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TABLE OF CONTENTS

GENERAL ENERGY ISSUES	3
China: Stable int'l environment needed for energy security	3
Wen: Domestic supply main way to meet energy need	3
Wind, solar energies now a match for oil and coal	4
Despite barriers, China should 'keep up reform'	5
China to host US, Asia energy meeting	7
MP says Australia would be China's "Energy bank"	7
China: Energy needs won't cause conflict	8
China compiling white paper on energy policies	9
Wider usage of green fuel being pushed in 9 provinces	9
AUTOMOBILE AND TRANSPORTATION.....	10
Innovation key to auto industry future	10
Gov't may lift time restrictions on cars	11
Public transportations, the first choice for Beijing residents.....	12
Chrysler may turn to China for small car.....	12
BMW to roll out hydrogen-powered 7 Series	13
Is the market ready for three wheels?.....	14
OIL AND GAS	15
China eyes new energy source.....	15
China to reduce reliance on oil imports.....	17
Use of mixed gasoline set to increase	18
Government expected to cut cost of oil products.....	19
CNPC signs second oil exploration deal in Uzbekistan	20
PetroChina sets up alternative energy unit.....	21
CLIMATE CHANGE AND AIR POLLUTION	21
EU calls for closer cooperation with China on climate change	21
WB to help developing countries adapt to climate change	22
California sues 6 major car firms for global warming	23

Adapt to climate change, UK economist urges24
World has 10-year window to act on climate - expert25
London launches campaign to become greener.....26
Schwarzenegger signs law to fight global warming26

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iCET Beijing Office:

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

iCET USA Office:

Dr. Feng An
President and Director
Phone: 323-939-1108
e-mail: fengan@autoproject.org.cn
www.icet.org.cn
www.autoproject.org.cn

General Energy Issues

China: Stable int'l environment needed for energy security

Sep 17 (xinhua) -- Governor of the People's Bank of China Zhou Xiaochuan Sunday called on all sides involved to strengthen negotiation to promote the resolution of international and regional disputes, and create a stable international environment to ensure energy security.

Speaking at the 14th meeting of International Monetary and Financial Committee of the Board of Governors of IMF held here Sunday, Zhou said that the global economy is expected to retain robust growth in 2007, but there are downside risks, including the high oil and raw material prices, high pressure of inflation.

Besides, he said that protectionism has emerged again in some areas and trade disputes have extended from commodity trade to the sector of service trade and investment.

Zhou called for all countries involved to take their responsibilities to facilitate an early resumption of the negotiations with stronger political will.

In his speech, he also urged developed countries to pace up their aid to low-income countries, and bring their official development aid to poor countries to 0.7 percent of their GNP, as set by the United Nations, as soon as possible.

He noted that China will continue to provide assistance to other low-income developing countries commensurate with its capacity in the framework of South-South cooperation.

Zhou also introduced China's economic situation in his speech, saying that China maintained a stable and rapid economic growth, while admitting some problems,

such as unreasonable structure, and high environment and labor pressure.

To control the overheating of investment, Chinese government has adopted a series of measures on land use and credit control. The central bank has raised the benchmark interest rates and deposit reserve ratio twice on the run, said Zhou.

Wen: Domestic supply main way to meet energy need

Sep 14 (xinhua) -- China mainly relied on domestic supply to meet its energy needs and had taken an active part in international energy development cooperation on the basis of mutual benefit, Chinese Premier Wen Jiabao said here on Wednesday at a Sino-European economic summit.

China was a major energy consumer, but more importantly, it was a major energy producer, Wen said in a speech at the 2nd Hamburg Summit entitled "China meets Europe."

China was rich in coal deposits and two thirds of its hydropower potential remained untapped, while the development of nuclear, wind and biomass power had just started, said Wen.

In short, it had huge potential in terms of domestic energy supply, said the Premier.

China's energy policy called for integrating energy development and conservation while giving priority to energy conservation, said Wen.

"Our goal is to build a stable, economical and clean energy supply system," he said.

China had set the target of cutting its energy consumption per unit of GDP for 2005 by 20 percent - by 2010, Wen added.

To safeguard global energy security, China had called on the international community to develop a new energy security concept featuring "mutually-beneficial cooperation,

diversified development and coordinated guarantee," he said.

China would use the global energy market as necessary and strengthen cooperation with other energy producers and consumers, including the European countries, on the basis of equality and mutual benefit in a common effort to enhance global energy security, said the premier.

The Chamber of Commerce Hamburg, which initiated the summit, expected more than 350 economic, political and scientific leaders from both China and Europe to attend the event which will run until Friday.

German Federal Minister of Economics and Technology Michael Glos, Mayor of Hamburg Ole von Beust, and former German Chancellor Helmut Schmidt were among the German leaders who attended the summit on Wednesday.

Wen arrived in Germany on Wednesday for a two-day visit, the third leg of his four-nation tour which took him to Finland and Britain and will also include a visit to Tajikistan.

The Chinese premier will meet German President Horst Koehler and Chancellor Angela Merkel in Berlin on Thursday.

Wind, solar energies now a match for oil and coal

Sep 19 (chinadaily) -- Renewable resources currently provide more than 6 per cent of total US energy, but that figure could increase rapidly in the years ahead, according to a new report.

Many of the new technologies that harness renewables are, or soon will be, economically competitive with fossil fuels. Dynamic growth rates are driving down costs and spurring rapid advances in technologies.

The "American Energy: The Renewable Path to Energy Security report, released by the Worldwatch Institute and the Centre for American Progress said since 2000, global wind energy generation has more than tripled; solar cell production has risen six-fold; production of fuel ethanol from crops have more than doubled; and bio-diesel production has expanded nearly four-fold.

Annual global investment in "new" renewable energy has risen almost six-fold since 1995, with cumulative investment over this period nearly US\$180 billion.

"With oil prices soaring, the security risks of petroleum dependence growing, and the environmental costs of today's fuels becoming more apparent, the country faces compelling reasons to put these technologies to use on a larger scale," notes the report. Some of the findings include:

The United States boasts some of the world's best renewable energy resources, which have the potential to meet a rising share of the nation's energy demand.

All but four US states now have incentives in place to promote renewable energy, while more than a dozen have enacted new renewable energy laws in the past few years, and four states strengthened their targets in 2005.

California gets 31 per cent of its electricity from renewable resources; 12 per cent of this comes from non-hydro sources such as wind and geothermal energy.

Texas now has the country's largest collection of wind generators. The United States led the world in wind energy installations in 2005.

Despite strong public support and rapidly rising interest in renewable technologies, the United States has not kept up with the rapid growth in the sector globally over the past decade.

If the United States is to join the world leaders in renewable energy among them Germany, Spain, and Japan it will need world-class energy policies based on a sustained and consistent policy framework at the local, state, and national levels.

Despite barriers, China should 'keep up reform'

Sep 19 (chinadaily) -- China should raise its energy prices further and start to collect dividends from State enterprises in its next stage of reform, said a Beijing-based World Bank official.

David Dollar, chief of the World Bank's China Programme, said that allowing energy prices to move towards the international level is an essential measure the Chinese Government should take to make the country more energy-efficient.

"Raising energy prices will cool off some investment in industry and energy intensive sectors," Dollar said in an interview with China Daily.

"And it will encourage the shift towards a more consumption- and service-based economy."

Facing soaring international oil prices and intensifying constraints from the shortage of energy, China has made energy efficiency one of the key priorities in its 11th Five-Year Plan (2006-10).

The country's energy prices, which are mostly controlled by the government, have been inching up, but are still much lower than the global price.

Dollar said the government's concerns about the pains from higher energy prices were legitimate; industrial enterprises, taxi drivers and car owners, among others, will all be affected. But the pains are something that cannot be avoided.

"The high (worldwide) energy price is with us to stay," Dollar said, adding that long-term benefits for China from higher energy prices outweigh the short-term pains.

Dollar said the country currently has a favourable environment for such reform. Rapid economic growth, low inflation and generally rising incomes will all help cushion the impact.

"I think it's in the government's interest to announce right away that domestic energy prices will move towards international pricing" so people factor it in when making plans for new investments and new purchases of cars and apartments, Dollar said.

