangdong has seen the demand for refined oil far outpace supply in recent years, with about 10 million tons of oil products imported annually.

Approved by the National Development and Reform Commission at the end of last year, the project involves China Petroleum and Chemical Corporation, the Guangdong government and Kuwait National Petroleum Co.

Crude will be imported from Kuwait for processing at the refinery.

However, just before the ongoing annual sessions of the national legislature and top political advisory body, 14 national legislators from Guangdong called for rethinking of the project citing environmental concerns.

"The project will be assessed by the provincial environmental protection bureau before it gets approval from the State Environmental Protection Administration," said Chen Min, vice head of the provincial environmental protection bureau. He added a public hearing might be held if necessary.

A major pollutant of refineries is sulphur dioxide, according to Li. He noted, "The bigger a project is, the higher its environmental standard."

"We would not build the refinery if it couldn't pass an environmental assessment."

Climate Change and Air Pollution

China conserves resources, protect environment

March 26 (Xinhua)--Conserving resources and the environment is a basic state policy of China and the Chinese government is taking measures to deal with the challenge, Chinese Ambassador to the United States Zhou Wenzhong said Tuesday.

Delivering a speech at the World Environment Center's forum in Washington DC, Zhou said the Chinese government has given prominence to

"building a resource-conserving and environment-friendly society" in the strategy for industrialization and modernization.

Premier Wen Jiabao has mentioned that China gave high priority to conserving resources and making protecting the environment obligatory, said Zhou.

"It has already set the goals -- reducing energy consumption per unit GDP by 20 percent, and cutting total emissions of major pollutants by 10 percent during the 11th five-year plan period," he said.

"In recent years, the Chinese government has enhanced macro control and stepped up industrial upgrading, in an effort to make industrial structures, modes of growth, and consumption patterns more conducive to conserving resources and the environment," he added.

However, Zhou acknowledged that there are many problems in the Chinese economy that could hamper its steady and sustainable development, these include: high liquidity, a large trade surplus, excessive investment, and the rise in the price of commodities.

"Among many others, a major problem is the conflict between economic and social development on the one hand and resources and the environment on the other," he said, adding that some important drinking water sources in China were affected

"The Chinese government attaches great importance to this issue, and has been taking effective measures to address it," said the ambassador, noting that, due to the Chinese government's strong policies, China saw a 3.27 percent year-on-year drop in energy intensity in 2007 for each unit of GDP.

In 2007, emissions of sulfur dioxide and chemical oxygen demand (COD) in China began to decrease by 3.14 percent and 4.66 percent respectively from the previous year. And in the first three quarters of 2007, China shut down old-fashioned production facilities, notably 25 million tons of cement, 400,000 tons of calcium carbide, 11 million tons of coke, 9.69 million tons of iron, 8.73 million tons of steel, 1.7 million tons of paper making, and 350,000 tons of alcohol brewing.

Zhou said that China attaches great importance to climate change, and over the past 26 years, China's energy consumption per unit GDP dropped by 64.5 percent. Meanwhile, forest coverage is growing, and has played an important role in controlling greenhouse gas emission.

China will do its best to carry out the national plan for tackling climate change, and will, in accordance with the United Nations Framework Convention on Climate Change and its Kyoto Protocol, honor its due international responsibilities and obligations based on the principle of "common but differentiated responsibilities," he added.

"We will work to achieve the specific goals of cutting energy consumption, increasing renewable energy, raising forest coverage, and developing a low-carbon economy," he added.

Founded in 1974, the World Environment Center is an independent, global non-profit, non-advocacy organization. One of its missions is to foster cutting-edge ideas about economic development, environmental protection and social responsibility through roundtables and other forums.

China to spend 78% more on emission reduction

March 25 (Xinhua) -- BEIJING -- China's central government plans to increase spending on energy efficiency and greenhouse gas emission reduction schemes by 78 percent this year as part of a larger effort to meet its 2010 environmental targets, the Ministry of Finance said Monday.

Total expenditure would rise to 41.8 billion yuan (5.89 billion US dollars) from 23.5 billion yuan last year, the ministry said in a statement on its website.

Though not obligated by the Kyoto Protocol, China has set a target of reducing energy consumption for every 10,000 yuan of GDP by 20 percent from 2006 to 2010, with discharges of key pollutants set to drop 10 percent.

