



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

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## General Energy Issues

### Big outlays seen in renewable energy

June 22 (chinadaily) -- The nation saw a remarkable investment flow of \$9 billion into the renewable energy sector last year, mostly in wind and solar segments, according to a report released yesterday by the United Nations Environment Program (UNEP)

The 46-page analysis says globally, investment in sustainable energy investment climbed from \$80 billion in 2005 to \$100 billion last year, with unprecedented growth in developing countries, particularly China, India and Brazil.

China, the world's largest producer of renewable energy, took a healthy 9 percent of global investment last year, which was helped by significant asset financing activity in the wind, biomass and waste sectors, the report says.

Eric Usher, head of Renewable Energy Finance at UNEP, told China Daily that growth was led by both the Renewable Energy Law the country promulgated last year and the Clean Development Mechanism, a carbon credit trading system under the Kyoto Protocol.

"We also see (in China) a more mature type of investment across the finance spectrum including public market and venture capitals," Usher said in a phone interview.

Chris Greenwood, director of operations in New Energy Finance who co-authored the report, added that State incentives also played a key role. He particularly referred to the government's goal of reducing energy consumption per unit of gross domestic product by 20 percent by 2010 from 2005.

The country is expected to continue embracing growth of 30 to 40 percent in sustainable energy investment this year, with more companies going public and the government's target of enhancing solar and wind power capacity, Greenwood estimated.

China aims to supply 15 percent of primary energy through renewable sources by 2020. Installed wind capacity, for example, almost doubled last year to about 2.3 gigawatts from 2005, according to the National Development and Reform Commission.

The UNEP report says that while renewable sources today produce about 2 percent of the world's energy, they now account for about 18 percent of global investment in power generation, with wind generation at the forefront.

Solar and biofuel energy technologies grew even more quickly than wind, but from a smaller base, it adds.

It attributes the growth to a combined effect of global concerns over climate change, increasing energy demands and energy security, in addition to persistently high oil prices, growing consumer awareness of energy efficiency and government incentives.

### Gov't will offer tax break to promote clean energy

June 19 (chinadaily) -- China, the world's second-largest energy consumer, will this year begin offering corporate income tax preferences to overseas investors in natural gas processing, marketing and construction of urban gas pipelines in a move to use more of the clean energy source.

Overseas companies investing in these fields will be exempted from the corporate income tax during their first two years of profitability, according to China's tax laws, the State Administration of Taxation said.

Over the following three years they will be charged half of the tax.

When the preference ends, overseas firms investing in construction of urban gas pipelines will pay a tax of just 15 percent.

China now levies a 17 percent corporate income tax on overseas companies, compared with 33 percent on domestic firms.

However, according to a new corporate income tax law passed in March, charges on both

overseas and domestic companies will be 25 percent next year.

Zhang Deyong, a researcher from the institute of finance and trade economics under the Chinese Academy of Social Sciences, said the government expects to bring more foreign capital and advanced technologies in the natural gas sector by providing the tax preferences.

"Natural gas is in short supply in China. The sector needs a governmental boost badly," Zhang told China Daily.

China plans to amplify natural gas consumption as part of its drive to cut pollution and alleviate heavy dependence on coal.

According to a government plan revealed in April, the ratio of natural gas in the country's total energy consumption will rise to 5.3 percent a year in 2010, up from 2.8 percent in 2005.

Meanwhile, the proportion of coal will decline to 66.21 percent from 69.1 percent.

Natural gas production in China will reach 92 billion cubic meters a year in 2010, up from 47.9 billion cubic meters in 2005, according to the program.

Last month, the nation's natural gas output climbed by 16.7 percent year-on-year to 5.35 billion cubic meters, according to industry data.

China is determined to cut major pollutant emissions per unit of gross domestic product by 10 percent during the period.

### **China to amend law to reduce energy consumption**

June 24 (xinhua) -- Under heavy pressure to cut energy consumption, China is now turning the spotlight on to construction projects, the transportation sector and government buildings.

China's top legislature on Sunday began deliberating a draft amendment to the Law on Conserving Energy, which details measures to avoid energy waste in the three areas to improve energy efficiency and cut pollution emissions.

Under a five-year plan to 2010, China pledged to cut energy consumption per unit of gross domestic product (GDP) by 20 percent, or four percent each year. But, the consumption actually fell by just 1.23 percent last year.

"Achieving the target is highly problematic. Energy consumption in some areas and industries just keeps rising," Fu Zhihuan, chairman of the Financial and Economic Committee of the National People's Congress (NPC), told lawmakers in a report.

Fu said energy consumption in these three areas has been rising rapidly. He said they had not been given enough attention and were the "weak link" in China's energy-saving campaign.

Official statistics show that construction accounted for 27.5 percent of China's total energy consumption in 2005, transportation 16.3 percent and government buildings 6.7 percent.

The draft, tabled to lawmakers for a first reading, says that construction project must reach obligatory energy-saving standards and buildings and plants already built will be subject to regular inspection by building authorities.

It also says Chinese cities will gradually replace antiquated central heating with modern household heating systems that can be individually regulated.

Other energy-saving measures include strict control of the indoor temperature of public buildings and restrictions on decorative lighting for large buildings.

China has built 1.06 billion square meters of energy efficient buildings, but the figure represents only 7 percent of the total floor space of existing buildings in urban China, statistics from the Ministry of Construction show.

According to a survey by the ministry in 30 regions, the four municipalities of Beijing, Shanghai, Tianjin and Chongqing are doing relatively well in implementing energy saving codes, but other regions are a long way behind

in technological standards and government supervision.

The draft, which almost doubles the articles of the original law, also requires governments at all levels to increase investment in public transport, improve services and encourage the public to use public transport.

China, once known as the kingdom of bicycles, has overtaken Japan to become the world's second largest auto market after the United States with Chinese people's love for private vehicles showing no sign of abating. The number of privately owned motor vehicles rose 18.8 percent year-on-year to 22 million in China in 2006.

The draft says that the Chinese government encourages the development, production, selling and use of environmental-friendly vehicles and new types of automobile propelled by new clean fuel, in an effort to save energy and cut emissions.

The draft also requires governments at all levels to make energy-saving plans for their office buildings and make the details public.

It bans government from purchasing high energy-consuming equipment, saying that energy-saving products should be the priority in government procurement.

The State Council, or the cabinet, in early June issued a circular, ordering that the temperature of all air-conditioned public rooms in China should be kept at no lower than 26 degrees Celsius.

All government agencies, associations, groups, companies and private owners in public buildings should strictly comply with this rule, according to the circular.

The draft also highlighted energy efficiency in the industrial sector, saying that China will continue to push forward industrial restructuring and technical innovation to gradually weed out outdated production methods.

The six high energy-consuming and highly polluting industries -- electricity, steel, nonferrous metals, construction materials, oil processing and chemicals -- which account for nearly 70 percent of energy consumption and sulfur dioxide discharges of the entire industrial

sector, grew by 20.6 percent in the first quarter of 2007, 6.6 percentage points higher than the same period a year earlier.

The government will issue preferential policies in financial investment, taxation, price, credit and government procurement to encourage energy-saving, according to the draft.

The Chinese government has announced a series of measures to cut energy consumption this year in order to meet strict energy efficiency and pollutant reduction targets, which it failed last year.

The State Council has set up a leading group head by Premier Wen Jiabao to oversee the national efforts for energy efficiency and discharge reduction.

Experts believe that by sharpening rules and punishments in the nine-year-old law, China will be able to achieve the widely publicized targets by 2010 and move in the direction of sustainable development.

"If China fails to significantly reduce energy consumption this year, it will be almost impossible for the country to reach the goal by 2010," said Dai Yande, deputy director of the energy institution under the NDRC.

"The draft amendment, which come at a critical moment, will provide a strong legal basis for China to further intensify its energy-saving campaign," Dai said.

