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General Energy Issues

Energy bureau gets nod to increase size

June 28 (Xinhua) -- The newly elevated National Energy Bureau is to quadruple the size of its work force in a bid to ensure the country's energy supply, which industry insiders have said shows the government is moving toward a unified national energy management regime.

The governance structure of the bureau was decided recently, after the National People's Congress (NPC) approved in March to gradually unify the energy management functions of several cabinet departments.

Beijing-based financial magazine *Caijing* reported on Friday the bureau has been given the go ahead to increase its work force to about 100 across its nine departments.

While the NPC expanded the scope of the bureau in March, it remains part of National Development and Reform Commission (NDRC), and energy pricing and conservation management are still under the jurisdiction of other departments.

However, the legislative body also agreed to set up a National Energy Committee, which will serve as a strategic consultative body independent of the NDRC.

According to industry insiders, China is making good headway toward setting up a unified energy management system amid rising oil prices and mounting challenges regarding global energy security.

Zhang Libin, Beijing's chief representative of the US law firm Baker Botts LLP, which specializes in energy, said: "This is a good start in allowing China to function well on matters of energy security.

"It paves the way for China to set up a cabinet department for the energy sector, which is of great importance to its ongoing development," he said.

Several National Energy Bureau offices will be moved away from NDRC headquarters, despite the fact its chief, Zhang Guobao, retains his position as vice-minister of the commission. This

indicates the bureau's independence from the NDRC, insiders have said.

As well as seeking ways to increase supplies of oil and coal, the bureau will look to further develop nuclear power and sources of renewable energy, Zhang said.

The country will accelerate the construction of nuclear power plants, particularly in coastal regions, to ease mounting pressures on coal transportation from northern regions and electricity transmission from west China, he said.

The move could see nuclear power accounting for at least 5 percent of the country's total energy mix by 2020, up from less than 2 percent today. In 2005, authorities set a target to reach 4 percent by 2020.

The bureau has also said the Inner Mongolia autonomous region, and Gansu and Jiangsu provinces will be the bases for China's first wind power generators, each of which will have a capacity of 10 million kW. In comparison, the Three Gorges project has a capacity of about 18 million kW.

"The bureau has readjusted some of China's energy policy targets, and these are vital decisions for its energy security," Zhang Libin said.

Vice premier calls for energy cooperation

June 17 (Xinhua) -- Chinese Vice Premier Wang Qishan has called for stronger cooperation between China and the United States in energy, the environment and other related areas, saying that bilateral cooperation in these areas would lead to win-win results.

The Chinese government gives high priority to energy and resources conservation and the protection of the environment. It is committed to building a resource-conserving and environment-friendly society," Vice Premier Wang wrote in an article published by *The Financial Times* on Monday in its North American edition.

"However, China is a big and populous developing country at a stage of accelerated industrialization and urbanization. This has led to heavy consumption of energy and resources

and made the task of protecting the environment a daunting one," he said.

"So it is highly significant that the fourth China-US Economic Dialogue, which will be held in the US this week, will promote long-term cooperation in energy, the environment and other related areas," said Wang, who heads a Chinese delegation to take part in the fourth China-US Strategic Economic Dialogue (SED), scheduled to be held in Annapolis, Maryland, on Tuesday and Wednesday.

To meet the challenges brought about by the pressures of growing demand, Wang said China has endeavored to achieve the following goals: intensifying energy and resource conservation, developing renewable energy, and actively adapting to global climate change.

"There is a broad scope for cooperation between China and the US in energy and environment," he wrote. "Stronger cooperation between the two countries in energy and the environment will enable China to respond better to energy and environmental issues and also bring about tremendous business opportunities and handsome returns for American business."

According to the intent of the 10-year cooperation between China and the US in energy and environmental protection, Wang said the two countries should, on the basis of the principles of mutual complementarity and win-win progress, focus their cooperation in energy, pollution reduction and protection of natural resources.

The Chinese vice-premier proposed three approaches to strengthen bilateral cooperation in these areas.

First, China and the United States should build joint laboratories or research and development centers for energy and environmental protection technologies, and provide platforms to promote industrial applications of such technologies.

Second, the two countries should jointly formulate and implement fiscal, taxation, financial and trade policies to encourage innovation and cooperation in and transfer of energy-conserving and environment-friendly technologies.

Third, the two sides should use existing multilateral and bilateral dialogue mechanism

and exchange platforms to enhance consultation and coordination, strengthen cooperation in training, exchanges of technical personnel, and data-sharing.

Vice-Premier Wang hoped that through dialogue and cooperation in these areas, China and the United States will promote all-round development of the constructive and cooperative relationship between the two countries, to better serve the interests of their peoples.

The SED was launched jointly by Chinese President Hu Jintao and US President George W. Bush in September of 2006. The dialogue is held twice a year, alternating between the two countries. The previous meeting was held in December in Beijing.

Cool energy demands

June 24 (China Daily)-- Oil exporters' decision to pump more oil can go a long way in allaying fears that developing economies may buckle under the burden of record oil and food prices.

Yet, stabilizing energy development and energy security in the world badly requires more demand-side efforts. China's sustainable energy strategy is just one part of the global efforts needed to cope with rising energy costs.

Chinese Vice-President Xi Jinping pointed out at the International Energy Conference held on Sunday in Saudi Arabia that China will put an emphasis on both the exploitation and the conservation of energy with the priority given to economizing energy consumption.

He also stressed that China will strive to build a resource-conserving and environment-friendly society by ensuring coordinated development of energy production and environmental protection.

The message is clear. As the world's largest developing country which is still at a stage of accelerated industrialization and urbanization, China is resolved to strike a balance between energy sustainability and long-term economic growth.

China has drafted a plan to reduce energy consumption in per unit GDP by about 20 percent by 2010 from the 2005 level. Though China still falls behind its own schedule to cut energy intensity, the government has

significantly upgraded its efforts to boost energy conservation across the country.

The sharp hike of domestic retail prices of petrol and diesel by 17-18 percent last Friday was a case in point. It highlighted Chinese policymakers' determination to cool the nation's surging energy consumption.

Its announcement even triggered a \$4 fall in the price of international benchmark crude oil futures, bearing full testimony to the huge potential impact higher prices may exert on China's energy usage.

If the latest price hike can be viewed as an important step toward the eventual liberalization of energy prices, it is fairly reasonable to expect that market-driven energy prices will improve China's energy efficiency and encourage development of energy-saving technologies and alternative energy supplies.

At a time when oil prices have more than doubled in a year, it is crucial for oil exporters to expand production. But to adapt to the era of dearer oil, all countries need to focus more efforts on demand-side management to further raise their energy efficiency.

China not to sacrifice food for fuel: energy experts

June 6 (Xinhua) -- China has no plan to sacrifice food for fuel, the country's energy experts said on Thursday amid controversy over biofuel.

"Food security comes first in China, more important than fuel," said Song Yanqin, a co-drafter of China's national energy strategies, at Asia Clean Energy Forum 2008 sponsored by the Asian Development Bank (ADB) in Manila.

"Biofuel," as said in the ADB's publication "Development Asia", has become a new buzz word all over the world, from the Philippines to Brazil, from the United States to the European Union.

Produced from agricultural crops such as maize, palm oil, sugarcane and jatropha, biofuel are used to run factories, power stations and vehicles. Countries that have the right conditions are setting aside millions of hectares of land for

new plantations as international demand for prominent biofuel.

However, there is another side of the coin. The development of biofuel is considered as one reason for the global shortage of grain which drives food prices high in many countries. In the Philippines' southern region of Mindanao, for instance, rice prices have gone up to 50 pesos (\$1.14) per kilogram.

"Biofuel is sensitive," said Song, especially in China, where 1.3 billion people live on only 120 million hectares of arable land.

"Actually, in the global context, biofuel is still a controversial topic calling for serious study," said Zhou Dadi, an advisor to China's National Energy Leading Group.

At the same forum, Dan Millison, a US designer of higher-tech alcohol plants, said "food versus fuel is 99-percent noise."

"Do your homework and get a noise filter. Time magazine is not your key reference document," he addressed the audience via a video-conferencing system.

"This problem is complicated," said Eric Usher, an official of United Nations Environment Program, adding that the dispute over biofuel will not be solved in a short time.

At the forum, with the theme of "Investing in Solutions that address Climate Change and Energy Security," Zhou Dadi explicated the sustainable energy strategy of China, giving priority to "conservation."

"Conservation comes first in the sustainable energy strategy of China," said the adviser, adding that specific and detailed regulations for energy conservation have been made in the country.

China has also set a target of 20 percent-intensity decrease for the 2006-2010 national development plan. That is, the country has to realize 4.4-percent energy-efficiency improvement annually in the five years, Zhou said.

Compared with the global annual figure of 1.2 percent over the past 30 years, the target for China is really impressive and encouraging, the adviser added.

China raises prices of oil, electricity

June 20 (China Daily)- Petrol will cost 0.8 yuan (12 cents) and diesel 0.92 yuan more for a liter from today, and electricity charges for commercial units will go up by 0.025 yuan (\$0.4 cents) per kWh from July 1.

The price of aviation fuel has been raised, too, by 1500 yuan (\$217) a ton, said the National Development and Reform Commission (NDRC).

The prices of natural gas and liquefied petroleum gas (LPG), however, remain unchanged.