The ministry would earmark 27 billion yuan of special funds and the remaining 14.8 billion yuan would come from the National

Development and Reform Commission (NDRC), the country's top economic planner, it said.

Out of the 27 billion yuan, 7.5 billion would be invested in ten energy-saving programs, including technological transformation in factories, substitutes for oil and the introduction of energy-efficient light bulbs.

The ministry would spend 4 billion yuan in closing inefficient coal-fired power units and outmoded steel plants, while 5 billion yuan would be used to tackle environmental issues in major rivers and lakes.

China's energy consumption per unit GDP fell 1.33 percent in 2006, only a third of the annual goal of 4 percent. Both emissions of sulphur dioxide, a cause of acid rain, and chemical oxygen demand (COD), a measure of water pollution, were increasing.

The failure prompted the central government step up efforts last year, ordering that progress in environmental protection be a key standard by which officials and company heads are judged.

China also scrapped export tax rebates on hundreds of products to curb energy-consuming and pollutant-discharging industries and exports of key natural resources. Banks are warned against lending to non-environmentally friendly projects.

Such efforts had begun to show results, NDRC deputy chief Xie Zhenhua said in December when he announced that China's energy consumption fell 3 percent in the first nine months of last year, with sulphur dioxide emissions and chemical oxygen demand both dropping.

Emissions effort brings more blue skies

March 12 (Chinadaily)-- QINGDAO: The Qingdao municipal government began to implement regulations on vehicle emissions from March 1 this year to reduce pollution through local legislation.

"At present, all the vehicles running in the city have met the requirements, which is a step further toward our aim to present the world a green and healthy environment for the

Olympics," said Gao Yan, head of Qingdao Municipal Environmental Protection Bureau.

The number of vehicles in Qingdao has been increasing by 300 to 400 a day, totaling 1.36 million by the end of 2007, according to official statistics. Vehicle emissions have brought serious pollution to the city, so the city government mandated a sharp reduction of car emissions in preparation for the coming Olympics sailing competition to ensure clear skies for the event.

Regulations on vehicle emissions were passed in 2004 that gradually reduce the levels of pollutants permitted. Monitoring departments in the city then began to measure air quality along main roads and publicize their findings.

Periodic checks and repair of vehicles to reduce pollutants are also part of the plan that complies with new emission standards set by the central government.

Seven vehicle emission monitoring stations and 18 testing lines have been built in seven districts in Qingdao. All vehicles in the city are required to be inspected to ensure they meet standards.

The concerted effort by the Vehicle Emission Control Center of the Qingdao Environmental Protection Bureau and the Qingdao Traffic Management Committee improved air quality by requiring both commercial and passenger vehicles that fail tests to be repaired or replaced.

The Qingdao municipal government also invested 240 million yuan over the past two years to replace 1,200 buses with those that meet European Union II and III standards, while adding 48 trolleys and retrofitting 520 vehicles to use natural gas.

During the Qingdao International Beer Festival and regatta last year, a test event for the 2008 Olympics sailing competition, 18 auto monitoring stations were placed in key areas such as the airport, railway station, long-distance bus station and the sailing venue itself to measure air quality.

For the coming Olympics this summer, the local government says it will enforce strict measures, intensify law enforcement and further eliminate vehicle pollution to improve the environmental quality of the whole city.

Arming up in the battle for a greener future

March 28 (Chinadaily) -- At a building near the second ring road in downtown Beijing yesterday, a five-minute ceremony officially launched the Ministry of Environmental Protection (MEP).

The brevity of the event belied the gravity of the new ministry's main task - steering the country on the path of green development, now seen as a pre-condition to achieving its development goal of a well-off society.

"It's a moment all environmental protection personnel have been waiting for," said MEP Vice-Minister Pan Yue, before Minister Zhou Shengxian unveiled the nameplate of the new ministry.

Previously known as the State Environmental Protection Administration before it was elevated to ministry level, the MEP faces a daunting situation: Official statistics show that more than one-quarter of the country's surface water supplies have not met minimum quality standards, the air quality in one-third of Chinese cities remains poor and pollution is accelerating its spread to rural regions from urban areas.

Environmental accidents have also been recorded at an alarming rate.