### **China may halt production of liquefied coal**

June 10 (xinhua) -- China, which is rich in coal but poor in petroleum and gas, may put an end to projects which are designed to produce petroleum by liquefying coal, an official with the country's top economic planning agency has said.

The consideration came after evaluation of the nation's limited energy resources and its ecological environment, a deputy director of the industry department of the National Development and Reform Commission (NDRC) told a seminar on China's fuel ethanol development, held in Beijing on Saturday.

"Liquefied coal projects consume a lot of energy, though the successful industrialization of liquefied coal could help reduce the country's dependence on petroleum," said the official who declined to be named.

The Chinese government said earlier it would invest more in developing alternative energy resources including biomass fuel and liquefied coal to substitute petroleum during the 11th Five-Year Program (2006-2010) period, amid concerns over the country's growing dependence on petroleum.

China, the world's second-largest energy consumer, imported 162.87 million tons of oil in 2006, driving the country's reliance on imported oil up 4.1 percentage points from a year earlier to reach 47 percent, official statistics show.

The country is also confronted with huge capital demand and higher consumption of water and coal in producing the liquefied coal, the official said.

A project in north China's Inner Mongolia Autonomous Region with a designed capacity of 1.08 million tons would need more than 50 billion yuan (6.58 billion U.S. dollars) of investment, according to him.

### **China is in pursuit of a clean economy**

June 29 (chinadaily) -- The author Zou Ji is vice-dean of the Environmental School of Renmin University of China

China, a developing country, has welcomed the principle of "common but differentiated responsibility" in implementing the Kyoto Protocol, which is aimed at reducing greenhouse gas emissions.

The United Nations Framework on Climate Change and Kyoto Protocol both benefit and reflect China's and most developing countries' position.

But how long can this favorable situation last? It depends.

During the last decade since Kyoto Protocol was signed, great changes have taken place both at home and abroad.

China is coming under mounting international pressure to cut emissions by larger margins.

Research conducted by the International Panel on Climate Change drives home the gravity of the situation caused by the deteriorating climate.

But the most significant change of all is that China has begun to act on the concept of development on a scientific basis.

The Chinese government has long emphasized the need to reduce waste discharges, upgrade its mode of economic growth, boost environmental protection and promote sustainable development.

During the Ninth Five-Year Plan (1996-2000), for instance, one of the government's top priorities was to switch the extensive-growth economic model to a resources-saving one.

In essence, the government's economic strategy today is the extension of its policy yesterday. The difference lies only in the forcefulness of its implementation and in its priority.

Now, the government strongly emphasizes the notion to put in practice scientific development, the need to build a resource-saving society, generate a circular economy and significantly reduce pollutant discharges.

The intensity of the emphasis on clean economy has never been seen before in the country, which can be attributed to a host of profound factors.

During the 10th Five-Year Plan period (2001-05) for example, the country was confronted by strong restrictions in resources and found itself in a development phase marked by high consumption of resources and energy.

This is bound to become a huge sticking point on China's policy on climate change.

The country's basic position on the issue remains unchanged, of course. What is different is that China is now pushing for greater energy conservation and a larger reduction of pollutant discharges much more forcefully, with the interests of global climate conditions being tied directly with domestic environmental protection policies.

However, new policy goals in this regard still need to be set.

## Empire of the sun - and wind

June 15 (chinadaily) -- In the face of stiff competition from Paris and Toronto, Beijing won the bid to host the 2008 Olympics partly on its pledge to leave a strong environmental legacy behind and play catch-up with its "greener" rivals.

One of the key tools to help the city fulfil this pledge to host a "Green Olympics" is its investment in cleaner, or renewable, energy to generate power.

From 2000-2008, Beijing's natural gas consumption will have risen seven-fold to 5 billion cubic meters. The authorities plan to build on this move to lessen the city's reliance on air-polluting coal and oil.

If all goes according to plan, and so far it is, the forces of nature will be harnessed to enrich Beijing's clean energy portfolio.

"About 500 kw of solar power will be supplied at some Olympic venues during the Games," said Yu Xiaoxuan, vice-director at BOCOG's Venue Planning, Construction and Environmental Activity Department.

In the Olympic Village, a 6,000-square-meter solar energy-heating system, which will supply hot water for the showers during the Games, will be installed in its roof garden. The Olympic Center, most of the new venues for the Games and even the underground parking lot will also rely on solar energy for some of their lighting.

China's National Development and Reform Commission has forecast that the country will almost double the amount of energy created by wind generation by 2008 to about 5 gigawatts, partly to produce clean power for the Beijing Olympic Games.

"When Beijing bid for the Games they said that 20 percent of the electricity that will be used to power the Games will be wind-powered," said Greenpeace Beijing's Olympic spokesman Lo Sze Ping.

"Right now they're actually looking to see if this proportion can be increased, because the wind-powered development in areas nearby Beijing has been much faster and bigger than what they were planning in 2000."

China Energy Conservation Investment Corp, a state-run company that promotes energy saving, started building a wind farm with a capacity of 200 megawatts at Zhangbei in North China's Hebei Province on April 29. The plant is about two hours' drive from the capital city. After its operational start-up, most of the power will be sent to support Beijing.

A pump that recycles waste water will also be making its debut in the Olympics next year to furnish the Olympic Village with a central cooling system rather than resorting to more coal use.

"The waste water is about 13C so it is much cooler than room temperature. Beijing has several processing plants for this so there will be no problems in terms of supply," said BOCOG's Yu Xiaoxuan.

"This is the biggest energy conservation project in the Olympic Village," he added.

## Renewable energy investment tops \$100 bln, UN says

June 20 (Reuters) -- Investment in renewable energies such as wind power and biofuels leapt to a record \$100 billion in 2006 and worries about global warming are likely to sustain the boom, a U.N. report said on Wednesday.

The flood of cash meant that clean energies had shaken off a fringe image compared with fossil fuels and seemed robust enough to survive any fall in high oil prices, according to a 46-page study by the U.N. Environment Programme (UNEP).

"Renewable energies are no longer subject to the vagaries of rising and falling oil prices -- they are becoming generating systems of choice for increasing numbers of power companies, communities and countries," said Achim Steiner, head of UNEP.

UNEP said investment capital flowing into renewable energy and efficiency technologies rose 25 percent in 2006 to \$100 billion from \$80 billion in 2005. That total was likely to leap to around \$120 billion in 2007.

Growth "although still volatile...is showing no sign of abating", the report said.

Steiner said the report showed industries in rich countries were no longer dominant in renewable energies such as wind, solar, biofuels, hydro, tidal or geothermal power.

Almost 10 percent of the 2006 investments were in China, he said. India was the biggest net buyer of companies abroad in 2006, led by takeovers by Indian wind turbine maker Suzlon (SUZL.BO: Quote, Profile, Research), which is planning a European listing.

The report said worries about climate change, high oil prices averaging more than \$60 a barrel last year, efforts to break dependence on energy imports and government incentives to shift away from fossil fuels had spurred investment.

#### WIND, BIOFUELS, SOLAR

The report, prepared by UNEP with London-based New Energy Finance, said the wind sector won most investment with 38 percent of the total, ahead of biofuels on 26 percent and solar power on 16 percent.

Renewable energies are a key to fighting global warming, widely blamed on greenhouse gases from burning fossil fuels. A U.N. panel has projected that emissions will cause more floods, droughts, disease and rising oceans.

Of the total of \$100 billion, the report said \$71 billion included initial public offerings and spending on research and development of sustainable energy while mergers and acquisitions added almost \$30 billion.

UNEP noted that gains by many renewable energy stocks had far outpaced rises in world stock markets in recent months but toned down comparisons with Internet stocks which surged in the late 1990s before the dot-com collapse in 2001.

Unlike dot-com firms, the report said renewables were based more solidly on existing technology, that many companies were generating strong revenues and had regulatory support.

"Betting on companies that already have technologies is easier than betting on companies that are developing the technologies of the future," Eric Usher, head of UNEP's Energy Finance Unit in Paris, told Reuters.

