



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

MONTHLY NEWS BRIEFING



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The APECC monthly newsletter is prepared by the
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iCET News Express

"iCET News Express" section will provide updates on the progress of some of our exciting programs. We hope you enjoy these updates in addition to the regular news briefing we offer, and look forward to your feedback!

iCET gave presentation on UN Expert Group Meeting

August 27-28, 2009 -- The Division for Sustainable Development (DSD) under the UN Department of Economic and Social Affairs organized the Expert Group Meeting on Transport for Sustainable Development: Analysis of trends, issues & policy options in New York. iCET was kindly invited to give a speech entitled: *Global Overview on Vehicle Fuel Economy and Emission Standards*, for more information about this conference please link to http://www.un.org/esa/dsd/dsd/dsd_index.shtml. You can also download the iCET presentation on this conference from http://www.icet.org.cn/Docs/Global_Overview_UN_NYC_Aug-09.pdf

iCET and NEA discussed Low Carbon Fuels Policy

August 28, 2009 -- iCET visited officials of the Division of Refinery and Coal-based Fuel, Department of Energy Conversion and Science Technology and Outfits, National Energy Administration (NEA) at NEA office, this division is the responsible department for biofuel, coal-based liquid fuel, refined oil and other transportation fuels development. iCET introduced its China Low Carbon Fuel Standard and Policy project to NEA officials, especially referring to the lifecycle analysis on transportation fuel greenhouse gas emissions, iCET also offered our preliminary suggestions on how to develop low carbon transportation fuels standard and policies. NEA officials also express great interest this project, also gave iCET meaningful suggestions, including that lifecycle analysis on energy efficiency should be done alongside GHGs intensity, thus the officials can balance the two aspects when making the policy decision.

iCET published the Environmental Friendly Vehicle Online Evaluation System

In August 2009, iCET published the draft Environmental Friendly Vehicle Online Evaluation System, which is available at <http://www.greencarchina.org/Default.aspx>. The mission of the online evaluation system is to promote sustainable transportation development, delivering the concept of environmental friendly vehicles, leading the consumers to buy green cars. iCET will update the database annually. The results presented on the website now are based on 2008 homemade vehicle data. We are still improving the website, so the website is only available in Chinese at this time. If you have comments and questions, please send email to Mr. Wang Cheng at chengwang@icet.org.cn

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Environmental Friendly Vehicle Online Evaluation System

General Energy Issues

China per-unit energy consumption falls 3.35% in H1

August 2 (Xinhua) –BEIJING: China's energy consumption to produce a unit of gross domestic product (GDP) dropped 3.35 percent year on year in the first half, the National Development and Reform Commission (NDRC) said in a statement Sunday.

The decrease compared with 2.88 percent in the first half of last year.

The commission also said it expected the country's sulfur dioxide emissions to fall 5 percent in the first half, and that the measurement of chemical oxygen demand (COD) to be down 2 percent.

China launched a nationwide campaign to improve energy efficiency and reduce greenhouse emissions in 2006. It vowed to reduce energy consumption for every 10,000 yuan (1,470.6 US dollars) of GDP by 20 percent and major pollutant emissions by 10 percent by 2010 from the 2005 levels.

Analysts said slower growth in industrial output, as result of a slowing economy, helped lower the energy intensity. Energy consumption of the industrial sector accounts for more than 70 percent of the country's total.

China's economic growth has slowed amid the global downturn, but it expanded 7.9 percent in the second quarter after sinking to 6.1 percent in the first quarter.

The falling energy intensity is attributed to improved industrial structure, according to the NDRC statement. It said about a third of energy conserved in the first half was a result of a change in industrial structure.

The proportion of the tertiary industry in GDP was up 0.5 percentage points while that of secondary industry down 0.8 percentage points.

Continued investment in energy conservation and environmental protection, despite a fall in fiscal revenue, also played a role.

China has earmarked 22.4 billion yuan from the central budget for exclusive use in energy conservation and environmental protection since the end of last year.

The government also continued to make efforts to curb energy-consuming sectors. It closed small coal-fuelled power plants with a total generating capacity of 54.07 million kilowatts from 2006 to the end of June this year.

The increase in output of energy-intensive industries declined 10.3 percentage points from a year earlier, according to the NDRC.

Energy intensity in large industries fell, with the steel industry down 8.43 percent, the coal industry 3.83 percent, nonferrous metals 19.59 percent and power production 9.51 percent.

http://news.xinhuanet.com/english/2009-08/02/content_11813538.htm)

China plans for renewable energy

August 25 (China Daily) - China's top legislature yesterday turned its attention to the creation of specific plans for more renewable energy, such as nuclear, wind and solar power.

The move would not only create more energy that is desperately needed in China, but would also spur industry and business development, environmental experts say.

A draft amendment to the renewable energy law was submitted for first reading to the Standing Committee of the National People's Congress (NPC), in a bid to remove the power transmission bottleneck that hinders industrial development.

The draft requires related ministries to map out concrete plans for meeting the country's medium- and long-term renewable energy targets, which should be based on the overall national energy strategy and available technologies.

"The country's power grid development plan is falling behind that of the renewable energy, becoming a major block for reaching the country's renewable energy target," said Wang

Guangtao, director of the NPC's environment and resource protection committee.

For instance, areas rich in wind power resources are mainly concentrated in the remote northwest, northeast and southeast, where the power transmission network is poorly constructed, Wang said.

But the scale of renewable energies is over-expanding in some areas despite the lack of necessary infrastructure to collect the electricity.

More than 20 percent of the country's wind power machines did not generate any electricity last year because the equipment was not yet connected to the grid, according to officials from the China Wind Energy Association. The draft law also stipulates the setting of a nationwide annual purchase quota for renewable energy sources to protect the interests of renewable energy enterprises.

The renewable energy law orders power grid operators to purchase resources from registered renewable energy producers within their domains. But some grid companies failed to abide by the law.

"The electricity supply from renewable energies is not as stable as the supply from traditional coal-fired power plants," said Yang Lei, chairman of Vantage Point Venture Partners. "This makes power grid companies reluctant to collect electricity from such sources."

Wind power, for example, is affected by sudden surges or falls in electricity caused by unstable wind conditions. This leads to strong fluctuations to power grids, and may even cause damage, Yang said.

The draft legislation will help and protect renewable energy producers, but the challenges that power grid companies face have not yet been tackled, Yang said. Technology breakthroughs are required to fix this problem, Yang said.

The draft amendment also calls for China to set up a government fund to support research and development of renewable energy-related technologies and a smart power grid system.

Last month, China's lawmakers revised some target dates, mandating at least 15 percent of its

energy capacity be generated from wind, solar and other renewable energy sources by 2020.

Guangzhou will highlight the development of solar energy, heat pump technology, hydropower, wind power, biomass energy and alternative energy for public communication in its new energy and renewable energy development plan, released in late July. Guangzhou is the first city in China to have issued such an energy development plan.

The city will encourage foreign investors in new energy power generation projects while developing the equipment manufacturing industry for the new energy sector, according to the Guangdong provincial development and reform commission.

The new energy plan for Guangdong province also will be released soon, hopefully within this year, said Li Miaojuan, director of the provincial development and reform commission, at a recent international energy forum in Guangzhou.

Zhan Lisheng contributed to the story

(http://www.chinadaily.com.cn/bizchina/2009-08/25/content_8611790.htm)

Coal mines to merge in new restructuring plan

August 12 (Xinhua) – A large-scale restructuring of the coal industry in China's major coal-producing province of Shanxi, starting at the end of this month, will reduce accidents and improve efficiency by shutting down small coal mines, officials said.

"The restructuring this time is the largest after years of adjusting the coal industry's structure," Miao Huanli, planning section director of Shanxi provincial coal bureau, said yesterday.

The merging and reorganization plans submitted by all the 11 cities and districts of the province have been approved, he said.

Officials plan to reduce the number of Shanxi's coal mines from 2,598 to 1,000 by 2010, shutting down unsafe and low-producing small mines. The goal is to ensure more safety for

miners, according to documents outlining the restructuring program.

The remaining coal mines must have an annual capacity of at least 3 million tons.

"After 70 percent of small mines are taken over by large State-owned mines, the level of industrial concentration will be improved, which will greatly reduce coal mine accidents," said Li Lun, press and education director of the provincial work safety bureau.

Bringing more order to the mining market, as well as the full adoption of mechanical mining, will also improve mining safety, he said.

"The program gives us an opportunity to expand coal reserves and seek further development," said Liu Yaqin, press officer of Taiyuan-based Shanxi Coking Coal Group, a local coal giant with 80-million ton annual coal production capacity.

The group has planned to take over about 200 small coal mines this year, she said.

Meanwhile, Wang Hongying, an energy researcher with Shanxi Academy of Social Sciences, warned that to achieve the goals of the program, local authorities have to coordinate conflicts of interests among stakeholders.

"Authorities have to mobilize the enthusiasm of stakeholders in order to achieve the program's goals, as conflicts of interest are the biggest difficulty in the program's implementation," he said.

Wang Zheng, a small coal mine owner from Nanjiao district of Datong, echoed the expert.

"My mine has stopped production for more than a year and will not resume production by this year due to the restructuring program," he said.

Wang's mine and Shanxi Coal Transportation and Sales Group have reached a framework agreement on relevant merging issues, but the future of about 100 coal miners who worked in Wang's mine is still uncertain, he said.