The second most important thing Dollar recommends the government do is to collect dividends from State-owned enterprises.

In the process of reforming the State enterprises during the past two decades, the government never demanded dividends from them. For years, the majority of State firms were struggling to survive. The government seemed content so long as they did not cry for more subsidies and those in better condition were able to pay taxes.

However, a World Bank study concluded that China's State enterprises were registering a modest rate of profit in recent years. And they tend to use the profits as new investments. Many of these are unwise investments that exacerbate the overall overheating investment growth in the country.

Dollar said the government can collect the dividends and use the money in sectors like health and education, both of which are considerably underfinanced.

"That is a direct thing the government could do to help the rebalancing of the economy," he said.

In addition, Dollar said that raising energy prices and collecting State dividends should be complemented with countermeasures to mitigate potential negative effects.

Simply raising energy prices tends to be inflationary. But if the country can allow moderate appreciation of renminbi's exchange rate, which tends to be deflationary, then the net effect could be price stability.

Similarly, collecting dividends from State enterprises could reduce their investment and slow down growth, but spending on health and education will become fiscal stimulation.

"All these things have to be put together in a pretty careful package to keep the macro economy growing at a healthy rate," he said.

It is inevitable that many of China's further reforms will be controversial, Dollar said. A key reason is that there are more interest groups in China now than in the past, such as the powerful industries and the powerful provinces and municipalities.

"It is harder to reach consensus for reforms when you have more interest groups," he said.

He took the case of corporate income tax as an example. Foreign-funded enterprises have been enjoying preferential rates for the corporate income tax in China.

"I think there is a pretty broad agreement that the domestic companies and the foreign companies should be taxed at the same rate," Dollar said. But, he added, the unification of tax rates has been postponed time and again under heavy lobbying by foreign investors, who are now an interest group, and some cities in the southeast, which share some common interests with the foreign companies.

Another hindrance for further reforms is the success of past ones. Thanks to the reforms in recent decades, China has developed a

growth pattern that has been serving itself very well. "It is understandable that people grow attracted to the model that is successful," he said.

But in the long term, the model is not sustainable, either in terms of the current investment rate, the rate of natural resource use, or the rate of export growth, Dollar said.

Some short-term problems, such as a sudden downturn in the growth of the rest of the world, spell troubles for the current growth pattern, he said.

"The model has to be changed," Dollar said.

In the financial sector, another key area in China's reforms, the country also has much to do, Dollar said.

China has taken some bold steps in transforming the major State banks, by allowing them to introduce strategic investors and make initial public offerings.

However, the financial sector is still lagging behind many other areas in terms of reforming themselves. It is still difficult for small and medium-sized enterprises to get access to credit. Some basic financial institutions remain rather underdeveloped.

In addition, for an economy that has been booming for years, the stock market has not shown much progress in becoming a more effective instrument for resource allocation. There seems to be a disconnect between the stock market and real producers in the country.

Indeed, the country's reform agenda in many sectors is still unfinished.

But the government should not balk at difficulties in pushing ahead with necessary reforms, Dollar said.

"The challenge for a middle-income developing country like China is to keep up the institutional reform."

China to host US, Asia energy meeting

Sep 19 (Reuters) -- China will host a meeting of top US and Asian energy officials next month, South Korea's energy ministry said on Tuesday, as Beijing steps up efforts to co-ordinate consumer nation policy and rein in oil prices.

"The purpose of the meeting is to discuss ways to stabilize the energy price among high energy consuming countries," said Toh Kyung-hwan, policy director at the Ministry of Commerce, Industry and Energy in Seoul.

Government officials from China, India, Japan, South Korea and the United States will attend the October 23-26 meeting in Beijing, one of the biggest energy summits arranged by China.

Participants are likely to be minister-level officials, although the list is yet to be confirmed, Toh added.

An official at Japan's Ministry of Economy, Trade and Industry (METI) could not say who would attend from the Japanese side, saying arrangements were still being made.

China is not part of the 26-member International Energy Agency (IEA), the industrialized world's oil watchdog, which manages 1.5 billion barrels in government-held oil reserves.

But as an emerging power in Asia, China is setting up its own strategic crude oil facilities.

Bigger Influence

As China's double-digit economic growth forces it to import more resources from abroad, Beijing has been keen to see its state-owned companies taking a more active global role to help it influence markets such as benchmark Oman crude and iron ore.

The government has also taken measures at home to curb oil demand and promote

conservation, although critics say its unwillingness to raise energy prices in line with global markets hinders this drive toward greater efficiency.

The United States is the world's biggest oil user, consuming about 20 million barrels per day (bpd), slightly more than Asia's four biggest economies combined.

The participants are likely to release a statement at the end of the meeting vowing to co-operate toward stabilizing the energy market in the region, said Toh.

The consuming nations are united in their concern that sustained high energy prices will harm their economies, but the Asian states may differ on ways to resolve the issue of high energy costs and often vie for resources.

MP says Australia would be China's "Energy bank"

Sep 20 (chinadaily) -- The economies of China and Australia are highly complementary, and Australia would like to be the "energy bank" of China, said Michael Johnson, member of House of Representatives of Australia, in an exclusive interview Tuesday in Beijing.

Australia holds about 40 percent of the world's known uranium resources. Chinese premier Wen Jiabao's visit to Australia in April secured a landmark deal clearing the way for the importation of Australian uranium to fuel China's booming nuclear power industry. The signing of the deal shows the much closer economic ties between the two countries.

Australia could start exporting uranium to China within months and expects to corner about a third of the market for Beijing's giant nuclear power programme, a senior Australia government official said earlier this month.

The energy cooperation between Australia and China has great potential, Johnson told China Daily website. Since China has signed the nuclear Non-Proliferation Treaty (NPT), there is no worry that the radioactive element would be used in nuclear weapons. He also denied the US intervention in this deal.

Australia has a longstanding policy of only selling uranium to NPT countries with which it has a bilateral safeguards agreement. Australia announced in 2005 it would make the Additional Protocol on strengthened IAEA safeguards a further condition for supply of Australian uranium. India, an increasingly larger energy consumer, does not currently satisfy any of these conditions.

Johnson predicted that Australia would export uranium to India under different mechanism in the future. There are no current intentions to change Australia's uranium export policy, according to the website of Australian Foreign Affairs and Trade Department.

As one of the youngest Members in the Australian Parliament and also the first Member of the House of Representatives to have Chinese heritage, Johnson is very optimistic on the further development of Sino-Australia relationship and he encourage more Chinese Australians to pursue politics, which has the "power to change the society and community".

The sixth round of the Australia-China FTA negotiations was held in Beijing from 31 August to 6 September 2006 and breakthrough is expected within one or two years. When agreement is reached, it will be China's first FTA with a developed economy.

China is now Australia's second largest trading partner after Japan. Australian exports to China soared 46 percent to 16 billion Australian dollars (12 billion US) in 2005 while imports rose 19 percent to 21 billion Australian dollars.

China: Energy needs won't cause conflict

Sep 7 (Reuters) -- China, the world's second-largest oil consumer, hopes dialogue and conciliatory policies will blunt tensions caused by growing energy needs, a Foreign Ministry official said on Wednesday.

Liu Jianchao, the Chinese Foreign Ministry's chief spokesman, said China's growing need for natural resources would not put it in conflict with other countries, and that it was actively pursuing alternatives to imported oil.

"At the moment we are trying to rely on ourselves for energy supply and at the same time trying to find clean, alternative energy resources," Liu said at the Reuters China Century Summit.

China gets more than 40 percent of its oil from abroad and most of that oil arrives by sea.

But Liu said that while China was concerned about the guaranteed supply of crude, its needs would not put it in conflict with other countries.

"We are ready to work with the United States, with the European Union, with our partners in the Middle East, for the safe supply of oil," he said.

China is already locked in a dispute with Japan over how to develop gas fields in a contested part of the East China Sea, but Liu said the conflict could be resolved.

"We have reached some agreement or consensus on this issue, that we will move towards the direction of common development of the resources of this area," he said.

"I think this issue will be resolved. We urge the Japanese side not to take any action that will complicate the issue."