The report said that renewable energies accounted for 18 percent of investment in world power generation, or \$21.5 billion, compared with 2 percent of installed capacity.

The report also said the International Energy Agency, which advises rich countries, seemed conservative in forecasting that renewables would account for just 9 percent of power generation by 2030. UNEP scenarios ranged up to 23 percent of the total.

## Automobile and Transportation

### New standard for car industry

June 30 (chinadaily) -- A more stringent vehicle emission standard equivalent to the Euro III will begin on Sunday, said China's environmental regulator. And the sale and licensing of Euro II vehicles will expire a year later.

The State Environmental Protection Administration (SEPA) said that as the world's second-largest vehicle market and third-largest vehicle producer, China's rapidly growing car sales aren't just creating traffic jams in major cities; they're also causing noticeable deterioration of air quality in some large cities including the country's capital, Beijing.

The new standards would cut vehicle pollutants by 30 percent, said Zhao Yingmin, head of SEPA's department of science, technology and standards. He also said an emission standard equivalent to the Euro IV would take effect in 2010.

The new standard, equivalent to the Euro III, was issued in China by SEPA in April 2005. More than 7,000 types of vehicles have been able to meet the new standard, according to ministry figures. And most automakers in China have the technology to produce Euro III vehicles.

The national adoption of the Euro III standard will help the country reduce its pollutants, like sulfur dioxide (SO<sub>2</sub>). China planned to cut its SO<sub>2</sub> emissions 2 percent year-on-year from 2006 to 2010, but failed to meet the target last year. SEPA reminded carmakers of the timetable to eliminate high-emission vehicles.

## Beijing to raise vehicle and vessel tax

June 26 (chinadaily) -- The Beijing Municipal Legislative Affairs Office yesterday released draft rules on the implementation of China's interim regulations on vehicle and vessel tax, seeking public opinions.

According to the implementation rules, taxes on private buses will be raised to a range between 360 yuan (US\$47.25) and 600 yuan per year, double the previous level of 200-300 yuan.

Buses used for public transit in urban and rural areas will be exempted from the tax, according to the rules.

The taxes on trucks, including semi-trailers and towing vehicles, and special vehicles will be calculated at 96 yuan annually per ton of gross weight, while tri-wheeled and low-speed vehicles will have to pay 60 yuan in tax each year per ton of gross weight.

For motorcycles, the tax levied will be 180 yuan per year. Ships have to pay tax of 3-6 yuan per ton of net tonnage on a yearly basis.

The Beijing local taxation authorities said the final implementation rules on new vehicle and ship tax will be announced in September or October after the Beijing municipal government approves them.

Chinese insurance companies licensed to offer compulsory third party vehicle insurance will collect vehicle and ship tax for the tax authorities as of July 1 in accordance with the Interim Regulations on Vehicle and Vessel Tax.

Vehicle and vessel tax is raised in an effort to help implement the State's policies on energy saving and environmental protection, said the State Administration of Taxation.

Experts said rapidly increasing vehicles, which discharge a lot of emissions, are putting heavy pressure on China's energy supply and damaging the environment. They noted that the tax hike marks the government's another attempt to regulate the national economy.

China began to enforce the Interim Regulations on Vehicle and Vessel Tax on January 1 this year, replacing the vehicle and ship license plate

tax and vehicle and vessel use tax that had been collected for decades with the new vehicle and vessel tax.

## Volkswagen sees 25% profit rise this year

June 29 (chinadaily) -- Volkswagen AG's joint venture with First Automotive Works Corp (FAW), one of the top Sino-foreign car partnerships, expects its 2007 profits to climb by at least a quarter, helped by brisk sales and cost-cutting efforts.

The venture, FAW Volkswagen, in the northeastern city of Changchun, will have a "minimum" profit growth of 25 percent this year from 2006, said Joachim Wedler, its vice-president in charge of finance.

But Wedler didn't reveal how much the firm - in which FAW holds a 60 percent stake and Volkswagen 40 percent - will earn this year.

Weiming Soh, the venture's sales chief, said it plans to sell more than 400,000 cars this year, up from 350,000 units last year.

In the first five months, its retail sales jumped by 25.1 percent year-on-year to 173,218 units, making it No 3 after General Motors' venture with SAIC Motor Corp and Volkswagen's other partnership with SAIC.

FAW Volkswagen's June sales are expected to exceed 40,000 units, Soh said.

The company's bold profit and sales projections came amid blistering growth of China's vehicle market. Sales of all China-made vehicles increased by 22 percent to 3.65 million units from January to May, including 2.12 million passenger cars, according to industry data.

In the first four months, combined profits of the top 16 Chinese auto groups reached 18.1 billion yuan, rocketing by 51.3 percent.

Wedler said FAW Volkswagen will use more locally made engines and spare parts to cut costs.

"We are shooting for a very high localization rate to have more financial power to beat competition," he said, without elaborating.

Competition in China's passenger car market has been heating up with price incentives and product launches. Carmakers offered some 50 price cuts in the first five months of this year, according to data from FAW Volkswagen.

An Tiecheng, the venture's general manager, said it plans to roll out at least two new models under the Volkswagen and Audi marques annually in the next five years to woo increasingly sophisticated buyers. Audi is the luxury car unit of Volkswagen.

The venture will launch a Volkswagen Magotan large-sized sedan next month. Its current lineup includes Volkswagen's Jetta, Bora, Golf, Sagitar and Caddy as well as Audi A6 and A4.

### **Shanghai car plates squeal to a new high**

June 18 (shanghai daily) -- Shanghai car tags has jumped to a new high at this month's auction, and some auto buyers and industry experts are calling for changes to the way the city handles its growing load of motor vehicles.

The average winning bid price for a license tag was 47,711 yuan (US\$6,278) at Saturday's monthly auction, the highest since the monthly auction began in 2000.

The price was 2,219 yuan higher than the previous record set in April 2004, and was up 2,858 yuan from May. The lowest winning bid jumped 2,700 yuan from the previous month to 47,200 yuan, also a record.

City government put 6,000 plates up for sale this month, about the same amount as in May. The number of bidders dropped 12 percent to 8,983, but competition was unusually fierce as bids have been rising monthly, said Yu Lili, a Chevrolet dealer.

"The price will probably top 50,000 yuan next month and could go further north and stabilize at 70,000 yuan to 80,000 yuan, equal to the price

of a compact sedan," Yu said. "That would scare away some of the mid-class buyers."

China's passenger car sales have increased 20 percent this year, outpacing the 13 percent growth in the car plate quota.

Shanghai is now home to around one million vehicles. City government uses the tightly controlled monthly auctions to reduce roadway crowding and exhaust emissions. It is the only city in China to do so.

But many car owners have avoided the high cost by registering their vehicles in nearby cities, where the plate fees usually run from 4,000 yuan to 7,000 yuan. Drivers with out-of-town plates are not allowed to use Shanghai's elevated roads during rush hours, however.

"The plate auction system is helping Shanghai balance building an adequate road network and a rapidly expanding vehicle population," said Sean Zhou, a traffic engineer at MVA Transport Consultants Co Ltd, a transport planning firms.

"In addition to quickening its pace in developing public transportation, Shanghai could also learn from other metropolitan areas to handle the conflicts between people's eagerness to own cars and city planning."

In big cities such as London and Stockholm, private car owners pay congestion charges when they drive into downtown areas or commercial centers in rush hours, which limit people's use of private cars without discouraging vehicle purchases.

Despite growing complaints from car buyers, city government says it has no present plans to increase auto licensing.

Wu Zhenguo, deputy director of the Shanghai Development and Reform Commission, said during a government news conference in May that "the auction is in line with the city's overall urban development blueprint and its long-term policy that encourages people to take public transport."

"Relaxing controls (on tags) could damage the city's environment, lead to mounting pressure on

the city's roads and undermine the city's previous efforts," Wu said.