Some of the coal miners may get jobs elsewhere, and some may lose their jobs, he said.

(http://www.chinadaily.com.cn/china/2009-08/12/content_8559608.htm)

Experts warn of overheating new energy industry

August 18 (Xinhua) - Hiccups are developing in China's new energy industry, say experts.

New energy has been a hot topic in China for quite a few years. Some experts, however, suggest that improving conventional energy efficiency carries more weight in developing a low carbon economy.

Li Junfeng, deputy director of the Energy Research Institute of the National Development and Reform Commission, said China's new energy industry had become a high risk industry and there was far too much competition in the sector.

"Considering new energy industry accounts for less than 1 percent of China's gross domestic product, a dozen companies would be enough, but now there are swarms of them," Li said.

China's demand for new energy facilities was still low and nearly half of its output was for export, said Zhu Dajian, director of Research Center of Sustainable Development and Governance, Tongji University. "If too many companies enter the industry and domestic demand fails to increase, bubbles will soon appear."

Since the present global financial downturn began in 2008, the once prosperous solar energy photovoltaic generation industry has been experiencing a difficult time. The industry relies heavily on the international market, with 98 percent of photovoltaic product sold overseas in 2008. Shrinking overseas demand has forced companies to suspend production or even register bankruptcy.

"It is more important to improve the efficiency of conventional energy than to develop new energy at this stage," said Zhu.

Coal accounts for 70 percent of China's energy consumption. Zhu said the state of affairs would continue for some time. The average efficiency rate of coal-fired power stations is only 35 percent but can increase to 50 percent if more advanced technology is applied.

(http://www.chinadaily.com.cn/bizchina/2009-08/18/content_8584451.htm)

Energy firms find wind at their back

August 31 (China Daily) –ST LOUIS: China's emphasis on wind energy is creating a new source of green for many American companies, as the country's wind capacity continues to advance with gale-force strength.

In recent years, China has blown past its own ambitious goals for wind energy development, making it the fourth-largest wind power producer, behind the US, Germany and Spain.

In 2007, the country's objective was to have enough wind plants built to generate 5 gigawatts (GW) of energy by 2010. By the end of 2008, it had already achieved 12.2 GW, and revised forecasts say that China could reach 150 GW by 2020.

"The rate at which China is scaling its wind industry supply and demand is unprecedented on a global level," said Caitlin Pollack, an analyst with Emerging Energy Research.

Wind energy-related products include designs, turbines, nacelles (housings for a turbine's inner workings), gearboxes, bearings and electrical equipment.

Since 2006, American Superconductor, of Devens, Massachusetts, has become a major supplier of both designs and electrical conduction components.

The company uses what it calls the "Gillette" business model, selling Chinese companies the "razor" (the design) with the stipulation that they also buy the "blades" (the electrical parts).

The strategy is largely responsible for the company's \$73 million first-quarter profit, an increase of 85 percent over the same period in 2008, according to American Superconductor.

The company's major client in this arena is a wind turbine maker called Sinovel, the largest such manufacturer in China.

And with additional design orders from Sinovel and new, similar agreements with four other

companies, American Superconductor expects its earnings to grow exponentially in the future.

Other US companies also have big plans based on China's continued wind energy push.

General Electric, which opened a new wind turbine assembly plant in Shenyang in 2006, hopes to double its sales to China this year.

GE also has a joint venture with China-based A-Power to produce gearboxes in A-Power's Chinese factory in 2010.

Canton, Ohio-based Timken Bearings expects to make \$30 million this year selling US-made turbine gearbox bearings to Nanjing High Speed Gear Manufacturing Company.

In a joint venture with Xiangtan Electric Manufacturing Company, Timken is also building a \$38 million bearing plant in Hunan Province, which will begin operating next year.

Joint ventures with manufacturing facilities in China are excellent money-making strategies in this field for two reasons, according to Ben Schuman, an analyst with Pacific Crest Securities.

China requires 70 percent of all wind energy components to be built domestically, either by foreign or Chinese companies, Schuman said.

Chinese wind energy component buyers favor companies with Chinese owners, especially when the Chinese partner has majority interest, he added.

"That makes you, in effect, Chinese in the eyes of the decision-makers, which for the most part is the government," Schuman said. "We've seen that in other industries like automotive. You have Volkswagen and Shanghai Automotive having a joint venture, and all of a sudden Volkswagen is one of the market share leaders in China."

Historically, European countries have been - and still are - major suppliers of wind energy products to China.

While GE is the only US company making turbines in China, three European firms are doing so, and European manufacturers SKF and Schaeffler are the chief suppliers of bearings to China's wind energy industry.

When American Superconductor first sought to make inroads into the Chinese market, it took an "if you can't beat 'em, join 'em" approach and purchased Austrian wind energy design firm Windtec.

"The technology American Superconductor sells in China is of European origin," said Schuman, who doesn't see the US ever overtaking Europe in market share.

According to several experts, advances being made within China may also limit US chances there.

Dozens of Chinese manufacturers, including Goldwind, Sinovel and Dongfang, are supplying most of China's wind turbines, and the country is moving ahead in its bearings and transmissions manufacturing.

American Superconductor spokesperson Jason Fredette said many wind energy products may soon be produced by firms with Chinese names and US backers. However, he is optimistic that US-owned companies won't be left out.

"We fully expect China to dominate in wind turbine production, but we still think there will be opportunities for many years for Western companies to provide key technologies and components," Fredette said.

(http://www.chinadaily.com.cn/bw/2009-08/31/content_8634371.htm)

Energy-saving bulbs could have huge impact

August 5 (China Daily) - The idea is simple: replacing regular light bulbs with energy-saving ones. If full implemented, the "Green Lights Project" would help reduce China's energy consumption by 8%, said Khalid Malik, UN Development Program's Resident Coordinator in China.

"If you were to produce new energy for 8% of China's consumption, that is worth tens of billions of dollars," Malik said in an exclusive interview with China Daily website last Thursday.

The four-year project was initiated by the UNDP and the National Development and Reform

Commission (NDRC), China's top economic planning body, on July 24 during a visit to China by UN Secretary General Ban Ki-moon. It is expected to help China cut carbon dioxide emissions by 175 to 237 million tons in 10 years, according to NDRC.

The program is part of a broader international effort to build a consensus and momentum for the global Copenhagen Conference on climate change in Denmark, which will be held at the end of the year.

During the Secretary General's visit, Chinese President Hu Jintao assured Ban that "China wants to seal a deal in Copenhagen and will play an active and constructive role in the negotiations to achieve this end".

In recent months Beijing has made significant efforts to develop alternative sources of energy and cut emissions. These include increased subsidies for solar power as part of an effort to increase alternative energy use to one-fifth of all energy consumed nationally, as well as programs like the "Green Light Project"

"China is not only active in energy conservation, but..is now becoming a world leader in wind energy, solar energy. So I think this is tremendous," Malik says. "There's a lot of opportunities there."

(http://www.chinadaily.com.cn/china/2009undp/2009-08/05/content_8527660.htm)

Guangzhou gov't to impose energy-saving plan

August 27 (CRI) -- City officials in Guangzhou, southern China's Guangdong Province, have prepared to impose a city-wide energy-saving plan to help cut energy consumption, the Guangzhou Daily reported on Wednesday.

The first of its kind in China, the energy-saving plan will demand government buildings to limit their use of elevators to floors above the third storey and ask relevant authorities to reduce the use of public street lighting.

The plan specifies that the turning-on of streetlights should be lowered to reasonable

levels to ensure they do not compromise the safety of vehicles and pedestrians. It also calls on businesses to turn off their neon lights and signs to save electricity except during holidays and festivals.

The plan also notes that its first phase will focus on the theme "an experience of energy shortage", which urges people not to drive or use air-conditioning or electric lights for one day to help them realize the importance of saving energy.

City officials are still hammering out the plan's final details, the report said.

(http://www.chinadaily.com.cn/bizchina/2009-08/10/content_8548057.htm)

Automobile and Transportation

Chinese official urges early exit of high-emission vehicles to curb air pollution

August 13 (Xinhua) -- A Chinese environmental official Thursday urged hastening the national elimination of high-emission vehicles to help curb urban air pollution.

"The automobile emissions have become main sources of air pollution in Chinese large and medium-sized cities," said Li Xinmin, an official with the Ministry of Environmental Protection.

"High-emission cars and trucks only make up 28 percent of all automobiles in China, but they are responsible for 75 percent of the pollutant emissions," Li said.

Automobiles which fail to meet the National Emission Standard I are listed as high-emission vehicles in China.

The Standard I, equivalent to the Euro I standard, allows an average petrol sedan to emit a maximum of 2.7 grams of carbon monoxide a kilometer among other exhausts, whereas Standard IV requires less than 1 gram of carbon monoxide and 0.08 gram of nitrogen oxide per kilometer.

China introduced Standards I, II and III respectively in 2000, 2005, and 2007. Standard IV is scheduled to be adopted nationwide in 2010.

The pollutant amount discharged by a high-emission vehicle is 30 times as much as a Standard IV automobile, according to Li.

"We encourage local governments to increase financial support in eliminating high-emission vehicles, especially in big cities like Beijing and Shanghai. It's good for reducing air pollution and introducing more automobiles of low pollution," Li said.

China had more than 64 million automobiles by the end of 2008, among which 18 million were high-emission vehicles.

The ministry has built an online inquiry system for the public to check whether a certain automobile belongs to the high-emission category, according to Li.