Urban and rural residents and the farming and fertilizer production sectors have, however, been exempted from the increased electricity charges. Areas in Sichuan, Shaanxi and Gansu hit by the May 12 quake too have been exempted, the NDRC said.

The government was forced to raise oil prices from midnight last night, the first time in eight months, because of the soaring price of crude in the international market.

The move is expected to bring some relief to domestic refineries, which have been reeling under losses, and ensure a stable supply of oil in the market. "The increase in the prices will benefit domestic oil companies," the NDRC said in a statement yesterday.

The price of crude oil in the international market has crossed \$130 a barrel. Crude price is linked fully with the international market in China, while prices of refined petroleum products are still controlled by the government.

Because of the big gap between the high crude price abroad and the relatively low price at home, China's oil refineries have suffered huge losses.

The country's largest refinery, Sinopec, incurred a loss of more than 20 billion yuan in its refining business in the first quarter of this year.

The largest oil company, PetroChina, saw its net profit fall by more than 30 percent in the first three months, with losses in its refining wing being the biggest contributor.

Analysts said the high consumer price index (CPI) in recent months had been a deterrent for an increase in oil prices.

The country's CPI, the main gauge of inflation, rose 8.5 percent year-on-year in April. It was 8.3 percent in March and a nearly a 12-year-high of 8.7 percent in February.

It, however, dropped to 7.7 percent in May, paving the way for the government to increase oil prices, an analyst said.

But increased oil prices could push up the rate of inflation, Zhou Dadi, vice-director of China Energy Research Society said.

Electricity charges

The government will raise the electricity tariff to prevent power companies from incurring further losses.

The price of coal will be brought under government control temporarily, the NDRC said, because soaring coal price is the main factor behind higher electricity charges.

The increase in power tariff will help the development of desulfurization equipment in the power plants, and renewable energy sources such as wind power and biomass power, the NDRC said.

The increase in power tariff will not create a big impact on the CPI because urban and rural residents have been exempted.

China's renewable energy project wins global green energy prize

June 20 (Xinhua) --China's Renewable Energy Development Project (REDP) was rewarded the Ashden Awards for Sustainable Energy, the world's leading green energy prize, in a final competition taking place here Thursday.

The REDP was launched in 2001 by the National Development and Reform Commission (NDRC) and the World Bank (WB), with international grant financing provided by the Global Environment Facility (GEF), with one of its main aims to promote the installation of photovoltaic (PV) solar home systems in remote off-grid homes in nine western Chinese provinces; to improve the quality of production of PV modules and other system components in China; to provide free information about PV; and

to facilitate cooperation between the PV sector in China and the rest of the world.

The REDP has enabled sales of over 402,000 photovoltaic (PV) solar-home systems (SHS) through the REDP-subsidized program since its establishment to rural people who live off the land by tending yaks or other animals in remote areas of the West and North-West of China.

Around 1.6 million people, who live in tents for at least part of the year and had little access to electricity previously, now have an improved quality of life through better light, communications and entertainment, with the portable systems ideally suited to the lifestyle of these semi-nomadic users who are able to take them with their tents into the summer pasture in the hills.

A typical SHS supplies two lights, a radio and a mobile phone charger, and is supplied in a metal carry-case so that it is portable.

Larger systems can power radio-cassettes, TVs and DVD players. For users, the main benefit of the REDP program was brighter, cleaner lighting, for study, work and recreation.

Use of radio-cassettes and mobile phones to keep in touch with the outside world is also greatly appreciated. The REDP program supported the rapid growth of the PV industry in China, and improved the quality of production while keeping costs low.

It greatly expanded the market for solar home systems, and supported the development of a network of suppliers, wholesalers and retailers.

The REDP has also supported some PV village systems to provide electricity for public facilities such as, schools, health centers, village satellite telephones, forest protection, road maintaining, climate monitoring and Buddhist temples.

The REDP was one of the six pioneering renewable energy projects from Africa, Asia and Latin America that received a prize of 20,000 pounds (some 40,000 US dollars) each announced by the Ashden Awards at a ceremony here.

At the ceremony, India's Technology Informatics Design Endeavour (TIDE) was announced to win this year's title "Energy Champion" and a

prize of 40,000 pounds (some 80,000 U.S. dollars) while Bangladeshi Grameen Shakti won the 2008 Outstanding Achievement Award and a prize of 15,000 pounds.

The Ashden Awards for Sustainable Energy was founded in 2001 by the Ashden Trust, a Britain-based charity, and the competition is held annually to identify and reward outstanding and innovative projects in Britain and developing countries which provide renewable energy and energy efficiency at a local level.

Low carbon, high hopes

June 30 (Xinhua) --Not too many years ago, cities around the world were competing with each other to build the world's tallest buildings. Now, we are seeing the emergence of a new competition: to build the world's greenest cities.

Indeed, watching the media, I notice that plans for "the world's greenest city" have now been announced in a few places, including China.

As a global environment organization, World Wide Fund for Nature (WWF) is often approached about urban greening initiatives and our national offices are involved in many of them. Developers, urban governments and NGOs such as ourselves are on a steep learning curve as to what makes a green city, so I would suggest that it is probably premature to invest too much energy into a debate on which city is greenest.

But the issue could not be more important - finding ways to build greener cities will be essential to achieving a more sustainable society.

Built on a plain east of the Taihang Mountain, the city of Baoding, 140 kms south of Beijing in Hebei province, is home to some 650,000 people who are part of an exciting initiative to lead less carbon-intensive lives.

These people have the same energy needs as those living in other parts of China, but as part of the Low-Carbon City Initiative, a joint project between WWF China and the regional government, their needs are met from green energy sources.

By any standards, figures for the city are impressive.

Since 2002, 150 new alternative energy companies have emerged in Baoding, making use of wind and solar power, bio-diesel, and energy efficiencies. Over 30 communities have installed hot-water solar-power systems. Thirty more projects are adopting BIPV (Building Integrated Photovoltaics). It represents the combination of proven renewable power generating technology and the building exterior using traditional building practices. Solar panels are planned and built along with the building structure. Technology and 50 others are under way to use solar photo-electricity lighting.

Last year, the city's economy grew by about 16 percent, and the part of that economy generated by the city's alternative energy industry was 50.9 percent higher than the previous year. Clearly the city's development has not been hampered by its use of sustainable energy, and it seems on track to become the "clean energy valley" for China, comparable to California's "Silicon Valley" for the IT industry.

One of the most impressive things about Baoding is that the city has not only developed the technologies, it has put them into production, and even applied them in model communities. For example, it has just presented the first windmill blade built using technology it has developed, and is building a "solar city" to use and showcase the solar technology it has produced.

Recently in Hong Kong, Baoding representatives promoted the city and its renewable energy and energy efficiency technologies to Hong Kong investors. I am told that there was much enthusiasm at the meeting, and that a number of contracts - totaling more than 11 billion yuan - were signed, sending a clear message that alternative energy technologies are moving in from the fringes to the mainstream.

Baoding is a pilot city in a push to promote low-carbon development in China. Like other countries around the world, China is experiencing a trend towards greater urbanization. As people move to cities, they bring with them soaring demands for energy.

What WWF hopes to see around the world is more cities like Baoding that are prepared to embrace alternative energy sources; more cities

prepared to show that prosperity and sustainability can go hand-in-hand.

China is the world's most populous country, and its GDP has grown by 9-10 percent a year over recent decades. The country's rapid economic development means its demands for energy are huge. What happens in China matters to us all if we are to avoid dangerous climate change.

China's government has set its people a challenging target - it wants to reduce energy intensity by 20 per cent by 2010. It also aims to have 16 per cent of its energy coming from renewable sources by 2020. In order to achieve these goals, changes will be needed in urban planning, building design, transportation, resources recycling as well as energy technologies.

We will need a new economic model, one that decouples economic growth from carbon emissions. In Baoding, this is already happening, and more broadly in China as a whole it is encapsulated in the concepts of scientific development and a harmonious world.

The Baoding model is a compelling one for China and the world because it allows for both the needs of nature and the needs of development.

More cities around the world need to follow Baoding's pioneering path. Its low-carbon model offers us an alternative vision, one where human needs and economic development are supported by a robust mix of renewable energy sources and technical efficiencies and where nature continues to thrive.

This approach is an alternative for now, but a must for the future, and it is WWF's hope that more cities, more countries, follow in Baoding's footsteps and help create a cleaner, prosperous future. This is the way forward if we are to avoid dangerous climate change and yet enrich our lives through sustainable development.

[The author James P. Leape is the Director General of WWF International. The views expressed in the article are his own. He can be reached at jleape@wwfint.org.]

Automobile and Transportation

Small car sales can rise with fuel price

June 25 (China Daily) -- Wei Lai, a 28-year old office worker, is planning a baby next year, but she was also planning to buy a hatchback or MPV to replace her current SUV Isuzu.

But ever since the government raised gasoline prices last week, Wei, who had previously never attached any importance to pump prices since she started driving three years ago, is now starting to consider fuel efficiency as an important factor when choosing her next car.

"Before the price hike, I spent 600 yuan per month on gasoline, but now I have to pay 900 yuan," said Wei.

"Regarding the rising cost of gasoline, I will postpone buying a vehicle and watch how much further prices go up," said Ma Zhuo, an employee at Beijing Organizing Committee of the Games of the 29th Olympiad who originally planned to have his first car this year.