### **BMW to reduce costs by sourcing parts locally**

June 23 (chinadaily) -- German carmaker BMW AG plans to source more spare parts in China to lower local production costs in the world's third-biggest vehicle manufacturing country.

Alfred Rupp, president and CEO of BMW's car venture with Brilliance China Auto, said on Friday that its local parts purchasing volume would reach 3.6 billion yuan this year, up from 2 billion yuan in 2006.

"Our long-term strategy is to steadily accelerate local purchasing. This will not only actively respond to the government's local content requirement, but also improve the (cost) competitiveness of our products," Rupp said.

According to China's auto industry rules, the value of locally purchased spare parts should account for at least 40 percent of the total value of a foreign-branded vehicle made in China. Otherwise, import tariffs will be imposed.

But Rupp did not reveal the local content of BMW's 3 and 5 Series sedans made at the company in the northeastern city of Shenyang.

The venture, BMW Brilliance Automotive Ltd, plans to have 100 suppliers in China by the end of this year, up from over 60 at present, he said.

"All BMW Brilliance's local suppliers will have opportunities to enter BMW's global purchasing network," he said.

Meanwhile, Rupp said the venture will recruit an additional 20 authorized dealerships in China by the end of this year to boost sales. It now has more than 70 dealerships.

The venture has an annual production capacity of 41,000 units and sold 6,674 vehicles in the first quarter of this year, surging 43 percent from a year ago. Sales of all China-made vehicles climbed by 22.2 percent to 2.12 million units this year.

### **Beijing airport to launch emergency alert mechanism for Olympics**

June 25 (xinhua) -- Beijing's Capital International Airport will set up an emergency alert system for extreme weather and security threats so as to ensure smooth transportation for millions of visitors from home and abroad during next summer's Olympic Games.

A five-color grading system will be used, said Su Langen, senior official with the General Administration of Civil Aviation of China (CAAC).

Green indicates normal conditions in which the airport can predict flight times accurately and an absence of bad weather in cities where the Games are being held.

Blue is used to indicate an upsurge in flights because of delays or cancellations, and yellow signals weather difficulties such as thunderstorms.

Airplanes will be grounded or diverted under extreme weather orange alert and airports will do their utmost to clear the skies under red alert for terrorist attacks.

To improve transport efficiency, the administration will schedule special flights to Olympic Games venues on the mainland -- Beijing, Tianjin, Shenyang, Qingdao and Qinhuangdao.

Beijing is expecting nearly three million domestic and overseas visitors during the 2008 Olympics, according to projections by the Beijing Olympic Organizing Committee and Beijing Tourism Administration.

In May, Chinese armed police began Olympic security training to deal with the possibility of terrorist attacks and the Beijing weather bureau has also pledged to improve the accuracy of its weather forecasts for the Games.

### **Share your car and make a new friend**

June 12 (chinadaily) -- Zhang Aiqiong, a businesswoman from Nanjing, has to commute one-and-a-half hours by car every day between her downtown home and her office in suburban Jiangning District.

So, after countless trips, which left her feeling bored and tired, she decided to advertise for some company.

"I am looking for a young woman to commute the same route with me, and to share my car. No fee is charged. The only thing I want from her is company along the journey." Zhang posted on the bulletin board of an auto club.

Zhang is not the first person to look for a car-sharer in this way. A lot of people are now doing it; not for money, but simply for a little company while they travel, the Nanjing-based website [www.longhoo.net](http://www.longhoo.net), said.

To provide a communication platform for them, the auto club has set up a special column, which so far has attracted more than 400 registered members.

People on the bulletin board have agreed that car owners should not charge a fee for the free ride, but, in return, the sharer is welcome to offer to pay for a meal or fill the petrol tank from time to time.

Xia Jie, a 25-year-old from Wuhan in Central China, said he shared his car and was hoping to make more friends.

"Due to my heavy work schedule, I have few friends here. By sharing the car, I can expand my social circle and get to know more people," he said.

Currently Xia has three regular passengers, two of whom are female.

"Who knows, maybe my future wife is among them," Xia said.

Many drivers and passengers have developed very good relationships. Last week, more than 20 netizens had their first get-together in a park, where they enjoyed a barbecue and boated on the lake.

Although delighted with the column's success, a club administrator surnamed Lu said he was worried it might end up being blocked by the local government.

An official from the Nanjing transportation administration office said, according to relevant regulations, if a passenger makes any kind of payment for the journey, including buying fuel, a meal or even a pack of cigarettes, the owner could be defined as being "involved in illegal transportation" and could face punishment.

Also, Lu said, car owners must be responsible for any damage done to the passenger in the event of an accident.

Li Shujun, a lawyer from Nanjing suggested both sides sign a contract specifying their respective responsibilities so as to avoid disputes in the future.

Car sharing is well developed in some foreign countries, with figures suggesting there are about 200 such organizations in Europe with 125,000 members.

Many countries have put forward regulations to encourage people to share their cars as it is believed to be a good solution to relieving traffic congestion, saving resources and easing pollution.

In Germany and Singapore, car owners can be fined for allowing their vehicles to carry just one person on a main road during the rush hour. In the United States, cars carrying more than one passenger can use an "exclusive fast lane".

## Oil and Gas

### China's dependence on imported oil increases

June 22 (chinadaily) -- China's crude oil dependency will soon exceed 50 percent, said Dai Yande, deputy director-general of the Energy Research Institute of the National Development and Reform Commission. In his opinion, this won't have great impact on the international oil price.

"China's demand for oil is expanding steadily and it is an inevitable trend for oil dependency to exceed 50 percent," said Dai, adding that the increased oil imports may last for a long time due to China's rapidly growing economy.

In May, China imported 12.97 million tons of crude oil, which was less than the 13.86 million tons in March, and 14.82 million tons in April. The country exported 520,000 tons of oil last month, and the net imported amount of crude oil in May was 12.45 million tons. China's crude oil dependency reached 48 percent in April.

From January to May, China imported 67.43 million tons of crude oil, up 9.6 percent year-on-year. Meanwhile, it exported 1.6 million tons, down 36.6 percent. China's total oil consumption reached 320 million tons last year and around 150 million tons were from imports. Experts predict China's crude oil imports will increase to over 160 million tons this year.

Growth of domestic oil output can't meet rising demand. China became a net importer of oil 10 years ago and became the world's second largest oil consumer in 2002 following the United States, Dai said.

It is predicted that China's oil dependency will reach 50 percent by 2010 and around 60 percent by 2020, according to the Energy Development Report of China 2007 published by the Social Sciences Academic Press under the Chinese Academy of Social Sciences.

In Dai's opinion, people shouldn't be fussy about where China gets its oil from, despite its crude oil dependency reaching 60 percent to 70 percent. "China's oil output is insufficient and it's not a bad thing to use foreign resources to support China's economic development," he said.

"Furthermore, there is no question that this will promote the development of the world's economy, especially in oil producing countries," he added. "Oil imports to the United States reached 60 percent a long time ago and most Japan's oil depends on imports."

China is accelerating its oil strategic reserve as crude oil imports continue to climb. Key measures to optimize China's energy structure, reduce environmental pollution and achieve a sustainable development should be the

development of new energy and renewable energy, said experts.

The increased oil dependency leads to a focus on China's energy safety problem, Dai said. The average annual growth rate of China's energy consumption approached 10 percent in recent years. So China must accelerate development of new and renewable energy.

"The country's policy will focus on new energy development this year," said Dai. The Chinese government is taking many measures to speed up the development of new energy and sustainable economy.

### **Ban on use of corn for ethanol lauded**

June 22 (chinadaily) -- China's policy not to use basic food crops, especially corn, to make biofuel as a substitute for petroleum is a "sound decision", a Food and Agriculture Organization (FAO) official said yesterday.

"Such a decision by such an important world player as China is likely to accelerate the second-generation technology for production of ethanol fuel from non-food crops - through conversion of biomass," Abdolreza Abbassian, Commodity Analyst and Secretary of FAO's Intergovernmental Group for Grains, told China Daily.