'MUTUAL BENEFIT'

"China needs oil and those countries need markets, so that is mutually beneficial," he said.

"At the same time, one of the purposes of China's diplomacy is to ensure a good international environment for China's development, so we work with partners all over the world for common interests."

China also did about \$8 billion worth of business with Iran, which is in a standoff with the West over its nuclear programme, in the first seven months of the year, much of that in the form of oil imports.

It is also keen to boost its overland supplies of oil, working in particular with Russia to secure pipeline supplies.

Liu said that from this year, Russia would supply China with 15 million tonnes of oil by rail, but indicated Beijing was still convinced that Moscow would make good on a pledge to provide oil to China by building a pipeline.

"... By November 2008, the Russian side will provide, by means of the pipeline, 30 million tonnes of oil to China," he said.

China and Japan have been in a race for a long-promised crude pipeline from Russia to the Pacific Rim, but analysts say Moscow has been playing off Beijing and Tokyo for years, hoping to maximise investment and avoid over-dependence on China.

China compiling white paper on energy policies

Sep 26 (xinhua) -- China is compiling a white paper on the its energy policies under the organization of the National Development and Reform Commission (NDRC) to inform overseas more about the energy development of the country.

The white paper is under the joint compilation of the Energy Bureau and the Institute of Macro Economics, both under the NDRC.

The white paper will raise China's energy strategy and goals as well as elaborate the country's energy policies and measures that have been taken, said an official with the Energy Bureau.

According to the official, the white paper aims to increase the transparency of China's energy policies to build up a good international environment for the country's energy development.

China consumed 2.22 billion tons of standard coal equivalent last year with the output of non-renewable energy reaching 2.06 billion tons.

China is now the world second largest energy consumer and producer.

China's net imports of petroleum last year is 136 million tons, accounting for six percent of the total world trade volume of crude oil that year.

According to the Energy Bureau, the preliminary draft of the white paper has been completed and is waiting to be submitted for suggestions.

China issued the white papers on the annual energy development in 1995 and in 1997 respectively. Great changes have since taken place in China's energy situation and policies.

Wider usage of green fuel being pushed in 9 provinces

Sep 28 (chinadaily) -- China is promoting the use of ethanol-enriched petrol for motor vehicles in nine provinces, an official with the National Development and Reform Commission (NDRC) said yesterday.

Liu Tienan, director of the commission's Department of Industry, was quoted by Xinhua News Agency as saying China had successfully established four bases of fuel ethanol production, with a capacity of 1.02 million tons every year.

Two State-owned oil industry giants, China National Petroleum Corporation and China Petroleum & Chemical Corporation, now have a production capacity of 10.2 million tons of ethanol-enriched petrol every year.

The consumption of ethanol-enriched petrol accounted for 20 per cent of the nation's total petrol consumption last year.

Liu said the nation is now spreading the use of ethanol-enriched petrol in Heilongjiang, Jilin, Liaoning, Henan, Anhui, Hebei, Shandong, Jiangsu and Hubei provinces.

In 2005, North China's three provinces grew 4.27 million tons of maize to produce fuel ethanol, an increase of 135 per cent over 2003.

"Fuel ethanol is a renewable and environmentally friendly resource," Liu said. "The spread of ethanol-enriched petrol has great significance because it can save energy, protect the environment and digest stocked grain."

Compared to regular petrol, ethanol-enriched fuel burns cleaner and produces fewer harmful emissions. It also has higher octane, which can help vehicles achieve maximum horsepower.

"And since ethanol can be distilled from maize, it plays a key role in efforts to reduce our country's dependence on oil," Liu said.

Liu said soaring international crude oil prices are putting great pressure on China's economic development and it is very urgent to find substitutes to oil.

Zhao Xuewen, an expert with Industrialization of Agriculture Office of Liaoning Province, said Northeast China, located in one of the world's three major "Corn Belts," plays a key role in the new energy revolution.

In 2005, the three provinces in Northeast China produced 40.63 million tons of maize,

30 per cent of the nation's total maize output.

Automobile and Transportation

Innovation key to auto industry future

Sep 18 (chinadaily) -- China's Vice Commerce Minister Wei Jianguo calls on domestic automotive manufacturers to promote independent research and development (R&D) capability in order to make the nation a major global complete vehicle and auto parts supply base at an auto forum in Changchun on September 15.

The forum on Chinese-owned Automotive Brands was jointly organized by the Ministry of Commerce of China, China Association of Automobile Manufacturers and Jinlin's Department of Commerce. The heads of major homegrown auto brand manufacturers including FAW Group Corporation, Hafei Motor, Brilliance Jinbei Auto Co, Chery Automobile and Great Wall Motor were in attendance.

China has become the fourth largest auto manufacturing country in the world. Presently there are more than 5,800 auto and auto part manufacturers with combined assets of over one trillion yuan (US\$126 billion). China's auto production and sales accumulated 571 million and 576 million respectively, and the total production value reached 1.2 trillion yuan in 2005.

Overall auto exports had maintained an average annual growth of over 40 percent from 2000 to 2005, and homegrown brand complete vehicle saw exports outstripping imports for the first time in 2005.

However, China's auto industry still greatly lags behind that of developed countries in R&D innovation, brand building, enterprise size and profits on exports, the vice minister said. China's auto exports merely accounted for 1.1 percent of the world auto trade volume and 7.3 percent of the nation's

auto industry value in 2005, while developed countries such as Japan and Germany sold over 40 percent of their auto products overseas. Technology and emission standard as well as safety regulation in developed countries have been big problems for Chinese auto exports, Wei added.

Presently China will continue focus on exports of labor- and raw material-intensive auto parts, trucks, buses and medium and low grade passenger cars. Upon this, high-tech auto parts and complete vehicles under independent intellectual rights are expected to gradually contribute to take a larger proportion in the exports. Large automakers are encouraged to establish assembly factory, R&D center, sales and after service network in foreign countries.

In order to expand overseas market for Chinese brand complete vehicle and auto parts, the Ministry of Commerce in cooperation with the National Development and Reform Commission are prepared to build exporting bases, hold international auto parts trade fair and issue policies benefiting auto export's sustainable development.

Gov't may lift time restrictions on cars

Sep 26 (chinadaily) -- Car lovers who dream of having a life-long relationship with their favourite cars might soon get their wish, as authorities plan to scrap the time limits for car expiration.

Chen Lin, a deputy director of the Ministry of Commerce, told a forum on Sunday in Guangzhou that the ministry is revising certain regulations so that the age of a vehicle would not serve as a criterion forcing the retirement of vehicles.

The revisions could mean a driver would be able to drive a car as long as it met safety and emission standards.

Currently, owners are required to discard their vehicles within 15 years of its manufacture, no matter what condition it is in.

Current regulations stipulate that car owners will have to pass two yearly inspections if they want to continue driving the same car after 15 years and four annual checks after 20 years.

The revision would first apply to private cars and cars designated for civil services.

Chen was quoted by Guangzhou Daily as saying that a detailed, revised edition would be posted on the ministry's website to solicit suggestions and might be circulated this year.

Environmental concerns served as one of the main reasons for the change, Chen was quoted as saying.

"The sharp increase in the number of cars on the road and the high levels of single-car emissions are the main causes of the huge amounts of air pollution," Chen was quoted as saying.

The standards for vehicle emissions were newly added requirements that experts say would speed up the elimination of old types of high-emission vehicles and prod car manufacturers to upgrade their production.

Car owners welcomed the move as a more scientific way to approach car expiration rather than simply judging from age and mileage. However, they also raised concerns that the new regulation might force an early retirement in less than 15 years if their cars fail to meet standards.

"Owners would pay more attention to daily maintenance to meet the emission standards in order to extend their cars' lives," said Lu Xinguang, owner of a 4-year-old Bora.

Yang Huqun, an employee of www.bj2sc.com, a website providing

information services for used car owners and buyers, said that the new regulation might stir up the used car market.

"More people may discard their old cars because they produce high emissions and purchase new ones which are more environment-friendly," he said.

"And cars that are old but still in good condition would sell for a good price."

A woman employee of the office of Shanghai Volkswagen said it is still too early to tell the regulation's real impact on car manufacturers, because none of the specifics of the new regulation have been released yet.