Urban air pollution has been a growing concern for governments at all levels as the number of automobiles rises in cities and towns all over the country, and big cities turn to different ways to lower vehicle exhaust emissions.

During the Olympics and Paralympics last year, Beijing limited the use of most vehicles through an odd-even license plate system. The initiative took 45 percent of the cars off the roads and helped keep skies clean.

In April, the city implemented a new restriction, also based on license plates, which forces a fifth of privately-owned vehicles off the roads each week day.

(http://news.xinhuanet.com/english/2009-08/13/content_11877958.htm)

Rural auto subsidy extended

August 14 (China Daily) - China will continue its policy of subsidizing farmers' purchase of automobiles in a bid to spur vehicle sales, as part of the government's concerted efforts to stimulate domestic demand, a government official said yesterday.

The policy, put in place earlier this year, has proven to be successful and will be extended, Li Yizhong, minister of industry and information technology, said at a news conference in Beijing yesterday.

China's vehicle sales posted a 63-percent year-on-year growth in July, which is usually the worst period of the year for auto sales, according to figures released by China Association of Automobile Manufacturers.

The country sold 1.09 million vehicles last month, the fifth consecutive month that the number has exceeded the 1-million-unit mark.

"The fundamental reason behind the dynamic performance is the series of stimulus policies we doled out," Li said, pointing to other incentives.

The government has cut in half the purchasing tax on passenger vehicles with engines smaller than 1.6 liters, a policy that it said will last until the end of this year. Li did not say whether the government would extend the policy.

The government has also introduced policies under which customers can get subsidies if they trade in their old vehicles for new ones.

"The impressive double-digit auto sales growth against the backdrop of a worldwide industry slump is largely attributed to our policy stimulus and shows they are successful," Li said.

The minister also said the government would push ahead aggressively with mergers and acquisitions among the enterprises to improve industrial consolidation. He said his ministry was working on guidance and restructuring details for 10 major industries, without going into specifics.

Li said China's industrial growth slump has been reversed and corporate profitability has improved considerably.

Industrial output rose 10.8 percent in July from a year earlier, after gaining 10.7 percent in June, the second time since September last year that output has seen double-digit growth, the National Bureau of Statistics said on Tuesday.

"The overall industry performance is heading in a good direction," Li said. "The economy is turning better but it does not signal that the difficult period is behind us."

(http://www.chinadaily.com.cn/bizchina/2009-08/14/content_8569513.htm)

China efforts on clean energy cars

August 3 (CCTV) -- Sales of China's imported vehicles reached 153,000 in the first half of this year. And those with 3 liter engines and below accounted for a significant portion. But sales of clean energy vehicles were hampered by higher prices. The Ministry of Commerce says China is continuing to assess preferential policies for clean energy cars.

At the Beijing Imported Car Exhibition this weekend, energy-saving and environmentally-friendly cars exceeded 30 percent of the total cars on display. The latest figures show China's imports of low and medium-emission cars have gone up by over 38 percent during the first half of the year. In contrast, imports of high emission cars went down by nearly 13 percent year-on-year. China has adopted preferential policies for low-emission cars.

Chen Deming, Chinese Commerce Minister, said, "In the coming six months, we will continue opening the market to foreign energy-saving cars and low-emission cars. We are drafting favorable policies for new and hybrid energy cars with low emissions. Currently, oil and electricity mix power technology is mature enough but quite expensive. Relevant departments will go further on preferential policies."

(http://www.china.org.cn/video/2009-08/03/content_18254162.htm)

Light vehicle sales remain 'bubbling hot'

August 24 (China Daily) -- Even as most nations grapple with the global economic downturn, China's automotive market continues to dazzle.

Maintaining its position as the leading light vehicle market in the world, China recorded sales of 1.03 million light vehicles in July - defined as passenger cars and light commercial vehicles less than 6 tons.

The monthly figure is a 60 percent increase over the same period of 2008 and brings the nation's year-to-date light vehicle sales growth to 27 percent. The rapid expansion in July is partially explained by a decelerating growth rate in July 2008 - but mainly the market is just bubbling hot.

Strong July sales pushed the seasonally adjusted annual selling rate (SAAR) beyond 14 million units, a gain of more than 10 percent over the pace recorded in June and moved the year-to-date SAAR to 11.6 million units.

Vehicle sales were equally strong in both passenger vehicles and light commercial vehicles, as well as across most vehicle segments.

Sales of passenger vehicles jumped by 61 percent to 702,000 units for the month, while light commercial vehicles increased by 58 percent to 325,000 units.

Light vehicles sales in July are historically weaker than other months of the year.

Soft sales in past years often led to the most generous sales campaigns of the year from manufacturers eager to meet their full-year sales targets.

Yet few manufacturers offered incentives this July, and only the weakest companies are worried about meeting their sales targets.

Tax cuts and government subsidies provided the incentives that in past years came from manufacturers.

Automakers are facing capacity constraints as they work to keep up with blistering demand. Several companies recently announced expansion plans, with Dongfeng Nissan, Audi, Chang'an Automobile and Great Wall Motors all making moves to open new plants, and SAIC-GM Wuling, Shanghai VW and BYD upgrading existing lines to raise output.

Expanding capacity suggests a growing confidence in China's auto market and the

underlying economic factors supporting the industry's growth.

Yet that confidence is not shared by everyone.

Increasingly, the sustainability of China's economic recovery is under scrutiny. Loose credit terms from banks in the first half of the year threaten a rise in non-performing loans and an overall weakening of the financial system.

China's export sector remains challenged and related foreign direct investment is down significantly.

Conflicting reports suggest that indeed some Chinese officials believe a tighter monetary policy is required to maintain stability and quell the enthusiasm in property and stock markets.

Looking forward, the effect of the stimulus package is weakening, so light vehicle demand in the second half of 2009 is expected to be slower than year-to-date figures.

The economy will likely face turbulent times, but we believe policymakers will continue to draw on the considerable resources available to maintain the economic recovery. But it's not a straight shot. There are risks.

Given the momentum through July 2009 and the relatively lackluster figures of 2008, we expect the growth rate for the full year of 2009 to reach a remarkable 25 percent for passenger cars, and 39 percent for light commercial vehicles.

While the world debates its economic condition, China remains the largest and fastest growing automotive market in the world.

Marvin Zhu is a senior market analyst from JD Power Consulting (Shanghai) Co Ltd

(http://www.chinadaily.com.cn/bw/2009-08/24/content_8605852.htm)

Production lines roll as GM, FAW team up

August 31 (China Daily) - CHANGCHUN, Jilin: Two leading automakers in China and the United States Sunday announced a multibillion-yuan deal to manufacture commercial vehicles.

FAW Group Corp and US-based General Motors (GM) have teamed up to establish FAW-GM Light Duty Commercial Vehicle Co Ltd.

The 50-50 venture is the first between the leading automakers and the first major international investment by GM since it restructured as New GM after filing for bankruptcy protection in the US two months ago.

The joint commercial vehicle firm is based at FAW's headquarters in Changchun, capital of Northeast China's Jilin province, and has registered capital of 1.2 billion yuan (\$176 million) and total investment of 2 billion yuan.

The company is focused on the production and sales of light-duty trucks and vans, as well as research and development, exports and after-sales support.

Production began Sunday as the venture includes facilities FAW uses for Harbin Light Vehicle Co Ltd and Hongta Yunnan Automotive Manufacturing Co Ltd, said Nick Reilly, GM's executive vice president and president of GM International Operations.

Manufactured in Harbin, Heilongjiang province, and Qujing, Yunnan province, existing and future products will be branded FAW Jiefang in China, leaving room for the creation of GM derivatives in the near future.

Capacity will reach 200,000 units per year, said Kevin Wale, president and managing director of GM China.

"We will first address the demand of Chinese consumers, then make the venture a valuable player in the global market for high-quality, affordable products in one of the industry's most robust segments, while complementing the portfolio of products GM and FAW offer," said Reilly.

"There is no other market in the world deserving our attention more than China. It sends an important signal of GM's ongoing commitment to China.

"China occupies more than 15 percent of the light truck market share in the world and it is expected to grow in the near future as China's economy rapidly develops."

Xu Jianyi, president of FAW, said he hopes the venture will claim the biggest market share in China's light commercial vehicle segment before expansion overseas.

"Light commercial vehicles will play a strategic role in China's urbanization and rural development," he said. "Our win-win cooperation is a proactive step in helping the Chinese government realize its plan of restructuring and further developing the automotive industry, broadening the market share of local self-owned brands."

According to FAW executives, the companies have been in talks over the deal since January 2007 and received approval from the Chinese government in July.

FAW already has partnerships with Volkswagen and Toyota in passenger car production, while GM has cooperated with China's SAIC Group on passenger car production in Shanghai and light truck and minivan manufacture in Liuzhou, Guangxi Zhuang autonomous region.

(http://www.chinadaily.com.cn/china/2009-08/31/content_8636007.htm)

Subsidy will help plug-in hybrid sales, BYD says

August 18 (China Daily) -- Chinese battery and vehicle maker BYD Co said it was bullish about sales of its F3DM plug-in hybrid car, after regulators recommended the energy-efficient model as eligible for government subsidies.

China's Ministry of Industry and Information Technology (MIIT) recently unveiled the list of a first batch of new-energy vehicle models that have got regulatory approval for production and sale.