The UN food body official's remarks came shortly after China imposed a moratorium on projects making ethanol fuel from corn and other basic food crops. The importance of corn in China's food economy has prompted the government to ask companies to switch to non-basic food products such as cassava, sweet potato and cellulose to make ethanol fuel.

"Food-based ethanol fuel will not be the direction for China," said Xu Dingming, vice-director of the Office of the National Energy Leading Group, at a seminar on China's ethanol fuel development in Beijing on Saturday.

China is promoting ethanol fuel to reduce its reliance on imported oil. But it worries that the rising demand for raw materials for ethanol

could push up food prices and reduce the area of farmland growing food crops.

Despite a bumper crop in China last year, corn prices have risen almost 30 percent over the past nine months on the Dalian Commodities Exchange. The increase in corn prices in turn pushed up the costs of fodder and meat, particularly pork.

The global supply and demand situation for cereals in 2007-08 is expected to remain tight and prices will be high, Abbassian said.

"As long as petroleum prices remain as high as they are, and without any major technological breakthrough in conversion of biomass, this trend is likely to continue for some years to come," he said.

While forecasts say cereal production across the world is likely to recover and then climb to a record, world demand for cereals is also forecast to rise sharply, Abbassian said. "This strong demand is partly driven by a rapid increase in the use of corn for making ethanol fuel, most of which is in the US."

In five years from now, almost a third of the US corn crop will be used to make ethanol fuel to meet the Energy Department's target of 11.2 billion gallons by 2012, a report released by the US Government Accountability Office warned last week.

"Using more corn to produce fuel is likely to push up corn prices further, potentially influencing livestock feed markets and meat prices," the report said.

The US is the world's largest producer, consumer and exporter of corn. For this reason, the US' corn export prices are considered the world's best price indicator for coarse grains in general and for corn in particular.

According to the US Department of Agriculture, about 86 million tons of corns could be used to make ethanol fuel between 2007 and 2008.

"The volume of domestic corn destined for ethanol will exceed the total corn exports from the US," Abbassian said.

The increase in the use of corn to make ethanol fuel is among the leading factors that have pushed up its price in the international market, he said.

Since the US uses more of its domestic corn to make ethanol fuel, the food and export sectors are left to shoulder the burden of high prices, Abbassian said.

### **China holds largest exercise of oil spill control**

June 5 (xinhua) -- QINHUANGDAO, Hebei -- Chinese emergency services carried out their largest ever exercise on Tuesday to tackle an oil spill in the Bohai Sea to test their ability to protect the ocean environment.

The drill, which began at 9.30 a.m., involved a scenario in which a 10,000-ton oil tanker exploded and spilt 500 tons of oil.

Soon after the oil tanker Tianpeng "exploded", a fireboat arrived to fight the fire and a helicopter hovered above to spread chemicals to control oil spill, followed by more vessels and another helicopter.

The "spill" comprised fire-fighting foam that would cause no pollution to the sea.

The exercise ended at 11:00 a.m. after the "spill" was cleared. Vice Minister of Communications Xu Zuyuan said it was "successful".

"The exercise tempered our oil spill response team, improved the government's ability in handling such accidents and helped marine environment protection," Xu said.

A total of 500 people participated in the exercise and 20 vessels and two aircraft were involved in the drill off the coast of north China's port city of

Qinhuangdao, Hebei Province, in clear and calm conditions.

A college student, one of 300 volunteers cleaning the beach, said, "I am amazed by the quick response. It would be great that all oil spills are handled so promptly."

Near the beach is a stadium in which football matches will be held during the 2008 Olympic Games.

Liu Gongchen, executive deputy director of the Maritime Safety Administration of the Ministry of Communications, said organizers chose June 5 for the drill as it is the World Environment Day, in a bid to improve the awareness of marine environment protection.

Oil exploitation and marine transportation have developed rapidly in China, bringing increased risk of oil spills.

The exercise was held near the recently discovered partly-offshore Nanpu block, which is estimated to have one billion tons of reserves, held by the Jidong Oilfield of the China National Petroleum Corporation (CNPC) in Caofeidian of Tangshan City, Hebei Province.

The discovery is expected to reduce the country's reliance on oil imports, but many are concerned about possible pollution of the Bohai Sea.

China experienced 2,635 oil spill accidents in its seas and along its coastal areas from 1973 to 2006, including 69 major accidents each involving at least 50 tons of oil and with a total of 37,077 tons. On average, two such accidents took place per year, with each spill involving 537 tons of oil.

The Bohai Bay, Yangtze River Estuary, Taiwan Strait and Pearl River Estuary are four major Chinese sea areas at the greatest risk of oil spills.

Chang Xuejun, vice general manager of Jidong Oilfield Company, said, "Such exercises are

necessary to ensure we do our best to prevent environmental disasters."

The Bohai Sea covers 78,000 square kilometers of sea that is almost enclosed by the Shandong and Liaodong peninsulas.

It boasts rich fishery, sea salt and oil resources, and has 26 cities and about 100 ports along its 3,000-km coastline. However, experts have warned Bohai is "dying" due to heavy pollution.

### **Russia-China oil link nears completion**

June 15 (chinadaily) -- Construction of the first Russia-China oil pipeline is going well and is expected to be completed by next year, said experts from both countries.

The pipeline will initially supply China 10 million tons annually. It will gradually increase to 30 million tons a year.

The feasibility of three more gas pipelines from Russia to China is also being discussed, said Li Guoyu, an expert with the China National Petroleum Corporation.

The three routes are:

Irkutsk to Daqing, with a projected annual gas capacity of 34 billion cu m.

Siberia to Lunnan, Xinjiang Uygur Autonomous Region, projected length 2,800 km and an annual gas capacity 30 billion cu m.

Sakhalin to China, with annual gas capacity of 15 billion cu m.

In 2005, Russian President Vladimir Putin announced that his country would increase Russia's oil exports to Asia to 30 percent of all its oil exports by 2020.

Putin also said that an oil pipeline, starting from the Taishet, Irkutsk, to Nakhodka, Primorsky Krai, on the western bank of the Pacific Ocean, would be constructed.

The 4,000-km-long pipeline would pass through Skovorodino, Amursk, which is only 70 km from the China-Russia border.

And a sub-pipeline starting from Skovorodino would extend to Daqing, the most important oil production base in China.

The distance from Taishet to Skovorodino is 2,284 km, and Daqing is about 870 km from Skovorodino.

"I believe the Russian government will fulfil its commitment and finish the (700-km-long) pipeline in due time," Li said.

He said the 30 million tons of oil China will get from Russia would ease the energy strain.

China imported about 169 million tons of oil last year, 15 million tons were from Russia.

Last year, Russia produced 481 million tons of oil and 656.2 billion cu m of gas, making it the top producer.

Peter Ya Baklanov, director of the Pacific Geographical Institute of the Far Eastern Branch of the Russian Academy of Sciences, said Russia plans to build an oil refinery at Kozmino Bay, near Nakhodka, the terminus of the oil pipeline.

The plant has a processing capacity of 20 million tons of crude oil, and about half will be sold to Japan, China and the Republic of Korea.

### **Gas import ruling not related to global trends**

June 15 (chinadaily) -- China's decision not to impose any restrictions on natural gas and LNG imports is supposed to secure diversified gas imports and better meet local demand.

The move will not necessarily lead to an import surge in the short term and it has nothing to do

with the global price hike, according to China's commerce watchdog and industry sources.

"At present, China has only set up one liquefied natural gas (LNG) receiving terminal for long-term import contract. We have only one LNG supplier (Australia) and only one importer. To make gas importing easier, we decided to eliminate 'automatic import approval' for natural gas from June 10 on. This has nothing to do with the international market," China's Ministry of Commerce (MOFCOM) revealed exclusively to China Daily yesterday.

The elimination of the "automatic import approval" will not lead to the adoption of an import permission or quota system to govern the trading of gas and LNG, and some Chinese media simply misunderstood MOFCOM's statement late last month, the commerce watchdog said.