Public transportations, the first choice for Beijing residents

Sep 19 (BOCOG) -- Beijing has begun to reap the result of its huge investment on public transportation. According to the latest statistics by Zhao Wenzhi, director of Beijing Municipal Commission of Communication, 28.1% of Beijingers prefer public transportation, and the first time that it has regained growth in recent few years.

The popularization of municipal administration and communication card has also boosted bus transportation to grow by 4% and metro by 8%. The first bus line along the city's north-south axis has been put to use, and it has taken up 40% of passenger transportation there. Beijing is planning to set up similar bus lines in other parts of the city.

Though achievement has been made, Beijing is still far away from its goal of making public transportation take up 40% of passenger transportation by 2010, and the municipal government will invest another 100 billion yuan to improve it.

Chrysler may turn to China for small car

Sep 26 (Reuters) -- DaimlerChrysler AG's Chrysler Group could link up with a Chinese automaker to launch a new small car as Chrysler works to conclude a review of potential partners in the coming weeks, Chief Executive Tom LaSorda said.

LaSorda, speaking to the Automotive Press Association in Detroit, noted that the No 3 US automaker has never named the companies in Asia and Europe it had discussions with about a deal to produce subcompact cars for sale in the United States and other markets.

But, when asked, he said "China has not been ruled out" as a production hub for the new vehicle.

LaSorda said he hoped Chrysler would have an announcement about a partner for the division's push into small cars by the end of the year.

He did not comment on reports that DaimlerChrysler was moving close to clinching a deal with China's Chery Automobile Co in what would mark a first-of-its-kind tie-up for the developing Chinese auto industry.

"We know we can't do it alone," LaSorda said of Chrysler's bid to fill a hole in its vehicle line-up with a new subcompact. "The capital expense alone would be very high."

Chrysler currently has no offerings in the small car segment, which is growing in the United States and represents a still larger share of sales in Europe and other markets.

Chrysler showed a Dodge-branded small car concept called the Hornet earlier this year, which was seen as showing the design direction of the small car it would develop if it enters the small-car market.

Chrysler has been pushing to diversify beyond the US market and executives have

said a new small car would build on the success the company has had with its Calibre hatchback, which was launched earlier this year.

The US division is also aiming to move away from its reliance on slower-selling trucks and sport utility vehicles, a product mix that has left it saddled with costly inventory this year as US consumers have shifted to more fuel-efficient cars.

Some 7,000 Calibre models sold outside North America in the first three months the car was on the market, LaSorda said, making it Chrysler's most successful international car model.

Chrysler is aiming to get nine per cent of sales from outside North America in 2007, up from about six per cent in 2000, he said.

The Detroit News and the German magazine Der Spiegel have both reported Chrysler was close to finalizing a deal with Chery, which has also been in talks to sell cars in the United States market with entrepreneur Malcolm Bricklin.

Separately, LaSorda said Chrysler would continue to press the United Auto Workers union for a cost-saving deal on health care that would match similar agreements made with Chrysler's Detroit-based rivals Ford Motor Co. and General Motors Corp.

Chrysler is slashing current-quarter production by 24 per cent in response to a glut of unsold trucks and SUVs, such as the Dodge Durango. The company is forecasting a loss of US\$US1.5 billion (\$NZ2.3 billion) in the third quarter.

Chrysler will try to revive talks with the UAW to cut its US\$US2.3 billion bill for worker health-care costs, LaSorda said.

UAW President Ron Gettelfinger has said Chrysler was not facing the same financial pressure as Ford and GM and that union membership would not have approved any agreement to shift more health-care costs to factory workers and retirees.

But LaSorda said that amounted to a cost advantage for Chrysler's rivals, and called for the union to restore a "level playing field."

"Obviously we hope to keep the dialogue going," he said. "We will see what happens."

BMW to roll out hydrogen-powered 7 Series

Sep 13 (Reuters) --BMW will roll out the world's first hydrogen-burning car in serial production early next year, the German premium automaker said on Tuesday, eager to put its stamp on cars with green credentials.

The specially equipped 7-Series executive cars emit only water vapor when running on hydrogen.

The car hits the market next April and will be shown at the Los Angeles car show in November, the company said. It had said in March the hydrogen cars would arrive within two years.

A spokesman said the car would be leased to selected customers rather than sold because of its high price. Leasing rates would be similar to those for a top-end BMW 760LI with a full-service package.

The BMW 7 Series Hydrogen 7 Saloon is powered by a 260 hp twelve-cylinder engine and accelerates from 0-100 km/h (62 mph) in 9.5 seconds. Top speed is limited electronically to 230 km/h.

BMW has said it intends to build a few hundred such cars at first. They will be able to switch between burning standard petrol and hydrogen so that drivers will not be left stranded while the infrastructure to deliver hydrogen is built up.

"The integration of hydrogen drive in an existing vehicle concept which has already

proven its merits in the market paves the way for an alternative to conventional drive concepts fully accepted in the market and with all the assets the customer is looking for in practice," BMW said.

The space that two fuel tanks take up means only the 7-Series will offer the hydrogen package at first. BMW's long-term goal is to offer hydrogen motors in all its cars.

BMW unveiled the world's fastest hydrogen-powered car at the 2004 Paris auto show. Dubbed the H2R, it can exceed 300 kilometers (185 miles) per hour and reaches 100 km per hour from a standing start in around six seconds.

While BMW is developing fuel-cell driven cars as well, it says it is concentrating on the combustion engine because the sum total of its features and characteristics offers the largest number of advantages and benefits all in one.

Is the market ready for three wheels?

Sep 2 (chinadaily) -- At regular intervals the big car makers present three-wheeler concept cars at the big motor shows but at the same time they are hesitant to decide on mass producing the vehicles.

One recent example is the VW GX3 presented at the Los Angeles Auto Show this January, which the car-maker described as a crossover between sports car and motorcycle. Coming with only one rear wheel, the vehicle is fitted with a 92 kW/125 hp four cylinder motor that has the performance of a sports car with low fuel consumption. Acceleration of the GX3 is listed at 5.7 seconds from zero to 100 km/h and consumption at 5.2 litres.

"The GX3 could be produced for a price of under US\$17,000 and rapidly go into serial production," the car maker announced at the motor show and emphasized that they

would make a decision depending on public reaction.

According to Michael Kern from VW's board of management, the public reaction was indeed very positive but the project was nevertheless scuttled because of strict US product liability laws.

The GX3 therefore suffers the same fate as the F 300 Life-Jet which Mercedes unveiled at the Frankfurt Motor Show eight years ago. Some of the technical innovations found their way into current models, but the three-wheeler remained a unique concept study.

Little has been heard of another three-wheeler, the Peugeot 20Cup, that was first seen at the Frankfurt Motor Show last September. The open two-seater, weighing only 500 kilogrammes, is driven by a 147kW/200 hp turbo engine.

However, according to Peugeot spokesman Bernhard Voss an evolution of the 20Cup will be on show at the Paris Salon in September.

Students at the Technical University in Berlin are working on a Compact Low Emission Vehicle for Urban Transport in close co-operation with BMW. Plans are to design a three metre-long, one-metre wide two-seater powered by a natural gas engine a modern version of the Messerschmitt microcar of the 1950s.

Small vehicle producers already have three-wheelers on the road. The so-called trikes normally have two rear wheels fitted to a car axle and the front wheel of a motorcycle. The Carver One built in the Netherlands and powered by a 51 kW/70 hp four cylinder engine sells for 35,000 euros (US\$44,825).

The Italian producer Piaggio is working on a MP3 three-wheeler with two front wheels. The wheels tip sideways and provide better curvature stability. A first version of the model is expected later this year.

Oil and Gas

China eyes new energy source

Sep 3 (xinhua) -- Having his car filled with compressed coal-bed methane in a bustling gas station at a coal production base of north China's Shanxi Province, a 23 year-old taxi driver says he is excited about the savings.

"I can save on half my expenses for fuel each day because my car started to have a new 'drink' early this year," says Li Gang, with a broad smile on the face.