Expectedly, more than anyone else, the MEP is well aware of the urgency of the situation.

Shortly after yesterday's brief formalities, Zhou and his senior staff rushed into a closed-door discussion of its work agenda.

While the ministry's new responsibilities have not yet been announced in detail, Zhou summed them up by saying that it was going "to deal with mounting environmental woes caused by previously rapid growth, and to try innovative means and tools to curb new problems".

The solution, Zhou said, lay in measures including law enforcement and market mechanisms.

In a conference earlier this week, Zhou vowed to use the strictest law enforcement against violations. The pledge was widely viewed as a response to public criticism that the old

administration was "only in charge of pollution control and charging 'emissions' fees".

Giving top priority to law enforcement, Zhou said the MEP will have greater authority to crack down on environmental crimes by including the expansion of enforcement and monitoring teams.

The emphasis was seen as being in line with a more rigid legal system and stringent emission caps, such as the amended water pollution law adopted last month at the 11th National People's Congress.

Fines would be stiffer and punishment tougher under the new framework. According to the new Water Pollution Prevention and Control Law which will come into effect on June 1, enterprises will be responsible for 30 percent of the direct economic loss of any serious water pollution they cause, while incidents of medium consequences would incur 20 percent losses.

Heads of enterprises and others found to be directly responsible for causing severe water pollution incidents will also be fined up to half of their income of the previous year. Previously, corporate executives faced only disciplinary penalties.

"In the past, the low penalties for environmental violations resulted in frequent accidents, which have been a big headache for law enforcers," said Bie Tao, a senior official of MEP's policy, law and regulation department.

The new MEP has also said it will put the quality of drinking and waterway resources as one of its top priorities.

A new requirement for pollutants discharged into the Taihu Lake basin in Jiangsu province aimed at reducing and eliminating blue-green algae outbreaks in the region will be published soon, an MEP source said.

The move comes after a blue-green algae outbreak last year in the lakeside city of Wuxi saw half of the 2.3 million population suffering drinking water shortages.

The ministry is also working to rid itself of the friction from other ministries. The old administration, for example, reportedly faced such difficulties in water pollution control.

While several agencies, including the water resources, construction and agriculture ministries, had been involved in water management, the MEP is now expected to take full responsibility dealing with water pollution, sources close to the government reshuffle have said.

Similarly, the MEP's extended duties now include biodiversity management such as the approval and assessment of national ecological protection zones, the sources said.

At the China Development Forum held over the weekend, Zhou reiterated that a combination of legal, economic, technical and administrative measures is needed to stop overemphasizing economic growth and neglecting environmental protection.

The MEP has already begun implementing broad environmentally friendly economic steps, such as green credit, security and insurance policies to help enterprises carry out economic activities in a socially and environmentally responsible way, officials said.

Officials have also recognized that the MEP needs to improve professional expertise in handling supervisory activities with banks, securities and insurances regulatory bodies, even as most realize the battle for the environment has just started.

And as part of its broader strategy to ensure that the country attains a balance of economic growth and environmental protection, the MEP is setting out to have local leadership and the public discard the idea that "development is king" - widely viewed as the main contributor of environmental degradation and a shortage of resources following the 30 years of the country's rapid development.

"We are well-prepared for the challenges," Zhou said.

Air fit for Olympics: IOC report

March 19 (Xinhua) -- Air quality in the capital this August will be good enough for Olympians during the Beijing Games, the International Olympic Committee (IOC) said after a study by its medical commission.

"We find that the competitions, although not necessarily under ideal conditions at every moment ... will be good for athletes to compete during the Beijing Games," Arne Ljungqvist, chairman of the IOC's medical commission, said on Monday.

The commission studied and collected data on the city's air quality from an Olympic pre-run event last August.

Ljungqvist also said that athletes would not need to compete with face masks, while those with asthma would not need to take "any particular precautions or actions" but would have to be aware of problems that similarly arise "in any place on earth".

The IOC said four independent scientists conducted the study, using data collected between August 8 and 29 last year, a matching period to this year's Games, from the Beijing Environmental Protection Bureau.

Du Shaozhong, deputy director of the Beijing environmental authority, welcomed the evaluation as "reflecting the truth", adding that the index of sulfur dioxide, nitrogen dioxide and carbon monoxide, major pollutants in the air, has been effectively controlled within World Health Organization (WHO) guidelines.

