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## China issues new auto rules

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BEIJING, June 2, (Xinhuanet) -- The National Development and Reform Commission Tuesday launched a long-awaited new policy for China's fast-growing auto industry, according to Wednesday's China Daily.

The new policy release comes just a year after the commission, one of the major watchdogs for the auto industry, issued a draft policy seeking public opinion.

The new auto policy will substitute for the old one issued in 1994 by the State Council, China's cabinet.

It will both loosen and tighten restrictions on foreign investors in the auto industry from different perspectives.

Foreign investors will be allowed to control stakes of more than 50 per cent in automobile and motorcycle joint ventures (JVs) with Chinese partners "if their JVs are built in China's export processing zones and shoot at overseas markets," the new policy states.

Japan's Honda Motors has a 65 per cent share in a JV with China's Dongfeng Motor Corp and the Guangzhou Automobile Group.

All cars to be produced by the JV, located in the export processing zone in Guangzhou in South China's Guangdong Province -- will be exported.

The new policy will permit foreign investors to create more than two JV plants in China to produce same categories of vehicles, if they join forces with their existing Chinese partners to merge other companies in China.

General Motors (GM), the world's No 1 automaker, has four car JVs in China through mergers of local companies jointly with the Shanghai Automotive Industry Corp (SAIC) -- one of China's top three automakers.

Big Chinese automakers will be encouraged to team up with foreign partners to merge both domestic and foreign vehicle producers to "expand business boundaries in line with the

auto industry's globalization," according to the new policy.

SAIC in late 2002 joined hands with GM and Japan's Suzuki to take over South Korea's Daewoo Motors.

This is the first overseas auto merger involving a Chinese vehicle maker.

The new policy also expects some internationally competitive Chinese automakers to join the ranks of the world's top 500 multinationals by 2010.

SAIC, which also runs a JV with Germany's Volkswagen, has attempted to become one of the top 500.

"These regulations are in accordance with the auto industry's latest development during the period after China's entry into the World Trade Organization and will speed up the restructuring of the fragmented sector," said Jia Xinguang, an analyst of the China National Automotive Industry Consulting and Development Corp.

There are now some 120 vehicle plants in China.

However, if a foreign automaker controls a relatively majority stake in another foreign firm, they will be treated as one entity when it comes to the requirement on the number of Sino-foreign JVs in China, the new policy states.

One of Chinese shareholders must have a stake bigger than the total of all foreign investors, if a Chinese listed automobile, motorcycle or other special-purpose vehicle producer sells its corporate shares, according to the new policy.

"The two requirements are intended to protect Chinese automakers through measures not violating the nation's commitments to the WTO," Jia said.

Foreign automakers appear cautious to comment on the new policy.

"We are studying the new policy and not yet available for comment," said Ye Wen, a communications manager for Volkswagen's China operations.

The new policy will enhance barriers on domestic non-auto investors in the industry.

Automakers in China that "could not maintain normal operations" will be forbidden to transfer their production permits to non-auto and motorcycle enterprises and individuals, it said.

The State will encourage these automakers to regroup assets with other vehicle producers.

If an automaker goes bankrupt, its production permit will be removed.

State to ensure health of auto market

The new policy said total investment of any new auto project should stand at 2 billion yuan (US\$241 million) or more.

Such a project must include a product research and development organization with an investment of no less than 500 million yuan (US\$60.4 million).

"The government hopes to use these regulations to cool overheating investment and overcapacity in the auto industry," said Yale Zhang, a Shanghai-based manager of CSM Worldwide, the US auto industry consulting firm.

"Plans of many non-auto enterprises in China, especially privately owned firms, to enter the industry will be derailed by these regulations."

The auto industry is widely seen as one of the overheated industrial sectors in China, thanks to massive investment from foreign automakers, and domestic State and privately owned enterprises.

Total investment in building new auto-making capacity will amount to 216.6 billion yuan (US\$25.5 billion) by 2007 in China, according to figures released by the commission earlier.

Annual auto manufacturing capacity will total almost 15 million units in China by then.

Sales of domestically-made vehicles grew by 34 per cent to 4.39 million units last year.

The new policy also aims to foster a national united and open auto market mainly depending on private consumption.

All local governments will be forbidden to take discriminatory action on vehicles produced in other regions, the policy said.

"The State will carry out a national unified vehicle registering and checking system, and local governments cannot do likewise in their own ways," it added.