Li does the maths -- one cubic meter of coal-bed methane is equivalent to 1.13 liters of gasoline, but retails at a less than half the price of gasoline. About 90 percent of Jincheng City's 1,300 taxis have been refit to burn compressed coal-bed methane and gasoline.

Day and night, coal-bed methane wells are operating in full gear in Qinshui Basin, the country's largest coal-bed methane exploitation base, some 50 kilometers from downtown Jincheng City. Tankers haul compressed coal-bed methane in an endless stream to gas stations, factories and local resident families across the province.

As China speeds up exploitation of coal mines to satisfy increasingly thirsty demand for energy, the country's gas emissions keep growing. In 2004, China's coal mines pumped out 14 billion cubic meters of gas and experts say that will increase to 17 billion by 2020.

Coal-bed methane, more commonly known as "coalmine gas", can be deadly. China has the highest number of coalmine accident fatalities in the world, with about 80 percent of casualties attributable to gas explosions, causing direct losses of 93 million U.S. dollars a year, said Sun

Maoyuan, general manager of China United Coal-bed Methane Corp.

However, the No.1 "coalmine killer" is also a sort of clean energy. Industry experts believe coal-bed methane will become a practical and reliable substitute energy resource for natural gas as the global shortage of energy resources worsens and conventional natural gas supply falls short of market demand.

China boasts 37 trillion cubic-meter reserves of coal-bed methane, the third-largest in the world, next only to Russia and Canada, according to the latest statistics from the China Coal Information Research Institute. They are equivalent to 45 billion tons of standard coal. Sixty percent of the gas is stored in coal beds over 1,500 meters deep, easily mined and developed.

China's methane resources are distributed in 24 provinces, with Shanxi Province and Xinjiang Uygur Autonomous Region accounting for more than half of the country's total reserves.

"Coal-bed methane is not only an effective alternative energy source for China, the mining and use of it could also be helpful in avoiding coal mine accidents as well as reducing methane emissions, a major type of greenhouse gas," said Liu Wenge, deputy director of the coal-bed methane information center at the China Coal Information Research Institute.

Encouraging policies

China started to explore and utilize coal-bed methane in the 1990s. Although over 46 percent of China's coalmines are rich in gas, China's coal-bed methane still remains underdeveloped, due to factors such as a lack of technology and inadequate investment.

China utilized 1 billion cubic meters of coal-bed methane in 2005 and expects to make use of 1.4 billion cubic meters this year. In sharp contrast, more than 1.3 billion cubic

meters of such gas is being emitted each year without getting effective use.

So far, more than 600 coal-bed methane wells have been sunk across the country, most of which are still in the prospecting and experimental stage and far away from commercial operation, with the daily methane output record being 16,000 cubic meters.

In the face of tightening pressures on promoting coalmine safety, alleviating air pollution and supplying more clean energy, the Chinese government is attaching more attention to the development of coal-bed gas.

In February 2005, the State Council, China's cabinet, put forward seven measures to harness gas, prevent gas accidents in coalmines and to develop coal-bed methane.

On May 31, 2006, the National Development and Reform Commission, China's industrial watchdog, approved a five-year plan on the exploitation of coal-bed methane. Under the four-point blueprint, China is to increase annual coal-bed gas output to 10 billion cubic meters in 2010, utilizing 80 percent. China will investigate and confirm that the country has an additional 300 billion cubic meters of coal-bed methane reserves available by 2010. And China will gradually set up an industrial system to develop and utilize coal-bed methane.

On June 19, 2006, the State Council promulgated a 16-clause guideline on accelerating the exploitation of coal-bed methane, offering a series of preferential policies on land use, taxation, loans and access of methane-generated electricity to local power grids.

On Aug. 28, 2006, senior officials with the National Development and Reform Commission (NDRC) said detailed measures are under preparation by financial, taxation and land resources authorities to put the 16-clause guideline into practice.

NDRC calls upon local governments to follow the practice of east China's Jiangxi Province in earmarking special financial funds to encourage exploitation of coal-bed methane. Jiangxi awards enterprises 0.05 yuan per cubic meter in the exploitation of coal-bed methane.

Applications

"Along with the development of science and technology, coal-bed methane has already become a new source of power generation in China," said Liu Wenge of the China Coal Information Research Institute.

The expert said apart from the current 90,000 kilowatts from the coal-bed methane, other projects with an installed capacity of 150,000 kilowatts are under construction or planned to be built.

A coal-bed methane power plant with the capacity of 120,000 kilowatts is being built in Jincheng of north China's Shanxi Province. With a total investment of 875 million yuan, it will be the world's largest when completed in June next year, said Yuan Zongben, president of Shanxi Jincheng Coal Industry Group.

"China's major equipment for coal-bed methane electricity generation are gas turbines and internal combustion engines. As a result, existing coal-fired power plants can be easily rebuilt into coal-bed methane power stations," said Liu Wenge.

In addition to building power plants, China plans to build two pipelines for coal-bed gas transmission in the next five years, said Hu Aimei, vice president of the China United Coal-bed Methane Corporation.

The first pipeline, linking Qinshui County of north China's Shanxi Province to Bo'ai County of Henan Province, will be connected to the great pipeline pumping natural gas from energy-rich West to East China. The pipeline is designed to have an annual gas transmission capacity of one billion cubic meters.

The second one will transmit coal-bed gas from Songzao of southwestern Chongqing Municipality to feed the energy demands of Chongqing, said Hu.

"Still under planning, the two pipelines have not got formal permission from the state government," said Hu Aimei.

Foreign investors

Foreign investors are entering the Chinese coal-bed methane sector as the Chinese government has set out a series of preferential policies for overseas investment to enter the methane exploitation sector, including tax rebates.

On April 5, 2006, China United Coal-bed Methane Corporation that enjoys exclusive rights to cooperate with foreign investors for coal-bed methane exploitation signed in Beijing a cooperative contract with Orion Energy International Inc. from the United States, to join hands in the exploitation of coal-bed methane in a 462-square-kilometer block called Sanjiao, in north China's Shanxi Province. The area is estimated to have 60 billion cubic meters of coal-bed methane.

During the five-year exploration phase, Orion Energy International Inc. is required to shoulder all the risks in the exploration phase of the contract and adopt advanced exploration technology. Entering the development period, the two sides will invest in and share the profits in accordance with the proportion of their respective investments.

"This is the fifth contract that the corporation has signed with foreign companies so far this year," said Yang Jian, a senior analyst with China United Coal-bed Methane Corporation.

To date, the corporation has 27 contracts for coal-bed methane exploitation, including the United States' Chevron and other foreign companies from Britain, Canada and

Australia. The total investment exceeds 1.2 billion yuan.

The corporation will work together with these firms on the exploration, mining, processing and sale of methane, said Yang Jian, adding that the exploitation areas involve northern China, northwestern China and northeast China.

In addition to businesses from foreign countries, Hong Kong? Cregistered Towngas signed a framework agreement with Shanxi provincial government to develop local coal-bed methane in July 2006. The US\$100-million deal is the largest coal-bed methane project in China, said Yang Jian.

"Towngas plans to invest a total of 6 billion yuan in the mainland in the next three years, thus making business in the mainland its major profit growth point," said Chen Yongjian, president of Towngas.

China to reduce reliance on oil imports

Sep 13 (xinhua) -- China will reduce its reliance on petroleum imports by basing its energy supply on coal and developing new and renewable energies, said a senior official with the National Development and Reform Commission (NDRC) on Tuesday.

China successfully reduced its net imports of petroleum last year, said Zhang Guobao, vice minister of the NDRC at the 7th Sino-U.S. Petroleum & Natural Gas Forum held in Hangzhou, capital of east China's Zhejiang Province.

According to Zhang, China's oil consumption was 317 million tons last year, down slightly from the previous year and its net imports of petroleum are 136 million tons, less than that of 2004.

The Chinese economy has maintained a growth of over 10 percent for three years running so it is normal for China to see a

rise in its oil imports as well as its demand for energy, said Zhang.

But China has been trying to reduce its reliance on imports of petroleum which have been over 40 percent, he said.

According to statistics of the NDRC, China's coal output reached 2.22 billion tons last year and coal supports 68.7 percent of China's consumption of non-renewable energies with petroleum and natural gas, 24 percent.