On the most polluted days, however, the intensity of particulates arising from industrial waste in the capital still failed to meet national standard or WHO guidelines, officials said.

Ozone, another source of pollution that may harm asthma sufferers, is also excluded from the national air quality index.

"With previous efforts and temporary measures, there will be little doubt that the air quality during the Olympics will meet IOC standards," Du said, adding that Beijing's cleanup efforts would continue.

Already, the capital's long-term approach to improving air quality has seen coal-burning industries being relocated out of built-up areas. Beijing and neighboring provincial authorities have also said that they will temporarily take 70 percent of their vehicles off roads and shut down coal-burning plants for about two months, prior to the opening ceremony of the Olympics and ending with the Paralympics.

For outdoor endurance events such as urban road cycling, marathons, marathon swimming and triathlons, the medical commission found that there may be some risks involved, pending air quality and weather conditions.

Ljungqvist said the IOC and the relevant international federations will monitor the conditions and it is up to the IOC executive board and coordinating commission to decide if any contingency plans or postponements are necessary.

"Air pollution has not been an issue until this time. But we have been in polluted places earlier without paying attention or making any analysis at all," he said.

Ljungqvist said the data turned out to be better than he expected and he believed that Beijing in August would be free from pollution worries.

Guangzhou swamped by acid rain

March 28 (China Daily) -- SHENZHEN: Eight out of every 10 rainfalls in Guangzhou, capital of Guangdong province, last year was classified as acid rain.

The city suffered from the worst acid rain of any in the province, the Guangdong provincial environmental protection bureau said. Altogether, two-thirds of Guangdong's 21 cities were affected.

However, the figures still represented an improvement on 2006, Chen Guangrong, deputy director of the bureau, said on Tuesday.

About 45 percent of the province's rainfall last year could be classified as acid rain, compared with more than 50 percent the year before.

Other major air and water pollution indicators also dropped, but Chen warned the environmental situation remained "severe" and said the government will take "necessary measures" to cut pollution.

Sulfur dioxide emissions fell by 5 percent and chemical oxygen demand (COD), a key measurement of water pollution, dropped 3 percent year-on-year.

However, the COD still did not meet the provincial government's target, which Chen blamed on a lack of sewage treatment facilities.

Statistics showed that half of the wastewater in urban parts of Guangdong had been treated before being dumped into rivers, compared with the national average of 60 percent. And 36 counties in the province have no sewage treatment plants.

"We have required all counties without sewage treatment facilities to start construction by the end of this year and to make sure they are up and running by 2010, or it will be difficult for the province to meet the five-year COD reduction target," Chen said.

Guangdong's government has pledged to cut both sulfur dioxide emissions and COD by 15 percent by 2010.

To support the sewage treatment industry, the province plans to raise treatment fees from an average of 0.35 yuan per ton to no less than 0.8 yuan per ton in the Pearl River Delta, and no less than 0.5 yuan per ton in less developed areas by the end of the year.

Chen also called for more investment. Last year, the government spent about 400 million yuan on environmental protection, representing a tiny portion of public spending.

Climate change a 'security and foreign relations' issue

March 13 (Xinhua) -- Climate change has become a worldwide "security" and foreign relations issue, former UN under-secretary-general Maurice Strong said in Beijing yesterday.

China has its responsibility of tackling global warming, but the real solution lies in cooperation at the highest international level, in which the developed countries should take the lead, he said. Instead, the developed countries are shying away from their responsibility.

"What I see today is a tendency among some industrialized countries, notably the US, to shift the onus on China, India and other developing countries to divert attention from their own

commitment," he said in his address to the China Foreign Affairs University Forum.

"I predict there's going to be tremendous additional pressure on China, and some of them will be unfair," he said, because the per capita carbon footprint of China is very low.

"No country can do it (solve the problem) alone. China is right to expect that the US, Canada and other countries that created the problem in the first place should take the lead in helping resolve it," Strong said.

The 78-year-old veteran environmental activist appreciated China's policies to fight climate change. Asked how can the Chinese people's environmental protection awareness be raised, he said: "I am delighted (to tell you that) your leaders are already doing this."