Last Friday, the government raised the price of gasoline by 0.8 yuan and diesel by 0.92 yuan a liter, while prices of natural gas and liquefied petroleum gas, however, remain unchanged.

Analysts believe that the hike will not have a fatal impact on China's soaring purchase enthusiasm, although it is likely to ease the growth of the booming auto industry this year.

"The growth rate of the passenger car market this year will be 15 percent, lower than the average 20 percent in recent years," said Xu Changming, an auto analyst with the State Information Center.

He said he believed most of the middle class, the major force in buying private cars, will still persist in their plan of owning a vehicle, but thought they will shift their attention from big sedans to economy cars.

"The rising gasoline price won't impact my plan to buy my first car for I really need it. However, it makes me think twice about buying an economy car with low fuel consumption," said Wang Li, a hardware engineer of a technology company in Beijing.

"After calculation, the increased cost of around 200 yuan per month is acceptable for us if the price don't go up too much further in the near future," said Wang's wife Lang Hua.

Jia Xinguang, an independent auto analyst based in Beijing, agreed that the oil price hike won't influence the total sales of passenger cars this year too much. However, he said he believed the sales structure will be changed, and customers will be more "inclined to buy smaller economy cars".

"It will be an opportunity for mini-cars mostly produced by local manufacturers, which experienced a sales decline in past years," said Jia.

Analysts and customers alike anticipated that a price hike would occur and in the long-term expect prices to continue to rise as China works toward its declared goal of limiting dependence on energy imports and developing the economy in a cleaner, more energy-efficient way during its 11th Five-Year Program (2006-10).

"It's unpleasant of course, but inevitable," said Michael Pielenz, a German who lived in Beijing for more than a decade.

"It's still much lower than the price of about 15 yuan per liter in Germany. Moreover, it can push people in China to reduce oil consumption and pay more attention to the environment," said the former professor with University of International Business and Economics, who drives a Volkswagen Golf.

It's also a good news for the automakers who invest a lot in the R&D of green cars, analysts said.

Vehicles to get pricier?

June 25 (China Daily) -- To increase or not to increase prices has been the most frequently asked question by marketing managers of auto manufacturers in China recently.

Auto consumers worry that soaring iron and steel prices may have a huge impact on raw material costs in the auto industry and in turn have a knock-on-affect on the price of the end product.

Baosteel said on Monday it agreed with Australian mining group Rio Tinto on a price

increase of up to 96.5 percent for iron ore in 2008, nearly double that of 2007.

Analysts believe the price rise may influence the economy car market more than other segments, and automakers should find alternatives to easing the cost pressure other than increasing prices.

"The price of steel plates for auto production in China has increased by 800 yuan per ton this year, which adds an extra 100 million yuan sourcing cost for Chang'an Motor Corp, with a 300 yuan in extra cost for a single automobile," said Zhu Huarong, vice-president of the auto group.

"Apart from the direct effect of steel plates, the price rise of rubber and plastics, which will definitely increase the cost of auto parts, will also have an impact on the price of the automobiles. It wouldn't be a surprise if the cost rises by 1,500 to 3,000 yuan per unit," he added.

However, according to a survey conducted by Sinotrust, a leading domestic auto research firm, 32.2 percent of consumers surveyed refused to accept auto price rises due to the nature of the passenger car market, which boasts more than 170 models. Some 29.5 percent believed that even if prices rise in 2008, they would eventually drop after the year.

Therefore, rising costs would cause a dilemma for the local manufacturers who produce economy cars with low profit on whether or not to increase prices, analysts said .

This April, Chery Automobile Co raised the prices of its models by 2,000 to 3,000 yuan. However, after the price adjustment, especially for its QQ subcompact, sales declined sharply, said a Chery dealership.

More motorists driven to public transport: Study

June 24 (China Daily)-- Beijing resident Zhuang Yan uses her car mostly on weekends, for drives to the outskirts of the capital.

On weekdays, the 29-year-old public servant simply forgets that she has a car.

She and her husband seldom drive to work, "because it sometimes takes longer by car than on foot, especially during rush hour".

What is more, car maintenance costs too much, Zhuang told China Daily over the phone.

"As oil prices soar, public transport is a wise choice for avoiding traffic jams and parking problems in the capital," she said.

Zhuang is part of a group researchers call "owners of idle cars" - people who have cars but seldom drive them.

One in 10 car owners in the country belongs to such a group, the 2008 Foton Chinese Index for Mobility released on June 11 showed.

The index was derived from a mobility survey jointly conducted by Beijing-based Beiqi Foton Motor Co Ltd and the Horizon Research Consultancy Group.

The two groups started releasing the index in 2005, offering an insight into the transport habits of the Chinese.

It showed the extent of people's reliance on motor vehicles in social and economic activities, and how private cars could further influence people's lifestyles and way of thinking.

The latest study polled 4,545 people aged between 18 and 60 in 36 cities and towns nationwide.

It saw the Chinese scoring 61.42 points out of a maximum 100 for this year's index, 3.09 points higher than in 2005, showing great strides taken in mobility, the survey said.

However, corresponding developments in the automobile industry have also had negative impacts such as serious traffic congestion and greater strain on limited oil resources in the country.

These factors have prompted more motorists to become owners of idle cars, researchers said.

Four out of 10 of such owners had done so because of spiraling gasoline prices, researchers found.

Geely sees oil prices driving up demand for its fuel-saving autos

June 24 (HK Edition) --- Geely Automobile Chairman Li Shufu is not only brushing off the rising crude prices, he's banking on the hikes helping his company.

"The price rise of crude oil will cause more drivers to switch to fuel-saving and low-emission vehicles," Li said. "In that respect, Geely's product mix could feed the market demand."

He conceded that oil hikes are putting mounting pressure on the mainland vehicle industry, but his goal is for the company to mitigate the impact with the shift in its marketing strategy.

He noted that Geely will phase out its low-end products and increase its exposure in the mid- and high-end sectors.

"Productions of three of our low-end models will ease in August. The spectrum of our products will be 100 percent mid- and high-end orientated by the end of the year."

Looking ahead to the next two years, the company plans to roll out seven new models with price tags between 50,000 and 200,000 yuan. That includes a series of "green air" vehicles.

But Li said the company hasn't decided on the production level of ethanol-fueled vehicles, saying it depends on the country's environmental policy in the future.

Company executive director Gui Shengyue said the company hit 40 of its whole-year sales target by the end of May - a 30 percent year-on-year increase.

"We are positive that the company can hit the target of 230,000 units for the whole year," Gui said.

Regarding the company acquiring a 44.19 percent stake in each of the five affiliates of its parent group, Li said the acquisition will raise Geely's interest in each affiliate to 91 percent.

The deal could significantly boost the company's profits in 2008, compared with the net profits of HK\$310 million in 2007.

Geely's market capitalization is estimated to increase 25 percent to about HK\$5.9 billion as a result of the acquisition.

Li said the acquisitions won't worsen Geely's financial muscle, saying the company does not run up any debt. Plus, he added, the cash liquidity of the affiliates could offset their arrears.

Geely is looking into expanding into overseas countries such as Mexico, but Li said the company is still studying the feasibility of such a move - based in part on what concessions the Mexican government makes.

"The size of the project is very large," he said, "and we don't have a concrete timeframe for when it will be kicked off."

GM, Ford will export more cars to China

June 17 (Agencies) -- DETROIT - General Motors Corp and Ford Motor Co agreed to export more North American-built vehicles and parts to China in separate agreements signed Monday in Washington.

GM said it will sell and export \$1 billion worth of vehicles, component kits, machinery and equipment to one of its Chinese partners, Shanghai General Motors, through 2010. Ford will sell more than 30,000 North American-built vehicles and will supply transmission components and parts to its joint venture, Changan Ford Mazda Automobile Co, in a deal worth \$800 million.

Chinese Vice Premier Wang Qishan attended the signing ceremonies for both agreements, which were timed to coincide with high-level economic talks this week between Chinese and US officials in Annapolis, Md.

GM spokesman Greg Martin said fully assembled Cadillacs will make up the bulk of the exports to China. While Buick remains GM's most popular brand in China, sales of the luxury Cadillac brand shot up 148 percent last year to 7,022 vehicles, partly due to the new Cadillac SLS.

Shanghai GM, which was formed in 1997, is a 50-50 joint venture with Chinese carmaker Shanghai Automotive Industry Corp. It sells Buick, Cadillac, Chevrolet and Saab vehicles

and has been the leading foreign joint venture by sales in China since 2005.

GM has eight joint ventures in China that have imported more than \$4.2 billion in automotive products from the US over the past 11 years, according to Kevin Wale, president and managing director of the GM China Group.

Ford said it will announce later which vehicles will be exported. The company's Chinese sales rose 30 percent in 2007, and the Ford Focus was one of the 10 best-selling cars in the country. Changan Ford was formed in 2001.

Beijing bans high-emission vehicles

June 25 (China Daily) -- High-emission or yellow-labeled vehicles will be banned from Beijing roads from July to September to ensure green Olympics and Paralympics as promised by the authorities, environment officials said on Tuesday.

There are currently more than 3.3 million vehicles in the capital. Yellow labels are displayed on the windscreens of more than 300,000 vehicles that fall short of the Euro I emission standard, the lowest of the European emission standards.

"All yellow-labeled vehicles, most of which are freight trucks, will be banned from roads in Beijing from July 1 to Sept 20," said Du Shaozhong, deputy director of the Beijing municipal environmental protection bureau.