China is the second largest energy producer in the world and the top exporter of coal and coke.

China's imports of oil only accounted for six percent of the total world oil trade in 2005 and China has been playing a limited role in pushing up the oil price, said Zhang.

As China reduced its oil imports in 2005, the world still saw the oil price soar by 36.8 percent from the previous year, which "shows that China's effect on the soaring international oil price has been seriously overplayed," said Zhang Guobao.

According to Wang Nengquan, the chief-economist with Sinochem International Oil Co. Ltd., hedge funds and other speculative funds are playing an important role in the current crude oil futures market.

According to estimates, hot money flowing into the crude oil futures market has been over one trillion U.S. dollars, which "makes the price of oil far away from the real value", said Wang.

Both Chinese and U.S. officials and entrepreneurs attending the forum expressed their concerns over the effects of the soaring oil price on the world economy and agreed that both countries should strengthen cooperation to face challenges of energy supply.

Use of mixed gasoline set to increase

Sep 16 (chinadaily) -- More car users in China are expected to use gasoline mixed with ethanol over the next five years, according to a government official involved in drafting the industrial plan for the biofuel.

Car in cities in Northeast China's Heilongjiang, Liaoning and Jilin provinces, Central China's Henan Province, and East China's Anhui Province have already been using gasoline with 10 per cent ethanol at a slightly cheaper price than normal gasoline.

As a result of the trial uses of fuel ethanol in the five provinces, which started in the 10th Five-year Plan (2001-05), the green energy has accounted for about 2 per cent of China's total gasoline consumption, or about 1.02 million tons.

Liu Qun, an official at the Industrial Department of the National Development and Reform Commission, predicts that over the next five years ethanol consumption will be expanded to about 5 per cent of total gasoline, or more than 3 million tons. This means more provinces will adopt the mixed fuel.

Fuel ethanol is made from plants. It is listed as a renewable and green energy that can reduce greenhouse gas emission - a major cause of global warming - and gradually reduce China's rocketing reliance on imported fossil fuel.

At the 2006 World Biofuels Symposium China held from Wednesday to Friday in Beijing, Liu said that the upcoming 11th Five-Year Plan (2006-10) for fuel ethanol development to be released in two months will require the mixed gasoline to be more widely applied in central and western China.

Local governments will be encouraged to adopt trial uses of the mixed gasoline.

China has four fuel ethanol plants in Henan, Anhui, Jilin and Heilongjiang provinces. A fifth one is very likely to be approved in

Guangxi Zhuang Autonomous Region in the next year, where ethanol production is based on cassava, Liu told China Daily at the symposium.

He predicts that in the next five years, China will steadily develop its ethanol fuel production capacity, and that factories will benefit from exemption from the 5-per cent consumption tax and the 17-per cent value-added tax.

In addition, the government will subsidize approved manufacturers when the international petroleum price is too low for fuel ethanol producers to make a profit, but the concrete indicator for the subsidization has to be further discussed.

The government will also support the construction of fuel crop bases by subsidizing farmers. But, Liu said, China is a country with a huge population and little arable land, so the development of fuel ethanol will be based on grain. In principle, fuel ethanol plants based on corn would not be approved.

Government expected to cut cost of oil products

Sep 26 (chinadaily) -- The latest global oil price plunge, if extended for several months, may prompt the government to cut domestic oil product prices to reflect the international market, according to industry analysts and traders.

Oil prices dropped below US\$60 a barrel yesterday, their lowest for six-months, as supply threats from Iran and Nigeria diminished alongside fears about this year's Atlantic hurricane season, insiders said.

Crude oil for November delivery fell by as much as US\$1.03, or 1.7 per cent, to US\$59.52 a barrel in after-hours electronic trading on the New York Mercantile Exchange. Oil has fallen 23 per cent from a record US\$78.40 on July 14.

Analysts yesterday said if global crude prices continue to decline for an extended period, the government will have to reduce the domestic prices of major oil products such as gasoline and diesel to float with the international level.

"If (global) crude prices remain at a relatively low level for another couple of months, the government will possibly readjust domestic oil product prices," said Gong Jinshuang, a senior analyst with the research arm of China National Petroleum Corp, the nation's biggest oil company.

But the long-term trend of oil prices is still unpredictable, Gong added. "Under the current circumstances, the government will have to interfere with the pricing mechanism (of oil products) to ensure stable market supply if global crude prices go up or down to a large extent," Gong said.

The National Development and Reform Commission (NDRC), the nation's top economic planning body, raised domestic oil product prices twice in March and May in line with soaring global oil prices. China currently controls the prices of major oil products like gasoline, diesel and aviation oil due to worries over supply fluctuations and inflation, although it has vowed to make the oil pricing system more market-based.

Anticipating a possible price retreat, some consumers are momentarily trimming their purchasing plans, according to oil traders.

"Some of our clients are just watching with a wait-and-see attitude over whether domestic oil prices will fall or not," said Wang Jian, a division chief with Xiamen Huahang Petroleum Co Ltd, a major firm based in East China which trades fuel oil and diesel.

For market-based fuel oil, which is used to drive ships and oil-fuelled power plants, prices have dropped 500-600 yuan (US\$62.5-75) per ton at Huahang with the

global trend, said Wang. The Xiamen-based oil trader currently sells its ship fuel at 5,550 yuan (US\$694) per ton, according to figures posted on its website.

"And for government-capped diesel, it is also time to reduce the prices," said Wang, who did not give an estimated margin.

Zhou Dadi, former director of the NDRC's research institute, was quoted as saying the government will likely cut domestic oil product prices if global crude prices remain at about US\$60 a barrel or less for one to two months.

Yesterday's crude price drop came after Iran said it's open to talks on the country's nuclear program and BP Plc announced it will restart Alaskan oil wells earlier than expected.

Iran is open to discuss "everything" if the United States stops "threats" of sanctions, President Mahmoud Ahmadinejad said in an interview published on Sunday in the Washington Post.

Meanwhile BP started work over the weekend to resume production of about 150,000 barrels a day from the eastern side of Prudhoe Bay later this week, Bloomberg reported.

Oil may fall for a fifth week this week amid rising US fuel inventories and speculation that losses on natural gas bets at Amaranth Advisors LLC will trigger selling of energy futures by other funds, a Bloomberg survey showed.

CNPC signs second oil exploration deal in Uzbekistan

Sep 5 (chinadaily) -- China National Petroleum Corp (CNPC), the nation's top oil producer, has won a 20 per cent stake in a joint oil and gas exploration project in

Uzbekistan's Aral Sea, with four other regional oil companies.

The five partners, CNPC, Uzbekneftegaz, Korea National Oil Corp, Russia-based Lukoil and Petronas of Malaysia, signed a product-sharing contract last Thursday, Beijing-based CNPC announced on its website.

"Each of the five companies takes an equal stake in the contract," Liu Weijiang, a CNPC spokesman, told China Daily yesterday.

The partners plan to collect seismic data and drill two wildcat wells in the first three years, before establishing a joint firm to work on exploration.

Uzbekistan claims a 10,000-square-kilometre area in the Aral Sea, which is expected to have huge oil and gas reserves, CNPC said in the statement.

The joint contract comes after the Central Asian country's president Islam Karimov gave CNPC the go-ahead to look for oil and gas resources in five onshore blocks in Uzbekistan about 10 days ago.

CNPC and Uzbekneftegaz signed the exploration agreements for the five onshore blocks in June, after the two firms inked an initial accord for the deal during President Hu Jintao's visit to Uzbekistan in 2004.

According to the terms of the agreement, the two State-owned firms will gather two and three-dimensional seismic data and sink as many as 27 wells in the 34,000-square-kilometre region within five years, CNPC said.

CNPC's international business affiliate, China National Oil and Gas Exploration and Development Corporation, will be responsible for the specific operations of the two projects, said Liu.

The two deals in Uzbekistan mark another aggressive thrust for China into the Central Asian energy market, which is believed by

industry analysts to potentially compete with the resource-abundant Middle East to meet surging oil and gas demand.

CNPC last year paid US\$4.18 billion for PetroKazakhstan, which produces about 12 per cent of the crude in Kazakhstan. PetroChina, the listed arm of CNPC, will seek further investment projects "in relevant countries," its Chief Financial Officer Wang Guoliang said two weeks ago in Hong Kong.