According to a statement on the MIIT website, there were five new-energy vehicle models in the list - Nanjing Iveco's electric commercial vehicle, Jianghuai Auto's electric engineering vehicle, JMC's electric service vehicle, Zotye Auto's electric light minibus, and BYD's plug-in hybrid sedan.

"Being the only sedan on the list, we qualify for the highest subsidy level of as much as 50,000

yuan (\$7316) per unit. Hence, we are optimistic about the F3DM model's sales to individual customers, which will start next month," said a BYD spokesperson.

China's Ministry of Finance announced subsidy plans for new-energy vehicle production and purchase early this year. For new-energy vehicle makers who wished to avail of the subsidy, the vehicle model had to be approved by the industry regulator for mass production.

The F3DM car, the first plug-in to be mass-produced anywhere in the world, hit the market in December 2008.

The electric car can be charged through charge stations or at home. The zero-emission model's electricity consumption cost was only one-fourth that of gasoline driven cars of a similar size, BYD said

(http://www.chinadaily.com.cn/bizchina/2009-08/18/content_8581540.htm)

Chery to expand overseas

August 26 (China Daily) –Chinese automaker Chery Automobile Co is ambitious to speed up its global network expansion after stabilizing its foothold in the domestic market.

The Wuhu, Anhui-based auto manufacturer is on track to add six assembly plants outside the mainland this year, boosting its global production network to 15 countries and regions, said Jin Yibo, a spokesman for Chery.

The six destinations will include Taiwan and Thailand in Asia, Syria in Africa and Venezuela in South America, an unnamed executive at Chery told China Daily. The executive did not disclose the other two locations.

"Construction of the assembling facilities in Taiwan, Syria and Thailand have been finished, while the plant in Venezuela is still waiting for local government approval," the executive said.

Chery's A3 compact car recently rolled off the production line in Taiwan, and the company will officially launch the model in a few days on the island, the executive said.

Production also started recently in Thailand on Chery's QQ mini-car, the source said.

The company will bring more models to Syria for local production, including its Tiggo sports utility vehicle (SUV) and A3 compact, targeting African markets.

As the most successful Chinese carmaker in the international market, Chery has introduced its vehicles to more than 60 countries and regions in Asia, Europe, Africa and South America.

Last week, the company officially announced the debut of its business operations in Brazil, with plan to establish 55 dealerships across the country this year.

Luis Curi, president of Chery's Brazil operation, said that Chery hopes to sell as many as 2,500 Tiggo SUVs in Brazil by the end of this year.

Chery spokesman Jin told China Daily that the company will build an assembly plant in Brazil, the world's ninth-largest auto market, in the next three years.

The China Association of Automobile Manufacturers reported that in the first seven months of this year, exports of China-made vehicles slumped 60.3 percent over a year ago to 164,800 units as the financial crisis shrank auto demand in markets outside China.

However, Chery still retained its leading position among Chinese automakers with the export of 15,000 units.

Statistics show that in the past three years, Chery contributed more than half of China's exports of homegrown passenger cars.

Analysts said domestic automakers have been smart to begin shifting their focus from product exports to capital outflows, as overseas production might reduce costs, avoid trade barriers and promote Chinese brands in the international market.

Last month, China's Chang'an Auto reported it would invest more than \$80 million in South Africa to establish a production plant and a financing company in the next five years.

JAC Motors also said in July that it would establish a manufacturing base in Brazil.

(http://www.chinadaily.com.cn/cndy/2009-08/26/content_8616007.htm)

Oil and gas

Biofuels: learning from Obama

August 21 (China Dialogue) -- On May 5, 2009, United States president Barack Obama signed a presidential directive on developing advanced biofuels. The US department of energy (DOE), department of agriculture (DOA) and the environmental protection agency (EPA) then followed suit with plans and measures to implement this directive. These moves – described by some commentators as historic – have been watched closely. Analysing the directive and the departmental plans that followed could inform China's own energy stimulus package and its energy policies.

The directive supports advanced biofuels: cellulosic ethanol, green biodiesel and other new, low-carbon biofuels – which are different from starch- or sugar-based ethanol and not simple replacements for traditional liquid fuels. According to DOE figures, traditional ethanol production provides only 26% more energy than is required in its production, as opposed to 80% more for cellulosic ethanol. Meanwhile, greenhouse-gas emissions reduction is between 10% and 20% for traditional ethanol, but between 80% and 100% for cellulosic ethanol.

With the right standards in place, the entire production process for cellulosic ethanol could be made carbon neutral, since the energy crops consume carbon dioxide while they are growing. Non-cellulosic ethanol can also provide heat during production, making the process self-sufficient in terms of energy. Data from the DOA show that planting biomass crops, such as willow and miscanthus – a common genus of grass in Asia – on land that is not used for traditional crops, can reduce soil erosion by 90%. Herbaceous crops also increase the organic carbon content of poor soil, removing carbon dioxide from the atmosphere and mitigating climate change.

According to a 2005 survey from the DOA and DOE, the 1.3 billion tonnes of cellulosic biomass

that is produced by the United States could replace 37% of that country's crude oil consumption, with no major impact on the agriculture and forestry sectors.

In the same year, a report from the energy bureau at the National Development and Reform Commission (NDRC), China's top economic planners, found that China could collect between 800 million and one billion tonnes of biomass from regular agricultural and forestry activities: cutting back bushes, thinning forests and pruning fruit trees, as well as waste from the lumber industry. Aside from this, China has 460,000 square kilometres of land suitable for forestry, and a further 10,000 square kilometres that is unsuitable for agriculture – all of which could be used to plant energy crops. By 2020, China would be able to reap an annual estimated harvest of two billion tonnes of biomass. Using this to produce advanced biofuels would not only replace a significant proportion of crude oil consumption, but also slash carbon dioxide emissions and energy use in the process of fuel manufacturing. However, the completion of such a huge project would require cross-departmental cooperation from China's energy bureau, ministry of agriculture, ministry of environmental protection and forestry bureau.

The US plans from the DOA, DOE and EPA all focus on commercialising mature or nearly-mature technologies. In 2007, the DOE funded six cellulosic ethanol plants at a cost of US\$385 million. New plans will see a further US\$480 million provided to between 10 and 20 pilot and demonstration bio-refineries. In response to the financial crisis, US\$175 million of follow-up funding will be given to at least two of the projects funded in 2007, which brings government funding for these projects to 60% or more of the total cost. The DOA, meanwhile, has been instructed to use the 2008 farm bill to provide loan guarantees or funding for demonstration projects currently under construction.

China already has the foundation it needs to commercialise cellulosic ethanol production. China was previously a world leader in acid and enzyme hydrolysis. At the end of 2006, the China National Cereals, Oils and Foodstuffs Corporation (COFCO) built a pilot cellulosic ethanol plant in Heilongjiang province, northeast China, with annual production capacity of 500

tonnes. Over two years of operation, the majority of working techniques were optimised. A feasibility study for a larger plant producing 10,000 tonnes a year was completed and found that the production costs would be 6,500 yuan (US\$951) per tonne of ethanol. Taking into account initial stage subsidies for corn ethanol of 1,800 yuan (US\$263) per tonne, the fuel would break even when the retail cost of petrol (excluding fuel tax) is 4.10 yuan (US\$0.60) per litre. However, the economic outlook – and uncertainties about policies that favour cellulosic ethanol – caused COFCO to push back the start of construction on the larger plant to 2011, with its completion planned in 2012. Jilin Fuel Ethanol Co. made a similar decision.

New industries are always risky; it is no surprise that businesses that need to turn a profit are wary about this field. This is why the US government, despite the financial crisis and the budget deficit, is providing such strong support to demonstration projects. In China, commercial biofuel production would receive a significant boost if the government would provide half of the funding for the two projects mentioned above – around 160 million yuan (US\$23.4 million) – less than the maximum US DOE funding for a single pilot project – and issue preferential policies as a matter of urgency.

In accelerating the development of biofuel energy, China must coordinate on a national level and concentrate on two aspects. First, while commercialising mature technology as soon as possible, China should also strengthen basic research in key fields. The US DOE plans to invest US\$110 million (751.5 million yuan) in conversion technologies, including more effective catalysts, microbes and feedstocks. A typical example of this type of research is the partnership between the National Renewable Energy Laboratory and the Danish firms Genencor International and Novozymes to research cellulosic enzymes such as the cellobiohydrolase family, which have reduced the cost of enzymes to one twentieth of the cost in 2002, making acid enzyme hydrolysis technology commercially viable. This new spending on catalysts will do the same for thermo-chemical methods. Meanwhile, research on algae will push forward a new generation of biofuels and help to realise a true green energy revolution.

China has a good foundation in biofuels research, but there is a lack of clear direction and low-level research is being reduplicated. In particular, research into commercialisation is weak. At the moment support is needed in proprietary brand micro-organism preparations, such as cellulosic enzymes and semi-cellulosic yeasts, catalysts for thermal decomposition and quality large-scale feedstock crops. These would reduce the cost of biofuels and thus increase their commercial viability.

Second, while supporting commercial demonstration projects, industry need to coordinate development of upstream production, such as large-scale sustainable feedstock, and downstream issues, such as transport and sales infrastructure and the optimisation of vehicles for use with E85 alcohol fuel mixture. Legislation, such as standards for environmentally friendly vehicles and low-carbon fuels, must be put in place. This will ensure the materials, the market and the regulations that are needed to meet our targets.