"Limiting high-emission vehicles is the top priority in dealing with pollution," Du said.

While a target of 246 blue-sky days was achieved last year, air pollutants remain a major problem for the city, Du said.

A large number of freight trucks, mostly yellow-labeled ones that run through Beijing at night, have contributed to this problem greatly, Du said.

"There are 20 percent more air pollutants in the evening than during the daytime," he said.

"The period around 9 pm is always the time when the density of pollutants in the air start to rise and remain high until about 4 am."

Yellow-labeled vehicles are only permitted to enter Beijing between 7 pm and 8 am.

As part of the green drive, 22 laser remote sensing cars will be patrolling Beijing to check the emissions of vehicles, said Feng Yuqiao, the head of the motor vehicle department of the municipal environmental protection bureau.

"These inspection cars will mainly operate near the Olympic venues and training centers for athletes," he said.

"They can determine the emission levels of a vehicle in about 0.7 seconds."

The ban on yellow-labeled vehicles is the latest in a slew of measures to help clean up the capital's air.

Similarly, the authorities on Monday ordered half its government cars off Beijing roads till July 19.

The Ministry of Public Security announced on Monday that large trucks will be banned from certain traffic routes in the capital.

From July 1 to Sept 20, trucks entering Beijing will have to detour on national highway 112, which circles the city.

Some trucks, such as those carrying farm produce like vegetables and live pigs, will be exempt from the ban, but even these will have to apply for certificates from the municipal government to facilitate their movement in Beijing.

The capital also has plans for its 3.3 million private car owners to abide by an odd-and-even license plate rule that allows them to drive into the city only on alternate days, between July 20 and Sept 20.

The city already banned in March this year the sale of new cars that fail to meet new emission standards equivalent to Euro IV, currently the highest emission standard for cars.

Beijing to restrict vehicles during Olympics

June 20 (Xinhua) -- BEIJING -- Beijing will impose an even-odd system based on license

plate numbers that will keep vehicles off the road on alternate days from July 20 to September 20 to ease congestion and improve the air quality for the Olympics and Paralympics, the municipal government said on Friday.

Exceptions to the restrictions will include police and other emergency vehicles, taxis, buses and embassy cars, according to a statement on the website of the Beijing Municipal Committee of Communications.

Beijing, which hosts the Olympics from August 8-24 and the Paralympics from September 6-17, has 16 million people and 3.29 million vehicles, of which 300,000 are government-owned cars, Zhou Zhengyu, deputy head of the committee, told reporters on Friday.

"The restrictions are to ensure smooth traffic and good air quality during the Games period," he said. "Similar measures were also taken by some previous Olympic host cities."

Zhou predicted that about 45 percent of all vehicles and up to 70 percent of government-owned cars will be banned from roads every day.

During a test of the controls from August 17-20 last year, about 1.3 million vehicles were taken off the city roads each day and the emissions discharged were cut by 5,815 tons, according to a report by the Beijing Municipal Bureau of Environmental Protection.

"This time, it is expected that the emissions discharged will be cut by 63 percent, or about 118,000 tons," Du Shaozhong, deputy head of the bureau, told reporters on Friday.

Du reiterated that local environmental authorities will be able to ensure good air quality for the Games.

"In addition to traffic bans, we will carry out strict supervision of highly-polluting businesses during the Games period," he said.

In the statement, the municipal government said the restrictions would be enforced throughout the city until August 28, but only in areas within the Fifth Ring Road, and three freeways connecting downtown Beijing to the airport, Badaling and Chengde from August 28 to Sep. 20.

The municipal government will also ban all motor vehicles that fail to meet the European No.1 exhaust standard, as well as trucks registered outside Beijing without special permits from July 1.

To compensate motorists for the restrictions, all vehicle owners will be exempted from taxes and road maintenance fees for three months, costing the government 1.3 billion yuan (\$186 million).

In addition, vehicles from outside Beijing must obtain special permits and meet air quality standards before entering the capital during the period.

"Those who violate the restrictions will be punished according to the relevant laws and regulations," Zhou said.

He said that to facilitate public transport during the traffic control period, local authorities will increase the number of buses and subway trains and extend their daily operating hours.

In addition, 66,000 taxis will provide 24-hour service.

The local government cut subway fares by about 30 percent and began last year to offer discounts of up to 60 percent on buses to encourage people to choose public transport.

"Beijing's public transportation system, including buses, subways and taxis, will have an increased capacity to take an additional 4.5 million passengers daily by the time the Games is held," said Liu Xiaoming, head of the Municipal Communications Commission.

Zhou Zhengyu predicted that the traffic restriction measures during the Games will provide valuable experience for city administrators to deal with traffic woes.

"The measures will not be just temporary," he said.

Oil and gas

Rising crude prices, loss suffered by oil firms force government decision

June 20 (China Daily) -- Petrol will cost 0.8 yuan (12 cents) and diesel 0.92 yuan more for a liter from today, and electricity charges for commercial units will go up by 0.025 yuan (\$0.4 cents) per kWh from July 1.

The price of aviation fuel has been raised, too, by 1500 yuan a ton, said the National Development and Reform Commission (NDRC).

The prices of natural gas and liquefied petroleum gas (LPG), however, remain unchanged.

Urban and rural residents and the farming and fertilizer production sectors have, however, been exempted from the increased electricity charges. Areas in Sichuan, Shaanxi and Gansu hit by the May 12 quake too have been exempted, the NDRC said.

The government was forced to raise oil prices from midnight last night, the first time in eight months, because of the soaring price of crude in the international market.

The move is expected to bring some relief to domestic refineries, which have been reeling under losses, and ensure a stable supply of oil in the market. "The increase in the prices will benefit domestic oil companies," the NDRC said in a statement yesterday.

The price of crude oil in the international market has crossed \$130 a barrel. Crude price is linked fully with the international market in China, while prices of refined petroleum products are still controlled by the government.

Because of the big gap between the high crude price abroad and the relatively low price at home, China's oil refineries have suffered huge losses.

The country's largest refinery, Sinopec, incurred a loss of more than 20 billion yuan in its refining business in the first quarter of this year.

The largest oil company, PetroChina, saw its net profit fall by more than 30 percent in the first

three months, with losses in its refining wing being the biggest contributor.

Analysts said the high consumer price index (CPI) in recent months had been a deterrent for an increase in oil prices.

The country's CPI, the main gauge of inflation, rose 8.5 percent year-on-year in April. It was 8.3 percent in March and a nearly a 12-year-high of 8.7 percent in February.

It, however, dropped to 7.7 percent in May, paving the way for the government to increase oil prices, an analyst said.

But increased oil prices could push up the rate of inflation, Zhou Dadi, vice-director of China Energy Research Society said.

Electricity charges

The government will raise the electricity tariff to prevent power companies from incurring further losses.

The price of coal will be brought under government control temporarily, the NDRC said, because soaring coal price is the main factor behind higher electricity charges.

The increase in power tariff will help the development of desulfurization equipment in the power plants, and renewable energy sources such as wind power and biomass power, the NDRC said.

The increase in power tariff will not create a big impact on the CPI because urban and rural residents have been exempted.

China steps up bio-gas pools

June 20 (China Daily) -- China and Asian Development Bank (ADB) have decided to step up construction of bio-gas pools in Asia's rural communities to deal with energy crunch in villages amid rising prices of oil and grains.

The ADB has agreed on a \$1 million grant to China, which has been successfully burning bio-gas in rural areas for cooking and lighting, according to the ADB's senior official.

"We are discussing the details now and hopefully we can start a new round of

cooperation in biomass energy with China next year," ADB's East Asia Development Director General Klaus Gerhaeusser told China Daily yesterday. "We hope the projects can work and act as examples for other Asian countries."

He said the grant would be used to help Chinese rural communities construct large-scale bio-gas pools and summarize technical solutions, which may be transferred to other Asian countries.

Vice-Minister of Agriculture Wei Chao'an said the combination of ADB's commitment and China's experiences in biomass energy use can help find "reasonable approaches" to fix the energy headaches in villages in both China and the rest of Asia.

"Our strength lies in converting waste into energy, instead of burning grains such as corns," Wei said. "It is not a threat to grain security and a culprit of rising prices."

Generally, Chinese farmers recycle crop straws, grass, husk and animal dung and use it as bio-gas and the process can produce fertilizer, which is organic and environmentally friendly for farming.

The country produced 750,000 tons of bio-ethanol last year, and it is scheduled to boost output to 5 million tons by 2010. Twenty-six million households in the country's rural areas were using methane for cooking and heating by the end of last year, and another 5 million households will join the group this year.

"Every bio-gas pool is a micro eco-friendly system, which can combine solutions to environmental pollution and energy crunch," Wei said. "We hope we can spread the solutions to other countries of Asia with help from ADB."

China has already helped farmers in Laos and Cambodia construct bio-gas pools. "With our expertise, we are looking forward to contributing to other countries."

Asian countries have shown great interest in using biomass energy in rural regions and are learning from China's experiences. Today, the government representatives from ASEAN+3 (China, Japan and South Korea) mechanism are signing a joint declaration in Beijing to show commitment in biomass energy cooperation.

Wei said China would stop approving bio-ethanol projects that used corn and wheat but would encourage using non-grain materials such as cassava and straw. This is because corn is an important feed material in China, and developing corn-consuming bio-ethanol would affect the supply of meat and eggs.