"The Uzbekistan projects will diversity China's oil imports, which now primarily rely on the Middle East," said Dong Xiucheng, a professor with the Beijing-based China University of Petroleum.

PetroChina sets up alternative energy unit

Sep 9 (HK Edition) -- PetroChina, China's top oil and gas firm, has set up a unit to develop alternative fuels to secure new energy sources amid high crude oil prices and dwindling domestic reserves, company officials said yesterday.

An office of 10 people under PetroChina's exploration and production arm would focus on coalbed methane, oil shale and biofuels, before extending into renewable energy sources such as solar and wind power in the longer run, they said.

"The business will be extremely small. We will still highlight our main business, which has been keeping us very busy," spokesperson Cao Zhengyan said.

But high global crude prices and a growing shortage of oil and gas in the world's second-largest energy user have led State oil giants to look more closely at unconventional fuels.

PetroChina had quietly laid groundwork for coalbed methane (CMB), a gas extracted from coal mines, having sunk 200 exploration wells in North China's Shanxi Province this year, a second company official said.

PetroChina is aiming for commercial production before 2010, supplying 2-3 billion cubic metres of gas a year from fields mostly in Shanxi Province.

The company has been working on the field in Shanxi for about a decade via a 50-per cent-owned CMB specialist, China United Coalbed Methane Corp Ltd, the second official said.

The new division, charged with project planning, would also work on biofuels, such as ethanol and biodiesel, that are derived from plants or grains.

Analysts have said Beijing would need to use incentives such as tax breaks to encourage these new energy sources.

The mainland is already the world's third-largest producer of ethanol, increasingly used as a gasoline blend. But the main producers have been local firms, while state giants like PetroChina have so far played an insignificant role.

Climate Change and Air Pollution

EU calls for closer cooperation with China on climate change

Sep 12 (xinhua) -- The European Union (EU) on Tuesday called for a deeper partnership with China to tackle the challenge of climate change.

The message was delivered by Finnish Prime Minister Matti Vanhanen, whose country holds the current six-month EU presidency, at the China-EU Business Summit held in the Finnish capital of Helsinki.

"Energy conservation and clean technologies are part of our common goal of reducing emissions of greenhouse gases in order to control climate change," he said in a keynote speech delivered at the business forum attended by some 500 senior

business leaders from China and EU countries.

Describing EU-China cooperation in climate change as "very close and fruitful", the prime minister said "further deepening (of the) partnership in climate change should be envisaged."

"Without wide international cooperation, we will be unable to reach our goals," Vanhanen added.

European and Asian leaders on Monday made a declaration on confronting global warming at their biennial Asia-Europe Summit (ASEM) in Helsinki, calling for the widest possible cooperation to deal with the challenge.

Saying that climate change and energy security were interrelated, the leaders believed more international cooperation was needed to promote the development, transfer and deployment of low-carbon technology, and to help developing ASEM countries possess cleaner technologies.

They also called for the enhancement of energy efficiency and the scaling up of the use of new and renewable energy.

WB to help developing countries adapt to climate change

Sep 19 (AP) -- The World Bank plans to help developing countries better address the impact of climate change, including the effect of droughts and floods on agriculture and how rising sea levels threaten coastal areas.

The bank's chief scientist, Bob Watson, also said that as much as 40 percent of its US\$20 billion (euro15.7 billion) in annual loans and grants is going to projects that may be at risk because of climate change. That, he said, would force the Washington, D.C.-based institution to consider redesigning billion of dollars in aid efforts in the future.

"I think it would be fair to say over the past decade everyone has recognized that climate change is a major risk to development," Watson said in a telephone interview from Singapore, where the World Bank and International Monetary Fund are holding their annual meeting.

"But until now, we have focused more on the energy part of it rather than how one would adapt," he said. "What we are now trying to understand is how sensitive our developing countries are to current climate variability and those projected changes in variabilities, especially extreme weather events such as floods."

Watson said the first step is working with countries to examine how climate change will affect them and then designing bank programs that are "climate proof."

The World Bank's apparent shift in strategy was called hypocritical by environmental groups, since it continues to put much of its funding into coal-fired power plants and other energy projects that release large amounts of greenhouse gases, which contribute to global warming. Its leadership is also dominated by rich countries such as the United States, which are major contributors to global warming.

"The World Bank record is nothing less than dismal," said Red Constantino, a Greenpeace campaigner based in the Philippines. "For years, the World Bank has been supporting fossil fuel projects despite the rhetoric from the bank on the serious threat of climate change. They cannot be presenting solutions when they are a huge part of the problem."

The World Resource Institute, a Washington, D.C.-based environmental think tank, estimated in a report this month that 80 percent of the bank's investment projects and sector loans between 2000 and 2004 failed to take into account climate implications.

It found only 23 percent of the bank's financing this year took climate change into consideration, for example by choosing lower-emission alternatives to meet energy needs or accounting for emissions from projects under consideration.

The WRI also took aim at the World Bank's Clean Energy Investment Framework, which aims to improve access to energy while finding ways to finance low-carbon alternatives.

The WRI called the policy "an important initiative" but said it put too much emphasis on providing electricity to the 1.6 billion people worldwide who lack it without looking enough at alternative energy sources such as solar or wind power.

"There is much more room for head way," said Smita Nakhoda, who heads the WRI's electricity governance initiative. "The bank could probably do more to embrace the opportunity presented, which was how can we help developing countries onto a clean energy path and get international financing to address global climate change."

The bank says it has encouraged developing countries to embrace renewable energy _ noting it has made a commitment to increase its spending in the area by 20 percent each year _ but that it would be "naive" to think these countries won't continue to depend heavily on fossil fuels.

"The World Bank is realistic in recognizing that fossil fuels will be used for energy development in many developing countries as part of economic growth plans," said Warren Evans, director of the World Bank's environment department.

"To not provide support because fossil fuels are being used is not a wise approach in my view," Evans said. "Our experience is that when we are there with a developing country, the country does pay more attention to environmental and social aspects of a particular investment than if we are not there."

California sues 6 major car firms for global warming

Sep 22 (chinadaily) -- America's most populous state, California, opened a new front in its struggle with climate change on Wednesday when it announced that it was suing the six largest carmakers in the United States for allegedly contributing to global warming.

In the unprecedented lawsuit, the state accused Ford, General Motors, Toyota, Honda, Chrysler and Nissan of creating a "public nuisance" and costing it millions of dollars. Environmental campaigners hailed the lawsuit as a landmark event in the effort to deal with global warming.

The suit, filed in a US district court in northern California, alleges that vehicle emissions have contributed significantly to global warming, and argues that the car manufacturers should be held responsible for the past and future cost of combating this crisis.

"Global warming is causing significant harm to California's environment, economy, agriculture and public health," said the state's Democratic attorney general, Bill Lockyer, who filed the complaint. "The impacts are costing millions of dollars and the price tag is increasing... It is time to hold these companies responsible for their contribution to this crisis."

California is the largest car market in the United States, with more than 2 million new vehicles registered every year, compared with about 2.5 million for the entire UK.

Car sales in the state totalled US\$83 billion in 2005 according to the Automobile Alliance, an industry group representing carmakers. The 29 million registered vehicles in the state drive a total of 416 billion kilometres in the year.

The complaint further argues that monitoring and addressing the effects of global warming has cost the state millions of dollars.

"Global warming has already injured California, its environment, its economy, and the health and well-being of its citizens," the complaint states, adding that dealing with global warming's harmful effects in the future, "will almost certainly cost millions more."

Roda Verheyen, co-director of Friends of the Earth's Climate Justice Programme, welcomed the development, saying: "This was a case waiting to happen. It is the most significant piece of climate change litigation that has ever been brought."

Daniel Becker, director of the Sierra Club's global warming programme, said the lawsuit built on initiatives taken by California and other states: "While the Bush administration continues to burrow its head in the sand, California has taken out a whole arsenal to combat emissions."

He said California's boldness stemmed in part from the attitude of its governor, Arnold Schwarzenegger, a Republican who has been outspoken in his determination to combat global warming.