The Shanghai municipal government still imposes much higher charges on private car buyers than in the other regions in China by auctioning car plates in an effort to control car sales and prevent traffic jams in the city.

Average charges for a car plate in Shanghai stood at more than 34,000 yuan (US\$4,100) last month.

A senior official from the Ministry of Commerce claimed around 10 days ago that Shanghai municipal government's action "violates related clauses of the law of road transportation security".

But the municipal government said it will not mend its ways any time soon.

(China Daily)

### Capital addresses energy shortage

By Wang Zhenghua

Updated: 2004-06-30 08:44

To alleviate summer's unquenchable power thirst, Beijing is considering rationing electricity to luxury hotels.

The Beijing Municipal Bureau of Tourism told China Daily yesterday it plans to cut back 20 per cent of star-rated hotels' original power to save energy. If a hotel exceeds its power quota, electricity will be switched off automatically.

An official said the bureau is still discussing the matter and no timetable has yet been announced.

At the moment in China, many regions are confronting a tight power supply.

According to the Xinhua News Agency, the country is facing its most severe power shortage this summer since the 1980s.

Zhao Xizheng, general manager of the State Power Grid Company told Xinhua earlier this month that a gap of 30 million kilowatts is being experienced this summer.

More than 500 luxury establishments are believed to consume a great deal of limited power.

### Hotels targeted

Yu Changjiang, director of the bureau, told Beijing Star Daily that restaurants are being urged to take measures to save energy, though he believes the rationing will target hotels. Temperatures in star-rated establishments are expected to stay above 26 from 7pm to 9pm, because these two hours are believed to be the peak of electricity consumption. An alarm will be sounded when the hotel has nearly run out of its restricted electricity to notify guests of a sudden blackout. In addition, these hotels are advised to shut down air-conditioners when they are not needed. The bureau also suggested hotels stagger peak hours of power consumption.

Government departments and other institutions are also called on to participate in the energy-saving campaign. Starting next month, air-conditioners in government establishments are only allowed to operate for eight hours a day.

Feng Beibei, an official with the Ministry of Public Security, told China Daily that hand-driers in the bathrooms of his office building are now turned off.

### Energy development program approved

[www.chinaview.cn](http://www.chinaview.cn)  
2004-06-30 23:04:27

BEIJING, June 30 (Xinhuanet) -- China's cabinet approved in principle the draft of China's medium- and long-term energy development program, covering the period from 2004 to 2020, at its executive meeting Wednesday.

The meeting, chaired by Premier Wen Jiabao, held that to solve China's energy problem, efforts must be made in the following areas:

-- Make energy conservation the top priority. Energy conservation systems and measures should be carried out comprehensively and strictly to substantially improve the efficiency of energy utilization.

-- Adjust and optimize the energy structure. Pursue an energy development strategy with coal forming the mainstay and electricity the

center of the energy structure, while promoting comprehensive development of oil, gas and new forms of energy.

-- Work for a rational geographic distribution of energy development projects that take into account of the needs of all areas, and the factors of production, transport and consumption. Energy and communication projects should develop in a coordinated way.

-- Fully tap both domestic and overseas resources and markets. While making domestic energy exploration, exploitation and construction projects as the basis, China should also actively participate in energy resource cooperation and development projects around the world.

-- Rely on scientific and technological advance and innovation. Advanced technology should be adopted and scientific management should be beefed up.

-- Enhance environmental protection and strive to reduce the impact of energy production and consumption on the environment.

-- Attach a high degree of importance to energy security. Energy supply should be diversified, construction of oil reserves should be accelerated and the energy security pre-warning and rapid response mechanism should be improved.

-- Institute safeguard measures for energy development. Policies regarding energy resources and energy development should be improved, the market mechanism should be brought into full play and input in energy issues should be increased.

The meeting held that to fundamentally solve China's energy problem, it's imperative to firmly adopt and earnestly carry out the scientific viewpoint of development. The mode of economic growth should be transformed and a new-type industrialization road taken.

It urges adjusting the industrial structure, product mix, technological structure and the organization structure of enterprises and promoting technological, institutional and management innovation to foster an energy conservation-minded economy and society.

## BP claims world reserves of oil, gas in good shape

[www.chinaview.cn](http://www.chinaview.cn)  
2004-07-01 10:36:26

BEIJING, July 1 (Xinhuanet) -- The world's proven reserves of oil are sufficient to last for 41 years, and natural gas reserves for 67 years, at current rates of production, according to a report by BP, the largest oil company in Europe.