He also said the government would rather use non-grain plants that commonly grow in the wild and salt land to produce bio-ethanol, so it would not take away farmland and reduce grain production.

China has already formed a legislative framework in biomass use. It encouraged the development of bio-energy within the Renewable Energy Law that took effect last year, as well as the Mid- and Long-Term Development Program for Renewable Energy.

CNOOC strikes Qatar LNG deal

June 25 (China Daily) -- China National Offshore Oil Corp (CNOOC), the country's largest offshore oil producer, signed a 25-year purchase agreement of liquefied natural gas (LNG) with Qatar on Monday.

According to the long-term agreement, CNOOC, operator of China's first LNG terminal, will buy 2 million tons of LNG per annum from Qatargas Operating Co, the company said in a statement.

The gas will be shipped to five LNG terminals in Guangdong, Fujian, and other coastal areas in China, using Q-Flex and Q-Max LNG carriers, the most sophisticated carriers in the world.

"Qatar is one of the world's leading LNG producers and exporters, and China is believed to have the most potential market for LNG, so the deal will benefit both sides, as well as boost the energy cooperation between two countries," said Fu Chengyu, chairman of CNOOC.

The two companies reached an initial agreement on the deal in April, during Qatari Prime Minister Sheikh Hamad bin Jassim bin Jabr al-Thani's visit to Beijing. China's priorities of energy security and sustainable development have boosted demand for clean and efficient energies. The country is seeking to increase the use of

natural gas to 9 percent of the primary energy consumption by 2010 from the current 3 percent, which has in turn promoted the development of the LNG industry.

Operated by CNOOC, China's first LNG terminal in Guangdong province started operation in 2006. At present, the company is constructing LNG facilities in Shanghai, Futian in Fujian province and Ningbo in Zhejiang province, which will be put into use in 2009. It is estimated that the company will ship 60 million tons of LNG to China by 2020.

Earlier this month, CNOOC signed an agreement with Total Gas and Power Limited (TGP) to purchase up to 1 million tons of LNG annually starting from 2010.

The gas will be sourced from Total's global LNG portfolio, based on its participation in over 10 liquefaction projects worldwide, and on TGP's trading activities, said a Total China source on June 16.

PetroChina, the country's largest oil producer, also started construction of its first LNG terminal in Dalian, a port city in Liaoning province in April.

The project, with a total investment of more than 10 billion yuan (\$1.45 billion), consists of a wharf, a receiving facility and transportation pipelines. It is designed to receive supplies from Qatar, Australia and other overseas markets.

Sinopec refutes 'hefty storage behind fuel shortage' report

June 12 (Xinhua) -- China's leading refiner Sinopec Wednesday refuted a media report that refiners in the country were keeping a high storage amid spreading fuel shortage.

Sinopec was not at all piling up oil products and was endeavoring to guarantee market supply, a Sinopec source who declined to be named told Xinhua.

An industry report by the Shanghai-based information provider C1 Energy said some domestic oil enterprises were keeping an ample

reserve amid the fuel shortage, carried by Wednesday's Shanghai Securities News.

"These efforts included restructuring product mix to produce more oil products, diesel in particular, entrusting local refineries to turn out more products, continuing importing oil products and guarantee fuel demands in important agricultural provinces of Shandong, Hebei, Shanxi and Shaanxi," the Sinopec source said.

John Chu, information director of C1 Energy, told Xinhua on Wednesday that one reason for the fuel stock increase was that in recent months oil product supplies surpassed actual demand. The other reason was that Sinopec and PetroChina, as well as some independent wholesalers, were in control of fuel resources.

Figures showed the country's apparent gasoline consumption (production volume plus net import volume) that stands for the basic supply level stood at 20.29 million tonnes from January to April, up 17.9 percent year on year. In contrast, the apparent diesel consumption reached 44.996 million tonnes in the same period, up 14.8 percent year on year.

However, Chu predicted the actual annual fuel demand growth in the first half of the year would hover between 6 to 7 percent, slightly higher than previous years, but far from the supply growth pace.

PetroChina, the country's largest oil producer, and Sinopec vowed earlier this month to expand production, cut exports and increase imports to ensure the growing supply on the domestic market partly due to the after-quake reconstruction and summer fuel consumption season.

These efforts would speed the domestic gasoline and diesel supply in the first half by 15 percent to 18 percent year on year, predicted the report.

The short supply of diesel broke out again in some localities in past weeks, including the southern Guangdong Province, the eastern Shanghai Municipality and Zhejiang Province and the northeastern Liaoning Province, where thirsty vehicles in long lines waiting to be fueled, Chu said.

On the flip side, oil product stock by Sinopec and PetroChina in Shanghai topped 111,400 tonnes by May 27, an amount which could meet the local demands for eight days. In Guangdong it surpassed 900,000 tonnes by the end of May, enough to quench local demands for 20 to 23 days, according to CI Energy.

Chu added on the one hand, domestic oil companies were piling fuel stock preparing for the coming energy peak season in summer. On the other hand, they were grudging having to sell amid the surging international crude oil prices.

Industry watchers held that international crude price increases have put the government in a dilemma -- to increase market supply of oil products. It then has to increase diesel and gas prices to encourage refineries.

However, price increases would bring new pressure on its efforts to curb the consumer price index (CPI) growth. It rose 8.5 percent year on year in April after a 8.7 percent increase in February, an 11-year high.

The government has set an annual CPI target of 4.8 percent for the year.

Sinopec said last month that it received 7.1 billion yuan (\$1.03 billion) in oil subsidies in April, following the 5 billion yuan in government subsidies in 2006, 4.9 billion yuan in 2007, and 7.4 billion yuan in the first quarter this year.

However, Asia's top refiner said this big subsidy could only compensate for half its losses.

Chinese oil refiners have suffered great losses as they have been unable to pass on surging international crude prices to customers because of the government's price controls.

"The government should step up supervision of oil companies' reserves and urge them to sell stored products to ease fuel shortage," said the report. It added that a market-oriented competitive system should be in place for the long-run.

China building 1st coalbed methane pipeline to ease energy strains

June 25 (Xinhua) -- China has begun construction on its first coalbed methane (CBM) pipeline, which is intended to help ease energy strains.

Capable of carrying 3 billion cubic meters of CBM each year, the 35-kilometer line will link the Qinshui Basin in North China's Shanxi Province with the east-west natural gas pipeline, the China National Petroleum Corp, builder of the line, said on Wednesday.

The company didn't give information on costs or dates for completion and operation.

"The project will make use of CBM in a more economic way and supplement sources for the west-east gas pipeline and ease the gas supply strain," the country's largest oil and gas producer said in a statement.

It added that natural gas supplies will fall 60 billion cubic meters short of demand in China by 2010.

It said China's CBM reserves were about 30 trillion cubic meters. The largest reserves are in Russia and Canada.

The pipeline starts at Jinfeng Village, Qinshui County and ends at the Qinshui pump station of the west-east gas pipeline. Welding work began on June 6.

Methane in coalbeds has frequently led to deadly mine explosions in China. The government has been encouraging the utilization of the gas as fuel or for power generation and chemical production since the 1990s.

As of the end of April, CBM-to-power plants had a total installed capacity of 710,000 kilowatts, up 137 percent from the end of 2005, according to the energy bureau of the National Development and Reform Commission.

Step on the gas

June 16 (China Daily) -- Dazhou, a city in the easternmost part of Sichuan province, will make full use of its natural gas reserves to build itself into Asia's largest sulfur producing base by the year 2010. That's when its annual sulfur output is expected to surpass 4 million tons, according to Dazhou Mayor Luo Qiang.

Located at the juncture of Sichuan, Hubei, Shaanxi provinces and Chongqing municipality, Dazhou, which has easy transport facilities, boasts natural gas reserves of 3.8 trillion cu m, of which 660 billion cu m are proven.

"Dazhou, whose annual natural gas output is expected to reach 20 billion cu m in 2010, is one of the natural gas fields in China with the most promising development potential after the Tarim and Erdos natural gas fields," Luo tells China Business Weekly.

Dazhou's natural gas has high sulfur content, and in some of its natural gas wells the content of sulfurated hydrogen from which sulfur produced is more than 17 percent.

In recent years, Dazhou, hoping to become western China's natural gas, energy and chemical industrial base, has attracted domestic and overseas firms interested in its natural gas resources.

Earlier last month, a Chinese subsidiary of the Chevron Corp announced the opening of an office in Dazhou to support the US oil giant's local natural gas operations. The move came after a 30-year production sharing contract signed between Chevron and PetroChina, the listed subsidiary of China National Petroleum Corp (CNPC), the country's biggest oil and gas producer, in December.

In Dazhou, Jim Blackwell, president of Chevron Asia Pacific Exploration and Production Co, says the contract became effective in February.

The contract, for the development of a 1,969-sq-km natural gas field in the onshore Sichuan Basin, made the CNPC-Chevron cooperation the largest inland exploration project by a foreign firm in China.

According to Chevron, the company and CNPC expect to build two sour gas plants with a throughput capacity of approximately 740 million cubic feet of natural gas per day. The gas field has natural gas proven reserves of 175.97 billion cu m.

Because demands exceed production, sulfur prices have been steadily on the rise in the world market, according to Qi Yan, executive director of the China Sulfur Industrial Association.