China's natural gas and LNG imports are small in terms of volume, especially compared to developed countries such as Japan and South Korea. The commodities deserve priority position for further development and application in China. Therefore, gas and LNG imports should be given the green light, sources from China National Offshore Oil Corporation (CNOOC), a major gas producer and importer, told China Daily yesterday.

"The national policy of supporting natural gas consumption and production is consistent, because of concerns for environment protection and stable energy supply," an expert with CNOOC said.

China's leading oil producers, including PetroChina and CNOOC, are boosting gas output and imports to meet demands. The National Development and Reform Commission, the country's top economic planner, wants natural gas to account for 5.3 percent of the energy consumption structure by 2010, up from 3 percent now.

Because of soaring global oil prices and environmental concerns, more Chinese local buyers are looking for overseas natural gas supplies. This means major Chinese gas importers, such as CNOOC, often have to pay higher prices for overseas natural gas and LNG,

said Han Xiaoping, executive vice-president of Beijing Falcon Pioneer Technology Co Ltd.

Facing the potential competition from within China, CNOOC maintains its composure.

"Gas and LNG importing is capital intensive and has to depend on a long industrial chain for profit. Therefore, small companies cannot afford tapping the segment in the short term, despite of the open market environment," said Liu Junshan, a senior press officer with CNOOC.

CNOOC argued that China's impact on global natural gas prices is limited.

"The price hike of natural gas in the international market was mainly triggered by the global oil price surge. It's a complicated issue that involves many factors. A single company or country's behavior is not strong enough to stir up the whole global market," another source from CNOOC told China Daily.

China is presently a minor gas importer compared to developed industrial countries, Liu added.

MOFCOM announced on its website it has eliminated "automatic import approval" for the natural gas and LNG, effective Sunday.

Shanghai Securities News reported MOFCOM planned to introduce new controlling measures from Sunday on to regulate imports of natural gas in order to protect major gas importers from intense domestic price competition.

In an exclusive interview with China Daily, the trade watchdog denied putting any restrictions on gas importing.

According to MOFCOM, gas imports to China will increase gradually on an annual basis. MOFCOM will work with other ministries to trim import costs, stabilize import volume and better meet domestic demand, the ministry said.

LNG imports more than doubled to 301,960 tons in April from 119,241 tons in March, according to China's customs data in May. In the first four months, purchases increased to 722,800 tons

from 687,533 tons for the whole year of 2006, Bloomberg reported.

China's natural gas output jumped 17 percent year-on-year in April to 5.35 billion cubic meters, according to statistics from the National Bureau of Statistics.

### **Oil reserves to be ready in 1 year**

June 28 (chinadaily) -- The last two of the first four strategic oil reserve bases in China, the world's second-biggest oil consumer, are expected to kick off operations within a year, according to two State-owned oil giants.

An official from China Petroleum & Chemical Corporation, known as Sinopec Group, told China Daily it would start to fill crude oil into a base in Huangdao of East China's Shandong Province by the end of this year.

"We are losing no time building the base in line with the State's requirements," said the official, who asked not to be named.

A source from China National Petroleum Corporation (CNPC), parent of Hong Kong- and New York-listed PetroChina, said a base under construction in the northeastern port city of Dalian will be filled with oil as early as the first half of 2008.

Both bases will be able to stockpile more than 3 million tons of crude oil.

The first two bases, both located in East China's Zhejiang Province, are already operational with a capacity of 5 million tons each. They are operated by Sinopec Group and Sinochem, another Chinese energy supplier.

The four bases are not enough to ensure China's energy security if there is an interruption in petroleum supplies, experts say.

By contrast, the United States, the world's top oil user, has a strategic petroleum reserve of 94 million tons.

The Bush administration announced in January it would more than double the reserve within the next two decades.

China is planning to build a second-phase strategic oil reserve of 28 million tons, according to sources from China National Development and Reform Commission, the country's top economic planner. But no time frame has been revealed.

Many local authorities, including those from South China's Guangdong and Hainan provinces, said earlier this year that they were discussing with the central government to build new strategic oil reserve bases in their regions.

Xia Yishan, director of the China Energy Strategy Research Center at China Institute of International Studies, said: "We need a bigger strategic oil reserve for a rainy day, but not as much as what the US has."

Xia said China should have a strategic oil reserve equal to 15-20 percent of the country's annual crude oil imports.

China's crude imports have outpaced its domestic production in recent years in order to satisfy strong demand boosted by fast economic growth.

The country imported 67.4 million tons of crude in the first five months of this year, jumping by 9.6 percent from a year ago, according to industry data.

However, production at home grew by just 1.7 percent to 77.5 million tons.

Gong Jinshuang, a senior researcher from Sinopec Group, forecast full-year imports to climb 10 percent from 145.2 million tons in 2006.

Oil imports are widely forecast to grow rapidly over the next two decades to meet mounting domestic demand, despite the milestone discovery of a 1-billion-ton oilfield in North China's Bohai Bay, announced by CNPC at the beginning of last month.

## Foreign oil suppliers approved for China wholesale

June 29 (xinhua) -- China has granted oil products wholesale licenses to Sino-overseas joint ventures for the first time, according to the Ministry of Commerce (MOC).

The two firms are Sinopec SenMei (Fujian) Petroleum Co., Ltd. and Fujian Refining & Petrochemical Co., Ltd.

Sinopec holds a 55 percent stake in Sinopec SenMei and ExxonMobil and Saudi Aramco hold 22.5 percent each.

Fujian Petrochemical Co., Ltd., a subsidiary of Sinopec, holds a 50 percent stake in Fujian Refining & Petrochemical and ExxonMobil and Saudi Aramco hold 25 percent each.

Analysts said the move would help foster a more competitive oil products wholesale market where around two thirds of the oil products wholesalers are run by the nation's two oil giants, namely the China National Petroleum Corporation and China Petrochemical Corporation, better known as Sinopec.

Sinopec SenMei (Fujian) Petroleum was also given a license for the oil products storage business, the MOC said.

The two joint ventures are the first fully integrated refining, petrochemicals and fuel marketing projects with foreign participation in China, according to ExxonMobil.

The Fujian Refining and Ethylene joint venture project will expand the existing refinery capacity from four million tons to twelve million tons per year. It is expected to start up in early 2009.

Sinopec SenMei will manage and operate 750 gas filling stations and 11 oil tankers in southeastern province of Fujian as of July 1.

The nation issued such licenses to the first batch of eight State-owned and private companies late last month since it opened the oil products wholesale market last December in line with its commitments to the World Trade Organization.

A total of 2,515 companies in China now have oil products wholesale rights.

## Climate Change and Air Pollution

### China and EU launch climate change project

June 29 (chinadaily) -- China and the EU yesterday launched a joint project to boost China's clean development mechanism (CDM).

The EU will pour 2.8 million euros into the project, which targets EU-China joint climate change objectives, said Nicholas Costello, first counselor of the Delegation of the European Commission to China and Mongolia.

"It will facilitate the implementation of the CDM, make it easier to exchange information on CDM projects and encourage EU companies to engage in CDM projects in China and hence to tackle climate change on a global scale," Costello said.

The EU-China Facilitation Project, which will run until 2010, will support China's CDM through research, capacity development, technical exchange and training activities.

The CDM was set up under the Kyoto protocol to the 1992 United Nations Framework Convention on Climate Change to which China and the EU are parties.

CDM allows developed countries to achieve part of their emission reduction commitments by investing in emission-saving projects in developing countries and counting the reductions achieved toward their own commitments to control greenhouse gas (GHG) emissions.

China has approved more than 500 CDM projects. Over 70 percent of the projects focus on clean and renewable energy, 14 percent on raising energy efficiency and the rest focus on the elimination of HFC23, a heat-trapping gas 11,700 times stronger than carbon dioxide (CO<sub>2</sub>) in terms of greenhouse effect, said Yang

Hongwei, director of CDM Project Management Center under the National Development and Reform Commission.