Proven reserves of coal are sufficient to last 192 years, with most reserves in North America, the Asia Pacific region, and Europe and Eurasia, "Statistical Review of World Energy 2004" shows. Thursday's China Daily reported.

The annual review also noted that with its rapid increase of energy consumption, China has become an important influencing factor in the global energy market.

The British company released the review, which started to compile world energy statistics 53 years ago, in Beijing on Tuesday.

The China launch of the review reflects the importance of China's as well as BP's will to work with China to address its energy issue, said Byron Grote, managing director and chief financial officer of BP Group.

### Oil and gas

The report said the proven oil reserves reached 1.15 trillion barrels, some 10 per cent higher than those previously reported for 2002.

Although the price of crude oil has surged to a 20-year high in 2003, there has been no physical shortage of oil, said Michael Smith, head of Global Energy Analysis of BP, at the press conference.

Global oil reserves have increased continuously over the past 25 years. Exploration success and technology innovation has led to current reserves that are 70 per cent higher than 1980 when the review was first published, the report said.

World oil production rose by 3.8 per cent last year while demand increased by 2.1 per cent.

Grote said: "The global energy market has continued to work effectively."

Stronger-than-expected oil demand, tight inventories, war in Iraq and strikes in key oil producing regions are responsible, at least in part, for the price hike of crude oil.

Though oil remains the major fuel, Smith said an important trend of the global energy market is that natural gas has increased rapidly. Global natural gas reserves reached 176 trillion cubic metres, 13 per cent higher than those reported for 2002.

The reserves have more than doubled since 1980 as a result of exploration, new technology and the commercialization of gas reserves through liquefied natural gas (LNG) and other technologies.

"The double-digit growth in LNG trade last year is one indicator of the fact that gas is now traded internationally as well as regionally," said Grote.

### China

Grote said China has become an increasing force in global energy markets due to its rapid increase of energy consumption.

According to BP's statistics, China showed a surge of 13.8 per cent in total energy demand in 2003 on the back of its GDP growth of 9.1 per cent. China's consumption of oil, gas, coal and nuclear power all increased by more than 10 per cent in 2003, the report said.

China alone accounted for 41 per cent of the growth of total world oil demand, and its oil imports rose 32 per cent to 2.6 million barrels a day, it said.

"The challenge for China is to access global energy supplies at competitive prices and to create and apply appropriate technologies for transforming energy consumption, on which China's long term economic prosperity depends," Grote said.

"Chinese decisions on imports and trading links, for both oil and natural gas, will be a major influence on the world energy scene going forward," he added.

### Energy security

As China is becoming more reliant on imports to meet its energy demands, the security of a long-term stable energy supply has also aroused much concern.

Grote recommends five options for long term energy policy to safeguard energy security.

He noted that a sound market-based energy regulatory framework is vital as it promotes investment in the energy sector.

"This helps provide energy security by ensuring adequate energy infrastructure and maximizing the development of the lowest cost domestic energy resources," said Grote.

Deepening bilateral economic and political links with key energy suppliers such as in the Middle East, Russia, Kazakhstan and Indonesia could also provide a reciprocal incentive to maintain energy supplies, he continued saying.

In addition, China should co-operate with other energy consuming nations in the development and expansion of emergency preparedness in the event of a disruption to international energy supplies, Grote said.

China, in fact, is working on this regard. Twenty-two member nations of the Asia Co-operative Dialogue (ACD) both oil producers and consumers issued a "Qingdao Initiative" on energy co-operation in June, pledging to stockpile strategic energy reserves and a regional energy transportation network.

Grote added that efforts to control carbon emissions, and investment in energy-saving technology, fuel efficient vehicles, renewable energy and nuclear power will also pay off.

Since the energy supply shortage began last year, the government has been making efforts on energy conservation.

Premier Wen Jiabao has said the country will take energy-saving measures and building an energy-saving society as important state policies, promote technological processes and encourage rational consumption through economic restructuring.

Smith said energy consumption growing by 40 per cent last year does not look sustainable in

the long-term to maintain a high economic growth rate.

"The increase of energy efficiency as well as the shift from heavy industry help the Western industrialized countries' economies recover from energy shortage, which I think is probably the pattern for China in the future," said Smith.

(China Daily)

### **New standards of gasoline and diesel oil will be implemented**

AUTO.SOHU.COM  
2004-7-2 07:58

China is establishing fuel quality standards which will be equal to Euro II.

Only fuels satisfying the standards are permitted to be sold once the standards are implemented.