China can do more to support advanced biofuels. Policymakers see the commercialisation of biofuels as an alternative source of energy, but they should also be aware about the strategic significance of addressing climate change and protecting the environment, land resources and water. Zhang Guobao, deputy chair of the NDRC and director of the energy bureau, said that China should learn from painful experiences developing certain industries in the past. If we do not adopt a higher-level view of the development of new energy sources, in 10 years we may find we have been left behind again.

An ancient peasant saying goes: “Waste a minute of the land’s time, and it will waste a year of yours.” The opportunity will not wait for China; that is the message of Obama’s new biofuels strategy.

Xu Dingming is an adviser to the State Council. He has been deputy chair of the office of the national energy leading group and director of the NDRC’s energy bureau, where he oversaw China’s first mid- to long-term energy plan. Since 2003, he has overseen mid- to long-term national planning for electricity, coal, natural gas, renewable energy and oil reserves.

Zhang Jinyuan is president of Pacitec, Inc. He has worked as an engineer and general manager for the China region at Halliburton

Energy Services, as well as deputy chief engineer at Shanghai Marine Geology Bureau. He was previously a research student in electromechanical engineering at the University of Houston, Texas.

(<http://www.chinadialogue.net/article/show/single/en/3226-Biofuels-learning-from-Obama>)

End of fossil fuel and fueling of innovations

August 26 (China Daily) –The most authoritative energy organization just indicated that the end of oil is much nearer than expected. The day we will see the end of the oil era can best be described as an oil-bomb implosion -more powerful than anything humanity has seen.

In a unique initiative the International Energy Agency in Paris has conducted its first study to assess the future oil supplies. The decision to survey supply - instead of just demand, as in the past - reflects an increasing fear among world leaders that oil reserves may dry up much sooner than expected.

Very soon the day will come when humanity will see the end of oil. If the response is strategic from Chinese companies and policymakers it could boost a shift from high-carbon goods "made in China" to smart 21st century solutions "innovated in China" that could help the world into a global circular economy.

At first thought the end of cheap oil may look like a good thing for the environment because much of the carbon emission that causes global warming comes from oil. The problem is that most of the international companies responsible for providing energy have shown they are not that interested in a sustainable future with renewable energy and energy efficiency. When oil prices were close to \$150 a barrel last year we could see increased investments in renewable energy and energy efficiency, but the real investments were in more and dirtier fossil fuels.

Three areas received a lot of attention and investments from the fossil fuel industry last year: Tar sand, coal to liquid and carbon capture and storage (CCS).

Tar sand is dirty oil that requires a lot of energy to be extracted so it emits much more carbon than traditional oil. Coal to liquid is a method of extracting liquid fuel from coal, which again causes much higher emissions than traditional oil because it is a very energy intensive process. And CCS is an "end-of-pipe" technology where the problem is made marginally less destructive.

From an economic and innovative perspective these investments make no sense. Their ways of providing energy are dirtier and more expensive, and they don't drive innovation or create any significant job opportunities compared with most other options.

Energy efficient buildings, or even carbon-positive buildings, new smart IT solutions that allow teleworking and smart public transport system can be built around renewable energy at the same or cheaper cost.

Why then big investments were not made in smart and renewable energy solutions? The reason is simple and important both. It is about business ideas and the will to keep on using an infrastructure that we sooner or later must leave behind.

The world, especially the industrial world, has such a strong addiction to oil that we will probably see wars over oil and more investments in climate destructive technologies if we don't start investing for a world beyond oil.

Since oil consumption in China is expected to increase by about 60 percent by 2020, according to studies conducted by Chinese Academy of Social Sciences, it can turn the crisis into an opportunity.

The country has the chance of shifting from a society built on oil and look at development beyond the "age of oil". Its focus should shift from increased oil exploration and more fossil technologies toward new smart technologies that also can be exported.

Smart public transport, teleworking and smart buildings can become the three pillars of an oil-free future for China and the rest of the world. But for that to happen we need new initiatives.

First and most important is to ensure that companies engaged in extracting, refining and supplying fossil fuel are not in charge of the development agenda. Many western

governments have such companies as their main advisors on climate policy.

It's natural that these companies would want to protect their business model and sell as much energy as possible instead of helping people get the service they need in the most climate-efficient way. The companies want to protect the investments in the infrastructure they have built, too. That means they would use more fuel for their refineries, pipelines and power stations.

It is almost impossible for them to give up the use of fossil fuel both as a raw material and finished product because their knowledge and innovative power is almost totally limited to fossil solutions.

Second, no company should be supported or given permission to operate unless it demonstrates a plan for a fossil-free future by 2020. This would prepare society for the day oil prices shoot out of the roof or the existing distribution system collapses.

Third, China can lead the way in making other oil producing countries invest all the revenue earned by their companies after oil prices cross \$70 a barrel in non-fossil-fuel solutions, with a strong focus on energy efficiency and system solutions.

It doesn't make any sense to allow companies to make record profits from our dependence on oil and use it to make us more wretched slaves of fossil fuel.

Fourth, China can take up the global challenge of building oil-free cities employing the best tools and practices from around the world, and then sharing the experience with other countries.

The end of oil can lead to harmonious innovation or more aggressive investments in fossil fuel. The development road China chooses - sustainable or destructive - will not only shape the 21st century's industrial development, but also humanity's future.

The author Dennis Pamlin is adviser to various companies, governments and NGOs.

(http://www.chinadaily.com.cn/bizchina/2009-08/26/content_8619200.htm)

LNG projects are changing China's energy mix

August 10 (China Daily) - On the eastern coast of China, the country's oil companies are building or already operating a series of liquefied natural gas (LNG) projects.

With an investment totaling billions of yuan, they are improving the energy mix of the country, which now relies on coal for 70 percent of its energy.

The latest among these projects is the Zhejiang LNG receiving terminal developed by China National Offshore Oil Corp (CNOOC).

The country's third-largest oil company announced on July 8 that the project has been approved by the central government.

The project is CNOOC's fourth LNG terminal in the country. The first phase of the project, costing about 7 billion yuan and able to receive 3 million tons of LNG per year, is scheduled to be operational in 2012.

Currently, CNOOC is operating two LNG projects in Fujian and Guangdong. It is building its third LNG project in Shanghai.

The company aims to have 50 million tons per year of LNG receiving capacity by 2020, Zhou Shouwei, deputy general manager of CNOOC, said in July.

The target would be nearly eight times the total capacity of the first phase of two LNG terminals that CNOOC has brought on line since 2006.

CNOOC's ongoing expansion of its LNG facilities is in line with China's efforts to increase the use of natural gas to reduce its dependence on coal, which causes heavy pollution, analysts said.

Other domestic oil companies have also paid more attention to developing LNG projects.

China National Petroleum Corp (CNPC), the country's largest oil and gas producer, is now building LNG terminals in Liaoning and Jiangsu provinces.

In addition to building LNG terminals along the coast, domestic oil companies are also speeding up construction of inland natural gas pipelines.

CNPC last year started building the country's second west-east gas pipeline, the largest of its kind in the world. The project included one trunk line and eight sub-lines with a total length of 9,102 km.

The project, which is to cost 142.2 billion yuan, will cross 14 provinces, autonomous regions and municipalities.

It will carry 30 million cu m of natural gas every year from Central Asia and Xinjiang to eastern and southern areas including Shanghai and Guangdong.

The pipeline will greatly boost natural gas consumption in China.

Once it comes into operation in 2011, China will raise the ratio of natural gas in its total primary energy consumption by 1 to 2 percentage points, said Wu Hong, an executive with CNPC.

Using natural gas from the project, as opposed to coal, could reduce carbon dioxide emissions by 130 million tons a year and sulfur dioxide emissions by 1.44 million tons a year, Wu said.

CNPC completed China's first west-east gas transmission pipeline in 2004.

The 4,000-km project crosses 10 provinces, autonomous regions and municipalities, linking Xinjiang's gas-rich Tarim Basin to Shanghai.

The line has a designed capacity of 12 billion cu m a year and provides natural gas to more than 200 million people in China.

Oil and gas pipelines are safer, more economical and more convenient than other transportation methods, said Han Xiaoping, a veteran analyst in Beijing.

"China will see booming development in the sector in the next few years," Han said.

(http://www.chinadaily.com.cn/bizchina/2009-08/10/content_8548057.htm)

Big oil pumps profits

August 7 (China Daily) -- Boosted by a new oil pricing system that links domestic fuel prices more closely with international prices this year, China's two major oil companies are expected to see much better business performances in the first half compared with the same period last year, said analysts.

The two oil companies, PetroChina and Sinopec, will see "robust growth" in profits when they publish their interim reports later this month, said Lin Boqiang, director of the China Center for Energy Economics Research at Xiamen University.

The more market-oriented domestic fuel price could help oil companies post better profits in the first six months, he said. "As domestic gasoline and diesel prices are now more linked with international rates, PetroChina and Sinopec can pass on rising costs more to end users," he said.

The big gap between State-capped fuel prices and global crude prices has long been a headache for domestic oil companies. In the first half of last year when global crude price was high, domestic refiners incurred great losses because they were not allowed pass the costs on to consumers.

For instance, Sinopec, which is Asia's largest refiner, said it lost 46 billion yuan in the first half of 2008 when global crude price was high. The company made a profit of 5.7 billion yuan in the first half of 2007.

But in line with this year's oil pricing system reform, Sinopec would see more than 100 percent growth in profits in the first half, and the company's refining business would also see solid growth in profits, said Liu Gu, an analyst with Guotai Jun'an Securities in Shenzhen.