The Automobile Alliance in a statement said car manufacturers were already working to produce more fuel-efficient cars. Arguing that it needed more time to study the complaint, it noted that a similar suit, which saw energy companies sued on public nuisance grounds, had failed.

"Using nuisance suits to address global warming would involve the courts in deciding political questions beyond their jurisdiction," the alliance said. "This opens the door to lawsuits targeting any activity that uses fossil fuel for energy."

The lawsuit comes as California aggressively pursues a reduction in carbon dioxide emissions. A law passed in 2004 will

force carmakers to reduce carbon dioxide exhaust emissions by 30 per cent. That measure is currently being challenged by car manufacturers.

Last month the California state legislature approved a measure to force utilities to cut emissions, and the state has sued the federal government for failing to address the effects of global warming.

Adapt to climate change, UK economist urges

Sep 4 (Reuters) -- Countries should prepare policies to adapt to climate change as well as efforts to lessen its impact, a leading British economist said on Monday.

"Adaptation policies have had far less attention than mitigation, and that is a mistake," Frances Cairncross, the chair of Britain's Economic and Social research council, told a conference.

The rector of Exeter College in Oxford and president of the British Association for the Advancement of Science (BA) believes policies for a hotter, drier world especially in poor countries are needed.

"That may involve, for instance, developing new crops, constructing flood defences, setting different building regulations or banning building close to sea level," she told the BA's annual festival of science.

Cairncross added that adaptation policies would have advantages over mitigation efforts because they would not involve complicated international negotiations and they can be done at a national and even local level.

She also suggested that governments should intervene to persuade people to use climate-friendly technologies which will reduce the output of greenhouse gases.

"Such interventions also need to signal to companies and universities that there is

money to be made from innovations that cut greenhouse gas output," she added.

Any efforts to mitigate or adapt to climate change will be much easier to implement if the public believe they are necessary, so Cairncross believes governments must find ways to influence public opinion.

"We have to start talking of adaptation side by side with mitigation," she said.

"The costs of taking action are large but not unimaginable. The costs of failure may be immense," Cairncross added.

Climate change will top of the agenda at the week-long conference at the University of East Anglia in eastern England where more than 300 top scientists will present research on topics ranging from archaeology, anthropology and geology to psychology, physics and biodiversity.

World has 10-year window to act on climate - expert

Sep 14 (Reuters) -- A leading U.S. climate researcher said on Wednesday the world has a 10-year window of opportunity to take decisive action on global warming and avert a weather catastrophe.

NASA scientist James Hansen, widely considered the doyen of American climate researchers, said governments must adopt an alternative scenario to keep carbon dioxide emission growth in check and limit the increase in global temperatures to 1 degree Celsius (1.8 degrees Fahrenheit).

"I think we have a very brief window of opportunity to deal with climate change ... no longer than a decade, at the most," Hansen said at the Climate Change Research Conference in California's state capital.

If the world continues with a "business as usual" scenario, Hansen said temperatures will rise by 2 to 3 degrees Celsius (3.6 to 7.2

degrees F) and "we will be producing a different planet."

On that warmer planet, ice sheets would melt quickly, causing a rise in sea levels that would put most of Manhattan under water. The world would see more prolonged droughts and heat waves, powerful hurricanes in new areas and the likely extinction of 50 percent of species.

Hansen, who heads NASA's Goddard Institute for Space Studies, has made waves before by saying that President George W. Bush's administration tried to silence him and heavily edited his and other scientists' findings on a warmer world.

He reiterated that the United States "has passed up the opportunity" to influence the world on global warming.

The United States is the largest emitter of greenhouse gases, most notably carbon dioxide. But Bush pulled the country out of the 160-nation Kyoto Protocol in 2001, arguing that the treaty's mandatory curbs on emissions would harm the economy.

Hansen praised California for taking the "courageous" step of passing legislation on global warming last month that will make it the first U.S. state to place caps on greenhouse gas emissions.

He said the alternative scenario he advocates involves promoting energy efficiency and reducing dependence on carbon burning fuels.

"We cannot burn off all the fossil fuels that are readily available without causing dramatic climate change," Hansen said. "This is not something that is a theory. We understand the carbon cycle well enough to say that."

London launches campaign to become greener

Sep 8 (xinhua) -- London which will host Olympic and Paralympic Games in 2012 launched its campaign for a green Olympic host city on Thursday.

The campaign named Future London: Footprints of a Generation, was launched by London Mayor Ken Livingstone and London 2012 Games chairman Lord Sebastian Coe, showing Londoners how to join in.

The Mayor of London said on the occasion, "I am determined that the Olympic and Paralympic Games helps to make London a more sustainable city."

"Future London: Footprints of a Generation offers an inspiring insight into how we can 'green' our lifestyles and our city. By making informed choices about how we live our lives now we can help avert catastrophic climate change. London is already establishing itself as a leading 'green' city - we all need to build on this success to build a better future for us all," he said.

The campaign focuses on London's plan to host the most 'green' Olympic and Paralympic Games on record to spotlight the city's campaign to tackle climate change, campaign organizers said.

The campaign is an exciting new interactive eco-installation consisting of six "arenas" ("building and energy", "food", "transport", "nature", "London 2012", "future London, your London") that inform and challenge Londoners' attitudes to the environment and promote greener living in London by demonstrating how making small changes, such as recycling waste or buying locally sourced food.

London is now the only major city in the world where people are shifting from cars to public transport, cycling and walking.

Schwarzenegger signs law to fight global warming

Sep 28 (Reuters) -- In a move backers hope will inspire other states to follow suit, California Gov. Arnold Schwarzenegger signed a pioneering law on Wednesday aimed at reducing the state's greenhouse gas emissions.

"We have begun a bold new era of environmental protection here in California that will change the course of history," Schwarzenegger said.

The measure passed by the Democrat-dominated legislature last month caps the state's man-made greenhouse gas emissions. The most populous U.S. state seeks to reduce its emissions to 1990 levels by 2020, a cut of around 25 percent.

The Global Warming Solutions Act of 2006 is also a direct challenge to the Bush administration, which has opposed mandatory caps to fight climate change, from a state that has often led the way nationally in new environmental standards.

President George W. Bush pulled the United States out of the 160-nation Kyoto Protocol in 2001, saying forced reductions in greenhouse gases would damage the economy and unfairly excluded developing nations.

"Other countries like India and China, Brazil and Mexico will join us when they see all the great work that we are doing," Schwarzenegger said. "Also our federal government will follow us -- trust me."

Details on how the state will achieve the emission cuts have not been worked out.

British Prime Minister Tony Blair addressed the audience at the bill-signing ceremony by video link-up.

"This will echo right around the rest of the world," Blair said. "You are showing brilliant leadership that will inspire a lot of people worldwide."

Opponents of the California measure say it will drive firms to states without such regulations in place and will fail to lead to a meaningful reduction in greenhouse gas emissions if other states do not follow California's lead.

By embracing measures such as the global warming bill, Schwarzenegger has also benefited politically in a state dominated by Democrats.

WORKING WITH DEMOCRATS

After a politically disastrous 2005 in which he badly lost a special initiative election he called, Schwarzenegger has worked closely with Democrats in recent months. Two polls out on Wednesday show him with a comfortable lead over his Democratic rival, State Treasurer Phil Angelides.

Schwarzenegger spoke at Treasure Island, an aging former U.S. Navy base that awaits major reconstruction and has stunning views of the Golden Gate Bridge and San Francisco Bay.

Joining the event was New York Gov. George Pataki, a Republican, who came a week after New York City Mayor Michael Bloomberg pledged with Schwarzenegger to work together to reduce greenhouse gas emissions, saying they could not wait for the Bush Administration to take action on climate change.

Schwarzenegger also on Wednesday signed a bill that will prohibit California utilities from signing long-term contracts to buy electricity from out-of-state, coal-fired power plants. About a fifth of the electricity used in California comes from coal-fired plants out of state. The law will not impact power contracts already in place.

The law requires new out-of-state coal-fired power plants to meet California's stringent emissions rules for new natural gas-fired power plants. This requirement in effect prohibits new coal-fired plants from selling power to California.