'Fuel quality standards of gasoline and diesel oil in Beijing will be established soon, and will be implemented on Oct. 1<sup>st</sup> this year. After that, all fuels on sale in Beijing should satisfy the standards which equal to Euro II,' an official in Beijing EPB said yesterday.

An official in charge of Atmosphere Department of EPB said, "Automobile Used Gasoline Standard" and 'Automobile Used Diesel Oil standard' in Beijing are already finished and will be publicized in recent days and implemented on Oct. 1<sup>st</sup> this year. These standards quantify the concentrations of most contents contained in the fuels, which relate to the vehicle emission standards of Phase II and Phase III in Beijing.

Required by the standards, sulfur concentration in the gasoline which satisfies Euro II should be less than 500ppm. Requirements for diesel oil are also written. Even vehicles satisfying Euro II emission standards, the emission will be increased if fuels not satisfying the standards are used. After the standards are implemented, all fuels on sale in Beijing should satisfy Euro II, otherwise won't be permitted to be sold in Beijing.

It's said, the air quality in Beijing is bad this year and it will be serious for EPB to satisfy the promise about the air quality. Vehicular emission is one of the most important pollution sources.

Fuel quality affects vehicular emission greatly. Only corresponding fuels related to emission standards are used, the emission can be insured to satisfy the standards. Once fuel quality standards are implemented, hazardous substances emission will be decreased greatly, and vehicles will contribute less for the atmosphere pollution in Beijing.

### **China to set up regional power watchdogs**

[www.chinaview.cn](http://www.chinaview.cn)  
2004-07-03 22:53:21

BEIJING, July 3 (Xinhuanet) -- The State Electricity Regulatory Commission (SERC) plans to set up six branches in northern, northeastern, northwestern, eastern, central and southern regions to further promote the ongoing reform in China's power industry.

The six offices will be located in Beijing, the national capital, and five regional centers, Shenyang, Xi'an, Shanghai, Wuhan and Guangzhou.

These branches will be authorized by the SERC to supervise power production and marketing activities and carry out relevant administrative jobs.

They will be under direct control of the SERC.

### **New vehicle emission standards formulated**

[www.chinaview.cn](http://www.chinaview.cn)  
2004-07-02 10:59:33

BEIJING, July 2 (Xinhuanet) -- New vehicle emission standards that went into effect Thursday across China are the equivalent of Euro II standards and apply to light-duty vehicles, mainly cars.

Authorities say the move is a further push to crack down on pollution caused by automobile emissions across the country, reported Friday's China Daily.

All new types of light-duty automobiles must meet the new standards.

Environmental officials say that most currently produced cars in China meet the standards. They attribute the encouraging situation to a publicity drive conducted as early as 2001 by the State Environmental Protection Administration.

A 30 per cent consumption tax reduction has been awarded to manufacturers whose vehicles have met the standards, which also helped encourage manufacturers.

In another development, the administration has charted emission standards that are equivalent to Euro III standards, said vice minister of the administration Wang Jirong.

It is expected that China will adopt the Euro III-level standards by 2008.

Beijing will adopt that standards even earlier, likely by 2005, said Zhang Lijun, head of the administration's pollution control division. Beijing, which has the largest number of vehicles on its roadways in the country, began implementing the Euro II standards at the beginning of last year. Wang said the State Council has agreed to continue the tax reductions for vehicles that meet Euro III standards ahead of time.

Before the newly adopted standards, China had adopted emission levels in 2000 equaling Euro I standards. Compared to the old levels, the new standards stipulate that carbon monoxide emissions must be 30.4 per cent lower and hydrocarbon and nitrogen oxide discharges must be 55.8 per cent lower.

After a one-year transitional period, manufactured and imported vehicles that have been approved that only meet Euro I standards will have to end production or import by June 30, 2005.

Beginning on July 1 of next year, sales and registration of such automobiles must also stop.

Wang said a series of measures will be taken to control automobile emissions in China.

The administration has completed draft regulations on the supervision and management of vehicle emissions controls. The draft is being submitted to the State Council.

Efforts are also being made to improve the quality of fuel in China, Wang said. China has become the world's fourth largest automobile producer and third largest consumer of cars. The country produces 4.45 million automobiles a year and there are more than 24 million automobiles running across the country.

While the air quality in 70 per cent of the country's cities are not good enough, sources with the administration said. It is estimated that vehicle emissions will account for 79 per cent of air pollution in cities.