PetroChina, the country's biggest oil and gas producer, but with less refining business than Sinopec domestically, also said in an earlier statement that its refining profit "increased to a record" in the first half after the government revised the fuel pricing system.

PetroChina's refining subsidiaries achieved a "remarkable performance" in the first half even

as processing volumes and operating rates were cut by the financial crisis, said the statement.

China adopted a new oil pricing system this year under which domestic oil prices would be adjusted when the moving average of a basket of international crude (Brent, Dubai and Cinto) changes more than 4 percent over a period of 22 working days.

Under this mechanism China raised domestic oil prices three times and cut the price twice this year. The latest adjustment was on July 29, when the government cut gasoline and diesel prices by 220 yuan per ton, or 3 percent, to reflect the drop in international crude prices.

However, some industry insiders said that the mechanism should be further improved because the current system does not reflect the change in global crude prices very well.

"I feel that the fuel price is still very high, and I don't think it reflects the change in global crude prices well," said a Beijing taxi driver surnamed Li yesterday.

(http://www.chinadaily.com.cn/cndy/2009-08/07/content_8538852.htm)

China's first large coal-to-gas project under construction

August 30 (Xinhua) – CHIFENG -- Construction of China's first large coal-to-gas project started in northern China Sunday to ensure natural gas supply to Beijing and promote clean energy use.

Located in Chifeng city of the coal-rich Inner Mongolian Autonomous Region, the project is designed to transmit four billion cubic meters of natural gas to the Chinese capital annually through a 381-kilometer-pipeline when the project is completed in 2012, according to the China Datang Corporation, the builder of the project.

Prior to that, it is expected to supply 1.34 billion cubic meters of natural gas in 2010, and 2.68 cubic meters in 2011.

Beijing needs seven to eight billion cubic meters of natural gas annually. The demand is growing by 20 percent every year.

The new project could solve the deficiency of natural gas supply to Beijing and reduce the city's dependence on limited gas sources and transmission lines to ensure the capital's energy security, said Qin Jianming, deputy general manager of the Datang International Power Generation Co., Ltd.

Wu Guihui, chief engineer of the National Energy Administration under the National Development and Reform Commission, said the coal-based clean energy project will massively reduce emission of pollutants, help facilitate energy development restructuring and improve Beijing's air quality.

(http://news.xinhuanet.com/english/2009-08/31/content_11968584.htm)

CNPC to speed up oil assets buy plan

August 12 (China Daily) - China National Petroleum Corp (CNPC), the country's largest oil and gas producer, will speed up overseas acquisitions in regions such as Africa and South America this year, in a bid to boost China's quest for energy security.

Currently, the company is in talks with foreign partners for several deals, said a company executive yesterday, who asked not to be named.

"The relatively low prices of overseas assets this year have offered us unprecedented opportunities," he said, without elaborating.

Dow Jones reported yesterday that CNPC and China's third largest oil company CNOOC Ltd have proposed paying at least \$17 billion for all of Spanish oil and gas producer Repsol YPF SA's stake in its Argentine unit YPF SA.

The Chinese side discussed their offer with Repsol executives in a two-and-a-half-hour evening meeting on July 30 in Europe, Dow Jones reported. The deal could be the biggest overseas investment by China.

Both the CNPC and CNOOC spokespersons yesterday declined to comment on the deal.

Repsol has several times postponed a public offering of a 20-percent stake in YPF due to adverse market conditions -- an indication that the Spanish oil firm doesn't plan to divest the YPF stake on the cheap.

Zhang Guobao, vice-chairman of the National Development and Reform Commission, the country's top economic planning body, said last month that CNPC was holding talks with Repsol.

CNPC President Jiang Jiemin said earlier that the company would boost cooperation with oil companies in resources-rich countries such as Kazakhstan, Venezuela and Qatar this year.

Overseas mergers and acquisitions will be a "key strategic development target for the company", said Jiang.

The financial crisis has presented CNPC with a rare strategic opportunity to take advantage of low commodity prices to expand reserves, company Vice-president Zhou Jiping said earlier.

Analysts said that domestic oil companies' quickened pace in overseas development was in line with China's increasing oil imports. According to a recent report by the Chinese Academy of Social Sciences (CASS), 64.5 percent of the country's oil consumption was likely to be met by imports in 2020.

The gap between domestic consumption and production is the main cause for the increase in imports. CASS statistics showed that China's oil production would see gradual decline after 2020.

Analysts said China should further diversify its oil importing sources to ensure sustainable supplies. At present the Middle East, Africa and Asia-Pacific are the three main regions for Chinese oil imports.

In another development, a joint \$3.3-billion acquisition of a Kazakh private upstream company by CNPC and its Kazakh partner has been delayed.

The acquisition of MangistauMunaiGas, part of a \$10-billion loan-for-oil deal agreed this year, was due to be completed in July. But Kazakh state oil company, KazMunaiGas, said it had yet to be finalized, Reuters reported.

http://www.chinadaily.com.cn/cndy/2009-08/12/content_8557761.htm)

PetroChina first-half net income slumps 7.2% on lower oil prices

August 29 (China Daily) -- PetroChina Co, the world's most valuable company, said first-half profit fell 7.2 percent after crude oil prices dropped as the global economic slowdown curbed demand for fuels.

Net income declined to 50.5 billion yuan (\$7.4 billion) from a restated 54.4 billion yuan a year earlier, the Beijing-based producer said in a statement yesterday. That's higher than the median estimate of 49.9 billion yuan in a Bloomberg News survey of seven analysts. Sales reached 415.3 billion yuan.

Crude averaged 54 percent lower than a year earlier as the recession cut consumption in the US and Europe. Earnings may improve in the second half as oil prices recover and PetroChina boosts investments in refining.

"China's fuel demand is improving and we forecast a much better second half," said Yin Xiaodong, a senior oil analyst with Beijing-based CITIC Securities Co, which has a "buy" rating on the stock. "The revised oil-product pricing mechanism gives PetroChina a guaranteed refining margin if global crude prices stay at a reasonable level."

PetroChina, which overtook Exxon Mobil Corp as the world's biggest company by market value in May, fell 0.2 percent to HK\$8.81 before the result announcement. The shares, which have climbed about 30 percent this year, have lagged behind the 49 percent increase in China Petroleum & Chemical Corp, Asia's biggest refiner, and CNOOC Ltd's 43 percent gain.

China Petroleum, as Sinopec is known, posted a fourfold surge in first-half profit after the government increased State-set gasoline and diesel prices and demand improved. Net income at CNOOC, China's biggest offshore oil producer, exceeded analysts' estimates as oil prices rebounded.

Eleven out of 25 analysts rate PetroChina stock a "buy", compared with 17 out of 30 for CNOOC. Twenty-one out of 27 analysts recommended buying Sinopec shares.

Oil futures in New York rose to \$72 a barrel from a low of \$33.55 a barrel on Feb 12 on speculation the global economy is recovering and fuel consumption may rise. They remain about 50 percent below the record \$147.27 reached in July 2008.

China's economic growth accelerated to 7.9 percent in the second quarter from a 6.1 percent pace in the first three months that was the slowest in almost a decade.

PetroChina's refineries accounted for about 38 percent of China's processing capacity as of the end of 2006, according to data from its website.

Operating profit from its refining division reached 17.19 billion yuan under the new fuel pricing system introduced in December, PetroChina said.

Operating profit from its exploration and production division, accounting for 60 percent of PetroChina's assets, was 37.64 billion yuan in the first half.

PetroChina plans to make its refining business "a major profit contributor", President Zhou Jiping said in March. Spending on refining this year will rise 36 percent while expenditure on exploration and production will be cut by 15 percent, the company said then. Revenue from oil processing made up 74 percent of total sales in 2008.

(http://www.chinadaily.com.cn/bizchina/2009-08/29/content_8631422.htm)

Climate Change and Air Pollution

Emissions to peak at 2030: report

August 18 (China Daily) -- China's carbon emissions output could peak around 2030 if the government continues to be serious about "strengthened measures" to improve energy efficiency and if it accelerates exploration of renewable energy, a panel of experts says.

In 2050 China Energy and CO2 Emissions Report, the panel from the National Development and Reform Commission and the Development Research Center of the State Council, says that with the right policies, emissions growth could slow after 2020, with a peak around 2030.

This is the first time a Chinese think-tank has officially announced when it thinks China's carbon emissions will peak.

The international community has closely watched the country's carbon emissions curve because China and the US are the top two carbon emissions countries in the world.

The panel has advised China to invest significantly in low-carbon technology research and development, saying the strategy of developing such technology is "a stone killing two birds".

"Only by using advanced low-carbon technologies can China's greenhouse gas emissions peak around 2030; otherwise, the peak will be delayed and we don't want to see the latter scenario," said Jiang Kejun, a leading economist of the panel.

If the peak happens around 2030, the huge investment in low-carbon technologies could keep China's economy growing at a fast pace and make China a global leader in cutting-edge technologies.

"I think China will become a major supplier of nuclear, wind and hydropower technologies and electricity transmission by 2030," Jiang told China Daily yesterday. "And that should be a strategic goal for the Chinese government to pursue."

If China can achieve these goals, by 2050, its carbon emissions from fossil fuel "could fall to the same emissions levels as in 2005 or even lower", the report said.

The panel told China Daily earlier that the government should pump an average of 1 trillion yuan (\$146.5 billion) into low-carbon technology development each year until 2050.