### New paths to reach green goal

June 15 (chinadaily) -- China's top science official yesterday sounded an upbeat note about achieving the country's green goals - innovatively.

"China is exploring a different way of controlling greenhouse gas (GHS) emissions. We will not follow the Western countries' way of high emissions first and then reduction," Minister of Science and Technology Wan Gang said.

China, the world's second-biggest GHG emitter after the United States, released 5.6 billion tons of carbon dioxide (CO<sub>2</sub>) equivalent in 2004, according to the national climate change program.

Wan told a news briefing organized by the State Council Information Office that the government is working to turn energy-saving targets into goals for CO<sub>2</sub> emissions.

"We are studying techniques and methods for converting this (energy targets) into goals for cutting carbon dioxide emissions," he said.

Under an ambitious energy-saving blueprint, the country plans to reduce its energy consumption per unit of gross domestic products (GDP) by 20 percent by 2010 from 2006.

To boost the scientific and technological support for the drive to curb temperature rise, the ministry yesterday released China's Scientific and Technological (S&T) Actions on Climate Change.

The document focuses on energy and the environment as key fields of S&T studies and gives priority to global climate change and policy-making.

"S&T is one of the basic and fundamental approaches to effectively address climate change," Wan said.

China has spent 4.6 billion yuan (\$600 million) since 2006 in the first batch of S&T projects to combat global warming.

Wan said that the technology studies focus on raising energy efficiency, developing renewable and clean energy, exploring and burning coal in a clean way, carbon capture and sequestration, absorbing carbons biologically and cutting GHG emissions through improved farming modes.

The country will cut carbon emissions per unit of GDP, or carbon intensity, by 40 percent in 2020 from 2000 and 80 percent in 2050 from 2000, according to the National Climate Change Assessment Report released last year.

According to the national climate change program, hydropower and coal bed methane utility will make biggest contribution to emission cuts - by 500 million tons and 200 million tons of CO<sub>2</sub> by 2010.

### **Action plan aims to cut gas emissions**

June 5 (chinadaily) -- China on Monday pledged to cut greenhouse gas emissions as it unveiled its first climate change action plan but reiterated that it would not commit itself to quantified reductions as it is "not fair" for a developing country.

Ma Kai, minister of the National Development and Reform Commission (NDRC), told a news briefing that it is "too early, too abrupt and too blunt" for the international community to impose emission caps on China, whose historic and per capita emissions are much lower than developed countries.

According to the World Resource Institute, China's cumulative emissions of carbon dioxide (CO<sub>2</sub>) from fossil fuel combustion accounted for only 9.33 percent of the world total from 1950 to 2002, says the 62-page action plan.

International Energy Agency statistics also show that in 2004, China's per capita CO<sub>2</sub> emission from fossil fuel combustion was 3.65 tons, or 87 percent of the world average, it adds.

Ma said the foremost task for China is to "develop the economy and eradicate poverty", and the international society should respect its right to development.

"The ramifications of limiting the development of developing countries would be even more serious than those from climate change."

But he added that China will share the responsibility of mitigating the effects of global warming with developed countries, which are responsible for most of greenhouse gas emissions.

The action plan was unveiled two days before President Hu Jintao attends a summit of G8 industrialized nations in Germany which will focus on global warming.

The plan, co-drafted by 16 ministries, is the first of its kind in developing countries, which are exempt from emission caps till 2012 under the Kyoto Protocol.

It is also a result of China implementing the United Nations Framework Convention on Climate Change. The program sets three major goals to be met by 2010:

Reduce energy consumption per unit of gross domestic product by 20 percent.

Raise the proportion of renewable energy in primary energy supply up to 10 percent from 7 percent.

Increase the forest coverage rate to 20 percent from 18 percent.

Key measures to help achieve the goals are also specified: Increase nuclear power use, promote clean coal technology, and develop biofuel.

The program also calls for international collaboration in technology transfer and capacity building.

"China is in urgent need of technology for reducing greenhouse gas emissions," it says.

High-efficiency, low-pollution coal-burning power generation, large hydropower generation units and new-generation nuclear technologies are among those in great demand, it says.

Ma said the government hopes developed countries take a more practical stance to support developing countries in technology transfer.

"We feel that there's been lots of thunder but little rain, lots of talk but little action," he said when asked if China was satisfied with technology transfers.

Kishan Khoday, assistant resident representative of the United Nations Development Program (UNDP) in China, commended the program for providing "a key channel" for the Chinese government in coordinating action to address climate change.

Khoday, also a team leader of the energy and environment program, added that the UNDP will launch a new project with the NDRC in August to help provincial governments better implement the program locally, starting with big cities.

### **G8 issues joint statement with developing countries**

June 9 (xinhua) -- German Chancellor Angela Merkel, whose country holds the rotating G8 presidency, issued a joint statement on Friday with leaders from the five developing countries who attended an outreach session in the G8 summit.

The statement said talks between the leaders from the G8 leading industrialized nations and Brazil, China, India, Mexico and South Africa mark "an important step towards an equal and enduring partnership" for building the framework conditions of a globalized and competitive world economy.

The leaders said they are committed to cooperate in the following fields:

#### **- Promoting Cross Border Investment**

The leaders pledged to work together to promote more favorable conditions for investment, both domestic and foreign, with the aim of fostering economic growth and sustainable development. This may also include the encouragement of responsible business conduct.

#### **- Promoting Research and Innovation:**

The leaders recognized that strategies to encourage and support research and innovation are key elements for future sustainable development of the economies.

#### **- Fighting Climate Change:**

The leaders reaffirmed their commitment to the United Nations Framework Convention on Climate Change and to its objective through both mitigation and adaptation in accordance with their common but differentiated responsibilities and respective capabilities.

#### **- Energy:**

The leaders confirmed their commitment to promote energy efficiency, through cost-effective solutions, to advance the effective use of fossil fuels, and to increase the use of cleaner and renewable energy sources as an important step towards secure, stable and competitive energy supplies for achieving sustainable development.

#### **- Development, particularly in Africa:**

The leaders reiterated their commitment to the Millennium Development Goals, the eradication of poverty and sustainable global development.

### **China to reduce pollutant discharge by 10%**

June 4 (xinhua) -- The Chinese government has reiterated its intention to meet strict energy efficiency and pollutant reduction targets, which it failed last year, in an official work plan published in Beijing Sunday.

The General Work Plan for Energy Conservation and Pollutant Discharge Reduction shows that China will stick to the original plan of energy saving as well as reducing major pollutant discharges by 10 percent.

Under a five-year plan to 2010, China pledged to cut energy consumption per unit of gross domestic product (GDP) by 20 percent, or four percent each year, but consumption fell by just 1.23 percent last year.

Electricity, steel, nonferrous metals, construction materials, oil processing and chemicals, the six high energy-consuming and highly polluting industries, which account for nearly 70 percent

of energy consumption and sulfur dioxide discharges of the entire industrial sector, grew by 20.6 percent in the first quarter of 2007, 6.6 percentage points higher than the same period a year earlier.

The plan criticized government departments for their poor awareness of the importance of energy efficiency and pollutant reduction.

China will reform the mechanism of evaluating local governments and their leaders by including the implementation of energy-saving and emission-reduction tasks into their performances, the plan said, and it asked relevant departments to work out detailed measures for this reform.

Together with Ministry of Finance, the State Environmental Protection Administration and five other authorities, China's top economic planner National Development and Reform Commission has kicked off a campaign to ensure the elimination of high-energy consuming and heavy-polluting industries.

The campaign, aimed at curbing excessive growth of energy consuming and polluting industries, will run until the end of June, focusing on the iron and steel, copper, alumina, cement, power and coking sectors.

Monitors will investigate the local governments' performance in implementing the central government's macro controls on the energy consuming and polluting industries.

China will promote the use of renewable energy resources, such as wind power, solar power, hydro power, methane and terrestrial heat. The country will also establish medium- and long-term outlines on fuel ethanol and bio ethanol, the plan said.