### **SAIC ranks 461 in Fortune 500**

With great expectation for a long time, companies in Shanghai are first listed in Fortune 500 this year. On July 12<sup>th</sup>, Fortune magazine publicized newest top 500 enterprises, among which Shanghai Baosteel Group Corporation and Shanghai Automotive Industry Co., Ltd. enters the list for the first time. The ranks are 372 for Baosteel and 461 for SAIC with sales of 14.55 billion \$ and 11.75 billion \$ each. Another 13 companies are also listed this year.

### **Beijing will adopt Euro III from next late half year**

In order to control auto exhaust pollution in Beijing, EPB makes a decision that all produced and imported vehicles in Beijing should satisfy Euro III emission standard from next late half year. At that time, fuels in the market will also be required to satisfy Euro III. Meanwhile, incentives for vehicles which satisfy Euro IV will be provided. And the models satisfying Euro IV will be publicized and encourage consumers to consider first.

### **2004, the first year of MPV in China**

'If 2003 is the first year of SUV in China, 2004 should be the first year of MPV in China,' a researcher said. Statistics showed, in the early half year, the production and sales of MPV in China is about 50,000, 30% increase compared to the same period of last year. Many companies are investing in this field and producing MPV. This year car sales market is not good as expected. Now MPV becomes the profit source

of many companies instead. The expected production of MPV will reach 187,000.

### **Fuel Cell Car Surpass 2 Road Test Successful in Shanghai**

Recently a fuel cell car of the second generation, 'Surpass 2' which is developed by Tongji University and Shanghai Shenli High Tech Co., successfully passed the road test in the playground of Tongji University. This is a great advance since the first fuel cell car, 'Surpass 1', was developed last July in China.

The first fuel cell engine of the second generation was tested in March 2004 after installed on a platform car. The output power reached 32kw, acceleration time 24.8s, 168km continuous mileage (50km/h), highest 118km/h and 20% climbing degree. The second one was tested in April 2004, and the results were better than the first one with 40kw total output power and more reliable.

### **Beijing ranks 28 among cities with worst environment quality in China**

"Annual report on environmental management and comprehensive improvement in key cities for environmental protection in 2003" was released, among which the environment quality in Beijing is improved obviously but still ranks 28 on air pollution in total 113 big cities.

"5 days with blue sky less this early half year compared to last early half year", said Shi Hanmin, "current control measures already can't improve air quality greatly. Based on current pollution control measures and city circumstances, the percent of days with blue sky in urban area each year can only be maintained at about 60%." But the requirement in 2008 is 80%. He admitted that there is still a great gap between current situation and the requirement of the state and green Olympic Games.

Although environment quality is improved in a whole, air pollution is still serious in some cities. Especially caused by the rapidly increasing vehicles, the annual day-averaged concentration

of NO<sub>2</sub> in Beijing, Haerbing, Nanjing etc. increased obviously.

In the report, Linfen, Yangquan, Datong have the most polluted air, which come from the same province, Shanxi Province. Last year, these three cities also ranked the first three.

### **Bus system will be improved greatly in Beijing this year.**

Bus is hoping to get the lost market share back this year by employing transportation centers, getting rid of duplicated bus lines, adopting big volume buses, free parking and other measures.

It's said, the share of bus transportation decreased to 26.3% from 35% in the past, which is far below the aim in 2005, 45%.

This year, six transportation centers are being constructed. It's said more than 20 transportation centers have been programmed and designed. Up to 2005, eight transportation centers will be completed and transportation congestion will be improved.

Meanwhile, BRT (bus rapid transmitter) system is also being carried out.

### **Three subway lines are constructed at the same time, with length up to 80km**

Three subway lines, line 4, line 5, and line 10, are being constructed in Beijing at the same time, the total length of which is up to 80km. It's expected the construction will be completed in 2007. The requirement from the local government is that three lines should be completed in 2007 and run into trial test period, and before 2008 Olympic Games open to the traffic.

### **"Limits and Method of Measuring Air Pollutants Concentration in the Vehicles" began to be drafted on July 14th.**

With the rapid growth of automotive sales and production, air pollution in automotives becomes a problem. Because there aren't standards about the limits of air pollutants in automotives and measuring methods, it's quite difficult to solve these cases. In addition, because of lack of the standard, the production of companies is not regulated which won't encourage the advance of technology and protect the rights of customers. So "Limits and Method of Measuring Air Pollutants Concentration in the Vehicles" need to be drafted.