"The money would be mainly used to introduce technologies that would raise the energy efficiency of end-users in industry, construction

and transportation," said Bai Quan, another expert of the panel.

Jiang said the government has been "on the right track" in making policy decisions to develop low-carbon technologies as new economic growth engines while countries worldwide are working on a plan by October to replace the Kyoto Protocol, which is set to expire in 2012.

Reuters contributed to the story

Last week, the State Council required that all provincial and local governments consider climate change initiatives in their economic and social development policies.

In early June, Premier Wen Jiabao affirmed that China would put in place carbon emissions reduction targets in national development programs.

China, thus, would assess its economic performance by how much less carbon it would emit per unit of GDP growth.

Experts believe the decision has major policy implications.

They said that once action is taken, China would accelerate the pace of restructuring its energy mix and economic structure, and seek a "green recovery path" out of a worsening financial crisis.

"These are vital decisions and pledges. The implications will largely go beyond China's stated commitment to fight global warming," He Jiankun, deputy head of the State Council's Expert Panel on Climate Change Policy, told China Daily.

He said China might consider a reduction in carbon emissions per unit of GDP as early as the start of the 12th Five-Year Plan (2011-15), and that it would decide the career path of bureaucrats by their performance in carbon reduction.

If that were the case, China would enter a new era in terms of climate change policy compared with its 20-percent energy-saving target for the 11th Five-Year Plan (2006-10).

(http://www.chinadaily.com.cn/cndy/2009-08/18/content_8580512.htm)

Top legislature endorses climate change resolution

August 27 (Xinhua) –China's top legislature approved Thursday a resolution on climate change, ahead of an international conference in December in Copenhagen, Denmark.

The resolution to "actively deal with climate change" was endorsed by lawmakers at the closing meeting of a four-day session of the Standing Committee of the 11th National People's Congress (NPC), the top legislature.

It will accelerate the country's attempts to tackle the pressing challenge of global warming and signals a proactive role for China in negotiating possible solutions to curtailing emissions.

Top legislator Wu Bangguo said the resolution was an "important achievement" and a significant measure taken by the top legislature to deal with the global challenge.

Wu, chairman of the NPC Standing Committee, said the resolution praised the government work on climate change, emphasized the importance of the issue, clarified guidelines, basic policies, measures as well as China's stance.

The resolution says: "With a spirit of being highly responsible for the survival and long-term development of mankind, China will continue constructively participating in international conferences and negotiations on climate change, and advance comprehensive, effective and sustained implementation of the international convention and its protocol."

It says China "as a developing country" will firmly "maintain the right to development," and opposes "any form of trade protectionism disguised as tackling climate change."

Developed nations should "take the lead in quantifying their reductions of emissions" and honor their commitments to "support developing countries with funds and technology transfers," it says.

"Since the Industrial Revolution, the activities of mankind, especially economic activities of developed nations during their industrialization process, have been a major cause of climate change," the resolution says.

It says cooperative international efforts, for example, between governments and legislative bodies, should be promoted. This would strengthen multilateral exchanges and negotiations and enhance mutual understanding.

The resolution says China will adhere to "the basic framework" set up in the UN Framework Convention on Climate Change (UNFCCC), signed by more than 150 countries in 1992, and the Kyoto Protocol, agreed in 1997 by the majority of the international community to set binding targets for developed countries to reduce CO2 emissions, and the principles of UNFCCC-endorsed "common but differentiated responsibilities" as well as "sustainable development."

It says the country must commit to energy saving and emissions reductions by promoting energy-efficient technology and products, exploiting renewable and clean energy, developing a recycling economy and further advancing afforestation and forestry carbon sequestration.

"We must improve monitoring and early warning systems and prepare ourselves well against extreme weather and climate disasters," it says.

The resolution says China should make carbon reduction a new source of economic growth, and change its economic development model to maximize efficiency, lower energy consumption and minimize carbon discharges.

It says efforts should be made to improve laws on environmental protection and climate change, such as the Energy Conservation Law, Renewable Energy Law, Circular Economy Promotion Law, Cleaner Production Promotion Law, Forest Law and Grassland Law.

The resolution says the NPC Standing Committee should strengthen supervision of enforcement of these laws to better deal with global warming.

Xie Zhenhua, the country's top representative in international climate change negotiations, told lawmakers on Monday that China would "do its best with utmost sincerity" to push for the success of the United Nations climate change conference in Copenhagen, which is to be attended by more than 190 nations having signed the UNFCCC, and is expected to negotiate a follow-up to the Kyoto Protocol.

(http://news.xinhuanet.com/english/2009-08/27/content_11953722.htm)

Will an environmental tax hurt or help economy in China?

August 31 (China Daily) - China's Ministry of Finance, State Administration of Taxation and Ministry of Environmental Protection have been jointly working on the introduction of an environmental tax.

The media reported last week that the new tax plan could be implemented as early as before the end of this year.

The Chinese government has placed environmental protection at the center of its policies to guide the world's third-largest economy.

China and the United States are the top two carbon emissions countries in the world.

With the right policies, China's emissions growth could slow after 2020, with a peak around 2030, according to a panel of experts from the National Development and Reform Commission, the country's top economic planner, and the Development Research Center of the State Council.

Some analysts said an environmental tax is a necessary economic tool to realize this target. An environmental tax would be more scientific and efficient than pollution emission fees that are currently levied on enterprises, they said.

But others said the introduction of the tax would become a new burden on companies that are already struggling with the global economic downturn.

Critics also said that China has already adopted taxes such as the fuel tax to protect the environment, and that a new environmental tax is unnecessary.

Analysts and netizens expressed their views to China Economy Weekly and Sina.com

Jia Kang, director of the Research Institute for Fiscal Science at the Ministry of Finance:

"If China wants to realize sustainable growth, an environmental tax would be an inevitable tool. China already has the foundation, in terms of both economic growth and taxation policies, for introducing an environmental tax. I believe a carbon tax would be the first to be adopted."

Ma Zhong, director of the School of Environment and National Resources at Renmin University of China:

"A carbon tax mainly targets CO2 emissions. It will increase the cost for using fuels that are high in CO2 emissions. It will force enterprises and public entities to improve their fuel efficiency and help slow down the global warming process."

Yang Zhaofei, director of the policies and regulations department at the Ministry of Environmental Protection:

"We now face a very important technical problem. We have to accurately calculate how much impact the new tax rate would have on the economy, product prices and the lives of ordinary people. We also need to be careful to prevent the environmental tax from becoming a heavy blow to the healthy growth of companies."

Netizen from Guangdong:

"Who will pay the environmental taxes? As ordinary people, we are already paying fuel taxes used to protect the environment. Will the government continue to levy or cancel fuel taxes? That is a question."

(http://www.chinadaily.com.cn/bizchina/2009-08/31/content_8637587.htm)

Experts say emissions cuts won't meet goals for climate change

August 13 (China Daily) - Chinese officials and researchers said yesterday they were "deeply disappointed" by the lower-than-expected greenhouse emission cuts the industrialized countries have pledged at the on-going Bonn talks.

They said the proposal by the rich nations forebodes a "gloomy future" for a new climate change deal scheduled to be reached in December in Copenhagen.

The industrialized countries proposed to cut greenhouse gas emissions by between 15 and 21 percent below 1990 levels by 2020 under a new UN climate pact.

About 1,000 negotiators are meeting in Bonn this week to discuss the new proposal, which falls short of cuts of between 25 and 40 percent outlined by a UN panel of scientists to avert the worst of global warming such as heat waves, floods and rising sea levels.

China has asked developed countries as a whole to commit to at least a 40 percent emission cut during 2012-20 period.

"The new proposal by the industrialized countries is not enough for sure," said Li Liyan, a climate change official with the National Development and Reform Commission, a cabinet department partly responsible for designing policies on global warming.

She said whether the international community can reach a "positive deal" in December to replace the current Kyoto Protocol which expires in 2012 heavily depends on whether the rich countries are willing to commit to deeper emission cuts.

Overall emissions by the 39 industrialized nations, based on the existing plans, would fall to the equivalent of between 10.71 and 9.86 billion tons of carbon dioxide in 2020 from 12.53 billion tons in 1990.

The data excludes the United States, the top greenhouse gas emitter after China, which is outside the current Kyoto Protocol obliging all other industrialized nations to cut emissions by an average of at least 5 percent below 1990 levels by 2008-12.

Hu Tao, a visiting professor on environment from Renmin University of China, said the 15-21 percent cut proposal is far below what the developing countries including China had expected.

"I am quite pessimistic about what deal the international community would achieve in Copenhagen," said Hu.

He criticized the industrialized countries for a lack of "stronger commitment" to save the planet. "They (the rich nations) are too selfish. They just

want to press emerging countries such as China and India to take more responsibility," said Hu.

The industrialized nations have sought to include big greenhouse emitters in the developing world, notably China and India, in any treaty commitments.

The head of the US delegation in Bonn, Jonathan Pershing told BBC said that having those two countries included was "absolutely part of the deal."

"We can't solve this (problem) without them; you need them all and they all have to move immediately."

But US climate change envoy Todd Stern, who was visiting Beijing, told China Daily recently the US is not pursuing a mandatory cap on greenhouse gas emissions from China.

"We don't expect China to take a national cap at this stage," Stern said, adding that what China had already done was "very impressive", citing the 20 percent energy efficiency target the country had set for the current five-year plan (2006-10).