According to the plan, units, branches and bodies of the central government will take the lead of using energy-saving lights and 50 million similar lights will be in use nationwide by 2010.

Meanwhile, the plan makes it compulsory for government departments to purchase highly efficient energy-saving, water-saving and

environmental-friendly products in governmental procurement, such as conditioners, computers, printers and displays.

The state will encourage and direct financial institutions to enhance credit support for environment-protection and pollution-reduction projects. The government will also offer preferential tax treatments for such projects.

China will also reform pricing mechanism for resource products, such as refined oil, natural gas and electricity, and restrict the export of high-energy consuming and heavy-polluting products.

China will optimize energy use in high-energy consuming industries, such as steel, non-ferrous metal, petrochemical and cement production, realize energy-saving capacities of 50 million tons of standard coal in 2007 and 240 million tons by 2010.

The country will save 31.5 million tons of standard coal this year and 118 million tons by 2010, and cut sulfur dioxide emissions by 400,000 tons in 2007 and by 2.4 million tons by 2010.

To meet the goals, the government will accelerate the elimination of out-dated production capacities and reduce chemical oxygen demand (COD) by 620,000 tons this year and by 1.38 million tons by 2010.

To meet the goal, the government has set a list of targets, including:

- Solid fuel-burning electricity generating capacity will be reduced by 10 million kilowatts this year and 50 million kilowatts by 2010;

- Iron ore production capacity to lose by 30 million tons this year and 100 million tons by 2010;

- Steel production to close 35 million tons of capacity this year and 55 million tons by 2010;

- Electrolytic aluminum production to close 100,000 tons of capacity this year and 650,000 tons by 2010;

- Iron alloy production capacity to lose 1.2 million tons this year and four million tons by 2010;

-- Calcium carbide production capacity to lose 500,000 tons this year and two million tons by 2010;

-- Coke production capacity of 10 million tons will close this year and 80 million tons by 2010;

-- Cement production capacity to lose 50 million tons this year and 250 million tons by 2010;

-- Glass production capacity of six million weight boxes to be closed this year and 30 million weight boxes by 2010;

-- Papermaking capacity of 2.3 million tons to be closed this year and 6.5 million tons by 2010.

-- Alcohol production capacity to lose 400,000 tons this year and 1.6 million tons by 2010;

-- Monosodium glutamate production capacity of 50,000 tons to be eliminated this year and 200,000 tons by 2010;

-- Citric acid production to close 20,000 tons of capacity this year and 80,000 tons by 2010

The discharge of sulfur dioxide will drop from 25.49 million tons in 2005 to 22.95 million tons in 2010 while chemical oxygen demand (COD) should drop from 14.14 million tons to 12.73 million tons, under the plan.

Desulfurization facilities will be incorporated in all new solid fuel-burning electricity plants with total power-generation capacities of 188 million kilowatts and established plants with capacities of 167 million kilowatts, cutting the country's sulfur dioxide emissions by 5.9 million tons annually.

China has so far installed desulfurization facilities in solid fuel-burning electricity plants with total power-generation capacities of 35 million kilowatts, eliminating 1.23 million tons of sulfur dioxide emissions every year.

Daily urban sewage treatment capacity will rise to 12 million tons this year 45 million tons by 2010 and the daily utilization capacity of recycled water will reach one million tons this year and 6.8 million tons by 2010.

Meanwhile, charges for sulfur dioxide emissions will double from 0.63 yuan to 1.26 yuan per kilogram in three years, while urban sewage

treatment fees of no more than 0.8 yuan per ton will be implemented and rubbish treatment fees will be raised.

The government will ensure the urban sewage treatment rate will reach 70 percent, the comprehensive use of industrial solid waste 60 percent, and water consumption per unit of industrial net profit will drop by 30 percent.

The daily seawater desalination capacity will increase by 900,000 cubic meters and the use of water from mining shafts will reach 2.6 billion cubic meters by 2010; the targets will be 70,000 cubic meters and 500 million cubic meters respectively in 2007.

The plan requires departments and local governments to prioritize the tasks and use economic, legal and administrative methods to curb excessive growth of high-energy consuming and heavy-polluting industries.

Meanwhile, efforts must be made to adjust industrial structure, improve technology, expand spending and strengthen monitoring.

### **China has a 'differentiated responsibility' to climate change**

June 9 (chinadaily) -- China's top meteorological official has urged the international community to abide by the principle of "common but differentiated responsibility" when addressing climate change.

Zheng Guoguang, director of China Meteorological Administration (CMA), made the comments on Friday to Xinhua News Agency.

The principle of "common but differentiated responsibility" was established by the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

It means all countries and people have a common obligation to protect the world's environment. However, due to each country's different development stages and capabilities, so does the degree of their obligation.

"The developed countries should be blamed most for global warming due to their greenhouse

gas (GHG) emission in the past 200 years," Zheng said.

The UN benchmark report on climate change released by the Intergovernmental Panel on Climate Change in February showed that 90 percent of climate change could be attributed to the use of fossil fuels.

Carbon dioxide (CO<sub>2</sub>) had been mostly released into the atmosphere by developed countries for their industrialization, Zheng said, adding that developed countries should do more to mitigate climate change.

The GHG emission per capita in OECD (Organization for Economic Co-operation and Development) countries is three times than that of the Chinese people.

"Emissions from OECD countries are called 'luxury emissions'," Zheng said.

"But China, which has tens of millions of people trying to solve problems with basic living produces 'survival emissions'.

"So when addressing the responsibilities on curbing global warming, China is not in the same categories as the developed countries."

China, as one of the Annex II countries, has no obligation to reduce GHG emissions, according to Kyoto Protocol.

### **Polluters will be forced to pay more**

June 27 (chinadaily) -- China plans to significantly increase charges on the release of pollutants and effluents, said Bi Jingquan, vice-minister of the National Development and Reform Commission.

The move is to push companies to more actively clean up the environment by imposing greater share of the financial burden, Bi said.

The discharge cost for sewerage will be at least double the current level of 0.67 yuan per ton, while the charge on sulfur dioxide emissions may also be doubled from the current 0.63 yuan per ton, Bi told a forum held by the new China Center for Public Finance, at Peking University.

"There is a desperate need for the country to instill the principle that those creating pollution must pay the costs," he said.

In its development plan for the 2006-10 period, China said it would cut energy consumption per unit of gross domestic product by 20 percent, or 4 percent each year. It would also cut the release of major pollutants by 10 percent during that period.

However, energy consumption fell by just 1.23 percent last year.

"In the first half of this year, we have not met the set goal (for energy consumption)," Bi said. "The release of major pollutants has also not significantly declined."

The State Council, China's Cabinet, set up a special task force this month to press on with the country's campaign to cut energy consumption and pollutant release.

It has launched a series of energy-saving measures, including a strict control of the indoor temperature of public buildings and restrictions on decorative lighting for large buildings.

The Ministry of Construction said China has built 1.06 billion square meters of energy-efficient buildings, but they account for only 7 percent of the total floor space of all the existing buildings in China's urban areas.

Due to structural economic defects, many of China's industries have been heavy polluters. To improve that scenario, China has promised to build a society that is environmentally friendly and efficient in saving energy.

Bi warned that the situation remains severe.

China's major rivers and one-third of its soil have been hit by acid rain. Waste treatment is also not effective, Bi said.

China's waste treatment would cost much more if it were burned, which will require more financial input from the firms, the official said.

He revealed that the new discharge fees may be combined with utility bills - companies that do

not pay the fees will not be allowed to use electricity and water supply, for example. He did not disclose when the new rules might take effect.

Bi suggested that the current environmental clean-up regime should be reformed by introducing more market mechanisms.

In some places, newly established waste burning facilities cannot find adequate waste for treatment, because the local environmental protection department encourages the waste to be transported to landfills that belong to the government.

Bi also called for a strengthened collection of fees, which is rather loose at present.