"In January last year, my company spent less than 2,000 yuan importing 1 ton of sulfur, but it has to pay 5,800 yuan for the same amount of sulfur at present," says Tang Shenghui, an official with the Yongli Chemical Industrial Shareholding Co Ltd in Zhuzhou, Hunan province, in the National Sulfur-related Chemical Industrial Forum held recently in Dazhou.

China's annual sulfur output is 1 million tons, while its domestic consumption exceeds 10 million tons. Each year, the country has to import about 9 million tons from abroad.

"Rising prices in the international sulfur market have had an adverse effect on many industrial sectors in China, and development of sulfur in Dazhou will be significant for the country's sulfur-related chemical sectors," Liu says.

Sulfur is indispensable to production of phosphate fertilizer, rubber, pesticides, medicine, food additives and lubricating oil.

"Dazhou has built a natural gas, energy and chemical industrial park with an area of 30 sq km and the sulfur-related sector has become an important component of the park," Luo said.

"When construction of desulfurizing plants invested by China Petroleum and Chemical Corp and CNPC is finished, Dazhou's annual sulfur output will surpass 4 million tons in 2010, accounting for half of the country's total," he said.

Soaring energy demand and the government's support of natural gas use has boosted China's natural gas development.

The country has experienced double-digit growth in natural gas output and consumption in each of the past three years.

According to statistics of the China Petroleum and Chemical Industry Association, China produced 69.31 billion cu m of natural gas in 2007, up 23.1 percent from a year earlier.

Oil from coal

June 9 (China Daily) -- With oil prices at historic highs, China is moving full steam ahead with a controversial process to turn its vast coal reserves into barrels of oil.

The possibility of obtaining oil from coal and being fuel self-sufficient is enticing to coal-rich countries seeking to secure their energy supply in an age of increased debate about how long the world's oil reserves can continue to meet demand.

The United States, Australia and India are among those countries looking at coal-to-liquid (CTL) technology, which, industrial experts say, releases excessive amounts of carbon gases into the atmosphere and consumes huge amounts of water.

However, China is building a major complex on the grasslands of Inner Mongolia autonomous region.

"Those countries with large coal reserves, like South Africa, China or the United States, are very keen on CTL as it helps ensure energy security," says Yuichiro Shimura at Mitsubishi Research Institute Inc (MRI) in Tokyo.

"However, the problem is that it creates a lot of carbon dioxide. Also you need a huge amount of energy for liquefaction, which means you end up wasting quite a lot of energy," the chief consultant at MRI in charge of energy tells reporters.

In Erdos, Inner Mongolia, about 10,000 workers are putting the final touches to a CTL plant that will be run by State-owned Shenhua Group, China's biggest coal mine.

The plant will be the biggest outside of South Africa, which adopted CTL technology due to

international embargoes on fuel during the apartheid years.

"We cannot fail," Zhang Jiming, deputy general manager at Shenhua Coal Liquefaction, tells reporters. "If things go smoothly, we will start with the expansion next year," he says.

The plant will start operating later this year and is expected to convert 3.5 million tons of coal per year into 1 million tons of oil products such as diesel for cars.

That's the equivalent of about 20,000 barrels a day, a tiny percentage of China's oil needs as oil consumption in China is around 7.2 million barrels a day.

If all goes well, then Inner Mongolia will push on with an ambitious plan to turn half of its coal output into liquid fuel or chemicals by 2010. This would be around 135 million tons, or about 40 percent of Australia's annual coal output.

The region, as big as France, Germany and England put together, hopes CTL will propel development while contributing to China's plan to have CTL capacity of 50 million tons by 2020.

That would be about 286,000 barrels a day, or about four percent of China's energy needs based on current consumption.

US looks to CTL

CTL is also being considered by a number of coal-rich countries such as the United States, which has the world's largest coal reserves.

The relatively low cost of CTL produced oil given current oil prices, plus the chance to be more energy self-sufficient is a powerful incentive.

The technology is being seen in some quarters as offering an opportunity for the US to reduce its dependency on other countries for oil and a small US CTL industry is emerging.

DRKW Advanced Fuels plans to start construction on a plant in Wyoming next year in partnership with Arch Coal Inc and with technologies licensed by General Electric and Exxon Mobil. The defense department is experimenting with CTL in an effort to cut reliance on fuel from countries unfriendly to the US.

But CTL is highly controversial. Experts say the whole lifecycle releases about twice as much carbon dioxide, the most common greenhouse gas, as fossil fuel. Liquefying coal also requires large amounts of energy and drains water supplies.

"If there is no good solution for CO₂, the (CTL) industry will not flourish," Chen Linming, executive vice-president at Sasol China, told a conference last month, urging the government to support carbon capture and storage technology.

Shenhua and Sasol are conducting a feasibility study to build two more CTL plants in the provinces of Shaanxi and Ningxia.

Water, electricity

Whether CTL technology could ever be used on a large-scale will depend on how coal companies deal with the massive amount of water used in the process.

China faces serious water shortages and the Gobi desert, which spans across Inner Mongolia, is expanding rapidly. There are drinking water shortages in Northwest China and ground water levels are sinking every year.

Shenhua plans to use ground water and recycled water from coal mines to supply the 8 million tons it will need a year.

Yet Zhang said it would need to tap other sources, such as the Yellow River, in the second phase. He would not disclose how much the company spent to build the complex, or how much carbon dioxide it is expected to emit.

"There's no doubt with oil at over \$100 a barrel, CTL is very economic ... However the constraint is the availability of water," says Michael Komesaroff from Urandaline Investments.

"If China's primary concern is energy security, then I think you would want to take the most efficient way of using the resources," says WWF's Kendall.

"If you turn coal into electricity at high efficiency, and charge electric vehicles, you can get three times as many kilometers per unit of coal."

Climate Change and Air Pollution

Hu urges enhanced efforts to cope with climate change

June 28 (Xinhua) -- Chinese President Hu Jintao is urging the country to contribute further efforts to the global fight against climate change.

Hu, also general secretary of the Communist Party of China (CPC) Central Committee, made the remarks in Beijing on Friday at a group study for the Political Bureau of the CPC Central Committee. The study focused on global climate change and the country's ability to tackle the issue.

"How we cope with climate change is related to the country's economic development and people's practical benefits. It's in line with the country's basic interests," he said.

He stressed, as a developing country, China should stick to the responsibilities and principles listed in the United Nations Framework Convention on Climate Change and its Kyoto Protocol. He hoped developed countries could step up efforts on emission reduction and provide financial and technical support for developing countries.

It was written in the 17th National Congress of the CPC report to "give prominence to building a resource-conserving, environment-friendly society in our strategy for industrialization and modernization and getting every organization and family to act accordingly."

Hu urged related organizations and companies to strive to reduce the emission of greenhouse gases by optimizing energy management in a scientific way. He mentioned methods such as promoting recycling economy, increasing forest coverage, exploring water resources scientifically and strengthening global cooperation.

He stressed to enhance the country's abilities to monitor, forecast and withstand extreme natural disasters as a result of abnormal weather.

"Our task is tough, and our time is limited. Party organizations and governments at all levels must give priority to emission reduction ... and bring the idea deep into people's hearts," the president said.

Luo Yong, a researcher with the National Climate Center under the China Meteorological Administration, and Tsinghua University Professor He Jiankun instructed the study and presented the findings on the issue.

The hydrological and meteorological departments in the southwestern Sichuan Province issued a flood warning on Friday, forecasting the summer flooding was likely to be the biggest in a decade and would come at the beginning of July, earlier than in past years because of the effect of abnormal rainfall in May.

China, US sign 10-year energy, environment framework

June 19 (Xinhua) -- China and the United States signed a 10-year energy and environment cooperation framework in Washington Wednesday after the two nations concluded their fourth round of Strategic Economic Dialogue, or SED.

Speaking to reporters before the signing ceremony at the US Treasury Department, visiting Chinese Vice Premier Wang Qishan said the deal was "a major achievement of the meeting," which will influence future bilateral economic cooperation and contribute to the sustainable development of the world.

The framework also highlights the great importance and strategic influence of the SED mechanism, he added.

US Secretary of Treasury Henry Paulson said through the framework, "we will address some of the most important and difficult challenges facing our nations and the world today -- energy security, environmental sustainability and climate change."

He said interests of China and the United States in this area are "very aligned."

"We seek energy security -- which is so vital to our economic security -- while taking the necessary steps and making the necessary technological advances to preserve the health of our planet," said Paulson.

"Success in this area will require a sustained long-term effort by our two countries," he said.

The 10-year energy and environment framework sets goals and lays out steps to expand Sino-US cooperation in this area over a period of 10 years.

There are five initial goals to be addressed under the framework, including clean, efficient and secure electricity production and transmission; clean water; clean air; clean and efficient transportation; conservation of forest and wetland ecosystems.

Five joint Sino-US taskforces will be established to develop action plans focused on concrete cooperation for each goal with the aim of completing all of these action plans by the next SED.

China and the United States also agreed to explore the concept of Ecopartnerships as a potential vehicle for implementing goals of the framework at next round of SED talks.

Wang and Paulson co-chaired the June 17-18 SED meeting as special representatives of the state leaders of the two countries in Annapolis, Md.

Participants of the talks include minister-level officials and other senior officials from the two governments.

Aside from cooperation in energy and environment, the meeting also focused financial and macro economic management, developing and protecting human capital, the benefits of trade and open markets and enhancing investment.