Lin Boqiang, director of the China Center for Energy Economics Research at Xiamen University, said "the goal of 15-21 percent doesn't make much sense if the biggest emitter the United States is excluded."

He urged the developed countries to offer financial and technological aid to developing countries such as China and India to cut emissions. "That is the way to bring them into the deal," said Lin.

WWF said that the industrialized countries that want to keep the temperature rise to within 2 C above the level of pre-industrial times must commit to emission cuts of 40 percent by 2020 from 1990 levels to back up their vision with real action.

Zhou Dadi, an expert with the NDRC's Energy Research Institute, also said the commitment of 15-21 percent cut goal is very low.

"This shows that the developed countries are not living up to the world's expectation," he said.

Reuters contributed to the story

(http://www.chinadaily.com.cn/cndy/2009-08/13/content_8563213.htm)

China vows green commitments: road to Copenhagen

August 24 (Xinhua) - BEIJING: As a participant in the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, China on Monday vowed "utmost sincerity" in pushing for the success of climate talks in December in Copenhagen, Denmark.

Xie Zhenhua, Vice Minister of the National Development and Reform Commission (NDRC), made the remarks in a report delivered to the 10th session of the 11th National People's Congress Standing Committee.

Passed in 1992, the UNFCCC laid the principle of "common but differentiated responsibilities" for developed and developing nations.

The principle requires developed countries to provide funding and technology to developing nations. The latter are required to "take active measures" to adapt to and ease climate change while developing economically and alleviating poverty.

The Kyoto Protocol, signed in 1997, set quantified emission reduction targets for developed countries from 2008 to 2012.

The Copenhagen conference will focus on setting the next targets of emission reduction after the Kyoto Protocol expires in 2012.

It will also settle the further implementation of the Bali Road Map reached at the UN Climate Change Conference in December 2007 in Bali, Indonesia.

In the road map, participants agreed that negotiations on the implementation of the UNFCCC and the Kyoto Protocol should be carried out separately and an agreement should be reached in Copenhagen.

It clearly states that every UNFCCC participating party should be obliged to take responsibility for reducing greenhouse gas emissions, including the United States, which refused to sign the Kyoto Protocol.

The road map also stresses the importance of international cooperation, funding and technology transfers in tackling climate change problems.

The right of economic development for developing nations should be ensured, according to the road map.

Besides taking part in international agreements, China also issued its own plans to fight climate change, including the China's National Climate Change Program adopted in June 2007.

In the program, the government said it would restructure the country's energy consumption and reduce the use of fossil fuels as much as possible.

By 2010, China should lower its energy consumption per unit of GDP by 20 percent over the figures of 2005 and increase the proportion of renewable energy to 10 percent of its total energy use, according to the program.

(http://www.chinadaily.com.cn/china/2009-08/24/content_8610069.htm)

China urged to cut CO2 with CCS technology

August 10 (Agencies) -- The huge costs required to capture carbon dioxide (CO2) emitted by China's vast coal-fired power sector is a price worth paying to cut greenhouse gases to reasonable levels, US Energy Secretary Steven Chu said.

Carbon Capture and Storage (CCS) technology is seen by many as the only way forward in a country still heavily dependent on burning coal to meet its energy needs.

But scientists say it will actually require more energy consumption, not less.

This additional energy consumption includes the power required to drive the CCS facilities, as well to as transport and store the captured carbon.

However, this "energy penalty" is nothing compared to the environmental costs of doing nothing to curb emissions, Chu told Reuters.

"Is 10 percent or 20 percent too big an energy penalty? Not really, considering the real costs (of current practices) are actually considerably higher," Chu said.

He said even if the energy penalty amounted to 30 percent, it was still modest compared to the costs of spewing out not just CO2, but also nitrous oxide and sulfur dioxide, which cause acid rain and damage air, water and forests.

"So a 20 percent energy penalty is quite modest. And the technology will improve," he said.

Chu said the United States is planning to work closely with China on developing carbon capture technology through the new US-China Joint Clean Energy Research Center, which was established during Chu's visit to China at the end of July.

China currently has a CCS demonstration project operating in suburban Beijing and run by state power giant Huaneng Group. Another is expected to go into operation later this year in Shanghai.

China's biggest coal firm, Shenhua, is also building what is described as the country's first commercial CCS project as part of its new coal liquefaction plant in Erdos, Inner Mongolia.

Costing the earth

According to studies from the International Energy Agency (IEA), each carbon capture facility is likely to cost "a billion euros" and will need strong government backing to succeed.

"It is not possible commercially because it is too expensive," Nobuo Tanaka, secretary-general of the IEA, told Reuters during a visit to China last month.

With negotiations on a new global climate change compact set to conclude in the Danish capital of Copenhagen at the end of this year, many experts say more effort should be made to promote carbon capture technology as part of a new deal.

Up to now, concerns about safety and technological reliability have prevented CCS from receiving additional funding through the United Nations' clean development mechanism, or CDM.

The CDM allows developed countries to invest in environmentally sound but economically marginal projects in the developing world in exchange for UN-issued carbon credits, which can then be sold on the market or used to fulfill mandatory emission cuts.

Improvement

A decline in China's energy intensity, or the amount of energy it uses to produce each unit of national income, picked up pace in the first half of 2009, the country's top economic planner said at the start of this month.

The country used 3.35 percent less energy to generate each dollar of gross domestic product (GDP) in the six months through June 2009 than a year earlier, the National Development and Reform Commission said in a statement on its website.

China has set a goal of cutting energy intensity by 20 percent by 2010.

Its efforts appear to be gathering steam after an unsteady start, and in 2008 energy intensity fell nearly 5 percent.

In the first half of this year it was also down in several key sectors, the commission said. Power was down 9.51 percent, oil and petrochemicals were down 8.21 percent and steel was down 8.43 percent.

Climate role

In recent years the efficiency drive has also been promoted by China as a key part of a slate of measures to curb growth in greenhouse emissions, as it comes under pressure as the highest annual emitter of the gasses that cause global warming.

It will be in the spotlight this December when the world tries to settle a global framework for tackling climate change at the United Nations-led talks in Copenhagen

The government says that its emissions per capita and over the course of history are lower than those of rich nations that went through long, dirty industrialization.

China wants technology and financing help from developed countries to help it achieve cleaner growth, arguing that it should not have to

sacrifice economic progress when it is still trying to lift millions out of poverty.

(http://www.chinadaily.com.cn/bizchina/2009-08/10/content_8548117.htm)

TPAIC 1st local firm to buy carbon credits

August 6 (China Daily) -- Tianping Auto Insurance Co (TPAIC), a Shanghai-based insurance company, yesterday purchased 8,026 tons of carbon credits generated from a public green commuting campaign carried out during last year's Beijing Olympics, sealing the first such domestic deal in China's burgeoning voluntary carbon trading market.

The carbon credits, put on auction at the China Beijing Environment Exchange (CBEX) since December last year, were purchased at around \$5 per ton, and the total spending amounted to around 277,600 yuan, according to Hu Wu, chairman of TPAIC.

"This will help TPAIC to offset all its carbon emissions from daily operations between 2004 and 2008, making us the first carbon-neutral company in China," Hu said.

During last year's Green Commuting Campaign, initiated by the US-based Environmental Defense Fund (EDF) and China Association for NGO Cooperation (CANGO), 81,670 car users in Beijing voluntarily opted for public transportation between July 20 and September 20, when Beijing was hosting the summer Olympic Games.

This public campaign created 8,895 tons of carbon emission reduction credits, as calculated and verified by the Transportation Research Institute at Tsinghua University.

Mei Dewen, general manager of CBEX, said TPAIC offered the highest price among companies that were bidding for the carbon credits.

The transaction used the verified emission reductions (VERs) price of the Chicago Climate Exchange as a reference, as there was no clear pricing mechanism for such trade in China before, according to Zhang Jianyu, EDF's China program manager.

Buying VERs allows companies or individuals to offset their carbon footprints.

Zhang said the money earned from this transaction would be donated to the Green Commuting Fund, operated under CANGO, to support future voluntary actions in Shanghai, the host city of 2010 World Expo.

Ma Aimin, a division director of the climate change department under the National Development and Reform Commission, said this deal was "a good tryout" in using market-based mechanisms to reduce carbon emissions.

"The country will continue in its efforts to combat climate change during the 12th five-year plan by setting a national carbon intensity target," Ma told China Daily, adding that the NDRC was currently carrying out pilot projects to foster a domestic carbon market.

China, as a non-annex I country under the Kyoto Protocol agreement has been the largest carbon credit provider under the Clean Development Mechanism (CDM) since 2007.

Under the Kyoto Protocol, 38 industrialized nations are required to reduce their greenhouse gas emissions by an average of 5.2 percent below the 1990 levels, between 2008 and 2012.

By using the CDM projects, these countries can meet their emission reduction targets at a much lower cost by investing in clean energy projects in developing countries such as China.

But China lacks the legal and structural framework for carbon emission trading, as well as a sound financial service system for such trade, said Mei Dewen from CBEX, the country's first environmental equity trade institution. This has resulted in China's weak bargaining power in the international carbon market, he said.

"Carbon financing tools, services, institutions and products still don't exist in China," said Mei, "but they are very important factors for the country to build up a low-carbon industrial chain."

Since CBEX started operating last August, a total of 30 million tons of CO2 credits have been traded at the exchange.

http://www.chinadaily.com.cn/bizchina/2009-08/06/content_8531095.htm