Environment: Monitoring system for clean air put in place

June 25 (China Daily)-- An air quality monitoring and warning system to help guarantee clear skies for the Beijing Olympics in August has been fully implemented, scientists have said.

The 20-million-yuan (\$2.9 million) project was jointly launched by the Beijing authorities and the Chinese Academy of Sciences (CAS), Liu Wenqing, the project's chief scientist and a professor of the Anhui Institute of Optics and Fine Mechanics under the CAS, told China Daily recently.

The project includes 11 air quality monitoring stations and three mobile surveillance vehicles that have been deployed in the capital.

Another 14 monitoring stations in a dozen cities surrounding Beijing will also provide data.

The information collected is expected to help authorities in the commitment to hold a green Olympics by targeting major polluters.

"Beijing's major pollutants - nitrogen oxides, sulfur dioxide, particulate matter, ozone and carbon monoxide - come from sources including vehicle exhaust, factories and volatile organic compounds in gas stations," Liu said.

The project is an extension of a trial held during the "Good Luck Beijing" test events for the Olympics.

Following the trial to monitor air quality, Beijing authorities launched a four-day experiment to see whether pulling 1.3 million cars off the capital's roads each day in an even-and-odd license plate rule that allowed them to drive into the city on alternate days would be effective in reducing air pollution during the Olympics.

During the experiment, the amount of pollutants in the city decreased by 17 to 28 percent, while the daily average pollutant levels met the national standard II, a standard accepted by the International Olympic Committee, Liu said.

The traffic control measures can help improve the city's air quality significantly, Liu said.

"Vehicle emissions contribute 60 to 70 percent of air pollution in Beijing and these pollutants can usually stay in the air for three to four days," Liu said.

"The oncoming two-month traffic control measure, scheduled to start from July 20, three weeks before the opening of the Games on Aug 8, is also expected to see good results," he said.

About 70 percent of the monitoring devices used in the latest project are domestically made hi-tech equipment that measure dozens of pollutants, including nitric oxide, carbon monoxide, methane, ammonia and volatile organic compounds, scientists said.

The rest are foreign-made equipment used to measure four types of pollutants - sulfur dioxide,

nitrogen dioxide, ozone and the particulate matter PM 10.

The monitoring methods of the project are in accordance with world-advanced technologies and listed as verified technologies by the US Environmental Protection Agency, researchers said.

Ulrich Platt, a professor from the Institute for Environmental Physics under the University of Heidelberg in Germany, the initiator of one of the techniques used in the project, praised the air quality monitoring system.

"It is amazing that China achieved such progress in such a short period, almost in sync with developments in developed countries," Platt said in March when he visited the Anhui Institute of Optics and Fine Mechanics, which produced equipment used in the project.

Zhang Lijun, deputy director of the State Environmental Protection Administration, had earlier said he has full confidence in anti-pollution plans drawn up for the capital and five surrounding provinces.

"Our experts predicted that the standard of air quality can be guaranteed and the green commitment we made can be fulfilled," Zhang told a news conference in March.

As part of the green drive, the Beijing authorities have so far shut down polluting factories, enhanced supervision for construction, upgraded emission standards, reduced coal burning and controlled volatile organic compounds in gas stations. The city is also continuing to expand its public transportation system.

Still, experts have said that the weather and geographical conditions in Beijing and nearby areas play a decisive role in the accumulation and dispersion of regional air pollutants, particularly in summer.

Normally, winds from south and southeast sweep Beijing in summer, blowing the pollutants to the north and northwest, where mountains slow down the spread of the pollutants.

But if winds are strong enough, pollutants will disperse rapidly, experts have said. Rains also help clean the air of dust significantly.

Beijing sky gets bluer as pollution controls pay off

June 20 (Xinhua) -- BEIJING - The Chinese capital had 115 "blue sky" days, with fairly good air quality, between January 1 and Wednesday.

The number of "blue sky" days was 12 more than the same period last year, according to the Beijing Municipal Environmental Protection Bureau.

It was a clear sign that years of anti-pollution efforts by the Olympic host city continue to pay off, said Du Shaozhong, the bureau's deputy chief and spokesman.

"As far as air quality is concerned, I'm fully confident that Beijing will fulfill its commitment of hosting a 'Green Olympics'," said Du.

Major pollution indices, including concentrations of sulfur dioxide, carbon monoxide, nitrogen dioxide and particulate matter, fell markedly.

Beijing has spent more than 120 billion yuan (US\$17.1 billion) to improve its air quality, and the number of "blue sky" days increased to 246 last year from 100 in 1998, when the capital launched the "blue sky" campaign.

Beijing's neighboring municipality Tianjin and the nearby provinces of Hebei, Shanxi and Shandong, plus the Inner Mongolia Autonomous Region, are helping the capital attain its anti-pollution goals. These efforts include closing major polluters, removing obsolete taxis from the roads and retrofitting gasoline stations to capture harmful chemicals.

Beijing aims to have 70 percent of the days up to standard this year, so there should be at least 256 "blue sky" days.

The municipal government slashed public transport fares last year in an attempt to lure local residents out of their private cars, which could cut emissions. The city also converted 18,000 obsolete coal-fired boilers and installed electric heaters in 20,000 detached houses, replacing coal-heated devices.

Beijing is also considering traffic controls during the Olympics, in which drivers with even- and odd-numbered license plates, except taxis, buses and emergency vehicles, would only be able to drive on alternate days. Offenders would be fined.

During a test of this proposal conducted from August 17-20, 2007, about 1.3 million cars were taken off the city roads each day and the amount of pollutants discharged was cut by 5,815.2 tons, according to a report by the Beijing Municipal Bureau of Environmental Protection.

Apart from introducing new discharge standards for coal-fired boilers in late June, the national capital will also try other measures to limit atmospheric pollution this year, said Du.

They include getting 6,400 obsolete motor vehicles off the roads, such as mass transit, sanitation and postal service vehicles, plus 2,000 cabs.

Beginning March 1, the city also imposed new vehicle exhaust standards in line with those practiced in developed nations in Europe.

Experts predict the newly adopted exhaust standards for motor vehicles will help reduce pollutant discharges by about 50 percent.

Capturing CO2

June 9 (Xinhua)-- While the energy industry is using new technologies such as Integrated Gasification Combined Cycle (IGCC) to reduce its carbon footprint in new power plant construction, Alstom is exploring another path to cut carbon dioxide emission by using CO2 capture and storage (CCS) technology for existing power plants.

Alstom presented its clean power strategy in China with the aim of providing a commercially viable solution for carbon capture by 2015 during the recent Alstom Power Convention 2008 in Beijing.

CCS, also called carbon sequestration, captures carbon dioxide after it is produced and injects it underground.

There are three main technology paths for CO2 capture: pre-combustion, oxy-firing and post-

combustion, while CCS refers to post-combustion.

Alstom says that it concentrated its R&D efforts on the latter two as they can be used for both existing and new power plants, while pre-combustion can only be used for new plants.

Alstom, whose equipment is used in more than 25 percent of existing power plants worldwide currently has nine pilot plants in operation around the world and is aiming to market its post-combustion technology by 2015, and its oxy-firing solution by around 2020.

Global power generation accounts for about 40 percent of overall CO₂ emissions. It will double by 2030 from today's level, with CO₂ emissions increasing by two thirds.

"As we cannot take fossil fuels out of the mix very quickly, but CCS plays a central role in reducing global emissions so fossil fuel remains an important part of the energy mix," said Philippe Joubert, Alstom executive vice-president and president of Alstom Power Systems. "This is especially the case for China where coal in the overall power generation is expected to remain at its current level of 78 percent by 2030."

This is crucial for China with its need to upgrade its existing power facilities to meet international environmental standards. In order to refine its carbon capture solutions, Alstom is currently testing its post-combustion and oxy-firing technologies at nine pilot plants located in Germany, France, Norway, Sweden, the United States and Canada, Joubert says.

"There is no economic growth without expansion in the power sector, which also means increased emissions," he says. "The good news is that adapting clean power technologies allows countries like China to address environmental challenges without jeopardizing economic growth."

Yet, the case may not be so clear.

Supporters say carbon capture has the potential to reduce more than 90 percent of an individual plant's carbon emissions.

Capturing carbon dioxide from small, mobile sources, such as cars, would be more difficult, says Lynn Orr, director of Global Climate and

Energy Project (GCEP), but adds that fossil-fuel power plants would be ideal candidates for the technology.

The greatest concern surrounding carbon dioxide storage is the potential for it to leak, researchers say. "But if you do it right, if you select the site correctly and monitor, it can be near permanent," says Sally Benson, executive director of GCEP.

Skeptics don't agree. "CCS is still at an experimental stage. It is too short to prove the technology is safe and feasible," said Zhang Jianyu, China program director of US-based Environmental Defense.

"And the process takes energy, adding to inefficiency and meaning more fuel must be burned. Furthermore, as the government hasn't set requirements for reducing CO₂ emissions, there are no economic incentives or mandatory policies to promote the use of CCS in China. "

The world's biggest CCS project in the Sleiper field in Norway, is reportedly going well. But oilfields are often a long way from the places where power is produced. Even if carbon can be stored in quantity without leaking, it will have to be transported around the world first, according to the Guardian newspaper.

Yet CCS is an "important solution" to fight global warming, says Rajendra Pachauri, chairman of a United Nations panel of scientists who shared the Nobel Peace Prize with Al Gore. "Although much more effort is needed to get the technology widely adopted, we need to use everything at our disposal to curb global warming."

Joan MacNaughton, senior vice-president general administration, Alstom Power System, urged the Chinese government to deliver regulatory clarity to CCS.

"In addition to the efforts made by enterprises from the technology view, the government should provide support both financially and legally promote the CCS projects," says MacNaughton. "I have been working with government departments for 35 years. My experience is if governments don't pay much attention to environmental related projects and issues, the results will be discounted."

Oil exporter Norway aims to get CCS projects included in the Clean Development Mechanism (CDM), under the Kyoto Protocol which allows developed countries with a CO₂-reduction commitment to buy carbon credits from developing countries.

Others argue that renewable energy incentives and subsidies, such as feed-in tariffs, should be adopted for the CCS projects.

Jeff Chapman, chief executive of the Carbon Capture and Storage Association (CCSA) says the current problem of CCS is not the technology but the regulatory policy. He says the best way to promote CCS will be to set a cap on carbon emissions so as to allocate tradable carbon credits for CO₂ captured and stored.

People need to accept life without plastic bags

June 18 (China Daily) -- Valid from June 1, retailers are banned from giving free plastic bags to their customers. And the production and distribution of ultra-thin plastic bags are also prohibited.

A move to reduce the use of plastic bags as well as the pollution caused by these bags, the ban won positive comments from the public, the academia and the global community as well.

Some media reports suggest that the use of plastic bags has been significantly reduced after the ban. And some have applauded the satisfactory implementation of the rule.

Under this new rule, costumers have to pay for the plastic bags. In financial sense, it means collecting taxes from their users although the money is now pocketed by the retailers.

As mentioned above, many may stop using plastic bags for the extra cost on top of their use in supermarkets or shopping malls because they have always got them free of charge.

However, the minor cost would not be strong enough to change people's choices. It is possible that costumers would accept paying for plastic bags and the number of these bags will stay at its original level. After all, they do not have an alternative as convenient and inexpensive as plastic bags.

Admittedly, plastic bags pose threats to the environment: they take hundreds of years to degrade and plastic particles from such bags and other plastic goods contaminate seawater, land, and air throughout the world.

But the popularity of the plastic bag across the world is a choice of businesses, customers and the market for decades. Plastic bags are easy to clean and carry, they are water-proof and most importantly, inexpensive.

Compared with plastic, bags of other materials, including those made of paper and cloth, do not have the same advantages. And they could also cause environmental problems. Paper is made from trees; papermaking and textile are both industries producing huge amounts of sewage, which might pollute rivers and seas.

Moreover, paper and cloth bags are not easy to carry around. Convenience is an important element to change consumers' preference, which is why supermarkets have largely replaced the traditional retail outlets.

It is hard to imagine customers walking out of supermarkets or small shops with hands full of grocery items. Nor is it realistic to expect people take cloth or paper bags every time they go shopping. Moreover, the cloth bags need to be washed now and then, while the paper bags cannot be used to carry heavy things.

There is a view that the State ban against plastic bags goes beyond reducing the number of plastic bags, and actually advocates conservation of resources, natural lifestyle and environmental protection.

It is true that everyone wishes to live in a good environment. However, it is also necessary to stress that economic development, public welfare and environmental protection have a complex relationship among themselves.

Most of our manufacturing and consumption, such as papermaking and automobiles, have environmental influences.

Most people condemn pollutant producers in ethical terms. But the polluters did not produce just to destroy the environment, but to satisfy the demand of consumers. In a sense, the environment is an indispensable input for economic development.

The consumers should also realize that pollution is inevitable, though the degree differs, when they require the industries to produce certain commodities they need.

A renowned economist said that tolerance to dirtiness is a precondition for getting rich. It is true. When the economy develops to a relatively high level, people become less tolerant to environment problems and are more ready to pay the costs of protecting environment.

This process is what we call "pollute first and treat later". Definitely, it is not economical, but the experiences from economic development across the world prove it is hard, or even impossible, to avoid.

The environment protection has a close relationship with economic development and it could not go beyond the latter.

By now, several developed countries have restrictions about production and distribution of plastic bags, but few have the same harsh stipulations as that in China. Do they not worry about the environment risk of plastic bags? They did not ban the bags as we did for they found their alternatives might be even more costly.

It is reported that the Chinese consumers use 3 billion plastic bags every year, which need 13,000 tons of crude oil to produce. If this oil was saved from producing plastic bags, how could they be used? As fuel for automobiles? Is this change less threatening to the environment or is it more decent in ethical terms? As long as it is spent to boost consumer interests or public welfare, the oil has not been wasted.

As a national law, the plastic bag ban should be abided by in metropolises as well as in small towns. But the supervision over its full implementation might be difficult. If those violating the rule in cities are punished while those in remote areas are not, it would obviously harm the authority of the law.

Reducing the use of plastic bags is, of course, an environment-friendly move, but it should be carried out with proper arrangements. It would have been more convenient to consumers if the ban had been issued after practical alternatives to plastic bags were made easy to get and substantial improvement was made in recycling plastic bags.

About two decades ago, it was proposed that disposable chopsticks should not be used in order to protect the forests. And several rules and regulations were issued to support it. However, disposable chopsticks are everywhere to be seen even now. Let us wait and see whether the plastic bag ban would be better observed.

The author is deputy director of the Center for Financial Research, Beijing University of Aeronautics and Astronautics

New challenges

June 23 (China Daily) -- Warmer winters have continuously appeared for 16 years in China, and the sea level has risen about 20 to 30 cm over the past 100 years. These and other extreme weather events are raising concern for the implications of climate change in China.

Meanwhile, China's CO2 emission growth is projected to be twice as large as in the OECD (Organization of Economic Cooperation and Development) countries by 2030, although its per capita emissions will still be lower.

The close linkage between air pollution and climate change points to the possibility of addressing these two issues together. Integrating air pollution abatement and climate change mitigation policies will pave the way for a low-carbon economy in Asia, says Cornie Huizenga, executive director at the Clear Air Initiative for Asian Cities (CAI-Asia) Center.

Huizenga was addressing a congregation of government officials and business leaders at the Leadership Program on Environment for Sustainable Development held last month, sponsored by the Center for Environmental Education and Communications under the Ministry of Environmental Protection, HSBC China and Tongji University.

The program, started in 2007, aims to cultivate environmental awareness for government officials who are in charge of frontline environmental protection work, as well as representatives from enterprises, NGOs and media.

With the continuous expansion of cities in Asia and China in particular, the fight against air

pollution and climate change is meeting new challenges, said the CAI-Asia director, adding that it is necessary to examine the impact of such changes.

Urbanization in China will continue over the next 20 years. It is estimated that 350 million people will be added into the urban population by 2025, when there will be 221 cities with more than 1 million inhabitants within the country, according to the study from McKinsey Global Institute.

Energy consumption, in turn, is expected to rise significantly. The study finds out that by 2025, urban China will account for 20 percent of the global energy consumption, taking up to one-quarter of the growth in the world's oil demand.

"The growth momentum would be more obvious if we look at vehicles in China," says Huizenga, pointing out that the number will go up from something like 90 million in 2005 to 405 million in 2035. In Beijing alone, there are 1,300 new vehicles added per day.

"In China, there is a very active air quality management policy. When we are trying to reduce air pollution, we are also doing something to reduce climate change. The strong linkage between them offers potentially large cost reductions compared to treating those policies in isolation," says Huizenga, citing such extreme weather events as drought, storm, strong wind, high temperature and flood as some of the symptoms of climate change in China.

However, the best co-benefit strategies are the ones based on carbon avoidance, rather than reduction, notes Huizenga.

"This is especially relevant for Asia where many of the greenhouse gas emissions are not yet there, unlike Europe and USA where energy and transport sectors are already largely mature."

To combat these challenges, China's National Action Plan on Climate Change and the 11th Five-Year plan (2006-10) have explicit goals to achieve, says Lu Xuedu, deputy head of the Ministry of Science and Technology of China (MOST).

It aims to reduce energy consumption per unit of gross domestic product (GDP) by 20 percent by 2010. China also aims to increase the share of renewable energy to some 10 percent and

strengthen its capacity to combat climate change, with technological innovation identified as the key area to be explored.

However, the impact of these policies probably will not be enough, according to the CAI-Asia director.

"We need to move from awareness to analysis and action in the form of policies and investments. In the future we'll have to intensify climate change action in China, both at the national and local level."

Fuel switching, bus rapid transit systems, green buildings, efficient lighting programs and people's overall behavioral changes are some of the areas that could be explored for solutions to climate change and air quality management, He says.

China also needs appropriate local financing mechanisms that will enable cities to generate clean infrastructure and buildings.

According to Lu, technology remains the key problem in promoting low-carbon economy in China.

The number of approved CDM (Clean Development Mechanism) projects in China by the National Development and Reform Commission reached 1,295 by May 13, 2008, according to the statistics from China's official CDM website.

CDM is an arrangement under the Kyoto Protocol that allows industrialized countries to contribute to reducing greenhouse gases by investing in the energy-efficient technologies in developing countries.

Despite that, the dissemination of cleaner technologies from developed to developing countries still needs to be sped up, says Lu. He also calls for more preferential and free technological transfer to China.

"It's not only about buying advanced equipment and technology. China needs to strengthen its R&D capability in order to meet the challenges of a green future."